
Q3 22
RESULTS
August 2, 2022
SIEMENS Gamesa
RENEWABLE ENERGY

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**Note on alternative performance measures (APMs)**

This document includes supplemental financial measures that are or may be alternative performance measures (non-GAAP-measures). These supplemental financial measures should not be viewed in isolation or as alternatives to measures of Siemens Gamesa´s net assets and financial position or results of operations as presented in its consolidated financial statements. Other companies that report or describe similarly titled alternative performance measures may calculate them differently. The definitions and reconciliation of the alternative performance measures that are included in this presentation are disclosed in the Activity Report associated to these and previous results. The glossary of terms is also included in the Activity Report associated to these results.

# Q3 22 Key points

# Key points

- ✓ **Record order backlog: €34bn with €3.5bn in order intake in Q3 22** driven by **strong performance in Offshore**
  - Sequential recovery of Onshore commercial activity maintaining an **upward trend in Onshore WTG ASP**
- ✓ **Q3 22 revenue of €2.4bn and EBIT margin**[1] **of -14.1%**[2] impacted by higher costs including those driven by component failures and repairs mainly in Onshore legacy platforms (c. -€113m or c. -4.6% over revenue) which had a special impact on Service performance in Q3 22
  - Service EBIT margin expected to recover in Q4 22
- ✓ **Net debt of -€2.3bn** as of June 30, with **strong access to liquidity**: €3.0n and **no major short-term debt maturities** (refinancing signed July 27)
  - **Very good progress on the closing of the Asset Sale** with cash collection of c. €540m expected during Q4 22
- ✓ **FY22 targets**[3]**, reflecting challenging market conditions, adapted to integrate Q3 22 performance, including the impact of higher costs mainly driven by components failures and repairs in Onshore legacy platforms**
  - FY22 revenue growth of c. -9% YoY and EBIT margin[1] of c. -5.5% both considering the impact of the Asset Disposal
- ✓ **Mistral to act upon negative short-term EBIT margin**[1] **performance (FY22 / FY23) and help deliver long-term vision** (timing subject to market conditions)
  - Staffing and footprint optimization actions launched
- ✓ **Secular growth supported by climate change ambitions and need for energy independence**

1) All references to EBIT margin are to EBIT margin pre PPA and I&R costs
2) EBIT margin pre PPA and I&R costs, excluding the impact of PPA on the amortization of intangibles: -€55m in Q3 22 and the integration and restructuring costs: -€62m in Q3 22. The consideration of higher costs and the update of the assumptions for market and production conditions in the evaluation of the WTG Onshore order backlog has led to a negative EBIT impact in the amount of c. -€185m in Q3 22, mainly due to cost estimate deviations in onerous contracts
3) These targets exclude charges related to legal and regulatory matters and portfolio and currency effects. It does not include any impact from a potential lockdown of manufacturing activities or severe disruptions to the supply chain due to COVID-19 developments

# Outstanding ESG[1] performance and recognition by ESG rating agencies

- **Top ranking** in the sector by ESG Rating agencies: FTSE Russell (#1), ISS[2] ESG (#1), Moody's ESG (Vigeo Eiris) (#2) and S&P Corporate Sustainability Assessment-DJSI (#2)
- **Top rating in S&P ESG Evaluation 83/100 (#2 in Spain and #12 worldwide) confirmed in two consecutive years (July 2022)**
- **Top percentile** by ESG Rating agency Sustainalytics (97/100) - Member of Industry Top Rated list

## Awards and recognitions

## Member of ESG indices with top scores from ESG rating agencies

1) ESG: Environmental, Social and Governance
2) ISS ESG is a division of the ISS (Institutional Shareholder Services) group that, among other activities, rates the sustainability of listed companies on the basis of their environmental, social and governance performance

# Commercial activity


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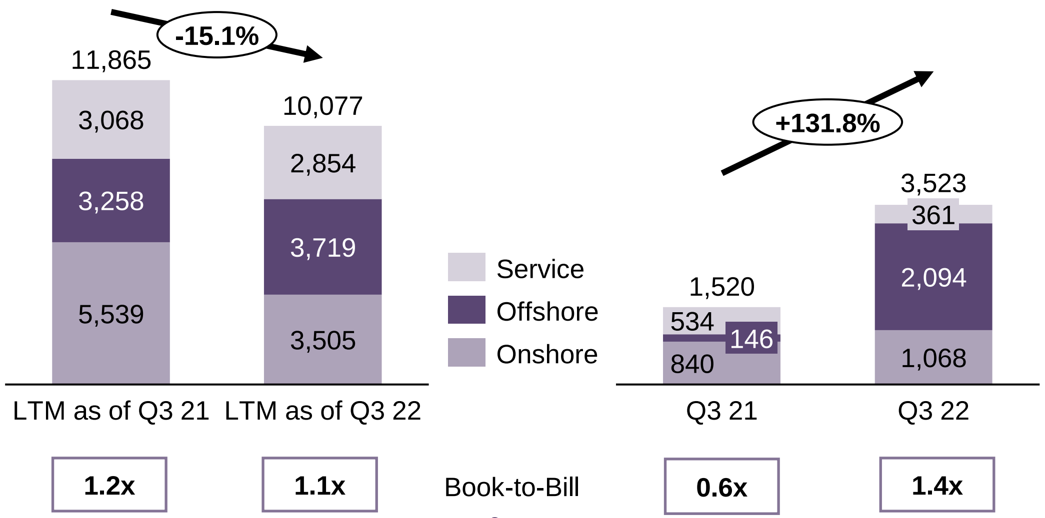
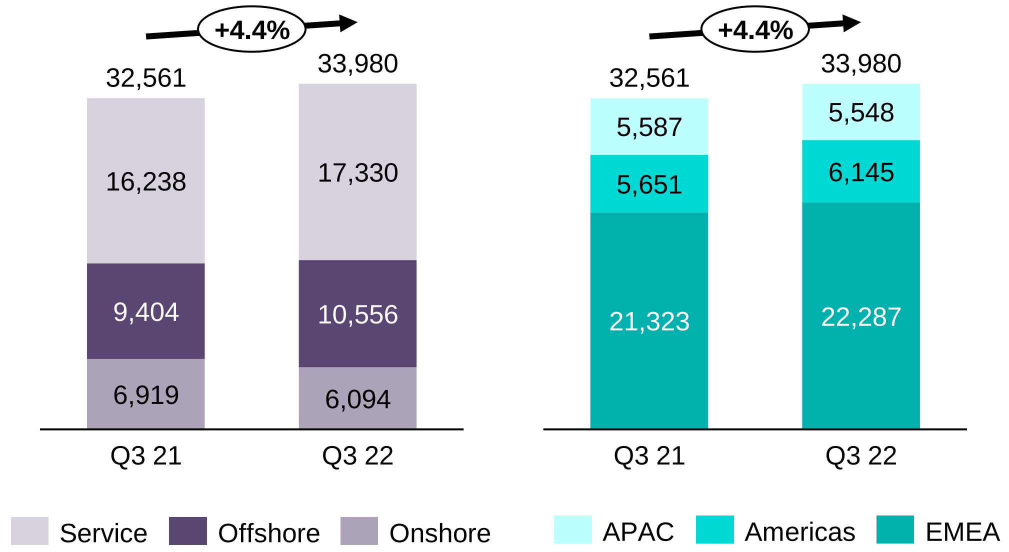
# Record order backlog: €34.0bn, up 4% YoY, with order intake of €3.5bn in Q3 22

