Siemens Gamesa Renewable Energy

Q1 19 Results

January 29, 2019

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

Note on alternative performance measures (APMs)

The definitions and reconciliation of the alternative performance measures that are included in this presentation are disclosed in the Activity Report associated to these results.

Content

Q1 19 Highlights

Wind market growth prospects remain strong

- Offshore market CAGR18-25E: 27%
- SG 10.0-193 DD introduced to the Offshore market: high energy yield and unmatched reliability

Q1 19 order backlog: €23bn, up 8% YoY, with FY 19 revenue coverage of 92%[1]

- LTM order intake: €11.5bn, up 3% YoY, supported by strong WTG ON performance: €6.8bn, up 28% YoY
- Q1 19 order intake: €2.5bn supported by WTG ON order intake growth: €1.8bn, up 7% YoY
- ASP[2] of WTG ON order intake remains stable

Return to revenue growth with EBIT margin pre PPA and I&R costs stable YoY

- Q1 19 revenue: €2,262m, up 6% YoY, with an EBIT margin pre PPA and I&R costs of 6.1%[3]
    - WTG ON weak performance partially compensated by strong WTG OF performance
- Net cash position of €165m driven by increased working capital level in preparation for peak WTG activity and impacted by reduction of trade payables

1) Revenue coverage: Q1 19 revenue plus order backlog (€) as of December 18 for FY 19 sales activity divided by the average point of the FY 19 revenue guidance range of €10bn to €11bn. Full guidance on page 24.
2) ASP: average selling price (see glossary).
3) EBIT pre PPA and I&R costs excludes the impact of PPA on the amortization of intangibles: €66m, and integration and restructuring costs: €32m in Q1 19.

Content

Q1 19 order backlog: €23bn, up 8% YoY

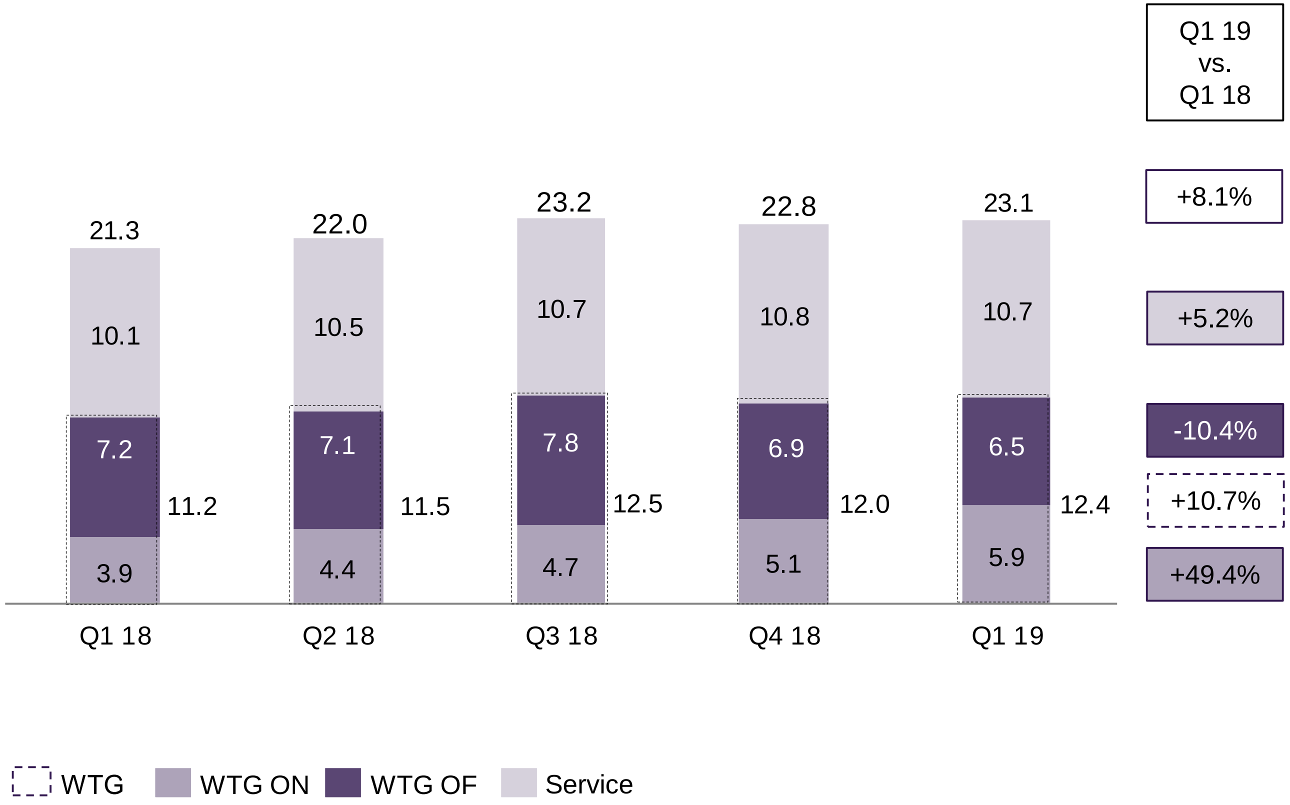
BU developments

ON order backlog (26% of total): sharp recovery from FY 17

OF order backlog (28% of total) reflects the usual volatility of OF order intake

Service order backlog (46% of total) with higher margins

Group order backlog (€bn)



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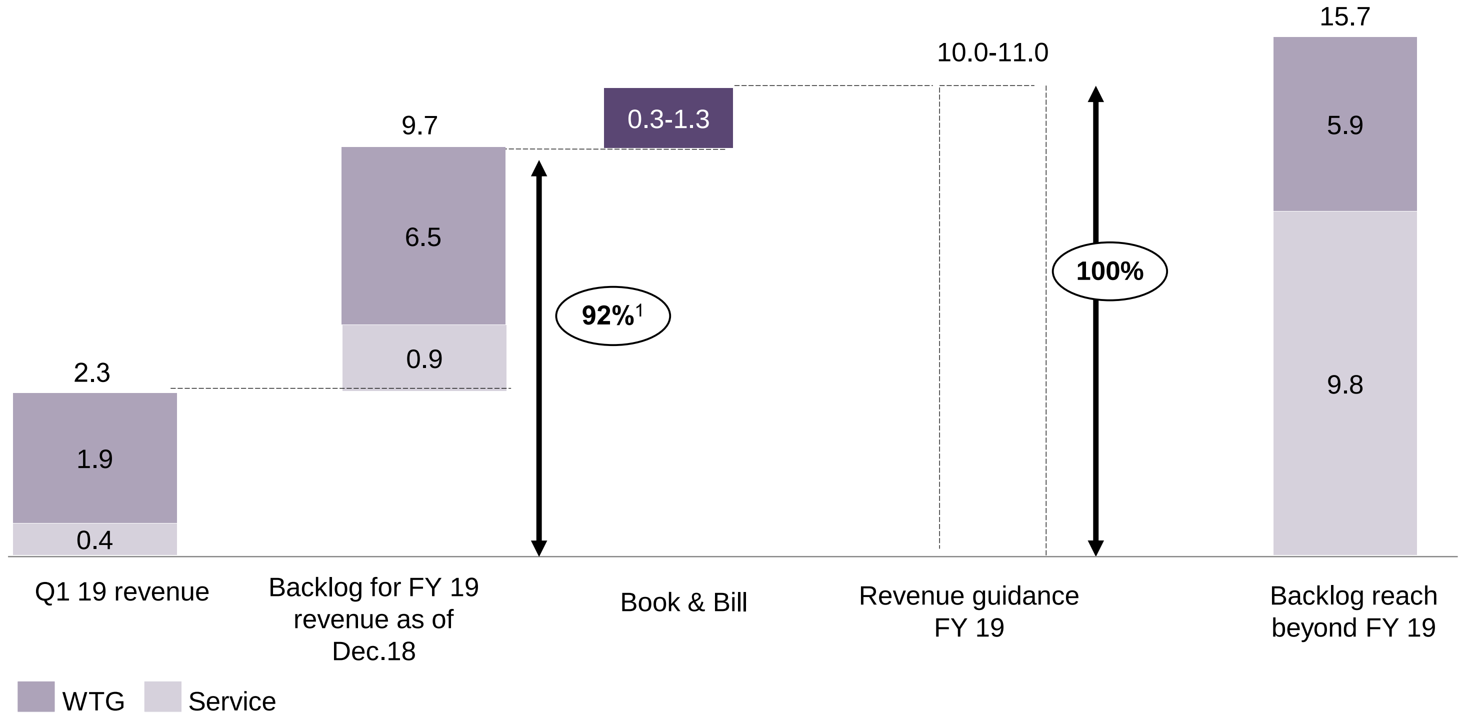
Order backlog provides enhanced visibility for 2019 and beyond

