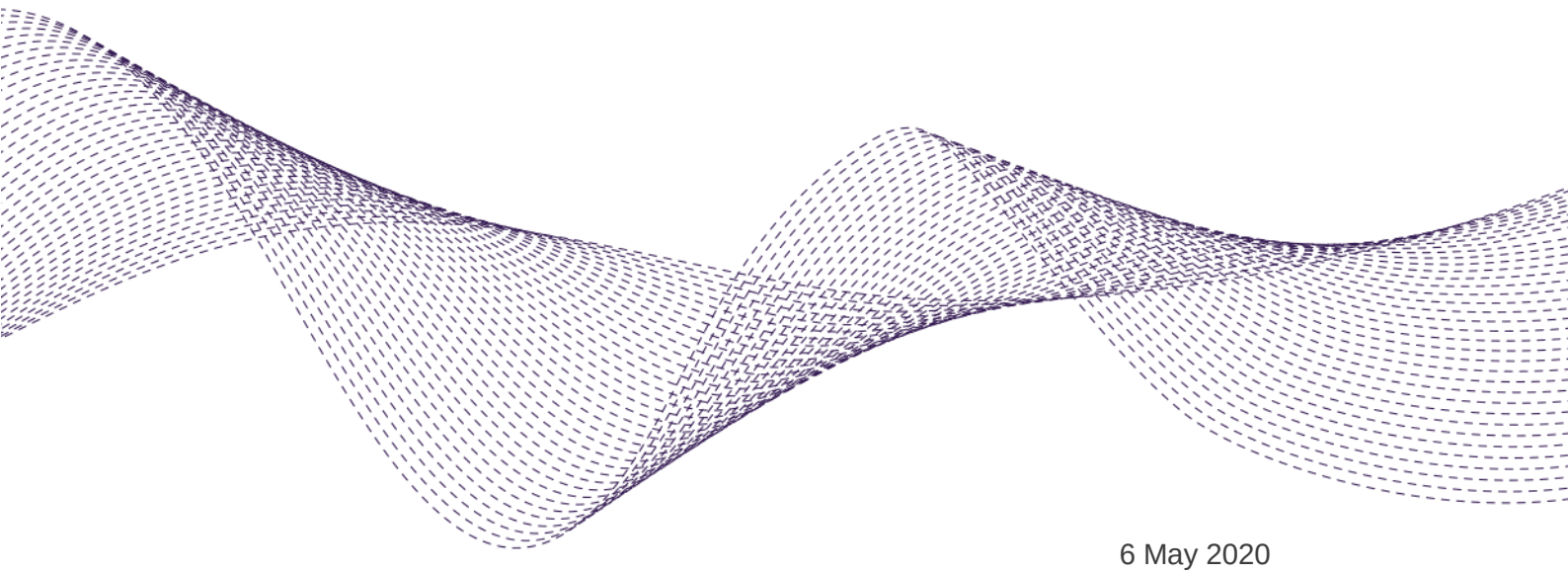
Activity Report

Second quarter FY 2020

January-March 2020 Results



6 May 2020

Contents

Introduction

The beginning of 2020 was marked by a pandemic (coronavirus COVID-19) with a severe and unexpected human and economic cost. According to the latest estimates by the International Monetary Fund (IMF)[1], the world economy will shrink by 3% in 2020, and the contraction will be particularly severe in the advanced economies, which will experience a 6.1% decrease, compared with a 1% contraction projected for developing countries. The IMF's core scenario at the date of publishing its report was that the pandemic would fade steadily in the second half of 2020 due to the containment measures implemented in the first half. In this scenario, and with the implementation of financial, fiscal and monetary support policies, the IMF expects a rapid recovery, with the world economy returning to growth in 2021: +5.8% y/y, headed by the developing countries, which will achieve 6.6% growth, followed by the advanced economies, with 4.5% growth. However, the current lack of visibility about the pandemic's final duration and impact means that other scenarios are also likely.

The wind industry is not immune to this situation, as the supply chain, manufacturing activity, project execution and commercial activity have all been affected by the pandemic. The first disruptions were observed in February in the Chinese supply chain, resulting in a slowdown in manufacturing operations. Subsequently, in March and April, containment measures imposed by governments forced the temporary closure of manufacturing plants in India and Spain. Lockdowns also affected the supply of raw materials such as balsa wood, which was already experiencing tensions in the first quarter of 2020 (Q1 20). In this context, the company's priority was, and continues to be, to ensure the safety of employees and their families and of the communities where it operates, while minimizing operational disruptions in order to ensure business continuity and meet customer needs.

At the end of the second quarter (Q2 20), Siemens Gamesa Renewable Energy's[2] Chinese factories had begun to resume normal operations, while the factories in Spain returned to work early in the third quarter (Q3 20). The teams organised to ensure business continuity are working to minimise the disruption to operations caused by the shutdowns and the supply chain problems, partly by leveraging the Group's worldwide footprint to recover lost manufacturing capacity and mitigate challenges in specific markets. However, it is too early to have reasonable visibility on the return to a fully normalized market environment and on the total impact on the company's financial performance in fiscal 2020 (FY 20). Because of this lack of visibility, the company considers it prudent at this time to withdraw the guidance it released to the market during the first quarter of 2020.

During the second quarter, from January to March 2020 (Q2 20), the pandemic mainly affected the Onshore market and operations. In Q2 20, Onshore performance continued to reflect both the slowdown in the Indian market and the challenges to executing the Northern Europe pipeline, both affected by COVID-19.

As a result of these factors, revenue in Q2 20 amounted to €2,204m and the EBIT margin pre PPA and before integration and restructuring costs was 1.5% over sales, including a €56m direct impact of COVID-19 and higher costs in India and in the execution of the Northern European pipeline (the latter two offset by the positive impact of the settlement reached with Areva). It is important to note that Offshore and Service performance is fully aligned with the company's projections, and that, at the date of this report, COVID-19 potential impact on future quarters is expected to be lower in those markets.

The 8% y/y decline in Group revenue in Q2 20 reflects a 12% decline in WTG sales that was partly offset by 20% growth in Service revenue. The decline in sales at the manufacturing unit reflects the combination of a reduction (already expected and planned for) in Offshore sales, which fell 19% y/y in the quarter, in line with expectations, and a reduction of 8% y/y in Onshore sales due to delays in the execution of certain projects, as a result of COVID-19. Growth in Service revenue reflects the consolidation of the Service assets acquired from Senvion in January 2020.

EBIT pre PPA and before integration and restructuring costs, amounting to €33m in Q2 20, includes a direct negative impact of COVID-19 in the amount of €56m (equivalent to 2.5% of revenue in the quarter). This quarter profitability is also affected by additional costs produced by greater delays in executing the Northern Europe pipeline and a greater slowdown in India, both partially and indirectly impacted by COVID-19, offset by the positive impact of the agreement between Areva and Adwen, settling all the disputes, duties and liabilities as well as any past, present and future claims between the companies.

---

[1] International Monetary Fund. World Economic Outlook. April 2020.

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

In this context, the balance sheet remained sound as a result of the strategy of funding and strict control of working capital that was implemented in FY 19. During Q2 20, the disruption caused by the pandemic did not have a material impact on working capital, which was negative in the amount of €865m at the end of the quarter, equivalent to -9% of LTM revenue, i.e. an improvement of 11 percentage points on the working capital/revenue ratio in the second quarter of 2019 (Q2 19) and of 0.6 p.p. with respect to the ratio at the beginning of the year. Net debt on the balance sheet amounted to €295m at the end of the quarter, i.e. €575m less than the net cash position at the beginning of the fiscal year[3] and representing €178m more debt than at the end of Q2 19. Net debt positive evolution is equivalent to c. €429 improvement adjusting for the application of IFRS 16 since the beginning of the current fiscal year[4].

The funding strategy provided the Group with a very sound liquidity position with which to face the current economic and market situation. At 31 March 2020, Siemens Gamesa had nearly €4,000m in authorised credit lines, against which it had drawn c. €1,100m.

As for commercial activity, Siemens Gamesa ended the second quarter with a record order book, €28,623m, i.e. €5,044m more than at the end of March 2019, after integrating the Service assets acquired from Senvion in January 2020. Following that acquisition, Service accounts for 51% of the order book. The order book at 31 March 2020 was reduced by around 3% as a result of currency depreciation.

Order intake in Q2 20 amounted to €2,203m, i.e. a book-to-bill ratio of 1 time revenue in the quarter, reflecting standard volatility in commercial activity in the Offshore market. Onshore order intake increased by 13% y/y to €1,350m despite postponement of some order signing to Q3 20, while Service order intake increased by 4% y/y to €779m. The first Service contract for Senvion technology beyond the scope of the assets acquired in January was signed in Q2 20.

It is important to note that, despite the material (though temporary) impact of the pandemic, the energy market continues the transition towards an affordable, reliable and sustainable model in which renewable energy plays a fundamental role thanks to its growing competitiveness, and that the reduction in the pre-existing projections for the volume of wind installations in 2020 will be recovered in subsequent years. Not only is the long-term vision for the industry unchanged; in fact, renewable energy can and must play a major role in the economic revival and in the development of a sustainable socio-economic model, something that is increasingly necessary.

Within the need to develop sustainable socio-economic models, Siemens Gamesa continues to step up its commitment to ESG. That commitment was recognised in Q2 20 by MSCI, which upgraded the Group's ESG rating by two notches to A. Among the successes communicated in Q2 20, the Group has achieved carbon neutrality ahead of its previous established commitment for 2025 and has received the AENOR certificate that it has a Tax Compliance Management System in accordance with the UNE 19602:2019 standard. In Q3 20, Siemens Gamesa continues to introduce ESG criteria into its funding, specifically with the signature of its first syndicated guarantee line[5].

---

[3]The Siemens Gamesa Group has adopted IFRS 16 as of October 1, 2019 using the full retrospective approach without restating comparative period figures. As a result of the foregoing, the opening balance as of October 1, 2019 has been modified. The main impacts of the first application of IFRS 16 in the consolidated balance sheet as of October 1, 2019 are the increase in Property, plant and equipment corresponding to the asset for the right of use in the amount of 679 million euros, a decrease in advance payments recorded under the headings “Other non-current assets” and “Other current assets”, in an amount of 85 million euros and 10 million euros, respectively, and the corresponding increase in current and non-current liabilities (components of the Net Financial Debt) amounting to 583 million euros. See note 2.D.3 to the consolidated financial statements for FY 2019 and note 8.B to the interim half-year consolidated financial statements at March 31, 2020 with the lease liabilities as of that date: €123m short-term and €483m long-term.

