

2022 General Meeting of Shareholders

Bilbao, 24th March 2022



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Miguel Ángel
López

Chairman at
Siemens Gamesa



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Speech of Miguel Ángel López,
Chairman at Siemens Gamesa Renewable Energy

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We are pleased that the easing of the Covid situation in recent weeks has allowed us to host this meeting face-to-face for the third consecutive year here in our home City of Bilbao. Of course we continue to take every precaution to ensure we have the safest meeting possible.

This meeting takes place in Bilbao just two weeks before the industry will convene in this city for WindEurope's annual conference. The staging of that conference here once again recognizes the contribution of this area to the wind energy industry. It emphasizes that the City, the Pais Vasco and Spain stand at the very heart of our industry's central purpose: the fight against climate change. It is a critical battle and one that we are proud to be a part of. Siemens Gamesa is at the forefront of an energy transition that not only promises environmental renewal, but also holds the potential for economic prosperity.

Our industry provides affordable, renewable energy for generations to come but it has brought new jobs and economic life to rural and coastal regions and cities that other industries have abandoned.

The tragic events of recent weeks following Russia's invasion of Ukraine and the humanitarian catastrophe unfolding have also illustrated that wind energy can play a key role in providing many nations with a robust and secure energy supply that can stand independent of the interference of regional and global political pressures that are less stable than at any time in the last 80 years.

Like so many others, we are shocked and deeply concerned by the humanitarian tragedy and the consequences of the Russian invasion of Ukraine. The attacks on civilians and civilian infrastructure are causing tremendous suffering, creating massive population displacements and threatening international peace and security. Our thoughts are with the people of Ukraine and we strongly encourage all parties to urgently work towards a resolution in Ukraine that avoids further loss of life.

The work that we do every day is very important, but as you will know, like all important work, it is not always easy. But we are wholly committed to improving lives and communities through the provision of green energy and I am confident that our company will continue to make an imperfect world a better place.

This meeting is taking place during a period of great turbulence in our industry. In recent months, the wind energy sector has found itself at the eye of a perfect storm of issues that has engulfed not only Siemens Gamesa, but much of the rest of the industry.

The cause of much of this disruption is the continued impact of the Covid 19 pandemic. While, for the time being at least, Covid is in retreat and we have learned to cope with the disease from an operational point view, keeping our business running and our people safe, Covid has caused significant disruption to global supply chains and brought global economic uncertainty.

As a result we have seen delays to deliveries, exponential price increases in our major commodities, huge rises in transportation costs and delays to customer project decisions. Just at the moment that we should be powering ahead strongly with the energy transition these issues are preventing the industry from achieving its growth potential and in providing the momentum required to combat climate change.

These external factors have combined to place the financial performance of wind turbine manufacturers under severe pressure, leading to downgrades of financial forecasts all across the industry.

Within Siemens Gamesa, however, these issues have been further compounded by internal factors that have led us to significant losses in Q1 of Fiscal Year 2022 and a deviation from our market guidance for FY 2022. Also during Fiscal Year 2021 SGRE was forced to issue a profit warning in the third quarter of 2021 after guidance for revenue was capped in the second quarter. Siemens Gamesa's performance has been unsatisfactory and all this has been a setback and a disappointment to all shareholders.

However, I genuinely believe that the potential of wind market is intact, and as I will show later growth prospects are extremely positive. Our Offshore and Service units have viable business models and good earnings quality. However, the Onshore business still faces tremendous challenges primarily as a result of the external influences described but also from project and product related issues. Even though steps have already been taken to address them, it will certainly take some time for them to have an impact.

The Board of Directors has analyzed and discussed the performance of the Company and our options for taking action to improve operational performance and put the company on the path to sustainable profitability.

Ultimately we came to the conclusion that Siemens Gamesa required an urgent reset and a change in its leadership, and as a result announced last month that Jochen Eickholt, then a Board member of Siemens Gamesa and a senior executive at Siemens Energy, would replace Andreas Nauen as CEO from March 1.

In this period of severe disruption, we believe that Jochen Eickholt has the right blend of skills and experience to lead Siemens Gamesa back to sustainability profitability. He has proven experience both of turning around companies in such circumstances, as well as managing industrial and engineering businesses with highly complex operational challenges. Under his new leadership, we expect management to bring about a turnaround by taking a disciplined and urgent approach.

