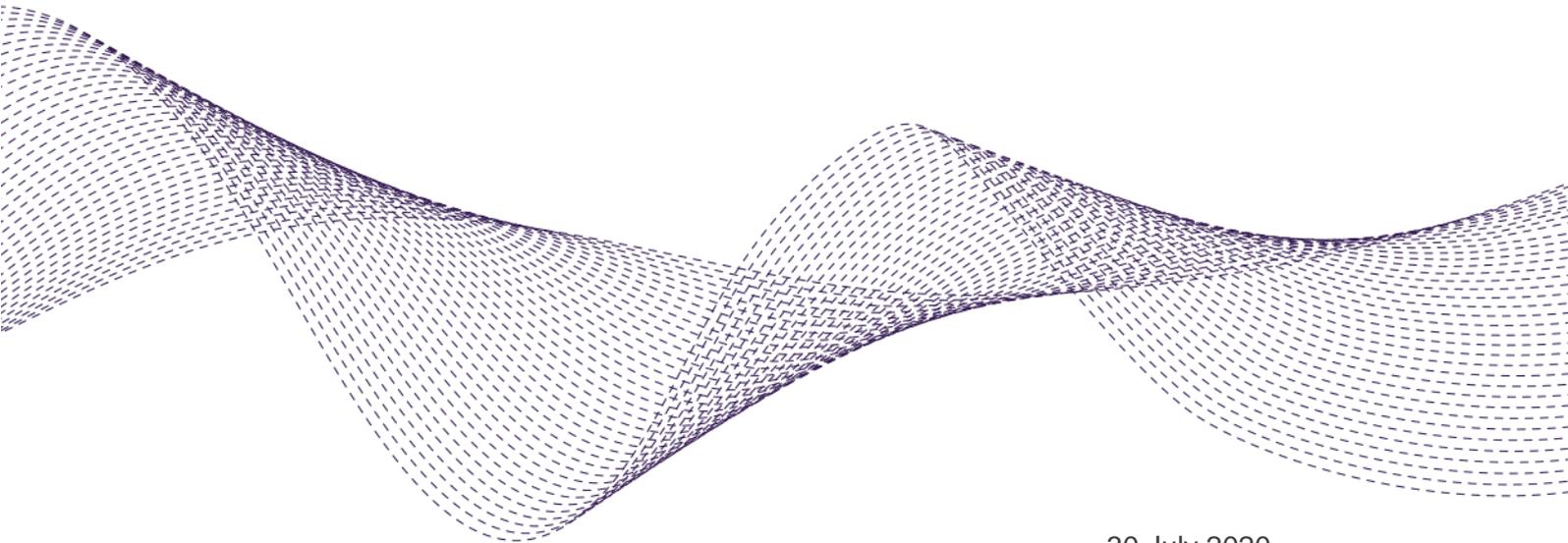


Activity Report

Third quarter FY 2020

April-June 2020 Results



30 July 2020

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Introduction

The second quarter of calendar 2020 continued to be shaped by the pandemic (COVID-19 coronavirus). Such authorities as the International Monetary Fund (IMF) and the OECD have tightened their projections related to the impact of the virus on the world economy, while initial prospects of a V-shaped recovery began to fade. According to the latest estimates by the IMF¹, the world economy will shrink by 4.9% in 2020, and the contraction will be particularly severe in the advanced economies, which will experience an 8.0% decrease, compared with a 3.0% contraction projected for developing countries. At the date of this report, the IMF's core scenario does not rule out an upswing in cases in some countries but does not contemplate a broad second wave of the pandemic and it expects that the financial, fiscal and monetary support measures under way will result in resumed economic growth in 2021: 5.4% y/y, headed by the developing countries, which will achieve 5.9% growth, followed by the advanced economies, with 4.8%. However, the current limited visibility about the pandemic's final duration and impact means that other scenarios are also likely.

As described in the activity report for the second quarter of fiscal year 2020 (Q2 20), despite the wind industry's resilience, particularly the Offshore segment, it is not immune to this situation and the supply chain, manufacturing activity, project execution and commercial activity have all been affected by the pandemic. At the date of this report, those effects are expected to be diluted in the last quarter of the fiscal year (Q4 20), while the negative impact on the Onshore business due to delays in commercial activity and project execution will be partially recovered in fiscal year 2021 (FY 21). The effect on Offshore and Service is expected to be recovered or offset in Q4 20.

The third quarter of fiscal year 2020 (Q3 20) saw factories close temporarily in Spain and India, with disruption to the global supply of components and raw materials, continuing restrictions on people's movements, and delays with administrative and financial processes impacting commercial activity. As expected, the pandemic's impact spread to the Offshore and Service markets, although to a much more limited extent. In this context, the company's priority was, and continues to be, to ensure the safety of employees and their families and of the communities where it operates, while minimising operational disruptions in order to ensure business continuity and meet customer needs.

At the end of Q3 20, the global supply and manufacturing facilities in Europe and China were operating normally after adopting measures to safeguard employees' health and safety, while the regional facilities in India and Brazil and to a lesser extent US continued to operate below capacity. The supply of components and raw materials is returning to normal, although the restrictions on the supply of balsa wood will continue to have an impact on performance in Q4 20.

Additionally, and also impacted by COVID-19, the slowdown in the Indian market was accentuated, resulting in an additional reduction in the expected pace of installations in 2020, while challenges to executing the pipeline in Northern Europe were also exacerbated.

As a result of these factors, revenues in the third quarter declined by 8% y/y to €2,411m and the EBIT margin pre PPA and before integration and restructuring costs amounted to -€161m, including a €93m direct impact of COVID-19. It is important to note that, excluding the impact of the pandemic, Offshore and Service performed in line with the company's projections.

Group revenues in the first nine months of fiscal year 2020 (9M 20) fell 9% y/y to €6,615m, and EBIT pre PPA and before integration and restructuring costs amounted to -€264m, including an accumulated impact of the pandemic in the amount of €149m. As Siemens Gamesa Renewable Energy² announced on June 17, 2020, the company does not expect the projected recovery in EBIT pre PPA and before integration and restructuring costs in Q4 20 to fully offset the losses accumulated in the first nine months.

Despite the complex situation, balance sheet performance remains solid following the funding strategy and working capital policies implemented in fiscal year 2019 (FY 19). The company ended Q3 20 with negative working capital in the amount of €1,498m, equivalent to -16% of LTM revenues, and a net debt position of €90m on the balance sheet. Net debt, which was €370m lower than the net cash position at the beginning of the year³, represents a year-

¹International Monetary Fund. World Economic Outlook Update. June 2020.

²Siemens Gamesa Renewable Energy (Siemens Gamesa) is the result of merging Siemens Wind Power, which was the wind power division of Siemens AG, with Gamesa Corporación Tecnológica (Gamesa). The Group engages in wind turbine development, manufacture and sale (Wind Turbine business) and provides operation and maintenance services (Service business).

³The Siemens Gamesa Group adopted IFRS 16 effective October 1, 2019 using the full retrospective approach without restating comparative period figures. As a result of the forgoing, the opening balance as of October 1, 2019 has been modified. The main impacts of the first application of IFRS 16 on the consolidated balance sheet as of October 1, 2019 are an increase in Property, plant and equipment corresponding to the assets for the

on-year improvement of €101m with respect to the end of the third quarter of fiscal year 2019 (Q3 19), or c. €707m considering the impact of applying IFRS 16 at the beginning of the current fiscal year. At June 30, 2020 Siemens Gamesa had nearly €4,000m in available credit lines, against which it has drawn c. €1,200m.

Meanwhile, despite the pandemic's impact on the Onshore business, Siemens Gamesa maintained record commercial activity, evidencing the resilience of the business. The Group ended Q3 20 with an order book totalling €31,461m, €6,327m more than in June 2019, €5,955m more than at the end of FY 19, and €2,838m more than at the end of March 2020. 78% of the order book is in businesses with solid performance, with returns aligned with the Group's long-term vision, and longer duration - Offshore (30%) and Service (48%) - which enhances the visibility of the Group's performance going forward. The backlog at June 30, 2020 was reduced by about 3% as a result of currency depreciation.

Order intake in Q3 20 amounted to €5,342m, i.e. a book-to-bill ratio of 2.2 times revenues in the quarter, which is a record high for the company, attributable to strong performance by Offshore and Service that offset lower Onshore order intake, which was affected by the pandemic, and mainly, by the slowdown in the Indian market. The Onshore order intake decline also reflects the continued strengthening of the strategy to prioritize profitability over volume. Onshore platforms over 4 MW continue to gain in importance and accounted for 70% of Onshore order intake in Q3 20 and 47% of total orders year-to-date. The new SG 14-222 DD Offshore turbine, presented in Q3 20, met with a very good response from customers, as preferred supply agreements and conditional contracts have been signed for a total of 4.3 GW.

It is important to note that, despite the material (though temporary) impact of the pandemic, the energy market continues the transition towards an affordable, reliable and sustainable model in which renewable energy plays a fundamental role thanks to its growing competitiveness, and that the reduction in the projections for wind installations in 2020 will be recovered in subsequent years. Not only is the long-term vision for the industry unchanged; in fact, renewable energy can and must play a major role in the economic revival and in the development of a sustainable socio-economic model, something that is increasingly necessary. The crisis might represent an opportunity for the authorities to accelerate their commitments to mitigating climate change.

Within the need to develop sustainable socio-economic models, Siemens Gamesa maintains its commitment to environmental, social and governance (ESG) criteria. In Q3 20, ESG criteria were adopted in the first syndicated guarantee line⁴, and Vigeo-Eiris⁵ ranked the company first among 25 companies in the Electric Components & Equipment sector for its ESG performance. Siemens Gamesa Renewable Energy is currently included within the following indices powered by Vigeo-Eiris: i) *Euronext Vigeo Europe 120*; ii) *Euronext Vigeo Eurozone 120*; iii) *Euronext Eurozone ESG Large 80 index* and iv) *Ethibel Sustainability Index-Excellence Europe*.

In June, the company announced the appointment of Andreas Nauen as CEO of Siemens Gamesa. Three years after the company's foundation, and with the merger process practically complete, the appointment of Andreas Nauen marks a new stage of its existence, one focused on accelerating the return to profitability in the Onshore business while maintaining strong performance in the Offshore and Service businesses. To this end, the restructuring of operations in India that commenced in Q2 20 continues, as manufacturing capacity is being adjusted to the market's current size. Also, given the volatility of the Indian market, the operations risk profile was reduced by limiting the wind farms development activity, and ceasing solar activity. The need to improve the profitability of the Onshore business is not confined to India but extends to all geographies. In EMEA, the company continues to adapt its manufacturing footprint to demand in a market that requires ever-larger turbines (closure of the Aoiz plant) and more competitive costs (acquisition of the Vagos blade plant). Reorganisation of operations in Northern Europe continues along with the implementation of sounder risk control and projects execution models in order to avoid a

right of use in the amount of €679m, a decrease in advance payments recorded under the headings "Other non-current assets" and "Other current assets", in an amount of €85m and €10m, respectively, and the corresponding increase in current and non-current liabilities (components of the Net Financial Debt) amounting to €583m. See Note 2.D.3 to the consolidated financial statements for FY 2019. Lease liabilities as of June 30, 2020 amounted to: €112m short-term and €494m long-term.

⁴In Q3 20, Siemens Gamesa signed its first syndicated guarantee line for an amount of €600m involving a structure linked to the donation of funds for cancer research.

⁵Vigeo Eiris is a rating and research agency that evaluates organisations' integration of social, environmental and governance factors into their strategies, operations and management, with a focus on promoting economic performance, responsible investment and sustainable value creation.

recurrence of the shortcoming in contract negotiations and project execution that occurred in fiscal year 2020 (FY 20).

Andreas Nauen contributes over 11 years of experience as CEO of Siemens Wind Power and Repower/Senvion, having achieved very sustainable and profitable growth at both companies. As CEO of SGRE Offshore⁶, the division's results were in line with the Group's profitable and sustainable growth vision. SGRE Offshore expanded its backlog by 30% by landing €10,869m in firm orders, maintained its lead in Northern Europe mature markets, and attained leadership in new markets in France, US and Taiwan. In both cases, this was achieved through a combination of technology leadership, operational excellence and close contact with customers.

Consolidated key figures Q3 20

- Revenues: €2,411m (-8% y/y)
- EBIT pre PPA and before integration and restructuring costs⁷: -€161m (N.A.)
- Net profit pre PPA and before integration and restructuring costs⁸: -€236m (N.A.)
- Reported net profit: -€466m (N.A.)
- Net cash/(Net financial debt – NFD)⁹: -€90m
- MWe sold: 2,627 MWe (+10% y/y)
- Order book: €31,461m (+25% y/y)
- Firm order intake in Q3: €5,342m (+14% y/y)
- Firm order intake in the last twelve months: €15,248m (+24% y/y)
- WTG order intake in Q3: 4,060 MW (+11% y/y)
- Firm WTG order intake in the last twelve months: 12,765 MW (+17% y/y)
- Installed fleet: 104,930 MW
- Fleet under maintenance: 72,099 MW

Markets and orders

Despite the effects of the pandemic, solid sales efforts continue to drive the company's performance. In the last twelve months, Siemens Gamesa signed orders worth €15,248m (+24% y/y) and it ended June 2020 with an order book of €31,461m¹⁰ (+25% y/y). The order book expanded by €6,327m with respect to the end of June 2019, and by €5,955m with respect to the end of FY 19. The order book now includes the Service backlog associated with the assets acquired from Senvion in January 2020, amounting to c. €1,500m.

At the end of Q3 20, 48% of the order book (€15,122m) is in Service, which has higher returns and expanded by 31% year-on-year. The WTG order book is split €9,445m Offshore (+31% y/y) and €6,894m Onshore (+8% y/y).

⁶Measured since the beginning of fiscal year 2018 (FY 18).

⁷EBIT pre PPA and before integration and restructuring costs excludes integration and restructuring costs in the amount of €243m and the impact of fair value amortisation of intangible assets as a result of the PPA (purchase price allocation) in the amount of €68m.

⁸Net profit pre PPA and before integration and restructuring costs excludes €230m of total integration and restructuring costs and the impact of fair value amortisation of intangible assets as a result of the PPA (purchase price allocation), net of taxes.

⁹Cash / (Net financial debt) is defined as cash and cash equivalents less financial debt (both short- and long-term). The Siemens Gamesa Group adopted IFRS 16 effective October 1, 2019 using the full retrospective approach without restating comparative period figures. As a result of the forgoing, the opening balance as of October 1, 2019 has been modified. The main impacts of the first application of IFRS 16 on the consolidated balance sheet as of October 1, 2019 are an increase in Property, plant and equipment corresponding to the assets for the right of use in the amount of €679m, a decrease in advance payments recorded under the headings "Other non-current assets" and "Other current assets", in an amount of €85m and €10m, respectively, and the corresponding increase in current and non-current liabilities (components of the Net Financial Debt) amounting to €583m. Lease liabilities as of June 30, 2020 amounted to: €112m short-term and €494m long-term.

¹⁰Currency devaluation reduced the value of the backlog by c. €950m. Excluding the currency effect, the order book would have increased by 29% y/y to c. €32,400m.

Figure 1: Order book at 06.30.20 (€m)

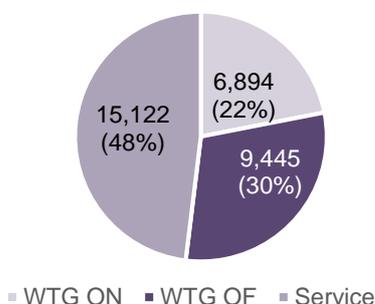
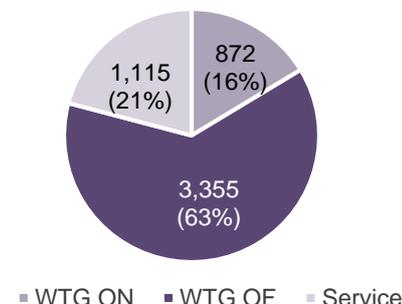


Figure 2: Order intake Q3 20 (€m)



The Group's order intake in Q3 20 amounted to €5,342m, more than twice the revenues booked in the period (giving a book-to-bill ratio of 2.2). The 14% year-on-year increase in order intake reflects the strength of the Offshore and Service businesses, which entirely offset the lower order intake in Onshore.

