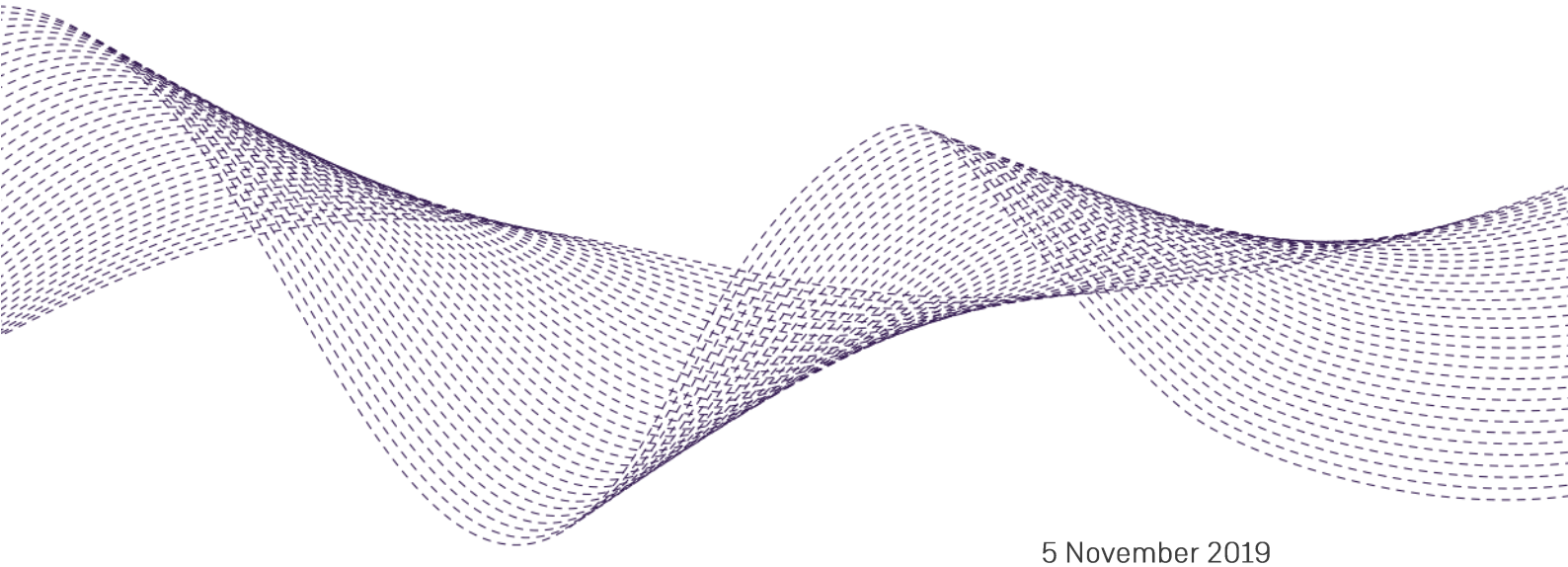
SIEMENS Gamesa
RENEWABLE ENERGY

Activity Report

Fourth quarter FY 2019

October-September 2019 Results



5 November 2019

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Introduction

Fiscal year 2019 (FY 19) commenced with the energy market continuing its transition towards an affordable, reliable and sustainable model in which renewable energy plays a fundamental role thanks to its growing competitiveness. Demand for wind power facilities is rising, as prices are very competitive.

FY 19 was also characterized by higher volatility, both political and macroeconomic, in both developed and developing countries, and by adverse conditions arising from global trade tensions and Brexit.

In a growing and complex market for wind power, Siemens Gamesa Renewable Energy[1] fulfilled its guidance in FY 19 after a fourth quarter (Q4) with a solid execution and a level of activity that had been expected to be strong since the beginning of the year. Revenues in the year amounted to €10,227m, while the EBIT margin before PPA and integration and restructuring costs was 7.1%.

Despite the volatility in the main emerging markets, Siemens Gamesa achieved a number of records in commercial activity during the year. Firstly, the order book reached €25,507m at 30 September 2019, providing 90%[2] coverage of the mid-point of the sales guidance for FY 20, equivalent to €9,360m. Secondly, Offshore WTG order intake in Q3 19 amounted to €2,040m, 33% more than the previous record, set in Q2 17, which pushed Group order intake in said quarter to a record €4,666m. Thirdly, Onshore WTG order intake in Q4 19 amounted to €2,240m, 13% more than in Q4 18 and 9% more than the previous record (set in Q1 14). Order intake in the last twelve months (LTM) amounted to €12,749m, 7% more than in the twelve months to September 2018.

Group revenues in FY 19 amounted to €10,227m (+12% y/y) and EBIT before PPA and integration and restructuring costs amounted to €725m (+5% y/y). Like commercial activity, sales growth was supported by strong performance in all business areas, particularly by double-digit year-on-year growth in Offshore WTG and Service activities. Conversely, sales growth in Q4 19, also +12% y/y to €2,944m, was driven by Onshore WTG with a +22% growth compared with same year-ago quarter. This level of activity in Onshore had been expected since the beginning of the year as planned project execution was concentrated in the fourth quarter of FY 19. EBIT before PPA and integration and restructuring costs, amounting to €725m in FY 19, reflects mainly the effect of declining prices in the order book in all divisions at the beginning of the year, offset by productivity improvements and synergies from the L3AD2020 transformation program and by higher sales volumes. Additionally, profitability was negatively impacted by the project mix and scope and by non-recurring factors, such as the cost increase caused by certain challenges in executing Onshore projects in Northern Europe and India. Q4 19 was particularly strong, as Siemens Gamesa attained its highest EBIT margin before PPA and integration and restructuring costs since the Group was created, 8.5%, beating the 8.2% registered in Q4 18, with EBIT before PPA and integration and restructuring costs amounting to €250m, 16% more than the comparable figure for the year-ago quarter.

The year ended with a net cash position on the balance sheet amounting to €863m, i.e. €248m more than at 2018 year-end and €1,054m more than the net cash position at the end of Q3 19. The change in the net cash position since FY 18 year-end is the result of gross operating cash flow generation, covering the investment needs to face expected growth in following years, and an improvement in working capital derived from a strict control and the positive impact from the strong order intake. Working capital improved from a negative €542m at 30 September 2018 to a negative €833m, equivalent to a -8.1% ratio over LTM revenues, an improvement of 2.2 percentage points on FY 18.

The stronger balance sheet, which is vital in a manufacturing business such as WTG production, was reflected not only in the higher net cash position but also in:

[1]Siemens 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).

[2]Revenue coverage: total firm orders (€) received through September 2019 for activity in FY 20 / the mid-point of the sales guidance published for FY 20 (€10,200-10,600m).

- The obtainment of an investment grade rating from the top three rating agencies: Standard and Poor's (BBB-), Moody's (Baa3) and Fitch (BBB). The three agencies justify the investment grade rating on the basis of the company's leading position in the industry, its diversified business and its conservative financial approach, among other factors.
- The reduction of gross debt by nearly €1bn year over year.
- The implementation of a sustainable funding policy that is compliant with ESG principles.

Consolidated key figures FY 19

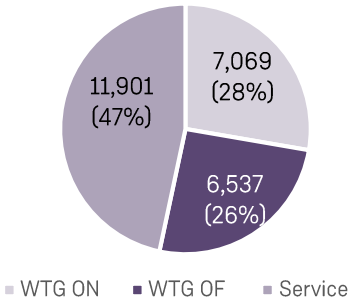
- Revenues: €10,227m (+12% y/y)
- EBIT before PPA and integration and restructuring costs[3]: €725m (+5% y/y)
- Net profit before PPA and integration and restructuring costs[4]: €483m (+16% y/y)
- Net income: €140m (+100% y/y)
- Net cash/(Net financial debt – NFD)[5]: €863m
- MWe sold: 9,492 MWe (+13% y/y)
- Order book: €25,507m (+12% y/y)
- Firm order intake in Q4 19: €3,076m (+17% y/y)
- Firm order intake in the last twelve months: €12,749m (+7% y/y)
- WTG order intake in Q4 19: 3,219 MW (+22% y/y)
- Firm WTG order intake in the last twelve months: 11,465 MW (+2% y/y)
- Installed fleet: 98,735 MW
- Fleet under maintenance: 60,028 MW

Markets and orders

In a competitive market with rising demand, solid commercial efforts continue to drive the company's performance, which reached a record order intake and order book. In the last twelve months, Siemens Gamesa signed orders worth €12,749m (+7% y/y) and it ended FY 19 with an order book of €25,507m (+12% y/y), which covers 90% of the mid-point of the sales guidance for FY 20[6].

Forty-seven per cent of the order book (€11,901m) is in Service, which has higher returns and expanded by 10% year-on-year. The WTG order book is split €6,537m Offshore (-6% y/y) and €7,069m Onshore (+39% y/y). The Offshore order book reduction is driven by the record level of projects execution in the fiscal year, that compensates the good commercial performance in FY 19.

Figure 1: Order book at 30.09.19 (€m)



Group order intake in Q4 19 amounted to €3,076m, +17% y/y, driven by strong commercial activity in all the Group's businesses, which registered double-digit growth in order intake in year-on-year terms, and particularly by the record order intake in Onshore WTG: €2,240m, 13% more than in the year-ago quarter.

[3]EBIT before PPA, integration and restructuring costs excludes integration and restructuring costs in the amount of €206m and the impact of fair value amortisation of intangible assets as a result of the PPA (purchase price allocation) in the amount of €266m.

[4]Net profit before PPA and integration and restructuring costs excludes €343m of 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.

[5]Cash / (Net financial debt) is defined as cash and cash equivalents less long-term plus short-term financial debt.

[6]Revenue coverage: total firm orders (€) received through September 2019 for activity in FY 20 / the mid-point of the sales guidance published for FY 20 (€10,200-10,600m).

Figure 2: Order intake Q4 19 (€m):

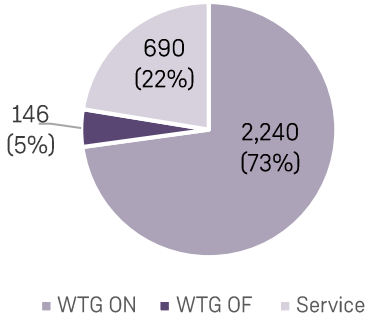


Figure 3: Order intake (€m) WTG ON FY 19 (%)

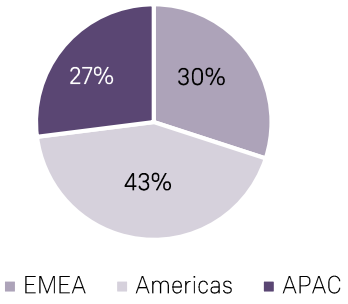
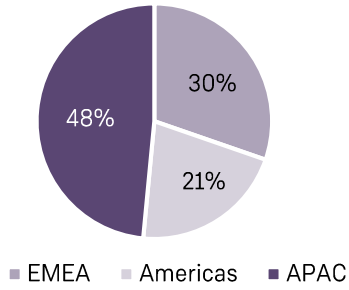


Figure 4: Order intake (€m) WTG ON Q4 19 (%)



The recovery in Onshore commercial activity since FY 18 to the record in Q4 19 took place within the context of worldwide growth in the wind market. This expansion reflects the growing role that renewable energies are playing in the transition to a new energy system, thanks to their competitiveness; specifically, it is supported by the strength of the US market in FY 19 and also, to a lesser extent, by the recovery in the Indian market since June 2019. Within this growing market, the increase in order intake reflects the company's solid competitive position, as part of its profitable growth strategy, which enabled it to capture €6,934m (9,389 MW) in firm orders in the last twelve months, equivalent to a book-to-bill ratio of 1.3 times revenues in the period. Orders totalling €2,240m (3,147 MW) were signed in the fourth quarter, 13% more than in the year-ago quarter. Order intake in the quarter was boosted by recovery of commercial activity in India following the high volatility experienced in the first nine months of the year. Orders for 1,188 MW were signed in India in Q4 19, 3.3 times the volume signed in Q4 18 and 1.8 times the volume signed in the first nine months of 2019. In October 2019, Siemens Gamesa India received the coveted Deming Prize for its industrial operations, which encompass its four manufacturing units and other support functions in India. The Deming Award is presented each year by the Union of Japanese Scientists and Engineers (JUSE) to companies that have demonstrated exceptional performance in total quality management (TQM).