In the short weeks since he assumed his position, we have already seen Jochen's intense focus on key operational issues and we are confident that the company is heading in the right direction. He will share his impressions of the company and his early actions as CEO shortly.

The Covid-related supply chain issues I described in Q1 of this fiscal year started to become apparent during Fiscal Year 2021, and their impact on the company's results was plain to see.

While revenue for the year to September 30 2021 increased by 7.5% to €10.2bn, supported by growth in Service and Offshore, EBIT pre PPA and I&R costs fell short of our expectations with a loss of €96m.

The LEAP program and our restructuring and cost control activities made significant progress during the course of the year, but the turnaround of the Onshore business continued to be a very challenging project. Offshore and Service performed according to the expectations but the company's financial performance was undermined by performance in Onshore which was impacted by the supply chain issues, higher than expected ramp-up costs for the Siemens Gamesa 5.X platform and provisions for onerous contracts related to the 5.X.

While a second year of losses is disappointing our results in 2021 also illustrated the longer term potential of the industry and the strength of our foundations. An order intake of €12.2bn for the year meant that we finished fiscal 2021 an order backlog of €32.5bn, more than half of which is in our high margin Service business.

The focus of the Board of Directors is ensuring that the company is able to turn this backlog into sustainable profitability in the years ahead. We will work with executive management to effect the changes required in the company to return Siemens Gamesa to profitability in the short-term and deliver our long-term aspiration of 8-10% EBIT profitability.

It is the strong belief of the Board of Directors that a robust, up to date and modern corporate governance system forms the basis for ensuring that shareholders and our other stakeholders continue to trust in the Company. Trust is not something that is earned once and for all. It must be constantly renewed and we believe that having a transparent and strong corporate governance is vital to making Siemens Gamesa a reliable and trustworthy company. The path to profitability and sustainability starts there.

For another year, I can say with that we continue to implement a cutting-edge corporate governance system that continuously evolves, with a high level of compliance with the Recommendations of the Good Governance Code for Listed Companies. The Board of Directors has worked to make this possible in fiscal year 2021, adapting the internal rules forming part of that system to the latest Recommendations from the National Securities Market Commission.

We also take a very similar approach to our Compliance system, ensuring that Siemens Gamesa operates its business within all applicable with legal requirements and guidelines as the foundation for conducting business with integrity. We work to serve our customers, clients, and communities, and generate returns for our shareholders, and we firmly believe that success is only meaningful when it is achieved the right way, with the right values.

Throughout 2021 the Board of Directors has served the company through both the main Board and the two standing committees – the Audit, Compliance and Related Party Transactions Committee, and the Appointments and Remunerations Committee – and also with the Delegated Executive Committee, which provides enhanced support to executive management.

I would like to take this opportunity to thank my fellow Board members for their continued diligent service to the company and its stakeholders. I would also like to place on record my thanks to Klaus Rosenfeld and Tim Holt, who have left the Board this year, and to welcome new members, Mr. Francisco Belil and Mr André Clark, whose reelection is being submitted for your approval today.

At the heart of everything Siemens Gamesa does is a deep commitment to improve our world by providing clean energy solutions that hold the promise of transforming the future, helping to tackle the threat of climate change. It is equally important, however, that we deliver our products and services while conducting our business in a responsible and sustainable manner to better serve all our stakeholders, from investors to customers and communities.

Our Sustainability efforts are dedicated to driving the United Nations' 2030 agenda and contributing to reaching the UN Sustainable Development Goals (SDGs) targets. By doing so, we remain committed to the principles of the United Nations Global Compact, meaning that we continuously work on issues connected to human rights and maintain responsible labor, environmental and anti-corruption practices.

We have identified and prioritized the SDGs that are most relevant to us, given the countries and sectors in which we operate.

These are SDG 7, Ensuring access to affordable, reliable, sustainable and modern energy for all;
SDG 13, Taking urgent action to combat climate change and its impacts;
SDG 5, Achieving gender equality and empower all women and girls;
SDG 8 Promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all and

SDG 16, Promoting peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

During 2021 Siemens Gamesa revealed its Sustainability Vision for 2040 that put decarbonization, recyclability and people at heart of the industry's most ambitious sustainability plan.

