Siemens Gamesa Renewable Energy - Capital Markets Day

On Track to Global Leadership

15 February 2018
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## Agenda – On Track to Global Leadership

<table>
<thead>
<tr>
<th>Time (CET)</th>
<th>Section</th>
<th>Presenter</th>
</tr>
</thead>
<tbody>
<tr>
<td>11:30-13:00</td>
<td>1. Corporate</td>
<td>Markus Tacke — CEO</td>
</tr>
<tr>
<td></td>
<td>Company Overview and Strategy</td>
<td>Miguel Ángel López — CFO</td>
</tr>
<tr>
<td></td>
<td>Financial Outlook</td>
<td>David Mesonero — CSO and CIO</td>
</tr>
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<td></td>
<td>Integration &amp; Transformation</td>
<td></td>
</tr>
<tr>
<td>13:00-13:30</td>
<td>Q&amp;A</td>
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<tr>
<td>13:30-14:30</td>
<td>Lunch Break</td>
<td></td>
</tr>
<tr>
<td>14:30-16:00</td>
<td>2. Business Units</td>
<td></td>
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<tr>
<td></td>
<td>Onshore</td>
<td>Ricardo Chocarro — ON CEO</td>
</tr>
<tr>
<td></td>
<td>Offshore</td>
<td>Andreas Nauen — OF CEO</td>
</tr>
<tr>
<td></td>
<td>Service</td>
<td>Mark Albenze — SE CEO</td>
</tr>
<tr>
<td>16:00-16:05</td>
<td>3. Conclusion</td>
<td>Markus Tacke — CEO</td>
</tr>
<tr>
<td></td>
<td>Coffee break</td>
<td></td>
</tr>
<tr>
<td>16:05-16:20</td>
<td>Q&amp;A</td>
<td></td>
</tr>
<tr>
<td>16:20-17:00</td>
<td>Q&amp;A</td>
<td></td>
</tr>
</tbody>
</table>
Company Overview & Strategy

Markus Tacke: CEO
SGRE on track to global leadership

- Attractive and competitive market environment where SGRE is well positioned to become the leader
- Only wind company that integrates all three facets of wind business
- Merger rationale clearly confirmed with synergy target increased and accelerated
- L3AD2020 program launched with focus on four areas: Transformation (costs), Growth, Technology & Digitalization and Change Management
- ~2 €B L3AD2020 cost reduction target by 2020 with focus on Product Affordability, Operations and SG&A
- Financial targets to outgrow the market, commitment to 8-10% EBIT margin excl. PPA, integration and restructuring costs
One Company – One Team
Agenda - Company Overview & Strategy

1. Sector Overview
2. SGRE Unique Proposition
3. L3AD2020 Program
4. Beyond FY18 Targets
Global power generation additions until 2040 to exceed total existing installed base

- Global power generation capacity (in TW)\(^1\)

- **Global population** and **GDP growth** driving higher energy consumption

- **Retirements** of old capacity triggering need of additional new installations

- Clear **electrification trends**, e.g. transportation

- New installations to **surpass existing accumulated capacity**

- **Global investment** until 2040: ~10 $T\(^2\)

---

1) IEA WEO 2017 (New Policies Scenario)  
2) BNEF NEO 2017, in real $T
Renewables already leading capacity additions in recent years…

Average annual final investment decisions for new coal-fired power capacity

Average annual additions of renewable power capacity

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1) IEA - World Energy Investment 2017  2) IHS Autonomy
...and going forward wind power will attract the largest pool of investments

**Global power generation capacity** (in TW)¹

- **2016**
  - Total: 6.7 TW
  - Wind: 7% (68% of total)
  - Solar: 5% (19% of total)
  - Others: 2% (14% of total)
  - Hydro: 0% (3% of total)
  - Fossil (incl. nuclear): 19%

- **2040**
  - Total: 12.0 TW
  - Wind: 14% (50% of total)
  - Solar: 15% (18% of total)
  - Others: 3% (2% of total)
  - Hydro: 15%
  - Fossil (incl. nuclear): 3%

**Global cum. new investments** (2017-40 in $T)²

- **Renewables**
  - Total: 7.4 T ($T)
  - Wind: 3.6x (3.3 T)
  - Solar: 2.8 T
  - Hydro: 1.1 T
  - Other RE: 0.2 T

- **Fossil (incl. nuclear)**
  - Total: 2.9 T

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1) IEA WEO 2017 (New Policies Scenario)  
2) BNEF NEO 2017, in real $T

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Competitiveness of renewables triggering investments from main stakeholders

Examples only

**Government**

Strong commitment to RE of international community

- PARIS 2015
- COP21
- Parliament
- 35% by 2030

**State/City**

100% RE target set

- COPENHAGEN
- Welcome to Denmark
- Fukushima City
- California Republic
- City of Vancouver

... cities and states are powerful drivers

**Corporate**

>19GW\(^1\) of corporate PPA for RE signed

- Google
- IKEA
- Nestle
- Microsoft
- Nike
- Nestle
- IBERDROLA
- e.on

... more companies are joining

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1) BNEF
Record-low auction prices transformed wind into a mainstream energy source

### Attractive supply and demand dynamics

**Supply**
- Continuous **technological improvements**
- **Consolidation** increasing scale and cost optimization
- **Digitalization / storage** enabling better renewable energy integration

**Demand**
- Sustained **commitment** to renewables
- **High liquidity** in the market
- Low cost of **funding**

### Resulting in record-low prices

**Onshore** (average auction prices €/MWh)$^1$

![Graph showing onshore auction prices]

**Offshore** (levelized auction prices $/MWh)$^2$

![Graph showing offshore auction prices]

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1) IRENA & SGRE  2) BNEF 2017  3) BNEF
“New normal”: Global transition towards auction systems largely behind us

<table>
<thead>
<tr>
<th>Onshore¹</th>
<th>Brazil – since 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain – since 2016</td>
<td></td>
</tr>
<tr>
<td>Mexico – since 2016</td>
<td></td>
</tr>
<tr>
<td>Germany – since 2017</td>
<td></td>
</tr>
<tr>
<td>India – since 2017</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Offshore¹</th>
<th>Denmark – since 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>France – since 2012</td>
<td></td>
</tr>
<tr>
<td>United Kingdom – since 2015</td>
<td></td>
</tr>
<tr>
<td>Netherlands – since 2016</td>
<td></td>
</tr>
<tr>
<td>Germany – since 2017</td>
<td></td>
</tr>
</tbody>
</table>

1) IRENA, BNEF

US wind market also based on competitive market mechanisms; Chinese market with country specific dynamics but still mainly through feed-in tariff
Favorable volume prospects for all businesses and with upside potential

Onshore

Average annual installations (in GW)\(^1\)

- 3 year average applied\(^4\)

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>49</td>
<td>57</td>
</tr>
<tr>
<td>CAGR</td>
<td>+5%</td>
<td></td>
</tr>
</tbody>
</table>

Large market

Moderate growth

Offshore

Average annual installations (in GW)\(^2\)

- 3 year average applied\(^4\)

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2020</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>4</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>CAGR</td>
<td>+12%</td>
<td>+13%</td>
<td>+13%</td>
</tr>
</tbody>
</table>

Mid-size market

Strong growth

Service

Average O&M Market size (in $B)\(^3\)

- 3 year average applied\(^4\)

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>14</td>
<td>19</td>
</tr>
<tr>
<td>CAGR</td>
<td>+11%</td>
<td></td>
</tr>
</tbody>
</table>

Mid-size market

Strong growth

Notes:

1) MAKE Q4 2017  
2) SGRE estimates  
3) MAKE O&M Report 2017  
4) 3 year average with the year before and after to avoid big yearly variations
Agenda - On Track to Global Leadership

1. Sector Overview
2. SGRE Unique Proposition
3. L3AD2020 Program
4. Beyond FY18 Targets
Merger provides SGRE unique foundation to achieve sector leadership

- **Scale**
- **Business & geographical diversification**
- **Technology leadership**
- **Extraordinary synergy & transformation potential**
SGRE benefits from leading scale

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reported Backlog (December 17)</td>
<td>€21B</td>
</tr>
<tr>
<td>Revenue (FY17 pro-forma)</td>
<td>€11B</td>
</tr>
<tr>
<td>WTG Order Entry (FY17 pro-forma)</td>
<td>8 GW</td>
</tr>
<tr>
<td>Accumulated Installed Base (September 17)</td>
<td>83 GW</td>
</tr>
<tr>
<td>GW under O&amp;M (September 17)</td>
<td>55 GW</td>
</tr>
</tbody>
</table>

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### Business & geographic diversification

**Uniquely diversified and complementary businesses – well positioned for growth**

<table>
<thead>
<tr>
<th>Market</th>
<th>Current Annual Market Size</th>
<th>Expected Growth</th>
<th>Order intake conversion to Revenue</th>
<th>SGRE</th>
<th>Business Highlights</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ON</td>
<td>~50 GW</td>
<td>Moderate</td>
<td>~1-2 yrs</td>
<td>Top 3</td>
<td>3.9 €B</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Positioned to gain market share</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Leading product portfolio</td>
</tr>
<tr>
<td>OF</td>
<td>~4-6 GW</td>
<td>Strong</td>
<td>~3-6 yrs</td>
<td>Leader</td>
<td>7.2 €B</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Positioned to continue leading</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Truly unique track-record</td>
</tr>
<tr>
<td>SE</td>
<td>~15 €B</td>
<td>Strong</td>
<td>~5-10 yrs</td>
<td>Top 2</td>
<td>10.1 €B</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Above market growth</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Strong profitability</td>
</tr>
</tbody>
</table>

1) MAKE Q4 2017  
2) Typical duration from time of order entry to the end of revenue generation  
3) As of December 2017, see notes on page 40 for details on Q1 backlog
SGRE has the broadest regional diversification…

Exposure to top country (based on 2016 installations)

Exposure to top 3 countries (based on 2016 installations)

Exposure to other countries (based on 2016 installations)

- Lowest exposure to a single country
- Lowest exposure to top 3 countries
- >50% of installations concentrated in 3 countries

Source: MAKE
...and true global reach – ensuring customer proximity

- >50 Sales offices in 39 countries
- 7 Service core competence centers covering all regions
Technology leadership is in our DNA

Combining unrivaled engineering experience...

