

Press release

5 November 2021

Results for financial year 2021 (October 2020 - September 2021)

Siemens Gamesa ends challenging FY21 with strong backlog of €32.5bn and achieves low end of guidance range

- Financial performance reflects challenging supply chain conditions and ramp-up costs of Siemens Gamesa 5.X platform but also continuing strong execution in the Offshore and Service businesses
- Commercial activity: order backlog increased 7.6% y/y, with order intake of €12,185m in FY21
- Clear increase in global commitments to combating climate change evidences the strong potential of renewables in the future
- Enhanced SG 14-236 DD offshore wind turbine with 236-meter diameter rotor and nominal capacity of up to 15 MW strengthens Siemens Gamesa position to capture further growth
- Outlook: EBIT projected to turn positive in FY22, with new guidance for EBIT margin between 1% to 4%

Siemens Gamesa ended a complex financial year 2021 shaped by healthy long-term demand for wind energy, but also by challenging short-term market dynamics.

The strong momentum in renewables boosted the company's backlog by 7.6% y/y to €32,542m, showing that it is well placed to capture the huge potential of wind energy. Recent months have seen a clear increase in global commitments to combating climate change, setting the pace for a net-zero future.

The company's performance in FY21 also reflected market imbalances caused by challenging supply chain conditions, with sharp increases in commodity prices, shortages of certain components, logistics bottlenecks and high transportation costs. The impact of these imbalances was particularly intense during the second half of the year and is expected to still affect operations in FY22. The company's performance in FY21 was also affected by higher-than-expected ramp-up costs for Siemens Gamesa 5.X platform.

"We are operating in a very difficult environment with challenging short-term market dynamics and low visibility on supply chain normalization, and we will continue our efforts to return the company to sustainable profitability. However, the current difficulties should not overshadow the bright future for wind energy, driven by its role in the decarbonization of our planet. As a society, we have the responsibility to curb the climate emergency now. We need to push for frameworks that enable the necessary acceleration of renewable energy. Wind is an efficient technological solution to make it happen," said Andreas Nauen, Siemens Gamesa's Chief Executive Officer.

Financial performance

Revenue in the year from October 2020 to September 2021 amounted to €10,198m (+7.5% y/y), supported by growth in Offshore (+16% y/y) and Service (+9% y/y). Profitability was impacted by commodity price and transport cost increases and by higher ramp-up costs of the Siemens Gamesa 5.X platform, creating the need for provisions for onerous contracts that resulted in EBIT pre PPA and before integration and restructuring costs of -€96m in FY21, with a margin of -0.9% (vs. -2.5% in FY20). Net income to Siemens Gamesa shareholders amounted to -€627m (vs. -€918m in FY20).

Financial performance in FY21 was in line with the low end of the guidance range announced in July 2021 (Revenue: c. €10,200m and EBIT margin: -1% to 0%). During the year, as part of its LEAP program, Siemens Gamesa took actions to protect the company's performance in the current complex supply environment, enhance competitiveness and address the costs and ramp-up time of the Siemens Gamesa 5.X platform.

Between July and September, Siemens Gamesa reported revenue of €2,863m and EBIT pre PPA and before integration and restructuring costs of -€177 with a margin of -6.2%. Reported net income for Siemens Gamesa shareholders in Q4 21 amounted to -€258m.

The company completed FY21 with a solid balance sheet and ample access to funding. As of September 30, 2021, Siemens Gamesa's net debt position stood at €207m, with €4,443m in committed funding lines, against which it had drawn €1,346m.

Commercial activity

In the last twelve months, governments, companies and other organizations have increased their emission reduction commitments. All eyes are on the COP26 meeting in Glasgow, where new plans may emerge to achieve the decarbonization targets by 2050. All these commitments lay the foundation for accelerated growth by renewables in the coming years. In this context, Siemens Gamesa signed orders worth €12,185m in FY21, and ended the year with an order backlog totaling €32,542m (+7.5% y/y), i.e. €2,294m more than at September 30, 2020. The backlog in September 2021 covers 91% of the sales guidance announced for financial year 2022. Order intake in Q4 21 amounted to €2,884m, +13% y/y, with strong performance by Service and Offshore.