Onshore commercial activity, with 1,200 MW in firm orders signed in Q3 20 (-44% y/y), reflects the impact of COVID-19 on commercial activity as there were delays in signing contracts in all three regions. The uncertainty in the Mexican market because of governmental measures that favour fossil fuels is having a major impact, as is the slowdown in India, where projections for installations in the year were reduced for the second quarter in a row. Orders signed in the quarter amounted to €872m, 49% less than in Q3 19, when order intake was particularly strong. Order intake in the last twelve months amounts to 8,555 MW (-4% y/y). Siemens Gamesa signed €6,073m in orders for WTG ON in the last twelve months, i.e. a book-to-bill ratio of 1.2 in this segment in the period. The book-to-bill ratio in Q3 20 was 0.8 times revenue in the quarter.

Figure 3: WTG ON order intake (€m) LTM (%)

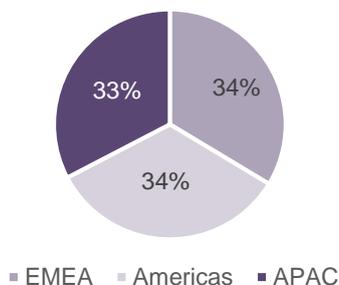
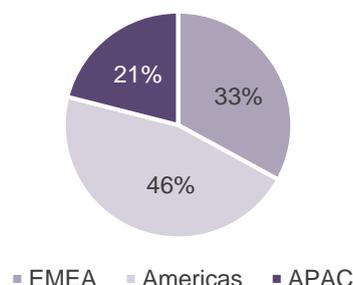


Figure 4: WTG ON order intake (€m) Q3 20 (%)



Of the 43 countries that contributed new Onshore order intake (€m) in the last twelve months, the three largest are India (16%), Brazil (9%) and the United States (9%). They are followed by Chile (8%), Sweden (7%), Spain (7%) and China (6%). The main sources of new orders in Q3 20 were US (which contributed 22% of order intake in the quarter), Chile (18%), Vietnam (13%) and Spain (11%), followed by Sweden (7%), Japan (5%) and Norway (5%). The company is strongly positioned in Vietnam as part of the strategy to diversify its footprint in APAC. With 487 MW accumulated by 2019¹¹, installed capacity is projected to reach 4 GW by 2025, including 1 GW Offshore, as part of the government's plan to increase power generation capacity to respond to expected economic and population growth.

¹¹Source: Global Wind Energy Council (GWEC). Accumulated Onshore installations at the end of 2019.

70% of order intake in the third quarter was for platforms of 4 MW or higher, including a new order from Sweden for the Onshore 5.X platform. With these orders, new platforms of 4 MW or higher accounted for 47% of total new orders in the first nine months of FY 20, compared with 26% in FY 19.

Table 1: WTG ON order intake (MW)

| WTG ON order intake (MW): | LTM | Q3 20 |
|----------------------------------|--------------|--------------|
| Americas | 2,793 | 500 |
| US | 703 | 330 |
| Brazil | 870 | 0 |
| Chile | 699 | 170 |
| Mexico | 122 | 0 |
| EMEA | 2,604 | 416 |
| Spain | 574 | 175 |
| Sweden | 607 | 78 |
| APAC | 3,157 | 284 |
| India | 1,343 | 0 |
| China | 798 | 0 |
| Vietnam | 394 | 180 |
| Total (MW) | 8,555 | 1,200 |

Offshore order intake reached a record 2,860 MW in the quarter, 87% more than in Q3 19, and exceeded total order intake in FY 19. The quarter commenced with the signature of a contract to supply 38 units of the SG 8.0-167 DD Flex turbine for the Kaskasi Offshore wind farm in Germany. Later, two contracts were signed in France for a total of 993 MW: 62 SG 8.0-167 DD Offshore turbines for the Saint Briec wind farm, and 71 SWT-7.0-154 Offshore turbines for the Fécamp wind farm. Both contracts support the Group's plan to establish a base in the port of Le Havre, in Normandy, where it is building the first combined blades and nacelles factory. The quarter concluded with the signature of firm orders for the HKZ I, II, III and IV wind farms, totalling 1,540 MW: 140 units of the SG 11.0-200 DD Offshore turbine.

Offshore orders signed in the last twelve months totalled 4,211 MW (2.1 times the volume signed in the twelve months to June 2019 — 2,004 MW), worth €5,121m (+67% y/y).

A new conditional agreement was signed in Q3 20: 1.4 GW for the Sofia wind farm in the United Kingdom, comprising 100 SG 14-222 DD turbines. With this conditional agreement and the conversion of 2.9 GW of agreements to firm orders in the quarter, the conditional pipeline was 9.3 GW at the end of June 2020. Within the pipeline of conditional orders and preferential supply agreements, 4.3 GW are for the new SG 14-222 DD Offshore turbine, reflecting Siemens Gamesa's technology lead in the Offshore market: US (2.6 GW with Dominion Energy), UK (1.4 GW with Innogy) and Taiwan (300 MW with Hai Long Offshore Wind).

Lastly, it is important to note that the Service area attained strong commercial performance, with €1,115m in new orders in Q3 20, 20% more than in Q3 19, and representing a book-to-bill ratio of 2.4 times revenue in the quarter. Strong commercial activity in Service is also linked to the Offshore market, having signed maintenance contracts for the Fécamp (15 years) and Saint Briec (10 years) wind farms. Additionally, in line with the strategy of winning contracts for third-party technology, Siemens Gamesa signed maintenance contract for the 200 MW Trianel Windpark Borkum II offshore wind with a minimum term of 5 years and up to 15 years, which uses Servion technology. Since acquiring Servion's Service assets, the company has signed maintenance contracts for a total of 557 MW of that technology.

In the last twelve months, the Service division signed contracts worth a total of €4,054m, 59% more than in the twelve months to June 2019. The average duration of the order intake signed in the last quarter is 9 years.

Table 2: Order intake (€m)

| | Q1 19 | Q2 19 | Q3 19 | Q4 19 | Q1 20 | Q2 20 | Q3 20 |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| WTG | 2,195 | 1,717 | 3,735 | 2,386 | 3,158 | 1,424 | 4,227 |
| Onshore | 1,799 | 1,200 | 1,695 | 2,240 | 1,611 | 1,350 | 872 |
| Offshore | 396 | 517 | 2,040 | 146 | 1,547 | 74 | 3,355 |
| Service | 346 | 749 | 931 | 690 | 1,470 | 779 | 1,115 |
| Group | 2,541 | 2,466 | 4,666 | 3,076 | 4,628 | 2,203 | 5,342 |

The transition towards affordable, reliable and sustainable energy systems is being accompanied not only by better demand prospects for renewable installations but also by a demand for greater competitiveness in the supply chain: more productive wind turbines at better prices. The introduction of auctions as a mechanism for allocating renewable capacity or production in electricity markets, pressure from alternative renewable sources to wind energy, and the competitive pressure among wind turbine manufacturers themselves are the main reasons for the reduction in prices.

This decline in prices, which became particularly visible after the first auctions in Mexico, India or Spain during 2016 and 2017, has gradually stabilised since the beginning of FY 18, and this trend was maintained in FY 19 and in the first nine months of FY 20.

Consequently, the wind turbine market went from initial high-single/low-double digit reductions to low-single-digit reduction (<5%), in line with the historical reduction in prices associated with productivity improvements in manufacturing.

However, as noted in previous quarters, the average sale price¹² is influenced by other factors apart from turbine prices, including the country, the contract scope and the machine mix, and it is not directly correlated with profitability. These impacts are visible in the quarterly trend in average prices, with a particular impact in the first quarter of FY 20 due to the strong contribution of orders from China (where the product scope excludes the tower). In Q3 20, the main impact on average prices was due to lower project scope and a higher contribution from platforms with greater rated capacity (> 4 MW), which accounted for 70% of order intake in Q3 20.

Figure 5: Onshore: Average sale price (ASP)/Order intake (€/MW)

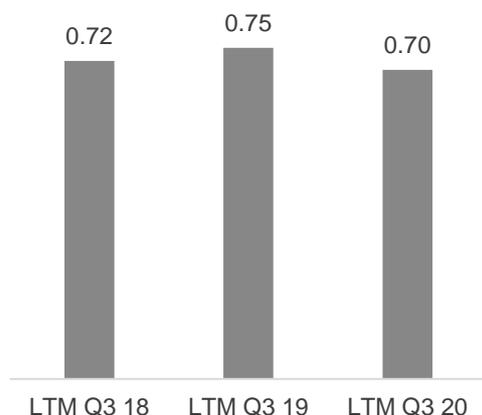
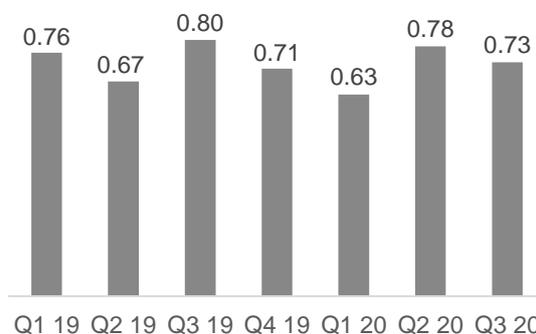


Figure 6: Onshore: Average sale price (ASP)/Order intake (€/MW)



¹²The calculation of the average sale price does not include solar orders.

Key financial performance metrics

The table below shows the main financial aggregates for the third quarter (April-June) of FY 20 (Q3 20) and FY 19 (Q3 19), and the change between them, as well as the figures for the first nine months of FY 20 (9M 20) and the variation with respect to the same period of FY 19 (9M 19).

Table 3: Key figures

| €m | Q3 19 | Q3 20 | Change y/y | 9M 20 | Change y/y |
|---|-------|--------|------------|--------|------------|
| Group revenues | 2,632 | 2,411 | -8.4% | 6,615 | -9.2% |
| WTG | 2,242 | 1,947 | -13.2% | 5,390 | -13.2% |
| Service | 390 | 464 | +19.0% | 1,226 | +13.8% |
| WTG volume (MWe) | 2,394 | 2,627 | +9.7% | 6,742 | -2.4% |
| Onshore | 1,699 | 1,876 | +10.4% | 5,271 | +7.0% |
| Offshore | 694 | 751 | +8.2% | 1,471 | -25.7% |
| EBIT pre PPA and before I&R costs | 159 | -161 | N.A. | -264 | N.A. |
| EBIT margin pre PPA and before I&R costs | 6.1% | -6.7% | -12.7 p.p. | -4.0% | -10.5 p.p. |
| WTG EBIT margin pre PPA and before I&R costs | 3.4% | -13.2% | -16.6 p.p. | -9.9% | -13.7 p.p. |
| Service EBIT margin pre PPA and before I&R costs | 21.3% | 20.6% | -0.7 p.p. | 22.1% | -0.4 p.p. |
| PPA amortisation ¹ | 67 | 68 | +1.8% | 203 | +1.6% |
| Integration and restructuring costs | 36 | 243 | 6.7x | 352 | 3.9x |
| Reported EBIT | 56 | -472 | N.A. | -819 | N.A. |
| Net profit pre PPA and before integration and restructuring costs | 95 | -236 | N.A. | -399 | N.A. |
| Reported net profit attributable to SGRE shareholders | 21 | -466 | N.A. | -805 | N.A. |
| Net profit per share attributable to SGRE shareholders ² | 0.03 | -0.69 | N.A. | -1.19 | N.A. |
| Capex | 127 | 151 | +23 | 352 | +36 |
| Capex/revenues (%) | 4.8% | 6.3% | +1.4 p.p. | 5.3% | +1.0 p.p. |
| Working capital (WC) | 238 | -1,498 | -1,736 | -1,498 | -1,736 |
| Working capital/revenues LTM (%) | 2.4% | -15.7% | -18.1 p.p. | -15.7% | -18.1 p.p. |
| Net (debt)/cash | -191 | -90 | +101 | -90 | +101 |
| Net (debt)/EBITDA LTM | -0.22 | -0.94 | -0.7 | -0.94 | -0.7 |

1. Impact of the Purchase Price Allocation (PPA) on amortisation of intangibles.

2. Earnings per share calculated using the weighted average number of outstanding shares in the period. Q3 19: 679,527,345; Q3 20: 679,517,513; 9M 20: 679,516,874.

The Group's financial performance in Q3 20 was shaped primarily by:

- The impact of the pandemic, which, although it continues to affect mainly Onshore, had an effect on Offshore and Service performance in Q3 20.
- Additional costs, over and above those initially projected, as a result of challenges encountered in executing the Onshore pipeline in Northern Europe, which was indirectly affected by the pandemic.
- Costs arising from the volatility and slowdown in the Onshore market in India, which were also exacerbated by the pandemic, resulting in longer suspensions of business activity in that country.

The main impact of the pandemic in Q3 20 was due to: i) delays in executing Onshore projects, which pushed part of the activity to Q4 20 and, mainly, to FY 21 because of disruptions to the supply chain and the temporary closures of plants in India, and Spain; ii) the resulting costs of underutilisation; iii) higher costs due to delays in project execution and higher shipping costs; and iv) the increase in the price of some raw materials, such as balsa wood, because of the supply disruptions. By late June, manufacturing had returned to normal except in India and Brazil, which continued to operate below full capacity. The direct impact of COVID-19 in the third quarter was €93m.

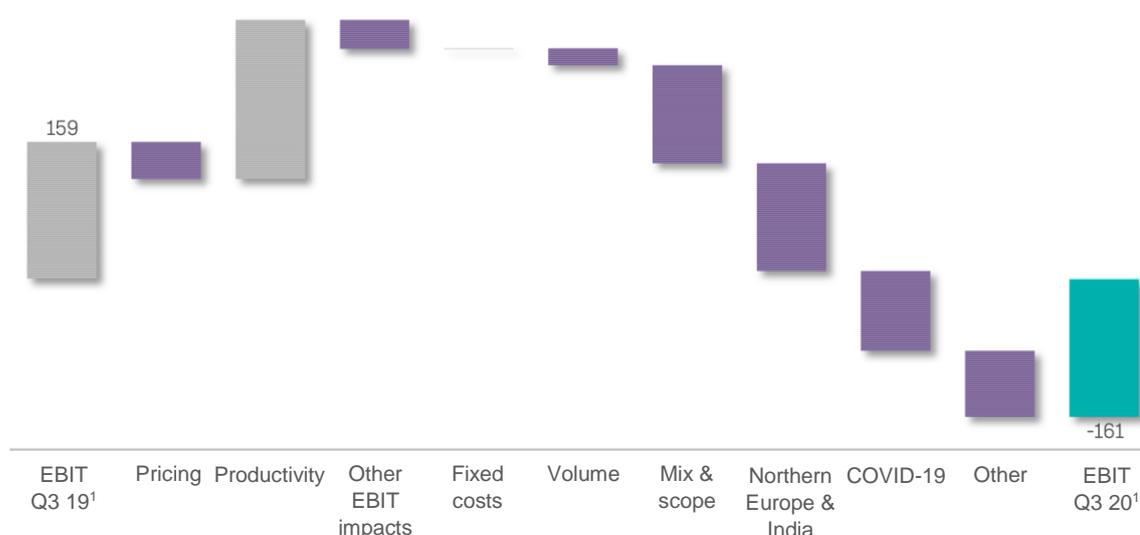
In this context, Group revenues amounted to €2,411m in Q3 20, 8% lower than in the year-ago quarter.

EBIT pre PPA and before integration and restructuring costs in Q3 20 amounted to -€161m, i.e. a 13 p.p. y/y reduction in the EBIT margin, to -6.7%. The impact of COVID-19 cut 3.9 p.p. off the margin.

The trend in EBIT pre PPA and before Group integration and restructuring costs in Q3 20 reflects the impact of the following factors:

- (-) The price cuts incorporated into the order book (Onshore, Offshore and Service) at the beginning of the year.
- (+) Improvements in productivity and fixed costs under the L3AD2020 programme, which offset the price reduction.
- (-) The negative impact of the lower Offshore sales volume (-21% y/y).
- (-) The Group's project mix.

Figure 7: EBIT pre PPA and before I&R costs (€m)



1. EBIT pre PPA and before integration and restructuring (I&R) costs.

In addition to these four factors, whose impact in Q3 20 was in line with the company's forecasts, the year-on-year variation was impacted by the continuing slowdown in the Indian market and an increase in the cost of executing projects in Northern Europe (above what had been projected in Q1 20), and by COVID-19 pandemic, that has additionally increased the impact on previous items. In relation with costs in India and Northern Europe, during the first nine months, Siemens Gamesa has recognized as part of the EBIT pre PPA and before integration and restructuring costs items amounting to €95m and €183m due to projects costs deviations.

