Siemens Gamesa Renewable Energy

Q3 18 Results

27 July 2018

SIEMENS Gamesa
RENEWABLE ENERGY

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In the event of doubt, the English language version of this document will prevail."

Note on alternative performance measures (APMs)

The definition and conciliation of the alternative performance measures that are included in this presentation are disclosed in the Activity Report document associated to these results.

Content

Q3 and 9M 18 performance in line with FY 18 guidance

Continuous strength of commercial activity

- Order backlog of €23.2bn surpasses previous peak level of Q2 17, after €3.3bn in firm orders in Q3 18: 100% coverage of FY 18 average revenue guidance (€9bn-€9.6bn) and increasing visibility of future revenues
- LTM order entry: €12bn, up 15% YoY, driven by WTG OF and WTG ON order entry growth

9M 18 financial performance in line with annual guidance

- Revenues of €6,504m in 9M 18; €2,135m in Q3 18: return to sales volume growth (MWe) YoY in WTG ON
- EBIT pre PPA, I&R costs of €478m equivalent to a margin of 7.4% in 9M 18[1]; 7.3% in Q3 18[1]
  - Strong Service margin helps compensate WTG margin decline in Q3 18
- €45m reported net income in 9M 18[1]; €44m in Q3 18[1]
- Net debt of €154m at June 2018 impacted by working capital seasonality due to project execution
- New €2.5bn multi currency term and revolving credit facility

L3AD2020 progressing well in all key areas

1) EBIT pre PPA, integration and restructuring costs excludes the impact of PPA on the amortization of intangibles: €239m, and integration and restructuring costs: €100m in 9M 18, and €82m and €25m respectively in Q3 18. Reported net income includes the impact of PPA on the amortization of intangibles and integration and restructuring costs, net of taxes: €244m in 9M 18 and €76m in Q3 18.

Content

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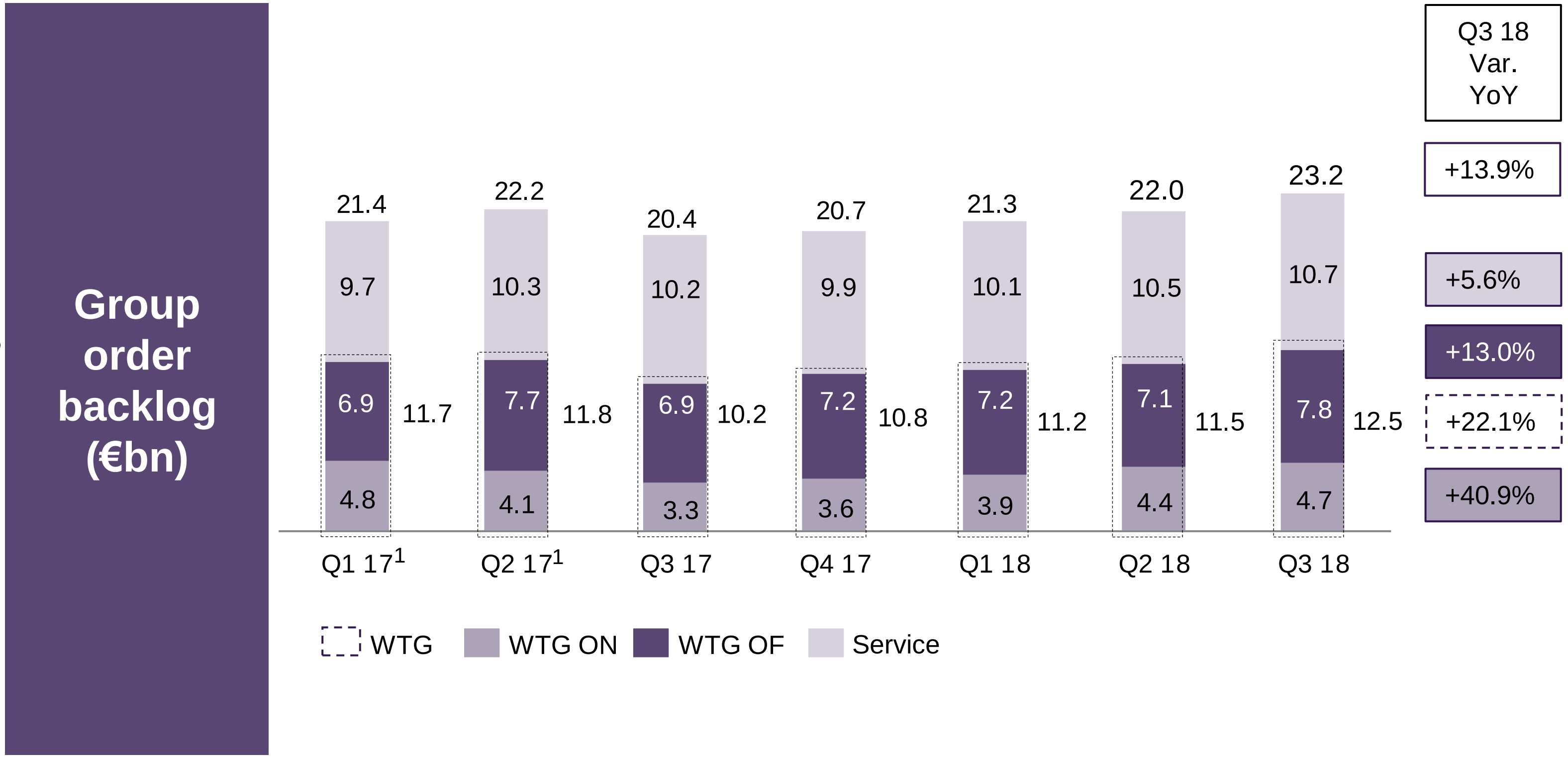
Order backlog surpasses previous peak reached in Q2 17

BU developments

ON order backlog (20% of total): sharp recovery from Q3 17 trough level

OF order backlog (34% of total): significant growth YoY on the back of Hornsea II order entry