Of the 28 countries that contributed new Onshore orders in FY 19, the most outstanding are the US (27% of the total, in terms of MW) and India (20%), followed by Chile and China (7% each). The main sources of new orders in Q4 19 were India (38%) and Chile (12%), followed by China (9%) and Sweden (8%). The 4.X platform was particularly successful in Q4 19, as the first contract was signed in China (for 189 MW) as well as contracts in Chile (369 MW) and the United States (162 MW). This platform accounted for around 25% of order intake in FY 19.

Another notable feature of commercial activity in FY 19 was the contribution by repowering contracts in the US. A 429 MW repowering contract was signed with MidAmerican in Q3 19. The repowering market offers considerable growth opportunities, as 8 GW of installed capacity in the US is suitable for repowering in the coming years out of a total of 16 GW worldwide in 2025[7].

[7]Source: Wood Mackenzie.

Table 1: WTG ON order intake (MW)

WTG ON order intake (MW)	FY 19	Q4 19
Americas	4,132	597
US	2,543	162
Brazil	424	66
Mexico	270	0
EMEA	2,435	856
Spain	502	14
APAC	2,821	1,694
India	1,843	1,188
China	633	294
Total (MW)	9,389	3,147

The limited Offshore WTG order intake in Q4 19 reflects the normal volatility in commercial activity in this market.

In FY 19, Offshore WTG logged €3,100m in firm orders, 11% more than in FY 18, due to the successful move into new markets, and specifically into Taiwan, where two orders for a total of 1.5 GW were signed in Q3 19, boosting Offshore order intake in that quarter to a record €2,040m.

- One order was from wpd AG for 640 MW (80 units of the SG 8.0-167 DD model) for the Yunlin wind farm. This is the first large-scale wind project in Taiwan and also the first order from APAC for this model. Turbine installation and commissioning are scheduled from 2020 onwards.
- The second order was from Ørsted for the Greater Changhua 1&2 wind farms. Siemens Gamesa will also install SG 8.0-167 DD WTGs, and construction of the plant will begin in 2021. Under this agreement, the company will establish a nacelle assembly plant near the port of Taichung to be ready by 2021, fulfilling local content requirements ahead of schedule. A lease for a plot measuring over 30,000 square metres was signed with Taiwan International Ports Corporation in Q4 19. The towers will be supplied locally by a joint venture of CS Wind and Chin Fong, which will also supply the towers for the Yunlin wind farm.

The success in Taiwan, a market with great potential for offshore wind power, was made possible not only due to Siemens Gamesa's lead in technology and execution but also to its early participation in market development: establishment of relationships with developers, participation in infrastructure development, creation of a local supply chain, and training of specialised local labour. The government of Taiwan's target is to install 5.5 GW of Offshore wind capacity by 2025[8].

Among the successes of the Offshore division during FY 19, in Q3, Siemens Gamesa received a conditional order for 1.7 GW (including the power boost option) from Ørsted and Eversource, the largest-ever order in the US. Referring to three offshore wind farms, that order is contingent upon the customers' final investment decision. The three projects are located off the north-east coast of the US: Sunrise Wind (880 MW), Revolution Wind (704 MW) and South Fork (130 MW). Siemens Gamesa will supply the SG 8.0-167 DD model for all three plants and will provide operation and maintenance services. The projects are scheduled to come into operation between 2022 and 2024.

This conditional order raised the total portfolio of preferential supply agreements and conditional orders[9] to over 7 GW, enhancing the visibility of the company's future growth prospects in the Offshore segment.

Order intake in Service totalled €2,715m, 13% more than in FY 18. This growth was driven by two Offshore WTG supply contracts signed in Taiwan in Q3 19, both of which include maintenance. The company was also successful in multi-technology in Q3 19. In Europe, Siemens Gamesa signed its first end-to-end multi-technology contract for two wind farms in Poland comprising 29 Vestas turbines (58 MW). Also in Q3 19, the company signed a multi-technology contract with Pattern Energy for a 218 MW wind farm in the US. Siemens Gamesa will maintain the Panhandle Wind 1 project, located in

[8]Source: Taiwan's Ministry of Economic Affairs.

[9]The firm order book does not include preferential supply agreements or conditional orders.

Texas, which comprises 118 General Electric 1.85-87MW turbines.

In Q4 19, the Service division signed contracts worth a total of €690m, 30% more than in the year-ago quarter.

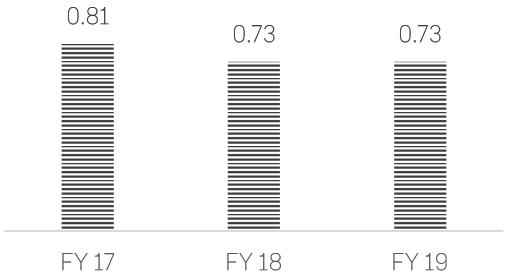
Table 2: Order intake (M€)

	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19
WTG	2,313	2,367	2,704	2,093	2,195	1,717	3,735	2,386
Onshore	1,688	1,834	1,175	1,985	1,799	1,200	1,695	2,240
Offshore	625	533	1,529	108	396	517	2,040	146
Service	599	676	588	531	346	749	931	690
Total Group	2,912	3,043	3,292	2,625	2,541	2,466	4,666	3,076

The transition towards affordable, reliable and sustainable energy systems is being accompanied not only by better demand prospects for renewable installations but also by the 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 and Spain during 2016 and 2017, has gradually stabilised since the beginning of FY 18, a trend that was maintained in FY 19.

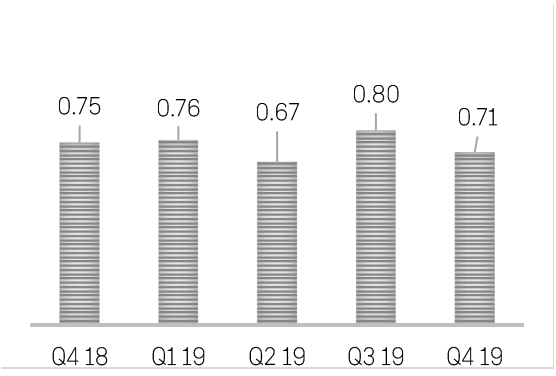
Figure 5: Average sale price (ASP) - Onshore order intake (€m/MW)[10]



As a result, after initial high-single/low-double digit shrinkage, wind turbine prices are now declining by low single digits (<5%), in line with the historical price decline associated with productivity improvements in manufacturing.

It is important to note that the average sale price is influenced by other factors apart from turbine prices, including the country, the contract scope and the machine mix, and that it is not directly correlated with profitability. These impacts are visible in the quarterly trend in average prices. The trend in average sale prices in Q4 19 with respect to Q3 19 reflects the impact of the geographical mix, with a higher contribution from China, that excludes towers from the product scope. Excluding the impact of China, the ASP was €0.74m/MW in Q4 19. The year-on-year reduction in ASP reflects the geographical mix, with an increase in the contribution from APAC in Q4 19, where prices are lower, contrasting with the higher contribution from EMEA in Q4 18.

Figure 6: Average sale price - Onshore order intake (€m/MW)



[10]The FY 17 LTM figure is proforma.

Key figures

The table below shows the main financial aggregates for FY 18 and FY 19 and for Q4 19 (July-September), as well as the change with respect to Q4 18.

Table 3: Key figures

€m	FY 18	FY 19	Change y/y	Q4 19	Change y/y
Group revenues	9,122	10,227	12.1%	2,944	12.4%
WTG	7,847	8,733	11.3%	2,527	14.5%
Service	1,275	1,493	17.1%	417	1.3%
WTG volume (MWe)	8,373	9,492	13.4%	2,585	7.3%
Onshore	6,677	6,936	3.9%	2,009	4.3%
Offshore	1,696	2,556	50.7%	576	19.3%
EBIT before PPA and I&R costs	693	725	4.6%	250	16.2%
EBIT margin pre-PPA and I&R costs	7.6%	7.1%	-0.5 p.p.	8.5%	0.3 p.p.
WTG EBIT margin before PPA and I&R costs	5.0%	4.4%	-0.6 p.p.	5.9%	1.0 p.p.
Service EBIT margin before PPA and I&R costs	23.6%	23.0%	-0.6 p.p.	24.1%	-1.7 p.p.
PPA amortization[1]	306	266	-12.9%	67	0.8%
Integration and restructuring costs	176	206	16.8%	116	52.9%
Reported EBIT	211	253	19.8%	67	-8.2%
Net income attributable to the shareholders of SGRE	70	140	100.0%	52	104.1%
Earnings per share attributable to the shareholders of SGRE[2]	0.10	0.21	100.0%	0.08	104.1%
Capex	415	498	83	181	25
Capex/revenues (%)	4.6%	4.9%	0.3 p.p.	6.2%	0.2 p.p.
Working capital (WC)	-542	-833	-291	-833	-291
Working capital/revenues LTM (%)	-5.9%	-8.1%	-2.2 p.p.	-8.1%	-2.2 p.p.
Net (debt)/cash	615	863	248	863	248
Net (debt)/EBITDA LTM	0.72	0.96	0.24	0.96	0.24

1. Impact of the Purchase Price Allocation (PPA) on amortization of intangibles.
2. Earnings per share calculated using the weighted average of outstanding shares in the period. FY 18: 679,489,769; FY 19: 679,490,974, and 679,504,347 in Q4 19.

The Group's financial performance in FY 19 was in line with the guidance, in a year in which Onshore activity was planned to be concentrated strongly in the fourth quarter, coupled with complex market conditions.

Group revenues amounted to €10,227m, 12% more than in FY 18. Revenues amounted to €2,944m in Q4 19, 12% more than in the year-ago quarter, driven by strong Onshore activity volumes, where revenues increased by 22%, in line with the planned concentration of activity towards the end of the year.

EBIT before PPA and integration and restructuring costs increased by 5% y/y to €725m, i.e. an EBIT margin before PPA and I&R costs of 7.1%, down 0.5 p.p. on the margin in FY 18. The EBIT margin was 8.5% in the fourth quarter, the highest since the company was created, due to good execution of a sizeable level of activity and to execution of the transformation programme, which offset the impact in the quarter of lower prices in the Group's order book.