The impact of the PPA on amortisation of intangible assets was €68m in Q3 20 (€67m in Q3 19), while integration and restructuring (I&R) expenses amounted to €243m in the same period (€36m in Q3 19).

I&R costs include notably the following items:

- Restructuring of operations in India to adjust capacity to new demand projected in the coming years; demand that has again been cut sharply, from 3.5 GW projected in the first quarter of calendar 2020 to 2.5 GW at present.
- Restructuring of capacity in EMEA to adapt to the market demand for larger turbines, with the closure of the Aoiz plant.
- Beyond integration costs related to IT, integration and restructuring costs associated with the acquisition of the Servion Service assets and the Vagos blade plant.

Although the short- and medium-term demand prospects in India have declined, the long-term outlook remains intact, with 7 GW average annual installations projected for the second half of the decade. For this reason, Siemens Gamesa maintains its commitment to the Indian market, where it has launched the SG 3.4-145 model, which was designed and optimised specifically for India and offers 48% higher annual energy production when compared with its predecessor, the SG 2.2-122.

Net financial expenses amounted to €11m in Q3 20 (€20m in Q3 19). Losses in the quarter resulted in a tax income of €19m (tax expense of €14m in Q3 19).

As a result, the Group reported a net loss pre PPA and before integration and restructuring costs of €236m in Q3 20. The reported net loss (which includes the impact of amortisation from the PPA and integration and restructuring costs — both net of taxes — totalling €230m in Q3 20), amounted to €466m, contrasting with a profit of €21m in Q3 19. Siemens Gamesa's net loss per share amounts to €0.69.

As regards performance in the first nine months of the year, Siemens Gamesa attained €6,615m in revenues and -€264m in EBIT pre PPA and before integration and restructuring costs, i.e. a margin of -4% on revenues. The pandemic's impact in the first nine months amounted to €149m, equivalent to 2.3% of revenues. The impact of PPA on amortisation of intangible assets amounted to €203m, while integration and restructuring expenses amounted to €352m. The reported net loss attributable to SGRE shareholders amounted to -€805m, after booking €43m in net financial expenses and €60m in tax income.

In the first nine months of FY 20, integration and restructuring costs include among others the following items related to the deterioration of the Indian market and the plan on restructuring Siemens Gamesa's operations in said market: a €82m impairment of intangible assets, a €102m reduction in inventories (including landbank), and a €11m impairment of tangible fixed assets (PPE). €157m out of this amount have been recorded in Q3 20.

Working capital policies implemented in FY 19 and strong commercial activity improved the working capital position despite the pandemic's impact on project execution. The company ended Q3 20 with working capital amounting to -€1,498m, equivalent to -15.7% of LTM revenues, i.e. an improvement of €1,736m (18.1 p.p. on revenues) with respect to the position at the end of Q3 19. Since the beginning of the year, working capital has improved by €655m, equivalent to 7 p.p. on revenues.

Table 4: Working capital (€m)

| | Q1 19 ¹ | Q2 19 | Q3 19 | Q4 19 | Q1 20 | Q2 20 | Q3 20 | Change y/y |
|-------------------------------------|--------------------|-------------|-------------|------------------|-------------------|--------------|---------------|---------------|
| <i>Working capital (€m)</i> | | | | | | | | |
| Accounts receivable | 1,135 | 1,171 | 1,460 | 1,308 | 1,108 | 1,073 | 1,211 | -248 |
| Inventories | 1,925 | 2,006 | 2,044 | 1,864 | 2,071 | 2,115 | 2,064 | 20 |
| Contract assets | 2,033 | 1,771 | 1,952 | 2,056 | 1,801 | 1,808 | 1,715 | -238 |
| Other current assets | 417 | 464 | 651 | 461 ² | 578 | 466 | 584 | -68 |
| Accounts payable | -2,557 | -2,505 | -2,733 | -2,886 | -2,471 | -2,544 | -2,781 | -48 |
| Contract liabilities | -2,340 | -1,991 | -2,267 | -2,840 | -3,193 | -3,101 | -3,362 | -1,094 |
| Other current liabilities | -641 | -706 | -869 | -798 | -833 | -682 | -929 | -60 |
| Working capital (WC) | -27 | 211 | 238 | -833 | -939 | -865 | -1,498 | -1,736 |
| Change q/q | 515 | 238 | 28 | -1,071 | -106 ² | 74 | -633 | |
| Working capital/revenues LTM | -0.3% | 2.2% | 2.4% | -8.1% | -9.4% | -8.8% | -15.7% | |

1. For the purposes of comparison after the application of IFRS 9, which impacted the opening balance sheet in FY 19: the foregoing table shows a €3m decline in "Trade and other accounts receivable" and a €3m decline in "Contract assets", with a corresponding €4.6m reduction in Group equity (including the tax effect).
2. The application of IFRS 16 modified the beginning balance of the "Other current assets" account by €10m: from €461m at the end of FY 19 to €451m at the beginning of FY 20. Working capital at the beginning of FY 20 amounted to -€843m, €10m less than at the end of FY 19. Considering the impact of IFRS 16, working capital decreased by €95m in the first quarter of FY 20.

Capital expenditure amounted to €151m in Q3 20, in line with annual targets communicated in November 2019. Investment was concentrated in developing new services and Onshore and Offshore platforms, and in tooling and equipment.

The application of IFRS 16 in FY 20¹³ increased gross interest-bearing debt by €583m (see note 2.D.3 to the Group's consolidated financial statements for FY 19). As a result, the net cash position went from €863m as of 30 September 2019 to €280m at the beginning of FY 20 (October 1, 2019). Adjusting for this accounting change, the net cash (debt) position improved by c. €707m¹⁴ to net debt of €90m. This improvement came after paying for the acquisition of the Senvion Service assets in Q2 20 and the Vagos blade plant in Q3 20 (see note related to the Senvion assets acquisition impact in annex).

In the first quarter of FY 20, Siemens Gamesa strengthened its funding structure by extending the maturity of the syndicated loan to December 2024 for the €2,000m tranche and to December 2022 for the €500m tranche, and by arranging more flexible terms as a result of achieving an investment grade rating. The maturity extension enables the company to address the impact of the pandemic and the related uncertainties with a strong liquidity position. At the end of Q3 20, the company had c.€4,000m in credit lines, against which it had drawn c.€1,200m. Of the amount not yet drawn, c.€2,500m are fully committed by the banks, with c. €500m maturing in FY 21 and c. €2,000m in fiscal year 2025 (FY 25).

¹³The Siemens Gamesa Group adopted IFRS 16 effective October 1, 2019 using the full retrospective approach without restating comparative period figures. As a result of the foregoing, the opening balance as of October 1, 2019 has been modified. The main impacts of the first application of IFRS 16 on the consolidated balance sheet as of October 1, 2019 are an increase in Property, plant and equipment corresponding to the assets for the right of use in the amount of 679 million euros, a decrease in advance payments recorded under the headings "Other non-current assets" and "Other current assets", in an amount of 85 million euros and 10 million euros, respectively, and the corresponding increase in current and non-current liabilities (components of the Net Financial Debt) amounting to 583 million euros. Lease liabilities as of June 30, 2020 amounted to: €112m short-term and €494m long-term.

¹⁴Net debt as of June 30, 2019: €191m; increase in debt due to adoption of IFRS 16 in FY 20, at June 30, 2020: €606m; net debt as of June 30, 2020: €90m.

WTG

Table 5: WTG (€m)

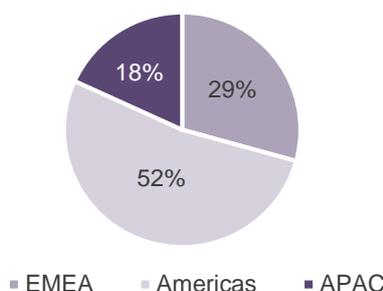
| €m | Q1 19 | Q2 19 | Q3 19 | Q4 19 | Q1 20 | Q2 20 | Q3 20 | Change y/y |
|--|-------|-------|-------|-------|--------|-------|--------|------------|
| Revenues | 1,904 | 2,060 | 2,242 | 2,527 | 1,634 | 1,808 | 1,947 | -13.2% |
| Onshore | 1,103 | 1,243 | 1,229 | 1,650 | 1,116 | 1,149 | 1,143 | -7.0% |
| Offshore | 801 | 817 | 1,013 | 877 | 518 | 660 | 805 | -20.6% |
| Volume (MWe) | 2,129 | 2,383 | 2,394 | 2,585 | 1,932 | 2,183 | 2,627 | +9.7% |
| Onshore | 1,520 | 1,707 | 1,699 | 2,009 | 1,747 | 1,649 | 1,876 | +10.4% |
| Offshore | 609 | 676 | 694 | 576 | 185 | 534 | 751 | +8.2% |
| EBIT pre PPA and before I&R costs | 51 | 106 | 76 | 149 | -224 | -54 | -256 | N.A. |
| EBIT margin pre PPA and before I&R costs | 2.7% | 5.1% | 3.4% | 5.9% | -13.7% | -3.0% | -13.2% | -16.6 p.p. |

WTG revenues in Q3 20 amounted to €1,947m, 13% less than in Q3 19, and revenues in 9M 20 declined by a similar percentage, to €5,390m.

The contraction in WTG sales in Q3 20 was due to a reduction in Offshore sales (-21% y/y), practically in line with the plan for the year, and a decline in Onshore sales (-7%) as this segment bore the brunt of the pandemic's impact on project execution. Onshore revenues declined to €1,143m, reflecting a 22% y/y decline in installation activity, as 1,327 MW were installed in Q3 20, compared with 1,695 MW in Q3 19. The slowdown in India and the uncertainty in Mexico had a relevant impact.

The main sources of Onshore sales (MWe) in Q3 20 were US (29% of the total), Chile (14%), Sweden (9%) and China (8%).

Figure 8: WTG ON sales (MWe) Q3 20 (%)



Offshore revenues shrank by 21% with respect to Q3 19, to €805m, while volume amounted to 751 MWe, 8% more than in the year-ago quarter; however, installation activity shrank by 45% to 514 MW installed in Q3 20 (from 931 MW in Q3 19). COVID-19 had a mild impact on manufacturing and installation volume. The delays experienced in the Offshore business are expected to be recovered in the fourth quarter so as to end the year in line with the projections.

EBIT pre PPA and before integration and restructuring costs amounted to -€256m in Q3 20, equivalent to an EBIT margin of -13.2%, i.e. 16.6 percentage points below the EBIT margin pre PPA and before integration and restructuring costs in Q3 19. EBIT pre PPA and before I&R costs declined to -€534m in 9M 20, equivalent to a -9.9% EBIT margin, i.e. 13.7 percentage points below the EBIT margin pre PPA and before I&R costs in 9M 19.

WTG division profitability in both Q3 20 and 9M 20 reflected the impact of the following factors, which had already been planned for and whose effect was fully in line with the company's projections:

- Lower prices, offset by the results of the L3AD2020 transformation programme.

- The cost of Offshore underproduction due to the reduction in volume.
- The sales mix, with a lower contribution from the Offshore segment and a lower contribution by EMEA in the Onshore segment.

However, other factors, some outside the company's control, had an impact which could not be offset in the short term:

- The pandemic delayed project execution and raised costs by slowing the supply chain and the pace of manufacturing and execution. The cost of certain raw materials and shipping costs also increased.
- Major markets for Siemens Gamesa, such as India and Mexico, experienced a slowdown. Demand prospects in India were reduced for the second time since January 2020 (-1.0 GW in the latest Wood Mackenzie report¹⁵) while the Mexican government's measures that are favourable to fossil fuels have increased uncertainty and had a clear impact on renewable energy (with wind installations prospect reduced 14% for the 2020-2024 period according to Wood Mackenzie).
- Higher-than-expected costs as a result of difficulties in executing 1.1 GW in Northern Europe, which were accentuated by the impact of the pandemic, particularly on staff travel.

In this context, along with the appointment of Andreas Nauen as CEO, the company took a number of steps to return to profitability in the Onshore business:

- Full business review in India, consolidating capacity to actual demand, and reducing the risk profile by curtailing the development business, and focusing operations on wind sector, ceasing solar activity. Additionally, in order to achieve better returns for customers and for the company, the new SG 3.4-145 turbine was introduced; specially designed and optimised for the Indian market, this turbine provides 48% more annual energy production than its predecessor, the SG 2.2-122.
- Further manufacturing footprint optimization in Onshore adapting its operations to market demands in terms of products (closure of the Aoiz plant) and costs (acquisition of the Vagos blade plant in Portugal).
- Launch of the LEAP programme, focused on accelerating the achievement of the Group's long-term objectives, returning to profitability in the Onshore business and assuring leadership and profitable growth in the Offshore and Service businesses. The programme, which will be unveiled in detail in the Capital Markets Day, scheduled for August 27, 2020 is based on three pillars: innovation, productivity and asset management, and operational excellence. Reduction of the risk profile in the Onshore business model, particularly in development and EPC, strengthening project control functions, and disseminating corporate best practices throughout the organisation are some of the measures designed directly to avoid situations like those that occurred with project execution in Northern Europe and India.

Despite the difficulties with Onshore operations, it is important to note that, thanks to the commitment by the company's staff and the measures implemented to combat the pandemic, Siemens Gamesa completed and delivered the 419 MW Mesquite Star wind farm in Texas on schedule during Q3 20.

¹⁵Wood Mackenzie. Global Wind Power Market Outlook Update: Q2 2020. June 2020.

Operation and Maintenance Service

Table 6: Operation and maintenance (€m)

| €m | Q1 19 | Q2 19 | Q3 19 | Q4 19 | Q1 20 | Q2 20 | Q3 20 | Change y/y |
|---|--------|--------|--------|--------|--------|--------|--------|---------------|
| Revenues | 358 | 330 | 390 | 417 | 366 | 395 | 464 | 19.0% |
| EBIT pre PPA and before I&R costs | 87 | 73 | 83 | 100 | 88 | 87 | 96 | 15.2% |
| EBIT margin pre PPA and before I&R costs | 24.3% | 22.0% | 21.3% | 24.1% | 24.1% | 21.9% | 20.6% | -0.7 p.p. |
| Fleet under maintenance (MW) | 56,828 | 56,875 | 58,708 | 60,028 | 63,544 | 71,476 | 72,099 | 22.8% |

The Service business increased revenues by 19.0% with respect to Q3 19, to €464m. This growth was driven by integrating the Service assets acquired from Senvion in January 2020, which offset the impact of the pandemic. Revenues increased by 13.8% y/y in the first nine months, again reflecting the integration of the Senvion assets.

The fleet under maintenance stands at 72.1 GW, 23% more than in Q3 19. The Offshore fleet under maintenance, 11.2 GW, was flat, while the Onshore fleet expanded by 28% y/y to 60.9 GW, mainly as a result of integrating the fleet acquired from Senvion. The renewal rate was over 90% in the quarter, in line with the rate achieved in Q3 19. The fleet of third-party technologies under maintenance was 10.3 GW¹⁶ at June 30, 2020.

Service EBIT pre PPA and before I&R costs amounted to €96m in Q3 20, equivalent to an EBIT margin of 20.6%, practically stable year-on-year (21.3% in Q3 19).

EBIT pre PPA and before I&R costs amounted to €271m in 9M 20, equivalent to an EBIT margin of 22.1%, i.e. stable year-on-year.

¹⁶The fleet of third-party technology under maintenance has been redefined to exclude the technology of companies acquired before the merger between Siemens Wind Power and Gamesa Corporación Tecnológica (MADE, Bonus and Adwen) and it includes the third-party fleet of companies not acquired, including the Senvion assets.

Sustainability

The table below shows the main sustainability figures for 9M 19 and 9M 20 periods, and the annual variation.