## Order intake[1] LTM[2] and Q3 (€m)




## Order backlog (€m)




**Q3 22 order intake** driven by **strong Offshore performance and the recovery of Onshore commercial activity**

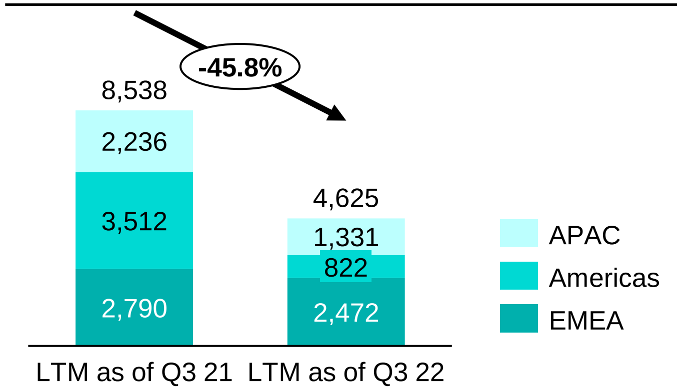
- Scope adjustments impacting Service

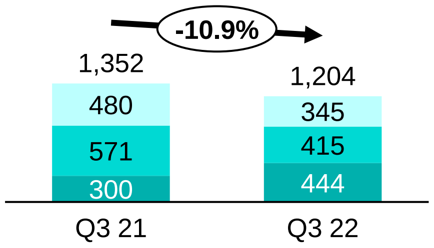
**>80% of the order backlog linked to markets with strong execution and above average growth prospects**

1) No solar orders in LTM as of Q3 22 (LTM as of Q3 21 of €35m) and none in Q3 22 (-€16m in negative change orders in Q3 21)
2) LTM: Last twelve months (applicable throughout this document)

# Sequential recovery of Onshore order intake in Q3 22 with upward trend in ASP

**Onshore order intake[1] LTM and Q3 (MW)**




**QoQ recovery of order intake: 1.2 GW in Q3 22** (0.3 GW in Q2 22**)** driven by Americas and APAC

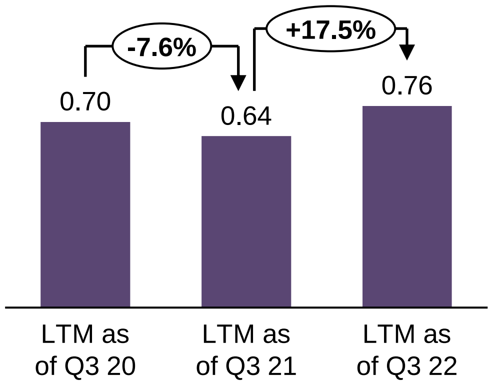
- **84% of volume in 4 MW+ new platforms**

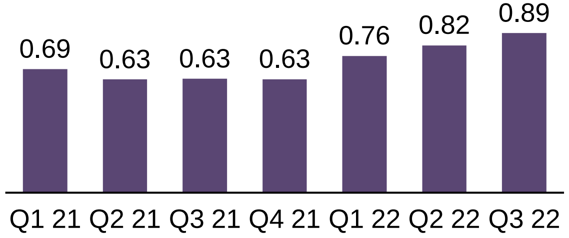
**Selective commercial strategy in place**

- Siemens Gamesa 5.X order intake progress aligned with platform stabilization and manufacturing ramp-up

**Protracted negotiations continue**

**Average selling price of Onshore order intake (€m/MW)**




**Upward trend in ASP maintained,** reflecting:

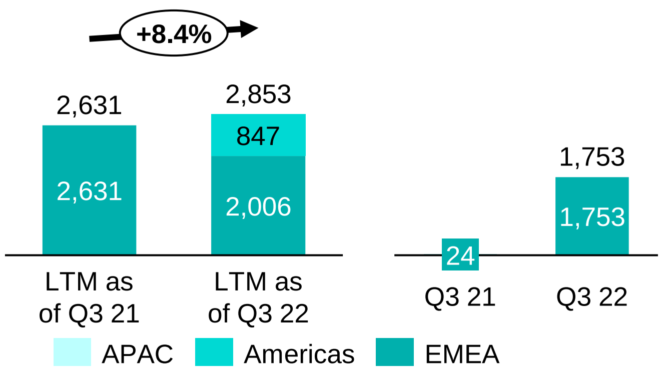
- Positive impact from project scope, product and regional mix, price increases
- Q3 22 ASP boosted by change orders but positive trend remains

**Price increase actions combined with cost mitigation programs to improve value** throughout the wind chain

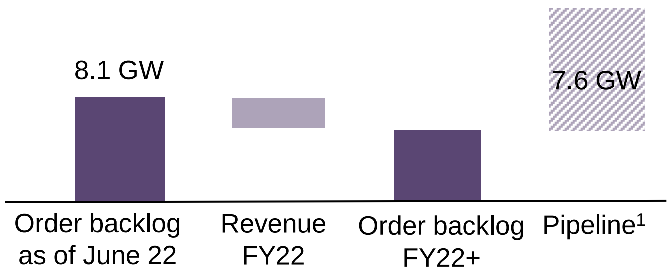
1) Onshore order intake (MW) and average selling price of Onshore order intake includes only wind orders

