6 November 2017

April-September 2017 Results

SIEMENS GAMESA'S FIRST FINANCIAL RESULTS REFLECT THE INCREASE IN VOLATILITY IN SOME OF THE GROUP'S MAIN ONSHORE MARKETS

Siemens Gamesa Renewable Energy[1] commenced combined operations on 3 April when the company was registered in the mercantile registry of Bilbao. In its first half-year, the company focused on integrating the separate businesses of Siemens Wind Power and Gamesa in order to bring forward the attainment of the synergies to which the company is committed; the announced amount of such synergies (€230 million/year) was confirmed as the minimum target.

The group's financial results in the second half of 2017 (the first six-month period in which the merged company was operational) reflect the impact of higher volatility in some of the company's main markets, such as India and the US. That volatility is the result of the transition towards fully competitive wind energy models, which has resulted in a decline in onshore sales volume and also in an inventory impairment, with no cash impact, as a result of price pressure in those markets. Consequently, sales in the six-month period declined by 12% with respect to the pro-forma[2] sales figure for the same period of the previous year, and the underlying EBIT margin, excluding the impact of the PPA, stood at 3.8%[3], and at 6.5% excluding the inventory impairment. Excluding the impact of the hiatus in the Indian market, which was main cause of the decline in sales volumes, group sales fell by 2.4% year-on-year, mainly due to the currency effect, and the underlying EBIT margin pre-PPA and before the inventory impairment was 7.3%. The company ended the period with a net cash position of €377 million, after paying out a €3.6/share special dividend in April as part of the merger agreement, and a €0.11 ordinary dividend out of 2016 earnings.

After experiencing a sharp decrease in the third quarter, commercial activity surged in the fourth quarter, in line with the company's expectations, to attain 3.3 GW in orders, 40% more

[1] Siemens Gamesa Renewable Energy (Siemens Gamesa) is the result of merging Siemens Wind Power, which is the wind power division of Siemens AG, with Gamesa Corporación Tecnológica (Gamesa). The group engages in wind turbine development, manufacture and sale (Wind Turbine division) and provides operation and maintenance services (Services division).

[2] Historical pro-forma sales are calculated as the sum of the sales reported by Siemens AG for its Wind Power division and those reported by Gamesa in the six months from April to September 2016, plus 100% of Adwen's revenues.

[3] Underlying EBIT pre-PPA and underlying net profit pre-PPA exclude the impact of €103 million in integration and restructuring costs and the impact of amortization on intangibles' fair value from the Purchase Price Allocation (PPA) amounting to €235 million at EBIT level. Overall impact of €252 million at net profit level (combining PPA and integration and restructuring costs, net of taxes) in the period April-September 2017. The inventory impairment had an impact amounting to €134 million in EBIT and €88 million in net profit. For comparison purposes, the pro-forma underlying EBIT in the same period of the previous year is calculated as the sum of Gamesa's underlying EBIT, the EBIT of Siemens AG's Wind Power division, including normalisation, consolidation scope and standalone adjustments, and the EBIT of Adwen (fully consolidated).

than in the same period of 2016[4].Onshore order intake amounted to 2.2 GW, the largest quarterly intake since Q1 2015.

Main consolidated figures for April-September 2017:

- **Revenues:** €5.022 mn (-12% y/y)
- **Underlying EBIT pre-PPA[3]**: €192 mn (-63% y/y)
- **Underlying EBIT pre-PPA excl. inventory impairment:** €326 mn (-38% y/y)
- **Underlying net profit pre-PPA[3]:** €118 mn
- **Underlying net profit pre-PPA excl. inventory impairment[3]:** €206 mn
- **Net financial debt (NFD)[5]:** €-377 million
- **MWe sold:** 3,599 MWe (-26% y/y)
- **Firm order intake:** 3,724 MW

In its first six months of operation, Siemens Gamesa focused on rapidly integrating Siemens Wind Power and Gamesa in order to bring forward the attainment of the announced synergies of €230 million, which is now considered as the minimum amount. Achieving those synergies is crucial for strengthening the group's competitive position in a changing and increasingly demanding market context.

The integration process confirms the soundness of the strategic rationale behind the merger in this changing environment, where scale and global reach are absolutely essential in order to compete profitably. Siemens Gamesa offers a unique business proposition since it combines:

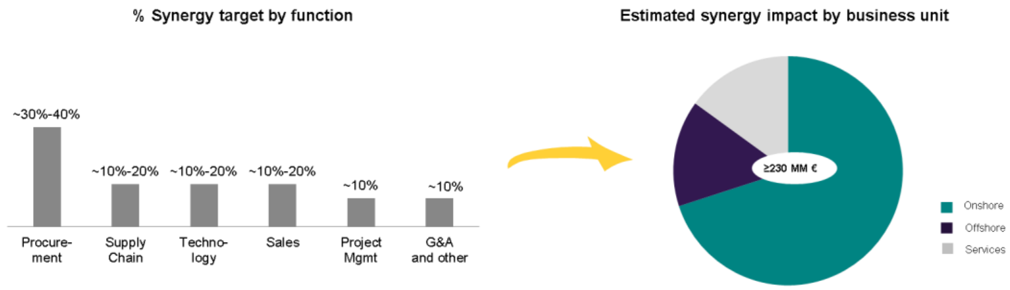
- An onshore platform positioned to gain market share based on an optimised, comprehensive product pipeline and a global commercial, manufacturing and supply presence. This platform will also be the main beneficiary of the merger synergies, which will enable it to compete more efficiently in the coming years
- An offshore platform with a broader experience compared with the nearest competitor, having installed almost 70% of the world's offshore fleet and logged over 500 million hours of operation
- A leading service platform with global reach
- Access to Siemens AG, including Siemens Financial Services.

Within the first 6 months and as a result of the integration work, the new organisation was defined and decisions were made regarding product portfolio and manufacturing footprint. Those decisions include notably the **integration of Adwen into the group's offshore division, making it possible to reduce the division's operation losses, better attend to customer needs, and maximise market**

[4] The order volume used for comparison is the sum of the two companies' order intake in the same period of the previous year.
[5] Net financial debt is defined as long-term plus short-term financial debt less cash and cash equivalents.

opportunities. Work also continued in the optimization of the manufacturing footprint, a process that the two companies had been undertaking separately and which makes more sense following the merger. As part of this process, the closure of the Tillsonburg blade plant in Canada was announced in July, it was decided to reduce capacity at Aalborg (Denmark), and the Tangier (Morocco) plant was opened. **The speed with which the integration process is proceeding should make it possible to reap the announced synergies almost one year ahead of schedule. During the month of November a more complete restructuring process is expected to be launched.**

Detailed analysis of synergies has identified the main sources and beneficiaries in detail: procurements, accounting for €4,000 million in expenditure, is the main source, while onshore is the main beneficiary, as shown in the charts below. As a result of that analysis, the committed amount of synergies is now seen as the minimum amount that can be attained.

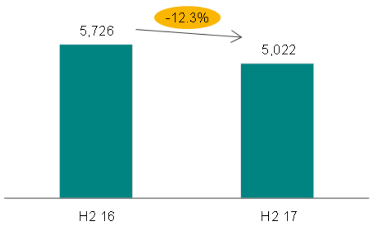


Coordination of the integration work by the Integration Office has enabled the company to maintain its normal business performance, a performance that has been clearly impacted by very specific market conditions arising from the transition to fully competitive renewable energy models. Included in this situation, the temporary halt in the Indian market, the Group's second-largest onshore market, stands out notably after the introduction of wind auctions in February 2017, and the reduction in onshore installations in the UK, the Group's third-largest onshore market, after wind was excluded from the contract for differences mechanism in 2016. These changes resulted in a 26% reduction in sales volume (MWe) in the second half of 2017 compared with the same period of last year. In addition to the temporary impact on volumes, this transition is also pressuring prices, as a result of which the company booked a €134 million inventory impairment.