Table 7: Main sustainability figures

| | 9M 19 | 9M 20 (*) | Change y/y |
|--|--------|-----------|---------------|
| Workplace health and safety | | | |
| Lost Time Injury Frequency Rate (LTIFR) ¹ | 1.85 | 1.36 | -26% |
| Total Recordable Incident Rate (TRIR) ² | 4.96 | 3.06 | -38% |
| Environment | | | |
| Primary (direct) energy used (TJ) | 348 | 404 | 16% |
| Secondary (indirect) energy use (TJ) | 461 | 552 | 20% |
| of which, Electricity (TJ) | 379 | 484 | 28% |
| from renewable sources (TJ) | 285 | 313 | 10% |
| from standard combustion sources (TJ) | 94 | 171 | 81% |
| renewable electricity (%) | 75 | 65 | -14% |
| Fresh water consumption (thousand m3) | 240 | 326 | 36% |
| Waste production (kt) | 32 | 51 | 56% |
| of which, hazardous (kt) | 6 | 8 | 41% |
| of which, non-hazardous (kt) | 27 | 43 | 59% |
| Waste recycled (kt) | 21 | 36 | 70% |
| Employees | | | |
| Number of employees (at period-end) ³ | 24,284 | 24,614 | 1% |
| employees aged < 35 (%) | 38.5 | 37.2 | -3% |
| employees aged 35-44 (%) | 36.3 | 37.2 | 3% |
| employees aged 45-54 (%) | 18.3 | 18.9 | 3% |
| employees aged 55-60 (%) | 4.3 | 4.6 | 7% |
| employees > 60 (%) | 2.1 | 2.2 | 4% |
| employees other not classified (%) ⁴ | 0.5 | 0 | - |
| Women in workforce (%) | 18.8 | 18.9 | 0% |
| Women in management positions (%) | 12.3 | 11.2 | -8% |
| Supply chain | | | |
| No. of Tier 1 suppliers | 17,428 | 16,282 | -7% |
| Purchase volume (€m) | 6,144 | 5,287 | -14% |

1. LTIFR index is calculated for 1,000,000 hours worked and includes all accidents with at least one work day loss.

2. TRIR index is calculated for 1,000,000 hours worked and includes fatalities, lost time accidents, restricted work and medical treatment cases.

3. Headcount totals and additional disclosure does not include the recent acquisition of Senvion, that adds c. 1,600 headcounts.

4. According to specific regulation in some countries, information on age is not disclosed into data systems.

(*) Non-audited figures

Health and safety

At the end of the 9M period we regret a cumulative count of four fatalities, one SGRE employee, on 13 February in Spain and three contractors, one on 18 January in Norway, another one on 5 February in Brazil and a third one on 20 June, also in Brazil.

Workplace health and safety are a key value for Siemens Gamesa. Nothing is more important. They constitute a core component of the Group's risk management and internal control. At the end of period 9M 20, the Lost Time Incident Frequency Rate (LTIFR) was 1.36 (1.85 in 9M 19). The total recordable incident rate (TRIR) was set at 3.06 in 9M 20 (4.96 in 9M 19), at the end of the period. Siemens Gamesa works proactively to analyze the causes of accidents and has management indicators that track the degree of fulfilment of this work philosophy in day-to-day performance. This includes, for example, performing safety inspections, safety observations and health and safety audits.

Following the progress of the coronavirus pandemic still spreading rapidly across the world, Siemens Gamesa made sure to minimize the impact to both customers, employees and to Siemens Gamesa at large through measures to avoid spreading the virus, aimed at minimizing the risk for the individual employee.

Environment

Siemens Gamesa has an Environmental Management System certified according to the ISO 14001:2015 standard, which covers all locations. The scope of certification covers all functional areas and core processes related to the sale, design and development, procurement and manufacturing of wind turbines as well as other mechanical and electrical components for both wind and non-wind applications.

Total energy consumption in the reporting period amounted to 955,566 GJ (18% more than in 9M 19). Accordingly, cumulated energy consumption per employee and year was 39 GJ. The share of primary energy (includes energy for direct combustion sources such as fuel-oil, gasoline, natural gas or liquefied petroleum gases) is 42% while secondary energy (mainly electricity and district heating) amounts to 58% of the total.

Total waste production amounted to 50,671 tons in 9M 20. Most of waste produced - as much as 84% - is non-hazardous. Additionally, the recyclability rate of all waste produced at Siemens Gamesa stands at 72%, so that most waste is recycled.

Employment

The workforce totaled 24,614 employees at the end of 9M 20, not including the headcounts from recently Servion assets acquisition (c. 1,600 headcounts). From a regional perspective, most of employees are located in the Europe, Middle East and Africa region (66%), followed by Asia and Australia (20%) and Americas (14%). From a gender perspective, women account for 18.9% of the total workforce in 9M 20. Specifically, women represent 21% of the workforce in Europe, Middle East and Africa, 20% in America and 10% in Asia and Australia.

Siemens Gamesa had 249 employees in management positions at the end of 9M 20, 11.2% of them women. This proportion improved 0.4 p.p. with respect to H1 20 and is expected to increase in line with the application of employment best practices.

Suppliers

Procurements in 9M 20 amounted to €5,287m, from above 16,000 tier 1 suppliers. Those suppliers benefit from an impartial selection process and they are evaluated to ensure that they fulfil the high-quality standards required by our approach to excellence. As a foundation on sustainability for suppliers, and compliant to the Group policy, the Code of Conduct for Suppliers and Third-Party Intermediaries is compulsory and sets out the Group's binding requirements.

ESG indexes

Siemens Gamesa is a constituent member of prestigious international sustainability indexes, such as Dow Jones Sustainability Indices®, FTSE4Good®, Ethibel Sustainability Index® and Bloomberg Gender Equality Index®. The company keeps ESG rating A (on a scale of AAA-CCC) in the MSCI ESG ratings assessment, enabling the company's inclusion in the MSCI indices and with an investment grade rating. Also, in this quarter, Vigeo-Eiris confirmed Siemens Gamesa Renewable Energy was ranked 1 out of 25 in the sector Electric Components & Equipment. Due to our company's ESG performance, Siemens Gamesa Renewable Energy is currently included within the following indices powered by Vigeo Eiris: i) Euronext Vigeo Europe 120; ii) Euronext Vigeo Eurozone 120; iii) Euronext Eurozone ESG Large 80 index and iv) Ethibel Sustainability Index-Excellence Europe.

Outlook

Economic situation¹⁷

2020 has been marked by the COVID-19 coronavirus pandemic, which, in addition to the high cost in human lives, is having a significant impact on the global economy, affecting production, supply chains and companies' financial stability, while also curtailing consumer and capital spending. The relative lack of information about the virus, its seasonality and the question as to whether it will be contained after one wave or whether there will be several, make it difficult to estimate the economic impact reliably.

In this context, in its second report since the outbreak, the International Monetary Fund (IMF)¹⁸ again reduced its projections for the world economy, and now expects the world economy to contract by 4.9% (-1.9 p.p.) in 2020 and to expand by 5.4% (-0.4 p.p.) in 2021, i.e. slightly above the 2019 level. The IMF's core scenario does not rule out an upswing in case numbers in some countries but does not contemplate a broad second wave of the pandemic.

It projects that the advanced economies will shrink by 8.0% in 2020 (-1.9 p.p.), with sharp deceleration by US (-8.0%), Japan (-5.8%), the United Kingdom (-10.2%), Germany (-7.8%) and Spain (-12.8%). For 2021, the IMF projects 4.8% growth (+0.3 p.p.) with the result that GDP would be around 4% below the 2019 level. For the emerging economies, it projects a 3.0% contraction (-2.0 p.p.) for 2020, and -4.5% in India, involving a longer lockdown and a slower recovery than it had projected in April. In Latin America, where most countries are struggling to contain the contagion, the IMF projects contraction of 9.1% in Brazil and 10.5% in Mexico, the two largest economies. In China, where capital spending and services had recovered more vigorously than expected by May, the IMF projects 1.0% growth in 2020. For this group, it expects 5.9% growth in 2021 (-0.7 p.p.), driven mainly by the expected upswing in China.

Because of the uncertainty surrounding these projections due to such factors as the duration of the pandemic and the degree of lockdown that may be required, the IMF has posited two alternative scenarios:

- Scenario 1 - second global COVID-19 outbreak in early 2021: it estimates that world GDP would shrink by 4.9% in 2021 with respect to the baseline scenario, and that this would be only partially corrected in 2022. If the second outbreak came in the autumn, the impact on the economy in 2020 would be even greater than in the baseline scenario.
- Scenario 2 - faster recovery: this would trigger an improvement of around 1% in GDP in 2020, with a stronger recovery in 2021, when GDP would be 3% above the baseline scenario (in both cases).

The Organisation for Economic Co-operation and Development (OECD)¹⁹ makes a similar projection: 6.0% contraction by the world economy in 2020 followed by 5.2% growth in 2021, assuming a single outbreak, while noting that GDP shrank by over 20% in many countries during the lockdown. In the scenario that involves a second wave of the pandemic in late 2020, the economy would shrink by 7.6% in 2020, with a recovery of just 2.8% in 2021.

The major human and economic impact of the pandemic has highlighted the need to implement sustainable economic development models. In this context, and according to the IMF, this crisis could provide an opportunity for authorities to materialise their commitments to mitigate climate change, while the changes in production, distribution and payment systems that have taken place during the pandemic could drive improvements in productivity, ranging from new techniques in medicine to the acceleration of digitalisation and of the transition from fossil fuels to renewables.

¹⁷The figures in parentheses represent the variation with respect to the previous report estimates.

¹⁸International Monetary Fund. World Economic Outlook Update. June 2020.

¹⁹OECD Economic Outlook. June 2020.

Long-term worldwide prospects for wind

The long-term outlook for wind power has not been affected by the pandemic. In fact, as stated earlier, the pandemic has merely highlighted the need to design sustainable models of economic development, in which renewable energies play a central role.

In this framework, the world energy market continues its transition towards an affordable, reliable and sustainable model in which renewable energy plays a fundamental part thanks to its growing competitiveness. However, greater effort is required on the part of governments. As indicated in the UN report on the gap between the emission reduction targets and actual achievements²⁰ to date, if they wish to achieve the committed goals, governments must triple their efforts and introduce new measures on an urgent basis when they review their Nationally Determined Contributions (NDCs), and there are many cost-effective options for cutting emissions quickly.

The International Energy Agency (IEA) reached similar conclusions in its most recent World Energy Outlook (WEO 2019)²¹. The policies and commitments announced to date by countries and supranational organisations will result in renewable generation, led by wind and photovoltaic, surpassing coal-fired generation by the middle of the next decade, and in emissions growth slowing down, but not peaking until 2040, so the sustainability goals are far from being achieved.

According to WEO 2019, accumulated wind capacity at the end of the period (2040) will amount to 1,850 GW, i.e. 150 GW more than the previous report's estimates (with more than 300 GW Offshore). That accumulated volume represents a sustained level of installations averaging 57 GW per year over 20 years, i.e. almost 15% higher than the average of the preceding years (2012-2018: c. 50 GW according to the Global Wind Energy Council - GWEC). In the case of Offshore, it means reaching more than 20 GW per year in 2030, compared with 4 GW installed in 2018, 6 GW installed in 2019²², and 7 GW estimated for 2020²³.

However, this will not be sufficient to fulfil the sustainable development goal that requires greater and faster deployment of renewable energies. According to the IEA, a scenario compatible with sustainable growth, which includes the commitments to combat climate change, requires that renewables account for 80% of new installed capacity between now and 2040. Under this projection, the accumulated wind fleet would total almost 3,000 GW in 2040, i.e. 1,000 GW more than in the previous scenario and representing an average of 130 GW of installations each year over the next 20 years, of which close to 30 GW will be Offshore in 2030, rising to 40 GW in 2040.

IRENA²⁴ also points out that the objectives currently included in the NDCs are far from being sufficient to achieve the climate objectives and do not reflect actual growth trends in renewables or the existing commitments by many countries. While the objectives contained in the NDCs entail achieving 3.2 TW of renewable capacity in 2030, current trends suggest that that goal will be achieved by 2022. According to the Paris Agreement's ratchet mechanism, 2020 is the first year in which the signatories must increase the objectives set out in their NDCs and align them with goals that are compatible with controlling climate change (with progressive improvements every 5 years). IRENA estimates that up to 7.7 TW (3.3 times the current installed capacity) could be achieved profitably, providing substantial socio-economic benefits.

The New Energy Outlook published by Bloomberg New Energy Finance (BloombergNEF) in June 2019 (NEO 2019) reached similar conclusions. NEO 2019 projects an energy transition whose end-point is similar to the IEA's sustainable development scenario, in which renewable energies' growing competitiveness and the development of increasingly competitive storage invert the current capacity mix, with renewables accounting for two-thirds of total capacity (the share currently accounted for by fossil fuels) by 2050. In this scenario, cumulative installed wind capacity will amount to 2,965 GW in 2040 (10% more than estimated in NEO 2018), meaning installations at an

²⁰United Nations. Emissions Gap Report 2019. November 2019.

²¹IEA. World Energy Outlook 2019 (WEO 2019). November 2019.

²²GWEC. Global Wind Report 2019. March 2020.

²³Wood Mackenzie. Global Wind Power Market Outlook Update: Q2 2020. June 2020.

²⁴IRENA (International Renewable Energy Agency), NDCs in 2020. Advancing renewables in the power sector and beyond. December 2019.

average pace of over 100 GW per year for the next 20 years. In that same report, BloombergNEF estimates that USD 13.3 trillion will be invested in new power generation assets through 2050, and that 77% (i.e. USD 10.2 trillion) will be in renewable energies, of which USD 5.3 trillion in wind power.

According to NEO 2019, over two-thirds of the world population currently lives in countries where wind or solar, if not both, are the cheapest energy sources. Coal and gas occupied that position just five years ago. By 2030, new wind and solar capacity will be cheaper than existing gas-fired and coal-fired facilities practically everywhere in the world. Since 2010, the cost of wind power has fallen by 49% and it is expected to decline by another 50% by 2050 in the case of Onshore wind power.

In 2050, wind and solar will be supplying almost 50% of the world's energy, with hydroelectric, nuclear and other renewable sources providing another 21%. Coal-fired output will halve to account for 12% of total output in 2050, compared with 27% today. The structure of installed capacity will change from 57% fossil fuel at present to two-thirds renewables by then.

The growing competitiveness of storage mechanisms will help to drive the increase in the contribution by renewable energies. NEO 2019 estimates that the cost of storage will fall by 64% through 2040, from USD 187/MWh at present to USD 67/MWh.

The ongoing COVID-19 crisis again evidences that electricity infrastructure is critical and highlights the need to maintain the security of electricity systems. The sharp decline in electricity consumption in countries under lockdown (estimated at 15% by the IEA) enabled renewables to increase their share of the generating mix. A larger share for wind and solar power represents an opportunity to see how the cleaner electricity systems of the future would work and to understand what the system needs to guarantee reliability with a notably higher share of renewables.

Figure 9: Wind installations (cumulative GW)

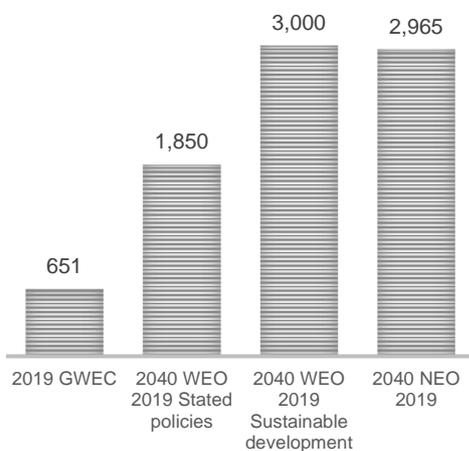
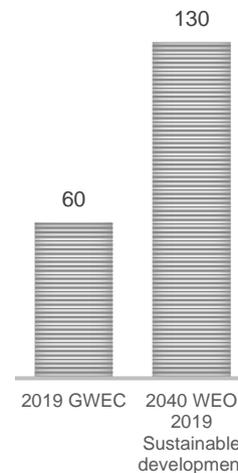


Figure 10: Annual installations 2019-40E (GW/year)

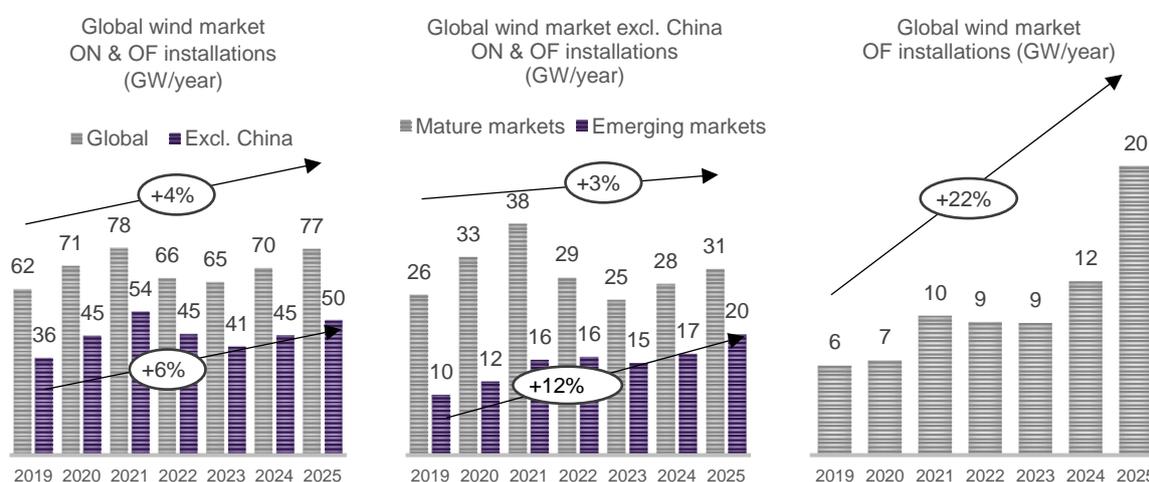


Quarterly update of short- and medium-term demand

However, in the short and medium term, renewable energy is not immune to the pandemic, although it is proving to be much more resilient than any other energy source. This is particularly the case with Offshore wind, where demand and installation projections for the short and medium term have barely been affected. This low impact can be explained by the long development and execution times, and by the greater geographic concentration of demand and of supply chains. Conversely, in the Onshore wind market, which is much more diversified in geographical terms, with shorter lead times and dependent on a global supply chain, the disruptions to the supply chain and constraints on the movements of people and goods have jeopardised project execution in 2020, and shifted part of the planned volume to 2021, when the peak annual installations (in MW) formerly projected for 2020 is now expected to be attained.