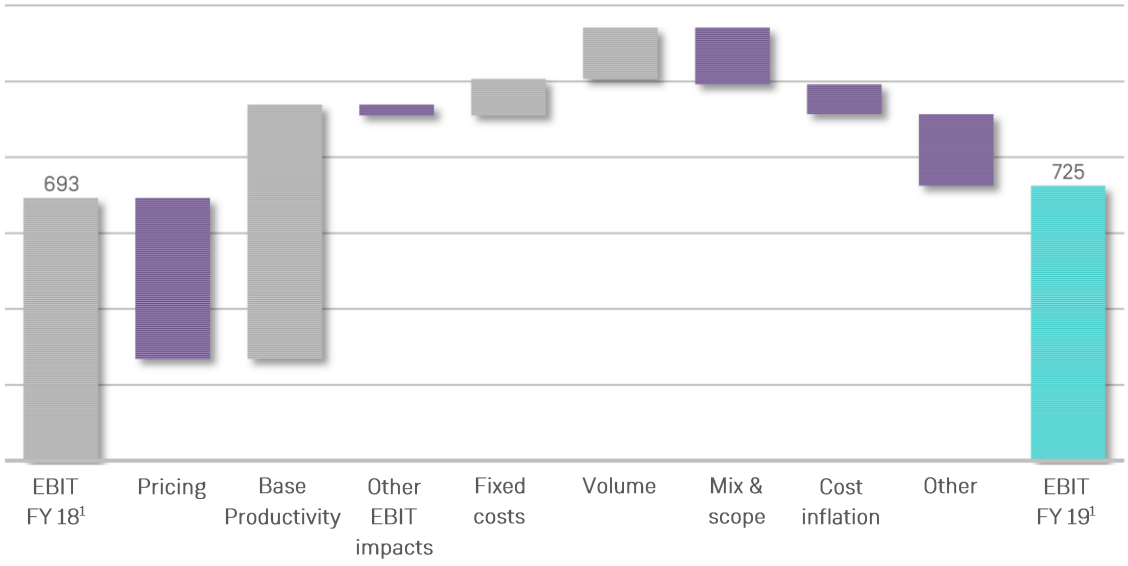
The trend in EBIT before PPA and integration and restructuring costs in FY 19 reflects the impact of the following factors:

(-) The price cuts incorporated into the order book (Onshore, Offshore and Service) at the beginning of the year, which are still the main drag on Group profitability.

(+) Improvements in productivity and fixed costs under the L3AD2020 programme, which offset the price reduction.

(+) The positive impact of the strong sales volume in Onshore (+7% y/y), Offshore (+18% y/y) and Service (+17% y/y).

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



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

In addition to these three main factors, the year-on-year variation was also driven by:

(-) Cost inflation, including that derived from international trade tensions, particularly between the US and China.

(-) Difficulties with execution in Northern Europe and India, which resulted in additional costs.

The impact of the PPA on amortisation of intangible assets was €266m in FY 19 (€306m in FY 18), while integration and restructuring expenses amounted to €206m in the same period (€176m in FY 18).

Net financial expenses amounted to €61m in FY 19 (€43m in FY 18), while the tax expense amounted to €49m (€98m in FY 18). The increase in net financial expenses is due to a higher cost of debt in developing countries with higher interest rates and to the impact of the Euro and Danish Krone interest rate on the net present value of provisions on the balance sheet. The reduction in the tax expense is due to an opposite signed impact coming from the

reduction in the tax rate in India and US in FY 19 and FY 18 respectively.

As a result, the Group ended FY 19 with net income before PPA and integration and restructuring costs amounting to €483m. Reported net income, which includes the impact on amortisation of the PPA and integration and restructuring expenses, both net of taxes, totalling €343m in FY 19, amounted to €140m, contrasting with an income of €70m reported in FY 18. Net earnings per share attributable to Siemens Gamesa shareholders was €0.21.

The high level of activity planned and executed in the fourth quarter had required a progressive investment in working capital in the first nine months of the year. As a result, working capital improved by €1,071m between Q3 and Q4 19, to end the year amounting to a negative €833m (-8.1% of revenues). That level of working capital is €291m less than the figure at 30 September 2018 (a reduction of 2.2 percentage points of revenues). This improvement is due to a number of factors: a strict working capital control program, prepayments due to the high level of commercial activity, renegotiation of payment conditions and milestones in the execution of ongoing projects.

Table 4: Working capital (€m)

Working capital (€m)	Q1 18	Q2 18	Q3 18	Q4 18[1]	Q1 19	Q2 19	Q3 19	Q4 19	Change y/y
Accounts receivable	1,172	1,091	1,158	1,139	1,135	1,171	1,460	1,308	169
Inventories	1,993	1,805	1,700	1,499	1,925	2,006	2,044	1,864	365
Contract assets	1,079	1,148	1,311	1,569	2,033	1,771	1,952	2,056	487
Other current assets	397	404	404	362	417	464	651	461	99
Accounts payable	-2,204	-1,877	-2,040	-2,758	-2,557	-2,505	-2,733	-2,886	-127
Contract liabilities	-1,873	-1,571	-1,570	-1,670	-2,340	-1,991	-2,267	-2,840	-1,169
Other current liabilities	-722	-708	-697	-684	-641	-706	-869	-798	-114
Working capital (WC)	-157	291	265	-542	-27	211	238	-833	-291
Change QoQ		448	-25	-808	515	238	28	-1,071	
Working capital/revenues LTM	-1.5%	3.1%	3.0%	-5.9%	-0.3%	2.2%	2.4%	-8.1%	

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 impact on Group equity (including the tax effect).

CAPEX amounted to €498m in FY 19, in line with the objectives communicated in the Capital Markets Day (CMD) 2018-2020. Investment was concentrated in developing new services and Onshore and Offshore platforms, and tooling and equipment.

As a result of the trend in operating performance and strict working capital control, the net cash position on the balance sheet improved to €863m at 30 September 2019.

During the year, the three credit rating agencies granted Siemens Gamesa an investment grade rating — Standard & Poor's (BBB-), Moody's (Baa3) and Fitch (BBB) — confirming the company's leading position, underpinned by geographical diversification, technology strengths and a solid financial position.

WTG

Table 5: WTG (€m)

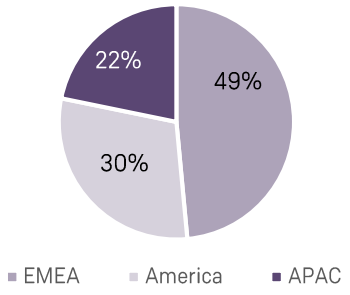
€m	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19	Change y/y
Revenues	1,840	1,973	1,827	2,207	1,904	2,060	2,242	2,527	14.5%
Onshore	1,197	1,277	1,052	1,349	1,103	1,243	1,229	1,650	22.3%
Offshore	643	696	775	858	801	817	1,013	877	2.3%
Volume (MWe)	1,997	1,830	2,137	2,409	2,129	2,383	2,394	2,585	7.3%
Onshore	1,651	1,397	1,703	1,926	1,520	1,707	1,699	2,009	4.3%
Offshore	346	432	434	483	609	676	694	576	19.3%
EBIT before PPA and I&R costs	69	129	86	109	51	106	76	149	37.4%
EBIT margin before PPA and I&R costs	3.8%	6.5%	4.7%	4.9%	2.7%	5.1%	3.4%	5,9%	+1.0 p.p.

WTG sales in FY 19 amounted to €8,733m, 11% more than in FY 18. WTG sales growth in the year was supported mainly by Offshore (+18%), while Onshore achieved 7% growth year-on-year. Growth in Onshore sales was concentrated in the fourth quarter because of the planned higher volume of activity in that period. As a result, Onshore revenues increased by 22% in Q4 19 and were the main factor that boosted WTG revenues to €2,527m, 14% more than in the same period of 2018.

Onshore volume amounted to 6,936 MWe in the year, a 4% increase year-on-year, while volume in Q4 19 amounted to 2,009 MWe. Sales growth was mainly due to greater installation activity, with MWe installed in FY 19 (7,249 MW) up 53% on FY 18 (4,744 MW), and also to the regional mix, as EMEA made a larger contribution.

The main sources of Onshore sales (MWe) in FY 19 were the US (24%), Spain (17%), Norway and India (13% each). Those countries were also the main contributors to Onshore sales in Q4 19.

Figure 8: Sales (MWe) WTG ON FY 19 (%)



Offshore achieved record revenues of €3,508m in FY 19, 18% more than in FY 18, and volume totalled 2,556 MWe, 51% more than in FY 18. This growth is in line with the record activity that had been planned for FY 19.

EBIT before PPA and integration and restructuring costs declined by 3% to €382m, equivalent to a 4.4% margin on revenues, i.e. 0.6 percentage points below the EBIT margin in the same terms in FY 18. Once again, this reduction was driven mainly by lower prices (principally Onshore but also Offshore), offset by the outcome of the L3AD2020 transformation program and by higher sales volume, but there was also a negative impact from the project mix and scope. WTGs profitability has also been impacted by a non-recurring increase in execution costs in certain projects in Northern Europe and India in Q3 19 and by the cost inflation driven by supply chain tightness and US tariffs on products from China.

Operation and Maintenance Service

Table 6: Operation and maintenance (€m)

€m	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19	Change y/y
Revenues	287	268	308	411	358	330	390	417	1.3%
EBIT before PPA and I&R costs	64	60	70	106	87	73	83	100	-5.5%
EBIT margin before PPA and I&R costs	22.2%	22.3%	22.8%	25.8%	24.3%	22.0%	21.3%	24.1%	-1.7 p.p.
Fleet under maintenance (MW)	55,446	55,454	56,670	56,725	56,828	56,875	58,708	60,028	5.8%

The Service business increased revenues by 17% with respect to FY 18, to €1,493m. This growth was driven by a significant expansion in the sale of maintenance contracts and by the sale of value-added solutions during the year. The deceleration to 1% growth in the fourth quarter was due to lower sales of spare parts and of value-added service in comparison with Q4 18, which concentrated the bulk of those services in FY 18.

The fleet under maintenance totals 60 GW, 6% more than at the end of FY 18. The Offshore fleet under maintenance, 11.2 GW, expanded by 13% y/y, while the Onshore fleet expanded by 4% y/y to 48.8 GW.

Fleet growth was supported by a higher renewal rate: 75% in the year. The fleet of third-party technologies under maintenance was 2,614 MW[11] at the end of FY 19.

Service EBIT before PPA and integration and restructuring costs amounted to €343m, equivalent to an EBIT margin before PPA and integration and restructuring costs of 23.0%, 0.6 percentage points lower than in FY 18. EBIT performance year-on-year reflects not only the negative effect of lower prices, offset by the positive impact of the transformation process, but also the negative impact of inflation.

[11]The fleet of third-party technologies under maintenance includes 425 MW of MADE technology, 10 MW of Bonus technology and 1,005 MW of Adwen technology.

Sustainability

The table below shows the main social development and sustainability figures for FY 18 and FY 19, and the inter-year variation.