[4]The Siemens Gamesa Group has adopted IFRS 16 as of October 1, 2019 using the full retrospective approach without restating comparative period figures. As a result of the foregoing, the opening balance as of October 1, 2019 has been modified. The main impacts of the first application of IFRS 16 in the consolidated balance sheet as of October 1, 2019 are the increase in Property, plant and equipment corresponding to the asset for the right of use in the amount of 679 million euros, a decrease in advance payments recorded under the headings “Other non-current assets” and “Other current assets”, in an amount of 85 million euros and 10 million euros, respectively, and the corresponding increase in current and non-current liabilities (components of the Net Financial Debt) amounting to 583 million euros. See note 2.D.3 to the consolidated financial statements for FY 2019 and note 8.B to the interim half-year consolidated financial statements at March 31, 2020 with the lease liabilities as of that date: €123m short-term and €483m long-term.

[5]In Q3 20, Siemens Gamesa signed its first syndicated guarantee line for an amount of €600m involving a structure linked to the donation of funds for cancer research.

Consolidated key figures Q2 20

- Revenue: €2,204m (-8% y/y)
- EBIT pre PPA and before integration and restructuring costs[6]: €33m (-82%)
- Net profit pre PPA and before integration and restructuring costs[7]: -€55m (N.A.)
- Reported net profit: -€165m (N.A.)
- Net cash/(Net financial debt – NFD)[8]: -€295m
- MWe sold: 2,183 MWe (-8% y/y)
- Order book: €28,623m (+21% y/y)
- Firm order intake in Q2: €2,203m (-11% y/y)
- Firm order intake in the last twelve months: €14,573m (+33% y/y)
- WTG order intake in Q2: 1,645 MW (-25% y/y)
- Firm WTG order intake in the last twelve months: 12,364 MW (+21% y/y)
- Installed fleet: 103,089 MW
- Fleet under maintenance: 71,476 MW

Markets and orders

Despite the effects of the pandemic, solid sales efforts continue to drive the company's performance. In the last twelve months, Siemens Gamesa signed orders worth €14,573m (+33% y/y) and it ended March 2020 with an order book of €28,623m[9] (+21% y/y). The order book expanded by €5,044m with respect to the end of March 2019, and by €534m with respect to December 2019. The order book now includes the Service backlog associated with the assets acquired from Senvion in January 2020, amounting to c. €1,500m.

Following the acquisition of Service assets from Senvion, 51% of the order book (€14,458m) is in Service, which offers higher returns and is expanding at a rate of 28% year-on-year. The WTG order book is split €6,937m Offshore (+9% y/y) and €7,228m Onshore (+22% y/y).

[6]EBIT pre PPA and before integration and restructuring costs excludes integration and restructuring costs in the amount of €82m and the impact of fair value amortization of intangible assets as a result of the PPA (purchase price allocation) in the amount of €69m.

[7]Net profit pre PPA and before integration and restructuring costs excludes €110m of integration and restructuring costs and the impact of fair value amortization of intangible assets as a result of the PPA (purchase price allocation), net of taxes.

[8]Cash / (Net financial debt) is defined as cash and cash equivalents less financial debt (both short- and long-term). The Siemens Gamesa Group has adopted IFRS 16 as of October 1, 2019 using the full retrospective approach without restating comparative period figures. As a result of the foregoing, the opening balance as of October 1, 2019 has been modified. The main impacts of the first application of IFRS 16 in the consolidated balance sheet as of October 1, 2019 are the increase in Property, plant and equipment corresponding to the asset for the right of use in the amount of 679 million euros, a decrease in advance payments recorded under the headings “Other non-current assets” and “Other current assets”, in an amount of 85 million euros and 10 million euros, respectively, and the corresponding increase in current and non-current liabilities (components of the Net Financial Debt) amounting to 583 million euros. Lease liabilities as of March 31, 2020 amount is reflected in note 8.B to the interim half-year consolidated financial statements: €123m short-term and €483m long-term.

[9]The depreciation experienced by the currencies had a negative impact on the order book of c. €850m. Excluding the currency effect, the order book would have increased by 25% y/y to c. €29,500m.

Figure 1: Order Book at 03.31.20 (€m)

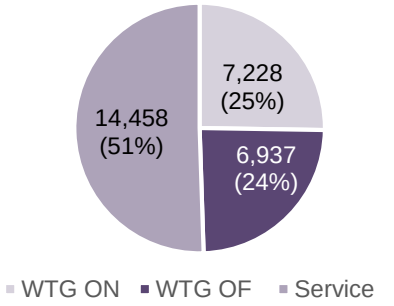
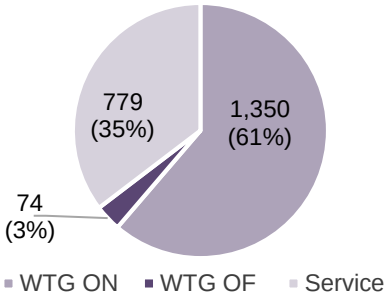


Figure 2: Order Intake Q2 20 (€m)



The Group's order intake in Q2 20 amounted to €2,203m, in line with sales in the period, giving a book-to-bill ratio of 1. The -11% year-on-year reduction in order intake is mainly due to normal volatility in the Offshore market, with no orders registered in Q2 20, and, to a lesser extent, the impact of measures to contain the pandemic, including lockdowns in some countries and the suspension of traffic, on the completion of Onshore contracts, some of which have been postponed to Q3 20.

As indicated in the preceding paragraph, Onshore commercial activity (1,645 MW of firm orders signed in Q2 20, -6% y/y) reflects the impact of COVID-19, as contract signatures were delayed in the three regions, though mainly in the US and India (where the market slowed even more than in Q1 20). The normal pace of commercial activity is expected to be recovered in the third quarter. Orders signed in the quarter amounted to €1,350m, +13% y/y, including €61m in solar. Order intake in the last twelve months amounted to 9,485 MW, +13% y/y, reflecting not only market growth but also the company's sound competitive position within a strategy of profitable growth. Siemens Gamesa signed €6,896m in orders for ON WTG in the last twelve months, i.e. a book-to-bill ratio of 1.3x in this segment in the period. The book-to-bill ratio in Q2 20 was 1.2 times revenue in the quarter.

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

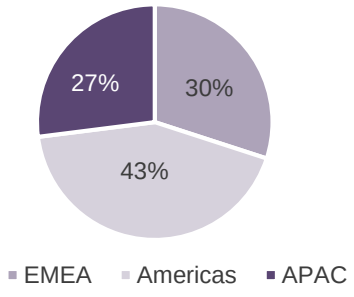
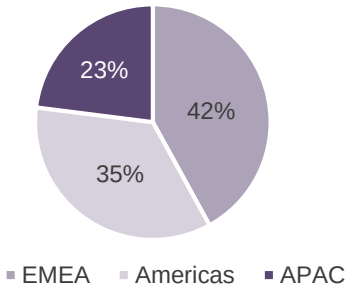


Figure 4: Order intake (€m) WTG ON Q2 20 (%)



Of the 45 countries that contributed new Onshore orders in the last twelve months, the three largest are the USA (18% of volume in MW) India (14%) and Brazil (10%). They are followed by Chile (9%), China (8%), Sweden (6%) and Spain (5%). The main sources of new orders in Q2 20 were Brazil (which contributed 35% of order intake in the quarter), Spain (12%) and Poland and Vietnam (9% each), followed by the UK (8%) and Japan (6%). During the second quarter, orders continued to flow for the new Onshore 5.X platform, with contracts being signed for Sweden and Brazil. In particular, an order was signed with AES to supply 52 SG 5.8-170 turbines for the Tucano wind farm (312 MW) in Brazil.

With these orders, platforms of 4 MW or higher accounted for 35% of total new orders in the quarter and 40% of order intake in the first half of 2020, compared with 26% in FY 19.

Table 1: WTG ON order intake (MW)

WTG ON order intake (MW):	LTM	Q2 20
Americas	4,044	627
US	1,697	52
Brazil	963	575
Mexico	122	0
EMEA	2,493	654
Spain	471	201
APAC	2,947	364
India	1,347	0
China	798	39
Total (MW)	**9,485**	**1,645**

In the Offshore segment, following strong order intake in the first quarter (1,279 MW), no new orders were signed in Q2 20, reflecting the volatility of commercial activity in this market. Early in Q3 20, an order was signed with Innogy: 38 SG 8.0-167 DD Flex turbines for the Kaskasi offshore wind farm in Germany. Offshore orders signed in the last twelve months totalled 2,879 MW (56% more than in the twelve months to March 2019), worth €3,806m (+49% y/y). Siemens Gamesa's strong competitive position in the Offshore market was also reflected in Ørsted's choice of the company as preferred supplier for the Borkum Riffgrund 3 (900 MW) and Gode Wind 3 (242 MW) wind farms, both in the North Sea (Germany), with a total capacity of 1,142 MW, plus a five-year service and maintenance contract.

The signature of these conditional contracts enabled the company to end the first half with a conditional pipeline of 10.7 GW in Offshore.

The Service area attained very strong commercial performance, with €779m in new orders in Q2 20, 4% more than in Q2 19, and representing a book-to-bill ratio of 2 times revenue in the quarter. The first Service contract for Senvion technology outside the scope of the assets acquired in January 2020 was signed in the quarter: a 20-year maintenance contract for a 135 MW wind farm in Australia.

In the last twelve months, the Service division signed contracts worth a total of €3,870m, 75% more than in the twelve months to March 2019. The average duration of the order book is 8 years.

Table 2: Order intake (€m)

	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20
WTG	2,195	1,717	3,735	2,386	3,158	1,424
Onshore	1,799	1,200	1,695	2,240	1,611	1,350
Offshore	396	517	2,040	146	1,547	74
Service	346	749	931	690	1,470	779
Group	**2,541**	**2,466**	**4,666**	**3,076**	**4,628**	**2,203**

The transition towards affordable, reliable and sustainable energy systems is being accompanied not only by better demand prospects for renewable installations but also by the demand for greater competitiveness in the supply chain: more productive wind turbines at better prices. The introduction of auctions as a mechanism for allocating renewable capacity or production in electricity markets, pressure from alternative renewable sources to wind energy, and the competitive pressure among wind turbine manufacturers themselves are the main reasons for the reduction in prices.

This decline in prices, which became particularly visible after the first auctions in Mexico, India or Spain during 2016 and 2017, has gradually stabilised since the beginning of FY 18, a trend that was maintained in FY 19 and in the first half of FY 20 (H1 20).

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

However, as noted in previous quarters, the average selling price[10] is influenced by other factors apart from turbine prices, including the country, the contract scope and the machine mix, and its evolution is not directly correlated with profitability. These impacts are visible in the quarterly trend in average prices, with a particular impact on the first quarter of FY 20 due to the strong contribution of orders from China (where the product scope excludes the tower). In Q2 20, the average selling price benefited both from the contract scope and from the geographic mix, with a low contribution to order intake by US, China and India. Likewise, the product mix factor had a less dilutive effect in Q2 20 than in Q1 20.