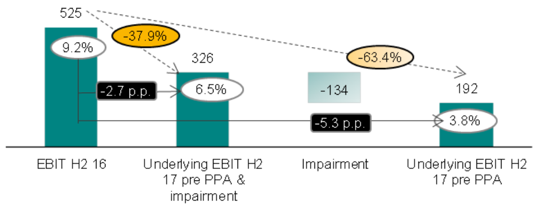
The decline in sales volumes resulted in a 12% reduction in sales revenues in the second half with respect to the pro-forma revenues in the same period last year, to €5,022 million, with an underlying EBIT margin of 6.5% pre-PPA and before the inventory impairment, 2.7 percentage points lower than the underlying pro-forma EBIT margin in the same period last year. Including the inventory impairment, the EBIT margin has been 3.8% in the period. Excluding the impact of operations in India in both years and the inventory impairment, sales would have declined by 2.4% and the underlying EBIT margin pre-PPA would have been 7.3%.[6]

[6] India contributed €626 million in revenues and €80 million in EBIT in H2 2016 (April-September), and €44 million in revenues and €-37 million in EBIT in H2 2017 (April-September).

Revenues (€mn): H2 2016 vs. H2 2017



Underlying EBIT (€mn) pre PPA²: H2 2016 vs. H2 2017



- **Group underlying net profit pre-PPA amounted to €118 million in the half-year, equivalent to €0.2 per share**. Excluding the impact of the inventory impairment, underlying net profit pre-PPA would have been €206 million, equivalent to €0.3 per share. Reported net income amounted to €-135 million. Reported profit includes the €88 million impact of the inventory impairment and €252 million in connection with integration and restructuring expenses and amortization of intangibles' fair value coming from the PPA (net of taxes).

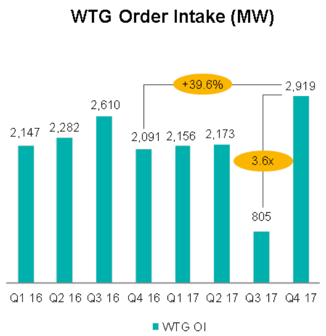
  The net cash position on the balance sheet was €377 million, due mainly to the seasonal upswing in working capital.

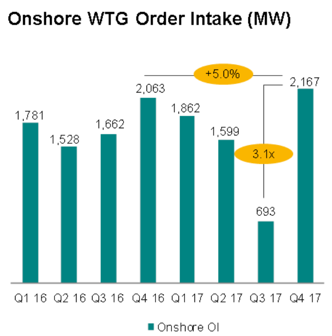
MARKETS AND ORDERS

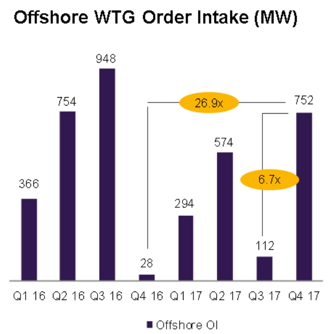
Following the slowdown in commercial activity in the quarter from April to June 2017, in which new orders were signed for 805 MW, order intake rebounded strongly in the fourth quarter (July-September), as the company expected. Those expectations were underpinned by the company's stronger competitive position but also by the factors that had produced the weakness in the third quarter, none of which were structural: the expected conversion of the Safe Harbor contracts in the US in the second half of the calendar year, the slippage in orders in EMEA, APAC and the Americas from the first and second quarters of the calendar year, and the volatility that is typical of the offshore division. **Consequently, orders in the fourth quarter totalled 2,919 MW, 40% more than the two companies' order intake in the same quarter of the previous year.**

As for **onshore, order intake amounted to 2,167 MW in the fourth quarter,** 5% more than the intake logged by the two companies in the fourth quarter of 2016 and the **largest quarterly order intake since the first quarter of FY 2015 (October-December 2014).**

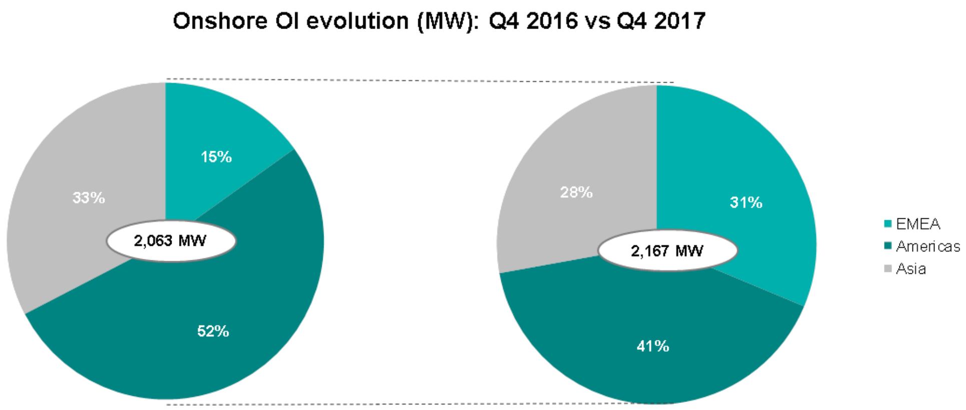
As for offshore, In the fourth quarter of FY 2016, the contract was signed for Borssele 1 and 2, totalling 752 MW, which had been announced at the earnings presentation for April-June 2017.





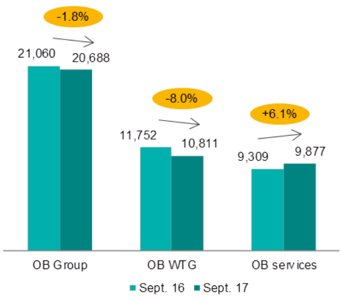


As for onshore, EMEA was the region that contributed the most to order intake growth, tripling its contribution with respect to the same period of 2016, with Norway in the lead (378 MW signed in the quarter). Along with Norway, the markets that contributed the most to order intake in July-September 2017 were the US and China. In connection with order intake in the period, it is important to note that Siemens Financial Services is an investing partner in one of the contracts signed in Norway (281 MW), highlighting the importance of the relationship with the Siemens AG group for generating joint value propositions for our customers.

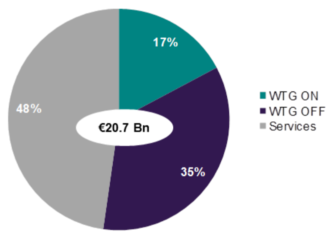


As a result of the recovery by commercial activity in the fourth quarter, the Group order book was slightly higher than in June, containing the year-on-year decline at 2%, contrasting with the 7% decline with respect to the combined order book in June 2016. The services backlog increased by 6% y/y while the WTG backlog shrank by 8%, resulting in a total backlog of €20,688 million.

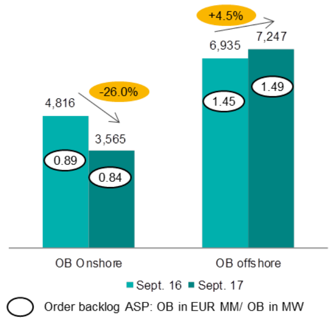
Order Book (€mn) Sept. 16 & Sept. 17



Order Book @ September 2017



WTG Order Book (€mn) Sept. 16 & Sept. 17



FINANCIAL PERFORMANCE

The table below shows the main financial aggregates for the six-month period from April to September 2016 and 2017. The figures for 2016 are unaudited pro-forma numbers representing the sum of the numbers reported individually by Gamesa and Siemens Wind Power, plus Adwen (fully consolidated). The comparable EBIT numbers for 2016 include standalone, consolidation scope and normalisation adjustments for Siemens Wind Power.