The following figures present projections for installations in the medium term (2020-2025) and final installations reported for 2019²⁵ (the figures in the bubbles are compound annual growth rates for 2019-2025).

Figure 11: World wind market (GW installed/year)²⁶



As a result of the impact of the pandemic on demand and on the execution of Onshore projects, Wood Mackenzie (WM)²⁷ estimates that global installations could amount to 70.7 GW in 2020 and to 77.5 GW in 2021, i.e. a reduction of 6.0 GW in 2020 and an increase of 3.4 GW in 2021 with respect to the pre-pandemic estimates (Global Wind Power Market Outlook Update: Q4 2019).

The change with respect to the projections in the previous quarter (Global Wind Power Market Outlook Update: Q1 2020) is a reduction of -2.2 GW for 2020 and an increase of 0.7 GW for 2021. The reduction in 2020 is concentrated in Onshore (-2.2 GW, to 64.0 GW) and, geographically, in India (-1.0 GW) and Europe (-0.9 GW).

In terms of the period 2020-2025, there is an additional 0.4 GW reduction with respect to the previous quarter: a combination of -1.0 GW Onshore, and +0.6 GW Offshore. In Onshore, the 3.4 GW increase in estimates for US for the period, due to the 12-month extension by the Internal Revenue Service (IRS) of the deadline for completing projects that attained eligibility for production tax credits in 2016 and 2017, is offset by the reduction in projections for India (-1.0 GW in total in 2020) as a result of delays caused by blocks to transportation and the importation of raw materials, Africa (headed by South Africa) because of the decline in oil prices, Canada, and Mexico, due to the lack of government support for renewables. As for Offshore, estimates have increased for US (+0.8 GW as a result

²⁵According to the GWEC's Global Wind Report 2019, ON + OF installations worldwide in 2019 amounted to 60 GW overall and to 34 GW excluding China; there were 25 GW in mature markets and 9 GW in emerging markets; 6 GW in OF (similar to the Wood Mackenzie installation figures).

²⁶Wood Mackenzie. Global Wind Power Market Outlook Update: Q2 2020. June 2020. The balloons indicate compound annual growth rates.

²⁷Wood Mackenzie. Global Wind Power Market Outlook Update: Q2 2020. All projections in this section dated calendar Q4 19 and calendar Q1 20 and Q2 20 are from the Wood Mackenzie Global Wind Power Market Outlook Update, except where BloombergNEF is referenced specifically.

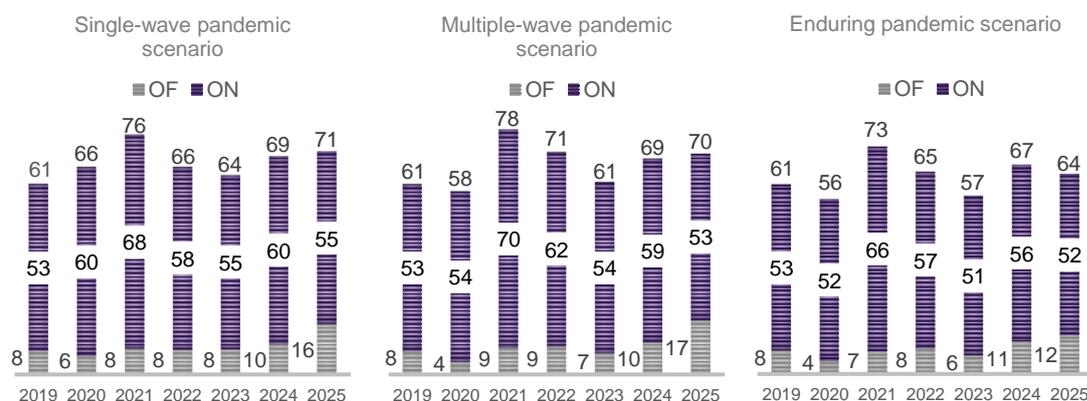
of New York's higher targets); and Japan (+0.7 GW as new auctions are expected to support long-term growth) but have been reduced in UK (-1.0 GW due to adjustments to the project execution schedule).

China (125 GW), US (51 GW), India (24 GW) and Germany (16 GW) are expected to retain their positions as the largest Onshore markets, accounting for close to 60% of the total accumulated installations projected for 2020-2025. Brazil, France, Sweden, Spain and Australia, with cumulative installations of between 7 GW and 11 GW per country, will contribute more than 12% in the period 2020-2025.

Although new markets are emerging, the Offshore segment is still much more concentrated. China, with 22 GW of installations in 2020-2025, will account for 33% of total installations in the period. Europe, led by the United Kingdom (11 GW of installations in the same period), will install 26 GW, accounting for 39% of the total. They are followed by US (9 GW in 2020-2025) and Taiwan (6 GW in that period).

Whereas Wood Mackenzie uses a single demand scenario, the latest report from BloombergNEF²⁸ uses three scenarios that depend on the duration of the pandemic and on the possibility of additional outbreaks worldwide: 412 GW of cumulated installations in 2020-2025E if there are no further waves of the disease; 408 GW if there are multiple outbreaks worldwide; and 382 GW if the pandemic becomes permanent. In the first two scenarios, the main impact is that projects are postponed. In the third, a more lasting recession would impact energy demand and reduce the number of installations. In this scenario, the projects that entail greater risk in emerging markets or that are more exposed to electricity prices will have greater difficulty raising funds. In countries with vulnerable economies, such as countries in Latin America and India, there will be fewer auctions, for less capacity. In Europe, existing funding for renewable projects will protect the auctions, but delays in permits will limit the number of projects that can participate in such auctions. In all three scenarios, the peak in installations comes in 2021.

Figure 12: World wind market (GW installed/year) in the three pandemic scenarios



In the second scenario, where the total number of installations in 2020-2025 declines by -1%, the reduction occurs exclusively in Onshore and is concentrated in India, Sweden, US, Mexico, Germany and Norway, but is largely offset by an increase in China as the deadline to qualify for the feed-in tariff (FIT) is presumed to be extended, resulting in the construction of projects that would not otherwise take place. In Offshore, there is a slight shift, but it is fully recovered in the overall period.

In the third scenario, the reduction in estimated installations in 2020-2025 is 7%, split 75% Onshore and 25% Offshore. In Onshore, the reduction is concentrated in Brazil, Italy and Vietnam in addition to the markets affected in scenario 2. In Offshore, the reduction would be concentrated in UK, US and Germany.

Beyond the pace of installations, price dynamics are unchanged with respect to the previous quarter and Onshore prices continue to stabilise, reflecting mainly the stabilisation of auction prices but also the commercial dynamic in US, cost inflation and the pressure on margins in the supply chain. According to BloombergNEF²⁹, the average

²⁸BloombergNEF: 2Q 2020 Global Wind Market Outlook. June 2020.

²⁹BloombergNEF. 1H 2020 Wind Turbine Price Index. June 2020.

price per Onshore MW for contracts signed in the first half of 2020 is USD 0.77mn/MW considering the standard scope in US (which normally excludes installation and commissioning), and USD 0.85mn/MW considering the standard scope in Europe and Latin America (which normally includes installation and commissioning), which is slightly higher than the average price of contracts signed in the first half of 2019 in both cases, although the increase in the rated capacity of the wind turbines continues to drive the price per MW of wind turbines downwards. In terms of product, the >3 MW category practically dominates the market, while the average capacity in contracts for delivery in 2021 is now over 4 MW.

Summary of the main events relating to wind power in Q3 20³⁰

During the third quarter of FY 20, the following information was published and the following measures were adopted in connection with government commitments and actions aligned with the transition towards a sustainable energy model.

Measures related to COVID-19

- The European Commission presented *Next Generation EU*, an economic stimulus plan worth €0.75tr which, together with the long-term budget for the period 2021-2027, raises the European Union's budgetary capacity to €1.85tr, of which 25% must be "green".
- China, US, France, Greece, India, Ireland, Italy, the Netherlands, Poland and the United Kingdom have announced extensions to deadlines related to auctions and project execution, and the non-application of penalties for delays and for idle periods in the maintenance phase. In particular, the US Internal Revenue Service (IRS) has granted a 12-month extension to the deadline for completing projects that attained eligibility for production tax credits in 2016 and 2017.
- As for auctions, countries such as Germany, Croatia, Spain, France, Greece, the Netherlands and Poland, as well as the state of New York, have expressed their intention to hold additional auctions or maintain those already planned for 2020 so as to drive growth in renewable energy installations in the short and medium term. Other countries, such as Brazil, South Africa, Canada, India and Ecuador, have postponed scheduled auctions or auction plans.
- Mexico passed temporary measures to guarantee the stability of the electricity system which, though currently suspended, are detrimental to renewable projects. They include preferential grid access for non-intermittent energy sources and the suspension of preoperative tests for clean energies.

COP26 - United Nations - Climate Summit

- The Glasgow climate summit, initially scheduled for November 2020, will take place in November 2021.

Global

- The Ocean Renewable Energy Action Coalition (OREAC), headed by Ørsted and Equinor alongside 15 other leading players in the wind industry, including Siemens Gamesa, has announced a projection that Offshore facilities could reach 1,400 GW worldwide by 2050, driving decarbonisation and a green economic recovery in the face of COVID-19. This year, OREAC will release a report identifying the actions required to assist the industry and governments in achieving this 1,400 GW goal.

European Union

- In the framework of its European Green Deal, the European Commission launched a public consultation on (i) a potential increase in the emission reduction targets described in previous editions of this report³¹,

³⁰This section is a non-exhaustive list of government commitments and actions aligned with the energy transition towards a sustainable model.

³¹The activity report for the second quarter of FY 20 described the Commission's proposal to increase the emission reduction target to at least 50%, compared with the current target of 40%.

and (ii) a new funding mechanism to support renewable energy projects by facilitating Member State participation in projects and attain the Union's individual and collective objectives in the field of renewable energy, which must be in place by 2021.

- The Innovation and Networks Executive Agency (INEA), through the Innovation Fund established in June 2020, will provide €1bn in subsidies for large-scale innovation projects in clean energies, including renewable hydrogen, floating wind power, and hybrid projects combining wind power with storage solutions or solar power.
- A renewable hydrogen strategy has been published with a view to supporting the decarbonisation of industry, transportation, power generation and construction. The strategy entails support for the installation of at least 6 GW of renewable hydrogen electrolyzers between 2020 and 2024, and up to 40 GW between 2025 and 2030. To achieve this goal, between €24bn and €42bn could be invested in electrolyzers, with between €220bn and €340bn invested in wind and solar capacity to feed the electrolyzers (i.e. between 80 GW and 120 GW).

Germany

- An agreement was signed between the Federal government, the coastal states, the Federal Maritime and Hydrographic Agency (BSH) and offshore operators to increase the Offshore target for 2030 from 15 GW to 20 GW. Additionally, an Offshore target of 40 GW by 2024 was also approved (pending approval by Parliament).
- The final version of the National Energy and Climate Plan was approved and referred to Brussels. The plan sets out the goal that power generation be 65% renewable by 2030, targeting between 67 GW and 71 GW of Onshore wind capacity and 20 GW of Offshore wind capacity.
- The outcome of the third wind auction in 2020 and the fifth neutral auction was published (Table 8). The fourth and fifth wind power auctions were announced, as was the first innovation auction, with a maximum premium of €30/MWh for single-technology projects and €75/MWh for hybrid projects (Table 9).

Denmark

- The 2030 target for additional Offshore wind capacity was increased to 7 GW (the previous target was 2.4 GW). In addition to the Thor project, described in the first quarter of fiscal year 2020 activity report, the Hesselo project (around 1 GW) was announced, as well as two energy islands with a combined total capacity of 5 GW. The islands will be interconnected with other countries and will play a major role in the development of "power-to-X" technologies³², which include hydrogen production. One of the islands will have scope to reach 10 GW.

Spain

- Royal Decree-Law 23/2020 was approved, to pursue two separate goals: drive the Energy Transition towards a climate-neutral model based on renewable energy, and encourage investment to support the post-COVID-19 economic recovery. It includes the following measures:
 - A new auction design in which bids will be for the price of the energy generated.
 - The installation of hybrid projects and projects with storage, and their participation in the electricity market, has been made easier.
 - New criteria have been adopted for access and connection to electricity transmission and distribution networks.

³²"power-to-X": refers to conversion and storage of surplus electricity from renewable sources for use in other industries, such as chemical industry or transportation.

This accelerates the application of the first two measures, which were going to be part of the Climate Change and Energy Transition Law³³, of which another draft has been released and which will not come into force until 2021.

- Additionally, a public consultation commenced on:
 - The draft Royal Decree regulating the economic regime for renewable energy based on long-term recognition of a price for power generation established by auction.
 - Launch of a new energy storage strategy that is necessary not only to achieve the targets of the Integrated National Energy and Climate Plan 21-23 but also to advance towards carbon neutrality by 2050 and drive the development of green hydrogen.

France

- The *Programmation pluriannuelle de l'énergie (PPE) 2019-2023 / 2024-2028* was approved, with the same targets as described in the Q2 20 activity report. The updated auction calendar remains unchanged:
 - Onshore: 925 MW in 2020 (not including the 749 MW already announced - Table 9) and 1,850 MW/year between 2021 and 2024.
 - Offshore: 1,000 MW in 2020 (Manche Est Mer du Nord), between 750 MW and 1,250 MW in 2021 (Bretagne Sud and Sud Atlantique), 500 MW in 2022 (Méditerranée) and 1,000 MW/year from 2023 onwards.
- The specifications for the sixth Onshore auction were published; this round will comprise two auctions - the sixth and seventh (Table 8).

Norway

- Two Offshore wind project development zones have been proposed totalling 4.5 GW, including floating and bottom-fixed projects.
- A proposal was presented for stricter and more restrictive rules on the development of Onshore wind projects: stricter rules on the environmental impact, shorter construction times, a minimum distance of 800m between wind projects and buildings, and greater power for regional offices.

UK

- All deadlines under round 3 of the CfD auction have been extended by at least 6 months.
- A new emission rights scheme was presented to replace the European Union system, as UK will be leaving the EU at the end of 2020.

US

- A bill was presented to the House of Representatives that provides a 5-year extension for wind production tax credits (PTC). The extension will provide a phaseout level of 60%, applicable once the current phaseout levels (60% and 40%) expire.
- Virginia passed a law establishing a 21 GW renewable target: 16.1 GW Onshore wind and solar, and 5.2 GW Offshore wind, to attain 100% clean energy by 2050. The law also requires most coal-fired plants to close by end-2024.

Mexico

- The Energy Secretariat (SENER) published the draft Energy Industry Programme 2020-2024, which includes limitations on renewable generation.

³³The activity report for the second quarter of FY 20 reported the publication of a draft of this law.

- The discounts on transmission costs for renewable projects were eliminated retroactively (at the date of this report, a federal court had provisionally suspended this measure for one of the affected projects). Depending on the grid voltage involved, this may lead to an increase in costs of between 11 USD/MWh and 59 USD/MWh.

China

- A draft of the Energy Law was released for public consultation; it provides for the creation of a market in renewable quotas, in which players that have not achieved their renewables targets can purchase surpluses from other market participants, which would provide additional revenues for renewable projects.