Order backlog and reach (€bn)



Business development

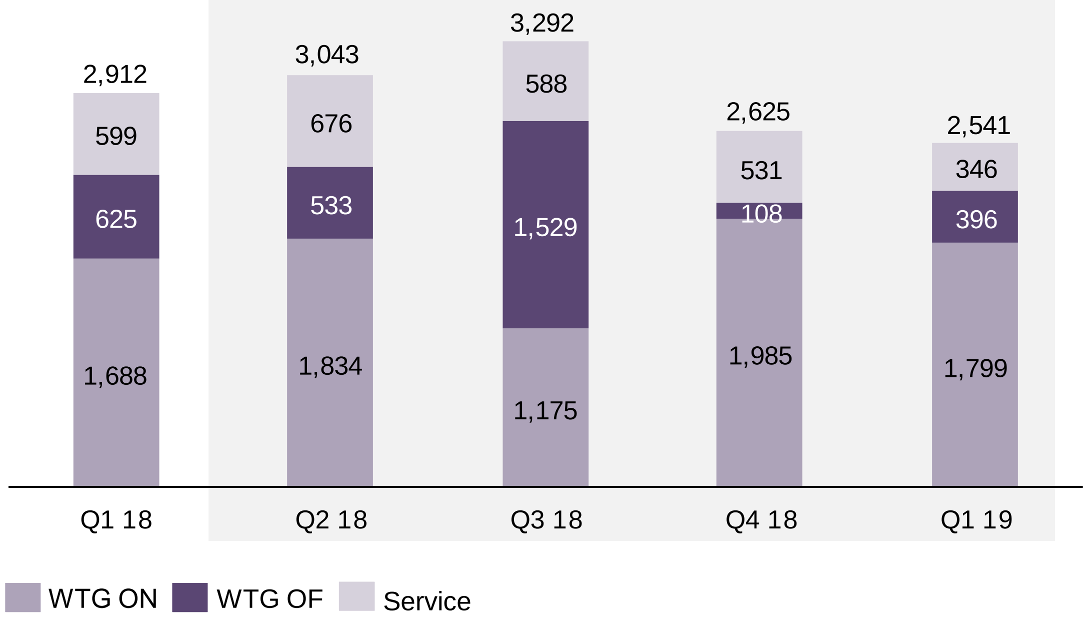
- **92% FY 19 revenue coverage**[1] as of December 31st
- **Offshore and Service:** higher level and duration of backlog
- **Onshore:** solid order backlog after order intake recovery

1) Revenue coverage: Q1 19 revenue plus order backlog (€) as of December 18 for FY 19 activity divided by the average point of the FY 19 revenue guidance range of €10bn to €11bn. Full guidance on page 24.

Order intake supported by WTG ON order intake growth. Group Book-to-Bill ratio of 1.1x

SGRE order intake (€m)

LTM order intake of €11.5bn and Book-to-Bill of 1.2x



	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19
Book-to-Bill ratio	**1.4x**	**1.4x**	**1.5x**	**1.0x**	**1.1x**

Business development

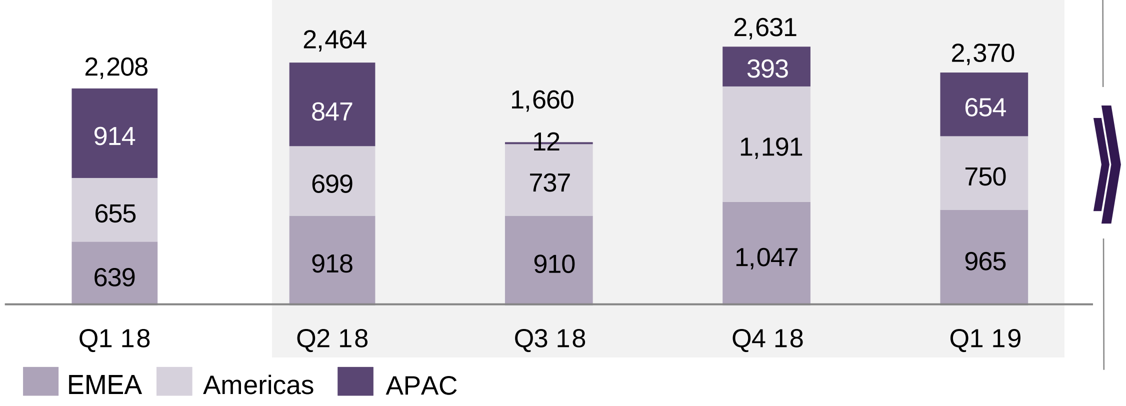
- **Q1 19 Book-to-Bill ratio: 1.1x; LTM 1.2x**
- Continuous sound performance of **WTG ON: Q1 19 order intake: €1.8bn**[1], +7% YoY
- **WTG OF order intake**: **€396m** reflects standard OF market volatility
- **Service order intake: €346m** with strong commercial activity expected in H2 19

1) WTG ON order intake includes €6m in solar orders in Q1 19, €9m in Q3 18 and €88m in Q1 18.

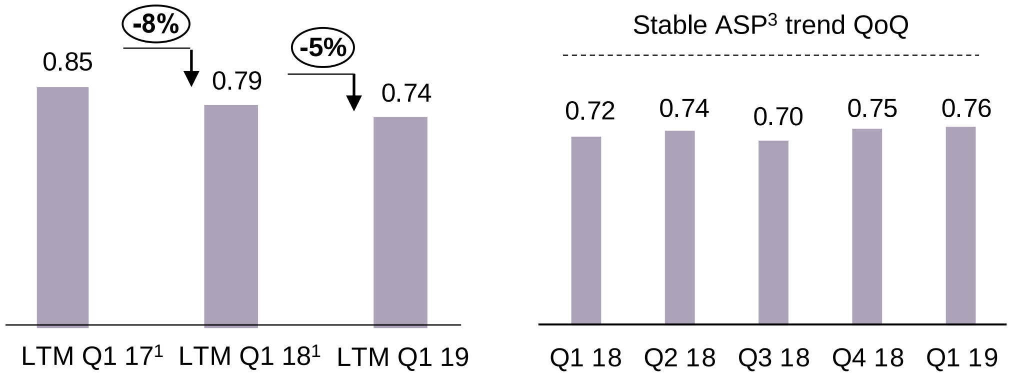
Sound WTG ON commercial activity

Order intake WTG ON (MW)[2]