Figure 5: Average selling price (ASP) - Onshore order intake (€m/MW)

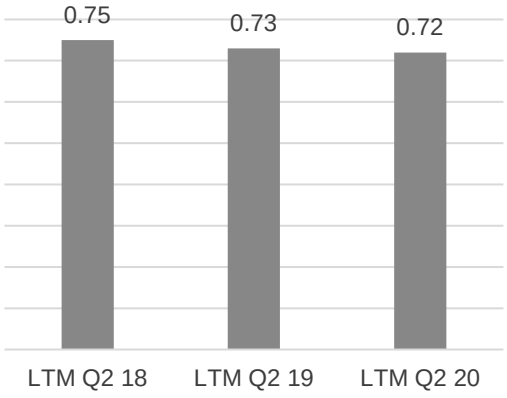
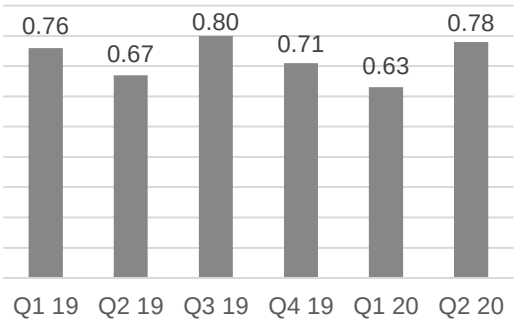


Figure 6: Average selling price - Onshore order intake (€m/MW)



[10]No solar orders are included in the average selling price calculation. Solar orders amounted to €61m in Q2 20, €2m in Q4 19, €0.6m in Q3 19, €33m in Q2 19, €6m in Q1 19 and €9m in Q3 18.

Key financial performance metrics

The table below shows the main financial aggregates for the second quarter (January-March) of FY 20 (Q2 20) and FY 19 (Q2 19) and those for the first half (October-March) of FY 20 (H1 20), and the change with respect to the first half of FY 19 (H1 19).

Table 3: Key figures

€m	Q2 19	Q2 20	Change y/y	H1 20	Change y/y
Group revenue	2,389	2,204	-7.8%	4,204	-9.6%
WTG	2,060	1,808	-12.2%	3,442	-13.2%
Service	330	395	+19.9%	762	+10.9%
WTG volume (MWe)	2,383	2,183	-8.4%	4,115	-8.8%
Onshore	1,707	1,649	-3.4%	3,396	+5.2%
Offshore	676	534	-21.0%	719	-44.0%
EBIT pre PPA and before I&R costs	178	33	-81.6%	-103	N.A.
EBIT margin pre PPA and before I&R costs	7.5%	1.5%	-6.0 p.p.	-2.5%	-9.2 p.p.
WTG EBIT margin pre PPA and before I&R costs	5.1%	-3.0%	-8.1 p.p.	-8.1%	-12.0 p.p.
Service EBIT margin pre PPA and before I&R costs	22.0%	21.9%	-0.1 p.p.	23.0%	-0.2 p.p.
PPA amortization[1]	66	69	+3.6%	135	+1.4%
Integration and restructuring costs	22	82	3.8x	110	2.0x
Reported EBIT	90	-118	N.A.	-347	N.A.
Net profit pre PPA and before I&R costs[2]	113	-55	N.A.	-163	N.A.
Profit for the year attributable to equity holders of SGRE	49	-165	N.A.	-339	N.A.
Earnings per share attributable to equity holders of SGRE[3]	0.07	-0.24	N.A.	-0.50	N.A.
Capex	108	109	1	201	12
Capex/revenue (%)	4.5%	5.0%	0.4 p.p.	4.8%	0.7 p.p.
Working capital (WC)	211	-865	-1,076	-865	-1,076
Working capital/revenue LTM (%)	2.2%	-8.8%	-11.1 p.p.	-8.8%	-11.1 p.p.
Net (debt)/cash	-118	-295	-178	-295	-178
Net (debt)/EBITDA LTM	-0.13	-0.61	-0.5	-0.61	-0.5

1. Impact of the Purchase Price Allocation (PPA) on amortization of intangibles.
2. Net profit pre PPA and before integration and restructuring costs excludes the integration and restructuring costs and the impact of fair value amortization of intangible assets as a result of the PPA (purchase price allocation), net of taxes. This value (PPA impact and I&R costs) net of taxes amounts €67m in Q1 20 (€70 in Q1 19), €110m in Q2 20 (€65 in Q2 19) and €176m in H1 20 (€135m in H1 19). The value of the taxes on these effects (PPA impact and I&R costs) amounts €26m in Q1 20 (€28m in Q1 19), €42m in Q2 20 (€23m in Q2 19), and €68m in H1 20 (€51m in H1 19). **Calculation of figures:** Net profit pre PPA and before integration and restructuring costs Q2 19 (€113m) = Reported net profit Q2 19 (€49m) plus PPA amortization Q2 19 (€66m), plus integration and restructuring costs Q2 19 (€22m) minus taxes on PPA amortization and I&R costs Q2 19 (€23m). Net profit pre PPA and before integration and restructuring cost Q2 20 (-€55m) = Reported net profit Q2 20 (-€165m) plus PPA amortization Q2 20 (€69m), plus I&R costs Q2 20 (€82m) minus taxes on PPA amortization and I&R costs Q2 20 (€42m). Net profit pre PPA and before integration and restructuring costs H1 19 (€202m) = Reported net profit H1 19 (€67m) plus PPA amortization H1 19 (€133m), plus I&R cost H1 19 (€54m) minus taxes on PPA amortization and I&R costs H1 19 (€51m). Net profit pre PPA and before integration and restructuring cost H1 20 (-€163m) = Reported net profit H1 20 (-€339m) plus PPA amortization H1 20 (€135m), plus I&R costs H1 20 (€110m) minus taxes on PPA amortization and I&R costs H1 20 (€68m).
3. Earnings per share calculated using the weighted average number of outstanding shares in the period. Q2 19: 679,481,656; Q2 20: 679,399,017; H2 20: 679,516,555.

The Group's financial performance in Q2 20 suffered the unexpected impact of the COVID-19 pandemic which, along with other disruptions to the supply chain in China, slowed manufacturing and project execution.

The supply chain disruptions commenced in February in China, resulting in a slowdown in the pace of manufacturing. Subsequently, containment measures adopted by a number of governments made it necessary to halt production temporarily in India (from the end of the second quarter) and Spain (in April). There were also short halts to production at other plants, such as Hull (UK), in order to adapt working conditions to the current situation so as to ensure that operations could continue.

Manufacturing operations in China had returned to their regular pace by the end of March, while manufacturing in Spain resumed on 13 April, and activity in India is also expected to be resumed in May.

The lockdown in those countries affected the supply not only of components but also of raw materials. This was the case with balsa wood, in which there had been supply tensions in Q1 20.

The direct impact of COVID-19 in the second quarter amounted to €56m, mainly concentrated on the Onshore business. In addition to the impact of the pandemic, the Onshore business was also affected by lengthening of execution times in Northern Europe pipeline projects, which resulted in an increase in the costs that had been projected in Q1 20. The Indian market also slowed more than had been projected for this year.

The additional costs in Q2 20 caused by longer execution times in the Northern Europe pipeline and by volatility and slowing in the Indian market beyond what had been projected in Q1 20 were offset at Group level by the agreement between Areva and Adwen settling all the disputes, duties and liabilities as well as any past, present and future claims between the companies.

In addition to these unexpected impacts, performance in H1 20 reflects the annual project execution planning, with a higher execution level in the second half of this year (H2 20), and the effect of ramping up production of the SG 8.0-167 DD turbine, which temporarily reduced the pace of manufacturing Offshore turbines in Q1 20. The Offshore manufacturing pace was recovered in Q2 20 to achieve the rate of growth expected for the full year.

In this context, Group revenue amounted to €2,204m in Q2 20, 8% lower than in the year-ago quarter.

EBIT pre PPA and before integration and restructuring costs amounted to €33m, i.e. a 6 p.p. y/y reduction in the EBIT margin, to 1.5%. The impact of COVID-19 cut 2.5 p.p. off the margin. The impact of COVID-19 includes all the costs related to sales slippage, to less absorption of fixed costs due to the reduction of manufacturing capacity used caused by disruptions in the supply chain and plants closure, to the extension of projects and to claims for damages from clients.

The trend in EBIT pre PPA and before integration and restructuring costs for the Group in Q2 20 reflects the impact of the following factors:

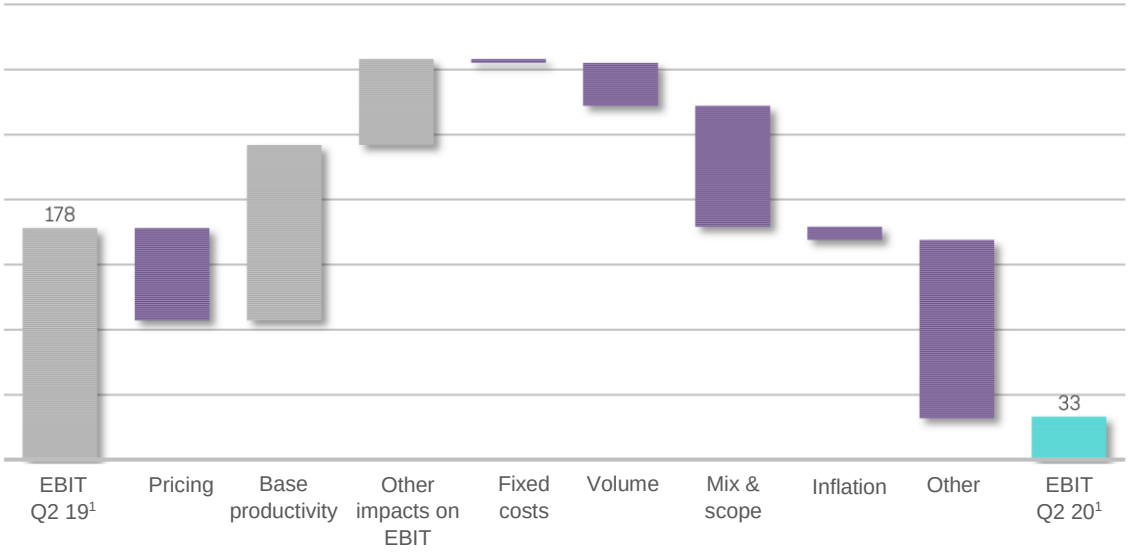
(-) The price cuts incorporated into the order book (Onshore, Offshore and Service) at the beginning of the fiscal year.

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

(-) The negative impact of the lower Offshore sales volume (-19% y/y).

(-) The Group's project mix.