# Leading competitive positioning in Offshore: c. 16 GW between order backlog and pipeline

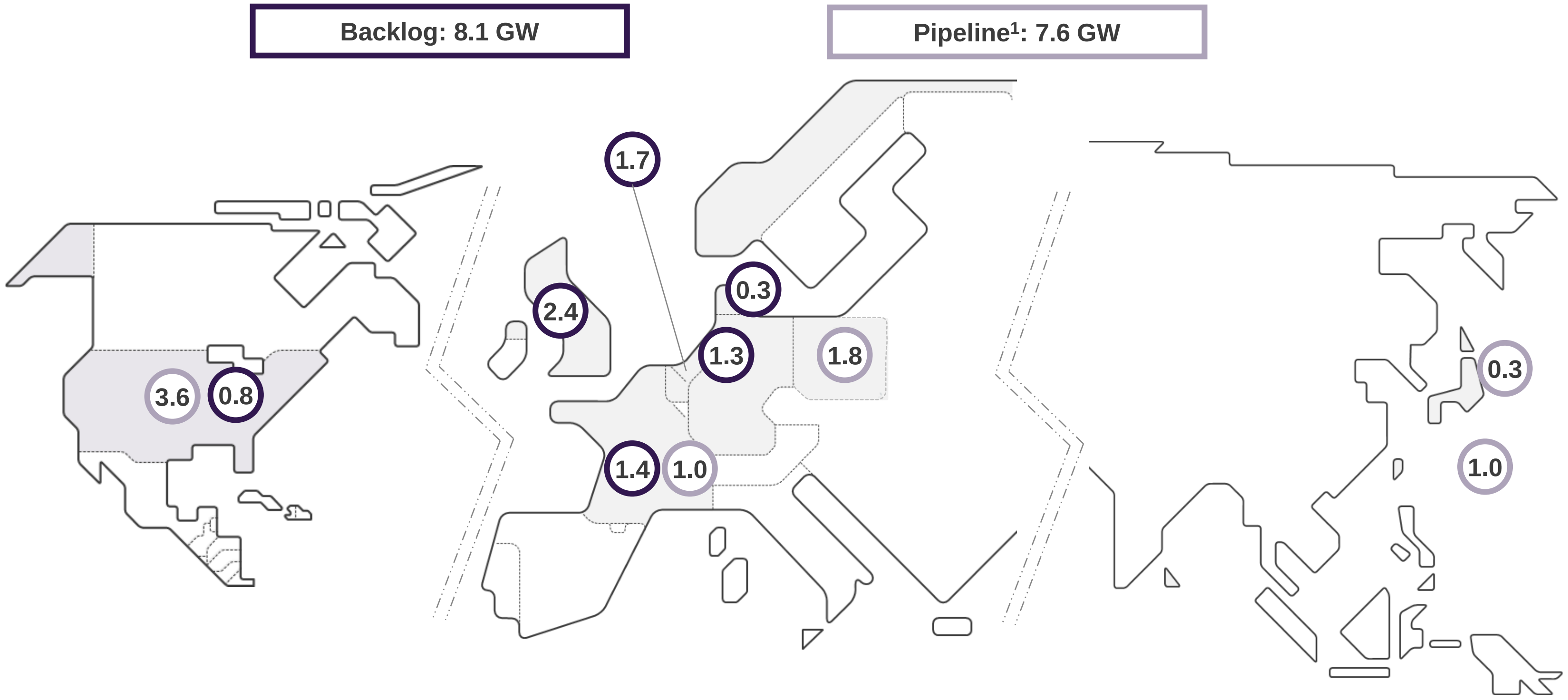
## Offshore order intake (MW)




## Offshore backlog and pipeline[1]




## Backlog and pipeline[1] (GW)

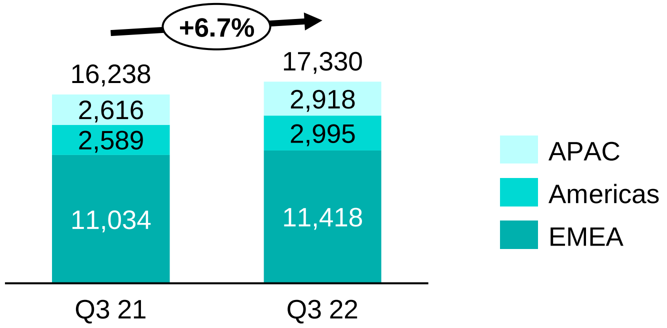



**First SG 11 MW WTG installed**
**Total order intake and pipeline[1] for the SG 14 of c. 8 GW**
**New preferred supply agreement in Poland**: F.E.W. Baltic II (350 MW)
**Strongly positioned in the UK market** after CfD round 4 results

1) Pipeline made of preferred supply agreements and conditional orders that are not part of SGRE's Offshore backlog

# 51% of the Group backlog comes from Service

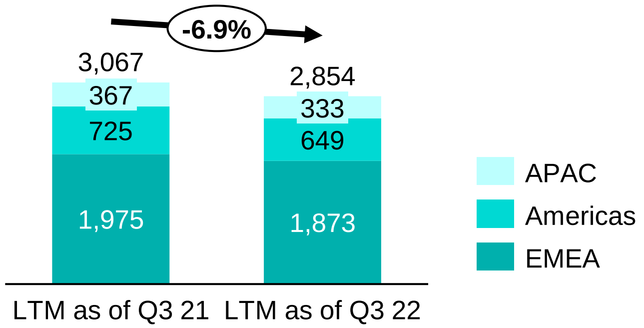
**Service order backlog (€m)**

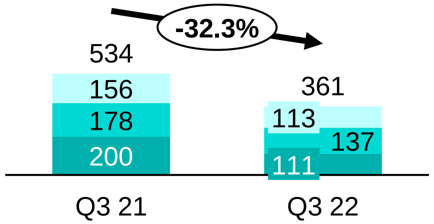



**€17,330m or 51% of order backlog in Service**

- 84 GW (+8% YoY) under maintenance with 69 GW in Onshore and 15 GW in Offshore
- Retention rate of 68%