Already jointly achieving top awards...

2017
- SG 114-2.0
- SG B82 rotor blade

...and announced the most attractive products for our customers

Turbine of the year Gold awards from Wind Power Monthly (pre-merger)

<table>
<thead>
<tr>
<th>Year</th>
<th>Onshore</th>
<th>Offshore</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>Gamesa G126-2.5MW Siemens SWT-7.0-154</td>
<td>SG 4.2-145</td>
</tr>
<tr>
<td>2015</td>
<td>Siemens SWT-3.3-130 Siemens SWT-7.0-154</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>Gamesa G114-2.0 MW Gamesa G58 850kW Siemens SWT-6.0-154</td>
<td>SG 8.0-167 DD</td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td>79.8 meter</td>
</tr>
</tbody>
</table>

Swept Area Increase: 21%
AEP Increase: >21%
Synergy targets increased and accelerated – Transformation program launched

<table>
<thead>
<tr>
<th>Initial Targets (June 2016)</th>
<th>New Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Synergies</td>
<td></td>
</tr>
<tr>
<td>230 €M</td>
<td>&gt;400 €M</td>
</tr>
<tr>
<td>Implementation Period</td>
<td></td>
</tr>
<tr>
<td>4 years (FY21)</td>
<td>&gt;230 €M by FY19</td>
</tr>
<tr>
<td></td>
<td>&gt;400 €M by FY20</td>
</tr>
</tbody>
</table>

2020 cost reduction target (in €B)

- Synergies: 0.4
- Base Productivity: 1.6
- Total: 2.0
Agenda - On Track to Global Leadership

1. Sector Overview
2. SGRE Unique Proposition
3. L3AD2020 Program
4. Beyond FY18 Targets
On track to global leadership: SGRE’s L3AD2020 program

L3AD2020

Best-in-class LCoE

3 Business Units

Digital Intelligence

Business Model Agility

Secure Sustainable Profitability

Leverage Economies of Scale

Merge & Stabilize

FY18
FY19
FY20
Key strategic levers: Business Model Agility, Best-in-Class LCoE & Digital Intelligence

**Business Model Agility**
Using flexibility to benefit from opportunities in a highly dynamic and diversified environment

**Best-in-class LCoE**
Ensuring the most competitive value proposition in the industry

**Customer Focus**
A trusted partner all across the globe

**Digital Intelligence**
Evolving into the OEM of the future by adding strong digital capabilities and offerings

**Lean**
Cost optimized product design & setup

**Technology Leadership**
Best-in-class turbine technology setting industry standard

**Operational Excellence**
Highest Quality and Health & Safety through standardized and optimized operations

People / Culture / Values
Cost reduction initiatives with ~2 €B target by 2020

Overview of key strategic measures

1. **Product Affordability**
   - “One technology per segment” streamlining the product portfolio
   - >20% third party spend cost reduction by 2020 through scale and optimized product specifications

2. **Operations**
   - Increase production in lower-cost countries & footprint rationalization based on changing demand dynamics
   - Apply respective operational excellence of legacy companies to SGRE businesses

3. **SG&A and Others**
   - Consolidation of regional headquarters
   - Workforce optimization and offshoring in R&D and support functions

---

1) Driven by Procurement & design-to-value
Streamlined product portfolio sets the foundation for cost reduction and competitiveness

One technology per Business Unit in mid-term…

…targeting simplified offering structure…

…with streamlined merged portfolio

<table>
<thead>
<tr>
<th>Geared</th>
<th>2 product lines with modular design</th>
<th>25 variants reduced to 9</th>
</tr>
</thead>
</table>

| Direct Drive | 1 platform | Geared turbines (incl. Adwen) to be discontinued |

- Full coverage of market segments
- Synergetic and simplified approach to product portfolio
- Best practice exchange for shared technologies
- Technology and Procurement collaborating to reduce costs
Flexible global business model and go-to-market strategy to maximize growth potential

Main examples

**Offering**
- Global solutions in Onshore, Offshore and Service
- Scope of offering ranging from development to full turnkey
- Modularized offering for each customer segment in each business unit
- Explore future developments in renewable energy, e.g. solar, hybrid, storage

**Customer Focus**
- Customer proximity with sales teams in each region
- Corporate account management
- Focused market strategies tailored for customer segments

**Footprint**
- Optimized vertical integration to minimize cost while protecting value-add know-how
- Partner with key suppliers for asset light model
- Partner with local players to fulfill local content requirements
- Localization option - always subject to a positive business case
Positioned to explore profitable opportunities in adjacent business fields

Project examples

**Solar PV & Hybrid**
- **Upstream**
  - >1,500 inverters installed
  - Track-record since 1993
- **Downstream**
  - >400MW orders
  - Track-record in India since 2013
- **Hybrid**
  - India’s first large commercial hybrid project

**Storage**
- **Hamburg test facility**
  - SGRE investing in R&D and prototypes of thermal storage
  - Technology under development with Hamburg Energie
  - Close to 50% efficiency, as a low cost energy storage for large amounts of energy

**Offgrid**
- **La Plana project**
  - Investing in offgrid solutions since 2014
  - Combination of wind, solar, storage (and diesel generators) – managed with own hybrid controller
  - Test plant “La Plana” commissioned in 2016
Digitalization will transform the way SGRE builds and operates wind turbines

SGRE digital vision

1. Design through installation
   - Enabling *higher efficiency* and *lower cost* along the whole value chain

2. Maintenance
   - Self diagnostics and predictive maintenance as new standard

3. Operation
   - Real-time park optimization between *yield* and *lifetime cost* based on *site* and *energy market environment*

Customer Value

- Reduced **CAPEX** & shorter time to operation
- Enhanced production while reducing **OPEX**
- Optimized **value to cost ratio** fitting new customer/country specific requirements
SGRE has the best foundation to be the digital leader in the industry

- >28,000 turbines monitored 24/7
- 190,000 turbine years of insights
- 400 data sensors per turbine in use
- 21 trillion values stored weekly

First OEM to include remote diagnostic sensors in wind turbines
Two remote control centers with global coverage
NEM joint venture: SGRE+NEM analytic capabilities for own and 3rd party WTG
One dedicated team for implementation of digital solutions
SGRE is continuously strengthening its digital capability

Selected examples

**Autonomous Drones**
- Automated tower and blade inspection

**Model Based Diagnostics**
- Proactive and prescriptive service

**Digital Twin**
- Simulation & forecast of turbines & wind farm behavior

We translate massive fleet data into internal efficiencies and customer value
People, Culture and Values are the foundation for realizing our vision

**Vision:** Be the global leader in the renewable energy industry driving the transition towards a sustainable world

**Mission:** We make real what matters, clean energy for generations to come

<table>
<thead>
<tr>
<th>Cultural strategic direction</th>
<th>Enabling elements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Results are <strong>relevant,</strong> delivered in a <strong>timely manner</strong> and at <strong>appropriate cost</strong></td>
<td><strong>Inspiring our people and exemplifying the culture</strong> and common values</td>
</tr>
<tr>
<td>Think from a customer perspective about how we can <strong>excel in delivery</strong></td>
<td><strong>People are motivated</strong> and engaged and see themselves as <strong>drivers of business success</strong></td>
</tr>
<tr>
<td><strong>New solutions</strong> for customers and ourselves</td>
<td><strong>Valuing the importance of the individual</strong></td>
</tr>
</tbody>
</table>
Agenda - On Track to Global Leadership

1. Sector Overview
2. SGRE Unique Proposition
3. L3AD2020 Program
4. Beyond FY18 Targets
SGRE has set clear profitable growth targets for 2020

- **Top line growth: faster** than the market in MW and EUR
- **8-10 % EBIT** margin excl. PPA, integration and restructuring costs
- **CAPEX < 5% of sales**
- **Positive cash flow** generation every year
- **8-10% ROCE**: enhance capital efficiency
- **25 % of net income as dividend policy**
Executive Management compensation scheme aligned with shareholder value creation

Executive Management compensation

- **Long-term Incentive**: 33%
  - Performance-oriented Stock Awards Plan with a 3-year vesting period based on 3 KPIs

- **Short-term Incentive**: 33%

- **Base Salary**: 33%

Corporate Social Responsibility: 10%

Long-term Incentives:

- **Total Shareholder Return** against weighted competitor basket: 45%
- **Reported Earnings per share**: 45%
Financial Outlook

Miguel Ángel López: CFO
Value creation is enhanced by focused financial management

**Solid foundation**

- Scale
- Business & geographical diversification
- Technology Leadership
- Extraordinary synergy & transformation potential