Table 7: Main sustainability figures

	09.30.2018	09.30.2019 (*)	*Change y/y*
Workplace health and safety			
Lost Time Injury Frequency per million hours worked Rate (LTIFR)	2.14	1.75	-18%
Total Recordable Incident per million hours worked Rate (TRIR)	5.10	4.76	-6%
Environment			
CO_2 emissions (Scope 1; direct)[12]	22,865	20,328	-11%
CO_2 emissions (Scope 2; indirect)[13]	38,502	67,174	+74%
Primary energy used (GJ)	386,459	454,549	+17%
Electricity used (GJ)	663,138	706,891	+7%
from renewable sources (GJ)	402,986	434,958	+8%
from standard combustion sources (GJ)	160,829	271,933	+69%
renewable electricity (%)	71	62	-13%
Mains water consumption (m3)	428,835	473,345	+10%
Waste production (t)	47,805	58,506	+22%
of which, hazardous (t)	4,004	8,099	+102%
of which, non-hazardous (t)	43,801	50,407	+15%
of which, recycled (t)	32,898	45,018	+37%
Employees			
Number of employees (at year-end) (**)	23,034	24,453	+6%
employees aged < 35 (%)	39.12	37.39	-4%
employees aged 35-44 (%)	36.16	36.95	+2%
employees aged 45-54 (%)	18.54	18.66	+1%
employees aged 55-60 (%)	4.24	5.19	+22%
employees aged > 60 (%)	1.94	1.81	-7%
Women in workforce (%)	18.90	18.79	0%
Women in management positions (%)	10.79	10.24	-5%
Supply chain			
No. of Tier 1 suppliers	17,051	17,890	+5%
Purchase volume (€m)	6,030	8,237	+37%

(*) Non-audited figures
(**) For the purpose of the age structure breakdown, there is 0,5% of employees that are not classified.

Note: Detailed information on the environment, social and governance (ESG) performance will be available in the consolidated non-financial statement on the company's website in December 2019.

[12]These emissions are reported annually, with fiscal year end closing.

[13]These emissions are reported annually, with fiscal year end closing.

Health and safety

Workplace health and safety are a key value for Siemens Gamesa. They constitute a core component of the Group's risk management and internal control. Preserving health and safety is linked to the UN Sustainable Development Goals, specifically health and well-being (SDG 3), decent work and economic growth (SDG 8) and peace and justice (SDG 16).

At the end of the period, the Lost Time Incident Frequency Rate (LTIFR)[14] was 1.75 in FY 19 (2.14 in FY 18).

The total recordable incident rate (TRIR)[15] was 4.76 in FY 19 (5.10 in FY 18) at the end of the period.

Siemens Gamesa works proactively to analyse 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, FY 19 performing safety inspections (15,770), safety observations (52,310) and health and safety audits (112).

Environment

In 2019, Scope 1 emissions amounted to 20,328 tCO2-eq. Scope 1 emissions are produced by sources owned or controlled by the company and used to generate energy.

Scope 2 emissions in the reporting period amounted to 67,174 tCO2-eq. These emissions are associated with the consumption of electricity and heating sourced from third parties.

Total energy consumption in the reporting period amounted to 1,255,935 GJ (19% more than in FY 18). Accordingly, energy consumption per employee and year for the Group was 51.36 GJ.

Total waste production amounted to 58,506 tons in FY 19. The ratio of hazardous to non-hazardous waste produced by the Group is 1:6.2, and 77% of overall waste is recycled.

Employment

The workforce totalled 24,453 employees at the end of FY 19. The bulk of employees are located in the Europe, Middle East and Africa region (67%), followed by Asia and Australia (20%) and Americas (14%).

Women account for 19% of the workforce. Women represent 21% of the workforce in Europe, Middle East and Africa, 20% in Americas and 10% in Asia and Australia.

Siemens Gamesa had 332 employees in management positions at the end of the year, 10.24% of them women (10.79% in FY 18). This proportion is expected to increase in line with the application of employment best practices.

Suppliers

Procurements in FY 19 amounted to €8,200m, from approximately 18,000 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.

In FY 19, 84% of the total purchase volume (PVO) was from suppliers that have adopted the Supplier Code of Conduct, i.e. a 19 percentage points increase on FY 18, evidencing the progress made in integrating our controls into the supply chain.

ESG indices

Siemens Gamesa is a member of prestigious international sustainability indexes, such as Dow Jones Sustainability Index, FTSE4Good® and Ethibel Sustainability Index.

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

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

Outlook

Economic situation

Following strong growth in 2017 and early 2018, the world economy is beginning to flag. Escalating trade tensions between the US and China, weakening macroeconomic conditions in such countries as Brazil, Mexico and Russia, tightening credit policies in China and the contraction of financial conditions in parallel with the normalisation of monetary policies in the advanced economies have contributed to the slowdown in growth. Although accommodative monetary policies that should help to achieve a rebound in growth have been re-introduced, both the World Bank[16] (WB) and the International Monetary Fund[17] (IMF) warn that the risks are still to the downside.

The IMF projects a deceleration of global growth from 3.6% in 2018 to 3.0% in 2019, representing the lowest level since 2008-09 and a 0.3 percentage points below the previous report in April 2019. In 2020 estimation returns to 3.3% (0.2 percentage points, lower than in the previous report in April) and stabilising around 3.6% thereafter, supported mainly by growth in China and India and their rising importance in the world economy. Unlike deceleration that has been synchronized, recovery is expected to be precarious and not general. Growth in advanced economies will be reduced to 1.7% in 2019 and 2020, while economies in the emerging and developed countries will peak up from 3.9% in 2019 to 4.6% in 2020. Around half of this improvement is due to the recovery of emerging markets facing tensions, like Turkey, Argentina and Iran, and the remaining, due to recovery in countries with a 2019 growth wide below growth in 2018, like Saudi Arabia, Brazil, Mexico, India and Russia.

The WB expects 2.6% growth in 2019, rising steadily to 2.8% in 2021.

Regionally, the IMF envisages a deceleration in the European Union, from 2.2% in 2018 to 1.5% in 2019 and 1.6% in 2020.The possibility of a no-deal Brexit is still one of the main risks to future growth. The UK is expected to achieve growth of 1.2%-1.4% in 2019 and 2020, which also reflects the uncertainty surrounding Brexit. Germany is projected to achieve 0.5% growth in 2019 and 1.2% in 2020 due to weak consumer spending, weak industrial output because of emission regulations for automobiles, and moderate external demand.

According to the WB, the United States will grow by 2.5% in 2019 and then decelerate to 1.7% in 2020 and 1.6% in 2021, as the positive stimulus of the tax reform tails off. The IMF expects growth of 2.4% in 2019 and 2.1% in 2020. Growth performance beyond 2020 will depend on the continuation of accommodative monetary policies, a sustained increase in productivity and labour force participation, which will be offset by potential additional restrictions on trade.

In Mexico, the reversal of energy and education reforms and the uncertainty about key policies on the part of the new administration is discouraging private investment and negatively impacting the expected growth, which is projected to be below 2% in 2019-20 (IMF), and 2.4% by 2021 (WB). Meanwhile, growth in Brazil is projected to go from 1.1% in 2018 to 0.9% in 2019 and 2.0% in 2020 (IMF). For Latin America, the IMF projects growth in excess of 1.8% in 2020, but under 3% in the medium term, constrained by structural rigidity, moderation in the terms of trade, and fiscal imbalances.

In Asia, the IMF expects India to expand by 6.1% in 2019 and 7.0% in 2020, while the WB projects that India will grow by over 7% in 2019, reaching 7.5% in 2020 due to the recovery of capital expenditure and robust consumer spending in a context of expansionary monetary policy and the momentum of fiscal policy. In the medium term, growth is expected to stabilise below 8% based on the uninterrupted implementation of structural reforms

[16]Source: World Bank. Global Economic Prospectus. Heightened Tensions, Subdued investment. June 2019.

[17]Source: International Monetary Fund. World Economic Outlook. October 2019.

and the attenuation of infrastructure bottlenecks. In China, IMF forecasts a slowdown from 6.6% growth in 2018 to 6.1% in 2019 and 5.8% in 2020, and from 6.6% in 2018 to 6.2% in 2019 and 6% in 2021 according to the WB, reflecting the impact of stricter financial regulation, lower manufacturing activity and trade, and the impact of tariffs imposed by the United States, all offset by greater fiscal and monetary stimuli.

Long-term worldwide prospects for wind

In 2019, the world energy market continued its transition towards an affordable, reliable and sustainable model in which renewable energy plays a fundamental role thanks to its growing competitiveness. This transition is not simple, nor is it guaranteed to achieve its objective without greater sustained efforts on the part of governments. As indicated in the UN report on the gap between the emission reduction targets and actual achievements[18] to date, governments must triple their efforts and introduce new measures on an urgent basis.

The International Energy Agency (IAE) reached similar conclusions in its most recent World Energy Outlook[19]. The policies and commitments announced to date by countries and supranational organisations will lead to renewables (currently accounting for 25% of power generation) exchanging places with coal (currently 40%) in the power generation mix by 2040. In this scenario, accumulated wind capacity at the end of the period (2040) will amount to 1,700[20] GW, which represents a sustained average level of installations that is similar to the average of recent years (2012-2018: c. 50 GW according to the Global Wind Energy Council or GWEC) for over 20 years. However, this will not be sufficient to fulfil the sustainable development goal that requires greater and faster deployment of renewable energies. A scenario compatible with sustainable growth, which includes the commitments to combat climate change requires, inter alia, that renewables practically triple their share of the generation mix, from the current 25% to two-thirds of total capacity or almost 70% in 2040. Under this projection, the accumulated wind fleet will total 2,800 GW[21] in 2040, i.e. 1,000 GW more than in the previous scenario and representing an average of 100 GW in installations each year over the next 20 years.

The Bloomberg New Energy Finance (BNEF) New Energy Outlook published 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 average pace of over 100 GW per year for the next 20 years. In that same report, BNEF 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. Five years ago, coal and gas occupied that position. 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% in the case of onshore wind power by 2050.

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%.

[18]"Emissions Gap Report 2018". November 2018.

[19]"World Energy Outlook 2018" (WEO 2018). November 2018.

[20]Data provided by BNEF in its comparison between NEO 2018 and WEO 2018.

[21]Data provided by BNEF in its comparison between NEO 2018 and WEO 2018.

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. BNEF estimates that the cost of storage will fall by 64% through 2040, from USD 187/MWh at present to USD 67/MWh.

In October 2019, KPMG published "The Socio-economic Impact of Wind Power in the Context of the Energy Transition", in which it projects that wind's contribution will increase to 34% by 2040, from 4% at present, and that it will provide 23% of the carbon emission reductions required by 2050: 5,600m tons of CO2. Investment in wind power will rise from USD 110,000m per year at present to USD 200,000m per year in 2040.