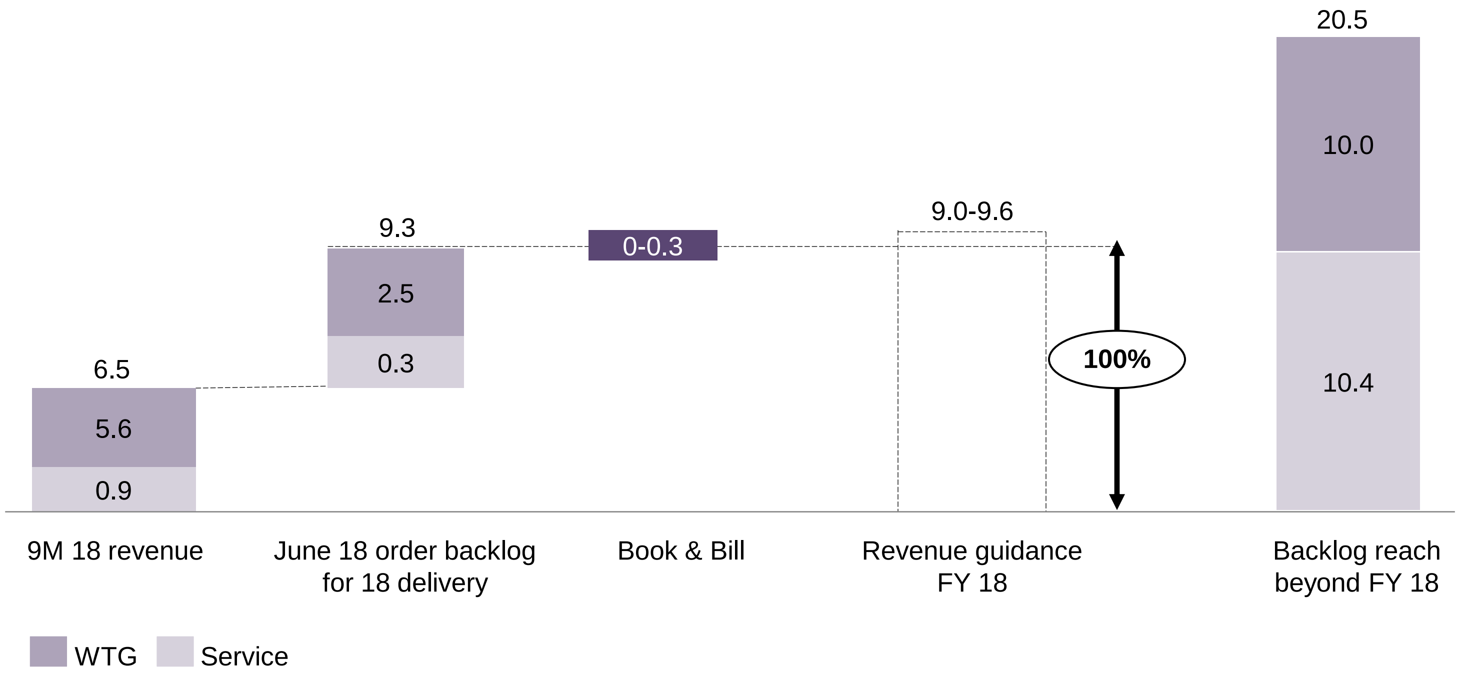
Service order backlog (46% of total) with higher margins: clear growth trend



1) Data prior to April 2017 are pro-forma data.

Order backlog secures FY 18 revenue and increases revenue visibility beyond 2018

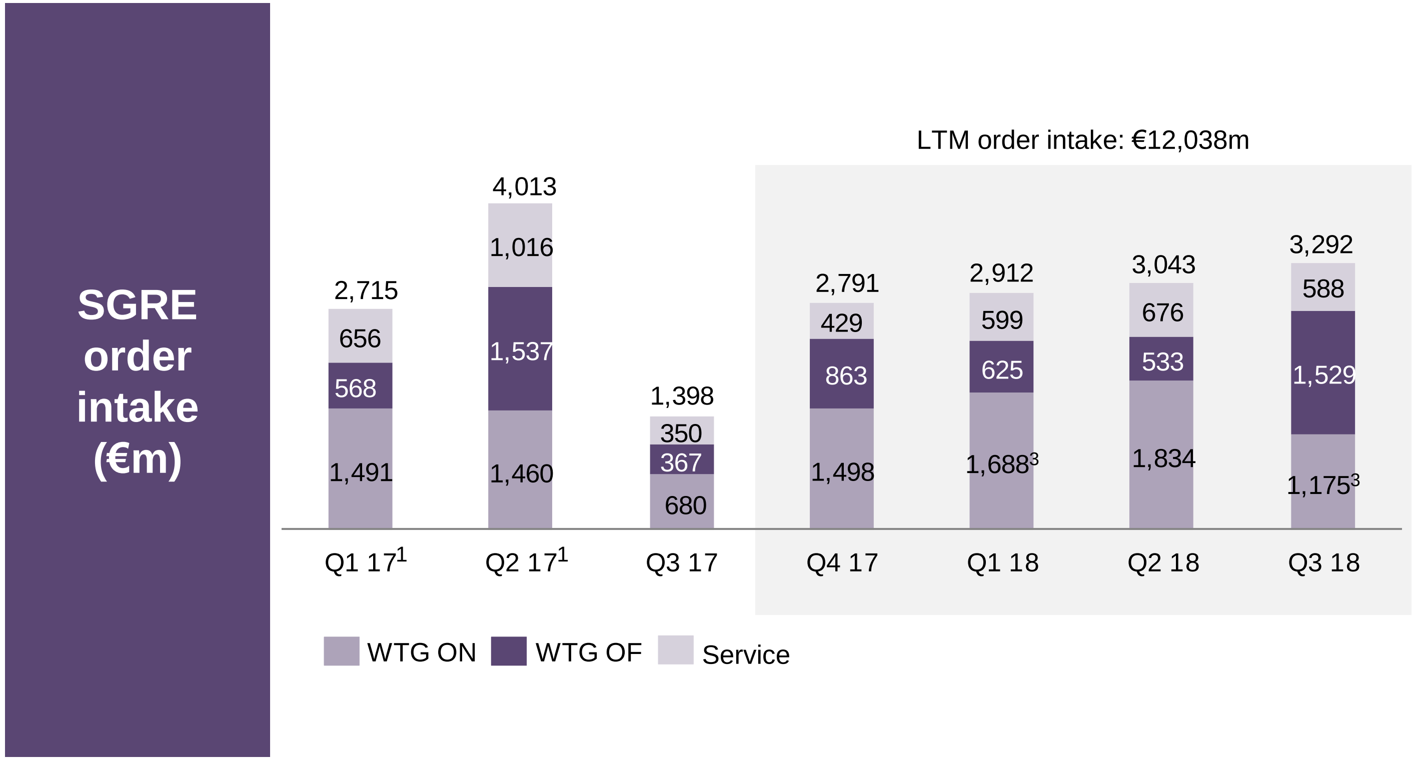
Backlog and reach (€bn)



