

2021 General Meeting of Shareholders

Bilbao, 17 March 2021



Andreas Nauen

CEO of Siemens Gamesa



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Speech of Andreas Nauen
CEO of Siemens Gamesa Renewable Energy

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Good morning, ladies and gentlemen.

Welcome to this annual shareholder meeting also from my side. I am pleased to be back here in Bilbao once again. I had planned to spend a lot of time here following my appointment in June 2020, but due to COVID-19 my move to the Basque country was a little delayed. But finally I now moved here and I am very glad that this worked so well.

It is inevitable that 2020 will be remembered as the year in which the world confronted the COVID-19 pandemic that brought so much disruption to our personal and professional lives.

As Miguel has already said, COVID-19 had a profound impact on the company but it was just one of a number of significant challenges we faced during that fiscal year, including intense competition, operational issues in some key projects, a slowdown in many of our key markets and an uncertain outlook for new installations in others.

As a result of a combination of these factors, the company's operations and financial performance came under huge pressure. This required us to take a long, searching look at the business from top to bottom and reassess our approach.

This clearly led the Board of Directors to conclude that change was required, and I was very proud to have been appointed CEO during the year and to be asked to lead the turnaround of Siemens Gamesa. I knew very well the scale of the challenge we faced and also that meeting that challenge would require a huge team effort.

One of my priorities therefore was to ensure I had the right team around me, and over the course of recent months I have made a number of key appointments to the company's senior leadership.

As of February, when Marc Becker returned to the company as CEO of the Offshore Business Unit that team is now complete. I was delighted to convince Lars Bondo Krogsgaard, a leader with a deep knowledge of the industry and a long track record of success, to take on the task of returning the Onshore unit to profitability. Similarly, Juan Gutierrez was a natural fit to build on the success we have had in Service. And finally, we were delighted to bring Beatriz Puente to the company as Chief Financial Officer.

As a result, I now believe we have a team that has what we need to lead Siemens Gamesa in its turnaround and delivering sustainable profitability for investors, but also exceptional products and services for our customers. I am grateful to Miguel for his support in building this team and his continued faith in us.

Together we lead a team of 26,000 dedicated and talented professionals around the world who in 2020, through all of the disruption and difficulties we faced, performed well. Their response to the COVID pandemic –

to accept the home-working, the new protocols in the factories and projects, the challenges all over our business – was to take all this in their stride and simply get the job done. Our people's resilience gives me a lot of pride in our company and confirms that we have what it takes to be successful in the long-term.

I believe COVID also taught us one other key lesson last year, that was a positive for our industry. As a result of the pandemic, People all over the world are now much more aware of what we are actually doing to our planet Earth, and the issue of climate change has come strongly to the fore, reinforcing the momentum of the grass roots movements so prevalent in 2019.

As a result, we have seen very encouraging movement from governments towards a renewed commitment to renewable energy during 2020, as well as a number of funding initiatives to ensure that the response to the COVID-19 economic crisis is a green recovery.

Let me start by analyzing the long-term outlook. As Miguel said a few moments ago, industry forecasts anticipate a decade of growth to the year 2030 as the push to decarbonize economies continues. The growth in Offshore is expected to be particularly sharp towards the end of the decade and this of course offers Siemens Gamesa a very strong opportunity with new markets opening up and existing markets growing fast.

The various support funds that are currently being established, by the European Union and others, provide a positive tailwind for our industry. We are working very hard to ensure we participate in these projects that will help to accelerate wind energy deployment and new technological developments.

In the short term, however, we see that the global manufacturing industry is facing challenging times, with profitability under considerable pressure at Siemens Gamesa and elsewhere – a situation that threatens not only the industry's ability to innovate and develop the next generation of technology that will drive decarbonization, but also to support the employment envisaged by green recovery initiatives.

So, while the industry has been very successful at driving down the Levelized Cost of Electricity, it has come at a cost.

This split between short term pain and long-term potential can be seen in Siemens Gamesa's financial performance in Fiscal Year 2020.

The company reported a record order intake of €14.7 billion (and increase of 15.6 year on year) driven by the continuing strength of Offshore and Service, ending with a healthy backlog of €30.2bn. This solid commercial activity shows the growing demand for wind energy.

The short-term pressures of COVID and other challenges during the year resulted in a decline in revenues for financial year 20 of 7% year-on-year to €9,483m with EBIT pre PPA and before Integration and Restructuring costs of -€233m, a margin of -2.5%. Net losses amounted to -€918m.