Figure 9: Wind installations (cumulative GW)

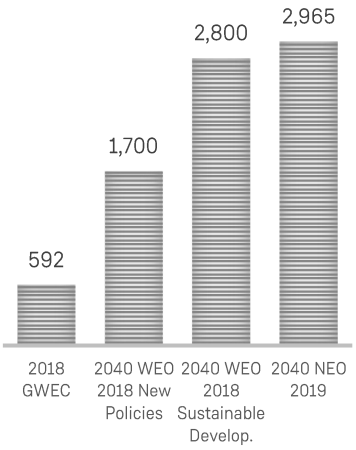
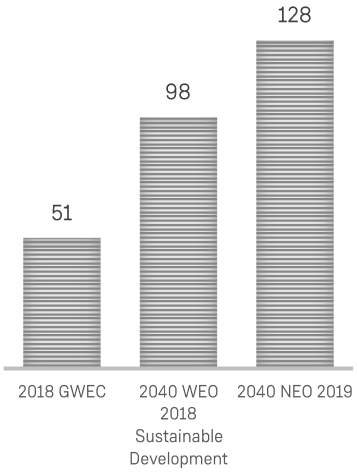


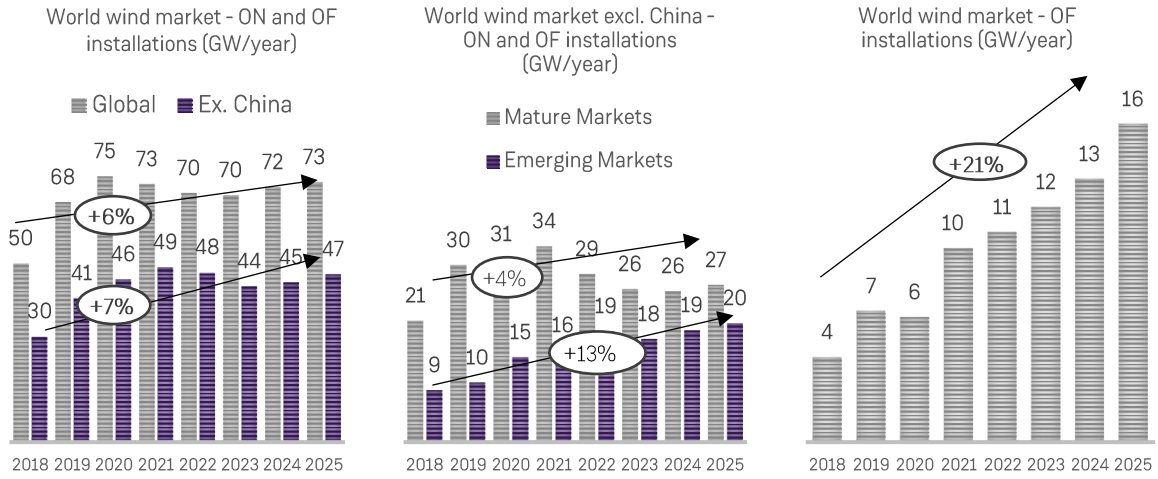
Figure 10: Annual installations 2018-40E (GW/year)



Quarterly update of short- and medium-term demand

Figure 11 below shows the medium-term installation projections (2019-2025)[22] as well as final installations reported for 2018[23].

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



The prospects for installations in the period 2019-2025[24] continue to assume solid demand and are again higher than the outlook presented in the second quarter of calendar 2019 (both projections by Wood Mackenzie). This 3.9 GW increase refers to the period 2019-2025 and will be attributable entirely to the Onshore market (the projection for the Offshore market was reduced by just 6 MW). There was another notable reduction in the Onshore market in 2019 (-0.9 GW), offset partly in 2020 (+0.2 GW) and exceeded in 2021 (+1.6 GW). However, the Offshore market is projected to decline sharply in 2021 (-1.2 GW) and in 2022 and 2023 (-0.6 GW overall), which will be offset in 2024 (+1.5 GW) and 2025 (+0.2 GW).

China (153 GW), US (56 GW), India (33 GW) and Germany (19 GW) are expected to retain their position as the largest Onshore markets, accounting for more than 60% of the total accumulated installations projected in 2019-2025. France, Brazil, Sweden, Spain and Australia, with between 8 GW and 11 GW in cumulative installations each in the period 2019-2025, will account for more than 10%.

Despite the appearance of new markets, the Offshore segment is still much more concentrated. China, with 32 GW of installations in 2019-2025, will account for 35% of total installations in the period. Europe, led by the United Kingdom (13 GW of installations in the same period), will install 34 GW, accounting for 40% of the total. They will be followed by the US (11.2 GW in 2019-2025) and Taiwan (6.8 GW).

The increase in projections for Onshore installations is mainly in the US, Poland, Ukraine and Russia, offsetting lower projections for Germany and India. Growth in projections for Offshore is mainly

[22]Source: Wood Mackenzie: Q3 19 Global Wind Power Market Outlook. The bubbles indicate compound annual growth rates.

[23]Global Wind Report 2018 (April 2019) published by the Global Wind Energy Council (GWEC) reported for 2018 ON + OF installation globaly totalling 51 GW and 28 GW excluding China (20 GW in mature markets and 8 GW in emerging markets), and 4 GW for OF installations (like Wodd Mackenzie in this case).

[24]Source: all projections in this section dated calendar Q2 19 and calendar Q3 19 are from the Wood Mackenzie quarterly Global Wind Power Market Outlook.

concentrated in the US, offsetting the reduction in The Netherlands:

- The increase in projected Onshore installations in the US is due mainly to interest in taking advantage of the 80% production tax credits in 2021, including repowering projects, and to growth in corporate power purchase agreements (PPAs). The increase in Offshore is due to new subsidies at state level.
- The projections for Poland and Ukraine are up due to new auctions.
- The increase in projections for Russia is due to developers' confidence in their ability to fulfil local content requirements.
- In India, there is persisting uncertainty with respect to the dispute over PPAs that have already been signed and because of the low response to auctions, which has resulted in another reduction in projections.
- In Germany, recent auctions have been heavily undersubscribed, aggravating the crisis in the sector, which faces adverse public opinion as well as litigation.

Beyond the pace of installations, price dynamics are unchanged with respect to the previous quarter and Onshore prices continue to stabilize, reflecting mainly the stabilisation of auction prices but also the commercial dynamic in the US, cost inflation and the pressure on margins in the supply chain. In terms of product, the category >3 MW continues to gain market share.

Summary of the main events relating to wind power in Q4 19[25]

During the fourth quarter of FY 19, 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

United Nations - Climate Action Summit 2019

- Sixty-five countries pledged to cut their greenhouse gas emissions to zero by 2050 and 70 announced or stepped up their national action plans, or are taking steps to do so.

European Union

- The EU announced at the summit that 25% of its budget will be allocated to climate-related activities.

Germany

- At the climate summit, Germany pledged to be carbon neutral by 2050.
- The economy ministers of Germany and The Netherlands plan to jointly evaluate projects in the North Sea and they want to work with the European Commission to assess the need to update the European Union's regulatory framework in order to eliminate barriers to investment.
- The results of the third and fourth wind power auctions of 2019 were published. The third auction awarded 208 MW, out of an initial volume of 650 MW, while the fourth auction awarded 176 MW out of an initial volume of 500 MW, both at an average price of €62/MWh. As in previous auctions, the low participation rate was due to the complexity of obtaining the necessary permits from the state governments and to problems with public opinion.
- The federal government reached an agreement to promote renewable energy, setting a new target of 65% of final energy consumed by 2030 (the previous objective

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

was 50% by 2035). The target for Offshore wind power installed has been increased from 15 GW to 30 GW by 2030.

- Deutsche Bahn signed the first Offshore PPA in Germany. It will begin buying electricity in 2024, acquiring the output of 25 MW, 8% of the Nordsee Ost plant (295 MW).

France

- France announced it will update its National Energy and Climate Plan, raising its target for renewables from 32% to 33% of final energy consumed by 2030.
- The French parliament passed a new regulation under which the last coal-fired plants are to be shut down by 2022, setting 2050 as the deadline for being carbon neutral. In addition, nuclear capacity will be halved by 2035, and the use of fossil fuels will be cut by 40% by 2030.

Greece

- Greece announced that it will update its National Energy and Climate Plan by increasing its renewable target from 31% to 35% of final energy consumed by 2030.
- The results of the third auction were announced: 179.5 MW of wind capacity were allocated out of a target of 300 MW, with an average price of €67.3/MWh.
- The fourth auction (wind only) was announced with an initial volume of 225 MW and a price cap of €68.25/MWh.

Italy

- Italy passed and published the renewables decree, under which several neutral auctions for wind and solar projects will be organized in the period 2019-2021. The first auction has been officially launched under this scheme, with a total volume of 560 MW, in which wind projects can bid. This auction takes place in October, and final results are expected in December 2019.

UK

- At the climate summit, the UK doubled its contribution to international climate finance to GBP 11.6 billion for the period 2020-2025.
- The outcome of round 3 of the CfD (Contracts for Difference) auctions was published, awarding 5.5 GW in 6 Offshore projects and 275 MW of Onshore projects on remote islands. The price set is GBP 45/MWh for 2023-2024 and GBP 47.22/MWh for 2024-2025.

Australia

- Australia announced that sufficient large-scale renewable capacity has been built to attain the 2020 target of 33 TWh, so the certificate-based scheme has been phased out.
- The Australian Capital Territory (ACT) announced an auction for 250 MW in hybrid solar, wind and storage projects. The contracts should be signed in the first half of 2020 and the projects must be connected in 2022.
- The Queensland "Renewables 400" auction was reactivated, under which 400 MW of renewable capacity will be contracted, including 100 MW of storage. Four wind projects totalling 1,570 MW and 6 solar projects totalling 620 MW have been preselected.

US

- The US government announced that all goods imports from China will bear an additional 5% tariff, raising the tariff on all List 1 & 3 products to 30%. On October 15th the US Government put this increase on hold due to progress in the negotiations with the Chinese government. Accordingly, List 1, 2 & 3 of Chinese imports remains at 25%.
- Michigan: the state issued an RFP for wind (100-200 MW) and solar (25-200 MW) projects. The projects must achieve

commercial operation between 2021 and 2023.

- Pacificorp announced plans to replace 2 GW of coal-fired capacity with 4.5 GW of wind or solar capacity by 2027, and 10.7 GW plus 4.6 GW of storage by 2038.
- Virginia: the state set a target of 2.5 GW Offshore for 2026, on top of the Onshore target of 5.5 GW by 2028, 3 GW of which must be in development by 2022.
- Massachusetts: three proposals have been received for 800 MW of Offshore projects. The selection will be made in November 2019.
- Georgia: Georgia Power is to add 2.26 GW of renewables (wind/solar) and 80 MW of storage by 2024.
- New York: the state announced the winners of the first wind auction: Sunrise Wind (880 MW), owned by Ørsted and Eversource, and Empire Wind (816 MW), developed by Equinor.
- Connecticut: the 2 GW Offshore auction was officially announced. Proposals were received from three developers: Constitution Wind (Ørsted/Eversource), Mayflower Wind (EDPR/ Shell) and Park City Wind (CIP/ Avangrid). The winners are expected to be announced in November 2019.

Argentina

- The forthcoming round 4 is planned to allocate 1 GW of wind and solar capacity. The breakdown is expected to be 750 MW wind and 250 MW solar. Projects will be selected in April 2020 and must attain commercial operation within 4 years.

Brazil

- A6 energy auction was held in October 2019, with an outcome of 1,040 MW awarded to wind, with an average price of 98.89 BRL/MWh (€21/MWh), slightly above previous auctions, confirming price stabilization. Auction A4, held in June 2019, closed at €18/MWh.
- Cemig, Brazil's government-controlled electric utility, has awarded 713 MW of solar and wind capacity in its last three auctions and has announced another auction for November. Copel (Companhia Paranaense de Energia), held its first auction in September, acquiring 118 MW of wind and solar.

Colombia

- At the climate summit, Colombia undertook to achieve 4 GW of renewable capacity by 2030.
- First renewable auction has taken place in October awarding 1,077 MW of wind energy distributed in 6 projects with an average price of 95.65 COP/MWh (€25/MWh). The projects must attain commercial operation by January 2022.