South Korea

- A proposal was released for increasing the renewable contribution to 40% by 2034 (the current plan is for 33% by 2030) and closing all coal-fired plants whose useful life ends by 2034.

India

- The results of the NDMC Hybrid auction were released (Table 8) and the SECI IX, SECI hybrid III, SECI RTC II and NTPC auctions were postponed (Table 9).
- The Ministry of New and Renewable Energy (MNRE) published guidelines for a 2.5 GW auction for wind projects combined with solar, of which at least 80% must be wind.

Japan

- The first Offshore auction for 21 MW of floating technology was announced. Another three zones have been defined for forthcoming auctions for a total of about 1.7 GW (a combination of bottom-fixed and floating).

Taiwan

- Three auctions for a total of 5 GW are planned, for installation in 2026-2030. The first will be held in 2021 (1 GW), and the others are planned for 2022 and 2023 (2 GW each).

Vietnam

- New wind projects totalling 7 GW were approved, with the goal of achieving 12 GW of installed capacity by 2025. These measures are part of the government's strategy to increase generating capacity, which is necessary to ensure supply from 2023 onwards, by promoting wind and solar power with the goal that renewables will account for 20% of the country's electricity consumption by 2030.

Auction summary

Table 8: Summary of auction results published in Q3 20

| Auction | Type | Technology | MW ¹ | Average price €/MWh ² | COD |
|--------------------------------|-------------------------------------|------------|------------------|-------------------------------------|------|
| Germany - neutral V | Neutral | ON | 0 | 53 | 2022 |
| Germany, III – 2020 | Specific | ON | 464 | 61.4 | 2022 |
| Italy | Neutral (ON and Solar) | ON | 406 | 65 | 2023 |
| India – NDMC Hybrid | ON, Solar, hybrid and storage | ON | 400 ³ | 35 | 2022 |
| Netherlands – SDE+ Autumn 2019 | Neutral | ON | 604 | 39 | 2024 |

1. MW awarded to ON or OF.
2. Using the exchange rate on the date the results were announced.
3. The wind/solar breakdown was not disclosed.

Table 9: Auctions announced or amended in Q3 20

| Auction | Technology | Target | Expected date ¹ |
|----------------------------------|--|----------------------|---|
| Germany, IV – 2020 | ON | 275 MW | July 2020 |
| Germany, V – 2020 | ON | 367 MW | September 2020 |
| Germany, I – Innovation | Neutral (ON, Solar and storage) | 650 MW | September 2020 |
| Canada – Saskatchewan | ON | 300 MW | Postponed - November 2020 |
| US – Virginia ³ | Neutral (ON, Solar and storage) | 1 GW ³ | Sept. 2020 and March 2021 ³ |
| US – AES + Google | Neutral (ON, OF, Solar and storage) | 1 GW | July 2020 |
| France – VI | ON | 250 MW | July 2020 |
| France – VII | ON | 500 MW | November 2020 |
| Greece | ON | 481 MW | July 2020 |
| India – SECI Hybrid III | Specific hybrid | 1,200 MW | Postponed - July 2020 |
| India – SECI IX | ON | 2 GW | Postponed - July 2020 |
| India – SECI RTC II ² | ON/Solar + coal | 5 GW | Postponed – August 2020 |
| India – NTPC | ON | 600 MW | Postponed – June 2020 ⁴ |
| Ireland | Neutral (renewable) | 2,112 GWh/year | Postponed - July 2020 |
| Netherlands – SDE+ Spring 2020 | Neutral (renewable) | €4,000m ⁵ | April 2020 ⁵ |
| Netherlands – SDE++ Autumn 2020 | Neutral (renewable) | €5,000m | Postponed - November 2020 |

1. Deadline for proposals. In some cases, the outcome will be published later.
2. Round the clock. 5 GW renewables (ON and/or solar), complemented by thermal plants to ensure 80% annual availability.
3. RFP from Dominion Energy to acquire projects or sign power purchase agreements (PPA) for a total of 1 GW of Onshore wind and solar, and 250 MW of storage. Proposals for the sale of projects are due by September 2020, and for PPAs by March 2021.
4. Results not yet released at the date of this report.
5. Budget increased by €4bn. As indicated in the activity report for Q1 20, the initial budget was €2bn. 125 MW of wind capacity was registered. Results not yet released at the date of this report.

Guidance 2020

The sudden and rapid arrival of the COVID-19 pandemic in Q2 20, the uncertainty as to its duration and scale, and the variety of measures imposed by governments around the world to combat its effects led Siemens Gamesa, on April 21, 2020 to withdraw the guidance for FY 20 that it had released to the market.

As of June 30, with an accumulated impact of COVID-19 on EBIT pre PPA and before integration and restructuring costs in the amount of €149m in the first nine months, the company's estimates for the full year are as follows:

- A reduction in revenues of around €1,000m as a result of delays in commercial activity and in project execution, mainly Onshore. These delays are expected to be recovered in subsequent years, principally in FY 21. Delays in India and Mexico may take longer to recover.
- A negative impact of between €250m and €200m, or -2.3% of revenues, on EBIT pre PPA and before integration and restructuring costs.

In this context, absent substantial changes in the pandemic and the measures to control it, Siemens Gamesa has re-adopted the following guidance for the year, with Senvion assets acquisition included:

- Revenues: between €9,500m and €10,000m.
- EBIT margin pre PPA and before integration and restructuring costs: between -3.0% and -1.0%.

Conclusions

Siemens Gamesa Renewable Energy ended the first nine months of fiscal year 20 with a new record backlog: €31,461m, +25% y/y. Moreover, 78% of the order book as of June 30, 2020 was in businesses with a solid track record, returns in line with the company's long-term vision, and greater duration. This record was achieved after signing €12,172m in the first nine months (+26% y/y), equivalent to a book-to-bill ratio of 1.8 times revenues in the period, and integrating the Service assets acquired from Servion in January 2020. Commercial activity in the third quarter, with €5,342m in orders signed and a book-to-bill ratio of 2.2 times revenues, was supported by strong order intake in Offshore and Service, which offset the pandemic's impact on Onshore commercial activity. In addition to delaying the signature of Onshore orders, the pandemic exacerbated the deceleration and volatility of the Indian market and generated uncertainty in Mexico as the government there is currently prioritising fossil fuels. The Onshore order intake reduction also reflects the strategy to prioritize profitability over volume, in line with the measures launched to return Onshore activity to a profitable performance. In parallel to the firm orders, the company also signed a preferred supplier agreement for the Sofia offshore wind farm (1.4 GW), which increased the conditional orders and preferred supplier agreements pipeline to 9.3 GW and evidences the Group's continuing lead in this segment. The new SG 14-222 DD Offshore turbine, presented in May 2020, met with a very good reception, and it had accumulated 4.3 GW in preferred supplier agreements by the end of Q3 20. Platforms with larger rated capacity continue to gain in importance also in the Onshore segment, where they represent 47% of the orders signed in the first nine months and 70% of orders signed in Q3 20.

Revenues amounted to €6,615m in the first nine months (-9% y/y), and to €2,411m in Q3 20 (-8% y/y), reflecting the impact of COVID-19 on project execution in all markets, particularly Onshore, the expected reduction in Offshore projects volume in FY 20, and the positive effect of integrating the Service assets that were acquired in January.

EBIT pre PPA and before integration and restructuring costs in the first nine months was negative in the amount of -€264m, equivalent to an EBIT margin of -4.0%. This negative margin reflects the impact of the slowdown in the Indian market and the costs arising from difficulties in executing the Onshore pipeline in Northern Europe, and the impact of COVID-19 (€149m). EBIT pre PPA and before I&R costs amounted to -€161m in Q3 20, i.e. an EBIT margin of -6.7%. The negative impact of the pandemic on EBIT was €93m in Q3 20. Apart from those non-recurring factors, the impact of the price cuts is still being fully offset by the transformation process, whose results are in line with expectations for the year.

Since the beginning of the year, measures have been implemented to strengthen Onshore performance, including restructuring the business in India, tailoring capacity to product and competitiveness requirements in EMEA, and strengthening project oversight functions in Northern Europe. Additionally, the LEAP programme is focused on returning to profitability in Onshore operations and sustaining the strong Offshore and Service performance. To achieve this, LEAP focuses on three pillars: innovation, productivity and asset management, and operational excellence. The programme will be presented in detail in the Capital Markets Day (CMD) scheduled for August 27, 2020.

Reported EBIT in the first nine months was negative, -€819m (-€472m in Q3 20), including the impact of the PPA on amortisation of intangibles, amounting to €203m (€68m in Q3 20) and the impact of integration and restructuring costs amounting to €352m (€243m in Q3 20).

Although there is still a lack of visibility of the pandemic's impact, the Group estimates for FY 20 that the negative impact on the top line due to delays in project execution and services will be c. €1,000m, to be recovered in subsequent years, with an impact on EBIT pre PPA and before integration and restructuring costs of between €200m and €250m. In this context, Siemens Gamesa expects to end the year with revenues between €9,500m and €10,000m, including the contribution of the assets acquired from Servion, and with negative EBIT pre PPA and before integration and restructuring costs amounting to between -3.0% and -1.0% of revenues.

It is important to note that Siemens Gamesa is facing this situation of reduced visibility with a very sound liquidity position. At June 30, 2020, Siemens Gamesa had nearly €4,000m in available credit lines, against which it had drawn c.€1,200m. Additionally, strict control of working capital enabled the Group to end Q3 20 with -€1,498m in working capital, equivalent to -15.7% of revenues, and a net debt position of €90m which, excluding the impact of

the implementation of IFRS 16³⁴ at the beginning of FY 20, represents a year-on-year improvement in the debt position of c. €707m. This improvement came after completing the acquisition of the Senvion assets.

In the current situation, Siemens Gamesa continues to strengthen its commitment to sustainability, as reflected in the fact that Vigeo Eiris ranked #1 out of the 25 companies in the Electric Components & Equipment sector because of its ESG performance.

³⁴Net financial debt as of June 30, 2019: €191m; increase in debt as of June 30, 2020 due to adoption of IFRS 16 in FY 20: €606m (€112m short-term and €494m long-term); net debt as of June 30, 2020: €90m.

Annex

Financial Statements October 2019 – June 2020

Profit and Loss Account

| EUR in Millions | April - June 2019 | April - June 2020 | October 2018 - June 2019 | October 2019 - June 2020 |
|--|----------------------|----------------------|--------------------------------|--------------------------------|
| Revenue | 2,632 | 2,411 | 7,283 | 6,615 |
| Cost of sales | (2,412) | (2,607) | (6,626) | (6,806) |
| Gross Profit | 220 | (196) | 657 | (190) |
| Research and development expenses | (45) | (52) | (126) | (154) |
| Selling and general administrative expenses | (118) | (221) | (361) | (481) |
| Other operating income | 2 | (2) | 20 | 11 |
| Other operating expenses | (2) | (1) | (5) | (4) |
| Results of companies accounted for using the equity method | (1) | (3) | - | (4) |
| Interest income | 2 | 2 | 8 | 8 |
| Interest expense | (14) | (17) | (37) | (50) |
| Other financial income (expense), net | (8) | 4 | (18) | (2) |
| Income from continuing operations before income taxes | 35 | (486) | 138 | (866) |
| Income tax expenses | (14) | 19 | (49) | 60 |
| Income from continuing operations | 21 | (466) | 89 | (806) |
| Non-controlling interests | - | - | (1) | 1 |
| Net income attributable to the shareholders of SGRE | 21 | (466) | 88 | (805) |

Balance Sheet

| EUR in Millions | 09.30.2019 | 10.01.2019 (*) | 06.30.2020 |
|--|---------------|----------------|---------------|
| Assets: | | | |
| Cash and cash equivalents | 1,727 | 1,727 | 1,695 |
| Trade and other receivables | 1,287 | 1,287 | 1,174 |
| Other current financial assets | 275 | 275 | 104 |
| Trade receivables from related companies | 22 | 22 | 37 |
| Contract Assets | 2,056 | 2,056 | 1,715 |
| Inventories | 1,864 | 1,864 | 2,064 |
| Current income tax assets | 207 | 207 | 202 |
| Other current assets | 461 | 451 | 584 |
| Total current assets | 7,899 | 7,889 | 7,574 |
| Goodwill | 4,744 | 4,744 | 4,610 |
| Other intangible assets | 1,916 | 1,916 | 1,833 |
| Property, plant and equipment | 1,426 | 2,105 | 2,127 |
| Investments accounting for using the equity method | 71 | 71 | 66 |
| Other financial assets | 143 | 143 | 287 |
| Deferred tax assets | 401 | 401 | 536 |
| Other assets | 89 | 4 | 5 |
| Total non-current assets | 8,790 | 9,384 | 9,464 |
| Total assets | 16,689 | 17,273 | 17,038 |
| Liabilities and equity: | | | |
| Short-term debt and current maturities of long-term debt | 352 | 418 | 546 |
| Trade payables | 2,600 | 2,600 | 2,544 |
| Other current financial liabilities | 130 | 130 | 65 |
| Trade payables to related companies | 286 | 286 | 237 |
| Contract Liabilities | 2,840 | 2,840 | 3,362 |
| Current provisions | 762 | 762 | 681 |
| Current income tax liabilities | 201 | 201 | 159 |
| Other current liabilities | 798 | 798 | 929 |
| Total current liabilities | 7,968 | 8,034 | 8,523 |
| Long-term debt | 512 | 1,029 | 1,239 |
| Provisions for pensions and similar obligations | 15 | 15 | 16 |
| Deferred tax liabilities | 320 | 320 | 320 |
| Non-current provisions | 1,400 | 1,400 | 1,501 |
| Other financial liabilities | 170 | 170 | 216 |
| Other liabilities | 31 | 31 | 61 |
| Total non-current liabilities | 2,449 | 2,966 | 3,353 |
| Issued capital | 116 | 116 | 116 |
| Capital reserve | 5,932 | 5,932 | 5,932 |
| Retained earnings and other components of equity | 222 | 222 | (886) |
| Non-controlling interest | 3 | 3 | 1 |
| Total Equity | 6,273 | 6,273 | 5,162 |
| Total Liabilities & Equity | 16,689 | 17,273 | 17,038 |

(*) The Siemens Gamesa Group has adopted IFRS 16 as of October 1, 2019 using the full retrospective approach without restating comparative period figures. As a result of the foregoing, the opening balance as of October 1, 2019 has been modified. The main impacts of the first application of IFRS 16 in the consolidated balance sheet as of October 1, 2019 are the increase in Property, plant and equipment corresponding to the asset for the right of use in the amount of 679 million euros, a decrease in advance payments recorded under the headings "Other non-current assets" and "Other current assets", in an amount of 85 million euros and 10 million euros, respectively, and the corresponding increase in current and non-current liabilities (components of the Net Financial Debt) amounting to 583 million euros.

Cash Flow Statement

| EUR in Millions | April - June 2019 | April - June 2020 | October 2018 - June 2019 | October 2019 - June 2020 |
|--|----------------------|----------------------|--------------------------------|--------------------------------|
| Net Income before taxes | 35 | (486) | 138 | (866) |
| Amortization + PPA | 148 | 290 | 443 | 644 |
| Other P&L (*) | 2 | 15 | (3) | 10 |
| Working Capital cash flow effective change (***) | (34) | 669 | (665) | 630 |
| Charge of provisions (**) | 85 | 28 | 153 | 267 |
| Provision payments (**) | (91) | (78) | (276) | (257) |
| CAPEX | (127) | (151) | (316) | (352) |
| Adwen provision usage (**) | (35) | (46) | (119) | (102) |
| Tax payments | (33) | (7) | (169) | (143) |
| Acquisitions of businesses, net of cash acquired | - | (26) | - | (177) |
| Others | (24) | (3) | 7 | (24) |
| Cash flow for the period | (73) | 205 | (806) | (370) |
| Beginning cash / (net financial debt) | (118) | (295) | 615 | 280 |
| Ending cash / (net financial debt) | (191) | (90) | (191) | (90) |
| Variation in net financing cash flow | (73) | 205 | (806) | (370) |

(*) Other non-cash (income) expenses, including results of companies accounted for using the equity method.

(**) The line items "Charge of provisions", "Provision payments" and "Adwen provision usage" are included within the caption "Change in other assets and liabilities" of the consolidated Statement of Cash Flow.

(***) The line item "Working Capital cash flow effective change contains" mainly the following line items of the consolidated Statement of Cash Flow: "Inventories", "Contract assets", "Trade and other receivables", "Trade payables", "Contract liabilities" and "Change in other assets and liabilities" (excluding the abovementioned effect of provisions).