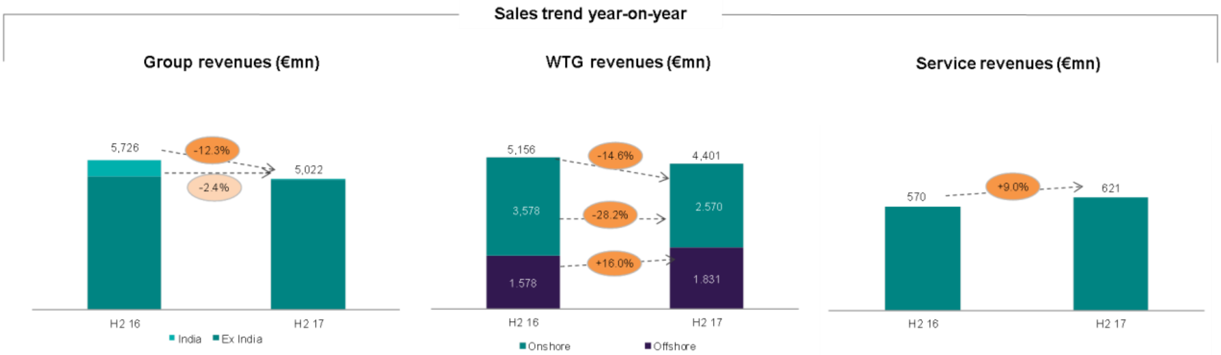
P&L €mn	April-Sept. 16 P[2]	April-Sept. 17	Var. y/y %	July-Sept. 17	Var. y/y %
Group sales	5.726	5.022	-12,3%	2.329	-17,6%
WTG	5.156	4.401	-14,6%	2.008	-20,8%
O&M	570	621	9,0%	321	9,9%
Gross profit (Pre PPA)	828	410	-50,5%	53	-87,0%
Gross profit margin (Pre PPA)	14,5%	8,2%	-6,3	2,3%	-12,2
Reported EBIT	**525**	**-146**	**-127,9%**	**-197**	**-175,9%**
Underlying EBIT[3] (Pre-PPA)	525	192	-63,4%	-19	-107,2%
Underlying EBIT margin (pre-PPA)	9,2%	3,8%	-5,3	-0,8%	-10,0
Underlying WTG EBIT margin (pre-PPA)	8,1%	1,9%	-6,2	-3,9%	-12,0
Underlying Service margin (Pre-PPA)	19,1%	17,4%	-1,6	18,7%	0,07
Reported Net Income		**-135**	**NA**	**-147**	**NA**
Underlying Net Income pre-PPA[3]		118	NA	-17	NA
Underlying Net Income per share pre-PPA[4]		0,17	NA	-0,03	NA

Balance sheet[6]	April-Sept. 16 P[2]	April-Sept. 17	Var. y/y %	July-Sept. 17	Var. y/y %
Working capital	621	-300	-921	-300	-921
Working capital o/sales LTM proforma	5,9%	-2,7%	-8,7	-2,7%	-8,7
Capex	315	297	-5,9%	107	-43,5%
Net financial debt/(cash)		-377	NA	-377	NA

1. All financial information and KPIs are non-audited. All historic information is pro-forma.
2. April-Sept. 16 financial data corresponds to non-audited pro-forma data, based on legacy businesses' reported information (Siemens Wind Power, Gamesa and 100% of Adwen) including standalone, normalization and scope adjustments for SWP operations, amounting to 58 MM € in the April-Sept.2016 period. Adwen is fully consolidated in the historic pro-forma data with an impact of €132 mn at revenue level and of -€16 mn at EBIT level.
3. Underlying data excludes integration and restructuring costs for €103 mn and the impact on amortization on intangibles' fair value from the PPA in amount of €235 mn at EBIT level. The total impact at net income level (net of taxes) amounts to €252 mn
4. Number of shares for EPS calculation: in H2 2017: 676,417,806 and in Q4 2017: 679,471,221
5. See definition of working capital, net financial debt and EBIT in the glossary of terms that can be found in the H2 2017 earnings release together with the reconciliation of both items to the H2 2017 consolidated financial statements
6. LTM pro forma, non-audited, is calculated adding revenues and EBIT reported by Siemens AG for Siemens Wind Power, those reported by Gamesa and 100%% of those reported by Adwen. Pro forma profitability includes standalone, normalization and scope adjustments for Siemens Wind Power.

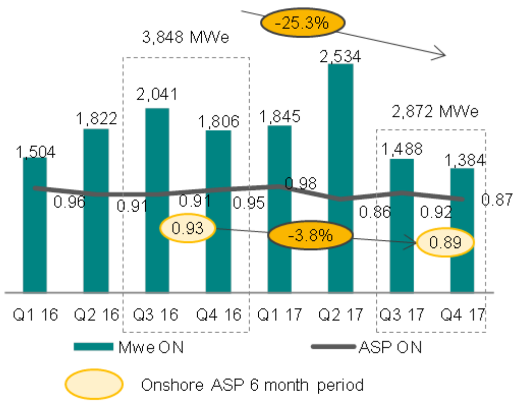
The group's financial performance in the first six-month period in which Siemens Gamesa operated as a unit reflects specific market conditions, which affected volumes and prices, resulting in a reduction in the group's sales and margins. A significant part of the reduction in volume was due to the temporary suspension of the Indian market and the reduction in installations in the UK. During the period April-September 2016 India contributed 819 MWe to the sales volume, and UK 449 MWe, representing a 33% on the period's sales volume. Group margins were affected not only by the decline in volumes but also by the fact that Adwen's losses increased year-on-year as well as by the inventory impairment.

Sales fell by around 12% year-on-year as a result of the reduction in the sale of onshore wind turbines, in India primarily but also, to a lesser extent, in the UK. Adjusting for the impact of the halt in the Indian market, sales fell by 2.4% due to strong offshore sales, which registered double-digit growth, and a 9% year-on-year increase in service revenues.



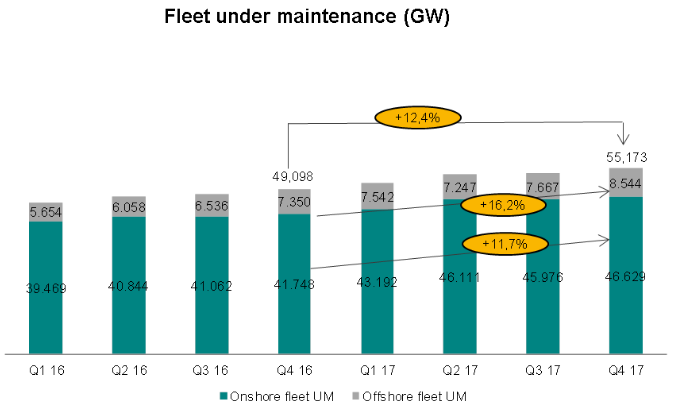
WTG revenues fell 15% as a result of a **26% y/y decline in volume (MWe)**; this fall was concentrated in the onshore business, which shrank by 25% y/y, due to the reduction in activity mainly in India and the UK. The ASP increased by 16% year-on-year, positively impacted by the concentration of activity in offshore installations in the six-month period. The ASP in the onshore business declined by 4% to €0.89 million/MW.