Ecuador

- A 500 MW renewables auction (including wind, solar and small hydro) has been set in motion.

South Korea

- The Energy Ministry released the Third Energy Plan, which increases the target for renewables from 11% to 35% of total output by 2040.

China

- The first unsubsidised wind project entered commercial operation.
- The first Offshore auction concluded at CNY 620/MWh.

India

- At the climate summit, India undertook to increase renewable capacity by 175 GW by 2022 (previously 160 GW).
- The central government amended the rules for wind auctions in order to attract interest

from developers. The NTPC 1,200 MW auction will be the first to be held under the new rules.

- Solar Energy Corporation of India (SECI) announced a ninth round of wind auctions for 1,200 MW with prices capped at INR 2.85/kWh. A new requirement for entry is that 100% of the required land must be identified. The eighth round allocated 440 MW out of an initial 1,800 MW (unofficial results). Another auction, for 1,200 MW hybrid wind and solar, was announced in September.
- NTPC, India's largest electric utility, announced an auction for 1,200 MW of wind capacity. The deadline for proposals is currently in October, with prices capped at INR 2.85/kWh.
- Adani Power launched an auction for hybrid projects totalling 700 MW of wind and solar, with the option of including storage (not mandatory). The deadline for proposals was 9 August 2019.
- Rajasthan published plans to install 1.4 GW of wind and 4.9 GW of solar in the next five years.

Auctions summary

Table 8: Summary of auction results published in Q4 19

Auction	Type	Technology	MW targeted	MW awarded[1]	Average price €/MWh[2]	COD
Germany - III	Specific	ON	650	208	62	2021
Germany - IV	Specific	ON	500	176	62	2021
Colombia – First action	Neutral	ON	n.a.	1.077	25	2022
Greece - Third auction	Specific	ON	300	179	67	2022
India - SECI VIII	Specific	ON	1,800	440	36	2021
UK – CfD round 3	Neutral	OF	n.a.	5,466	53	2022-2025
UK – CfD round 3	Neutral	ON	n.a.	275	53	2022-2025

1. MW awarded to ON or OF.
2. Using the exchange rate on the date the results were announced.

Table 9: Auctions announced in Q4 19

Auction	Technology	Target	Expected date[1]
Australia – ACT	Hybrid: ON and solar (storage optional)	250 MW	2020
Australia – Queensland - Renewables 400 (reactivated)	Hybrid: ON and solar (storage optional)	400 MW	2020
Denmark	Neutral: ON, OF and solar	175 MW[2]	November 2019
Ecuador	Neutral: ON, solar and small hydro	500 MW	October 2019
US - Arizona (APS)	ON	250 MW	September 2019
US – Michigan	ON	100-200 MW	
Greece - Fourth specific auction	ON	225 MW	November 2019
Hungary - Pilot	ON	134 GWh	
India – Adani Power	Hybrid: ON and solar (storage optional)	350 MW[3]	August 2019
India – Maharashtra	Hybrid: ON and solar	80 MW	October 2019
India - Maharashtra	Hybrid: ON and solar (storage optional)	No limit	October 2019
India – NTPC II	ON	1,200 MW	September 2019
India – SECI IX	ON	1,200 MW	November 2019
INDIA - SECI 1200 MW	Hybrid: ON and solar (storage mandatory)	1200 MW	November 2019
Ireland	Renewables		June 2020
Lithuania	Neutral - renewable	300 GWh	November 2019
Poland	Neutral: ON and solar	113.97 TWh (2.5 GW)[5]	December 2019

1. Deadline for proposals. In some cases, the outcome will be published later.
2. Target of DKK 258m, which is estimated by SGRE to correspond to 175 MW.
3. The maximum capacity is 700 MW. 350 MW is the capacity assumed for ON.
4. Target in TWh. This target is estimated to correspond to 2.5 GW.

2020 Guidance

The financial performance in FY 19 was in line with the guidance for the full year.

	FY 19E[1]	FY19	
Revenues (€m)	10,000-11,000	10,227	✓
EBIT margin before PPA and I&R costs	7.0%-8.5%	7.1%	✓

1. This guidance does not include charges for litigation or regulatory issues, and figures are expressed at constant exchange rates.

— The guidance was achieved in a challenging market environment, where the Group's business was affected by:

- Cost increases due to tensions in the supply chain, partially derived from global trade tensions, more specifically the tariffs imposed in the US on imports from China.
- Volatility in key emerging markets such as Brazil, Mexico and India, which delayed the projected demand growth.

Some of these adverse conditions, and other additional factors, continue to be present in the fiscal year that is beginning (FY 20) and they play a significant role in the company's short-term performance expectations, although the year begins with strong visibility on revenue growth.

The guidance for FY 20 (next table) reflects a transition year in terms of profitability but one with assured growth in sales. The higher visibility on revenue growth is due to the level of coverage at the beginning of the year: 90%[26] of the mid-range of the sales guidance, 10 percentage points more than at the beginning of FY 19.

The following table sets out the company's guidance for fiscal year 2020

	FY 19	FY 20E[1]
Revenues (€m)	10,227	10,200-10,600
EBIT margin before PPA and I&R costs	7.1%	5.5%-7.0%

1. This guidance does not include charges for litigation or regulatory issues, and figures are expressed at constant exchange rates. The guidance excludes any impact from changes in the shareholder structure and from the agreement to acquire certain Senvion assets.

In addition to specific targets for Group revenues and the EBIT margin before PPA and integration and restructuring costs, it is also expected:

- The PPA is expected to have an impact of c. €260m on the amortization of intangibles and integration and restructuring costs are expected to amount around €200m.
- A selective investment increase to face expected growth, with local supply chain development in France and Taiwan. These investment needs drive CAPEX/revenues ratio to 6% in FY 20.

The trend in the EBIT margin before PPA and integration and restructuring costs (5.5%-7.0%) reflects the impact of several factors: the fact that the industry will still be transitioning to a totally competitive model, the impact of a number of adverse external events, already materialized in FY 19 and still impacting in FY 20, and finally the development of the top line in FY 20.

[26]Revenue coverage: order backlog (€) as of September 30, 2019 for FY 20 sales activity divided by the FY 20 revenue guidance range of €10.2bn to €10.6bn.

Business annual evolution

- Revenue growth in 2020 will be driven mainly by the Onshore business, while the attractive Offshore business contribution will be reduced affected by delays in the execution of certain projects that were initially scheduled for this year.
- Additionally, the most competitive regions in the Onshore business, Americas and APAC, are the largest contributors to sales, while EMEA's contribution will decline notably after a year of high activity.
- The company expects to successfully complete the transformation module of the L3AD2020 program with €600m in expected cost cuts due to productivity improvements and synergies, which will offset price pressure in the order book.

Market environment

- Price trends in the Onshore business are foreseen to remain stable in the single low digit range of reduction (3%-5%) aligned with the achievable annual productivity improvements.
- Price competition in the Offshore market has been accentuated by the introduction of auctions, and strong interest on the part of customers to invest in this business. It is important to highlight that Offshore price dynamics are widely different from those experienced in the Onshore market where high market fragmentation and suboptimal design of auction mechanism in some important markets, drove to irrational behaviours.
- Service competitive dynamics remain stable.

External headwinds

Among previously mentioned external headwinds, it is important to highlight:

- Cost inflation derived from tensions in the supply chain, including those arising in global trade, particularly the tariffs imposed in the US on imports from China.
- Short-term development of demand for wind power is being affected by policy and regulatory uncertainty in mature markets such as Spain and Germany and by political and economic volatility in emerging economies, particularly Latin America.
- Uncertainty about the final terms of Brexit.

However, these factors are expected to be temporary rather than structural, and Siemens Gamesa expects the Group's profitability to improve beyond FY 20. These expectations are supported both by market dynamics and by the expected trend in the company's business beyond 2021.

Market dynamics

Three fundamental trends can be identified in market dynamics:

- Demand growth, supported by wind power's growing competitiveness (onshore and offshore) and by government support. This growth will arise particularly in the Offshore market and in emerging markets in the Onshore market. In the Offshore market, the volume of installations is expected to rise from 6 GW in 2020E to 16 GW in 2025E, equivalent to a CAGR of 21% from 2018. In the Onshore market, installation volume in emerging markets (excluding China) is expected to rise from 10 GW per year in 2020 to 18 GW in 2025, equivalent to a CAGR of 10% from 2018.
- Industry consolidation towards a model of four global manufacturers in the Onshore business and three in the Offshore business. This consolidation is essential to avoid the development of irrational pricing strategies. In this connection, the Onshore market is steadily being consolidated and prices have been stabilising since 2018.
- Price dynamics evidence stabilisation in the Onshore market, greater competition in the Offshore market due to the transition towards a competitive market model (however competitive structure suggests rational behaviour), and stability in the Service business.

Business Development

A number of factors support the projection of higher returns in the medium term:

- Continous cost optimisation.
- Launch of new technologies and product platforms.
- SGRE competitive positioning.
- Asset acquisitions: agreement to acquire Senvion assets[27].
- Revenue evolution beyond FY 20.

Cost optimisation

Since 2018, the company has evidenced its ability to cut costs, as part of its transformation exercise, framed in the L3AD2020 transformation program, with costs improving by more than €1,400m during FY 18 and FY 19, targeting total cuts of €2,000m. This programme enabled the company to offset the pressure from lower prices in the fourth quarter of FY 19 and this effect is expected to persist into FY 20. However, the conclusion of this programme does not mean that Siemens Gamesa will not remain focused on constant cost optimisation.

The company will continue working on optimising its industrial footprint, developing the most cost-competitive locations under a TCO[28] approach, and will apply a MAKE & BUY strategy to its supply chain, taking into account the conditions of global trade. As part of the necessary increase in purchasing volume to respond to growth in the new Offshore markets, the company will seek a balance between local supply needs and the global supply chain.

Beyond the company's own manufacturing footprint and that of its suppliers, Siemens Gamesa will continue working to cut fixed and variable costs. In the area of product costs, the company incorporates the design-to-cost approach in both the Onshore and Offshore businesses. In regards to fixed costs, the company will remain focused on bringing down structural costs, including a reduction of 600 headcount already planned in the next two years[29].

Launch of new technologies

In Q3 19, Siemens Gamesa unveiled the new Onshore 5.X platform with two models — SG 5.8-155 and SG 5.8-170 (which has the largest rotor in the entire Onshore industry), which increase energy production by 20% and 32% in comparison to the latest models to reach the market. With a flexible design, the new platform optimises the value chain, from manufacturing through transport to construction and maintenance, and is adaptable to sites of any type. Those two models also incorporate distinctive Siemens Gamesa technologies such as a doubly-fed generator, a partial converter, and a compact power train with a three-stage gearbox. The platform also guarantees compliance with the most demanding grid connection requirements thanks to an optional premium converter. The first prototype SG 5.8-155 is expected to be installed in mid-2020, with manufacturing scheduled for the fourth quarter of that year. As for the SG 5.8-170, the first prototype will be installed in the third quarter of 2020 and production will commence in the first quarter of 2021. This new turbine offers 30% more annual energy production (AEP) than its predecessor.

Siemens Gamesa launched the SG 10-X wind turbine in Q2 19. The new SG 10.0-193 DD combines the experience and knowledge of five generations of wind turbines. It offers high performance, an agile market launch and low risk for our customers. The platform's direct drive technology makes it possible to reuse most components from previous models, shortening time to market. The prototype is expected to be assembled in 2019 and this model will be commercialised in 2022.