Key Balance Sheet Positions

| EUR in Millions | 09.30.2019 | 10.01.2019 (*) | 06.30.2020 |
|-------------------------------|--------------|----------------|--------------|
| Property, plant and equipment | 1,426 | 2,105 | 2,127 |
| Goodwill & Intangibles | 6,660 | 6,660 | 6,443 |
| Working capital | (833) | (843) | (1,498) |
| Other, net (**) | 365 | 279 | 440 |
| Total | 7,618 | 8,201 | 7,512 |
| Net financial debt / (cash) | (863) | (280) | 90 |
| Provisions (***) | 2,177 | 2,177 | 2,198 |
| Equity | 6,273 | 6,273 | 5,162 |
| Other liabilities | 31 | 31 | 61 |
| Total | 7,618 | 8,201 | 7,512 |

(*) Comparable after the application of IFRS16.

(**) The caption "Other, net" contains the following line items of the consolidated balance sheet: "Other current financial assets", "Investments accounting for using the equity method", "Other financial assets", "Other assets", "Other current financial liabilities", "Other financial liabilities", "Current income tax assets", "Current income tax liabilities", "Deferred tax assets" and "Deferred tax liabilities".

(***) The caption "Provisions" contains the following line items of the consolidated balance sheet: "Current and non-current provisions", and "Post-employment benefits".

Note: Summarized balance sheet showing net positions mainly on the asset side.

Senvion assets acquisition

On October 20, 2019, Senvion GmbH i.L. and Siemens Gamesa Renewable Energy Eólica, S.L. Unipersonal (S.L. Unipersonal, hereinafter, "S.L.U.") signed an agreement under which Siemens Gamesa Renewable Energy Eólica, S.L.U. has acquired on January 9, 2020 all the shares of Senvion Deutschland GmbH (Senvion European Onshore Services), which includes the carved-out European onshore service business of Senvion and certain additional assets associated to the business, including certain related intellectual property of Senvion and based on which on April 30, 2020, Siemens Gamesa Renewable Energy, S.A. (hereinafter, "SGRE Portugal") signed an agreement with Senvion Indústria, S.A., and Senvion GmbH i.L. by virtue of which all the shares of Ria Blades, S.A., entity which owns and operates the business of the wind turbine blades production facility in Vagos (Portugal) and certain additional assets associated to said business were acquired.

This acquisition is in line with SIEMENS GAMESA's strategy to grow its multibrand service business and its production capacities and strengthens SIEMENS GAMESA's competitive position in Europe. The overall price to be paid in cash for the shares of Senvion Deutschland GmbH and Ria Blades, S.A. amounts to EUR 200 million, subject to closing accounts confirmation adjustments. The closing accounts related adjustment mechanism for working capital, debt, maintenance cost and backlog deviations since 30 June 2019 until 9 January 2020 has different caps and leads to a maximum overall price to be paid by SIEMENS GAMESA of EUR 215 million, in case of positive adjustments, and a minimum overall cash consideration of EUR 180 million, in case of negative adjustments, considering that SIEMENS GAMESA could be entitled to further obtain, under certain circumstances, up to EUR 10 million of additional current assets, without changes in the consideration paid. The price adjustment amount, within the established limits, will be resolved in the following months once the term for the confirmation of

the closing accounts has elapsed, and is referred to the transaction as a whole. At the time the final price adjustment is determined, the allocation of the resulting total price to the different parts of the transaction will also be completed.

The assets and liabilities of Senvion Deutschland GmbH and its subsidiaries as well as the assets and liabilities of Ria Blades, S.A. are included in the Condensed Combined Interim Financial Statements at their acquisition date fair values. The accounting for these business combinations has been determined provisionally as of June 30, 2020, due to the fact that the measurement of the acquired assets and liabilities has not yet been completed, as well as the 12-month period since the acquisition of Senvion Deutschland GmbH and Ria Blades, S.A. established by IFRS 3 "Business Combinations" has not elapsed.

The preliminary purchase price allocation as of the acquisition dates of Senvion Deutschland GmbH and Ria Blades results in: Other intangible assets EUR 151 million (related to the fair value of order backlog and customer relationships), Property, plant and equipment EUR 92 million, Cash and cash equivalents EUR 5 million, current and non-current Provisions EUR 132 million and other net assets EUR 2 million. The goodwill has been provisionally determined in amount of EUR 72 million.

As of June 30, 2020, the preliminary estimate for the consideration to be transferred amounts to EUR 190 million (EUR 186 million net of cash acquired). Until June 30, 2020, consideration paid in accordance with the milestones established in the acquisition agreement amount to EUR 182 million (EUR 177 million net of cash acquired).

The acquired businesses have contributed revenues of EUR 81 million and a negative net result of EUR 6 million (pre-purchase price allocation impacts) to SIEMENS GAMESA for the period from acquisition to June 30, 2020. The revenue and profit of the acquired entities for the current reporting period as though the acquisition date had been as of the beginning of the annual reporting period amounts to EUR 141 million and EUR 5 million, respectively, (pre-purchase price allocation impacts).

The transaction cost of EUR 12.5 million has been registered in general administration expenses in the Condensed Combined Interim Financial Statements of Profit and Loss.

Annex

Alternative Performance Measures

Siemens Gamesa Renewable Energy (SGRE) financial information contains magnitudes and measurements prepared in accordance with the applicable accounting standards and others referred to as Alternative Performance Measures (APMs). The APMs are considered to be adjusted magnitudes with respect to those presented in accordance with EU-IFRS and, consequently, the reader should view them as supplementary to, but not replacements for, the latter.

The APMs are important for users of the financial information since they are the metrics used by SGRE's Management to assess financial performance, cash flows and the financial position for the purposes of the Group's financial, operational and strategic decisions.

The APMs contained in SGRE's financial disclosures that cannot be directly reconciled with the financial statements in accordance with EU-IFRS are as follows.

Net Financial Debt (NFD)

Net financial debt (NFD) is calculated as the sum of the company's bank borrowings (including any subsidized loans) less cash and cash equivalents.

Net financial debt is the main APM used by Siemens Gamesa Renewable Energy's management to measure the Group's indebtedness and leverage.

| €m | 09.30.2018 (*) | 12.31.2018 | 03.31.2019 | 06.30.2019 | 09.30.2019 |
|------------------------------------|----------------|------------|--------------|--------------|------------|
| Cash and cash equivalents | 2,429 | 2,125 | 1,353 | 954 | 1,727 |
| Short-term debt | (991) | (705) | (345) | (471) | (352) |
| Long-term debt | (823) | (1,255) | (1,126) | (674) | (512) |
| Cash / (Net Financial Debt) | 615 | 165 | (118) | (191) | 863 |

| €m | 10.01.2019 (**) | 12.31.2019 | 03.31.2020 | 06.30.2020 |
|------------------------------------|-----------------|------------|--------------|-------------|
| Cash and cash equivalents | 1,727 | 1,661 | 1,421 | 1,695 |
| Short-term debt | (418) | (513) | (487) | (546) |
| Long-term debt | (1,029) | (974) | (1,229) | (1,239) |
| Cash / (Net Financial Debt) | 280 | 175 | (295) | (90) |

(*) 09.30.2018 comparable for IFRS 9. No modification exists in the Net Financial Debt calculation in either case.

(**) The Siemens Gamesa Group has adopted IFRS 16 as of October 1, 2019 using the full retrospective approach without restating comparative period figures. As a result of the foregoing, the opening balance as of October 1, 2019 has been modified. The main impacts of the first application of IFRS 16 in the consolidated balance sheet as of October 1, 2019 are the increase in Property, plant and equipment corresponding to the asset for the right of use in the amount of 679 million euros, a decrease in advance payments recorded under the headings "Other non-current assets" and "Other current assets", in an amount of 85 million euros and 10 million euros, respectively, and the corresponding increase in current and non-current liabilities (components of the Net Financial Debt) amounting to 583 million euros.

Working capital (WC)

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.

Working Capital reflects the part of Capital Employed that is invested in net operating assets. Siemens Gamesa Renewable Energy's management uses this metric in managing and making decisions with respect to the business's cash conversion cycle, particularly in managing inventory, trade accounts receivable and trade accounts payable. Effective management of working capital involves achieving an optimal amount of working capital without jeopardising the company's ability to honour its obligations in the short term.

| €m | 09.30.2018 | 09.30.2018 | 12.31.2018 | 03.31.2019 | 06.30.2019 |
|--|--------------|--------------|-------------|------------|------------|
| | Comp. (*) | | | | |
| Trade and other receivables | 1,114 | 1,111 | 1,093 | 1,137 | 1,421 |
| Trade receivables from related companies | 28 | 28 | 42 | 35 | 39 |
| Contract assets | 1,572 | 1,569 | 2,033 | 1,771 | 1,952 |
| Inventories | 1,499 | 1,499 | 1,925 | 2,006 | 2,044 |
| Other current assets | 362 | 362 | 417 | 464 | 651 |
| Trade payables | (2,416) | (2,416) | (2,283) | (2,352) | (2,483) |
| Trade payables to related companies | (342) | (342) | (274) | (153) | (250) |
| Contract liabilities | (1,670) | (1,670) | (2,340) | (1,991) | (2,267) |
| Other current liabilities | (684) | (684) | (641) | (706) | (869) |
| Working Capital | (536) | (542) | (27) | 211 | 238 |

(*) Comparable after the application of IFRS9 starting October 1, 2018, affecting the Opening Balance Sheet of first quarter of FY19: the table above shows a decrease in line item "Trade and other receivables" of €3m and a decrease in line item "Contract assets" of €3m, with the corresponding effect (before taxes) in the Group's Equity that decreases €4.6m (including tax effect).

| €m | 09.30.2019 | 10.01.2019 | 12.31.2019 | 03.31.2020 | 06.30.2020 |
|--|------------------|--------------|--------------|--------------|----------------|
| | Comp. (*) | | | | |
| Trade and other receivables | 1,287 | 1,287 | 1,079 | 1,036 | 1,174 |
| Trade receivables from related companies | 22 | 22 | 29 | 37 | 37 |
| Contract assets | 2,056 | 2,056 | 1,801 | 1,808 | 1,715 |
| Inventories | 1,864 | 1,864 | 2,071 | 2,115 | 2,064 |
| Other current assets | 461 | 451 | 578 | 466 | 584 |
| Trade payables | (2,600) | (2,600) | (2,282) | (2,332) | (2,544) |
| Trade payables to related companies | (286) | (286) | (188) | (212) | (237) |
| Contract liabilities | (2,840) | (2,840) | (3,193) | (3,101) | (3,362) |
| Other current liabilities | (798) | (798) | (833) | (682) | (929) |
| Working Capital | (833) | (843) | (939) | (865) | (1,498) |

(*) The Siemens Gamesa Group has adopted IFRS 16 as of October 1, 2019 using the full retrospective approach without restating comparative period figures. As a result of the foregoing, the opening balance as of October 1, 2019 has been modified. The main impacts of the first application of IFRS 16 in the consolidated balance sheet as of October 1, 2019 are the increase in Property, plant and equipment corresponding to the asset for the right of use in the amount of 679 million euros, a decrease in advance payments recorded under the headings "Other non-current assets" and "Other current assets", in an amount of 85 million euros and 10 million euros, respectively, and the corresponding increase in current and non-current liabilities (components of the Net Financial Debt) amounting to 583 million euros.

The ratio of working capital to revenue is calculated as working capital at a given date divided by the revenue in the twelve months prior to that date.

Capital Expenditure (CAPEX)

Capital expenditure (CAPEX) refers to investments made in the period in property, plant and equipment and intangible assets to generate future profits (and maintain the current capacity to generate profits, in the case of maintenance CAPEX). This APM does not include the allocation of the purchase price (the PPA exercise) to property, plant and equipment and intangible assets that has been performed in context of a business combination (e.g. the merger of Siemens Wind Power and Gamesa). This APM does also not include additions to right of use assets (first time adoption of IFRS 16 starting October 1st, 2019).

| €m | Q3 19 | Q3 20 | 9M 19 | 9M 20 |
|--|--------------|--------------|--------------|--------------|
| Acquisition of intangible assets | (46) | (54) | (121) | (138) |
| Acquisition of Property, Plant and Equipment | (81) | (97) | (195) | (214) |
| CAPEX | (127) | (151) | (316) | (352) |

The calculation of this indicator and its comparable for the last twelve months (LTM) is as follows:

| €m | Q4 19 | Q1 20 | Q2 20 | Q3 20 | LTM Jun 20 |
|--|--------------|-------------|--------------|--------------|--------------|
| Acquisition of intangible assets | (38) | (42) | (42) | (54) | (176) |
| Acquisition of Property, Plant and Equipment | (143) | (50) | (67) | (97) | (357) |
| CAPEX | (181) | (92) | (109) | (151) | (533) |

| €m | Q4 18 | Q1 19 | Q2 19 | Q3 19 | LTM Jun 19 |
|--|--------------|-------------|--------------|--------------|--------------|
| Acquisition of intangible assets | (42) | (31) | (44) | (46) | (163) |
| Acquisition of Property, Plant and Equipment | (114) | (50) | (64) | (81) | (309) |
| CAPEX | (156) | (81) | (108) | (127) | (472) |

Definitions of Cash Flow

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 adjusting the reported income for the period, for the ordinary non-cash items (mainly depreciation and amortization and provision charges).

| €m | 9M 19 | 9M 20 |
|---------------------------------------|------------|--------------|
| Net Income before taxes | 138 | (866) |
| Amortization + PPA | 443 | 644 |
| Other P&L (*) | (3) | 10 |
| Charge of provisions | 153 | 267 |
| Provision usage (without Adwen usage) | (276) | (257) |
| Tax payments | (169) | (143) |
| Gross Operating Cash Flow | 286 | (344) |

| €m | Q3 19 | Q3 20 |
|---------------------------------------|------------|--------------|
| Net Income before taxes | 35 | (486) |
| Amortization + PPA | 148 | 290 |
| Other P&L (*) | 2 | 15 |
| Charge of provisions | 85 | 28 |
| Provision usage (without Adwen usage) | (91) | (78) |
| Tax payments | (33) | (7) |
| Gross Operating Cash Flow | 146 | (238) |

(*) Other non-cash (income) expenses, including results of companies accounted for using the equity method.

Cash flow is calculated as the variation in Net financial debt (NFD) between two closure dates.

Average Selling Price in Order Intake, Onshore (ASP - Order Intake)

Average monetary order intake collected by Onshore WTG division per unit booked (measured in MW). ASP is affected by several factors (project scope, geographical distribution, product, exchange rate, prices, etc.) and does not represent the level or trend of profitability.

| | Q3 19 (*) | Q4 19 (*) | Q1 20 (*) | Q2 20 (*) | Q3 20 (*) |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Order Intake Onshore Wind (€m) | 1,695 | 2,238 | 1,611 | 1,289 | 872 |
| Order Intake Onshore Wind (MW) | 2,130 | 3,147 | 2,563 | 1,645 | 1,200 |
| ASP Order Intake Wind Onshore | 0.80 | 0.71 | 0.63 | 0.78 | 0.73 |

(*) Order intake WTG ON includes only wind orders. No solar orders are included. Solar orders amounted to €1m in Q3 19, €2m in Q4 19, €0m in Q1 20, €61m in Q2 20 and €0m in Q3 20.

The calculation of this indicator and its comparable for the last twelve months (LTM) is as follows:

| | Q4 19 (*) | Q1 20 (*) | Q2 20 (*) | Q3 20 (*) | LTM Jun 20 |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Order Intake Onshore Wind (€m) | 2,238 | 1,611 | 1,289 | 872 | 6,010 |
| Order Intake Onshore Wind (MW) | 3,147 | 2,563 | 1,645 | 1,200 | 8,555 |
| ASP Order Intake Wind Onshore | 0.71 | 0.63 | 0.78 | 0.73 | 0.70 |

(*) Order intake WTG ON includes only wind orders. No solar orders are included. Solar orders amounted to €2m in Q4 19, €0m in Q1 20, €61m in Q2 20 and €0m in Q3 20.

| | Q4 18 | Q1 19 (*) | Q2 19 (*) | Q3 19 (*) | LTM Jun 19 |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Order Intake Onshore Wind (€m) | 1,985 | 1,793 | 1,167 | 1,695 | 6,641 |
| Order Intake Onshore Wind (MW) | 2,631 | 2,370 | 1,742 | 2,130 | 8,873 |
| ASP Order Intake Wind Onshore | 0.75 | 0.76 | 0.67 | 0.80 | 0.75 |

(*) Order intake WTG ON includes only wind orders. No solar orders are included. Solar orders amounted to €6m in Q1 19, €33m in Q2 19 and €1m in Q3 19.

| | Q4 17 | Q1 18 (*) | Q2 18 | Q3 18 (*) | LTM Jun 18 |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Order Intake Onshore Wind (€m) | 1,498 | 1,600 | 1,834 | 1,166 | 6,098 |
| Order Intake Onshore Wind (MW) | 2,167 | 2,208 | 2,464 | 1,660 | 8,498 |
| ASP Order Intake Wind Onshore | 0.69 | 0.72 | 0.74 | 0.70 | 0.72 |

(*) Order intake WTG ON includes only wind orders. No solar orders are included. Solar orders amounted to €88m in Q1 18 and €9m in Q3 18.