Onshore WTG sales volume (MWe) and ASP[1] evolution (€mn /MW)

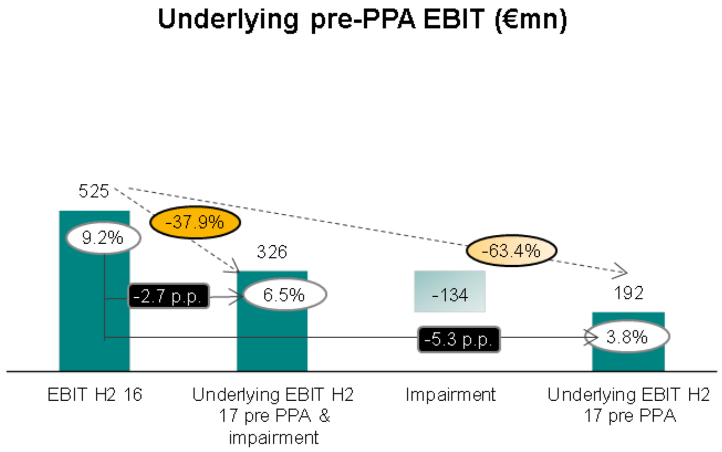


1. ASP (Average Selling Price): Average selling price (Sales of AEG/MWe)

Services revenues increased by 9%, boosted by the fleet under maintenance



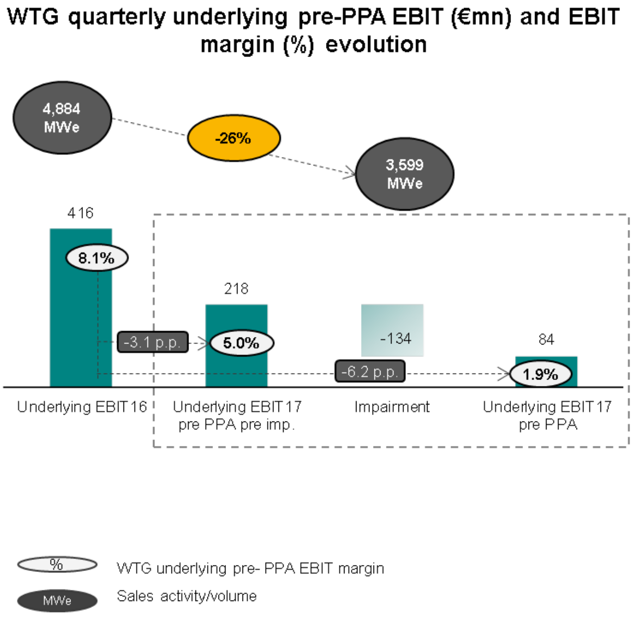
Group underlying EBIT pre-PPA declined by 63% y/y as a result of the inventory impairment due to market conditions (€134 million), the decline in sales volumes (MWe) (26% y/y), and the higher losses booked by Adwen. As a result, **the underlying EBIT margin pre-PPA was 3.8%**, 5.3 percentage points lower than the pro-forma underlying EBIT margin in the same period of the previous year: 9.2%. **Adjusting for the impact of the inventory impairment, the underlying EBIT margin pre-PPA would have been 6.5%, 2.7 percentage points lower than in the same period of 2016.**



Following the inventory impairment, the main factors impacting year-on-year performance of group profitability were the decline in volumes caused by suspension of the Indian market and the increase in operating losses at Adwen (to €36 million in the period, from €16 million losses in the same period last year)**.** None of these factors are structural: the Indian market is expected to normalise in 2019, and integrating Adwen into the broader offshore operations will enhance performance and reduce the unit's operating losses in the coming years. **The underlying EBIT margin pre-PPA and before the inventory impairment would have been 8.3%.**[7]

Underlying EBIT pre-PPA in the Wind Turbine division fell 80% and the underlying EBIT margin pre-PPA was 1.9% at the end of the period, due to the inventory impairment and the decline in sales volumes. Excluding the inventory impairment, profitability fell 48% to a margin of 5%, 3 percentage points lower than in the same period of 2016, affected by a 26% reduction in sales volumes (MWe).

[7] In the second half of 2017, the impact of India was €-37 million and that of Adwen was €-36 million. Adwen contributed € 199 mio in revenues in the second half of 2017.

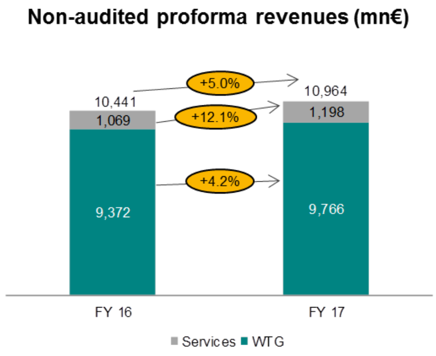


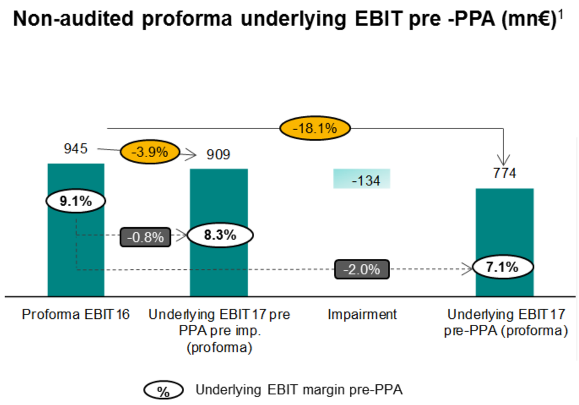
The services division ended the period with €108 million in underlying EBIT pre-PPA, i.e. flat with respect to the same period of the previous year, and equivalent to a margin of 17.4%, 1.7 percentage points lower than in the second half of 2016, a period in which a currency hedge provided a gain of €8 million**. But for that impact, EBIT would have been flat in year-on-year terms.**

During the six-month period, the group incurred €22.4 million in financial expenses and in a positive tax effect of €36 million (resulting from tax impact on inventory valuation of € 46 mio). The gross impact of amortization of intangibles' fair value coming from the PPA in the period was €235 million.

As a result, the group reported underlying net profit pre-PPA of €118 million, equivalent to €0.2 per share. Including the €252 million impact of PPA amortization and integration and restructuring expenses, and the €88 million impact of the inventory impairment, the company reported a loss of €135 million in the six-month period.

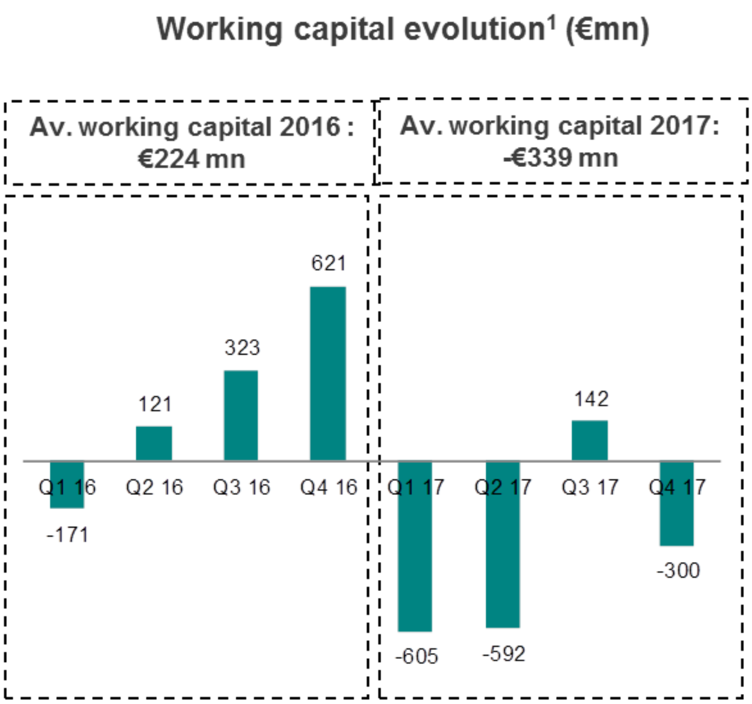
Pro-forma figures for the last twelve months are as follows: revenues amounting to €10,964 million (5% more than in the twelve months to September 2016) and underlying EBIT pre-PPA amounting to €774 million (-18% y/y), i.e. an EBIT margin of 7.1% (2.0 percentage points lower than in the twelve months to September 2016. Excluding the inventory impairment, which has no cash effect, underlying EBIT pre-PPA amounted to €909 million, in line with the guidance announced in July, and equivalent to an EBIT margin of 8.3%, 0.8 percentage points lower than in the same period of the previous year.