Competitive positioning

SGRE maintains a strong lead in the areas that will sustain growth in the future: Offshore, emerging markets Onshore, and Service.

The company was able to retain a clear lead in the Offshore business despite the entrance of a third

[27]Closing of transaction still subject to the fulfillment of certain conditions precedent, such as regulatory approvals.

[28]TCO (total cost of ownership): total cost of supplying to the location, including transport and customs.

[29]The applied approach might vary by country. The discussions with the employee representatives will start immediately and in accordance with the respective legal frameworks.

competitor. This lead is evident in a firm order book of 5 GW, conditional orders for over 7 GW, and a very successful entrance into two new markets: Taiwan and the US, supported by two key pillars that enable us to offer customers the best cost of energy:

- Excellence in execution.
- Technology.

Both are set out in the 24/1/99 programme: 24 hours to install 1 offshore wind turbine with 99% availability.

Agreement to acquire Senvion assets[30]

The agreement to acquire Senvion assets evidences the company's leading position in the next round of industry consolidation and is part of its strategy, announced in the business plan, to expand in the maintenance of third-party technologies. Conclusion of this deal entails:

- Strengthening of the Group's position in Service, a very attractive segment because of its profitability and also its future growth potential through the acquisition of assets in a number of European countries. Completing this deal will expand the Group's fleet under maintenance by 15%, from 60 GW to 69 GW, while the fleet in Europe will rise 51%, from 17 GW to 26 GW. Moreover, the order book for Service will increase by 13%, from €11,900m to €13,500m.
- Contribute to optimising the manufacturing footprint and supply chain through the acquisition of the Vagos (Portugal) blade plant, which can produce 1,300 blades per year at costs that are more competitive than sourcing from China.

Lastly, growth in sales from 2021 onwards is important to be highlighted as a major impact factor on the Group's rising profitability trend since it is leveraged on the most profitable areas: Offshore and Service.

All these factors support the long-term vision presented in the CMD 18-20 in February 2018, which sets the clear goal of making Siemens Gamesa a leader in the wind industry, with above-market sales growth and profitability of between 8% and 10% before PPA and integration and restructuring costs.

The detailed steps to be taken by the company to achieve that goal are expected to be presented to the capital markets in the first half of 2020.

[30]Closing of transaction still subject to the fulfillment of certain conditions precedent, such as regulatory approvals.

Conclusions

Siemens Gamesa Renewable Energy ended FY 19 in an energy market that continued to transition towards an affordable, reliable and sustainable model in which renewable energy plays a fundamental role thanks to its growing competitiveness. The International Energy Agency projects that fossil fuels' and renewables' shares of the energy mix will be inverted in the next 20 years. In this connection, the policies and commitments announced to date will require slightly over 50 GW of wind capacity to be installed per year between now and 2040. That volume would have to be practically doubled if the zero emissions target is to be achieved. This potential is corroborated by the latest energy market report from Bloomberg New Energy Finance (NEO 19), which estimates 128 GW in average annual installations between 2019 and 2040, with USD 5,3 trillion being invested in wind facilities.

In this context, solid commercial activity enabled the company to attain a record order book at 30 September 2019 of €25,507m (+12% y/y) and reach 90%[31] of the mid-point of its sales guidance. This coverage is 10 percentage points higher than the coverage at the beginning of FY 19, which lends security to the growth targets for FY 20. Growth in order intake in the last twelve months was supported by all three business areas — Onshore, Offshore and Service — particularly the latter two, which expanded by 11% and 13% y/y, while Onshore orders increased by 4% y/y. Conversely, order intake in Q4 19 was supported by strong Onshore performance: up 13% to a record €2,240m of firm orders.

The company ended the year with revenues amounting to €10,227m (€2,944m in Q4 19), i.e. 12% more than in FY 18 (+12% y/y in the quarter) and EBIT before PPA and integration and restructuring costs of €725m, equivalent to an EBIT margin of 7.1%, 0.5 percentage points lower than in the FY 18. EBIT before PPA and integration and restructuring costs in the fourth quarter amounted to €250m, equivalent to an EBIT margin of 8.5%, i.e. 0.3 percentage points higher than in the fourth quarter of 2018.

Group revenue growth was supported by strong performance in Offshore and Service, up 18% y/y and 17% y/y, respectively, followed by Onshore (+7% y/y), that showed higher activity in Q4 19.

The pricing dynamics of the ongoing transition to a competitive market, which were built into the order book at the beginning of the year, are still the main drag on the Group's profitability, though this effect was offset by productivity improvements and synergies from the transformation process and higher sales volumes. Additionally, profitability in FY 19 was negatively impacted by execution difficulties in a number of Onshore projects in Northern Europe and India and by cost inflation linked to tensions in the supply chain and in world trade.

The net cash position at 30 September was €863m, €248m more than the net cash position at the end of FY 18. This improvement in the net cash position was due to generating operating cash flow and, in particular, to the strong working capital performance, which ended the year at negative €833mn, equivalent to -8.1% of Group revenues, 2.2 percentage points better than in FY 18. This improvement in working capital is the result of a strong control programme, advance payments driven by strong commercial activity, payment terms renegotiation and project execution.

As indicated earlier, the market environment in which the company operates presented a number of headwinds that will persist this new fiscal year. The industry is also in transition and top-line growth in FY 20 will be supported by the less profitable business. All these factors impact short-term performance and shape the guidance for the year, where growth is assured but profitability will continue to be burdened by temporary pressures.

[31]Revenue coverage: total firm orders (€) received through September 2019 for activity in FY 20 / the mid-point of the sales guidance published for FY 20 (€10,200-10,600m).

However, beyond FY 20, the prospect is for rising profitability supported by both market dynamics and development of the company's own business, which will also be underpinned by the acquisition of Senvion assets. The company expects to hold a Capital Markets Day in the first half of 2020 in which to share more details of the path to its enduring long-term vision.

Annex - Financial Statements October 2018 – September 2019

Profit and Loss Account

EUR in Millions	July - September 2019	October 2018 - September 2019
Revenue	2,944	10,227
Cost of sales	(2,653)	(9,279)
Gross Profit	**291**	**948**
Research and development expenses	(82)	(208)
Selling and general administrative expenses	(135)	(496)
Other operating income	16	36
Other operating expenses	(23)	(28)
Results of companies accounted for using the equity method	(1)	(1)
Interest income	6	14
Interest expense	(16)	(53)
Other financial income (expense), net	(4)	(22)
Income from continuing operations before income taxes	**52**	**190**
Income tax expenses	-	(49)
Income from continuing operations	**52**	**141**
Income from discontinued operations, net of income taxes	-	-
Non-controlling interests	-	(1)
Net income attributable to the shareholders of SGRE	**52**	**140**

Balance Sheet

EUR in Millions	09.30.2018 (*)	09.30.2019
Assets:		
Cash and cash equivalents	2,429	1,727
Trade and other receivables	1,111	1,287
Other current financial assets	171	275
Trade receivables from related companies	28	22
Contract Assets	1,569	2,056
Inventories	1,499	1,864
Current income tax assets	173	207
Other current assets	362	461
Total current assets	**7,343**	**7,899**
Goodwill	4,558	4,744
Other intangible assets	2,022	1,916
Property, plant and equipment	1,443	1,426
Investments accounting for using the equity method	73	71
Other financial assets	240	143
Deferred tax assets	368	401
Other assets	101	89
Total non-current assets	**8,805**	**8,790**
Total assets	**16,148**	**16,689**
Liabilities and equity:		
Short-term debt and current maturities of long-term debt	991	352
Trade payables	2,416	2,600
Other current financial liabilities	104	130
Trade payables to related companies	342	286
Contract Liabilities	1,670	2,840
Current provisions	731	762
Current income tax liabilities	167	201
Other current liabilities	684	798
Total current liabilities	**7,104**	**7,968**
Long-term debt	823	512
Provisions for pensions and similar obligations	13	15
Deferred tax liabilities	364	320
Non-current provisions	1,702	1,400
Other financial liabilities	185	170
Other liabilities	31	31
Total non-current liabilities	**3,118**	**2,449**
Issued capital	116	116
Capital reserve	5,932	5,932
Retained earnings and other components of equity	(124)	222
Non-controlling interest	2	3
Total Equity	**5,926**	**6,273**
Total Liabilities & Equity	**16,148**	**16,689**

(*) 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).

Cash Flow Statement

EUR in Millions	July - September 2019	October 2018 - September 2019
Net Income before taxes	52	190
Amortization + PPA	204	647
Other P&L (*)	19	17
Working Capital cash flow effective change (***)	1,006	341
Charge of provisions (**)	83	236
Provision payments (**)	(68)	(344)
CAPEX	(181)	(498)
Adwen related payments (**)	(62)	(180)
Tax payments	(22)	(191)
Others	23	30
Cash flow for the period	**1,054**	**248**
Beginning cash / (net financial debt)	(191)	615
Ending cash / (net financial debt)	863	863
Variation in net financing cash flow	**1,054**	**248**

(*) 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 related payments 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	09.30.2018 (*)	09.30.2019
Property, plant and equipment	1,443	1,426
Goodwill & Intangibles	6,580	6,660
Working capital	(542)	(833)
Other, net (**)	307	365
Total	**7,787**	**7,618**
Net financial debt / (cash)	(615)	(863)
Provisions (***)	2,445	2,177
Equity	5,926	6,273
Other liabilities	31	31
Total	**7,787**	**7,618**

(*) Comparable after the application of IFRS9

(**) 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.

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 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 and current maturities of long-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**

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

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 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	03.31.2018 Reported Q3 18 (*)	06.30.2018	09.30.2018	09.30.2018 Comp. (**)
Trade and other receivables	1,050	1,124	1,114	1,111
Trade receivables from related companies	41	34	28	28
Contract assets	1,148	1,311	1,572	1,569
Inventories	1,805	1,700	1,499	1,499
Other current assets	404	404	362	362
Trade payables	(1,807)	(1,962)	(2,416)	(2,416)
Trade payables to related companies	(71)	(77)	(342)	(342)
Contract liabilities	(1,571)	(1,570)	(1,670)	(1,670)
Other current liabilities	(708)	(697)	(684)	(684)
Working Capital	**291**	**265**	**(536)**	**(542)**

(*) Comparable after the application of IFRS15 and opening balance (PPA). The effects in previous quarters of changes due to the accounting of the Business Combination, as well as to the application of IFRS15, are further disclosed in previously published financial information.

(**) 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	12.31.2018	03.31.2019	06.30.2019	09.30.2019
Trade and other receivables	1,093	1,137	1,421	1,287
Trade receivables from related companies	42	35	39	22
Contract assets	2,033	1,771	1,952	2,056
Inventories	1,925	2,006	2,044	1,864
Other current assets	417	464	651	461
Trade payables	(2,283)	(2,352)	(2,483)	(2,600)
Trade payables to related companies	(274)	(153)	(250)	(286)
Contract liabilities	(2,340)	(1,991)	(2,267)	(2,840)
Other current liabilities	(641)	(706)	(869)	(798)
Working Capital	**(27)**	**211**	**238**	**(833)**

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 the merger transaction of Siemens Wind Power and Gamesa (the business combination).