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



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

In addition to these four factors, whose impact on Q2 20 was in line with the company's forecasts, the year-on-year variation was impacted by the COVID-19 pandemic, by an increase in the cost of executing projects in Northern Europe, which resulted in an increase in the costs that had been projected in Q1 20, and by the continuous slowdown in the Indian market. The latter two factors were offset by the positive effect of the agreement between Adwen and Areva settling all the disputes, duties and liabilities as well as any past, present and future claims between the companies. These factors are included in the “Other” category and, in the case of the Indian slowdown and the additional costs in the execution of the Northern European pipeline, had not been expected by the company.

Although at this time it is not possible to reliably estimate the impact of the pandemic in future quarters, and the Offshore and Service markets operations are likely to be affected, but with a lower impact, the business continuity teams are working to minimise the disruption to operations caused by the lockdowns and supply chain problems, partly by making use of our global production capacities to recover lost output and to mitigate the challenges in specific markets.

The impact of the PPA on amortization of intangible assets was €69m in Q2 20 (€66m in Q2 19), while integration and restructuring (I&R) expenses amounted to €82m in the same period (€22m in Q2 19).

Among the I&R costs, it should be noted that Siemens Gamesa has launched a restructuring exercise in India during Q2 20. After establishing a manufacturing model adjusted to billing and collection, given the volatility of the market, and beginning to adapt the manufacturing capacity to export models in Q1 20, the objective of the restructuring is to continue adapting the Group's operations to the new demand expectations for the short and medium term, and to be able to offer local customers, in a profitable way, the best possible cost of energy. It should be noted that compared to the annual rate of installations above 7 GW that the country needs to reach the 60 GW target in 2022, the expected annual demand until 2022 is between 3.5 GW and 4.5 GW. The slowdown in the Indian market has also been aggravated by the implementation of some of the longer-term confinement and closure rules for non-basic economic activity (with an extension of the initial period of 3 weeks, from March 25 to April 14, until May 3). In addition, the closing period of economic activity coincides with the period of greatest wind installation activity. The restructuring costs recorded in Q2 20, c. €38m, are related to a more selective approach to the development business model, with impact on inventories (landbank), and means of production, both with no cash effect.

Although the short- and medium-term prospects have diminished, the Indian government, which has reduced corporate income tax for electricity generation companies to 15%, continues to work to ensure the wind market normalization. The Ministry of New and Renewable Energy (MNRE) has published a directive recommending the elimination of maximum prices in upcoming auctions, and has defined two areas of 25 GW each in Gujarat and Rajasthan, making available land to develop wind, solar and hybrid projects and requesting that the grid connection infrastructure in those areas is strengthened. Due to these reasons we do not foresee a change in the strong long-term potential of the market.

Net financial expenses totalled €20m in Q2 20 (€13m in Q2 19), while the tax expense amounted to €28m (€27m expenses in Q2 19). The increase in financial expenses was partly due to higher indebtedness in India.

As a result, the Group reported a net loss pre PPA and before integration and restructuring costs of €55m in Q2 20. The reported net loss, including the impact of amortization from the PPA and integration and restructuring costs, both net of taxes, totalling €110m in Q2 20, amounted to €165m, contrasting with €49m in profit in Q2 19. The net loss per share for SGRE shareholders amounts to €0.24.

Strict control of working capital helped maintain working capital stable with respect to the level at the beginning of the year: -€865m, equivalent to -8.8% of revenue in the last twelve months while the slight increase compared to Q1 20 reflects the slippage in contracts and sales as a result of COVID-19. Working capital improved by €1,076m year-on-year, a 11.1 p.p. improve on working capital to last twelve months revenue ratio.

Table 4: Working capital (€m)

Working capital (€m)	**Q1 19[1]**	**Q2 19**	**Q3 19**	**Q4 19**	**Q1 20**	**Q2 20**	**Change y/y**
Accounts receivable	1,135	1,171	1,460	1,308	1,108	1,073	-99
Inventories	1,925	2,006	2,044	1,864	2,071	2,115	109
Contract assets	2,033	1,771	1,952	2,056	1,801	1,808	37
Other current assets	417	464	651	461[2]	578	466	2
Accounts payable	-2,557	-2,505	-2,733	-2,886	-2,471	-2,544	-39
Contract liabilities	-2,340	-1,991	-2,267	-2,840	-3,193	-3,101	-1,111
Other current liabilities	-641	-706	-869	-798	-833	-682	25
Working capital (WC)	**-27**	**211**	**238**	**-833**	**-939**	**-865**	**-1,076**
Change q/q	515	238	28	-1,071	-106[2]	74	
Working capital/revenue LTM	**-0.3%**	**2.2%**	**2.4%**	**-8.1%**	**-9.4%**	**-8.8%**	

1. For the purposes of comparison after the application of IFRS 9, which impacted the opening balance sheet in FY 19: the foregoing table shows a €3m decline in "Trade and other accounts receivable" and a €3m decline in "Contract assets", with a corresponding €4.6m reduction in Group equity (including the tax effect).
2. The application of IFRS 16 modified the beginning balance of the "Other current assets" account by €10m: from €461m at the end of FY 19 to €451m at the beginning of FY 20. Working capital at the beginning of FY 20 amounted to -€843m, €10m less than at the end of FY 19. Considering the impact of IFRS 16, working capital decreased by €95m in the first quarter of FY 20.

Capital expenditure amounted to €109m in Q2 20, in line with annual targets communicated in November 2019. Investment was concentrated in developing new services, Onshore and Offshore platforms, and tooling and equipment.

The application of IFRS 16 in FY 20[11] increased gross interest-bearing debt by €583m (see note 2.D.3 to the Group's consolidated financial statements for FY 19). As a result, the net cash position went from €863m as of 30 September

[11]The Siemens Gamesa Group has adopted IFRS 16 as of October 1, 2019 using the full retrospective approach without restating comparative period figures. As a result of the foregoing, the opening balance as of October 1, 2019 has been modified. The main impacts of the first application of IFRS 16 in the consolidated balance sheet as of October 1, 2019 are the increase in Property, plant and equipment corresponding to the asset for the right of use in the amount of 679 million euros, a decrease in advance payments recorded under the headings “Other non-current assets” and “Other current assets”, in an amount of 85 million euros and 10 million euros, respectively, and the corresponding increase in current and non-current liabilities (components of the Net Financial Debt) amounting to 583 million euros. Lease liabilities as of March 31, 2020 amount is reflected in note 8.B to the interim consolidated financial statements: €123m short-term and €483m long-term.

2019 to €280m at the beginning of FY 2020 (1 October 2019). Adjusting for this accounting change, the net cash (debt) position improved by c. €429m[12] to net debt of €295m. This improvement includes the payment completion for the acquisition of Senvion Service assets in Q2 20.

In the first quarter of FY 20, Siemens Gamesa strengthened its funding structure by extending the maturity of the syndicated loan to December 2024 and arranging more flexible terms as a result of achieving an investment grade rating. The maturity extension enables the company to address the impact of the pandemic and the related uncertainties with a strong liquidity position. At the end of Q2 20, the company had c. €4,000m in credit lines, against which it had drawn c. €1,100m. Of the amount not yet drawn, c. €2,200m are fully committed by the banks, with c. €200m maturing in 2021 and c. €2,000m in 2024.

WTG

Table 5: WTG (€m)

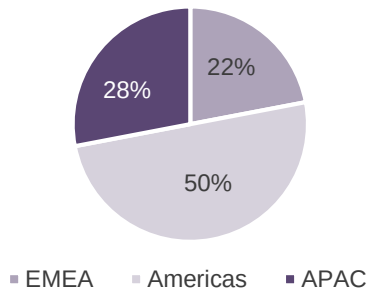
€m	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	Change y/y
Revenue	1,904	2,060	2,242	2,527	1,634	1,808	-12.2%
Onshore	1,103	1,243	1,229	1,650	1,116	1,149	-7.6%
Offshore	801	817	1,013	877	518	660	-19.2%
Volume (MWe)	2,129	2,383	2,394	2,585	1,932	2,183	-8.4%
Onshore	1,520	1,707	1,699	2,009	1,747	1,649	-3.4%
Offshore	609	676	694	576	185	534	-21.0%
EBIT pre PPA and before I&R costs	51	106	76	149	-224	-54	N.A.
EBIT margin pre PPA and before I&R costs	2.7%	5.1%	3.4%	5.9%	-13.7%	-3.0%	-8.1 p.p.

WTG revenue in Q2 20 amounted to €1,808m, 12% less than in Q2 19. WTG sales declined as a result of the reduction in Offshore sales (-19% y/y), in line with the plan for the year, and a decline in Onshore sales (-8% y/y) because of the impact of COVID-19 on project execution.

The reduction in Onshore sales, to €1,149m in Q2 20, was driven by a decline in volume in the quarter to 1,649 MWe, 3% less than in Q2 19, caused by COVID-19-linked delays in project execution, trends in the prices of executed contracts, the volume of installation work, and the geographic mix (smaller contribution from EMEA).

The main sources of Onshore sales (MWe) in Q2 20 were the USA (36% of the total) and India (17%).

Figure 8: Sales (MWe) WTG ON Q2 20 (%)



[12]Net debt as of March 31, 2019: €118m, increase in debt due to adoption of IFRS 16 in FY 20, at March 31, 2020: €606m, net debt as of March 31, 2020: €295m. See Note 8.b to the interim half-year consolidated financial statements as of March 2020 (lease liabilities of €123m short-term and €483m long-term).

Offshore revenue shrank by 19% with respect to Q2 19, to €660m, and volume amounted to 534 MWe, 21% less than in the year-ago quarter. It is important to note that the decline in Offshore sales (MWe) is in line with the plan for the year, which is fully covered by orders.

EBIT pre PPA and before integration and restructuring costs in Q2 20 amounted to -€54m, equivalent to an EBIT margin of -3.0%, i.e. 8.1 percentage points below the EBIT margin pre PPA and before integration and restructuring costs in Q2 19. Profitability in Q2 20 was affected by the pandemic, which delayed execution of certain projects and raised costs by slowing the supply chain and the pace of manufacturing and execution. In Q2 20, the impact of the pandemic was concentrated in the Onshore business. In this context of further deceleration, the cost of executing the Northern Europe pipeline and India experienced additional increases, above what had been projected and booked in Q1 20 for both concepts. These additional costs in Europe and India were offset by the gains from the agreement between Adwen and Areva. The following also had an impact:

- Lower prices, offset by the results of the L3AD2020 transformation programme.
- The cost of Offshore underproduction due to the reduction in volume.
- The sales mix, with a lower contribution from the Offshore segment and a lower contribution by EMEA in the Onshore segment.

EBIT pre PPA and before integration and restructuring costs amounted to -€278m in H1 20, equivalent to an EBIT margin of -8.1%, i.e. 12 percentage points below the EBIT margin pre PPA and before integration and restructuring costs in H1 19.

It is important to note that the impacts of lower price, Offshore volume and project mix are in line with the company's expectations. Additionally, the transformation process resulted in the expected productivity gains, which fully offset the impact of lower prices.