1. Pro forma EBIT pre PPA figures excluding integration costs and the impact on amortization of intangibles' fair value from the PPA, and including full consolidation of Adwen, standalone savings and normalization adjustments. Underlying EBIT LTM September 17 excludes €103 mn in integration, transaction and restructuring costs and €235 mn in PPA (April-September 2017)

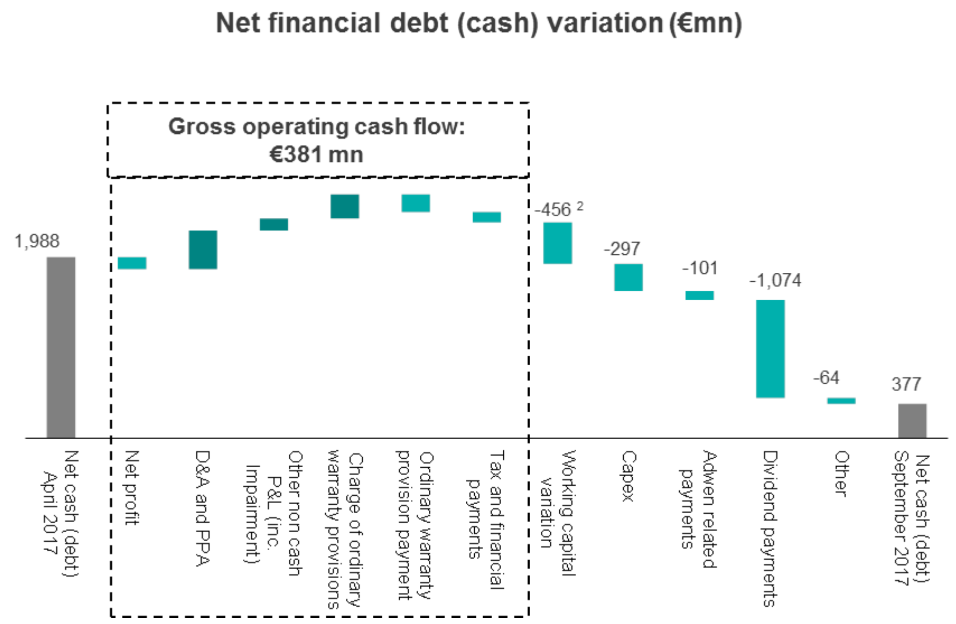
Siemens Gamesa ended the year with €-300 million in working capital, equivalent to -2.7% of LTM revenues, i.e. almost 9 percentage points less than in September 2016, and more than €900 million lower in absolute terms. Working capital declined as a result of the reduction in sales, the improvement in commercial activity in the fourth quarter, and the reduction in inventory value as a result of the inventory impairment. The increased commercial activity also explains the sequential improvement in working capital.



1. Pro-forma working capital as addition of SWP working capital, Gamesa working capital and Adwen working capital for Q1 16 to Q2 17

In the second half of 2017, the company invested €297 million in property, plant and equipment and intangible assets, mainly to start up the factories in Cuxhaven (offshore) and Morocco.

The net cash position was €377 million.



2. Working capital variation of -€456 MM excluding the non-cash impact of the inventory write down and exchange rate

During the six-month period, the process of allocating the purchase price (PPA) among the items of the balance sheet continued, as summarised in the following table.

€mn	April 2017 OBS Post PPA	PPA	
Fixed Assets	1.551	69	Fixed asset revaluation
Intangible Assets	2.571	2.054	WTG and Services' backlog and customer relationships and WTG technology revaluation
Goodwill	4.603	(560)	Reduction of goodwill during PPA process
Financial Assets (net)	335	4	
Deferred Tax Assets (net)	(324)	(706)	DTA impact due to asset revaluation
Working Capital	(592)	(316)	Working capital reduction (PoC) related mainly to Adwen projects
Tax working capital	34		
Assets held for sale (net)			
TOTAL	**8.177**	**546**	
Equity	(7.716)		
Provisions	(2.449)	(546)	Provisions increase mainly associated to the WTG division (Adwen)
Net financial debt	1.988		
TOTAL	**(8.177)**	**(546)**	

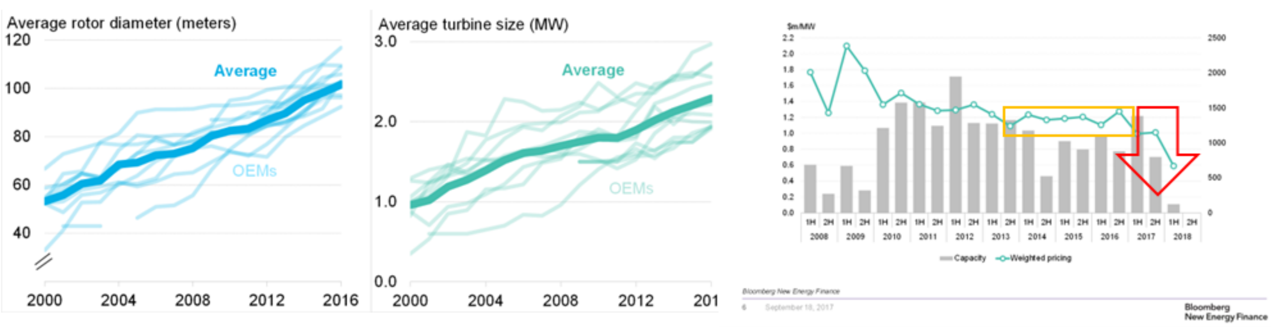
1. Fixed asset revaluation to fair value up to 69 MM Euros, net of Adwen with negative impact of 70 MM Euros
2. Increase in intangible assets of 2,054 MM Euros mainly related to:
--> WTG Backlog and Customer Relationships for c.500 MM Euros (494 MM Euros)
--> Services Backlog and Customer Relationships for c.900 MM Euros (887 MM Euros)
--> WTG Technology revaluation for c.675 MM Euros (673 MM Euros)
3. Reduction in Goodwill in the PPA process
4. Deferred Tax Assets impact in c.700 MM Euros due to revaluation of intangible assets mainly
5. Working Capital reduction due to:
--> POC reduction in WTG Segment related mainly to Adwen Projects (160 MM Euros)
--> Other working capital reduction related to Fair Value of Backlog (moved to intagible assets), inventories or receivables
6. Provisions increase in 546 MM Euros mainly associated to WTG Segment (Adwen 465 MM Euros)

The amount booked in the P&L as a result of the increased depreciation and amortisation of intangibles' fair value was €235 million, and the expected amount for 2018 is €321 million.

OUTLOOK

The transition towards fully competitive energy models enhances wind power's long-term potential

The renewable energy industry is in transition towards fully competitive models. This transition is being made possible by the efficiency achieved by renewable energy, particularly wind power, in recent years and that projected for the future. In the transition, all players in the industry are expected to attain efficiencies in addition to those already achieved. In the supply chain, these efficiencies are achieved through improvements in technology and costs, which are passed on to end customers through higher-performance products (in terms of annual energy output), via such factors as larger rotors and higher rated capacities, and lower cost per MW in wind turbines.