**Focus areas of financial management**

- Grow top line
- Enhance capital efficiency
- Drive profitability
- Strengthen balance sheet & cash management
Market position translates into strong order intake, backlog and revenue development – targeting a book-to-bill ratio >1

### Market position

- **SGRE ON** to increase market share
- **SGRE OF** to retain market leadership
- **SGRE SE** to outgrow market

### Order backlog (€B)

<table>
<thead>
<tr>
<th></th>
<th>Sep FY15</th>
<th>Sep FY16</th>
<th>Sep FY17</th>
<th>Dec FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>WTG (€M)</td>
<td>11.2</td>
<td>11.8</td>
<td>10.8</td>
<td>11.2</td>
</tr>
<tr>
<td>Service (€M)</td>
<td>7.6</td>
<td>9.3</td>
<td>9.9</td>
<td>10.1</td>
</tr>
</tbody>
</table>

### Revenue (€B)

<table>
<thead>
<tr>
<th></th>
<th>FY15</th>
<th>FY16</th>
<th>H1</th>
<th>H2</th>
<th>FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>WTG (€M)</td>
<td>9.1</td>
<td>10.4</td>
<td>6.0</td>
<td>5.0</td>
<td>9.0 – 9.6</td>
</tr>
<tr>
<td>Service (€M)</td>
<td>8.2</td>
<td>9.4</td>
<td>5.4</td>
<td>4.4</td>
<td>3.1</td>
</tr>
</tbody>
</table>

### WTG BIB

<table>
<thead>
<tr>
<th></th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>Q1</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Book-to-bill</td>
<td>1.1</td>
<td>1.0</td>
<td>0.8</td>
<td>1.0</td>
<td>1.4</td>
<td>&gt;1</td>
</tr>
</tbody>
</table>

---

1) Financial data prior to April 2017 corresponds to non-audited pro-forma data
2) Group order backlog of 21,333 €M at the end of December 2017 is split in Onshore 3,947 €M (vs. 3,759 €M reported in Q1 18), Offshore: 7,237 €M and Service of 10,150 €M (versus 10,338 €M reported in Q1 18). There was a carry-forward reclassification of 188 €M to Onshore that was accounted for in Service.
3) Book-to-bill: order intake in MW/volume of WTG sales (MWe)
Current order backlog secures revenue in FY18 and beyond

**Backlog and reach (€B)**

- **Q1 FY18 Actual revenue**: 2.1
- **FY18 reach of Q1 backlog**: 6.4
- **Book-and-bill orders FY18 to go**: 0.5-1.1
- **Revenue guidance FY18**: 9.0-9.6
- **Backlog reach beyond FY18**: 14.9

**Business situation**

- **Offshore and Service**: Typically high levels of backlog
- **Onshore**: Solid order book FY18

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Leading position in Offshore EMEA, important Indian market is normalizing and US catch-up envisaged

Revenue per region (€B, according to customer location)

<table>
<thead>
<tr>
<th>Region</th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMEA</td>
<td>9.1</td>
<td>10.4</td>
<td>11.0</td>
</tr>
<tr>
<td>Americas</td>
<td>3.6</td>
<td>3.4</td>
<td>3.0</td>
</tr>
<tr>
<td>APAC</td>
<td>1.3</td>
<td>1.7</td>
<td>1.9</td>
</tr>
</tbody>
</table>

CAGR +10%

 Highlights for further development

- Leading position in further growing **Offshore EMEA** market
- Onshore is resetting from difficult FY 2017 in US market
- **US Offshore auctions coming up**
- Gradual **normalization of tenders in India**, SGRE positioned as market leader
- **Offshore growth outlook in APAC** going forward

1) Financial data prior to April 2017 corresponds to non-audited pro-forma data
EBIT margin set to recover – striving for 8% to 10% target margin range

- **H2 FY18** expected to profit from **ramp-up of synergies and recovery / catch-up in key markets**
- **Strong service margin** profits from **continuous cost-out to optimize margin** in backlog and new orders

**EBIT Margin excl. PPA and I&R costs**

<table>
<thead>
<tr>
<th></th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
<th>Q1 FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBIT</td>
<td>6.5%</td>
<td>9.1%</td>
<td>7.1%</td>
<td>6.3%</td>
</tr>
<tr>
<td>FY18 Guidance</td>
<td>8-10% Target Margin Range</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Breakdown by segment**

- **WTG**
  - FY17: 5.7%
  - Q1 FY18: 3.8%
- **Service**
  - FY17: 18.5%
  - Q1 FY18: 22.2%

---

1) Financial data prior to April 2017 corresponds to non-audited pro-forma data
Guidance confirmed for transition year FY18

**FY17**

11 €B Revenue
774 €M EBIT excl. PPA and I&R costs
7.1% EBIT Margin excl. PPA and I&R costs

- **Price pressure**
  All Business Units facing price pressure, esp. Onshore market FY17 impacted by step-change in price level

- **Volume**
  Volume at similar level in MWe

- **Synergies & Productivity**
  Synergies & productivity program well on track - stringent control on spending

**Guidance FY18**

9.0 - 9.6 €B Revenue
7 - 8% EBIT Margin excl. PPA and I&R costs

---

1) Financial data prior to April 2017 corresponds to non-audited pro-forma data
Onshore market FY17 impacted by step-change in price level – stabilization of price development expected over the course of FY18

### Onshore ASP in order intake

<table>
<thead>
<tr>
<th>Quarter</th>
<th>ASP (^1) in order intake</th>
<th>Avg. order intake ASP (^1) FY17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 FY17 (^2)</td>
<td>0.80</td>
<td></td>
</tr>
<tr>
<td>Q4 FY17</td>
<td>0.69</td>
<td>+4%</td>
</tr>
<tr>
<td>Q1 FY18</td>
<td>0.72</td>
<td></td>
</tr>
</tbody>
</table>

\(^1\) ASP: Average Selling Price in order intake: order intake (€)/order intake (MW)
\(^2\) Financial data prior to April 2017 corresponds to non-audited pro-forma data

### Trends

- **Strong pressure on ASP in order intake** during FY17, especially in Q4, as auction systems were rolled out.
- **ASP in Q1 FY18 order intake** showing first signs of stabilization.
Synergy targets increased and accelerated – Transformation program launched

<table>
<thead>
<tr>
<th>Synergies</th>
<th>Implementation Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Targets (June 2016)</td>
<td>230 €M</td>
</tr>
<tr>
<td>4 years (FY21)</td>
<td>&gt;230 €M by FY19</td>
</tr>
<tr>
<td>New Targets</td>
<td>&gt;400 €M</td>
</tr>
<tr>
<td></td>
<td>&gt;400 €M by FY20</td>
</tr>
</tbody>
</table>

Higher faster

2020 Cost reduction target (in €B)

- Synergies: 0.4
- Base Productivity: 1.6
- Total: 2.0

Drive profitability
L3AD2020 cost saving goes far beyond synergy

Split by

Category

~20% Synergies
~80% Base Productivity

Functions

15-20% Product Affordability
15-20% Operations
~65% SG&A and Others

Key levers

- **Product Affordability:**
  ~20% cost savings on total procurement volume driven by design-to-value, volume and other procurement measures

- **Operations:**
  Global footprint optimization (incl. factory restructuring) & operational excellence

- **SG&A and Others:**
  Restructuring of administrative functions to avoid redundancy and resizing of R&D based on streamlined portfolio

**One-time costs to go**
Integration and restructuring costs: ~270 €M

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1) In addition to ~126 €M spent until Q1 FY18
Margin expansion will be driven by volume growth, strong productivity and synergies

Guidance FY18

9.0 - 9.6 €B Revenue

7 - 8% EBIT Margin excl. PPA and I&R costs

Price pressure

Normalized level of price pressure

Volume

Recovery of key SGRE markets & continuation of global growth

Synergies & Productivity

Full benefits from L3AD2020 program

Grow top-line faster than market

8 - 10% EBIT Margin excl. PPA and I&R costs

Drive profitability
Technology leadership: One-platform concept streamlines R&D effort and digitalization as key lever

<table>
<thead>
<tr>
<th>Year</th>
<th>R&amp;D Spend (€M)</th>
<th>% of Revenue</th>
<th>Capitalized R&amp;D</th>
<th>Total R&amp;D Spend</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY15</td>
<td>325</td>
<td>3.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY16</td>
<td>346</td>
<td>3.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY17</td>
<td>364</td>
<td>3.3%</td>
<td>142 (39%)</td>
<td>222 (61%)</td>
</tr>
<tr>
<td>Q1 FY18</td>
<td>67</td>
<td>3.1%</td>
<td>34 (51%)</td>
<td>33 (49%)</td>
</tr>
</tbody>
</table>

- **One-platform concept** implemented for Onshore and Offshore

- **Digitalization** will increasingly shape R&D agenda

---

1) Capitalized R&D approximated as sum of CAPEX additions to Intangible Assets
2) Financial data prior to April 2017 corresponds to non-audited pro-forma data
Targeted upgrade of production facilities is widely completed – targeting CAPEX < 5% of revenues and reinvestment rate ~1

Capital expenditure development (€M)

- Additions to Intangibles
- Addition to Property, Plant & Equipment (PP&E)

<table>
<thead>
<tr>
<th>FY15(^2)</th>
<th>FY16(^2)</th>
<th>FY17(^2)</th>
<th>Q1 FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>276</td>
<td>515</td>
<td>480</td>
<td>Guidance FY18</td>
</tr>
<tr>
<td></td>
<td></td>
<td>142</td>
<td>500</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>33</td>
</tr>
</tbody>
</table>