Business development

- **100% coverage** of average of FY 18 revenue guidance (€9bn - €9.6bn)
- **Offshore and Service:** higher level and duration of backlog
- **Onshore:** Solid order backlog FY 18 and good progress for FY 19

Strong order intake continues with a Book-to-Bill ratio > 1 in Q3 18



Book-to-Bill ratio[2]	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18	Q3 18
	1.0	1.3	0.5	1.2	1.4	1.4	1.5

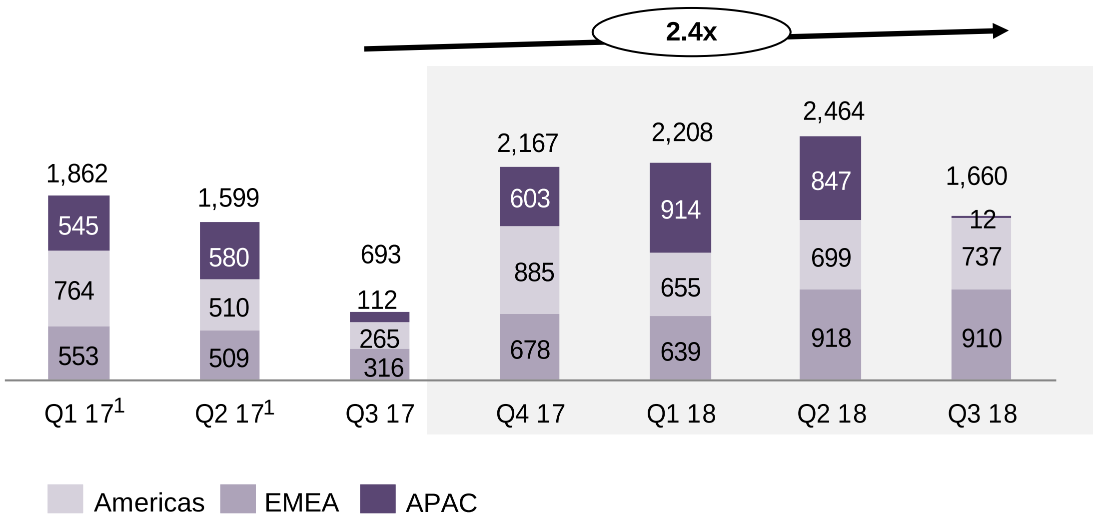
Business development

- **SGRE Book-to-Bill ratio[2]: 1.5x** (LTM Book-to-Bill ratio: 1.4x)
- **ON order intake** performance: LTM order intake (€6.2bn[3], +17% YoY[4]) in line with expectations
- **OF order intake** performance: Hornsea II and Formosa I phase 2 booked in Q3 18
- **Service order intake:** continuous success in own and third party fleet and in value added solutions (VAS)

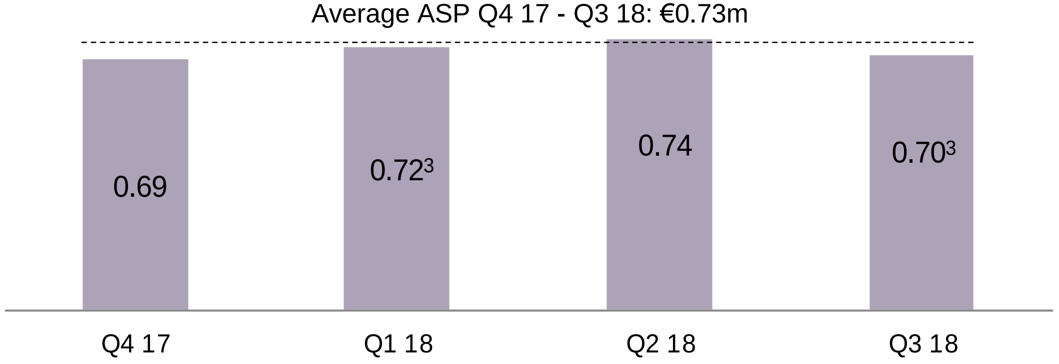
1) Financial data prior to April 2017 corresponds to pro-forma data.
2) Book-to-Bill ratio (based on €): order intake in €m/ Group sales (€m).
3) WTG ON order intake includes €88m of solar orders in Q1 18 and €9m in Q3 18.
4) Full quarterly order intake information provided in the appendix of the Activity Report.

Onshore order intake: 1.7 GW with stable average selling price QoQ

Order intake WTG ON (MW)[2]



Average selling price[3] of order intake WTG ON (€m)



Business development

- Q3 commercial activity impacted by timing of large projects (235 MW already signed in July 2018) and low activity in APAC
- LTM order intake: 8.5 GW, +37% from 6.2 GW in June 17[4] and + 13% from 7.5 GW in March 18
- Brazil (30%), Spain (19%), South Africa (15%), Ireland (14%) and USA (14%) are the main contributors to order intake in MW in Q3 18

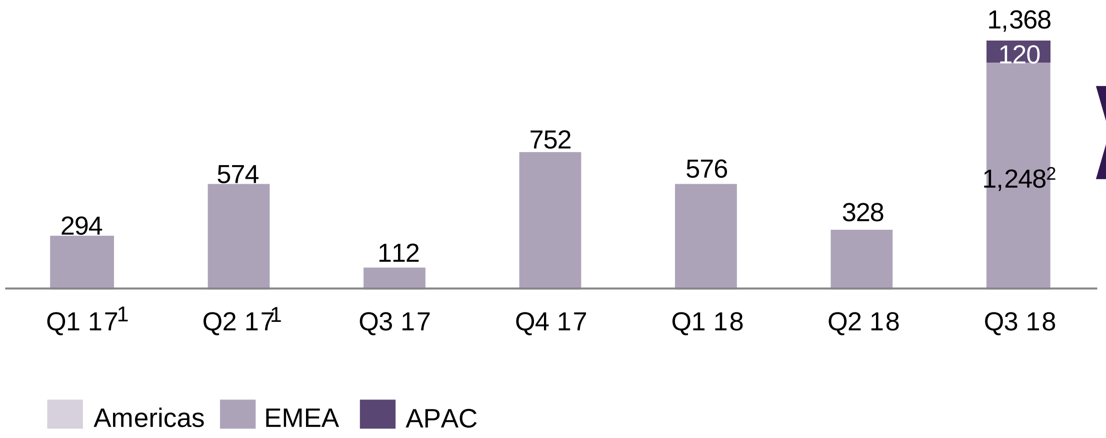
Trends

- Third quarter of stable average selling price[3] of the order intake
- YoY evolution (-28% in Q3) impacted by:
  - (-) Pricing
  - (-) Mix
  - (-) FX