LTM order intake: 9.1 GW, up 37% YoY



Average selling price[3] of order intake WTG ON (€m/MW)



Business development

- Q1 19 commercial activity driven by EMEA, LatAm and India
- India (25%), Spain (16%), US (12%), Mexico (11%), Morocco (9%) as well as Brazil and Russia (both with 8%) are the main contributors to order intake (MW) in Q1 19

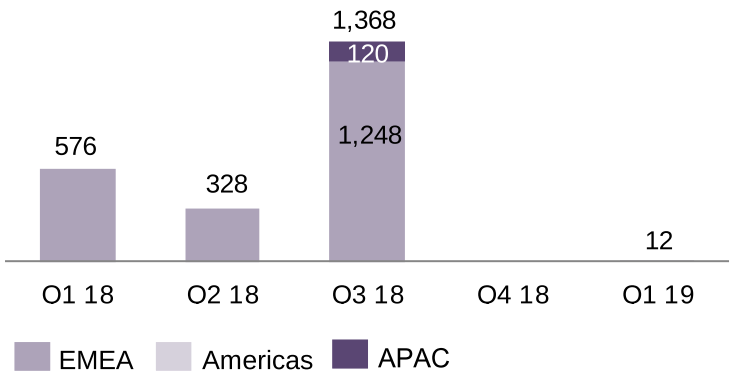
Pricing dynamics

- Ongoing market price stabilization
- Individual quarters fluctuate driven by regional mix and scope of projects

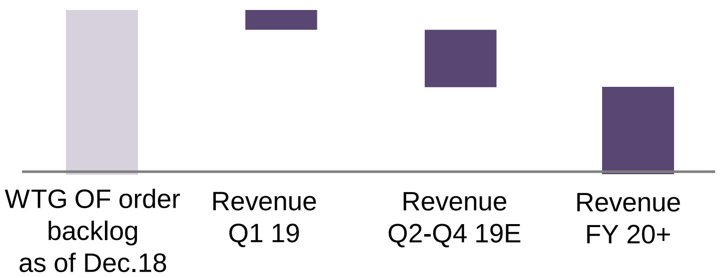
1) LTM Q1 17 and LTM Q1 18: pro forma data.
2) Order intake WTG ON (MW) includes only wind orders.
3) Order intake average selling price: order intake (€)/order intake (MW). Solar order intake is excluded from the calculation. In FY 18, the calculation excludes €88m in solar orders in Q1 18 and €9m in Q3 18. In Q1 19, it excludes €6m in solar orders.

WTG OF activity showing standard volatility

Order intake WTG OF (MW)



Conversion of order backlog (€bn)



Business development

- Standard volatility of WTG OF order intake, after peak order intake in FY 18 (2.3 GW)
- SeaMade Project in Belgium (58 SG8.0-167 DD; 487 MW) to enter the order backlog in Q2 19
- SG 10.0-193 DD introduced to the market:
  - Up to 30% more annual energy production (AEP) than its predecessor, the SG 8.0-167 DD[1]

Backlog coverage

- Offshore order backlog provides full coverage of FY 19 revenue

1) SG 8.0-167 DD named best Offshore turbine in 2018 by Windpower Monthly.

Content

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Consolidated Group – Key figures Q1 19 (October-December)

Q1 19 Financial KPIs

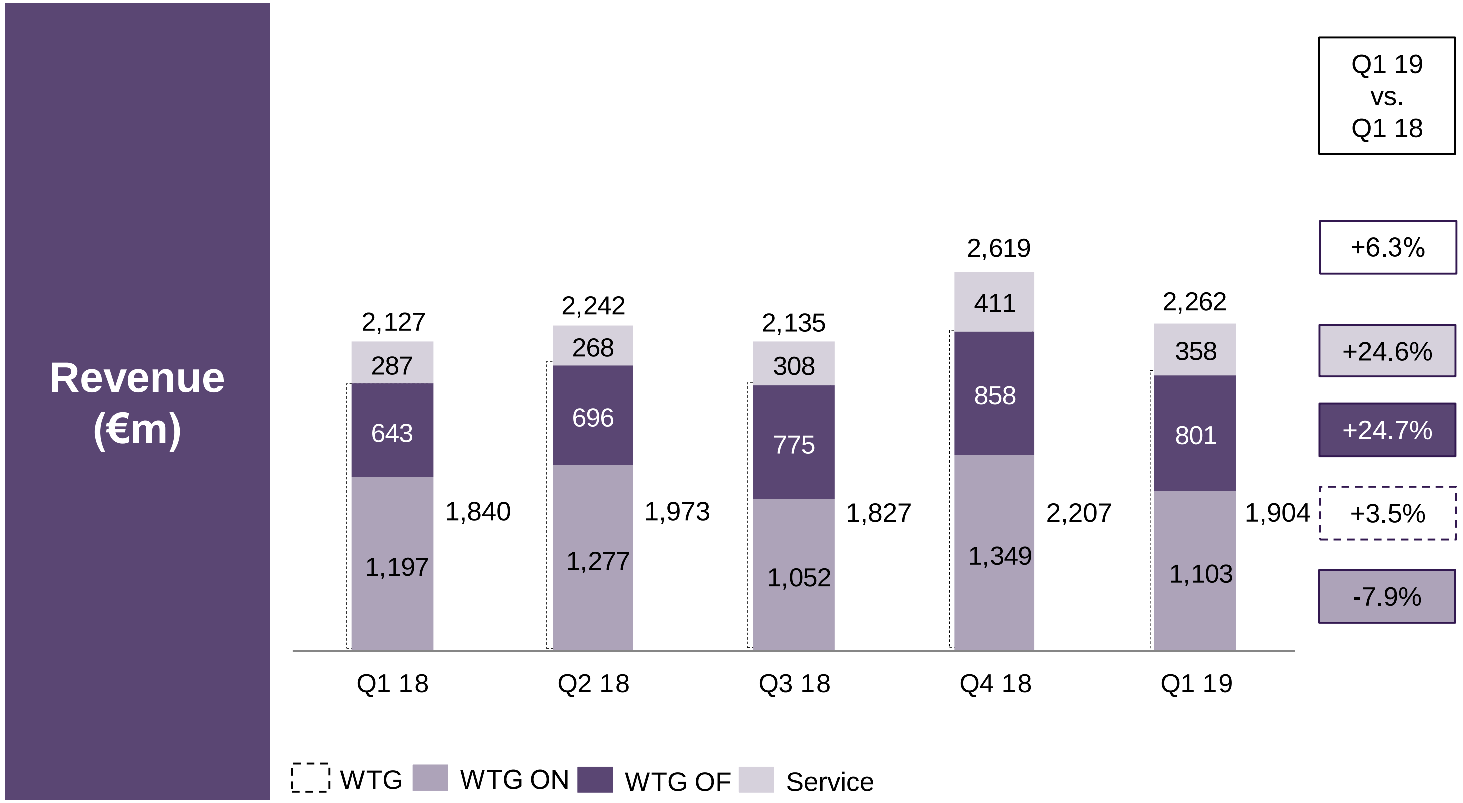
€m	Q1 18	Q1 19	Var. %
Group revenue	2,127	2,262	6%
WTG	1,840	1,904	3%
Service	287	358	25%
WTG volume (MWe)	1,997	2,129	7%
Onshore	1,651	1,520	-8%
Offshore	346	609	76%
EBIT pre PPA, I&R costs[1]	133	138	4%
EBIT margin pre PPA, I&R costs	6.3%	6.1%	-0.2 p.p.
WTG EBIT margin pre PPA, I&R costs	3.8%	2.7%	-1.1 p.p.
Service margin pre PPA, I&R costs	22.2%	24.3%	2.1 p.p.
PPA amortization[2]	83	66	-20%
Integration & restructuring costs	15	32	117%
Reported EBIT	35	40	13%
Reported Net Income to SGRE shareholders	-35	18	NA
Net Income per share to SGRE shareholders[3]	-0.05	0.03	NA
Capex	83	81	-2
Capex to revenue (%)	3.9%	3.6%	-0.3 p.p.
Working capital	-157	-27	130
Working capital to LTM[4] revenue (%)	-1.5%	-0.3%	1.2 p.p.
Net debt (Cash)	-341	-165	176
Net debt to LTM[4] EBITDA	0.39	0.19	-0.20