Onshore logged €4,708m (-15-% y/y) in new orders in the year. The year-on-year change- reflects the company's commercial strategy, focused on controlling risk and prioritizing profits in the projects in the backlog, as well as a slowdown in sales activity on the Siemens Gamesa 5.X platform and a hiatus in the US and Spanish markets. New platforms with capacity of 4 MW or greater accounted for 68% of total order intake in FY21, with the 5.X platform alone accounting for 30%, which reinforces the vision that the 5.X is the right platform for strengthening Onshore operations.

The normal volatility in Offshore order intake resulted in orders worth €888m being signed in Q4 21 after signature of the first contracts in US. Offshore order intake in FY21 amounted to €4,068m. Siemens Gamesa continues to work very closely with customers to prepare for the large volume of auctions expected in 2021 and 2022 (32 GW) and beyond (57 GW), given Offshore wind's role as the key energy source for attaining the decarbonization targets.

With 14 GW already in the backlog and pipeline, the Offshore Business Unit is preparing to fully benefit from a steep demand increase in FY25 and beyond. Among other actions, the company is investing in its industrial footprint to secure supply volume and in developing an evolutionary product portfolio. It is introducing the enhanced SG 14-236 DD offshore wind turbine, with a 236-meter diameter rotor and capacity of up to 15 MW. Siemens Gamesa has been named Nominated Preferred Supplier with this product by Vattenfall for their 1.8 GW Norfolk Vanguard and 1.8 GW Norfolk Boreas projects. The agreement is subject to the UK Government's Contract for Difference Round 4 auction award in calendar year 2022 and subsequent final investment decision by Vattenfall.

Service commercial activity was strong in Q4 21, with orders signed for €1,129m following the extension of the service contract for the East Anglia ONE offshore wind farm. The Service division booked new orders worth €3,409m in FY21. As of September 30, 52% of the order backlog, i.e. €16,801m, was in Service, which expanded by 11% year-on-year.

Outlook and guidance

The wind industry has solid future prospects, even though the near-term market situation is still complicated as expectations are that the constraints in the supply chain and in logistics will persist in the next fiscal year. As a consequence, the company's guidance for FY22¹ reflects the current challenging industry environment: revenue decline between 2% and 7%, and an EBIT margin pre PPA and before integration and restructuring costs between 1% and 4%.

¹ This outlook excludes charges related to legal and regulatory matters and portfolio and currency effects. It does not include any impact from a potential lockdown of manufacturing activities or severe disruptions to the supply chain due to COVID-19 developments

The long-term outlook remains strong and unchanged for the company. Siemens Gamesa maintains its target of an 8% to 10% long-term EBIT margin pre PPA and before integration and restructuring costs, which it expects to achieve in FY24/25 (previously FY23), due to the transitory impact of current challenges. Also, given its strong positioning in Offshore, the company expects to achieve above-market revenue growth. This vision hinges on Onshore's turnaround and sustainable profitable growth in Offshore and Service, supported by the LEAP program and restructuring initiatives, including mechanisms to protect profitability from volatility in commodity prices and transport costs, cost-out programs and new technical features in the product portfolio.

Continuing progress with ESG commitments

At the heart of everything we do is a deep desire to improve our world by providing the technology behind clean energy that will help to decarbonize the energy supply and tackle the climate emergency. This ambition is reflected in the new Sustainability Vision for 2040, which aims to push the boundaries of sustainability to create a better future for generations to come.

Top positions in ESG rankings show that Siemens Gamesa is already on the right track to become a sustainability leader. The company obtained the best score in the industry from FTSE Russell and ISS ESG, and #2 from Vigeo Eiris. Siemens Gamesa is the first wind turbine manufacturer to obtain an ESG rating (84 out of 100) from S&P. The company also maintains its presence in sustainability indexes, such as Dow Jones Sustainability (World and Europe), FTSE4Good, Euronext Vigeo and Ethibel Sustainability, and it also improved its score in the Bloomberg Gender-Equality Index from 69% in 2020 to 75%.

Siemens Gamesa key figures (€m)	FY 2021 (Oct 20. - Sept 21)	Q4 FY 2021 (Jul - Sept 21)
Revenue:	10,198	2,863
EBIT pre PPA and before integration and restructuring costs:	-96	-177
EBIT margin pre PPA and before integration and restructuring costs:	-0.9%	-6.2%
Reported EBIT:	-522	-279
Reported net income attributable to SGRE shareholders:	-627	-258

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