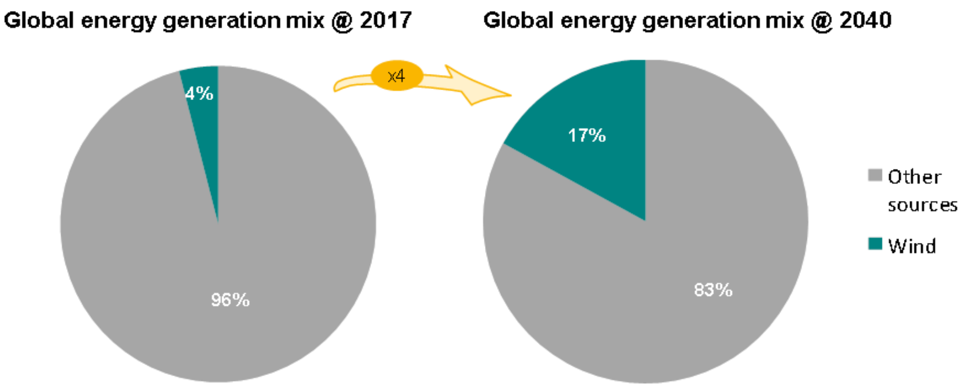


Source: BNEF New Energy Outlook 2017 and H2 Wind Turbine Index

The return being demanded of wind power projects is also declining as the industry matures. In its new Energy Outlook 2017, BNEF expects real returns on capital investment to be around 5% by 2030, while funding costs are projected to be around 2.75% in real terms. **Efforts on the part of the supply chain and operators/investors will lead to a reduction in the cost of wind power of 30-60% onshore and 75% offshore by 2040[8].**

Achievements to date plus those expected in the coming years greatly enhance wind power's long-term potential. Whereas its contribution to the world energy mix is **currently a marginal 4%, wind will reach 17% by 2040[7].**

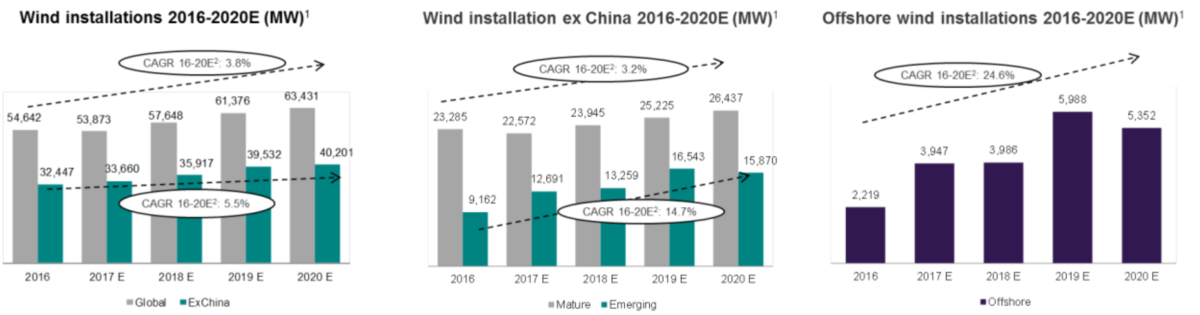
[8] BNEF: New Energy Outlook 2017



To attain that level, it will be necessary to install 1,873 GW onshore and 178 GW offshore in the next 24 years, with the onshore division becoming the largest single target of investment in the period, about €3 trillion, ahead of coal, gas, nuclear and utility-scale solar**.** It is also important to note that wind demand will shift to emerging countries, mainly Asia, the Middle East and Africa.

Wind power demand prospects for the short and medium term are relatively stable

While the industry is moving towards its long-term potential, the prospects of wind demand are relatively stable in the short and medium term, during which there will be temporary disruptions as the model normalises. The halt in the Indian market, expected to normalise in 2019, is one such market disruption.

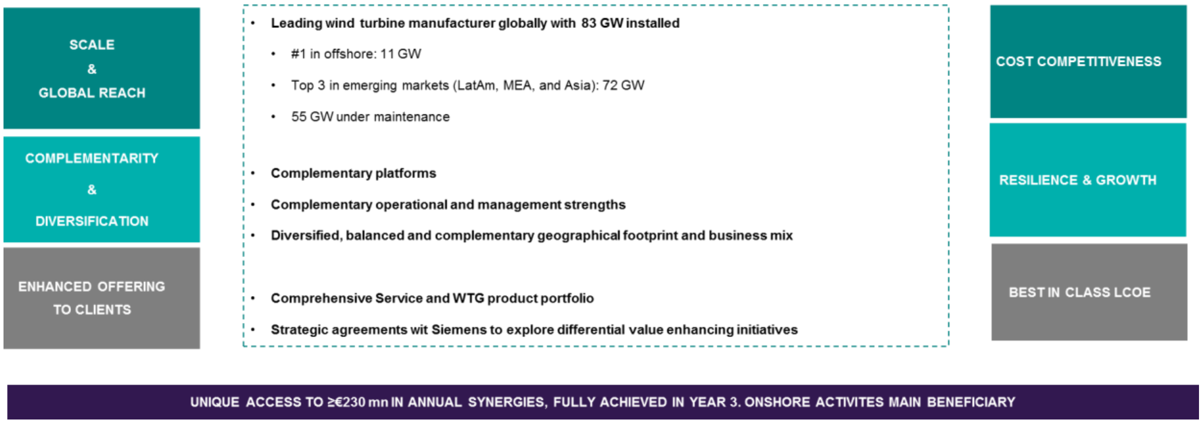


1. Source: BNEF and MAKE Q3 17 Market Outlook
2. Compound annual growth rate calculated on the basis of BNEF and MAKE estimates of installations at the date of publication of their Q3 17 reports and GWEC figures for 2016 reported on April 17. Growth in mature markets includes growth coming from the offshore activity

In this context, Siemens Gamesa is uniquely positioned to benefit from the industry's long-term potential

The transition to a fully competitive renewable energy model requires players to be more efficient. In this connection, the rationale for the merger still stands: to create a group with the scale, scope and portfolio of products and services required to provide an optimised cost of energy. Another plus is the relationship with the Siemens group, which will make it possible to develop more competitive offers for our customers.

However, the group is not only positioned to benefit from the long-term potential, once the transition to the new model is complete; it is also well placed to surmount the transition while creating the maximum value for all stakeholders. This will be achieved through a diversified, balanced and complementary business model including leading positions in offshore, in onshore markets with above-average growth, and in services. Balance, diversification and leadership increase the group's resilience at a time when the market may suffer disruptions in specific geographies.



The 2018 guidance reflects new pricing levels and a higher demand volatility, all this in the onshore unit, and the achievement of synergies starting in the second half of 2018.

As described earlier, the industry is transitioning towards fully competitive energy models that require all players in the wind industry, including the supply chain, to pursue additional efficiency. These efficiencies will materialise, inter alia, in more competitive wind turbine prices. Moreover, markets will be more volatile during the transition, resulting in temporary disruptions to demand, such as the hiatus in the Indian market. This is all reflected in the guidance for 2018, shown in the next table.

MM €	Pro-forma FY 2017	Guidance FY 2018
Revenues	10,964	9,000-9,600
Underlying EBIT margin pre-PPA (1)	7%	7%-8%
Working capital to sales ratio	-3%	-3% to +3%
Capex	621	c. 500

At end-September 2017, SGRE had fully covered its offshore sales volume guidance, with sales expected to decline slightly after the strong growth registered in 2017, while its onshore average sales volume (MWe) was 58% covered. SGRE's guidance includes projected low double-digit price deflation, in line with market trends and with order intake in the fourth quarter of 2017.

The projected range of 7% to 8% profit margin assumes synergies amounting to around 1.5% of revenues, to be achieved in the second half of the year. It is the achievement of those synergies that will separate performance in the second half from the weaker first-half figures.

The impact of the PPA in the year is expected to amount to €321 million, while the tax rate is projected to be 30%.

All guidance figures are expressed in constant 2017 money.

CONCLUSIONS

Siemens Gamesa Renewable Energy came into being ready to address the challenges and seize the opportunities that the wind business offers in the short, medium and long term, so as to create value for all stakeholders. In a changing environment with increasingly demanding wind markets, the merger's strategic rationale is even more compelling. Global scale and reach have become essential in order to compete profitably. Meanwhile, the combined company's diversification and balance and its leading position in emerging and offshore markets provide resilience and above-average growth potential.