Comments

- **Return to revenue growth,** driven by strong Offshore and Service performance in Q1 19
  - WTG ON expected to return to growth in Q2 19
- **Lower pricing in FY 18 order backlog and lower WTG ON sales activity are the main drags on group profitability**
  - WTG ON weakness partially compensated by WTG OF strength
- **Stable gross margin pre PPA, I&R costs YoY:** 11.8% (11.7% in Q1 18)
- **Q1 19 reported net income includes:**
  - Net financial expenses of €13.6m (€13.2m in Q1 18)
  - Income tax expense of €8m (€56m in Q1 18 driven by one-off impact of US tax reform)
  - Impact of PPA on the amortization of the fair value of intangibles and of restructuring and integration costs, net of taxes, in the amount of €70m (€71m in Q1 18)
- **Net cash of €165m driven by increase in working capital ahead of peak WTG activity in FY 19 and also due to reduction of trade payables**

1) Adwen impact on Q1 19 EBIT pre PPA and I&R costs of -€2m (-€7m in Q1 18).
2) Impact of PPA on the amortization of the fair value of intangibles.
3) Reported net income per share to SGRE shareholders: reported net income to SGRE shareholder/weighted average outstanding number of shares in the period (Q1 18: 679,478,444 and in Q1 19: 679,450,733).
4) LTM data is proforma.

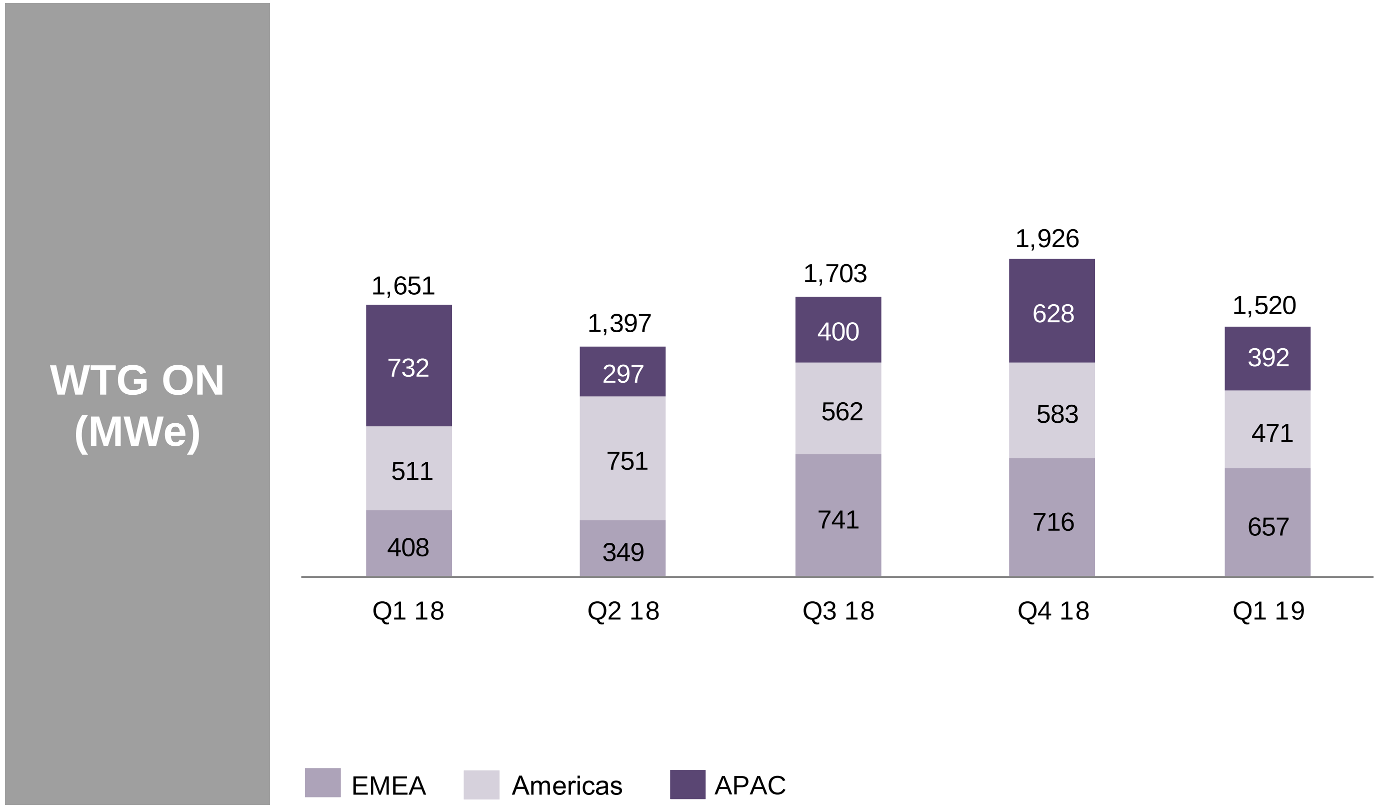
Revenue growth in Q1 19 driven by strength of WTG OF and Service



Business development

- WTG ON revenue impacted (-) by lower pricing and planned back-end loaded project execution
- WTG OF revenue impacted (+) by strong progress in project execution in Q1 19 and overall high volume of activity planned for the year
- Service revenue growth positively impacted by value added solution revenues (VAS) in Q1 19