**Service order intake LTM as of Q2 and Q2 (€m)**




**Sound commercial performance**

- Q3 22 performance impacted by contract scope adjustment
- Book-to-Bill: 1.4x in LTM as of Q3 22 and 0.7x in Q3 22

# Q3 22 Results & KPIs

# Consolidated Group – Key figures

| Group P&L (€m) | Q3 21 | Q3 22 | Var. YoY | 9M 22 | Var. YoY |
|---|---|---|---|---|---|
| Group revenue | 2,704 | 2,436 | -9.9% | 6,442 | -12.2% |
| EBIT pre PPA and I&R costs | -151 | -343 | -- | -957 | -- |
| EBIT margin pre PPA and I&R costs | -5.6% | -14.1% | -8.5 p.p. | -14.8% | -16.0 p.p. |
| PPA amortization[1] | -56 | -55 | -3.0% | -168 | -4.0% |
| Integration & restructuring costs | -31 | -62 | 100.6% | -97 | -35.2% |
| Reported EBIT | -238 | -459 | 93.0% | -1,221 | -- |
| Net interest expenses | -9 | 5 | -- | 16 | -- |
| Tax expense | -71 | 5 | -- | -28 | -71.1% |
| Reported net income to SGRE shareholders | -314 | -446 | 41.9% | -1,226 | -- |
| | | | | | |
| CAPEX (€m) | 163 | 183 | 20 | 503 | 51 |
| CAPEX to revenue (%) | 6.0% | 7.5% | 1.5 p.p. | 7.8% | 1.7 p.p. |
| Balance Sheet (€m) | | | | | |
| Working capital | -1,621 | -1,745 | -124 | -1,745 | -124 |
| Working capital to LTM revenue (%)[2] | -15.9% | -18.8% | -2.9 p.p. | -18.8% | -2.9 p.p. |
| Provisions[3] | -2,274 | -2,339 | -65 | -2,339 | -65 |
| Net (debt)/cash[4] | -838 | -2,275 | -1,437 | -2,275 | -1,437 |
| Net (debt)/cash to LTM EBITDA[2] | -2.25 | -- | -- | -- | -- |

1) Impact of PPA on the amortization of the fair value of intangibles
2) LTM revenue of €9,304m and LTM EBITDA as of June 22: -€666m
3) Within total provisions, Adwen provisions stand at €353m
4) Short- and long-term lease liabilities included in net debt amounted to €866m as of June 30, 2022 (€822m as of June 2021)

**Top line decline** mostly driven by the impact of Siemens Gamesa 5.X ramp-up challenges and supply chain disruptions on WTG manufacturing and project execution activity

**EBIT pre PPA and I&R costs** impacted by

- Cost increases driven by supply instability and delays in projects execution and ramp-up challenges for Siemens Gamesa 5.X
- Low WTG manufacturing activity: idle capacity costs and low fix cost absorption. Offshore activity also with additional costs linked to capacity ramp-up
- Q3 22 higher costs mostly driven by component failures and repairs in legacy Onshore WTG platforms

**Q3 22 Integration and restructuring** costs of -€62m driven mainly by optimization of footprint and end-to-end digitalization and IT digital office projects (-€97 in 9M 22)

**Net interest income** includes impact of increase interest rates on the actual value the provisions in the balance sheet (€18m in Q3 22)

**Tax expense** driven by the accrued losses and non-capitalized tax assets

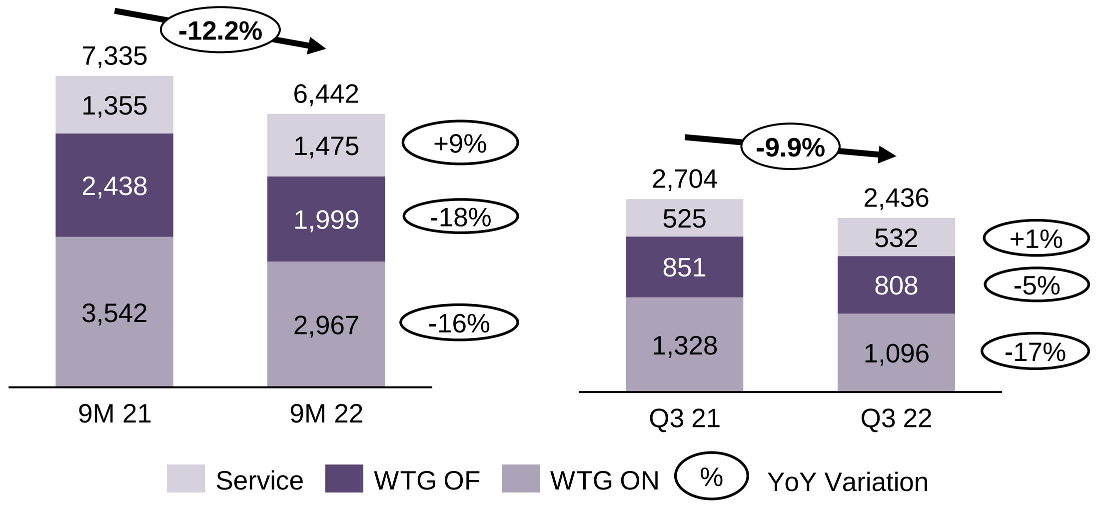
**Reported net income** to SGRE shareholders of -€446m in Q3 22 (-€1,226 in 9M 22) includes PPA amortization[1] net of taxes of -€39m (-€119m in 9M 22) and I&R cost net of taxes of -€45m (-€70m in 9M 22)