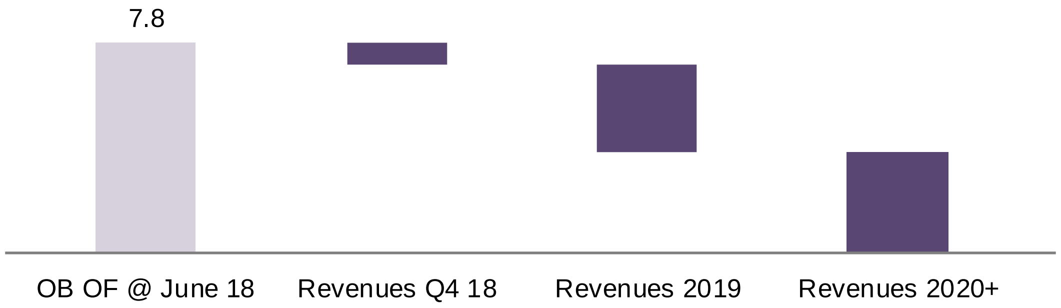
1) Data prior to April 2017 corresponds to pro-forma data.
2) Order intake WTG ON (MW) includes only wind orders. No solar orders included.
3) Order intake average selling price: order intake in EUR terms/order intake in MW. Solar order intake is excluded from the calculation in both numerator and denominator. In Q1 18, the calculation excludes €88m in solar orders of the €1,688m order intake. No solar orders in Q2 18. In Q3 18, the calculation excludes €9m in solar orders of the €1,175m order intake.
4) Full quarterly order intake information provided in the appendix of the Activity Report.

Intense offshore activity in Q3 18

Order intake WTG OF (MW)



Conversion of order backlog (€bn)



Business development

- Positive impact of Hornsea II and Formosa 1 Phase 2 in Q3 18 order entry
- Progress in new offshore markets:
  - Collaboration with Taiwan International Windpower Training Corporation
  - Preferred supplier for Yunlin offshore wind power project (640 MW)

Trends

- Offshore order backlog provides strong visibility of future revenues

1) Data prior to April 2017 corresponds to pro-forma data.
2) Hornsea II (1,386 MW) booked in two tranches. First tranch (1,248 MW) booked in Q3 18.

Content

Consolidated Group – key figures Q3 18 (April - June)

Income Statement Q3 18

€m	Apr-June 17	Apr-June 18	Var. YoY (%)	Oct-June 18	Var. YoY (%) [1]
Group revenues	2,693	2,135	-21%	6,504	-25%
WTG	2,393	1,827	-24%	5,640	-27%
O&M	300	308	3%	864	-1%
WTG volume (MWe)	1,950	2,137	10%	5,963	-17%
Onshore	1,488	1,703	14%	4,751	-19%
Offshore	461	434	-6%	1,213	-8%
Gross profit pre PPA, I&R costs	357	288	-19%	884	-30%
Gross profit margin pre PPA, I&R costs	13.2%	13.5%	0.2 p.p.	13.6%	-0.9 p.p.
EBIT pre PPA, I&R costs[2]	211	156	-26%	478	-40%
EBIT margin pre PPA, I&R costs	7.8%	7.3%	-0.5 p.p.	7.4%	-1.8 p.p.
WTG EBIT margin pre PPA, I&R costs	6.8%	4.7%	-2.1 p.p.	5.0%	-3.1 p.p.
Service margin pre PPA, I&R costs	16.1%	22.8%	6.7 p.p.	22.5%	4.1 p.p.
PPA amortization[3]	124	82	-34%	239	NA
Integration & restructuring costs	36	25	NA	100	NA
Reported EBIT	50	50	-1%	138	-78%
Reported Net Income to SGRE shareholders	12	44	274%	45	NA
Net Income per share to SGRE shareholders[4]	0.02	0.07	269%	0.07	NA

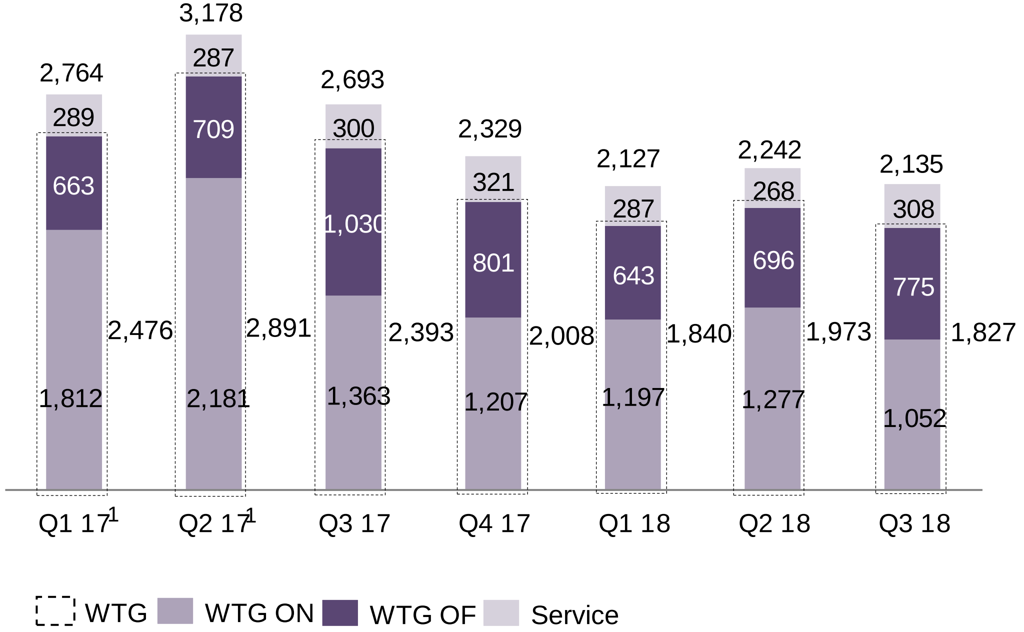
1. Oct-June 18 variation vs. Oct-June 17 is calculated using pro forma values for October-March 17 figures, based on legacy businesses' reported information (Siemens Wind Power, Gamesa and 100% of Adwen) including SWP standalone, normalization and scope adjustments, and historic values of SGRE for April-June 17
2. Adwen impact on Q3 18 EBIT pre PPA, I&R costs of -€4m.
3. Impact of PPA on the amortization of the fair value of intangibles.
4. Reported net income per share to SGRE shareholders calculated dividing reported net income to SGRE shareholder by average weighted average outstanding number of shares in the period (quarter or 9 months). Number of shares for EPS calculation: in 9M18: 679,489,013 and in Q3 18: 679,503,717.
5. References to EBIT, WTG EBIT or Service EBIT are all pre PPA, I&R costs.