Execution of low-margin projects from the company's early years was completed in the first half of FY 20. WTG Onshore order intake in H1 20 showed a solid improvement in margins that will feed into the bottom line in the second half of FY 20.

It is still difficult to reliably estimate what impact the pandemic will have on the business in the second half of the fiscal year. The teams established to ensure business continuity are working to minimise the disruption to operations caused by the shutdowns and the supply chain problems, partly by leveraging on our worldwide footprint to recover lost output and mitigate challenges in specific markets. A key factor for minimising the disruption to activities was the early adoption of strict action protocols in all segments of the value chain, which made it possible to avoid contagion among the Group's employees while at work.

This, coupled with the total commitment by the Group's employees, made it possible to complete and deliver, on time in Q2 20, the Aria del Vento (Italy) and Midelt (Morocco) onshore wind farms and the East Anglia (UK) offshore wind farm, which entered commercial operation on 31 March.

Operation and Maintenance Service

Table 6: Operation and maintenance (€m)

€m	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	Change y/y
Revenue	358	330	390	417	366	395	19.9%
EBIT pre PPA and before I&R costs	87	73	83	100	88	87	19.4%
EBIT margin pre PPA and before I&R costs	24.3%	22.0%	21.3%	24.1%	24.1%	21.9%	-0.1 p.p.
Fleet under maintenance (MW)	56,828	56,875	58,708	60,028	63,544	71,476	25.7%

The Service business increased revenue by 19.9% with respect to Q2 19, to €395m. This growth was driven by the integration of the Service assets acquired from Senvion in January 2020 and by organic growth in maintenance revenue and spare part sales, offset by a reduction in the sale of value-added solutions.

The fleet under maintenance stands at 71.5 GW, 26% more than in Q2 19. The Offshore fleet under maintenance, 11.4 GW, expanded by 12% y/y, while the Onshore fleet expanded by 29% y/y to 60.1 GW, mainly as a result of integrating the fleet acquired from Senvion. The renewal rate was 70% in the quarter, in line with the renewal rate in Q2 19. The fleet of third-party technologies under maintenance was 10 GW[13] at 31 March 2020.

EBIT pre PPA and before integration and restructuring costs in the Service division amounted to €87m in Q2 20, equivalent to an EBIT margin of 21.9%, practically stable year-on-year (22.0% in Q2 19).

EBIT pre PPA and before integration and restructuring costs amounted to €175m in H1 20, equivalent to an EBIT margin of 23%, flat year-on-year.

[13]The fleet of third-party technology under maintenance has been redefined to exclude the technology of companies acquired before the merger between Siemens Wind Power and Gamesa Corporación Tecnológica (MADE, Bonus and Adwen) and it includes the third-party fleet of companies not acquired, including the Senvion assets.

Sustainability

The table below shows the main sustainability figures for H1 19 and H1 20 periods, and the inter-quarter variation.

Table 7: Main sustainability figures

	H1 19	H1 20 (*)	Change y/y
Workplace health and safety			
Lost Time Injury Frequency Rate (LTIFR)[1]	1.54	1.10	-29%
Total Recordable Incident Rate (TRIR)[2]	4.18	2.65	-37%
Environment			
Primary (direct) energy used (TJ)	225	283	26%
Secondary (indirect) energy use (TJ)	308	379	23%
of which, Electricity (TJ)	243	325	34%
from renewable sources (TJ)	187	199	6%
from standard combustion sources (TJ)	57	127	123%
renewable electricity (%)	77	61	-20%
Fresh water consumption (thousand m^3)	165	229	39%
Waste production (kt)	30	33	7%
of which, hazardous (kt)	8	6	-32%
of which, non-hazardous (kt)	22	27	21%
of which, recycled (kt)	18	23	27%
Employees			
Number of employees (at period-end)	24,072	24,356	1%
employees aged < 35 (%)	37.8	36.4	-4%
employees aged 35-44 (%)	36.4	37.3	3%
employees aged 45-54 (%)	18.6	18.6	0%
employees aged 55-60 (%)	5.0	5.3	5%
employees > 60 (%)	1.7	1.8	9%
employees other not classified (%)[3]	0.5	0.6	14%
Women in workforce (%)	18.7	18,9	1%
Women in management positions (%)	12.8	10.8	-16%
Supply chain			
No. of Tier 1 suppliers	12,763	14,816	16%
Purchase volume (€m)	4,023	3,612	-10%

1. LTIFR index is calculated for 1,000,000 hours worked and includes all accidents with at least one work day loss.
2. TRIR index is calculated for 1,000,000 hours worked and includes fatalities, lost time accidents, restricted work and medical treatment cases.
3. According to specific regulation in some countries, information on age is not disclosed into data systems.

(*) Non-audited figures

Health and safety

Q2 20 has been a critical one for occupational health and safety in our company. Regrettably, we experienced three fatalities, one SGRE employee, on February 13 in Spain, and two contractors, one on January 18 in Norway, and another one on February 5 in Brazil.

Workplace health and safety are a key value for Siemens Gamesa. They constitute a core component of the Group's risk management and internal control and becomes a responsibility for each of us. Nothing is more important. With this in mind, we re-examine our guidelines and our actions related to occupational safety and are taking measures as quickly as possible to prevent incidents of this kind in the future.

Preserving health and safety is linked to the UN Sustainable Development Goals, specifically health and well-being (SDG 3), decent work and economic growth (SDG 8) and peace and justice (SDG 16).

At the end of the reporting period H1 20, the Lost Time Incident Frequency Rate (LTIFR) was 1.10 (1.54 in H1 19). The total recordable incident rate (TRIR) was set at 2.65 in the first semester of 2020 (4.18 in the first semester of 2019).

Siemens Gamesa works proactively to analyze the causes of accidents and has management indicators that track the degree of fulfilment of this work philosophy in day-to-day performance. This includes, for example, performing safety inspections, safety observations and health and safety audits.

The breakout of the coronavirus COVID-19 was spreading rapidly across the world in Q2 20. Siemens Gamesa made sure to minimize the impact to both customers, employees and to Siemens Gamesa at large through measures to avoid spreading the virus, aimed at minimizing the risk for the individual employee. Office employees at all locations in affected areas were instructed to work from home. Production and office employees unable to work from home, for example due to the need to use special tools or servers, are being subject to special health and safety protocol.

Environment

Siemens Gamesa has an Environmental Management System certified according to the ISO 14001:2015 standard, which covers all locations. The scope of certification covers all functional areas and core processes related to the sale, design and development, procurement and manufacturing of wind turbines as well as other mechanical and electrical components for both wind and non-wind applications.

Total energy consumption in the reporting period amounted to 661,451 GJ (24% more than in H1 19). Accordingly, cumulated energy consumption per employee and year was 27.2 GJ. The share of primary energy (includes energy for direct combustion sources such as fuel-oil, gasoline, natural gas or liquefied petroleum gases) is 43% while secondary energy (mainly electricity and district heating) amounts to 57% of the total.

Total waste production amounted to 32,549 tons in H1 20. Most of waste -as much as 83%- produced is non-hazardous. Additionally, the recyclability rate of all waste produced at Siemens Gamesa stands at 71%, so that most waste is recycled.

Employment

The workforce totaled 24,356 employees at the end of H1 20. Most of employees are located in the Europe, Middle East and Africa region (66%), followed by Asia and Australia (20%) and Americas (14%).

From a gender perspective, women account for 18.9% of the total workforce in H1 20. Specifically, women represent 21% of the workforce in Europe, Middle East and Africa, 21% in America and 10% in Asia and Australia.

Siemens Gamesa had 334 employees in management positions at the end of H1 20, 10.8% of them women. This proportion improved 0.3 p.p. with respect to Q1 20 and is expected to increase in line with the application of employment best practices.

Suppliers

Procurements in H1 20 amounted to €3,612m, from above 14,000 tier 1 suppliers. Those suppliers benefit from an impartial selection process and they are evaluated to ensure that they fulfil the high-quality standards required by our approach to excellence.

As a foundation on sustainability for suppliers, and compliant to the Group policy, the Code of Conduct for Suppliers and Third-Party Intermediaries is compulsory and sets out the Group’s binding requirements.

ESG indexes

Siemens Gamesa is a constituent member of prestigious international sustainability indexes, such as Dow Jones Sustainability Indices®, FTSE4Good®, Ethibel Sustainability Index® and Bloomberg Gender Equality Index®. Noteworthy, in February 2020, Siemens Gamesa Renewable Energy received a rating of A (on a scale of AAA-CCC) in the MSCI ESG ratings assessment, enabling the company´s inclusion in the MSCI indices and with an investment grade rating. The MSCI ESG ratings measure companies, according to exposure to industry-specific environmental, social and government (ESG) risks and the ability to manage those risks. Siemens Gamesa's upgrade from ‘BB’ (2 notches) reflects an improvement in its environmental, social and governance practices and policies.

Social Commitment

The impact of the crisis caused by the coronavirus has been felt across the world and is likely to continue for some time. In response, Siemens Gamesa has launched a social campaign to allow its teams to help in the global fightback against the pandemic. At the heart of the program there is an employee donation campaign to the 'COVID 19 Emergency Appeal' by the International Federation of Red Cross (IFRC), which is leading a wide-ranging program to help combat the spread of coronavirus around the world. Siemens Gamesa invites its employees to donate to the Appeal and has committed to matching staff donations. In addition, Siemens Gamesa has pledged to fund the acquisition of €1 million worth of vital supplies to healthcare providers. This includes personal protection equipment such as masks and gloves that have been requested by several hospitals. These will be sourced using the company's own procurement and distribution networks. Siemens Gamesa has also refocused its existing corporate social responsibility program, 'SGRE impact', to support Covid-19 recovery efforts, and finally the company has also launched an educational program called 'Teaching the Future', whereby employees can record motivational videos on Science, Technology, Engineering and Mathematics (STEM) subjects, as well as digitalization or renewable energies.

Outlook

Economic situation[14]

The start of 2020 was marked by the COVID-19 coronavirus pandemic, which, in addition to the high cost in human lives, is expected to have a significant impact on the global economy, affecting production, supply chains and companies' financial stability. The relative lack of information about the virus, its contagion and mortality rates, its seasonality and the question as to whether it will be contained after one or more waves, make it difficult to estimate the economic impact reliably.

Considering that the virus had already reached most countries by the end of March, the IMF[15] projected, in its April 14 report, that the world economy would experience a sharp contraction of -3% in 2020, i.e. down 6.3 p.p. from its previous projection, released in January, i.e. an even sharper setback than in the 2008-2009 financial crisis. For 2021, its baseline scenario is for a partial recovery with +5.8% growth (+2.4 p.p.) but with GDP below the pre-pandemic trendline. In this scenario, it assumes that the pandemic will dissipate in the second half of 2020, allowing containment measures to be gradually lifted, and that disruptions to economic activity in most countries will be concentrated in the second quarter of 2020 (except in China, where they are assumed to have been concentrated in the first quarter). Uncertainty about the duration and intensity of the pandemic means that the predominant risk is that the outcome will be even worse.