CAPEX in % of revenue:
- FY15\(^2\): 3.0%
- FY16\(^2\): 4.9%
- FY17\(^2\): 5.7%
- Q1 FY18: 3.9%

Reinvestment rate\(^1\):
- FY15\(^2\): 1.1
- FY16\(^2\): 1.8
- FY17\(^2\): 1.7
- FY18 Q1: 1.1

Going forward

- PP&E CAPEX expected to decrease as major footprint investments achieve completion
- Stringent control over planned and actual spending

Guidance FY18

Q1 FY18 Target < 5%

\(^1\) CAPEX divided by Dep. & Amortization excl. PPA amortization on intangibles' fair value

\(^2\) Financial data prior to April 2017 corresponds to non-audited pro-forma data

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Stringent management of working capital to keep value below maximum of 2% of revenues throughout the cycle

<table>
<thead>
<tr>
<th>Working capital Q1 FY18 (€B)</th>
<th>Focus and control on working capital management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade Receivables: 1.2</td>
<td>Establishment of weekly “cash calls” on a broad basis</td>
</tr>
<tr>
<td>Inventories: 2.0</td>
<td>Receivables and inventories monitored closely</td>
</tr>
<tr>
<td>Contract assets/ liabilities: -0.8</td>
<td>Strong focus on payment terms</td>
</tr>
<tr>
<td>Trade Payables: -2.2</td>
<td></td>
</tr>
<tr>
<td>Other current assets/ liabilities: -0.3</td>
<td></td>
</tr>
<tr>
<td>Working capital / LTM(^1) revenue: -1.4%</td>
<td></td>
</tr>
</tbody>
</table>

**Targets**

- **FY18 Guidance:** between +3% and -3% of revenue
- **Beyond FY18:** < 2% of revenue throughout the cycle

---

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1) LTM = Last Twelve Months at Dec 2017
Committed to sustainable turnaround in cash development

Net Cash Variation excl. Adwen related payments (€M)

-436  
H2 FY17  
Q1 FY18  
FY18  
FY20

+12

- Drive profitability
- Manage working capital
- Control CAPEX

Targets

1. Generating positive cash flow every year
2. Cash conversion rate > (1 - growth)²

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1) Based on reported position (Net financial debt) / cash excluding Adwen related payments (-101M € in H2 FY17, -49M € in Q1 FY18) and excluding dividends
2) Cash Conversion rate = Free Cash Flow pre tax excluding cash out for Adwen legacy projects / EBIT excl. PPA; growth rate based on y-o-y order intake growth (MW)
Stringent control on spending related to Adwen

Fast consolidation of Adwen activities into OF

Legacy projects (installed) – Leverage experience
- Successful installation of Wikinger project
- Service fleet strengthened through SGRE Service experts
- Synergies

French Pipeline (to be installed) – Swap to selected direct drive platform
- Consented swap to SG 8.0-167 DD
- Serve projects with strong technology experience
- Global portfolio harmonization
- Drive localization

Adwen legacy cash impact (€M)

<table>
<thead>
<tr>
<th>Period</th>
<th>H2 FY17</th>
<th>Q1 FY18</th>
<th>FY18</th>
<th>FY20</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-101</td>
<td>-49</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Our business is based on a sound balance sheet, and poised for growth

### Key balance sheet positions Q1 FY18 (€B)

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Assets</td>
<td>1.5</td>
</tr>
<tr>
<td>Goodwill &amp; Intangibles</td>
<td>7.0</td>
</tr>
<tr>
<td>Other positions (net)</td>
<td>0.1</td>
</tr>
</tbody>
</table>

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Cash¹</td>
<td>0.3</td>
</tr>
<tr>
<td>Provisions²</td>
<td>(2.5)</td>
</tr>
<tr>
<td>Equity</td>
<td>(6.4)</td>
</tr>
</tbody>
</table>

**Total** 8.6

### Characteristics & targets

**Characteristics**
- **Sound balance sheet**
- **Strict risk-return policy**
- **Solid foundation for growth**

**Targets**
- Keep net financial debt / EBITDA < 1.0x
- Reach capital efficiency of ROCE 8-10%, driven by profitability increase and cash management

---

1) Based on reported position (Net financial debt) / cash = 0.3
2) Including Pension provisions
3) Other positions (net) = financial assets and liabilities current and non-current (net), deferred tax assets and liabilities (net), working capital, current tax assets and liabilities (net)
Value creation beyond FY18 secured by stringent financial management

Grow top line
- Grow in MW and EUR faster than the market
- Book to Bill > 1 every year

Enhance capital efficiency
- ROCE 8-10%
- Dividend policy: 25% of net income

Financial management

Drive profitability
- EBIT margin excl. PPA, integration and restructuring costs: 8-10%

Strengthen balance sheet & cash management
- CAPEX < 5% of sales and reinvestment rate ~ 1
- Working capital < 2% of sales
- Cash conversion rate (excl. Adwen) > 1 – growth
- Net financial debt / EBITDA < 1.0x
Integration & Transformation

David Mesonero: Chief Strategy Officer & Chief Integration Officer
Integration on track, overachieving on synergies – ambitious transformation launched

SGRE post merger integration fully on track with synergy target almost doubled

L3AD2020 program started: “LCoE, Agility and Digitalization”

L3AD2020 includes cost reduction target of ~2 €B by 2020, including synergies and productivity improvements

Cost reduction initiatives focused on Product Affordability, Operations and SG&A

People & Culture as a key pillar. Change Management program launched
Robust integration process in a transitioning sector

SGRE mobilized for integration…

>200 people regularly involved in integration workstreams

>20 integration workstreams created to perform all integration related activities

SGRE regions involved in integration through in-country roadshows

...following a rigorous and structured process...

Weekly updates to track and support workstreams progress

~1,600 tasks in masterplan being monitored

>700 bottom-up synergy initiatives identified

...with significant progress on all integration fronts

>90% of integration decisions taken, with all key business decisions closed

Synergy ambition almost doubled

Organization in place

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Key milestones achieved: Product portfolio driving major business decisions

- New joint product technology announced at Wind Europe (November 2017)
- Procurement plan developed
- Industrial manufacturing footprint
- "Continuous improvement"
- Product portfolio decision
  One Segment, One Technology
- Sales plan established
- Make / buy strategy defined
Synergy targets increased and accelerated

**Initial Targets (June 2016)**

- **Synergies**: 230 €M
- **Implementation Period**: 4 years (FY21)

**New Targets**

- **Higher**: >400 €M
- **Faster**: >230 €M by FY19, >400 €M by FY20

Integration
Synergy targets mainly driven by cost initiatives

<table>
<thead>
<tr>
<th>In €M</th>
<th>Cost</th>
<th>Revenue</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>June 2016</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ON</td>
<td></td>
<td>160</td>
<td>70</td>
</tr>
<tr>
<td>OF</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Units</td>
<td>&gt;350</td>
<td></td>
<td>&gt;400</td>
</tr>
<tr>
<td>SE</td>
<td>&gt;x2.1</td>
<td>&gt;350</td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td>&gt;300</td>
<td></td>
<td>&gt;400</td>
</tr>
</tbody>
</table>

Target increase
Product Affordability measures represent ~50% of synergies

- **Procurement incl. portfolio simplifications**: ~30-40%
- **Technology**: ~10-20%
- **Manufacturing and Operations**: ~10-20%
- **Business Unit headcount reductions**: ~5-10%
- **G&A and other**: ~5-10%
- **Sales**: ~5-10%
- **Project Management**: ~5-10%
People & Culture as a key pillar. Truly global integration process
Success of the Integration – It is all about people
Going beyond integration: SGRE’s L3AD2020 program

L3AD2020

Best-in-class
LCoE

3 Business Units

Digital Intelligence

Business Model
Agility

Leverage Economies of Scale

Secure Sustainable Profitability

Merge & Stabilize

FY18

FY19

FY20
Leadership in cost control a key pillar of the L3AD2020 program

### From integration...

<table>
<thead>
<tr>
<th>Synergy target</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Main decisions taken</td>
</tr>
<tr>
<td>✓ Bottom-up exercise completed</td>
</tr>
<tr>
<td>✓ Synergies in implementation phase</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Synergies of</th>
<th>~400 €M</th>
</tr>
</thead>
</table>

### ..to transformation: L3AD2020 cost optimization

<table>
<thead>
<tr>
<th>Cost-out target</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Independent due diligence exercise completed</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Management Body</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Team in place</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Timeframe</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Process started and on track</td>
</tr>
<tr>
<td>Within 3 years</td>
</tr>
</tbody>
</table>

Cost reductions & synergies of ~2 €B (synergies included)
Profitability and competitiveness achieved through leading cost management:
~2 €B cost reduction program

Split by

Category

~20%

~80%

BU

~15%

~25%

~60%

WTG: ~85%

Functions

15-20%

15-20%

~65%

One-time costs to go1

~270 €M

~2 €B cost reduction program by 2020

1) In addition to ~126 €M spent until Q1 FY18
Product Affordability: ~65% of total cost reduction target by 2020

<table>
<thead>
<tr>
<th>Targets</th>
<th>20% reduction in third party spend</th>
</tr>
</thead>
</table>

**Technology**

- **Design-to-value**
  - Increased use of Design-to-value

- **Increased modularization**
  - Benchmarking on product knowledge based on internal and market experience
  - Right balance of modular solutions and specific needs to reap maximum benefit of scale