WTG ON volume down YoY due to planned back-end loaded project execution

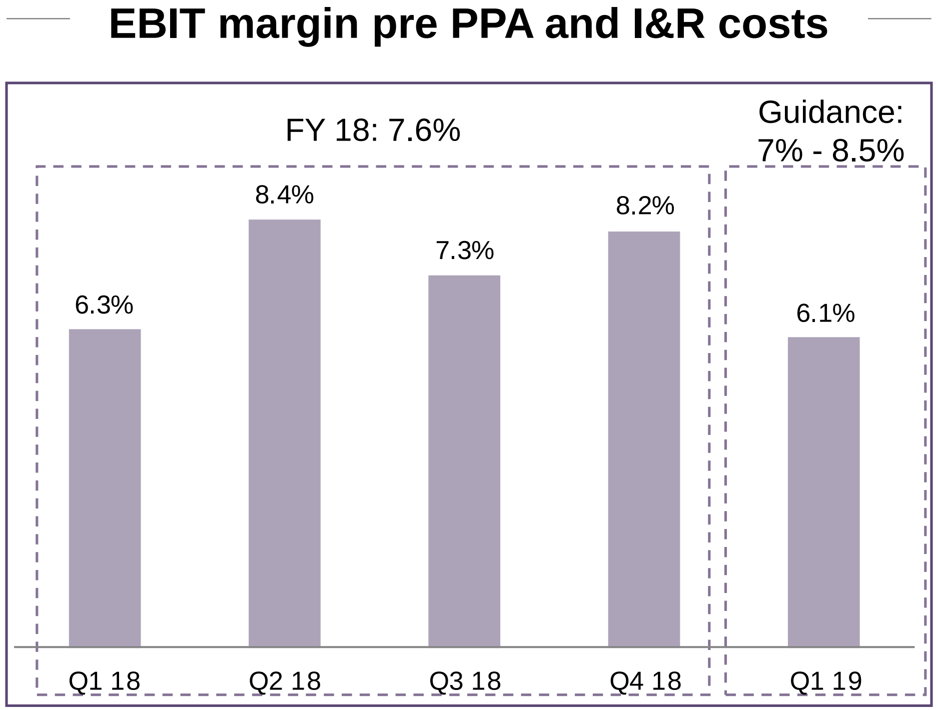


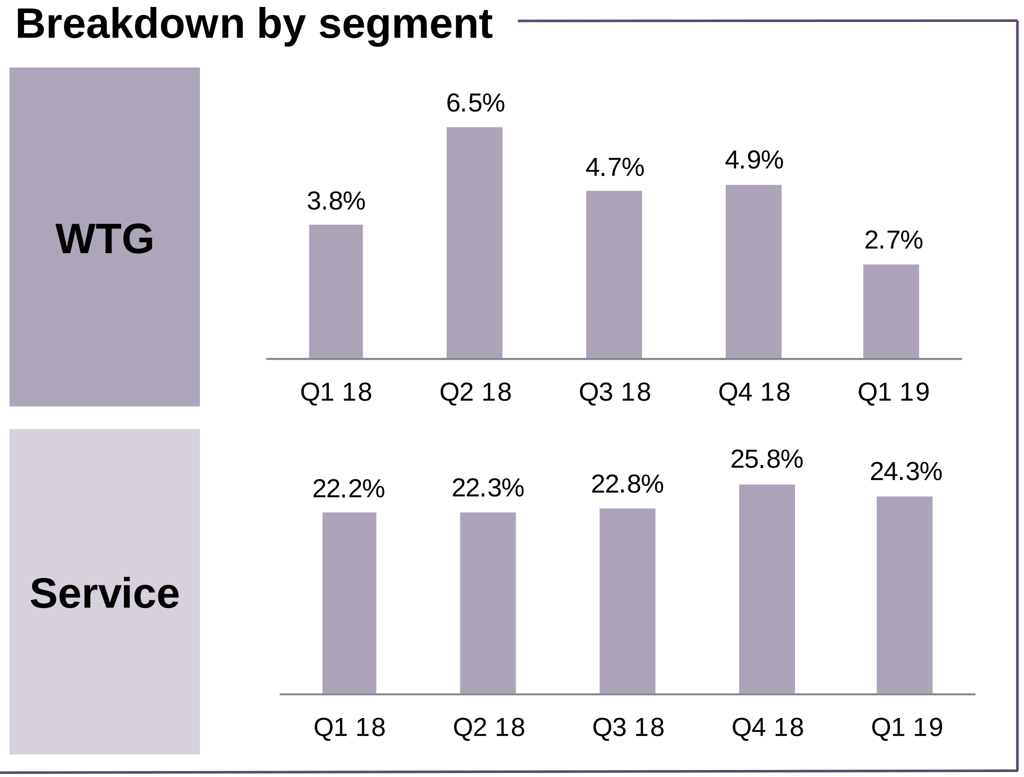
Business development

- WTG ON sales volume growth impacted by:
  - Q1 18 strength in India on the back of signature of FiT[1] projects in Gujarat
  - Back-end loaded project execution schedule
- Very diversified sales volume with activity in 23 countries during Q1 19:
  - US and Spain are the main contributors with 27% and 20% of Q1 19 sales volume respectively
  - Lower sales volume in India (9% of sales volume) is the main driver of lower APAC sales activity

1) FiT: feed in tariff.

Q1 19 EBIT margin pre PPA and I&R costs

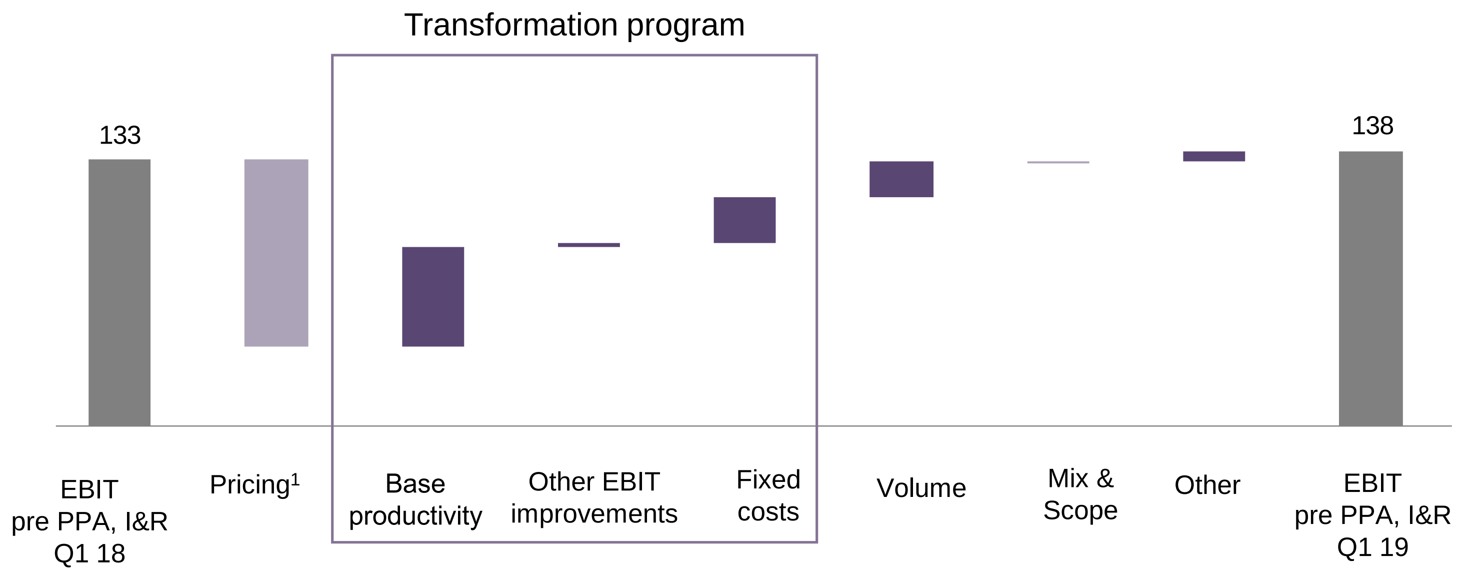




EBIT margin pre PPA and I&R costs impacted by lower pricing in the FY 18 order backlog and lower activity in WTG ON, compensated by synergies and productivity from the transformation program and strong activity in WTG OF and Service

Lower pricing in WTG ON still has the largest impact on the group EBIT evolution

Group EBIT pre PPA and I&R (€m)



Business development

- EBIT pre PPA and I&R mainly impacted by:

  (-) Pricing[1]

  (+) Volume

  (+) Productivity and synergies

Transformation program (productivity improvements, synergies and fixed cost reduction) supports partial compensation of price reductions

1) Price decline in FY 18 order backlog.