In this scenario, the IMF projects a contraction of -6.1% by the advanced economies in 2020 (-7.7 p.p.), followed by growth of +4.5% in 2021 (+2.9 p.p.). For the euro area, the IMF projects a contraction of -7.5% in 2020 (-8.8 p.p.), followed by +4.7% growth in 2021 (+3.3 p.p.). For the US, it projects -5.9% in 2020 (-7.9 p.p.) and +4.7% in 2021 (+3.0 p.p.).

For the emerging or developing economies, the IMF projects a contraction of -1% in 2020 (-5.4 p.p.), followed by growth of +6.6% in 2021 (+2.0 p.p.), with China growing by just +1.2% in 2020 (-4.8 p.p.), rebounding to +9.2% in 2021 (+3.4 p.p.), while it expects India to log +1.9% growth in 2020 (-3.9 p.p.) and +7.4% in 2021 (+0.9 p.p.). The IMF projects that Brazil and Mexico will shrink in 2020 by -5.3% (-7.5 p.p.) and -6.6% (-7.6 p.p.), followed by growth in 2021 of +2.9% (+0.6 p.p.) and +3.0% (+1.4 p.p.), respectively.

Long-term worldwide prospects for wind

The world energy market continues its transition towards an affordable, reliable and sustainable model in which renewable energy plays a fundamental role thanks to its growing competitiveness. This transition is not simple, nor is it guaranteed to achieve its objective without greater sustained efforts on the part of governments. As indicated in the UN report on the gap between the emission reduction targets and actual achievements[16] to date, governments must triple their efforts and introduce new measures on an urgent basis when they review their Nationally Determined Contributions (NDCs), while there are many cost-effective options for cutting emissions quickly.

The International Energy Agency (IAE) reached similar conclusions in its most recent World Energy Outlook (WEO 2019)[17]. The policies and commitments announced to date by countries and supranational organisations will result in renewable generation, led by wind and photovoltaic, surpassing coal-fired generation by the middle of the next decade, and in emissions growth slowing down, but not peaking until 2040, so the sustainability goals are far from being achieved.

Renewables will account for more than two-thirds of the new capacity installed worldwide between now and 2040, with wind tripling capacity, driven by the boom in Offshore. WEO 2019 increased its projections for wind and solar photovoltaic with respect to WEO 2018, with a significant increase in projections for Offshore wind installed capacity

[14]Values in brackets indicate variations versus estimations considered in previous reports.

[15]International Monetary Fund. World Economic Outlook. April 2020 – Chapter 1.

[16]United Nations. Emissions Gap Report 2019. November 2019.

[17]IEA. World Energy Outlook 2019 (WEO 2019). November 2019.

due to its growing competitiveness, with the result that it will be able to compete with fossil fuels and other renewables such as solar photovoltaic in the next decade.

In this scenario, accumulated wind capacity at the end of the period (2040) will amount to 1,850 GW, i.e. 150 GW more than the previous report's estimates (with more than 300 GW Offshore). That accumulated volume represents a sustained level of installations averaging 57 GW per year over 20 years, i.e. almost 15% higher than the average of the preceding years (2012-2018: c. 50 GW according to the Global Wind Energy Council or GWEC). In the case of Offshore, it means reaching more than 20 GW per year in 2030, compared with 4 GW installed in 2018 and 6 GW installed in 2019[18] and almost 7 GW estimated for 2020[19].

However, this will not be sufficient to fulfil a sustainable development goal that requires greater and faster deployment of renewable energies. According to the IEA, a scenario compatible with sustainable growth, which includes the commitments to combat climate change, requires that renewables account for 80% of new installed capacity between now and 2040. Under this projection, the accumulated wind fleet would total almost 3,000 GW in 2040, i.e. 1,000 GW more than in the previous scenario and representing an average of 130 GW of installations each year over the next 20 years, of which close to 30 GW will be Offshore in 2030, rising to 40 GW in 2040.

IRENA[20] also points out that the objectives currently included in the NDCs are far from being sufficient to achieve the climate objectives and do not reflect actual growth trends in renewables or the existing commitments by many countries. While the objectives contained in the NDCs entail achieving 3.2 TW of renewable capacity in 2030, current trends suggest that that goal will be achieved by 2022. According to the Paris Agreement's ratchet mechanism, 2020 is the first year in which the signatories must increase the objectives set out in their NDCs and align them with goals that are compatible with controlling climate change (with progressive improvements every 5 years). IRENA estimates that up to 7.7 TW (3.3 times the current installed capacity) could be achieved profitably, providing substantial socio-economic benefits.

The New Energy Outlook published by Bloomberg New Energy Finance (BNEF) in June 2019 (NEO 2019) reached similar conclusions. NEO 2019 projects an energy transition whose end-point is similar to the IEA's sustainable development scenario, in which renewable energies' growing competitiveness and the development of increasingly competitive storage invert the current capacity mix, with renewables accounting for two-thirds of total capacity (the share currently accounted for by fossil fuels) by 2050. In this scenario, cumulative installed wind capacity will amount to 2,965 GW in 2040 (10% more than estimated in NEO 2018), meaning installations at an average pace of over 100 GW per year for the next 20 years. In that same report, BNEF estimates that USD 13.3 trillion will be invested in new power generation assets through 2050, and that 77% (i.e. USD 10.2 trillion) will be in renewable energies, of which USD 5.3 trillion in wind power.

According to NEO 2019, over two-thirds of the world population currently lives in countries where wind or solar, if not both, are the cheapest energy sources. Coal and gas occupied that position just five years ago. By 2030, new wind and solar capacity will be cheaper than existing gas-fired and coal-fired facilities practically everywhere in the world. Since 2010, the cost of wind power has fallen by 49% and it is expected to decline by another 50% by 2050 in the case of Onshore wind power.

In 2050, wind and solar will be supplying almost 50% of the world's energy, with hydroelectric, nuclear and other renewable sources providing another 21%. Coal-fired output will halve to account for 12% of total output in 2050, compared with 27% today. The structure of installed capacity will change from 57% fossil fuel at present to two-thirds renewables by then.

[18]GWEC. Global Wind Report 2019. Global Wind Energy Council. March 2020.

[19]Wood Mackenzie: 1Q 2020 Global Wind Market Outlook.

[20]IRENA (Internaitonal Renewable Energy Agency), NDCs in 2020: Advancing renewables in the power sector and beyond. December 2019.

The growing competitiveness of storage mechanisms will help to drive the increase in the contribution by renewable energies. NEO 2019 estimates that the cost of storage will fall by 64% through 2040, from USD 187/MWh at present to USD 67/MWh.

The ongoing COVID-19 crisis again evidences that electricity infrastructure is critical and highlights the need to maintain the security of electricity systems. The sharp decline in electricity consumption in countries under lockdown (estimated at 15% by the IEA) enables renewables to increase their share of the generating mix. A larger share for wind and solar power represents an opportunity to see how the cleaner electricity systems of the future would work and to understand what the system needs to guarantee reliability with a notably higher share of renewables.

Figure 9: Wind installations (cumulative GW)

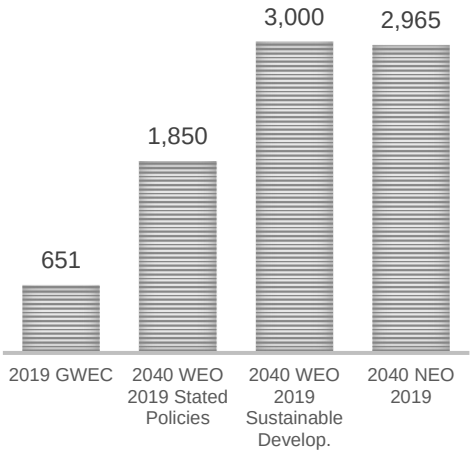
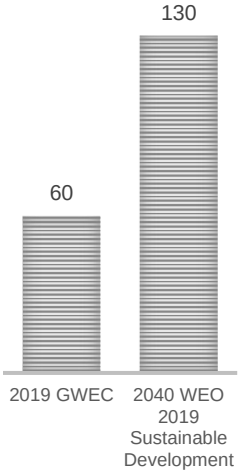


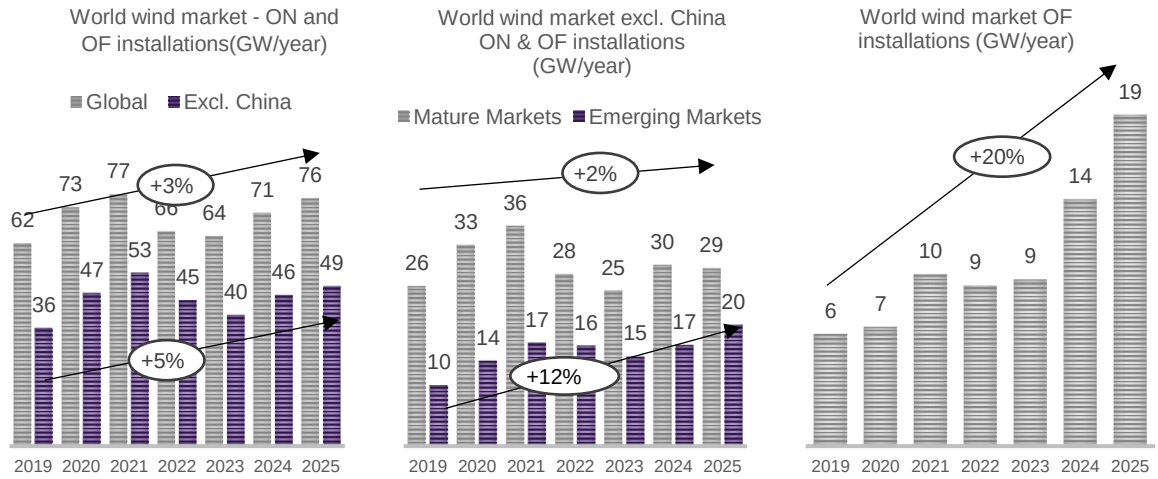
Figure 10: Annual installations 2018-40E (GW/year)



Quarterly update of short- and medium-term demand

The following figures present projections for installations in the medium term (2020-2025)[21] and final installations reported for 2019[22] (the figures in the bubbles are compound annual growth rates for 2019-2025).