**Q3 22 CAPEX** of €183m (€503m in 9M 22) reflects investment for future growth:

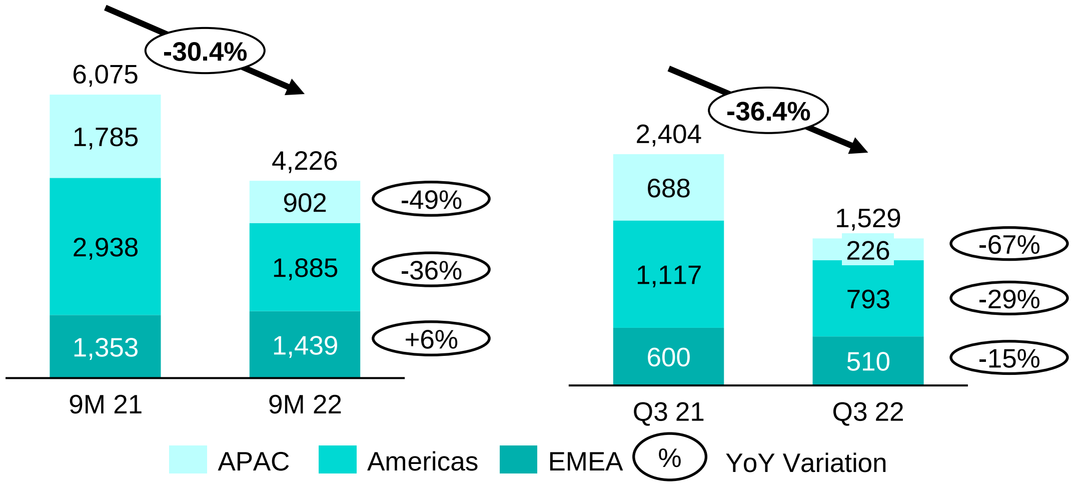
- Extension of Offshore capacity in Europe mainly
- R&D related to new Onshore and Offshore products

# Revenue performance impacted by supply chain disruptions and SG 5.X ramp-up challenges

**Group revenue (€m)**



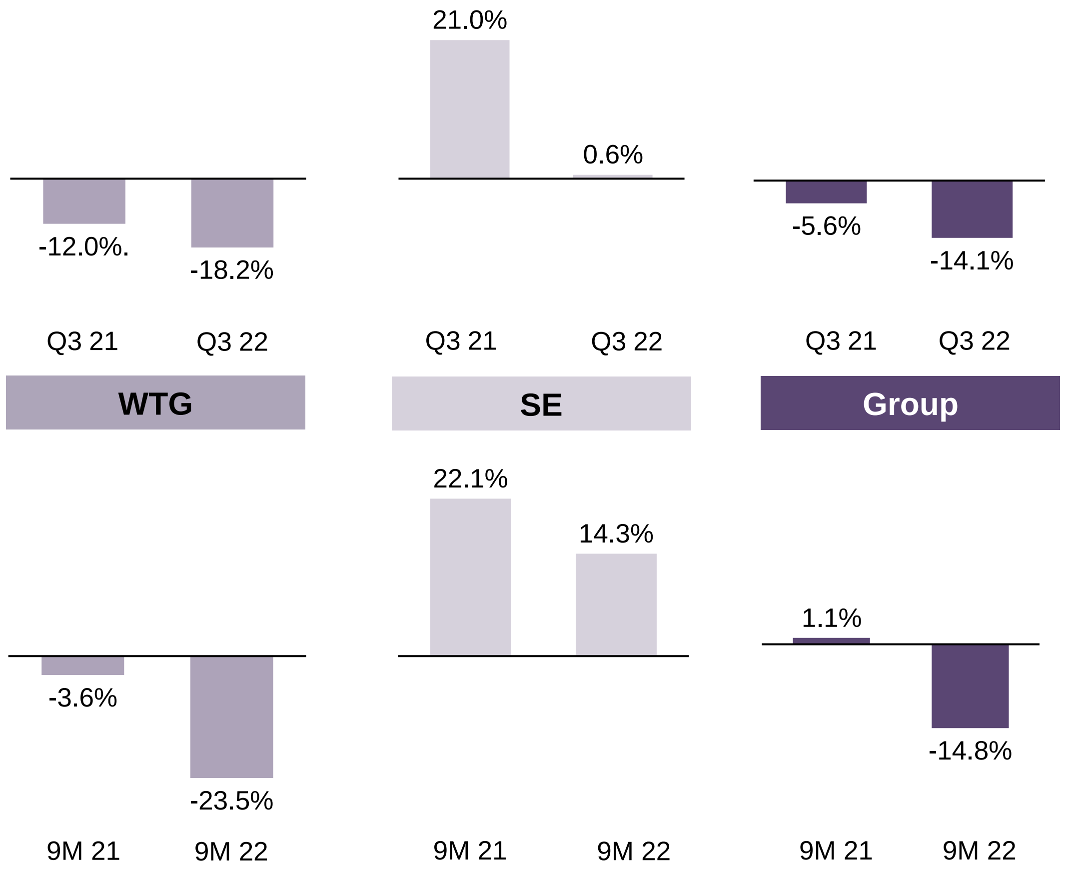

**Onshore sales volume by geography (MWe)**




- 9M 22 and Q3 22 Group revenue decline driven by the impact of Siemens Gamesa 5X ramp-up challenges and supply chain disruptions on WTG manufacturing activity (MWe) and project execution both in the Onshore and Offshore markets
  - WTG manufacturing activity down 30% YoY in 9M 22 (-25% YoY in Q3 22 mostly driven by Onshore)
  - WTG installation activity down 4% YoY in 9M 22 (–28% YoY in Q3 22 driven by Offshore)
- Service revenue continues to be driven by maintenance contracts: fleet under maintenance up 8% YoY to 84 GW in Q3 22

# EBIT impacted by ramp up of SG 5.X, supply chain conditions and costs driven by component failures and repairs mainly in legacy Onshore WTG platforms

**EBIT margin pre PPA and I&R costs**




**Q3 22 EBIT margin[1] has been impacted by**

- (-) Siemens Gamesa 5.X ramp-up costs
- (-) Product cost inflation and delays in WTG manufacturing activity and project execution driven by quality issues and supply chain disruptions
- (-) Higher costs mainly driven by component failures and repairs in legacy Onshore WTG platforms, with special effect on Service performance