**Procurement**

- **Leverage on global scale**
  - Early involvement of key suppliers in product development process
  - Exhaustive specification optimization with consideration of suppliers and in-house manufacturing process

- **Manage Demand**
  - Increase number of suppliers for selected commodities
  - Tenders bundling the volumes of Business Units
  - Improve demand management and optimize policies in non-technical areas
Product Affordability: Examples

**Early supplier involvement**

- **Supplier involvement** from design phase e.g. supplier day in London
- **200 supplier workshops with ~150 suppliers**
- Evaluation of **cost transparency** of main cost drivers

**Leverage on global scale**

- **Integrated global volumes** for Business Units
- Recurring tenders **every 18-24 months** to ensure constant cost reductions
- Goal is to achieve up to **double digit savings**
Operations: 15-20% of total cost reduction target by 2020

Benchmark operational efficiency in a highly cost-competitive global footprint

<table>
<thead>
<tr>
<th>Targets</th>
</tr>
</thead>
</table>
| Production | Footprint rationalization  
| Manufacturing optimization | - Facility closure/transfer to optimize proximity to customers  
| - Production shifts to lower cost locations  
| - Increase vertical integration wherever appropriate  
| - Reduce indirect labor across the board  

| Installation | Design-to-Cost  
| Optimized execution | - Product design incorporates reduced installation costs  
| - Leaner project execution  

| Service | Field optimization & Inventory reduction | - Reduce turbine visits and shorten duration of minority work  
| - Optimize service execution through digital programs  
| - Inventory optimization via reduction of obsolescence and warehousing space  

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Operations: Examples

Footprint optimization

- Announced closure of factories, e.g. in Canada, Denmark, Germany and Spain
- Increase low cost production footprint, e.g. in Morocco and China
- Optimize manufacturing planning to reduce logistics costs: Switch part of blade production from Spain to US to serve local market
- Open dedicated offshore facilities close to demand centers, e.g. in Germany and United Kingdom

Optimized execution

- Process stabilization reducing installation times
- Process optimization, e.g. moving activities from harbor to factories
- Leaner setup allowing for headcount reduction
SG&A and Others: 15-20% of total cost reduction target by 2020

Up to ~20% gross headcount reduction plan announced in all functions. SG&A representing a significant portion

**Target**

<table>
<thead>
<tr>
<th>SGRE total Employees ('000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>~26.5</td>
</tr>
</tbody>
</table>

**Right-sizing**

- **Right-size support functions** through automation, productivity improvements and demand management
- **Consolidation** of administrative locations
- **Outsourcing** of selected activities

**Consolidation & efficiency**

- **Consolidation** of locations / resources from legacy organizations
- **Increase** sales efficiency and **productivity**

**Streamlining**

- **Optimize R&D** based on streamlined portfolio with focus of one technology per BU
- **Outsourcing** of selected activities
L3AD2020 program. Change Management program launched

FROM
Integration
“They”
Legacy
Taking
Think

TO
Transformation
“We”
Future
Giving
Act

Empower the people to lead the future
Integration on track, overachieving on synergies – ambitious transformation launched

**SGRE post merger integration fully on track with synergy target almost doubled**

**L3AD2020 program started: “LCoE, Agility and Digitalization”**

**L3AD2020 includes cost reduction target of ~2 €B by 2020, including synergies and productivity improvements**

**Cost reduction initiatives focused on Product Affordability, Operations and SG&A**

**People & Culture as a key pillar. Change Management program launched**
Business Unit – Onshore

Ricardo Chocarro: Onshore CEO
Onshore by the numbers (FY17)

3.9 €B
Backlog\(^1\)

6.3 GW
Order entry\(^2\)

6.6 €B
Revenue\(^2\)

~12%
CY16 market share\(^2\)

~73 GW
globally installed

~12k
employees

True **global Footprint**

Portfolio **covering all requirements**

1) As of December 2017 - for details on backlog please see page 40   2) Pro-forma
Agenda

1. Sector review and Onshore strategy
2. Market Strategy
3. Product offering
4. Cost optimization
Efficiency sustains and grows the market – Onshore offers competitive cost of energy

Global onshore wind installations (GW)$^1$

3 year average applied$^3$

Average LCoE (in $/MWh)$^2

<table>
<thead>
<tr>
<th>Year</th>
<th>Global onshore wind installations (GW)</th>
<th>Average LCoE (in $/MWh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>49</td>
<td>Gas</td>
</tr>
<tr>
<td>2018</td>
<td>51</td>
<td>Wind ON</td>
</tr>
<tr>
<td>2019</td>
<td>56</td>
<td>Solar PV</td>
</tr>
<tr>
<td>2020</td>
<td>57</td>
<td></td>
</tr>
</tbody>
</table>

CAGR

~+5%

1) MAKE Q4 2017  2) BNEF  3) 3 year average with the year before and after to avoid big yearly variations
Recent transition to auctions has caused accelerated price adjustments

- **Majority** of global wind markets have **transitioned** towards **auction models**
- **Strong wave** of transition between 2016-2017, e.g. India, Germany
- Auctions have pushed **energy prices down**

- **Accelerated price adjustment during** transition phase
- **After transition phase, continued efficiency gains** via technology and industrial improvements, but at **normalized pace**

---

1) IRENA  2) BNEF  3) Average selling price affected by a number of factors like supply scope, turbine platform, FX effect etc.
We have delivered a solid and regionally diversified growth trajectory over past years

**SGRE Global deliveries (GW)**\(^1\)

<table>
<thead>
<tr>
<th>FY</th>
<th>5.7</th>
<th>6.1</th>
<th>7.2</th>
<th>7.3</th>
</tr>
</thead>
</table>

**SGRE Deliveries by region (cum. FY14-17 in %)**\(^1\)

- **North America**: 33%
- **EMEA**: 26%
- **LATAM**: 16%
- **India**: 15%
- **APAC Ex. India**: 10%

100% = 26.3 GW

1) Pro-forma
> 2 GW orders booked in each of last 2 quarters

SGRE Order Entry by region (GW)

<table>
<thead>
<tr>
<th>Region</th>
<th>Q4 FY17</th>
<th>Q1 FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMEA</td>
<td>2.167</td>
<td>2.208</td>
</tr>
<tr>
<td>North America</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LATAM</td>
<td></td>
<td></td>
</tr>
<tr>
<td>India</td>
<td></td>
<td></td>
</tr>
<tr>
<td>APAC Ex. India</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

SGRE Order Entry by Quarter YoY (GW)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q4 FY16</th>
<th>Q4 FY17</th>
<th>Q1 FY17</th>
<th>Q1 FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2.063</td>
<td>2.167</td>
<td>1.862</td>
<td>2.208</td>
</tr>
</tbody>
</table>

1) Q4 FY16 and Q1 FY17 Pro-forma
Profitable growth through scale & global reach, product and cost optimization (simplicity)

**L3AD2020**

- **Business Model Agility**
  Using flexibility to benefit from opportunities in a highly dynamic and diversified environment

- **Best-in-class LCoE**
  Ensuring the most competitive value proposition in the industry

- **Digital Intelligence**
  Evolving into the OEM of the future by adding strong digital capabilities and offerings

---

**Onshore focus areas**

- **HSE**: Sector leading HSE as backbone for sustainable and successful business

- **Market**: Scale and global reach to outgrow market in MW and EUR with clearly defined market-specific strategies

- **Product**: Deploy best of legacies knowhow to optimize LCoE and streamline portfolio as driver for cost-out

- **Cost**: Comprehensive cost-out program in place to offset price pressure and increase margins
Agenda

1. Sector review and Onshore strategy
2. Market Strategy
3. Product offering
4. Cost optimization
We have the critical mass and unique post-merger opportunity to capitalize on scale

Benefits of large scale

- R&D capability / resources
- Global reach & diversification
- Operational efficiency
- Procurement advantages

Market share\(^2\) (cum. in %)

CY16 Onshore Revenue\(^1\)

- SGRE pro-forma
- Gamesa
- SWP

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1) Company annual reports & SGRE internal data 2) MAKE Global OEM Market Share 2013 - 2016; pro-forma SGRE included in TOP 4
Regional organization ensures customer proximity

Key Onshore Facts

- ~73 GW installed in 73 countries
- 5 regions with full P&L responsibility
- 36 sales offices
Well positioned for growth in US, leading position in LATAM markets

### Market 1

<table>
<thead>
<tr>
<th>Year</th>
<th>US</th>
<th>LATAM</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>6.9</td>
<td>6.9</td>
</tr>
<tr>
<td>2018</td>
<td>8.9</td>
<td>8.9</td>
</tr>
<tr>
<td>2019</td>
<td>10.8</td>
<td>10.8</td>
</tr>
<tr>
<td>2020</td>
<td>12.4</td>
<td>12.4</td>
</tr>
</tbody>
</table>

- Dominated by OEMs with local footprint
- Highly capacity-driven market
- PTC and RPS key drivers for growth
- Secure pipeline (safe harbor)

### Strategy

- Clear focus on market share growth
- Deploying both high capacity factor WTG and large rating WTG for different customer profiles
- Harvest repowering opportunities

### Target position 2020

- High growth: CAGR 38% 2017-20
- Driven by auctions and bi-lateral PPA
- Wind and Solar PV in hard competition

### Other main markets

- Brazil
- Argentina

L3AD2020 Business Model Agility
Repositioning for growth in mature markets and leading in the Middle East and Africa

Market

GW

Citizen wind parks dominated recent auctions
Trend to high capacity, tall towers and large rotors