Comments

- **Lower WTG ON pricing and timing of WTG OF project execution, main drivers of Q3 18 revenue decline**
  - YoY WTG OF sales activity impacted by high level of offshore project completion in Q3 17
- **Lower WTG ON pricing and sales volume** -in H1 18- **remain the main drivers of EBIT[5] decline both in Q3 18 and 9M 18**
  - Partially compensated by strong Service performance, cost productivity
- **Q3 18 reported net income includes:**
  - Net financial expenses of €13m
  - Positive tax impact of €8m
  - Impact on amortization of intangibles' fair value from the PPA and of restructuring and integration costs, net of taxes, in the amount of €76m

Group revenue trend driven by lower WTG volume and pricing

Revenue (€m)



Q3 18 var. YoY
-20.7%
+2.8%
-24.8%
-23.7%
-22.8%

Business development

WTG ON revenues impacted (-) by lower pricing, mix, scope and FX

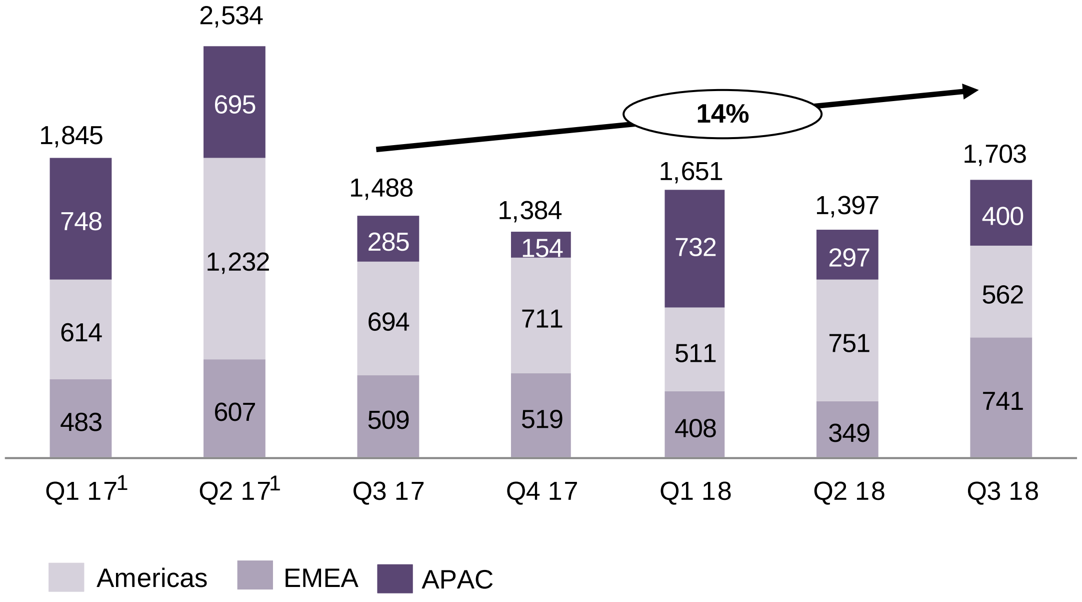
WTG OF revenues aligned with scheduled activity for FY 18; YoY comparison impacted by level of projects completed in Q3 17

Service revenues +3% YoY in Q3 18, impacted by volatility of value added solutions (VAS). Fleet under maintenance: 56.7 GW: +5.6% YoY driven by offshore growth

1) Data prior to April 2017 are pro-forma data.

WTG ON sales volume returns to YoY growth in Q3 18

WTG ON (MWe)



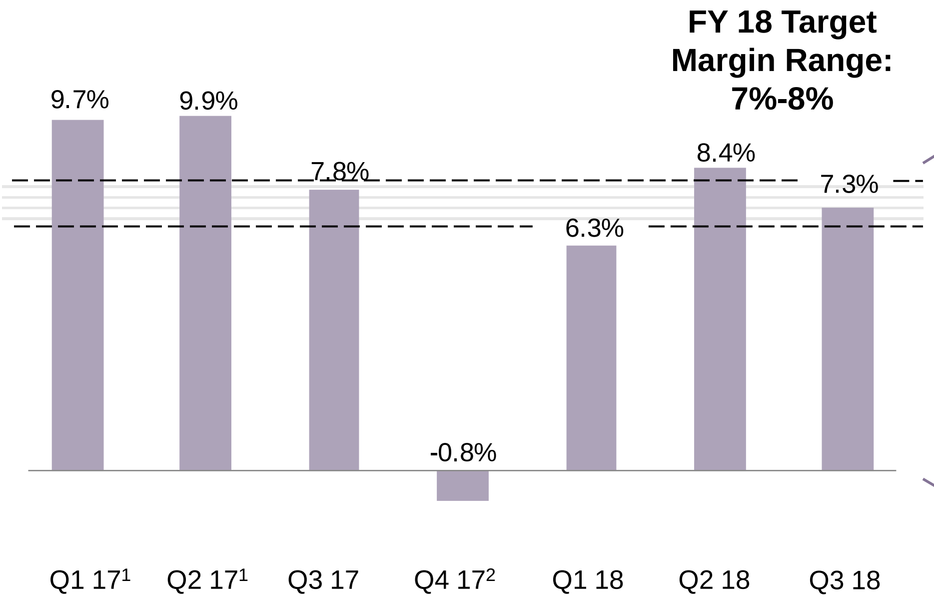
Business development

- Return to volume growth YoY, driven by EMEA and APAC
- On a country basis US, South Africa, India and Thailand are the main contributors to onshore sales volume (MWe) in Q3 18
- Very diversified sales volume (MWe) in EMEA, the largest region in Q3 18: besides South Africa, Turkey, France, Spain and Italy are the main contributors