Sound balance sheet

Key Balance Sheet Positions[1]

€m	Dec. 17	Sep. 18	Dec. 18	Var. YoY	Var. Sep.-Dec. 18
Property, plant and equipment	1,492	1,443	1,419	-73	-24
Goodwill & intangibles	7,250	6,580	6,643	-607	63
Working capital[2]	-157	-542	-27	130	515
Other, net	190	307	273	84	-34
Total	**8,775**	**7,787**	**8,308**	**-466**	**521**
Net financial debt/(cash)	-341	-615	-165	176	450
Provisions[3]	2,681	2,445	2,390	-291	-55
Equity	6,410	5,926	6,055	-355	128
Other liabilities	24	31	29	4	-2
Total	**8,775**	**7,787**	**8,308**	**-466**	**521**
Working capital	-157	-542	-27	130	515
Working capital o/LTM revenues[4]	-1.5%	-5.9%	-0.3%	1.2 p.p.	5.6 p.p.
Provisions[3]	2,681	2,445	2,390	-291	-55
Net financial debt/(cash)	-341	-615	-165	176	450
Net debt to LTM EBITDA[5]	-0.4	-0.7	-0.2	0.2	0.5

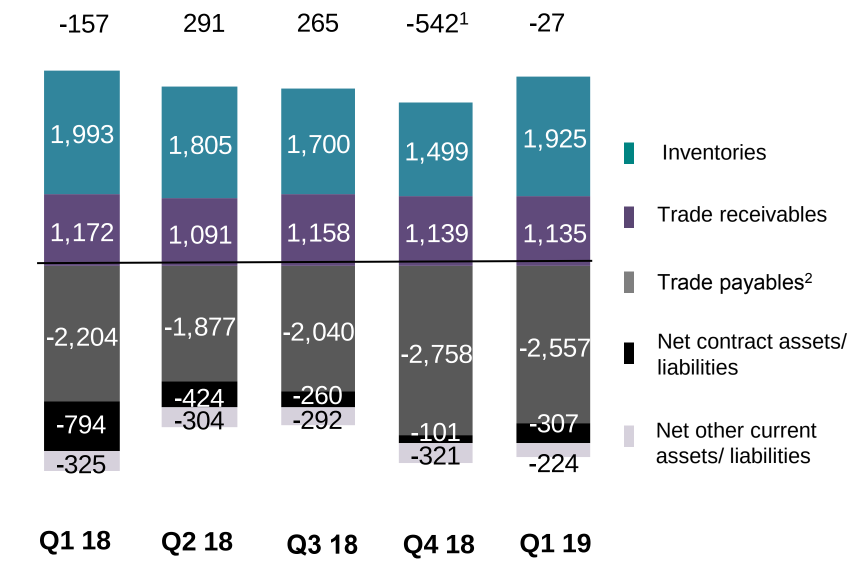
Comments

- Net cash of €165m on the back of:
  - Working capital investment (€130m YoY and €515m since end of September 2018) driven by strong sales activity planned for FY 19. Additional impact from reduction in trade payables
- €900m green guarantee line

1) Summarized balance sheet showing net positions mainly on the asset side.
2) Working Capital includes non-interest bearing liabilities to related parties (see footnote 2 in slide 18).
3) Within group provisions, Adwen provisions stand at €836m after a provision use of €29m in Q1 19 and ordinary provision charge of €27m in Q1 19 (due to the final handover from customer). Adwen provisions include mainly warranty provisions and provisions for onerous contracts.
4) LTM (last 12 month) pro forma revenue for Dec. 17 and Sep. 18.
5) LTM reported EBITDA Dec. 18: €849m; LTM reported pro forma EBITDA Dec.17: €869m.

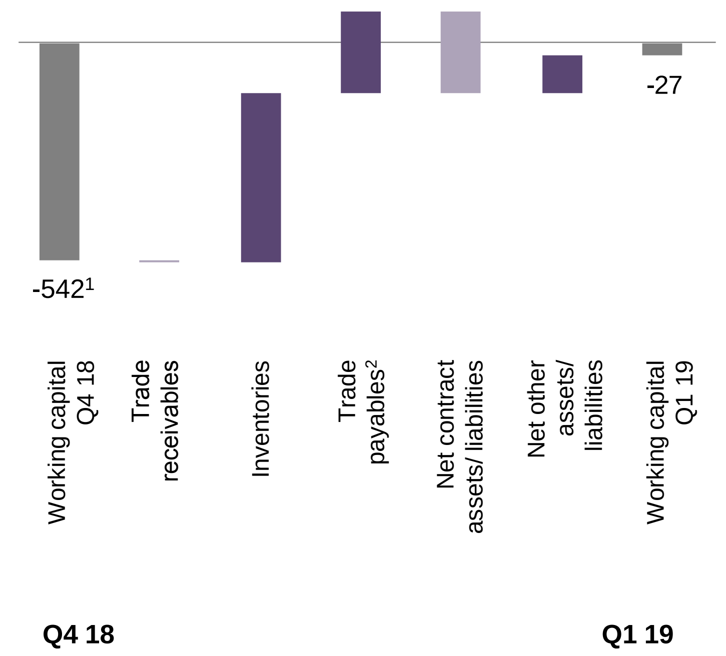
Working capital driven by project execution planning and peak activity levels in FY 19

Working capital annual trend (€m)



-1.5%	+3.1%	+3.0%	-5.9%	-0.3%	Working capital to revenues
FY 18 Target: -3% to +3%				FY 19 Target <2%	

Working capital trend QoQ (€m)



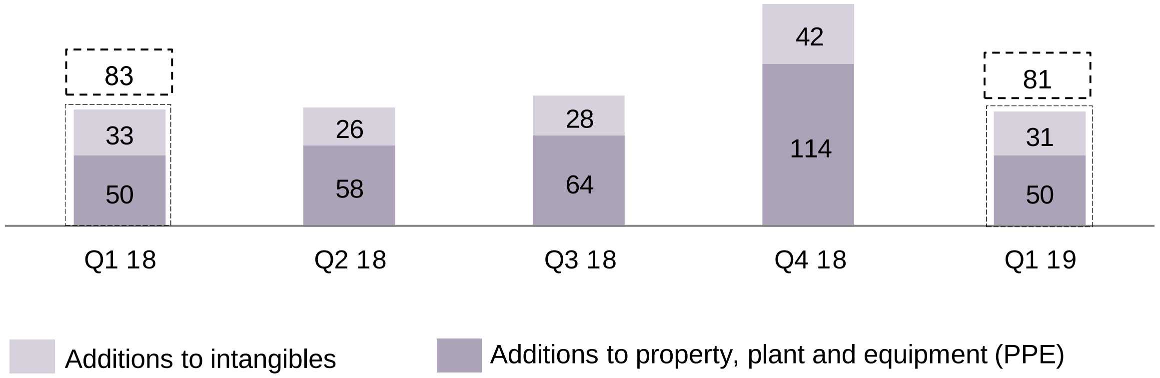
Comments

- **Working capital:** + €130m YoY and €515m QoQ, **to address:**
  - **Strong sales activity levels in FY 19:** expected average revenue growth of 15% YoY
  - Back-end loaded execution planned for WTG ON
- Q1 19 working capital increase impacted by reduction of trade payables
- **Continuous focus on working capital management** with impact on trade receivables and payables

1) The Group has adopted IFRS 9 for the fiscal year beginning as of October 1, 2018. The new impairment model of IFRS 9 has increased valuation allowances by €6.4m, which have been recorded by adjusting reserves by €4.6m, net of its corresponding tax effect. See annex with alternative performance measures in the activity report.
2) Trade payables include non-interest bearing liabilities to related parties (see footnote 2 in slide 17).