**Service margin is expected to recover in Q4 22**

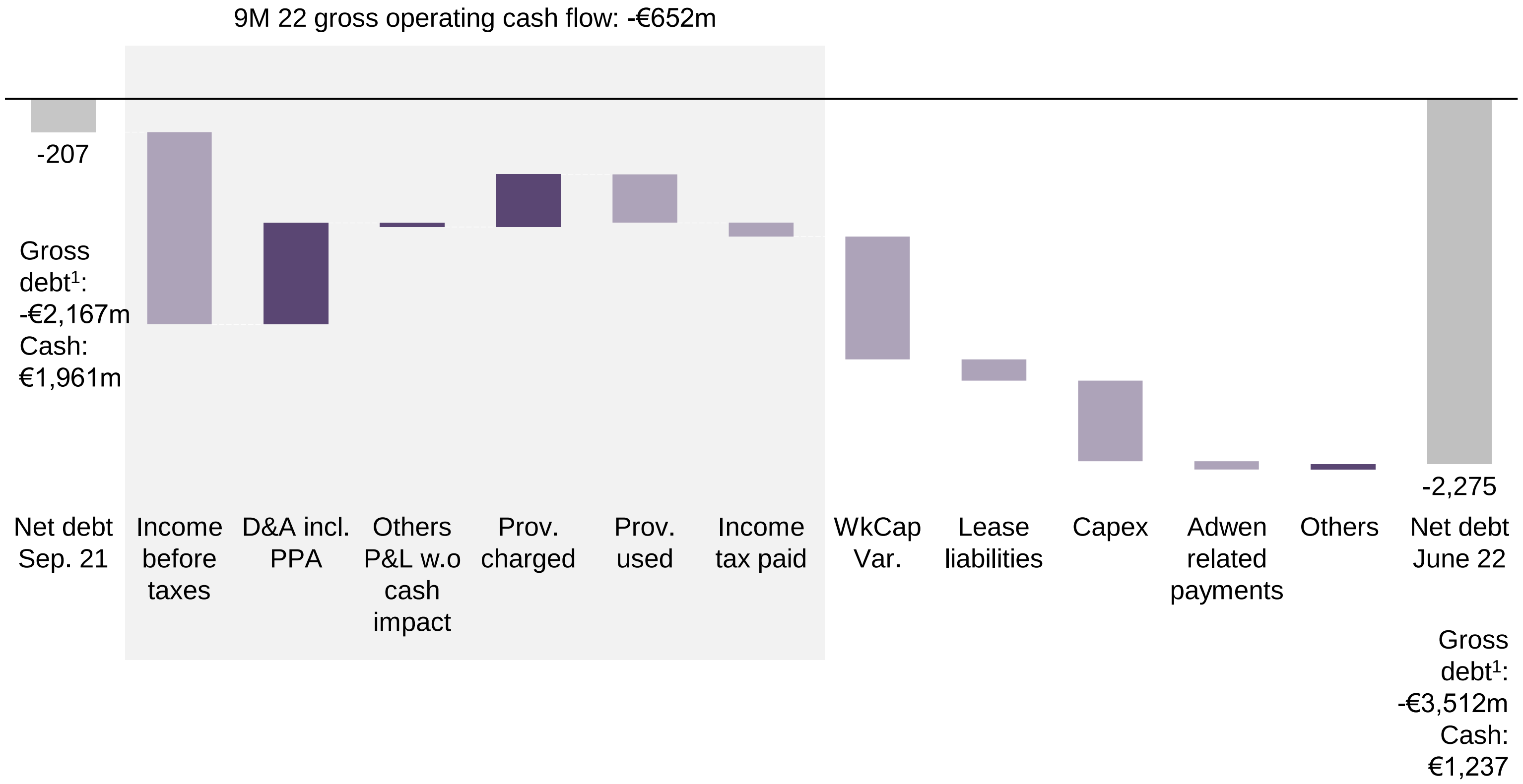
**9M 22 EBIT margin of -15% reflects similar drivers**

- Evaluation of the WTG Onshore backlog profitability under higher costs and new market and production conditions, including the impact of Siemens Gamesa 5.X ramp-up challenges: c. -€722m in 9M 22 (€185m in Q3 22)

1) All references to EBIT margin are to EBIT margin pre PPA and I&R costs

# Net debt driven by operating performance, working capital and investment needs

**Net (debt)/cash variation in 9M 22 (€m)**

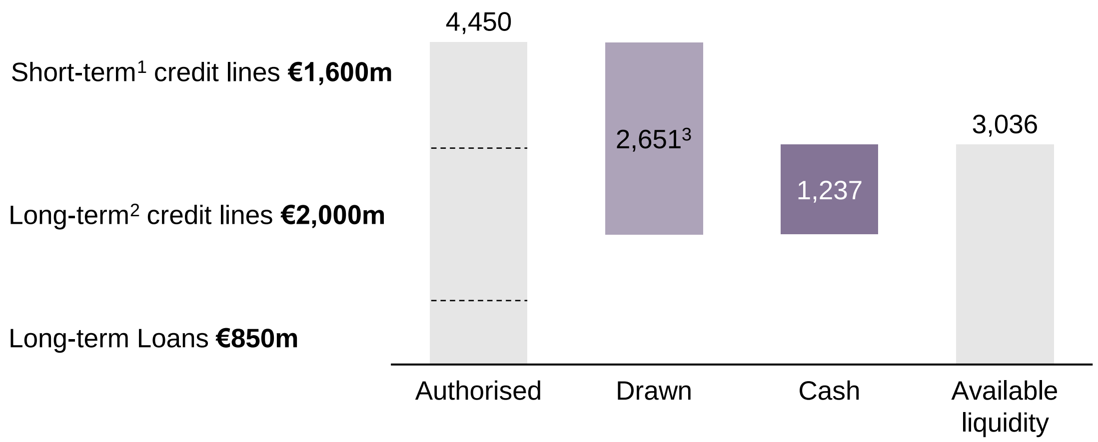



- Net debt progression to June driven by:
  - Operating performance
  - Increase in working capital of €765m[2] mainly due to pre-production and safety stocks
  - Investment needs with CAPEX of €503m
- Gross debt increase -€1,345m
- Q4 22 cash actions on track including asset disposals
  - Disposal of development assets well on track:. Foreign investment clearances received in July. Expected cash inflow of c. €540m in Q4 22