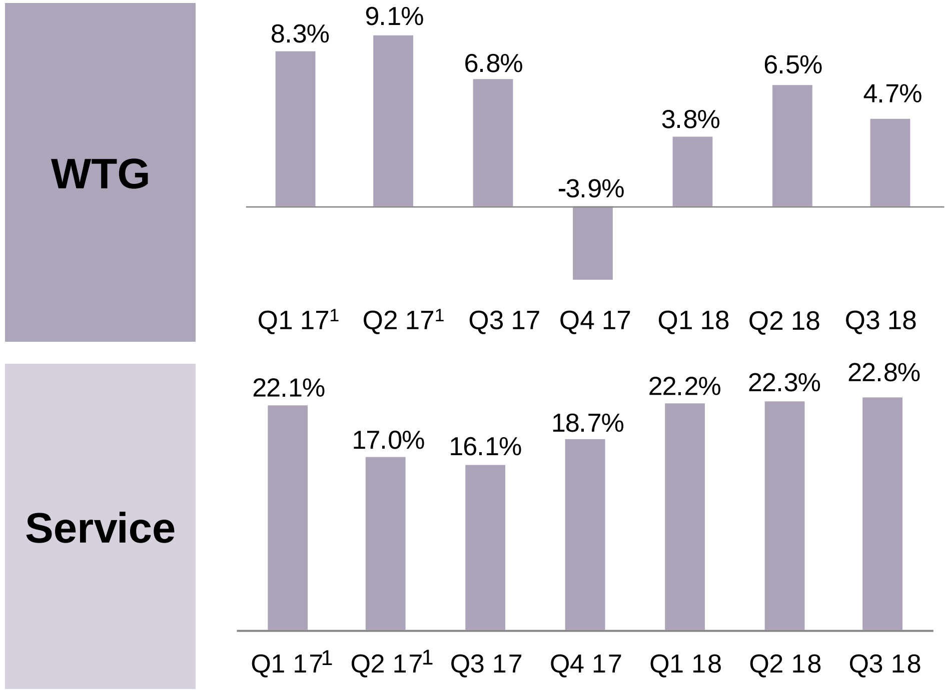
1) Data prior to April 2017 are pro-forma data.

Q3 18 EBIT margin in line with FY 18 guidance

EBIT Margin pre PPA, I&R costs



Breakdown by segment

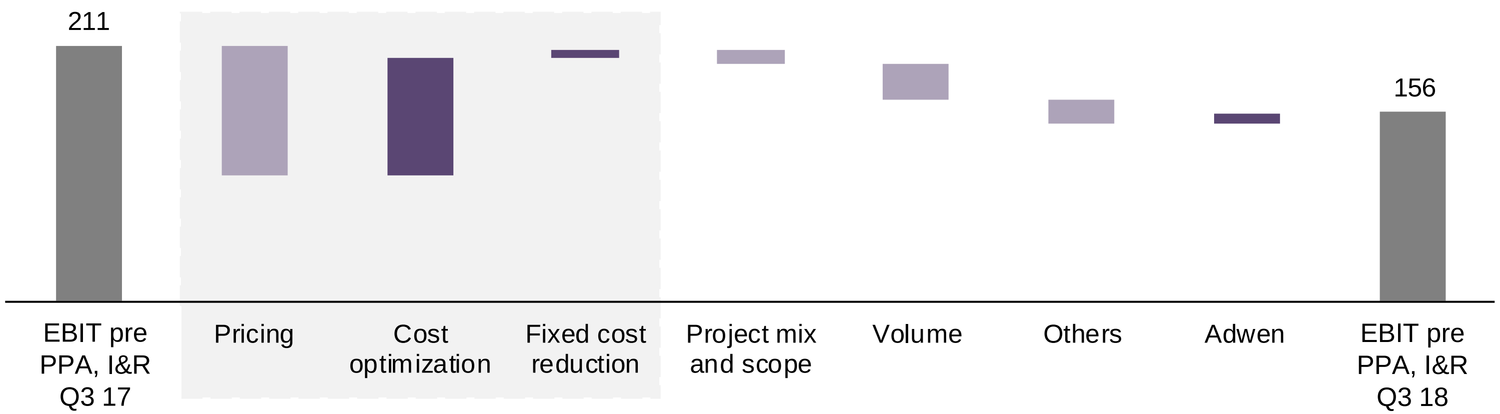


EBIT margin impacted by double-digit price decline in WTG ON partially compensated by strong performance in Service, and by productivity. Sequential margin comparison reflects positive one-off impacts in Q2 18[3]

1) Financial data prior to April 2017 corresponds to pro-forma data.
2) Q4 17 includes €134m in inventory impairment charges.
3) Q2 18 positively impacted by one off reversal of inventory impairment (€25m) in WTG and positive FX driven impact (€19m) in Service.

Lower pricing, volume, mix and scope in WTG ON, main drivers of EBIT decline

Group EBIT pre PPA, I&R (€m)



Trends

EBIT pre PPA, I&R mainly impacted by

(-) Pricing

(-) Volume (MWe)

(-) Project mix and scope

(+) Cost productivity

Cost optimization help compensate price reductions

Sound balance sheet and new multi-currency revolving facility

Key Balance Sheet Positions[1]

€m	Sep 17 (IFRS15, OBS & PPA adjusted[2])	Dec 2017 (after OBS adj Q3[2])	Mar 18 (after OBS adj Q3[2])	June 18	Var. Mar-June
Property, plant and equipment	1,520	1,492	1,464	1,472	9
Goodwill & intangibles	6,948	7,250	6,711	6,709	-2
Working capital[3]	-220	-157	291	265	-25
Other, net	237	190	234	260	27
Total	**8,485**	**8,775**	**8,699**	**8,707**	**8**
Net financial debt/(cash)	-377	-341	112	154	42
Provisions[4]	2,761	2,681	2,620	2,498	-121
Equity	6,085	6,410	5,938	6,028	90
Other liabilities	17	24	29	27	-2
Total	**8,485**	**8,775**	**8,699**	**8,707**	**8**
Working capital	-220	-157	291	265	-25
Working capital o/LTM pro forma revenues[5]	-2.0%	-1.5%	3.1%	3.0%	-0.1 p.p.
Provisions	2,761	2,681	2,620	2,498	-121
Net financial debt/(cash)	-377	-341	112	154	42
Net debt to LTM EBITDA[6]	-0.4	-0.4	0.2	0.2	0.0