In a moment I will talk about our environmental and Social Commitment activities but I'd like to highlight other important people-oriented initiatives started during the year.

In the Diversity and Inclusion area, Siemens Gamesa introduced an aspirational target of reaching 25% of our employees and 25% of executives being women by 2025, with a longer-term target of female representation in our Company reaching 30% in 2030. We fully recognize that meeting these challenging targets requires a great deal of work, but we are fully aware of the benefits of being a diverse and inclusive company.

We have also taken action to promote health and safety in the work place. These efforts not only involve taking care of the physical well being of employees but also the mental health of all employees who have continued to work in the unusual conditions imposed on us by Covid 19. During 2021, as part of the measures taken to protect our employees, we launched an employee stress survey and are working on an action plan based on the findings of the survey.

The company's efforts in the Sustainability arena continue to be recognized by leading positions in ESG rankings that show that Siemens Gamesa is sustainability leader. Siemens Gamesa was the first wind turbine manufacturer to obtain an ESG Evaluation from S&P Global, achieving an excellent score of 84 out of a 100. The company also obtained the best score in the industry from FTSE Russell and ISS ESG.

Siemens Gamesa achieved its highest ever score (83/100) in the 2021 S&P Global Corporate Sustainability Assessment, an improvement of four points since last year, placing in the 99th percentile and ranking #2 out of 126 companies included in the sector. The company maintains its presence in sustainability indexes, such as Dow Jones Sustainability (World and Europe), FTSE4Good, Euronext Vigeo and Ethibel Sustainability.

Our teams are highly motivated by the impact that their work has on the environment and the company can be particularly proud of its achievement in this field during 2021.

One of the highlights of 2021 was the launch of the industry's first commercial RecyclableBlade.

As the number of installations and turbine sizes continue to increase, the call for wind circularity is becoming ever more critical, with some countries planning to introduce strict requirements for wind turbine recycling.

There are established recycling practices for many turbine components, such as the tower and nacelle. However, the composite materials used in rotor blades have been more challenging to recycle.

With our RecyclableBlade technology, separation of the blade materials becomes possible at decommissioning. The materials can now be transformed and reused in other applications across various industries, by providing streams of recycled materials for use in different manufacturing processes. This represents a groundbreaking step towards creating a waste-free future for the wind industry.

The first blades were produced at the Siemens Gamesa blade factory in Aalborg, Denmark. They represent an important step to help tackle the climate emergency in a holistic way.

Circularity is a critical element of the company's Sustainability vision and last year we announced that we would ensure all our turbines are 100% recyclable by 2040 and that the blades are fully recyclable by 2030.

In addition to ensuring our products live up to highest sustainability standards we are also committed to generating a positive effect on the environment through our operations with a roadmap that includes five actions: Energy reduction and efficiency measures; Electricity supply from renewable sources; Green mobility and fleet plan; Employee awareness campaigns and idea management and increased engagement across the value chain.

We are proud that Siemens Gamesa became carbon neutral in 2019 – five years ahead of schedule. In 2020, the company became powered by 100% renewable energy and had the SBTi (Science Based Targets Initiative) verify that our emission reduction targets to 2025 are meeting the most ambitious 1.5°C scenario.

Our commitment to Sustainability also extends to having a positive influence in the communities in which we live and work.

In this area also, we are guided by the UN's Sustainable Development goals, with our activities oriented around the SDGs aimed at reducing poverty, providing a high quality education, taking action against climate change, protecting marine life and the environment.

Part of our philosophy on social action is to harness the passion of our employees and many initiatives are volunteer oriented.

Our Sustainable Employee initiative teaches our employees how to introduce more sustainable habits into their lives, and so far more than 1,800 have signed up.

The Forests of Siemens Gamesa project has so far been responsible for the planting of 18 forests and around 100,000 trees in 10 countries including Mexico, Spain, France, Denmark, Germany, the US and Brazil where more than 8,000 employees of our employees, including myself, have their own identified tree.