Strategy

Launch new 4.2MW CIII rotor on high tower
Focus on key accounts
Proximity to customer

Market

GW

2016/17 auctions created dynamic market for 2018-19
Corporate PPA market developing

Strategy

Manage capacity to deploy >3MW products with optimized supply
Right balance key accounts/smaller IPPs
SGRE own development capabilities as a relevant sales channel

Other main markets

France
Norway
TOP 2

Turkey
#1

Morocco

Egypt
#1

Target position 2020
#1 in India and best positioned foreign OEM in largest wind market

**Market**

<table>
<thead>
<tr>
<th>Year</th>
<th>GW</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>4.2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>2.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>3.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>3.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- 2022 target of 60 GW (cumulative)
- Transition from FiT to auctions
- Strong competition from solar PV

**Strategy**

- Customize new < 3 MW C IV product
- Increase local supply base & BoP
- SGRE own development capabilities as a relevant sales channel

**Other main markets**

- Japan TOP 3
- Philippines #1
- Australia TOP 3

**Market**

<table>
<thead>
<tr>
<th>Year</th>
<th>GW</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>15.8</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>18.8</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>21.3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>20.7</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Largest wind market
- Dominated by local OEMs
- Curtailment issues, new transmission to enable North China market

**Strategy**

- Build on local supply chain
- Focus on demanding sites (altitude, high wind, dust, typhoon areas, ...)
- SGRE own development capabilities as a relevant sales channel

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1) MAKE Q4 2017
Agenda

1. Sector review and Onshore strategy
2. Market Strategy
3. Product offering
4. Cost optimization
Engineering power of legacy companies @ work, first joint product platform launched

SG 4.2-132
High wind

SG 4.2-145
Medium wind

SG 4.2-155
Low wind

Flexible power range from 4.0 to 4.5 MW
SG 4.2-145 combines best of legacies to achieve new heights in efficiency and profitability

SIEMENS

- **Flexible** adaptable nominal power
- **Blade aerelastic** control and noise reduction

**Gamesa**

- **Efficient** drive train design
- **Power electronics** design solution

**Key project milestones**

- **Q4 CY2017**
  - Official market launch (WindEurope Amsterdam)
- **Q4 CY2018**
  - Design certificate and first prototype
- **Q1 CY2019**
  - Start of Production

**Swept Area Increase:**
- **21%**

**AEP Increase:**
- **>21%**
Future portfolio streamlined around geared technology to maximize economies of scale

<table>
<thead>
<tr>
<th></th>
<th>2 product lines</th>
<th>9 wind turbine models</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low wind</td>
<td>Medium wind</td>
</tr>
<tr>
<td>&gt;3MW</td>
<td>SG 4.2-155</td>
<td>SG 4.2-145</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SG 3.4-132</td>
</tr>
<tr>
<td>&lt;3MW</td>
<td>SG 2.1-122</td>
<td>SG 2.6-126</td>
</tr>
<tr>
<td></td>
<td>SG 2.1-114</td>
<td></td>
</tr>
</tbody>
</table>

Existing Direct Drive Onshore platform available in selected markets
SGRE investing in new technologies to extend our activity into new businesses

**La Plana – Offgrid Test Center**

**Offgrid** test facility “La Plana” combining solar, wind, gensets with Li-ion and newly installed redox-flow battery system

**First commercial on-grid Hybrid Project** in India is being commissioned with a **28.8 MW solar wind farm** combined with a **SGRE 50 MW wind farm**

**ETES – Electric Thermal Energy Storage**

Proof of concept successfully installed and tested in Hamburg. A new demonstrator will be built in 2018
Digitalization embedded in product design to optimize LCoE

- **Big Data** analysis of fleet **to improve design of components**

- Testing, validation & verification over a **Wind Turbine Digital Twin**

- From site-specific to turbine-specific **loads evaluation via smart sensors**

- To improve energy output, **turbines interact with each other in a smart way**

- **Industry 4.0** as lever to manufacture and deliver **customized products** at most competitive cost level, **short lead times** and **best-in-class quality**

- **Efficiency**
- **Reduced LCoE**
- **Improved Design**
- **Faster development cycles**
Agenda

1. Sector review and Onshore strategy
2. Market Strategy
3. Product offering
4. Cost optimization
## Comprehensive cost-out program launched

<table>
<thead>
<tr>
<th>Product Affordability</th>
<th>Operations</th>
<th>SG&amp;A and Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Global <strong>scale</strong> and <strong>pooling</strong></td>
<td>- Rationalize <strong>footprint</strong></td>
<td>- Increase <strong>R&amp;D efficiency</strong> via simplified portfolio</td>
</tr>
<tr>
<td>- Increase <strong>modularization</strong></td>
<td>- Allocate production volume to most cost-effective factories</td>
<td>- Optimize <strong>office locations</strong></td>
</tr>
<tr>
<td>- <strong>Design-to-cost</strong> and <strong>Design-to-manufacturing</strong></td>
<td>- Increase <strong>factory utilization</strong></td>
<td>- Restructuring effort</td>
</tr>
<tr>
<td>- Enrich and activate <strong>supplier base</strong></td>
<td>- Asset-light approach optimizing <strong>Make / Buy / Build-to-Print</strong> strategy</td>
<td>- Target &gt;25% fixed cost reduction</td>
</tr>
<tr>
<td>- <strong>Execution and logistics efficiency</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Broad knowledge base of both legacy companies enabling LCoE leadership

### Design-to-Cost & Design-to-Manufacturing

- **Design-to-cost**
  Same root diameter for SG 4.2-145 and SG 3.4-132 blades to reduce logistic impact

- **Design to manufacturing**
  New 145m “butterfly” blades using best from both legacies and facilitating make/buy/build to print strategy

### Modularization & Standardization

- **Modular design** of drive trains allowing a large variety of noise emission limits, facilitated by the own gearbox development capabilities

- **Standardization** to enable a large number of common parts, e.g. ~30% common parts between SG 3.4-132 & SG 2.1-114

### Execution & Logistics Efficiency

- **Integrated wind farm planning** of BoP, erection and logistics to reduce total wind farm cost

![Modular design of drive trains](image-url)

![Standardization](image-url)

![Execution & Logistics Efficiency](image-url)
One nacelle assembly per main region to reduce total cost of ownership
Asset light and low cost blade footprint
Growth and simplicity – creating lasting value through profitable growth
Business Unit – Offshore

Andreas Nauen: Offshore CEO
Offshore by the numbers (FY17)

7.2 €B
Backlog\(^1\)

1.7 GW
Order entry\(^2\)

3.2 €B
Revenue\(^2\)

>25 years
Experience in the offshore industry

~11 GW
installed

~6k
employees

Most modern and scalable footprint

The world’s best offshore turbine

1) As of December 2017  2) Pro-forma
Great potential for offshore wind in the next decade with growth of +11% CAGR

---

**Expected market of 95-198 GW until 2030**

- +3-17 GW
- +55-108 GW
- +34-73 GW

**11% CAGR in global installations until 2030**

Annual installations GW
3 year average applied

- 2017: 4 (1, 3)
- 2020: 5 (2, 3)
- 2025: 10 (3, 6)
- 2030: 15 (3, 8)

---

Load center proximity
Offshoring externalities
High capacity factors and availability
Optimal for large scale deployment

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1) SGRE estimates  2) 3 year average with the year before and after to avoid big yearly variations
Prosperous global pipeline to drive order entry over the coming three years

Stable outlook
Spring 2018
Likely size ~1.5 GW

Prosperous outlook
Spring 2018
Likely size 1.4 GW

Strong growth outlook
Spring 2018
Likely size ~800 MW

Winter 2018 and 2019
Likely size 1.4 GW

Stable and prosperous outlook
Mid 2019
Likely size 3-5 GW

Strong growth outlook
Spring 2018
Likely size 3.5 GW
+2 GW

Stable and prosperous outlook
+15 GW installed by 2025
Offshore is delivering on LCoE, supporting the growth outlook and industry globalization

Levelized offshore wind auction prices

The cost-out is a crucial enabler for further offshore uptake & globalization of the industry

The cost-out puts pressure on the industry and implies hard requirements on suppliers to deliver

Delivered three times more capacity (3 GW) plus an underspend of 114 £M

Substantial subsidy savings have increased interest for offshore wind around the world
Uniquely positioned to strengthen #1 position and further unlock long term growth

**L3AD2020**

- Using **Agility** for scale and global reach
- Best-in-class **LCoE** through cost and technology leadership
- **Digital** features are driving the competitiveness

**Offshore focus areas**

- **Sector leading HSE as backbone for sustainable and successful business**
- **Backlog covering >80% of revenues secured incl. FY20**
- **Grow annual order entry** through leadership in core and emerging markets
- **Stable revenue** supported by a strong order backlog with good visibility
- **Grow profitability** through strong and coherent cost-out focus across the value chain
- **Annual investments** in technology and footprint to unlock growth opportunities
Retain #1 position in current markets, and capture #1 position in emerging markets

Retain #1 position in European markets
- Leverage on close relationships and partnerships with all main developers
- Drive innovation and cost-out through our modern and scalable footprint
- Focus on strong local presence through customers and government relations on new markets e.g. France

Capture #1 position in US market
- Joint efforts to shape market with developers towards authorities
- Evaluating local sourcing e.g. sourcing of towers

Capture #1 position in other APAC markets
- Evaluation of local strategic partnerships e.g. Taichung harbor
- Sales hub established in Taiwan
- Assessment of a lean and flexible footprint