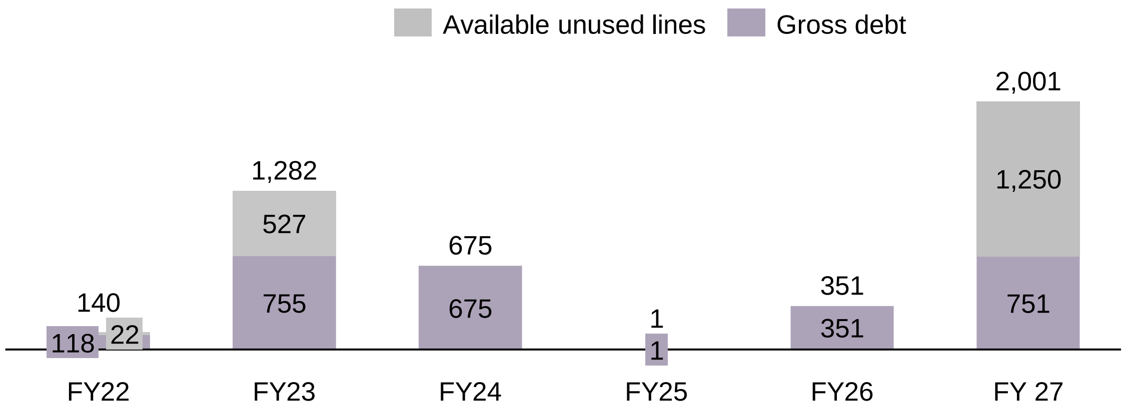
1) Gross debt includes lease liabilities of €866m as of June 22 and €829m as of September 21. Excluding lease liabilities, gross debt as of September 21 amounts to €1,338m and as of June 2022 to €2,646m
2) Working capital cash flow effective change

# Strong liquidity position

**Liquidity status as of June 30, 2022 (€m) – Proforma after July refinancing (€m)**




**Financing facilities maturity profile – Proforma after July refinancing (€m)**




- Gross Bank debt: €2,651m[3]
- **Cash of €1,237m**
- **Available unused credit lines: €1,799m with**
- **No major Debt maturities in short term. Refinancing signed on July 27h with extension of 1 year and no change on financial terms**
  - €675m in short-term maturities (FY23) extended 12 months to December 2023/January 2024 (FY24)
- **Optimization of use of cash, reducing the use of debt**

1) Bilateral bank facilities renewed on a yearly basis
2) Maturity exceeding 1 year
3) Gross Bank debt of €2,651m is reflected in accounting books as €2,646m after including negative accounting adjustments

# Outlook & Guidance

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# Energy security joins decarbonization commitments to support higher renewable targets

## Geopolitical tensions add the need to secure energy supply to the need for decarbonization. Progress made in translating commitments into law

- **16 GW Offshore wind auctions expected for 2022 and additional 94 GW beyond. 16 GW awarded in 2021,** compared to 4 GW installed during 2021 (all excl. China)

## European Parliament committee backs 45% renewable energy target by 2030 in line with REPowerEU plan

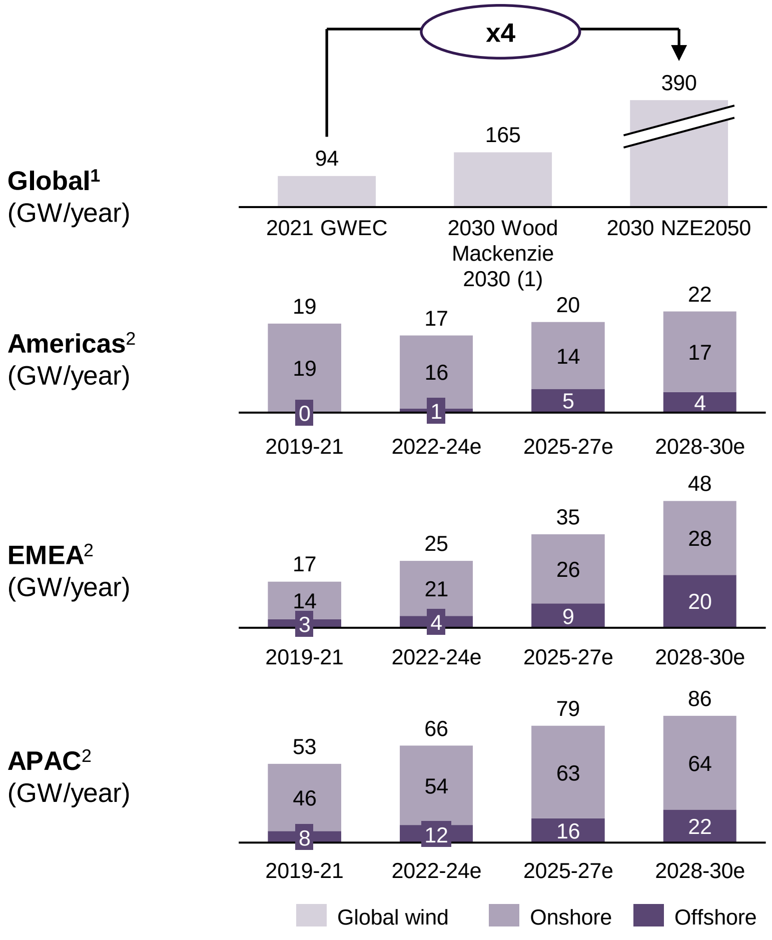
- Need for simplification of permitting process for wind farms and connection infrastructure acknowledged
- Sound supply chain economics and technology focus required

## German Parliament approves the "Easter Package" of energy policy reforms

- Recent installations and auction participation still below run-rate needed to reach ambitious targets: 110 GW Onshore and 30 GW Offshore installed by 2030

## CfD round 4: c. 10 GW of renewable capacity with c. 7 GW of Offshore wind

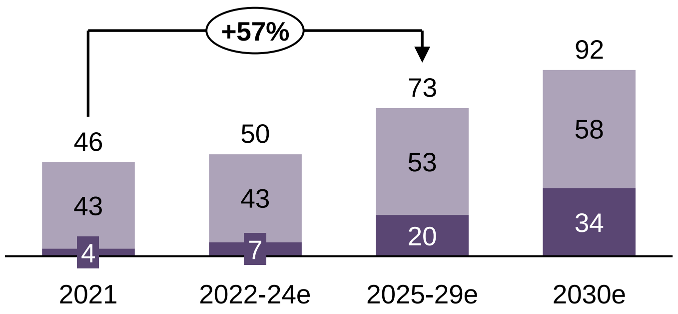
- Ambition to deliver up to 50 GW by 2030, including 5 GW floating, cutting the process time by half