Rigorous control over planned and actual spending: "smart" CAPEX policy

Capital expenditure development (€m)



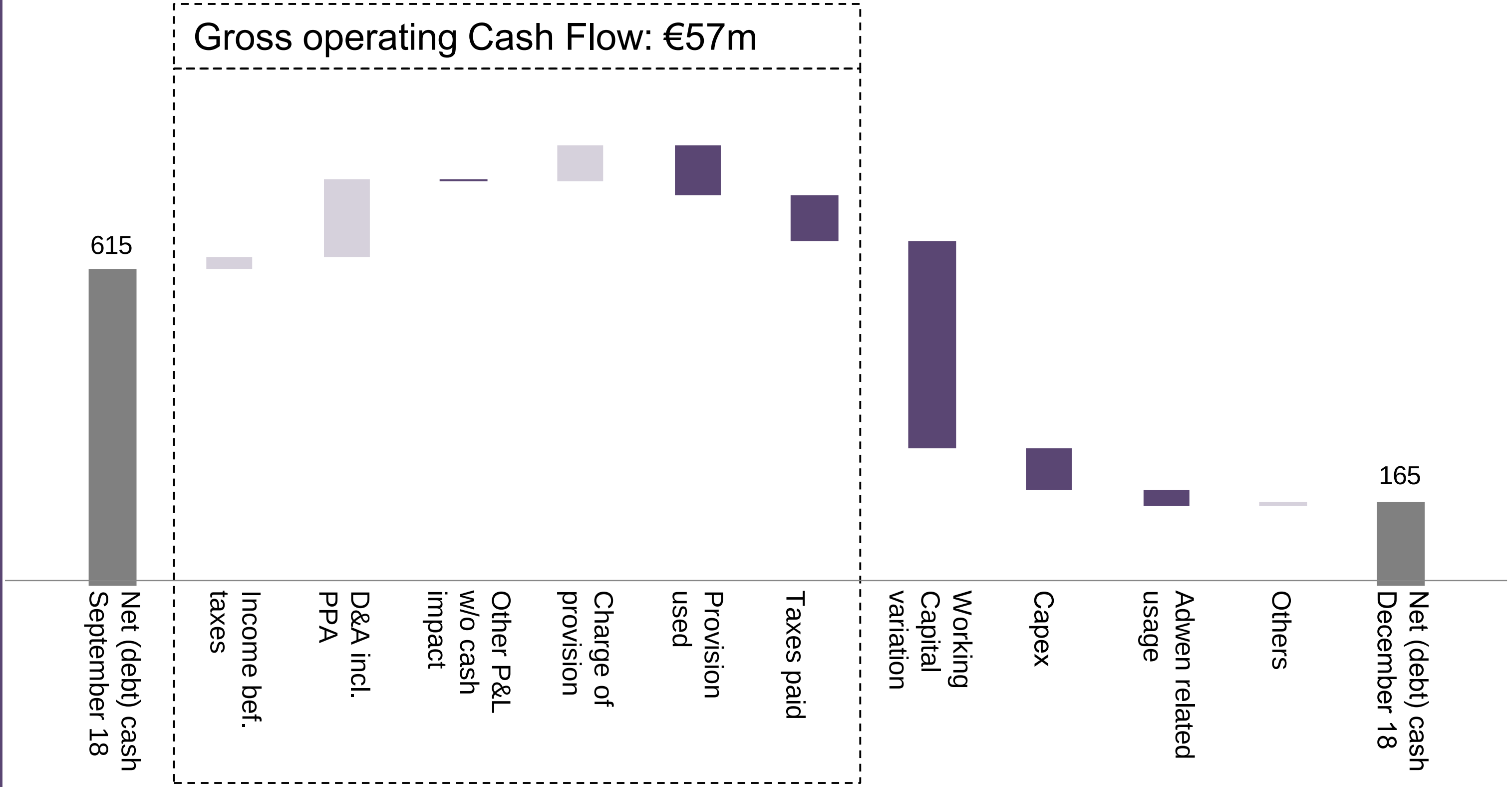
	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19	Target
CAPEX (% of revenue)	3.9%	3.7%	4.3%	6.0%	3.6%	**< 5%**
Reinvestment rate	1.1x	1.0x	1.5x	1.3x	1.0x	**~ 1x**

Comments

- Main investments in tooling, blade molds and product portfolio R&D
- **CAPEX < 5% of revenue, on target level**

Reduction in net cash position driven by working capital investment in preparation for high activity in FY 19

Net (debt)/Cash Variation Q1 19 (€m)



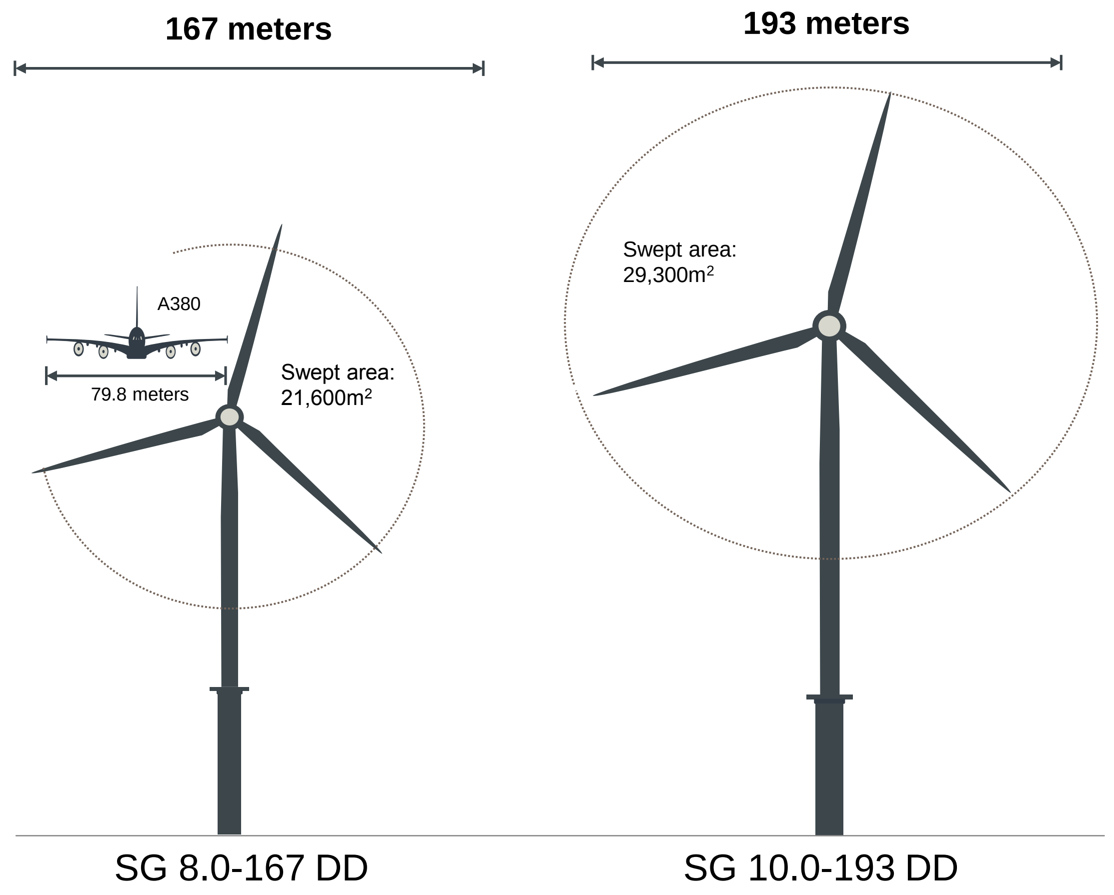
Comments

- Reduction in net cash position driven by working capital investment, to accommodate peak activity levels (€515m cash effect)
- Total Adwen related provision usage to date: €29m in Q1 19