After the creation of the company, which was registered on 3 April 2017, Siemens Gamesa concentrated its efforts during the second half of 2017 on accelerating the integration, aware of the importance of acting as a single group in order to achieve the announced synergies. **The goal now is to achieve these synergies, which amount to €230 million per year, almost one year ahead of the originally announced date; moreover, that figure is now seen as the minimum achievable amount. The onshore business will be the main beneficiary.**

In addition to the integration activities driven by the Integration Office, Siemens Gamesa continued with its normal activity, **though it was materially affected by temporary volatility in some of the group's core markets, with an impact on sales volumes and pofitability.** In this context, three factors had a significant impact on the half-yearly results: an inventory impairment to adapt to new market conditions, amounting to €134 million; the halt in the Indian market (the company's second-largest market); and higher losses booked by Adwen. **As a result, revenues fell 12% y/y in the quarter to €5,022 million and underlying EBIT pre-PPA fell 63% to €192 million, equivalent to a margin of 3.8%,** i.e. 5.3 percentage points below the pro-forma margin in the second half of 2016. **Whereas commercial activity was weak in the merged company's first quarter (Q3), with 805 MW of firm orders, it recovered strongly in the fourth quarter, to 2,919 MW, 40% more than the combined figures of the merged companies in the same period of 2016. Order intake in the onshore division (2,167 MW) was at its highest since the first quarter of 2015,** as a result of the materialisation of the trends that were visible in Q3, which impacted order intake in that quarter: conversion of Safe Harbor contracts in the US, expected in the second half of the calendar year, volatility of offshore order intake, and the shift of larger onshore orders to the second half of the year. In offshore, where order intake is more volatile, the contract for Borssele 1 and 2 (752 MW) was signed, as had been announced in Q3. As a result of stronger commercial activity, **the order book at end-September amounted to €20,688 million, broken down as follows: Wind Turbines €10,811 million (-8% y/y); and Services €9,877 million (+6% y/y).**

After paying a special dividend (€3.6/share) and an ordinary dividend (€0.11/share) in this six-month period, the company ended the period with a net cash position of €377 million and working capital amounting to €-300 million, -2.7% of revenues LTM.

ANNEX

Conciliation pro-forma

Million Eur	1Q16 (Pro-forma)	2Q16 (Pro-forma)	3Q16 (Pro-forma)	4Q16 (Pro-forma)	FY16 (Pro-forma)	1Q17 (Pro-forma)	2Q17 (Pro-forma)	3Q17	4Q17	FY17 (Pro-forma)
Revenues	2.181	2.534	2.899	2.827	10.441	2.764	3.178	2.693	2.329	10.964
WTG	1.918	2.298	2.621	2.535	9.372	2.475	2.891	2.393	2.008	9.766
Services	263	236	278	292	1.069	289	287	300	321	1.198
Gamesa	971	1.064	1.127	1.147	4.310	1.273	1.546	na	na	na
Siemens Wind Power	1.197	1.460	1.722	1.597	5.976	1.384	1.516	na	na	na
Adwen	13	10	49	83	155	107	116	na	na	na
Underlying EBIT Pre-PPA	158	262	266	259	945	269	313	211	-19	774
Margin	7,2%	10,4%	9,2%	9,2%	9,1%	9,7%	9,9%	7,8%	-0,8%	7,1%
Gamesa	87	119	112	110	427	138	181	na	na	na
Siemens Wind Power	87	158	163	157	565	142	146	na	na	na
Adwen	-16	-14	-9	-7	-47	-11	-15	na	na	na

Annex

Financial statements April-September 2017
Siemens Gamesa Renewable Energy – Consolidated

Profit and Loss Account	
EUR in millions	April-September 2017
Revenue	5.022
Cost of sales	-4.700
Gross Profit	**322**
Research and development expenses	-90
Selling and general administrative expenses	-348
Other operating income	0
Other operating expenses	-31
Results of companies accounted for using the equity method	0
Interest income	11
Interest expense	-31
Other financial income (expense), net	-2
Income from continuing operations before income taxes	**-168**
Income tax expenses	36
Income from continuing operations	**-132**
Income from discontinued operations, net of income taxes	0
Non-controlling interests	-2
Net income	**-135**

Summarized Balance sheet

EUR in millions	03/04/2017	30/09/2017
Fixed assets	1.551	1.537
Goodwill	4.603	4.660
Intangible assets	2.571	2.303
Financial assets and liabilities, current and non-current (net)	335	331
Deferred tax assets and liabilities (net)	(324)	(175)
Working Capital	(592)	(300)
Current tax assets and liabilities (net)	34	34
TOTAL	**8.177**	**8.390**
Equity	7.716	6.450
Provisions, current and non-current	2.449	2.318
Net Financial Debt / (Cash)	(1.988)	(377)
TOTAL	**8.177**	**8.390**

Cash flow Statement

EUR in millions	April-September 2017
Net Income reported	-135
Amortization + PPA	428
Other P&L	133
Working Capital variation	-456
Charge of provisions	263
Provision payment	-295
CAPEX	-297
Extraordinary and ordinary dividends	-1,074
Tax and Financial payments	-114
Others	-64
Cash flow for the period	**-1,611**
Beginning cash / (net financial debt)	1,988
Ending cash / (net financial debt)	377
Variation in net financing cash flow	**-1,611**

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 (APM). The APM 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 them are as follows:

1. <u>Net financial debt (NFD)</u>

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.

Million Eur		
Financial Statements line ítem	**Opening balance sheet 03.04.2017**	**30.09.2017**
Cash and cash equivalents	3,041	1,659
Short-term debt and current maturities of long-term debt	(393)	(797)
Long-term debt	(660)	(485)
Cash/(Net Financial Debt)	**1,988**	**377**

2. <u>Working capital (WC)</u>

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.

Million Euro			
Financial Statements line item	**30.09.2016 (pro forma)**	**Opening Balance Sheet 03.04.2017**	**30.09.2017**
Trade and other receivables	1,854	1,409	1,081
Trade receivables from related companies	1,082	2	62
Inventories	2,699	2,957	3,455
Other current assets	484	533	341
Trade payables	(2,765)	(2,601)	(2,232)
Trade payables to related companies	(610)	-	(364)
Other current liabilities	(2,124)	(2,893)	(2,645)
Working Capital	**621**	**(592)**	**(300)**

The comparable figures as of September 30th, 2016 have been calculated on a pro forma basis, as if the merger transaction had already occurred as of September 30th, 2016, including the full consolidation of Adwen, standalone savings and normalization adjustments. The components of this pro forma calculation are as follow:

Million Eur	**30.09.2016 (Pro Forma)**			
	Siemens Wind Power	**Gamesa**	**Adwen**	**SGRE Pro Forma**
Trade and other receivables	715	1,051	88	1,854
Trade receivables from related companies	791	292	-	1,082
Inventories	1,596	911	192	2,699
Other current assets	220	257	7	484
Trade payables	(799)	(1,821)	(145)	(2,765)
Trade payables to related companies	(315)	(294)	-	(610)
Other current liabilities	(1,962)	(157)	(6)	(2,124)
Working Capital	**245**	**239**	**137**	**621**

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

The **Working Capital consumption** is calculated as a difference between Working Capital as of the merger transaction date (April 3rd, 2017) and Working Capital as of 30th of September 2017.

Million euros	**4Q17**
Working Capital @ April 3rd, 2017	(592)
Working Capital @September 30th, 2017	(300)
Variation (consumption)	**292**

3. Capital Expenditure (Capex)

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). 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).

The amount of Capex is the following:

Million Eur	4Q16 (Pro forma)	4Q17
Acquisition of intangible assets	(33)	(12)
Acquisition of Property, Plant and Equipment	(157)	(95)
CAPEX	**(189)**	**(107)**

Million Eur - QTD	3Q16 (Pro forma)	3Q17
Acquisition of intangible assets	(35)	(59)
Acquisition of Property, Plant and Equipment	(91)	(131)
CAPEX	**(126)**	**(190)**

The comparable figures for the 4th Quarter of 2016 have been calculated on a pro forma basis, as if the merger transaction had already occurred before June 30th, 2016, including the full consolidation of Adwen, standalone savings and normalization adjustments. The components of this pro forma calculation are as follow:

Million Eur	4Q16 (Pro Forma)			
	Siemens Wind Power	Gamesa	Adwen	SGRE Pro Forma
Acquisition of intangible assets	(4)	(17)	(12)	(33)
Acquisition of Property, Plant and Equipment	(109)	(45)	(2)	(157)
CAPEX	**(113)**	**(62)**	**(14)**	**(189)**

Million Eur	3Q16 (Pro Forma)			
	Siemens Wind Power	Gamesa	Adwen	SGRE Pro Forma
Acquisition of intangible assets	-	(22)	(13)	(35)
Acquisition of Property, Plant and Equipment	(47)	(31)	(13)	(91)
CAPEX	**(47)**	**(53)**	**(27)**	**(126)**

4. **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 adding, to reported income for the year, the ordinary non-cash items (depreciation and amortisation, and provision charges) and income from equity-accounted affiliates.