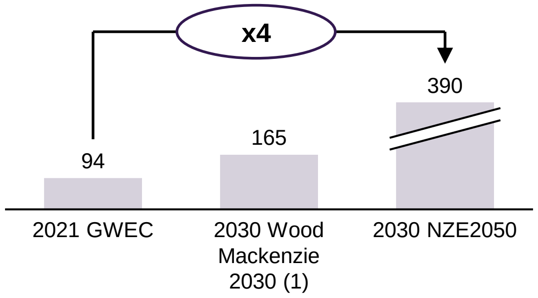

1) GWEC: Global Wind Energy Council | NZE2050: International Energy Agency (Net Zero by 2050: A roadmap for the Global Energy Sector)
2) Market charts present the average annual installations according to Wood Mackenzie Q2 2022 outlook. Installations represent the expected annual averages for the 3-year periods

# Secular long-term wind demand potential likely to be higher than market expected installation levels

**Global wind installations (GW excl. China)**[1]




**Required global wind installations (GW)**




- **Short-term flat annual installations** (2022-24e), especially in the Onshore market, driven by supply chain challenges, macro risks and regulatory uncertainties in major markets
- After 2024, **strong long-term demand growth driven by role of the energy market in the decarbonization**
  - Electricity demand to grow by 30% between 2020 and 2030 under announced pledged scenarios[2]
- **Average annual installations (excl. China) to grow 57% in the second half of this decade** from FY21 level, with **Offshore growing fivefold**
  - Expected to reach more than **20 GW by 2028**
  - Annual installations of 34 GW in 2030e, up c. 5x from 2022-24e average
  - **Strong demand visibility** through 16 GW in auctions for 2022 and 94 GW until 2027
- **NetZero in 2050 would require 4x the current level of annual wind installations by 2030**

1) Wood Mackenzie: Global Wind Power Market Outlook Update: Q2 2022
2) IEA October 2021

# Direct material costs, supply chain challenges and costs driven by component failures and repairs in Q3 22 drive new FY22 targets

| | 9M 22 | FY22 E May target[1,2] | FY22 E August target[1,2] |
|---|---|---|---|
| **Revenue** (in €m) | 6,442 | -9.0% to -2.0% YoY variation | c. -9.0% |
| **EBIT margin pre PPA and I&R costs** (in %) | -14.8% | c. -4.0% | c. -5.5% |

**Beyond the elements previously considered –** supply chain related costs and 5X ramp-up challenges - **SGRE FY22 EBIT pre PPA and I&R new target includes the impact of higher costs from component failures and repairs mostly in legacy Onshore platforms** (c. **-**€113m in Q3 22)

**Constrained visibility** linked to **current geopolitical tensions, enhanced macro risk and COVID-19** developments, that can exacerbate the impact of supply chain challenges and direct material costs, **subject these targets to more uncertainty than normal**

**FY23 performance to remain negative at EBIT margin pre PPA and I&R costs level impacted by:**

- Execution of onerous contracts in the Onshore WTG backlog and idle capacity costs driven by flat Onshore WTG volume
- Direct material costs above pre-pandemic levels leading to profitability squeeze, especially in longer-duration Offshore WTG backlog for FY23 delivery
- Potential impact from further assessment of Onshore legacy platforms' quality as part of the Group strategy of enhancing client value proposition and improving commercial position in Onshore market
- Geopolitical uncertainty and increasing macro risks with potential impact on clients' investment decisions and on supply chain normalization

**Company actions in place to reach long-term vision (EBIT ≥ 8%) through Mistral** (timing subject to market conditions)

1) These targets exclude charges related to legal and regulatory matters and portfolio and currency effects. It does not include any impact from a potential lockdown of manufacturing activities or severe disruptions to the supply chain due to COVID-19 developments. Given recent performance by the supply chain and COVID-19, these targets are subject to greater-than usual uncertainty and we cannot exclude that a shortage of materials and components and/or a lack of freight capacity may have an impact on our business, especially on timelines and costs of larger projects
2) Siemens Gamesa has signed an agreement for the disposal of the Southern European development assets to SSE Renewables for an amount of c. €580m in revenue and c. €540m in EBIT. The company expects to complete the sale in Q4 22. The impact on revenue and EBIT pre PPA and I&R costs is included in the targets

# Mistral strategy program: addressing short-term challenges while building for the future

**Fiscal year 2022**

**Short-term**

## Mitigate ongoing headwinds
## **Stabilize**

**Address major issues affecting current performance:**
1) Siemens Gamesa 5.X onshore platform ramp-up
2) Supply chain disruptions

**Fiscal year 2025**

**Mid-term**

## Expand margin
## **Optimize**

**Address levers to improve profitability and cash:** healthy top-line growth, competitive product, operational excellence, lean structure and efficient capital

**After fiscal year 2025**

**Long-term**

## Unlock full potential
## **Maximize**

**Assess structural levers** required to unlock Siemens Gamesa's full potential in the long term, setting strategic direction in fundamental aspects: technology, supply chain and operating model

# Mistral strategy program: introducing new operating model and taking key measures

A simplified and leaner company structure

One technology development team across offshore, onshore and service, led by the CTO

One manufacturing team across offshore, onshore and service, led by the COO

Businesses to focus on sales, projects and product roadmap, and keep full P&L responsibility

One standardized regional setup across businesses

Capacity optimization of footprint and structure across Siemens Gamesa globally

Transition into mid- to long-term procurement contracts of direct materials

Stabilization of the product development process and product quality through dedicated programs

# Mistral strategy program: reorganizing the company to accelerate impact

**The new operating model will improve both organizational efficiency and effectiveness. It will maintain a business-focused setup while strengthening the COO and CTO teams to accelerate harmonization and standardization across Siemens Gamesa.**

**By October 1, 2022**

Finalize details of new operating model

**January 1, 2023**

Go-live of new operating model


# Thank you!

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