€m	Q4 18	Q4 19	12M 18	12M 19
Acquisition of intangible assets	(42)	(38)	(129)	(160)
Acquisition of Property, Plant and Equipment	(114)	(143)	(286)	(338)
CAPEX	**(156)**	**(181)**	**(415)**	**(498)**

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

€m	Q1 19	Q2 19	Q3 19	Q4 19	LTM Sep 19
Acquisition of intangible assets	(31)	(44)	(46)	(38)	(160)
Acquisition of Property, Plant and Equipment	(50)	(64)	(81)	(143)	(338)
CAPEX	**(81)**	**(108)**	**(127)**	**(181)**	**(498)**

€m	Q1 18	Q2 18	Q3 18	Q4 18	LTM Sep 18
Acquisition of intangible assets	(33)	(26)	(28)	(42)	(129)
Acquisition of Property, Plant and Equipment	(50)	(58)	(64)	(114)	(286)
CAPEX	**(83)**	**(84)**	**(92)**	**(156)**	**(415)**

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	12M 18	12M 19
Net Income before taxes	168	190
Amortization + PPA	645	647
Other P&L (*)	17	17
Charge of provisions	267	236
Provision usage (without Adwen usage)	(441)	(344)
Tax payments	(103)	(191)
Gross Operating Cash Flow	**554**	**555**

€m	Q4 18	Q4 19
Net Income before taxes	65	52
Amortization + PPA	185	204
Other P&L (*)	18	19
Charge of provisions	67	83
Provision usage (without Adwen usage)	(140)	(68)
Tax payments	(29)	(22)
Gross Operating Cash Flow	**166**	**268**

(*) 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.

	Q4 18	Q1 19 (*)	Q2 19 (*)	Q3 19 (*)	Q4 19 (*)
Order Intake Onshore Wind (€m)	1,985	1,793	1,167	1,695	2,238
Order Intake Onshore Wind (MW)	2,631	2,370	1,742	2,130	3,147
ASP Order Intake Wind Onshore	**0.75**	**0.76**	**0.67**	**0.80**	**0.71**

(*) 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, €1m in Q3 19 and €2m in Q4 19.

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

	Q1 19 (*)	Q2 19 (*)	Q3 19 (*)	Q4 19 (*)	LTM Sep 19
Order Intake Onshore Wind (€m)	1,793	1,167	1,695	2,238	6,893
Order Intake Onshore Wind (MW)	2,370	1,742	2,130	3,147	9,389
ASP Order Intake Wind Onshore	**0.76**	**0.67**	**0.80**	**0.71**	**0.73**

(*) 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, €1m in Q3 19 and €2m in Q4 19.

	Q1 18 (*)	Q2 18	Q3 18 (*)	Q4 18	LTM Sep 18
Order Intake Onshore Wind (€m)	1,600	1,834	1,166	1,985	6,585
Order Intake Onshore Wind (MW)	2,208	2,464	1,660	2,631	8,962
ASP Order Intake Wind Onshore	**0.72**	**0.74**	**0.70**	**0.75**	**0.73**

(*) 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.

	Q1 17 (Pro-Forma)	Q2 17 (Pro-Forma)	Q3 17	Q4 17	LTM Sep 17
Order Intake Onshore Wind (€m)	1,491	1,460	680	1,498	5,129
Order Intake Onshore Wind (MW)	1,862	1,599	693	2,167	6,321
ASP Order Intake Wind Onshore	**0.80**	**0.91**	**0.98**	**0.69**	**0.81**

The comparable figures corresponding to periods prior to the merger have been calculated on a pro forma basis, as if the merger transaction had occurred before April 17, as appropriate, including the full consolidation of Adwen, standalone savings and normalization adjustments. Further details of this pro forma calculation are as follows:

	Q1 17 (Pro-forma)			
	Siemens Wind Power	Gamesa	Adwen	SGRE (Pro-forma)
Order Intake Onshore Wind (€m)	439	1,052	-	1,491
Order Intake Onshore Wind (MW)	475	1,386	-	1,862
ASP Order Intake Wind Onshore	**0.92**	**0.76**	**-**	**0.80**

	Q2 17 (Pro-forma)			
	Siemens Wind Power	Gamesa	Adwen	SGRE (Pro-forma)
Order Intake Onshore Wind (€m)	758	702	-	1,460
Order Intake Onshore Wind (MW)	772	827	-	1,599
ASP Order Intake Wind Onshore	**0.98**	**0.85**	**-**	**0.91**

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	Q1 19	Q2 19	Q3 19	Q4 19	LTM Sep 19
Group	2,541	2,466	4,666	3,076	12,749
Of which WTG ON	1,799	1,200	1,695	2,240	6,934

€m	Q1 18	Q2 18	Q3 18	Q4 18	LTM Sep 18
Group	2,912	3,043	3,292	2,625	11,872
Of which WTG ON	1,688	1,834	1,175	1,985	6,682

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	Q1 19	Q2 19	Q3 19	Q4 19	LTM Sep 19
Onshore	2,370	1,742	2,130	3,147	9,389

MW	Q1 18	Q2 18	Q3 18	Q4 18	LTM Sep 18
Onshore	2,208	2,464	1,660	2,631	8,962

Offshore:

MW	Q1 19	Q2 19	Q3 19	Q4 19	LTM Sep 19
Offshore	12	464	1,528	72	2,076

MW	Q1 18	Q2 18	Q3 18	Q4 18	LTM Sep 18
Offshore	576	328	1,368	-	2,272

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

€m	Q1 19	Q2 19	Q3 19	Q4 19	LTM Sep 19
WTG	1,904	2,060	2,242	2,527	8,733
Service	358	330	390	417	1,493
TOTAL	2,262	2,389	2,632	2,944	10,227

€m	Q1 18	Q2 18	Q3 18	Q4 18	LTM Sep 18
WTG	1,840	1,973	1,827	2,207	7,847
Service	287	268	308	411	1,275
TOTAL	2,127	2,242	2,135	2,619	9,122

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	12M 18	12M 19
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	168	190
(-) Income from investments acc. for using the equity method, net	-	1
(-) Interest income	(15)	(14)
(-) Interest expenses	55	53
(-) Other financial income (expenses), net	3	22
EBIT	**211**	**253**
(-) Integration and Restructuring costs	176	206
(-) PPA impact	306	266
EBIT pre-PPA and integration & restructuring costs	**693**	**725**

€m	Q4 18	Q4 19
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	64	52
(-) Income from investments acc. for using the equity method, net	2	1
(-) Interest income	(5)	(6)
(-) Interest expenses	12	16
(-) Other financial income (expenses), net	(1)	4
EBIT	**73**	**67**
(-) Integration and Restructuring costs	76	116
(-) PPA impact	66	67
EBIT pre-PPA and integration & restructuring costs	**215**	**250**

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	12M 18	12M 19
EBIT	211	253
Amortization, depreciation and impairment of intangible assets and PP&E	645	647
EBITDA	**856**	**899**

€m	Q4 18	Q4 19
EBIT	73	67
Amortization, depreciation and impairment of intangible assets and PP&E	185	204
EBITDA	**258**	**271**

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

€m	Q1 19	Q2 19	Q3 19	Q4 19	LTM Sep 19
EBIT	40	90	56	67	253
Amortization, depreciation and impairment of intangible assets and PP&E	148	147	148	204	647
EBITDA	**188**	**237**	**204**	**271**	**899**

€m	Q1 18	Q2 18	Q3 18	Q4 18	LTM Sep 18
EBIT	35	54	50	73	211
Amortization, depreciation and impairment of intangible assets and PP&E	160	157	143	185	645
EBITDA	**195**	**210**	**193**	**258**	**856**

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).

	Q4 18	12M 18	Q4 19	12M 19
Net Income (€m)	25	70	52	140
Number of shares (units)	679,492,185	679,489,769	679,504,347	679,490,974
Earnings Per Share (€/share)	**0.04**	**0.10**	**0.08**	**0.21**

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	09.30.2019
Order Backlog for delivery in FY20 (1)	9,360
Average revenue guidance for FY20 (2) (*)	10,400
Revenue Coverage (1/2)	**90%**

(*) Note: 2020 revenue guidance range of €10.2bn to €10.6bn. As a result, average revenue guidance is €10.4bn. 2019 revenue guidance range of €10bn to €11bn. As a result, average revenue guidance was €10.5bn.

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	Q1 19	Q2 19	Q3 19	Q4 19	LTM Sep 19
Order Intake	2,541	2,466	4,666	3,076	12,749
Revenue	2,262	2,389	2,632	2,944	10,227
Book-to-Bill	1.1	1.0	1.8	1.0	1.2

€m	Q1 18	Q2 18	Q3 18	Q4 18	LTM Sep 18
Order Intake	2,912	3,043	3,292	2,625	11,872
Revenue	2,127	2,242	2,135	2,619	9,122
Book-to-Bill	1.4	1.4	1.5	1.0	1.3

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

€m	Q1 19	Q2 19	Q3 19	Q4 19	LTM Sep 19
CAPEX (1)	81	108	127	181	498
Amortization depreciation & impairments (a)	148	147	148	204	647
PPA Amortization on Intangibles (b)	66	66	67	67	266
Depreciation & Amortization (excl. PPA) (2=a-b)	82	80	81	137	381
Reinvestment rate (1/2)	**1.0**	**1.4**	**1.6**	**1.3**	**1.3**

€m	Q1 18	Q2 18	Q3 18	Q4 18	LTM Sep 18
CAPEX (1)	83	84	92	156	415
Amortization depreciation & impairments (a)	160	157	143	185	645
PPA Amortization on Intangibles (b)	83	75	82	66	306
Depreciation & Amortization (excl. PPA) (2=a-b)	77	82	61	119	340
Reinvestment rate (1/2)	**1.1**	**1.0**	**1.5**	**1.3**	**1.2**

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).

· 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

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.

€m	12M 18	12M 19
Gross Profit	954	948
PPA amortization on intangibles	169	174
Integration and Restructuring costs	109	130
Gross Profit (pre PPA, I&R costs)	**1,233**	**1,252**

€m	Q4 18	Q4 19
Gross Profit	304	291
PPA amortization on intangibles	3	43
Integration and Restructuring costs	41	67
Gross Profit (pre PPA, I&R costs)	**348**	**401**

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

€m	Q1 19	Q2 19	Q3 19	Q4 19	LTM Sep 19
Gross Profit	200	237	220	291	948
PPA amortization on intangibles	44	44	44	43	174
Integration and Restructuring costs	22	9	32	67	130
Gross Profit (pre PPA, I&R costs)	**266**	**289**	**296**	**401**	**1,252**

€m	Q1 18	Q2 18	Q3 18	Q4 18	LTM Sep 18
Gross Profit	198	262	191	304	954
PPA amortization on intangibles	43	43	80	3	169
Integration and Restructuring costs	8	43	17	41	109
Gross Profit (pre PPA, I&R costs)	**249**	**348**	**288**	**348**	**1,233**

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	Q1 19	Q2 19	Q3 19	Q4 19	LTM Sep 19
Onshore	1,520	1,707	1,699	2,009	6,936

MWe	Q1 18	Q2 18	Q3 18	Q4 18	LTM Sep 18
Onshore	1,651	1,397	1,703	1,926	6,677

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 €) 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

CMD: Capital Markets Day, referred to 15th February 2018

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.