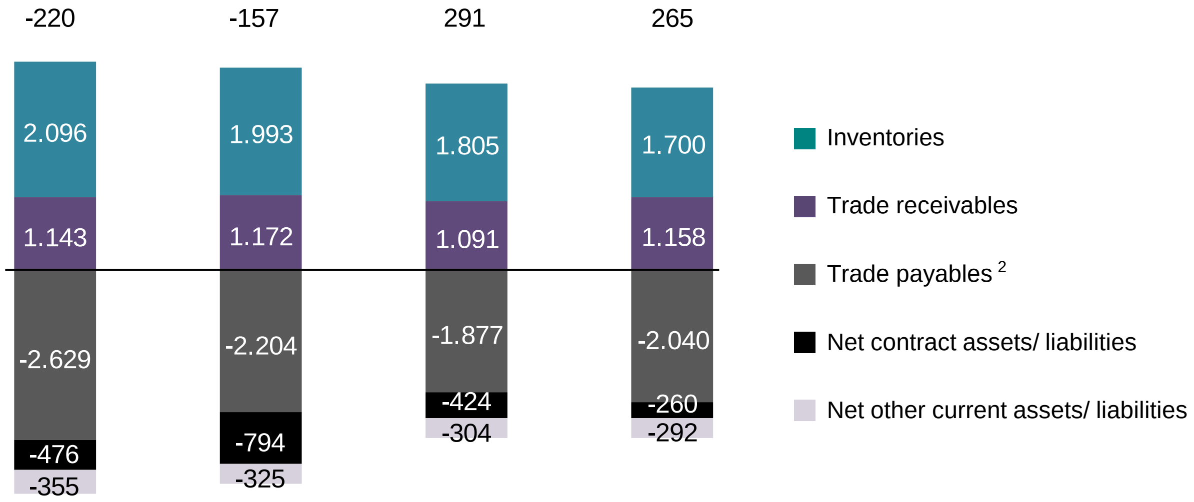
Comments

- Net debt of €154m impacted by seasonality of working capital, €265m, as a result of the timing of project execution, especially in offshore
  - Cash flow, working capital and net debt trends expected to revert in Q4 18
- €2.0bn multi-currency revolving facility, maturing in 2023 with 2 one-year extension options, and a €500m credit facility, maturing in 2021

1) Summarized balance sheet showing net positions mainly on the asset side
2) OBS (Opening Balance Sheet); PPA (Purchase Price Allocation). Q3 18 adjustments:+€117m in goodwill, €28m in working capital and €145m in provisions.
3) Working Capital includes non-interest bearing liabilities to related parties (see footnote 2 in slide 18).
4) Within group provisions, Adwen provisions stand at €834m after a provision use of €43m in Q3 18. Adwen provisions include mainly warranty provisions and provisions for onerous contracts.
5) LTM (last 12 month) pro forma revenues except for June 18 that uses LTM actuals.
6) LTM EBITDA Q4 17: €1,023m; Q1 18: €869m; Q2 18: €687m and Q3 18: €639m.

Working capital in line with FY 18 guidance

Working capital trend Q4 17 – Q3 18 (€m)[1]



	Q4 17	Q1 18	Q2 18	Q3 18
Working capital / LTM revenue	-2.0%	-1.5%	+3.1%	+3.0%

2018 Target : -3% to +3%

Comments

- **9M 18 working capital evolution still impacted by project seasonality** with larger concentration of billing milestones in Q4 18
- **Continuous strong focus on working capital management** with impact on trade receivables and payables

1) Q3 18 adjustments to working capital: see note 2 in page 17.
2) Trade payables include non-interest bearing liabilities to related parties (see footnote 3 in slide 17).

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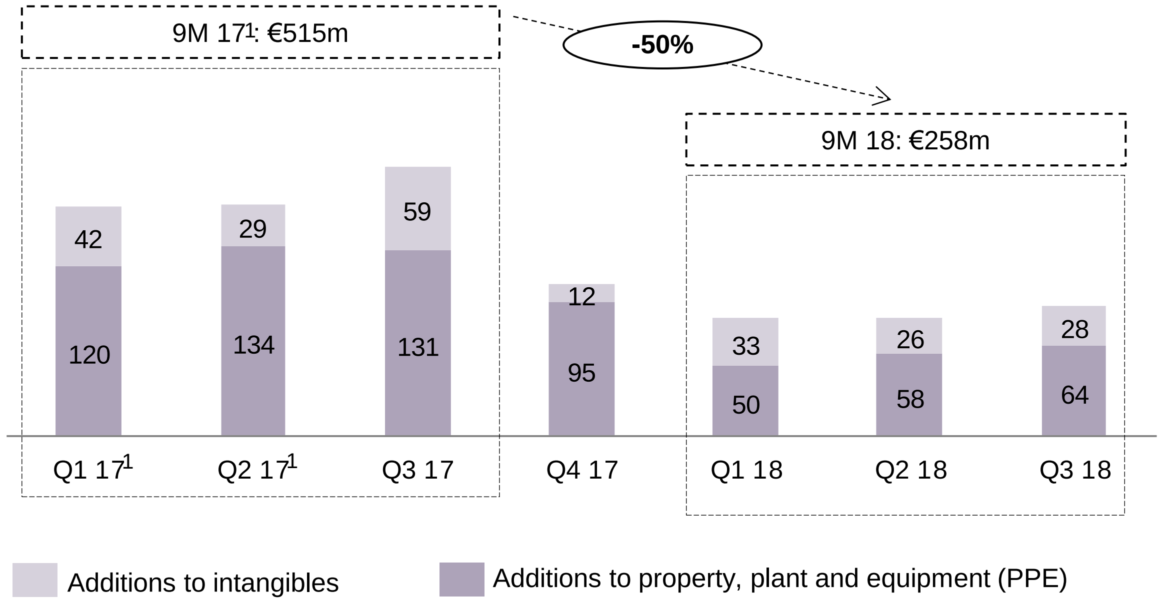
Stringent control over planned and actual spending

Capital expenditure development (€m)



				Target
CAPEX (% of revenue)	9M 17[1]: 6.0%	Q4 17: 4.6%	9M 18: 4.0%	< 5%
Reinvestment rate	9M 17[1]: 2.2	Q4 17: 0.8	9M 18: 1.2	~ 1