Following the recent aggression against Ukraine, we have been working to support the response to the ongoing humanitarian crisis. The company has recently launched a donation-matching campaign to Red Cross giving our employees the ability to make their own donations and Siemens Gamesa will match double of all donations from its employees. We stand with the people of Ukraine and remain ready to continue supporting the humanitarian response.

The growing realization of the potential environmental catastrophe that would be caused by growth of carbon emissions has helped to drive the growth of the wind energy industry over recent decades.

And despite the impressive growth figures to date, the growth that is forecast for the decades – propelled by decarbonization as well as strong growth in demand for electricity – would very quickly lead to installations at far higher levels than we have seen to date.

Jochen will later show that Wood Mackenzie is currently forecasting annual installations to grow from 86GW in 2021 to 114GW average between 2025 and 2030.

Furthermore Offshore, where Siemens Gamesa is the global market leader, will more than double during this period, with an estimated 12GW of installations in 2021 forecast to be 20GW in 2025 and 40GW in 2030.

However, the path to growth will not start for three years yet, with the industry expected to be flat until 2024.

It is imperative therefore that during these leaner years, Siemens Gamesa prepares itself for the unprecedented market opportunity that will follow from 2025 onwards.

But I am fully confident that it will be ready and the Board of Directors will support Jochen and his colleagues fully in their work to ensure the company is fit for growth.

During the COP26 climate meetings in Glasgow last year, the global community re-emphasized its commitment to addressing carbon emissions. By the end of COP26, more than 150 nations had submitted new plans to cut their emissions further. The meeting finished with an acknowledgement that this outcome was still not sufficient to address the crisis and the Glasgow settlement called upon countries to “revisit and strengthen” their 2030 targets still further.

Wind energy provides one of the few proven and scalable solutions to the climate challenge, and has developed that provides energy that is cost-effective as well as clean. The targets that so many countries have set for wind installations proves that this is recognized and that wind will be integral to the energy transition.

In the fight against climate change, however, actions speak louder than words, and there is growing concern that at the current level of installations, governments will fall short of their own targets.

In Europe for example, the 27 EU nations built 11 GW of new wind farms in 2021, compared to the 32GW of energy per year that is required to meet its target of 40% renewable energy by 2030.

It is evident therefore that there needs to be a global acceleration in installations after 2025, but at present there is growing evidence that in many countries that regulatory and market conditions must urgently be adapted for a rapid roll out.

Besides the challenge this poses to the necessary progress of the energy transition, there is also the parallel threat of damage to the economic ecosystem that many governments hope to build through green recovery programs after Covid. Wind energy has been a strong source of economic development in recent years, but that progress is at risk from a relatively small market, such as currently exists. This risk is particularly acute in Europe where the industry is already under pressure from the supply chain disruption discussed earlier. Europe needs to find a collective solution, one that links both north and south and provides all nations with the energy independence they need to prosper. Wind is one answer to that question, but nations and need to act now.

Unlocking the potential of the industry requires action in a few key areas. Firstly the industry is currently held back by complex and slow permitting processes. Achieving current targets will require a significant acceleration and simplification of those processes as well as a simplification of the process of grid expansion.

Second, a market design based primarily on auctions in which price is the sole arbiter is threatening the health of the industry. That in turns threatens our ability to support both the energy transition and economic renewal. While the industry has been highly successful in driving down prices to the point that it is one of the most competitive sources of energy available, price based auctions do nothing to recognize the enormous financial effort being made in research and development and the additional value that our industry brings. If not corrected, the industry cannot reach its full potential.

In two weeks time the global industry will arrive here in Bilbao for Europe’s most important wind event and these key topics will be at the forefront of discussion and we look forward to engaging with customers, competitors and policy makers from all over Europe to advance these issues to the benefit of all.

Despite our current challenges, I continue to be highly confident about the future of our industry and excited about the potential of Siemens Gamesa. There is absolutely no doubt that we face challenges and that we must address them urgently and decisively. And equally I have no doubt that we will, and with the market opportunity ahead of us the company will deliver sustained value creation for our shareholders, employees, customers and society.

Many thanks to all you for your trust in Siemens Gamesa.

As I mentioned previously, one of our milestones of 2021 was the launch of the RecyclableBlade. Let me share with you the following video.

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