I can assure you that nobody in Siemens Gamesa considers such a performance acceptable and since the middle of last year we are taking measures to address this and return the company to sustainable profitability. At our Capital Markets Day in August we presented a new plan for financial year 21 - 23 to stabilize the business and see that the company returns as quickly as possible to profitable growth. As you have seen in the Q1 results we announced earlier in the year, we have made a solid start to 2021 and will look to maintain that momentum.

Despite the issues, the company also maintained a sound liquidity position, with €4.2 billion in available funding lines, against which it had drawn €1.1 billion, and a solid balance sheet at year-end, with net debt at €49m.

The difficulties we faced in 2020 led to a sharp rethink on how we conduct our business. This resulted in the strategy we unveiled in August at our Capital Markets Day. There we set out our aim to continue securing growth

opportunities in its profitable Offshore and Services businesses and improving their competitiveness, while driving the turnaround in Onshore. This strategy prioritizes profitability over volume, with a strong focus on cash generation, and a commitment to sustainability.

This corporate strategy also included a framework of financial objectives that Siemens Gamesa expects to achieve by 2023:

- EBIT margin pre-PPA and I&R costs in the range of 8%-10%
- Grow faster than the market
- Cash conversion rate greater than 1 minus growth
- Net financial debt/EBITDA <1.0x and maintain investment grade rating
- Distribute at least 25% of net profit in dividends

Underpinning efforts to achieve these targets, the company presented the LEAP program, which is based on three pillars:

- Innovation: both in terms of product portfolio and business offering,
- Productivity: through cost optimization and strict cash management,
- Operational excellence: in project execution quality and in the health and safety of our operations.

Dozens of different projects have been initiated over the course of the year aimed at driving significant improvements across our business and we are confident that LEAP is playing a critical role in moving Siemens Gamesa in the right direction.

I will turn now to give an overview of each of the three business units in Fiscal Year 20, starting with Onshore. Onshore faced a particularly tough year as a number of factors conspired to impact the business unit's results. Firstly, the global pandemic caused disruptions to the supply chain in the second and third quarters of the fiscal year, which led to the temporary closure of plants in China, India and Spain and caused some delays in onshore project execution. The impact of COVID tailed off by the last quarter, and our operations successfully and quickly adapted to new protocols to help us maintain production. Nonetheless, an order intake of 8.1 GW for onshore in FY 20 was down 13% Y/Y.

This fall also reflected a significant downturn in the Indian market. The company has reacted to these lower forecasts for growth in the years ahead in the country through a restructuring program. And lastly, results for Onshore were negatively impacted by cost overruns resulting from project execution in Sweden and Norway. These projects are now all completed.

As I mentioned, we have taken a series of measures to turnaround the Onshore business including a new strategy focused on profitability over volume, a tightening of our risk management covering project execution, and a restructuring of the organization. We are firmly committed to this business with over 90 GW of installed capacity. It forms a significant part of our operations and provides growth opportunities for our Service business unit.

Onshore has also introduced the Siemens Gamesa 5.X platform, which has one of the largest rotors in the industry and can produce a nominal power of up to 6.6 MW. To date Onshore has sold over 2 GW of what we believe to become a benchmark turbine in the industry.

Looking at our Offshore business, Fiscal Year 20 was proof to our leadership in this segment. Despite a global pandemic, the Offshore business unit had an order intake of more than 4 GW in the fiscal year, bringing the offshore backlog to more than €8.5bn and, additionally, we have a strong pipeline of 9.3 GW of preferred supplier agreements and conditional orders. This provides us with significant visibility going forward in this high margin area, and also demonstrated the company's growth into new geographical areas such as Taiwan or the U.S., the latter being of particular interest as the new Biden administration begins to develop the significant offshore wind industry and we want to be a major part of this.

Certain projects over the last Fiscal Year exemplified the business unit's resilience in the face of a difficult year. We managed to install all turbines at the East Anglia One offshore wind farm in the North Sea on time, and it was also at this project that we installed our 1000th DD turbine. All these now more than 1000 turbines installed in many countries combined avoided approximately 29 million tons of CO₂ compared to fossil fuel power generation.

And we have not stopped there. Last year we introduced the SG 14-222 DD. This is among the largest offshore platforms in the industry offering a capacity of up to 15 MW. By the end of fiscal year 20 the platform had picked up more than 4 GW of orders already.