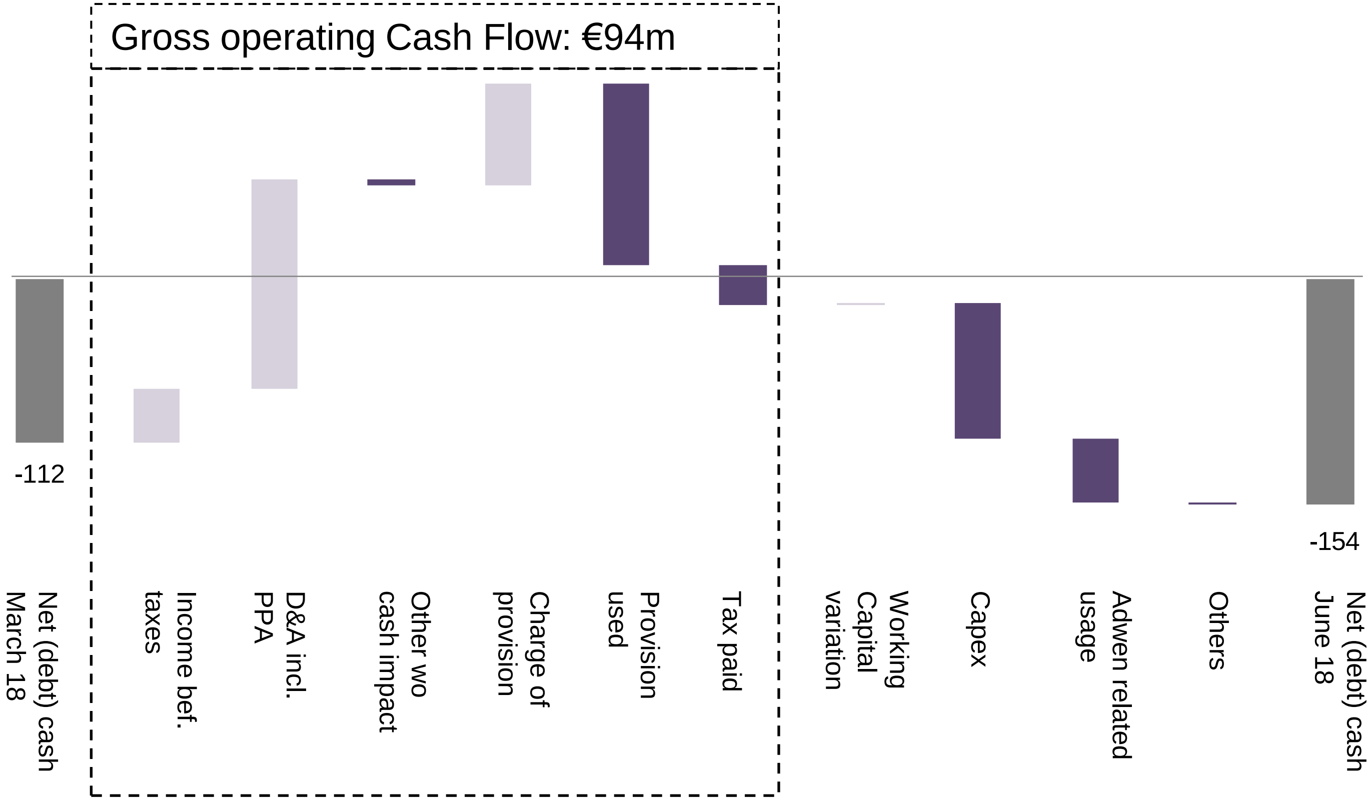
Business development

- Main investments in tooling, blade molds and product portfolio R&D
- **CAPEX < 5% target**
- Q4 18 expected to be more capital intense

1) Financial data prior to April 2017 corresponds to pro-forma data.

Committed to sustainable turnaround in cash development

Net Cash Variation Q3 18 (€m)



Comments

- Capex and use of provisions are the main drivers of the net debt evolution in Q3 18
  - Total Adwen related provision usage to date: €104m and €43m in Q3 18
- Expected to get back to a net cash position in FY 18

Content

9M 18 performance in line with FY 18 guidance

Guidance FY2018

	9M 18	FY 18[1]
Revenue (in €m)	6,504 ✓	9,000 - 9,600
EBIT margin (in %) **(pre PPA, I&R cost)**	7.4% ✓	7% - 8%
Working Capital to LTM revenues (in %)	3.0% ✓	-3% to +3%
CAPEX (in €m)	258 ✓	500

Comments

- Mid point of revenue guidance covered
- Synergies of 1.5% of revenues targeted by year end 2018 included in margin expectations
- Estimated impact of PPA amortization of intangible fair value of €321m for FY 18: €239m in 9M 18 and €82m in Q3 18
- Expected integration and restructuring costs of €160m in FY 18: €100m in 9M 18 and €25m in Q3 18
- Stronger Q4 18 driven by project execution timing and cost optimization programs and expected synergy delivery

1) This outlook excludes charges related to legal and regulatory matters and it is given at constant FX rates.

Conclusion

L3AD2020 progressing well in key areas

- Program fully operational and gaining traction across the four modules: Growth, Transformation, Digitalization, Change Management
- Transformation compensates price declines

Strong commercial activity

- Order backlog of €23.2bn, +14% YoY, reaches a new peak increasing visibility of future growth
- LTM order entry: €12bn, up 15% YoY mainly driven by WTG OF and WTG ON

Financial performance in line with FY 2018 guidance

- Mid point of revenue guidance fully covered
- EBIT margin pre PPA, I&R costs of 7.4% in 9M 18 and 7.3% in Q3 18
- €2.5bn multi currency term and revolving credit facility

Sector prospects remain strong

- Strong outlook for offshore due to significant traction in new markets (Taiwan, France and USA)
- Increased geopolitical risks and potential short term implications from increasing trade tariffs are being monitored closely

Glossary & Definitions for Alternative Performance Measures

The definition and conciliation of the alternative performance measures (APMs) that are included in this presentation are disclosed in the Activity Report document associated to these results. This glossary contains a summary of terms and APMs used in this report but does not replace the aforementioned definitions and conciliations.

ASP in Order Intake: average monetary order intake collected by WTG division per unit booked (measured in MW).

Book & Bill: amount of orders (in €) to be booked and fulfilled in a set period of time to generate revenues without material lead time ("in for out" orders in set period of time).

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

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).

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 pre PPA, integration and restructuring costs (I&R): EBIT excluding integration and restructuring costs related to the merger transaction and the impact on amortization of intangibles' fair value from of the Purchase Price Allocation (PPA), excluding integration and restructuring costs (I&R) and the impact on amortization on intangibles' fair value from the Purchase Price Allocation (PPA).

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

Glossary & Definitions for Additional Performance Measures

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 variations 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.

Gross operating cash flow: amount of cash generated by the company's ordinary operations, excluding working capital and capital expenditure (CAPEX). SGRE includes the flow of net financial expenses under gross operating cash flow. Gross operating cash flow is obtained by adding, to reported income for the period, the ordinary non-cash items (depreciation and amortization, and provision charges) and income from equity-accounted affiliates**.**

LTM: last twelve months

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.

Net operating cash flow: the result of deducting change in working capital (working capital as defined in item 2) from gross operating cash flow. SGRE includes the cash impact of other provisions and other non-operating items under operating cash flow.

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

Reinvestment rate: ratio of CAPEX divided by amortization, depreciation and impairments (excluding PPA amortization on intangibles' fair value).

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.