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



The coronavirus crisis is having a major impact on the wind industry. Disruptions to the supply chain and restrictions on the movement of people and goods are changing constantly, which is causing great uncertainty. This situation jeopardises the execution of projects in 2020, which could be postponed to 2021, the year in which annual installations (in MW) would peak according to current estimates. Wood Mackenzie (WM)[23] estimates that worldwide installations will amount to 72.9 GW in 2020 and 76.8 GW in 2021, which represents a reduction of -3.8 GW for 2020 and an increase of +2.7 GW in 2021 compared to their previous estimate. The reduction in 2020 is concentrated in Onshore (-4.2 GW to 66.3 GW), and in China (-2.7 GW), followed by the US, Spain and Sweden. WM projects that 2.5 GW of Onshore installations lost in 2020 will be recovered in 2021, to a total of 67.2 GW, with Brazil and Spain leading the increase in installations compared to the previous quarter's estimate. Its estimates for Offshore increase by +0.4 GW in 2020 to 6.7 GW and +0.2 GW in 2021 to 9.6 GW.

In a subsequent report, which includes the impact of the three-week total lockdown announced in India (not factored into the WM projections), Bloomberg NEF (BNEF)[24] now estimates that worldwide installations will reach 66.4 GW in 2020 and 73.0 GW in 2021, i.e. a reduction in its estimates of -9.0 GW for 2020 and an increase of +10.7 GW for 2021 compared to its previous estimate. The changes in BNEF's estimates are exclusively in the Onshore segment (60.4 GW for 2020 and 64.0 GW for 2021), while it maintains its projections for Offshore at 6.0 GW for 2020 and at 9.0 GW for 2021. The reduction in 2020 is mainly in Europe (-4.2 GW), with Spain, the Netherlands and Germany experiencing the greatest adjustment, and in the US (-2.4 GW), where the possible delays will increase pressure on an already tight schedule. The projected recovery in volume in 2021 is led by the US (+5.1 GW) and China (+3.1 GW).

WM's projections for installations in the period 2020e-2025e continue to assume solid demand, though its projections for accumulated installations in the period are 10 GW lower, at 426 GW (an average of 71 GW per year), than the projections released in the fourth quarter of calendar 2019; of that reduction, 8 GW are Onshore and 2 GW are Offshore. Following the aforementioned reduction for 2020 and increase for 2021, WM has cut its projections

[21]Wood Mackenzie: 1Q 2020 Global Wind Market Outlook. The balloons indicate compound annual growth rates.

[22]According to the Global Wind Report 2019 (GWEC March 2020), ON + OF installations worldwide in 2019 amounted to 60 GW overall and to 34 GW excluding China; there were 25 GW in mature markets and 9 GW in emerging markets; 6 GW in OF (the same as the Wood Mackenzie installation figures).

[23]Wood Mackenzie: 1Q 2020 Global Wind Market Outlook. All projections dated calendar Q4 19 and calendar Q1 20 are from the Wood Mackenzie Global Wind Power Market Outlook Update, except where BNEF is referenced.

[24]Bloomberg NEF: 1Q 2020 Global Wind Market Outlook. Comparisons are with the Q4 19 issue of the same report.

for the Onshore market between 2022 and 2025 by -6.2 GW in that period, concentrated in India, and -2.6 GW for Offshore, reducing its projections mainly in China (-3.3 GW) and the US (-1.8 GW) offset by higher projections for the United Kingdom (+2.5 GW).

China (125 GW), US (47 GW), India (25 GW) and Germany (16 GW) are expected to retain their positions as the largest Onshore markets, accounting for close to 60% of the total accumulated installations projected for 2020e-2025e. Brazil, France, Sweden, Spain and Australia, with cumulative installations of between 7 GW and 11 GW per country, will contribute more than 12% in the period 2020e-2025e.

Although new markets are emerging, the Offshore segment is still much more concentrated. China, with 22 GW of installations in 2020e-2025e, will account for 33% of total installations in the period. Europe, led by the United Kingdom (12 GW of installations in the same period), will install 27 GW, accounting for 41% of the total. Next come the US (8 GW in 2020-2025) and Taiwan (6 GW in that period).

Beyond the pace of installations, price dynamics are unchanged with respect to the previous quarter and Onshore prices continue to stabilise, reflecting mainly the stabilization of auction prices but also the commercial dynamic in the US, cost inflation and the pressure on margins in the supply chain. According to the wind turbine price index published by BNEF on December 16, the average Onshore price is USD 0.7 million per MW for contracts signed in the second half of 2019, i.e. 7% below the price average of contracts signed during the second half of 2018 (USD 0.75m/MW). The increase in turbines' rated capacity is one of the reasons behind this decline. In terms of product the >3 MW category continues to gain market share, while the average capacity in contracts for delivery in 2021 is now 4 MW.

Summary of the main events relating to wind power in Q2 20[25]

The following information was published in the second quarter of FY 2020 and the following measures were adopted in connection with government commitments and actions aligned with the transition towards a sustainable energy model.

COP26 - United Nations - Climate Summit

- The climate summit planned for Glasgow next November has been postponed to 2021 because of COVID-19.

European Union

- The European Commission published its proposal for the European Climate Law, which will legally recognise the goal of making Europe climate neutral by 2050. The Commission will also propose an increase in the emission reductions required for 2030 from the current 40% to at least 50% to ensure neutrality in 2050. The Commission will support the achievement of these objectives with financial instruments such as the European Green Deal Investment Plan (EGDIP), which will mobilise €1 trillion in sustainable investments over a decade.
- According to the Eurostat January 2020 report, renewable energy accounted for 18% of the European Union's total gross energy consumption in 2018 (17.5% in 2017). Twelve countries[26] have already reached the quota corresponding to the 2020 targets, while France, Ireland, the Netherlands and Poland are still far from achieving it.

Germany

- The regulation to shut down 41 GW of coal-fired generating capacity by 2038 was approved.

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

[26]Bulgaria, Czechia, Cyprus, Croatia, Denmark, Estonia, Finland, Greece, Italy, Latvia, Lithuania and Sweden.

- The results of the first (official figures) and second (unofficial figures) wind auctions in 2020, both of which attracted a low level of interest, were released (Table 8).
- The government decided not to oblige the federal states to impose the minimum distance of 1 km between a wind farm and any building, and proposes to adapt the building code so that each federal state can regulate this separately.
- The regulation on innovation auctions, supporting technological innovation to stabilise the grid through hybrid and storage solutions, came into force. The first auction, expected for the second half of 2020, will be technologically neutral and will allocate 250 MW.
- The deadlines for the construction of projects awarded in auctions were made more flexible to compensate for possible delays caused by COVID-19.

Spain

- The Integrated National Energy and Climate Plan 2021-2030 was submitted to Brussels; it has the following objectives:
  - Renewable energy to account for 42% of final energy consumption, and 74% of electricity consumption, by 2030.
  - The electricity system will be 100% renewable by 2050.
  - The document projects a cumulative 50 GW of wind by 2030.
- The government released the draft Climate Change and Energy Translation Law, which:
  - Maintains the objective that renewable energy accounts 35% of final energy consumption and 70% of electricity generation by 2030, as well as achieving a 100% renewable power grid and CO2 neutrality by 2050.
  - Establishes a commitment to auction 3 GW of renewable capacity per year, starting in 2021. The auctions will be based on the feed-in tariff (previous auctions focused on the return on investment).
- The draft of the Royal Decree of the Statute of Intensive Electricity Users (companies that consume more than 1 GWh per year) was published, which includes the obligation to sign PPAs for renewable energy. The PPAs must be for 5 years and must amount to at least 10% of the buyer's electricity usage.
- The remuneration parameters for renewable projects for the period 2020-2022 were published: the figures are 7.4% and 7.1%, i.e. a reduction of approximately 9%-10% for projects commissioned between 2004 and 2016. Projects prior to 2004 and the projects in the 2016 and 2017 auctions continue to receive no return on investment.

France

- A new draft of the energy strategy entitled "*Programmation pluriannuelle de l'énergie (PPE) 2019-2023 / 2024-2028"* was published, targeting 24.1 GW Onshore and 2.4 GW Offshore by 2023, and between 33.2 GW and 34.7 GW Onshore and between 5.2 GW and 6.2 GW Offshore for 2028. That strategy puts France on a path to achieve CO2 neutrality in 2050 and sets the priorities for achieving the targets set by the strategy:
  - Reduce greenhouse gas emissions in 2030 by 40% with respect to 1990 levels.
  - Increase the share of renewable energy to 33% of gross energy consumption by 2030, while reducing the nuclear share of electricity production to 50% by 2035.
- The following auction calendar is proposed:
  - Onshore: 1,675 MW in 2020 and 1,850 MW/year between 2021 and 2024.
  - Offshore: 1,000 MW in 2020 (Manche Est Mer du Nord), between 750 MW and 1,250 MW in 2021 (Bretagne Sud and Sud Atlantique), 500 MW in 2022 (Mediterranée) and 1,000 MW/year from 2023 onwards.

- New rules applicable to Round 6 of the Onshore auctions were published, including a local content indicator, although it will not be a criterion for selecting the winners.
- The results of the fifth Onshore auction were published (Table 8).
- The deadlines were extended for projects that are trying to complete construction during the COVID-19 crisis.

Italy

- The National Integrated Energy and Climate Plan 2030 was published, with the goal that renewables account for 30% of final energy consumption, or 55% of electricity consumption, by 2030. The objective for wind power is 15.65 GW Onshore and 0.3 GW Offshore by 2025, and 18.4 GW Onshore and 0.9 GW Offshore by 2030.
- The outcome of the September 2019 auction was released (Table 8) and the second renewable energy auction commenced (Table 9).

Poland

- The draft law on onshore wind power is currently in the public consultation phase. The law defines the mechanisms for authorising aid (through a feed-in tariff) with the aim of reaching 9.6 GW in 2035.

UK

- The government has proposed several changes to the Contracts for Differences (CfD) scheme, including the inclusion of Onshore wind and solar in the auctions to be held from 2021 onwards.
- The energy regulator (Ofgem) issued an action plan to ensure that the energy grids are ready for a system with zero net emissions, and to decarbonise transport and climate control by 2050.
- The closure of the coal-fired plants was brought forward one year (from October 2025 to October 2024).
- For the first time, five Onshore wind projects won contracts in the capacity market auction, after unsubsidised renewable projects were allowed to participate.

Brazil

- The energy planning authority has published the plan for Offshore wind energy, under which the first project will be installed in 2027.
- The A-4 and A-6 auctions have been postponed indefinitely due to the impact of COVID-19. A total of 21 GW of wind projects had registered for the A-4 auction.

Mexico

- SENER published the *Transition Strategy* to promote the use of cleaner technologies and fuels, which envisages the installation of 13.3 GW of Onshore wind capacity by 2033.

US

- At the date of drafting this report, renewable energy was not eligible for the COVID-19 aid packages.
- New Jersey published the schedule of auctions to achieve the 7.5 GW Offshore target in 2035 (Table 9).
- Virginia passed the Virginia Clean Economy Act, which doubles the Offshore target for 2034 from 2.5 GW to 5.2 GW, forcing electric utilities and supply companies to provide 100% renewable electricity by 2050. It also sets a goal of 2.4 GW of storage capacity by 2035.
- Rhode Island signed an order that 100% of its electricity supply must be from renewable sources by 2030.
- APS, Arizona's largest electric utility, announced the goal of supplying 100% clean energy by 2050 (65% by 2030).