Content

SG 10.0-193 DD introduced to the market: high energy yield and unmatched reliability

Rotor size: SG10.0-193 DD vs. SG 8.0-167 DD



- Proven technology
- High profitability alongside reduced risk
- 30% more AEP than its predecessor
- Designed for all wind conditions
- Serial production beginning in 2022

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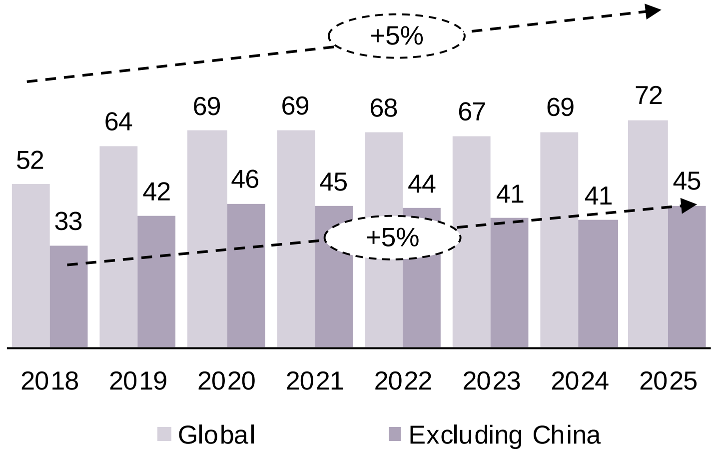
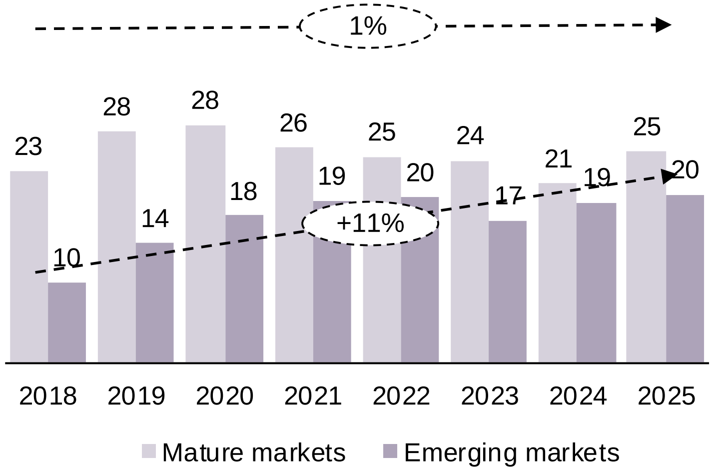
Sound wind market growth prospects

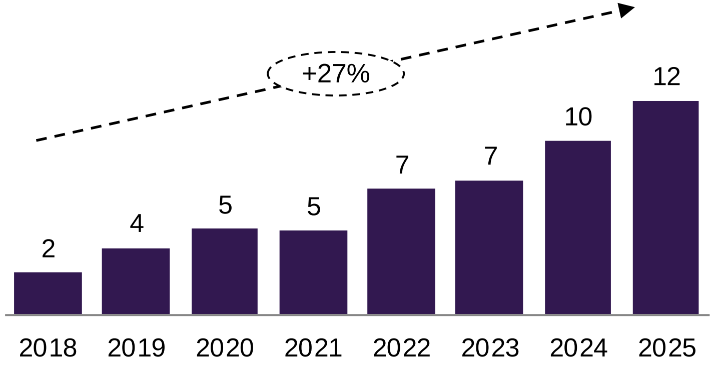
Global wind market installations - ON and OF (GW/year)[1]



Global wind market installations excl. China - ON and OF (GW/year)[1]



Global wind OF market installations (GW/year)[1]



% CAGR 2018-2025E

1) Source: Wood Mackenzie market outlook Q4 18.

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Q1 19 performance in line with FY 19 guidance given project execution timing in WTG ON

Guidance FY 19

	Q1 19	FY 19 E[1]
Revenue (in €m)	2,262	10,000 - 11,000
EBIT margin pre PPA and I&R costs (in %)	6.1%	7% - 8.5%

Comments

- FY 19 revenue coverage of 92%[2]
- Additional synergies of 1.2% of revenues by end of FY 19 included in margin expectations. Estimated FY 19 impact of:
  - PPA amortization of intangible fair value: €250m (€66m in Q1 19)
  - Integration and restructuring costs: €130m (€32m in Q1 19)
- Strong seasonality expected with a stronger second half driven by project execution timing and cost optimization programs
- Margin guidance range driven by
  - FY 19 headwinds incl. commodity pricing and emerging market volatility
  - Productivity measures and speed on the execution of the transformation program

FY 19 guidance confirmed based on planned back-end loaded project execution

1) This outlook excludes charges related to legal and regulatory matters and it is given at constant FX rates.
2) Revenue coverage: order backlog (€) for FY 19 activity divided by the average point of FY 19 revenue guidance range: €10bn - €11bn.

Conclusions

Wind market growth prospects remain strong, specially in Offshore

- SG 10.0-193 DD introduced to the market: high energy yield and unmatched reliability. Serial production expected to begin in 2022

Sound commercial activity supports growth in FY 19 and beyond

- Q1 19 order backlog: €23bn, up 8% YoY, with FY 19 revenue coverage of 92%[1]
- Stable ASP[2] in WTG ON order intake

Q1 19 financial performance in line with guidance given project execution timing in WTG ON

- Q1 19 revenue: €2,262m, up 6% YoY, with an EBIT margin pre PPA and I&R costs of 6.1%[3]
  - WTG ON weakness partially compensated by WTG OF strength
- Net cash position of €165m driven by working capital investment in preparation for peak WTG activity

1) Revenue coverage: Q1 19 revenue plus order backlog (€) as of December 18 for FY 19 sales activity divided by the average point of the FY 19 revenue guidance range of €10bn to €11bn. Full guidance on page 24.
2) ASP: average selling price (see glossary).
3) EBIT pre PPA and I&R costs excludes the impact of PPA on the amortization of intangibles: €66m, and integration and restructuring costs: €32m in Q1 19.

Annex

Value creation secured by stringent financial management

Grow top line
- **Grow** in MW and EUR **faster than the market**
- **Book to Bill > 1** every year

Financial management

Enhance capital efficiency
- **ROCE 8-10%**
- **Dividend policy:** 25 % of net income

Drive profitability
- **EBIT** margin excl. PPA, integration and restructuring costs**: 8-10%**

Strengthen balance sheet & cash management
- **CAPEX** < 5% of sales and reinvestment rate ~ 1
- **Working capital** < 2% of sales
- **Cash conversion rate** (excl. Adwen) > 1 – growth
- **Net financial debt / EBITDA** < 1.0x

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

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 revenues 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).

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

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

Glossary & Definitions for Additional Performance Measures

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**.**

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.