Indirect business to capture Chinese market
- Harvest from the current license agreement with key local player (currently ~50% market share)
- Strengthen partnership via new technology licenses and capture low cost supply base

Competitive platform in place to serve global markets

Modern and expandable footprint in place
#1 partner to all main developers

<table>
<thead>
<tr>
<th></th>
<th>Global developers</th>
<th>Regional developers</th>
<th>Financial developers</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer concepts and solutions</td>
<td>Solidify strong partnerships via ongoing close engagement</td>
<td>Customized and tailored approach for one-off projects</td>
<td>De-risking and flexible solutions</td>
<td>License business</td>
</tr>
</tbody>
</table>

Providing flexibility, scale and global reach to address the requirements of all customer segments and regions
Optimized production and logistics drive industrialization and cost-out

- **Industrialization of production** based on digitalization and automation
- **Optimization of the logistics** and transportation to unlock further cost savings
- **Lean and flexible set-ups for emerging markets** for a feasible adaptation to dynamic market place

Main existing facilities:

- **UK – HUL → Localization**
  Blades
- **Denmark – AAL → Flexibility**
  Blades
- **China – LIN → Cost-out**
  Blades
- **Germany – CUX → Scale**
  Large Nacelles
Focus on cost optimization on every front

**Product Affordability**
- Further increase **global value sourcing** share
- **Enrich** and activate supplier base
- **Turbine design simplifications** to further optimize installation and assembly
- Design improvements in **collaboration with suppliers**

**Operations**
- **Industrialization of production** through digitalization and automation
- **Optimization of the logistics** and transportation to unlock further cost savings
- **Major innovations to increase efficiencies** during offshore installation and commissioning
- **Leverage** on unparalleled expertise and technology for the Adwen pipeline

**SG&A and Others**
- **Optimized support functions** through automation, productivity improvements and demand management
- **Consolidation** of similar functions **at the highest level**
- **Combined sales** function with Service
Continuous improvements to secure competitiveness through substantial cost-out

Continuous improvements to maintain leading competitive position

Increase global value sourcing share from ~40% to ≥60% leveraged on ~7-8 GW pipeline

Drive cost-out by >400 design-to-cost ideas on platform

Ensure readiness for emerging market conditions e.g. ambient temperature

Installation and commissioning of WTGs in 24 h (24ONE)

SGRE is well positioned for internalization and to strengthen the competitive position
Substantial savings from design optimization to support ambitious industrialization

**Design simplification:**
Decreasing “soft requirements” on e.g. steel parts

**Design-to-cost through close supplier collaboration:**
Re-design of transformer reducing material and manufacturing cost

**Design to installation:**
Plug and play solutions for e.g. cables between tower and nacelle

**Design to assembly:**
Simplified helihoist design with new materials

**Process and material optimization for blades**

**Standardization:**
Standardization of stairs and railings within nacelle and tower
Major innovations in installation and commissioning increase safety at reduced cost

Purpose built Ro-Ro vessels to increase safety and reducing logistical costs by up to 20%

State of the art lifting equipment allowing installation in high wind speeds at higher safety conditions
Fast consolidation of Adwen activities into SGRE Offshore creates value for our customer

**Legacy projects (installed) – Leverage experience**

- **Successful installation of Wikinger project** i.e. 70 Adwen AD-135 turbines with hot commissioning ongoing
- **Service fleet strengthened through SGRE Service experts** with long-lasting industry knowledge
- **Synergies** through efficient use of shared equipment, resources and scale effects

**French Pipeline (to be installed) – Swap to selected direct drive platform**

- **Consented swap to SG 8.0-167 DD from AD8-180 for all three projects**
- **Serve projects with the strong technology experience of the SG 8.0-167 DD**
- **Global portfolio harmonization to maximize synergies**
- **Drive localization** i.e. localization of nacelles and blades and sourcing of towers
Most competitive platform based on continued innovation and strong focus on LCoE

- **Continued innovation**
  - Substantial innovation potential of DD platform
  - Best-in-class R&D capabilities to deliver innovation
  - Setting the standard for offshore wind turbines

- **Drive cost competitiveness**
  - LCoE levels supporting record low bids
  - Strongest savings in balance of plant and service
  - Leverage scalability through maturity and volume

**Track record of cost reductions and innovations** driving platform maturity

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8.0-167 WTG enabling 49 €/MWh Kriegers Flak bid

Vattenfall gives reasons for choosing Siemens Gamesa 8 MW turbine:

“...it was simply the cheapest choice in the market measured by cost per generated megawatt-hour electricity...”

- 20% more AEP than predecessor
- Lowest level of €/MW cost
- Based on track record of >2.2 GW platform installations
- Reduced cost vs. predecessor for foundations, installation and OPEX

**New technologies:** Carbon in blades | New aerodynamic blade profile | Improved cooling
Breakthrough innovations to deliver even more powerful turbines by mid 2020’s

- New blade design delivering more AEP, reduced weight & loads
- Reduced OPEX: less service hours & visits leveraging data analytics and new maintenance concept
- Optimized support structure: less steel and positions and optimized loads

SGRE is well positioned to deliver the next generation turbines

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Note: Not to scale
Clear leader in digital capabilities in the offshore industry

<table>
<thead>
<tr>
<th><strong>Approach</strong></th>
<th><strong>Power boost function</strong></th>
<th><strong>Active Load Management</strong></th>
<th><strong>Wind farm optimization</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer value</td>
<td>Optimized turbine loads &amp; controls without hardware changes</td>
<td>Real-time load management to allow better power capture</td>
<td>Enhance wind farm behavior to maximize farm output</td>
</tr>
<tr>
<td>The feature</td>
<td>Up to +2% more power production</td>
<td>+17% more rotor area at comparable extreme loads</td>
<td>Up to +1% more power production</td>
</tr>
<tr>
<td></td>
<td>Increased speed boosts WTG rating up to 5%</td>
<td>Real-time load management to allow higher rating &amp; rotor</td>
<td>Optimize individual turbine settings to achieve higher farm performance</td>
</tr>
</tbody>
</table>
Offshore Global Leadership

Race Bank – delivered ahead of schedule with excellent safety and quality performance
Business Unit – Service

Mark Albenze: Service CEO
Service by the numbers (FY17)

- **10.1 €B** Backlog\(^1\)
- **1.2 €B** Revenue\(^2\)
- **~70%** of internal portfolio under service
- **>28k** turbines serviced worldwide
- **~6k** employees
- Average **contract length** ~8 yrs
- **Active in 55 countries**
- Advanced digital capabilities

1) As of December 2017 - for details on backlog please see page 40  
2) Pro-forma
## Service is in our DNA

<table>
<thead>
<tr>
<th>Service Mindset</th>
<th>Global Reach</th>
<th>Track Record</th>
<th>Fleet Expertise</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>First OEM with a dedicated service organization with digital backbone</strong></td>
<td>Active in 55 countries organized in 5 regions providing global access</td>
<td>Strong track record with &gt;55GW under service &amp; undisputable leadership in OF</td>
<td>Continuous development of multiple-brand expertise</td>
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</tbody>
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Scale, global reach and true local presence drives top level performance

NORTH EUROPE & MIDDLE EAST
24 GW installed (thereof OF 10GW)
18 GW maintained (thereof OF 9GW)

AMERICAS
27 GW installed
18 GW maintained

APAC ex. INDIA
6 GW installed
2 GW maintained

INDIA
5 GW installed
5 GW maintained

SOUTH EUROPE & AFRICA
20 GW installed
12 GW maintained

Center of Competence
- Pamplona
- Brande

~83 GW of capacity installed
>55 GW maintained in O&M
Footprint in place for cost-efficient growth: Unique cross business strength and global coverage
SGRE positioned to outperform in a strong growth market

**Key market trends**

- **Double-digit growth in global O&M market** (will nearly double by 2025)
- **Diversified requirements** in different regions and by different customers
- **Digitalization** and data driven O&M gaining high relevance
- Experienced utility customers shifting toward **self-performance**
- **Price pressure** in new service contracts to be offset by **productivity initiatives**

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**Global O&M Market size, $B**

3 year average applied

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
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<tbody>
<tr>
<td>2017</td>
<td>14</td>
</tr>
<tr>
<td>2020</td>
<td>19</td>
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</table>

**CAGR**

~11%
Service has a clear strategy: Growth and profitability through innovation

**L3AD2020**

**Business Model Agility**
Using flexibility to benefit from opportunities in a highly dynamic and diversified environment

**Best-in-class LCoE**
Ensuring the most competitive value proposition in the industry

**Digital Intelligence**
Evolving into the OEM of the future by adding strong digital capabilities and offerings

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**Service focus areas**

- **Sector leading HSE as backbone for sustainable and successful business**

- **Book-to-bill significantly above 1x in each year**

- **Total fleet under O&M contract to grow (>40% by 2020)**

- **>50% revenue growth until 2020 compared to 2016 (~40% compared to 2017)**

- **Best-in-class EBIT**
SGRE Service roadmap to growth

<table>
<thead>
<tr>
<th>SGRE Serviced Fleet, FY17</th>
<th>3rd Party Fleet</th>
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</thead>
<tbody>
<tr>
<td><strong>SGRE Own Fleet</strong></td>
<td>~80</td>
</tr>
<tr>
<td>55</td>
<td></td>
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<tr>
<td>SGRE Serviced Fleet, FY17</td>
<td></td>
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<tr>
<td>Contract Expiring FY18-20</td>
<td></td>
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<tr>
<td>Renewal</td>
<td></td>
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<tr>
<td>Renewal of expiring contracts: &gt;70%</td>
<td></td>
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<tr>
<td>WTG Under Construction</td>
<td></td>
</tr>
<tr>
<td>To be handed over to service Business Unit</td>
<td></td>
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<tr>
<td>Non-Serviced Fleet</td>
<td></td>
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<tr>
<td>Non-Serviced Fleet</td>
<td></td>
</tr>
<tr>
<td>Organic New Unit Growth FY18-20</td>
<td></td>
</tr>
<tr>
<td>3rd Party Fleet</td>
<td>&gt;1 €B total potential - largely untapped so far</td>
</tr>
<tr>
<td>3rd Party Fleet</td>
<td></td>
</tr>
<tr>
<td>SGRE Serviced Fleet, FY20</td>
<td></td>
</tr>
</tbody>
</table>