Order Intake, Revenue and EBIT

Order Intake (in €) LTM (Last Twelve Months) is calculated by aggregation of the quarterly order intake (in EUR) for the last four quarters.

| €m | Q4 19 | Q1 20 | Q2 20 | Q3 20 | LTM Jun 20 |
|-----------------|-------|-------|-------|-------|------------|
| Group | 3,076 | 4,628 | 2,203 | 5,342 | 15,248 |
| Of which WTG ON | 2,240 | 1,611 | 1,350 | 872 | 6,073 |

| €m | Q4 18 | Q1 19 | Q2 19 | Q3 19 | LTM Jun 19 |
|-----------------|-------|-------|-------|-------|------------|
| Group | 2,625 | 2,541 | 2,466 | 4,666 | 12,298 |
| Of which WTG ON | 1,985 | 1,799 | 1,200 | 1,695 | 6,680 |

Order Intake (in MW) LTM (Last Twelve Months) is calculated by aggregation of the quarterly order intake (in MW) for the last four quarters.

Onshore:

| MW | Q4 19 | Q1 20 | Q2 20 | Q3 20 | LTM Jun 20 |
|---------|-------|-------|-------|-------|------------|
| Onshore | 3,147 | 2,563 | 1,645 | 1,200 | 8,555 |

| MW | Q4 18 | Q1 19 | Q2 19 | Q3 19 | LTM Jun 19 |
|---------|-------|-------|-------|-------|------------|
| Onshore | 2,631 | 2,370 | 1,742 | 2,130 | 8,873 |

Offshore:

| MW | Q4 19 | Q1 20 | Q2 20 | Q3 20 | LTM Jun 20 |
|-----------|--------------|--------------|--------------|--------------|-------------------|
| Offshore | 72 | 1,279 | - | 2,860 | 4,211 |

| MW | Q4 18 | Q1 19 | Q2 19 | Q3 19 | LTM Jun 19 |
|-----------|--------------|--------------|--------------|--------------|-------------------|
| Offshore | - | 12 | 464 | 1,528 | 2,004 |

Revenue LTM (Last Twelve Months) is calculated by aggregation of the quarterly revenues for the last four quarters.

| €m | Q4 19 | Q1 20 | Q2 20 | Q3 20 | LTM Jun 20 |
|--------------|--------------|--------------|--------------|--------------|-------------------|
| WTG | 2,527 | 1,634 | 1,808 | 1,947 | 7,917 |
| Service | 417 | 366 | 395 | 464 | 1,642 |
| TOTAL | 2,944 | 2,001 | 2,204 | 2,411 | 9,559 |

| €m | Q4 18 | Q1 19 | Q2 19 | Q3 19 | LTM Jun 19 |
|--------------|--------------|--------------|--------------|--------------|-------------------|
| WTG | 2,207 | 1,904 | 2,060 | 2,242 | 8,414 |
| Service | 411 | 358 | 330 | 390 | 1,488 |
| TOTAL | 2,619 | 2,262 | 2,389 | 2,632 | 9,902 |

EBIT (Earnings Before Interest and Taxes): operating profit as 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 (Earnings Before Interest and Taxes) pre PPA and integration & restructuring costs: EBIT excluding integration and restructuring costs and the impact on amortization of intangibles' fair value from the Purchase Price Allocation (PPA).

- Integration costs: are one-time-expenses (temporary nature – limited in time) that are related to the integration of the two legacy companies, or of other acquired companies, excluding any restructuring related costs.
- Restructuring costs: personnel and non personnel expenses which arise in connection with a restructuring (e.g. site closures), where restructuring refers to measures that materially modify either the scope of business undertaken or the manner in which this business is conducted.

| €m | 9M 19 | 9M 20 |
|---|------------|--------------|
| INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES | 138 | (866) |
| (-) Income from investments acc. for using the equity method, net | - | 4 |
| (-) Interest income | (8) | (8) |
| (-) Interest expenses | 37 | 50 |
| (-) Other financial income (expenses), net | 18 | 2 |
| EBIT | 186 | (819) |
| (-) Integration and Restructuring costs | 90 | 352 |
| (-) PPA impact | 200 | 203 |
| EBIT pre-PPA and integration & restructuring costs | 475 | (264) |

| €m | Q3 19 | Q3 20 |
|---|------------|--------------|
| INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES | 35 | (486) |
| (-) Income from investments acc. for using the equity method, net | 1 | 3 |
| (-) Interest income | (2) | (2) |
| (-) Interest expenses | 14 | 17 |
| (-) Other financial income (expenses), net | 8 | (4) |
| EBIT | 56 | (472) |
| (-) Integration and Restructuring costs | 36 | 243 |
| (-) PPA impact | 67 | 68 |
| EBIT pre-PPA and integration & restructuring costs | 159 | (161) |

EBIT margin: ratio of EBIT to Revenue in the period that is equal to the revenue figure in the consolidated Income Statement for the period.

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization): It is calculated as EBIT before amortization, depreciation and impairments of goodwill, intangible assets and property, plant and equipment.

| €m | 9M 19 | 9M 20 |
|---|------------|--------------|
| EBIT | 186 | (819) |
| Amortization, depreciation and impairment of intangible assets and PP&E | 443 | 644 |
| EBITDA | 629 | (175) |

| €m | Q3 19 | Q3 20 |
|---|------------|--------------|
| EBIT | 56 | (472) |
| Amortization, depreciation and impairment of intangible assets and PP&E | 148 | 290 |
| EBITDA | 204 | (181) |

EBITDA LTM (Last Twelve Months) is calculated by aggregation of the quarterly EBITDA for the last four quarters.

| €m | Q4 19 | Q1 20 | Q2 20 | Q3 20 | LTM Jun 20 |
|---|------------|-------------|-----------|--------------|------------|
| EBIT | 67 | (229) | (118) | (472) | (752) |
| Amortization, depreciation and impairment of intangible assets and PP&E | 204 | 172 | 182 | 290 | 848 |
| EBITDA | 271 | (57) | 63 | (181) | 96 |

| €m | Q4 18 | Q1 19 | Q2 19 | Q3 19 | LTM Jun 19 |
|---|------------|------------|------------|------------|------------|
| EBIT | 73 | 40 | 90 | 56 | 259 |
| Amortization, depreciation and impairment of intangible assets and PP&E | 185 | 148 | 147 | 148 | 628 |
| EBITDA | 258 | 188 | 237 | 204 | 886 |

Net Income pre PPA and before integration and restructuring costs is calculated as reported net income plus the impact on amortization of intangibles' fair value from the Purchase Price Allocation (PPA), plus integration and restructuring costs minus the tax effect on the PPA amortization and I&R costs.

| €m | Q3 19 | 9M 19 | Q3 20 | 9M 20 |
|--|-----------|------------|--------------|--------------|
| Net Income | 21 | 88 | (466) | (805) |
| (-) PPA Amortization on Intangibles | 67 | 200 | 68 | 203 |
| (-) Integration and Restructuring costs | 36 | 90 | 243 | 352 |
| (+) Taxes on PPA Amortization and I&R costs | 28 | 79 | 81 | 148 |
| Net Income pre PPA and before integration and restructuring costs | 96 | 298 | (236) | (399) |

Net income and Net income per share (EPS)

Net income: consolidated profit for the year attributable to the parent company.

Net income per share (EPS): the result of dividing net income by the average number of shares outstanding in the period (excluding treasury shares).

| | Q3 19 | 9M 19 | Q3 20 | 9M 20 |
|-------------------------------------|-------------|-------------|---------------|---------------|
| Net Income (€m) | 21 | 88 | (466) | (805) |
| Number of shares (units) | 679,527,345 | 679,486,391 | 679,517,513 | 679,516,874 |
| Earnings Per Share (€/share) | 0.03 | 0.13 | (0.69) | (1.19) |

Other indicators

Revenue coverage: the revenue coverage ratio expresses the degree of achieving the revenue volume targets set by the company for a given year. It is calculated as the revenue booked until one period (including the activity/revenue expected for the rest of the year) divided by the activity/revenue guidance for that year.

| €m | 09.30.2018 | 06.30.2019 | 09.30.2019 | 06.30.2020 (*) |
|--------------------------------------|------------|------------|------------|-------------------|
| Actual revenue in year N (1) | - | 7,283 | - | 6,615 |
| Order Backlog for delivery in FY (2) | 8,408 | 2,973 | 9,360 | 3,145 |
| Average revenue guidance for FY (3) | 10,500 | 10,500 | 10,400 | 9,750 |
| Revenue Coverage ([1+2]/3) | 80% | 98% | 90% | 100% |

(*) Midpoint of range from €9.5bn to €10.0bn.

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

Book-to-Bill LTM (Last Twelve Months): this APM is calculated by aggregation of the quarterly Revenues and Order Intakes for the last four quarters.

| €m | Q4 19 | Q1 20 | Q2 20 | Q3 20 | LTM Jun 20 |
|---------------------|------------|------------|------------|------------|------------|
| Order Intake | 3,076 | 4,628 | 2,203 | 5,342 | 15,248 |
| Revenue | 2,944 | 2,001 | 2,204 | 2,411 | 9,559 |
| Book-to-Bill | 1.0 | 2.3 | 1.0 | 2.2 | 1.6 |

| €m | Q4 18 | Q1 19 | Q2 19 | Q3 19 | LTM Jun 19 |
|---------------------|------------|------------|------------|------------|------------|
| Order Intake | 2,625 | 2,541 | 2,466 | 4,666 | 12,298 |
| Revenue | 2,619 | 2,262 | 2,389 | 2,632 | 9,902 |
| Book-to-Bill | 1.0 | 1.1 | 1.0 | 1.8 | 1.2 |

Reinvestment Rate: ratio of CAPEX divided by amortization, depreciation and impairments (excluding PPA amortization on intangibles' fair value). According to the definition of CAPEX, the amount of amortization, depreciation and impairments does not include the amortization, depreciation and impairments of right of use assets (first time adoption of IFRS 16 starting October 1st, 2019).

| €m | Q4 19 | Q1 20 | Q2 20 | Q3 20 | LTM Jun 20 |
|---|------------|------------|------------|------------|---------------|
| CAPEX (1) | 181 | 92 | 109 | 151 | 533 |
| Amortization depreciation & impairments (a) | 204 | 172 | 182 | 290 | 848 |
| Amortization, depreciation & impairments of right of use assets (IFRS 16) (b) | - | 25 | 27 | 33 | 85 |
| PPA Amortization on Intangibles (c) | 67 | 66 | 69 | 68 | 269 |
| Depreciation & Amortization (excl. PPA) (2=a-b-c) | 137 | 81 | 86 | 189 | 494 |
| Reinvestment rate (1/2) | 1.3 | 1.1 | 1.3 | 0.8 | 1.1 |

| €m | Q4 18 | Q1 19 | Q2 19 | Q3 19 | LTM Jun 19 |
|---|------------|------------|------------|------------|---------------|
| CAPEX (1) | 156 | 81 | 108 | 127 | 472 |
| Amortization depreciation & impairments (a) | 185 | 148 | 147 | 148 | 628 |
| PPA Amortization on Intangibles (b) | 66 | 66 | 66 | 67 | 266 |
| Depreciation & Amortization (excl. PPA) (2=a-b) | 119 | 82 | 80 | 81 | 362 |
| Reinvestment rate (1/2) | 1.3 | 1.0 | 1.4 | 1.6 | 1.3 |

Gross Profit: the difference between revenue and cost of sales, according to the consolidated statements of profit and loss.

Gross Profit (pre PPA, I&R costs): Gross Profit excluding integration and restructuring costs and the impact on amortization of intangibles' fair value from the PPA (purchase price allocation). The result of dividing this indicator by the sales of the period, which are equal to the revenue figure in the consolidated Income Statement for the period, is denominated Gross Margin pre PPA, I&R costs, and it is expressed as a percentage.

- Integration costs: are one-time-expenses (temporary nature – limited in time) that are related to the integration of the two legacy companies, or of other acquired companies, excluding any restructuring related costs.
- Restructuring costs: personnel and non personnel expenses which arise in connection with a restructuring (e.g. site closures), where restructuring refers to measures that materially modify either the scope of business undertaken or the manner in which this business is conducted

| €m | 9M 19 | 9M 20 |
|--|------------|------------|
| Gross Profit | 657 | (190) |
| PPA amortization on intangibles | 131 | 133 |
| Integration and Restructuring costs | 63 | 231 |
| Gross Profit (pre PPA, I&R costs) | 851 | 174 |

| €m | Q3 19 | Q3 20 |
|--|------------|-------------|
| Gross Profit | 220 | (196) |
| PPA amortization on intangibles | 44 | 45 |
| Integration and Restructuring costs | 32 | 141 |
| Gross Profit (pre PPA, I&R costs) | 296 | (10) |

The calculation of this indicator and its comparable for the last twelve months (LTM) is as follows:

| €m | Q4 19 | Q1 20 | Q2 20 | Q3 20 | LTM Jun 20 |
|--|------------|----------|------------|-------------|------------|
| Gross Profit | 291 | (57) | 63 | (196) | 101 |
| PPA amortization on intangibles | 43 | 42 | 45 | 45 | 176 |
| Integration and Restructuring costs | 67 | 21 | 69 | 141 | 298 |
| Gross Profit (pre PPA, I&R costs) | 401 | 7 | 177 | (10) | 575 |

| €m | Q4 18 | Q1 19 | Q2 19 | Q3 19 | LTM Jun 19 |
|--|------------|------------|------------|------------|--------------|
| Gross Profit | 304 | 200 | 237 | 220 | 961 |
| PPA amortization on intangibles | 3 | 44 | 44 | 44 | 134 |
| Integration and Restructuring costs | 41 | 22 | 9 | 32 | 104 |
| Gross Profit (pre PPA, I&R costs) | 348 | 266 | 289 | 296 | 1,199 |

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

| MWe | Q4 19 | Q1 20 | Q2 20 | Q3 20 | LTM Jun 20 |
|---------|-------|-------|-------|-------|------------|
| Onshore | 2,009 | 1,747 | 1,649 | 1,876 | 7,280 |

| MWe | Q4 18 | Q1 19 | Q2 19 | Q3 19 | LTM Jun 19 |
|---------|-------|-------|-------|-------|------------|
| Onshore | 1,926 | 1,520 | 1,707 | 1,699 | 6,853 |

Cost of energy (LCOE/COE): the cost of converting an energy source, e.g. wind, into electricity, measured in monetary units per MWh. It is calculated taking in account all costs incurred during asset's life cycle (including construction, financing, fuel, operation and maintenance, taxes and incentives) divided by the total output expected from the asset during its useful life.

Note that due to rounding, numbers presented in this document may not add up exactly to the totals shown and percentages may not exactly replicate the absolute figures presented.

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 and previous results. This glossary contains a summary of terms and APMs used in this report but does not replace the aforementioned definitions and conciliations.

AEP: annual energy production.

ASP in Order Intake: average monetary order intake collected by WTG division per unit booked (measured in MW). It excludes the value and volume of solar orders from the calculation.

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

Book-to-Bill ratio: 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).

CAGR: Compound annual growth rate.

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

- Integration costs: are one-time-expenses (temporary nature – limited in time) that are related to the integration of the two legacy companies, or of other acquired companies, excluding any restructuring related costs.

- Restructuring costs: personnel and non personnel expenses which arise in connection with a restructuring (e.g. site closures), where restructuring refers to measures that materially modify either the scope of business undertaken or the manner in which this business is conducted

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

Gross operating cash flow: amount of cash generated by the company's ordinary operations, excluding working capital, capital expenditure (CAPEX), payments related to Adwen provisions and others mainly FX conversion impacts. 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.

IP: Intellectual Property.

LTM: last twelve months.

MWe: an indicator of activity (a physical unit of sale) used to measure wind turbine generator manufacturing activity 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 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.