Finally, I would like to come to our Service business which also recorded a very healthy growth in FY 20, with an 18% increase in revenues.

This included the acquisition of assets from Senvion, which helped the fleet under maintenance to grow to nearly 75 GW and has been a very good transaction for the company, strengthening its multibrand portfolio, and increasing its geographical exposure.

It is also important to highlight the success of the Service unit with respect to the operation and maintenance of the Senvion fleet, which closed the year with availability ratios similar to the very high levels of the Siemens Gamesa fleet.

We forecast solid growth prospects for the years ahead, and the service order book at the end of the fiscal year of €15.1 billion gives us great visibility with high margins. Solid growth for Service in Fiscal Year 20 was also bolstered by Offshore contracts in Taiwan, France, the Netherlands and Scotland.

The Service unit has also provided us with a great example of how renewable energy has played a key part in maintaining global electricity supply during the global pandemic.

Siemens Gamesa is also investing in its future and the future of the planet. Wind energy is having a huge impact on reducing the world's reliance on fossil fuels for electricity generation, but the challenge of decarbonizing the economy requires the massive deployment of carbon-neutral fuels in other sectors, such as transport and heavy industry. To achieve this, we need to utilize the ample, cheap and green electricity available through renewable energy technologies outside the electricity sector. Green hydrogen is key to this effort and I'd like to mention two projects where Siemens Gamesa is leading the way.

First, on the screen you can see our Brande hydrogen production plant in Denmark. The project couples an electrolyzer and a battery with an existing onshore 3 MW turbine, with the possibility to run the system in 'island mode', without any connection to the grid.

The key challenge that the project addresses is the effect fluctuating power input will have on the electrolyzer. Brande Hydrogen will provide a clear understanding of the integration of the electrolyzer with a variable renewable energy source, and the efficiency of the system over time.

Siemens Gamesa is also collaborating with Siemens Energy to launch a major 5 year development project that will lead to an integrated offshore wind-to-hydrogen solution – a project announced in January and a prototype is expected by 2025/2026.

As we look to the future, we are aware that in everything we do, the key asset we have is the knowledge, experience and commitment of our people, all the 26,000 employees of Siemens Gamesa. I would like to thank them now for their resilience and their commitment throughout a very difficult period with lots of change and a massive COVID disruption. Thanks to all of them for all the work and efforts to continue delivering for our customers.

We are very fortunate to have a team that is fully dedicated to fighting climate change and are energized by our vision: We make real what matters. We provide clean energy for generations to come.

It is crucial therefore that we invest in our people and I would like to highlight two schemes we have launched in 2020.

The first is a leadership program in partnership with Insead with four leadership courses for present and future leaders of our company. Those programs are underway and a critical component in the long-term development of our company.

Second, we also launched our “3-2-1” employee share plan, which offers the vast majority of our employees an opportunity to own shares in our company and share in our future success. We believe that every employee is a key driver in working towards a sustainable future and business success, and this plan helps to consolidate that sense of ownership and belonging.

The value we place on every employee brings me to a topic that is very important to me personally and is critical for our business: Health and Safety.

Siemens Gamesa aims to make sure that all its employees, in any location, see safety as a priority - both at work and when they leave at the end of the day. In fact, the very future of the company’s success relies on us operating safely every day. We can only aspire to be a global leader in renewable energy if we are also global leaders in health and safety – in COVID times this becomes even more important.

And as proud as we were of our COVID record in 2020, we also experienced a number of safety incidents that caused us to look very carefully again at all of our safety systems and processes. I am happy to say that our record is improving, although never as fast or as well as we would choose.

Our aim is to have zero accidents, and we need all of our workforce to see that safety is their responsibility, that Safety is their choice.

To conclude: There is no hiding that fiscal year 2020 was very disappointing from a financial perspective even if we can reflect more positively on other developments.

I am confident that we will look back on 2020 as the pivotal year in our development. With a new management team, a revised strategy, a comprehensive turnaround program and a promising market environment, I believe that we are now firmly on the road to recovery.

Our financial performance in Q1 was an encouraging sign, but really only the beginning. The management team fully understands that there is much more hard work to be done to ensure that Siemens Gamesa becomes the profitable and successful company we know we have the potential to be.

But we are heading in the right directions, and I would like to take this opportunity to thank our investors, our customers, our employees and the Board of Directors for their support as we continue this journey. Thank you.

In the meantime, I’d like to thank you all for your attention and participation today.