>40%
Customized solutions tailored for each market segment driving growth

**Custom O&M Portfolio Offerings**

- **Full-Scope Customers**
  - Comprehensive Service
  - Asset Management

- **Return-focused Customers**
  - Enhanced Maintenance
  - Proactive Maintenance
  - Basic Maintenance

- **Self-Performers**
  - Flexible portfolio offering: Pick & Mix

**Project Examples**

- **Lynn and Inner Dowsing**
  - ~20% of Fleet

- **Grand Renewables**
  - ~40% of Fleet

- **Grand Renewables**
  - ~40% of Fleet

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Merger enables growth and profitability through 3rd party fleet service

Siemens Gamesa Service expertise

20+ years of experience with 3rd party technology strengthened by merger and selective acquisitions

Siemens Gamesa track record

Digital footprint

- State-of-the-art diagnostics center with 15+ years of experience
- Advanced data analytics provided by NEM

3rd party O&M footprint

- More than 900 third party turbines under O&M across the globe. >40% beyond basic maintenance

Recent success:

- Dec 2017 / Brazil: 400MW 3rd party fleet contract signed
- Early 2018 / USA: Life-extension overhaul of 3rd party turbines
- Early 2018 / Netherlands: Secured contract based on gearbox capabilities
Relentlessly driving out cost in line with L3AD2020 target

**Product Affordability**
- **Autonomous** inspection and repair systems drive down **blade maintenance** by ~10 €k/turbine
- Expand remote service capabilities increasing avoided cost of >20 €M p.a.
- Fully-leveraged **procurement** with planned savings up to 15 €M in 2018
- Leverage **fixed-price and local repair** plus **crane-less solutions** to reduce main component work by >40%

**Operations**
- **Reduce turbine visits** by 20% using condition-based service mentality
- Shorten duration of **minor warranty work**; declined 35% since 2015¹
- Optimize service execution through **computerized maintenance management system** cutting maintenance planning time by 50%
- Optimize **working capital** - target to reduce inventory by 20%

**SG&A and Others**
- Establish regional & core **competence centers** to reduce **fixed cost** by 25%
- **Consolidation of organizational setup**: reduced to 5 regions
- **Reduction of training facilities and tooling centers**

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¹ Legacy Siemens only
Innovation drives profitability and growth

**Growth**

- **Blade Materials and Concepts**
  Extracting more value from existing assets

- **Diagnostics 2.0**
  Advanced data management systems for failure recognition

- **Park Optimization**
  Boost AEP through optimized wind farm assets and grid compliance

**Turbine Level**

- **Large Corrective Craneless Solutions**
  Safe and robust solutions available for generators, blades, gearboxes and transformers

- **Drones & Robotic Systems and Wearables**
  Driving service productivity through automation

- **Performance Analytics**
  Knowledge tools for managing underperformance

**Wind Farm System**

- **Profitability**

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SGRE benefits from NEM’s advanced analytics capabilities and broad fleet coverage

--- Advanced and proven technology ---

**NEM analytics platform: A.U.R.A**

- Asset data acquisition & advanced analytics
- Predictive failure analytics
- Reliable business decision platform
- Life cycle extension + productivity improvement

--- Leading track record on multi technology fleet ---

- SGRE has >28k turbines monitored
- >15k in A.U.R.A by 2018 covering more than 10 Wind OEMs with 30+ platforms
- >60,000 mobility units monitored for main OEMs and 20+ leading operators/maintainers

--- NEM: 50/50 Joint Venture with CAF ---

10 years of experience in Wind and Mobility

- 2007: NEM created by CAF & Tecnalia
- 2009: NEM enters wind business
- 2010: Entrepreneur of the year award
- 2011: European Business awards – Innovation category
- 2013: Most innovative technology company in EU
- 2015: SGRE acquires 50% of NEM
- 2016-2017: NEM: 50/50 Joint Venture with CAF

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Example: Blade Asset Management

Current industry solution
- Suspended technicians perform high risk inspections and repairs
- Inconsistencies with inspection pictures and manual labor repairs can lead to quality issues
- Long labor times result in extended turbine downtime and increased labor costs

New asset management solutions

DATA
- Autonomous and piloted drones can perform inspections in as little as 15 minutes per turbine
- >1000 inspections performed in 2017

INSIGHT
- HERMES application enables large scale data processing and analytics for most precise insights

ACTION
- Robotics to replace challenging human operations and leading edge protection to enhance blade lifetime
Digitalization advances market penetration and sustainable profitability

Utilizing digital intelligence to eliminate scheduled and reactive service

- Advanced Performance Analytics
- Integrated Turbine Data
- Protect Domain-Knowledge

Intelligent Turbine & Fleet

Diagnostics & Prognostics

Advanced Maintenance

Digital Twins

Increased customer penetration across all segments
Service will deliver profitable growth fueled by productivity and innovation
Conclusion

*Markus Tacke: CEO*
SGRE on track to global leadership

Attractive and competitive market environment where SGRE is well positioned to become the leader

Only wind company that integrates all three facets of wind business

Merger rationale clearly confirmed with synergy target increased and accelerated

L3AD2020 program launched with focus on four areas: Transformation (costs), Growth, Technology & Digitalization and Change Management

~2 €B L3AD2020 cost reduction target by 2020 with focus on Product Affordability, Operations and SG&A

Financial targets to outgrow the market, commitment to 8-10% EBIT margin excl. PPA, integration and restructuring costs
EBIT (Earnings Before Interest and Taxes): operating profit per the consolidated income statement. It is calculated as Income (loss) from continuing operations before income taxes, before 'Income (loss) from investments accounted for using the equity method', interest income and expenses and 'Other financial income (expenses), net.

EBIT excl. PPA: EBIT excluding the impact on amortization on intangibles' fair value from the Purchase Price Allocation (PPA).

EBIT excl. PPA, integration and restructuring costs: EBIT excluding integration and restructuring costs (I&R) and the impact on amortization on intangibles' fair value from the Purchase Price Allocation (PPA).

EBITDA: EBIT before amortization and impairments of intangible assets and depreciation and impairments of property, plant and equipment and goodwill.

Net Financial Debt (NFD) is defined as long-term and short-term financial debt less cash and cash equivalents.

Capital Expenditure (CAPEX) refers to investments made in the period in property, plant and equipment and intangible assets in order to generate future profits (and maintain the current capacity to generate profits, in the case of maintenance capex).

Working Capital (WC) is calculated as the difference between current assets and current liabilities. Current assets and liabilities exclude all items classified as Net Financial Debt, such as Cash and cash equivalents.

ROCE (Return on Capital Employed): ROCE is calculated as: \[ \text{ROCE} = \frac{\text{EBIT} \times (1-t)}{\text{CE}} \] Where is \( t \) the rate of corporate income tax, \( \text{CE} \) is the average capital employed in the period and EBIT is computed on a ‘Last-12-Months’ basis. Capital employed measures the capital invested in the group.

Book-to-bill: ratio of order intake (in MW) to activity/sales (MWe) in the same period. The Book-to-Bill ratio gives an indication of the future trend in sales volume.

Reinvestment rate: ratio of CAPEX divided by Depreciation and Amortization (excluding PPA amortization on intangibles’ fair value).
Glossary & Definitions for Additional Performance Measures

**Cash conversion rate (CCR):** ratio of Free Cash Flow pre tax excl. Adwen to EBIT excl. PPA. The CCR ratio gives an indication of how much EBIT excl. PPA is converted into cash by SGRE.

**Free Cash Flow:** is obtained by adding, to net income for the year, the ordinary non-cash items (depreciation and amortization, and provision charges) and income from equity-accounted affiliates, deducting working capital and capital expenditure (CAPEX). It indicates the funds available for use to distribute dividends, buy back shares, pay down debt or other corporate activities not related to ordinary business. Free cash flow is calculated as the variation in Net Financial Debt between two periods.

**Free Cash Flow pre tax excl. Adwen:** is obtained by adding, to EBIT for the year, the ordinary non-cash items (depreciation and amortization, and provision charges), deducting working capital and capital expenditure (CAPEX). It indicates the funds available for use to pay taxes, meet Adwen payments, distribute dividends, buy back shares, pay down debt or other corporate activities not related to ordinary business.

**MWe:** an indicator of activity (a physical unit of sale) used to measure wind turbine generator manufacture in terms of work in progress. The MWe indicator does not reflect post-manufacturing processes (civil engineering, installation, commissioning, etc.), which also generate monetary revenue.

**ASP in Order Intake:** Average monetary order intake collected by the Wind Turbine segment per unit booked (measured in MW).