Net operating cash flow: the result of deducting working capital (defined in item 2) from gross operating cash flow. Gamesa includes the cash impact of other provisions and other non-operating items under operating cash flow.

Free cash flow: obtained by deducting capital expenditure (capex) from operating cash flow. It indicates the funds available for use to distribute dividends, buy back shares, pay down debt or other corporate activities not related to ordinary business.

Free cash flow is calculated as the variation in Net Financial Debt (NFD) between April 3rd, 2017 and September 30th, 2017 (defined in item 1 above).

5. **Average Selling Price (ASP)**

Average monetary revenue collected by the Wind Turbine division per unit sold (measured in MWe). ASP is affected by a number of factors (project scope, geographical distribution, product, exchange rate, prices, etc.) and does not represent the level or trend of profitability.

The comparable figures for Quarters prior to the 3rd Quarter of 2017 have been calculated on a pro forma basis, as if the merger transaction had already occurred before April 1st, 2016, including the full consolidation of Adwen, standalone savings and normalization adjustments. Further details of this pro forma calculation are as follow:

	Pro-Forma					
Million Eur	**3Q16**	**4Q16**	**1Q17**	**2Q17**	**3Q17**	**4Q17**
Group Sales	**2,899**	**2,827**	**2,764**	**3,178**	**2,693**	**2,329**
WTG (1)	2,621	2,535	2,475	2,891	2,393	2,008
Onshore	1,860	1,718	1,812	2,181	1,363	1,207
Offshore	761	816	663	709	1,030	801
Services	278	292	289	287	300	321
MWe WTG (2)	**2,590**	**2,294**	**2,268**	**2,964**	**1,950**	**1,649**
MWe Onshore	**2,041**	**1,806**	**1,845**	**2,534**	**1,488**	**1,384**
MWe Offshore	**549**	**488**	**423**	**430**	**461**	**265**
ASP Total(1/2)	**1.01**	**1.10**	**1.09**	**0.98**	**1.23**	**1.22**

6. Revenues and EBIT

Revenues LTM (Last Twelve Months): this APM is calculated by aggregation of the quarterly revenues for the last four quarters.

The comparable figures for quarters prior to the 4th Quarter of 2017 have been calculated on a pro forma basis, as if the merger transaction had already occurred before September 30th, 2015, including the full consolidation of Adwen, standalone savings and normalization adjustments. The components of this pro forma calculation are as follow:

Million Eur	FY 16 (Pro-forma)	1Q16 (Pro-forma)	2Q16 (Pro-forma)	3Q16 (Pro-forma)	4Q16 (Pro-forma)
WTG	9,372	1,918	2,298	2,621	2,535
Services	1,069	263	236	278	292
TOTAL	**10,441**	**2,181**	**2,534**	**2,899**	**2,827**

Million Eur	FY 17 (Pro-forma)	1Q17 (Pro-forma)	2Q17 (Pro-forma)	3Q17	4Q17
WTG	9,766	2,475	2,891	2,393	2,008
Services	1,198	289	287	300	321
TOTAL	**10,964**	**2,764**	**3,178**	**2,693**	**2,329**

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'.

Underlying EBIT (Earnings Before Interest and Taxes) pre-PPA: EBIT excluding integration costs related to the merger transaction and the impact on amortization of intangibles' fair value from of the Purchase Price Allocation (PPA).

Million Eur		
	4Q16 (Pro-forma)	**4Q17**
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	246	(208)
(-) Income from investments acc. for using the equity method, net	4	(1)
(-) Interest income	(7)	(4)
(-) Interest expenses	17	16
(-) Other financial income (expenses), net	0	(1)
Reported EBIT	**259**	**(197)**
(-) Integration costs	-	67
(-) PPA impact	-	111
Underlying EBIT pre-PPA	**259**	**(19)**

The comparable figures for the 4th Quarter of 2016 have been calculated on a pro forma basis, as if the merger transaction had already occurred before June 30th, 2016, including the full consolidation of Adwen, standalone savings and normalization adjustments. The components of this pro forma calculation follow:

Million Eur	4Q 16 (Pro Forma)				
	Siemens Wind Power	Gamesa	Adwen	Pro forma adjustments	SGRE proforma
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	132	97	(10)	27	246
(-) Income from. investments acc. for using the equity method, net	1	3	-		4
(-) Interest income	(0)	(7)	(0)		(7)
(-) Interest expenses	2	13	3		17
(-) Other financial income (expenses), net	(4)	4	(0)		0
Reported EBIT	**130**	**110**	**(7)**	**27**	**259**
(-) Integration costs					-
(-) PPA impact					-
Underlying EBIT pre-PPA	**130**	**110**	**(7)**	**27**	**259**

Reported/Underlying EBIT pre-PPA LTM: this APM is calculated by aggregation of the quarterly Reported/Underlying EBIT for the last four quarters.

The comparable figures for quarters prior to the 4th Quarter of 2017 have been calculated on a pro forma basis, as if the merger transaction had already occurred before September 30th, 2015, including the full consolidation of Adwen, standalone savings and normalization adjustments. The components of this pro forma calculation follow:

Million Eur	FY 16 (Pro-forma)	1Q16 (Pro-forma)	2Q16 (Pro-forma)	3Q16 (Pro-forma)	4Q16 (Pro-forma)
Reported EBIT	945	158	262	266	259
(-) Integration costs	-				
(-) PPA impact	-				
Underlying EBIT pre-PPA	**945**	**158**	**262**	**266**	**259**

Million Eur	FY 17 (Pro-forma)	1Q17 (Pro-forma)	2Q17 (Pro-forma)	3Q17	4Q17
Reported EBIT	428	269	305	50	(197)
(-) Integration costs	111	-	8	36	67
(-) PPA impact	235	-	-	124	111
Underlying EBIT pre-PPA	**774**	**269**	**313**	**211**	**(19)**

EBIT margin: ratio of reported EBIT to Revenue in the period (i.e. revenue in the consolidated profit and loss account).

Underlying EBIT pre-PPA margin: ratio of underlying EBIT to Revenue in the period (i.e. revenue in the consolidated profit and loss statement).

7. Net income and Net income per share (EPS) – Reported and underlying

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

Underlying net income pre-PPA: net profit excluding after tax impact of integration costs related to the merger transaction and the after tax impact on amortization of intangibles' fair value from the Purchase Price Allocation (PPA).

Million Eur		
	4Q17	**H2 17**
Net Income	**(147)**	**(135)**
(-) Integration costs	67	103
(-) PPA impact	111	235
(-) Tax effect of integration cost and PPA impact	(49)	(86)
Underlying Net Income pre-PPA	**(17)**	**118**

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

Underlying net income pre-PPA per share: the result of dividing underlying net profit by the average number of shares outstanding in the period (excluding treasury shares).

	4Q17	**H217**
Underlying Net Income (Million Eur)	(17)	118
Number of shares (units)	679,471,221	676,417,806
Underlying Earnings pre-PPA Per Share (€/share)	**(0.03)**	**0.17**

8. Other indicators

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

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

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Financial information and KPIs are a preliminary preview and subject to the final elaboration of the consolidated financial statements and the following audit review by the external auditor which will be communicated end November 2017.

In the event of doubt, the Spanish language version of this document will prevail.