- California set a new target for 2030 that involves adding 25 GW of renewables, including 8.9 GW of batteries.

Australia

- Pending specific legislation, the Federal Energy Ministry is considering adopting a zero emissions target for 2050. The government has also commenced talks to draft a law allowing the development of Offshore wind power in Commonwealth waters.
- Absent federal legislation supporting the development of renewables, New South Wales has released the first stage of a plan to achieve zero emissions by 2050, applicable to the 2020-2030 period, with which it aims to reduce emissions by 35% by 2030 compared to 2005 levels. New South Wales is also working on the development of renewable energy zones. The three zones identified to date could represent almost 18 GW of wind and solar capacity and storage facilities.

India

- The results of the SECI auction for wind, solar and hybrid with storage, and the Adani hybrid auction, were released (Table 8), and the SECI IX, SECI hybrid III and NTPC auctions were rescheduled (Table 9).
- The Ministry of New and Renewable Energy (MNRE) published a directive recommending the elimination of maximum prices in upcoming auctions.
- The MNRE has defined two areas, with 25 GW each, in Gujarat and Rajasthan and has made the land available to develop wind, solar and hybrid projects. It has also requested that the grid connection infrastructure in those areas be strengthened in the next two years.
- Corporation tax has been reduced for electricity generation companies to 15% (previously 22%, after having been reduced from 30% in September 2019). The cut in the tax rate represents an estimated reduction in the cost of energy (LCoE) for wind and solar projects of 10% and 8%, respectively, compared to the cost before the first reduction in the tax rate.
- The government will accept declarations of force majeure for projects experiencing delays caused by COVID-19 and will grant extensions to the deadlines for completing the projects.

Japan

- The first Offshore auction has been proposed (120 MW fixed-foundation).
- A law was passed with a new aid scheme for renewables in the form of a supplement to the market price, which will benefit storage and will be applied from April 2022.

The Philippines

- The government is drafting a regulation and a tariff system for renewable energy, within which it plans to hold auctions to award 2 GW of renewable capacity in 2020, with the aim of reaching 15.3 GW of renewable capacity by 2030.

Auctions summary

Table 8: Summary of auction results published in T2 20

Auction	Type	Technology	MW[1]	Average price €/MWh[2]	COD
Germany – 1, 2020	Specific	ON	523	62	2022
Germany – 2, 2020	Specific	ON	151	61	2022
US – Massachusetts	Specific	OF	804	54	2025
US – New York; NYSERDA 1.3 GW	Neutral (renewable)	ON	188	17	2024
France	Specific	ON	749	63	2023
Greece	Neutral (ON and Solar)	ON	153	55	2021
India – SECI	Hybrid	ON, Solar and batteries	1200	52[3]	2022
India – Adani	Hybrid	ON and Solar	700	41	2022
Italy	Neutral	ON and Solar	510	56	2022
Lithuania	Neutral	ON	75	0[4]	2023

1. MW awarded to ON or OF.
2. Using the exchange rate on the date the results were announced.
3. Bid price only for peak period. Figure is resulting weighted average price (between 51.3 and 54.6 €/MWh).
4. No subsidy.

Table 9: Auctions announced in Q2 20

Auction	Technology	Target	Expected date[1]
Brazil[2] A-4 and A-6 (rescheduled due to COVID-19)	Neutral		Indefinite
Chile[2]	Neutral	5.9 TWh/year	November 2020
US – Maine	Neutral (renewable)	1.7 TWh/year	April 2020
US – Nevada	Neutral (renewable)[3]	N.A.	March 2020
US – New Jersey – 5 auctions[4]	OF	1.2 – 1.4 GW	2020 – 2028
US – New York	OF	1 GW	2020
Greece	ON	480 MW	pending - 2020
India – SECI RTC[5]	ON/Solar + coal	5 GW	May 2020
India – SECI Hybrid III	Specific hybrid	1,200 MW	April 2020
India – SECI IX	ON	2 GW	May 2020
India – NTPC	ON	600 MW	April 2020
Ireland	Neutral (renewable)	1,000-3,000 GWh/year	June 2020
Italy	Neutral (renewable)	500 MW	Jan. - Mar. 2020
Japan	OF	120 MW	June 2020
Netherlands – SDE++ Autumn	Neutral (renewable)	€5,000m	October 2020
Turkey[2] (rescheduled due to COVID-19)	ON	2 GW	October 2020

1. Deadline for proposals. In some cases, the outcome will be published later.
2. Auctions announced earlier that have been put back. In the case of Chile, the rescheduling was due to the reduction in estimated demand.
3. ON wind, solar, geothermal, biomass and biogas.
4. The schedule of auctions has been published, allocating between 1.2 GW and 1.4 GW per auction, to achieve the target of 7.5 GW. The auctions will commence in Q3 2020, Q3 2022, Q2 2024, Q2 2026 and Q1 2028.
5. Round the clock. 5 GW renewables (ON and/or solar), complemented by thermal plants to ensure 80% annual availability.

Guidance 2020

The sudden emergence and rapid evolution of the COVID-19 pandemic, the uncertainty about its duration and scope, and the range of measures imposed by governments around the world to combat its effects, which in some countries include the temporary cessation of all non-essential economic activity, including manufacturing and restrictions on the movement of people and goods, make it difficult at this time to reliably estimate the impact on the company's financial performance this year. For that reason, Siemens Gamesa has decided that the most prudent course is to withdraw the guidance it had issued to the market.

During Q2 20, disruptions in the supply chain, manufacturing, project execution and commercial activity mainly affected the Onshore business, which is more dependent on a global supply chain and is highly diversified geographically.

Operations in China, where the first disruptions arose, returned to their normal pace at the end of Q2 20, while the factories in Spain, which were halted temporarily in April, have also resumed operations. As a result, execution times for Onshore projects lengthened in Q2 20, which increased costs, shifted sales from Q2 20 to Q3 20, and delayed the signature of contracts, which are now expected to be signed in Q3 20. This situation also accentuated the challenges faced by the company in executing the Northern Europe pipeline, as well as the volatility and slowdown in the Indian market.

At 31 March, the order book for execution in FY 20 fully covered the mid-point of the sales guidance issued in November 2019, which was confirmed in Q1 20, but the disruptions to supplies, manufacturing and execution could make it difficult to fully achieve those figures in the year. The teams created to ensure business continuity, the health and safety measures imposed, and the commitment on the part of the entire workforce will help to minimise the displacement of sales to FY 21 and the related costs.

Offshore and Service operations did not experience a major impact on Q2 20, and their performance is in line with the guidance for the full year. Based on currently available information, and with the measures adopted to ensure continuity in both areas while ensuring health and safety, the impact on the second half of the year is expected to be much lower than in the Onshore business.

Projections as to the impact of the PPA on amortization of intangible assets for the year (€260m in FY 20E) remain unchanged, while Group restructuring in India (c. €38m in Q2 20) and Senvion operations integration (I&R costs of c. €60m expected in FY 20) are added to the I&R costs projections communicated in Q1 20[27].

Capex in the quarter was in line with the objective that it amounts to 6% of revenue. The temporary increase (from 5% to 6%) makes it possible to make the necessary investment to respond to the strong growth expected in the Offshore segment in the coming years, with investments required in France and Taiwan, as well as in new Onshore and Offshore platforms. Given current projections on the impact of the pandemic in the wind energy demand, temporary and short-lived, the company considers it necessary to maintain its capital expenditure plan so as to guarantee the ability to respond to projected demand for wind power facilities in the coming years.

Agreement to acquire manufacturing assets from Senvion (Vagos blade factory)

The acquisition of certain Service assets from Senvion together with all its intellectual property was completed in January 2020. The acquisition of the Vagos factory was completed at the beginning of Q3 20.

The acquisition of Senvion assets contributed to increasing the Service order book, as well as the increase in revenue in Q2 20. These operations are part of the Group's long-term strategy to increase the fleet of third-party technology under maintenance and strengthen the company's position in the Service market in Europe.

The acquisition of the Vagos factory in Q3 20 is also part of the Group's long-term strategy to optimise manufacturing costs while achieving a better balance in the global Onshore supply chain by reducing reliance on Asia.

The Portuguese factory has the best operating characteristics of its class and has significant location and scale advantages as it is the largest blade factory in Europe. The acquisition will make Siemens Gamesa more competitive by adequately balancing its “make or buy” mix, and limiting exposure to supply chain bottlenecks, currency volatility and trade tariffs.

[27] Q1 20 I&R expenses projections excluded any Senvion integration related expense and did not foresee India operations restructuring.

The deal was completed in the terms that had been announced in FY 19.

Conclusions

Siemens Gamesa Renewable Energy ended the first half of FY 20 (H1 20) with a record order book: €28,623m, +21% y/y. This was achieved after signing €6,830m in the semester (+36% y/y), equivalent to a book-to-bill ratio of 1.6 times revenue in the semester, and integrating the Service assets acquired from Senvion in January 2020. With €2,203m in orders signed in the second quarter and a book-to-bill ratio of 1, commercial activity reflected the normal volatility in the Offshore market and the displacement of some Onshore orders to Q3 20 as a result of the disruptions caused by COVID-19. Also in Q2 20, a preferred supplier agreement was signed with Ørsted for the Borkum Riffgrund 3 (900 MW) and Gode Wind 3 (242 MW) wind farms, raising the conditional Offshore pipeline to 10.7 GW and evidencing the Group's continued leading position in the industry. In the Onshore market, platforms of 4 MW or higher continued to perform well, accounting for 40% of orders signed in the first half.

Revenue amounted to €4,204m in the first half (-10% y/y), and to €2,204m in Q2 20 (-8% y/y); this performance is broadly as planned for the year, with execution volume projected to be higher in the second half, including Offshore volume expected to be down y/y, and to a lesser extent, the impact of COVID-19 on the execution of Onshore projects in Q2 20 and the integration of the Service assets acquired in January.

EBIT pre PPA and before integration and restructuring costs was negative, -€103m, in the first half, i.e. an EBIT margin of -2.5%. This negative margin reflects the impact of several events that took place in Q1 20 and Q2 20: higher costs in the execution of Onshore projects in Northern Europe, costs in India resulting from the slowdown of the Onshore market and the direct and indirect impact of COVID-19. These extra costs were partially compensated by the positive impact of the settlement reached between Adwen and Areva in Q2 20. EBIT pre PPA and before I&R costs in Q2 20 amounted to €33m, equivalent to 1.5% over revenue. The EBIT margin pre PPA and before I&R costs in Q2 20 reflects the direct impact of COVID-19 (€56m or 2.5% of the quarterly revenue), and additional costs in the execution of the Northern pipeline beyond those accounted for in Q1 20 (c. €150m in Q1 20) and in India, partially driven by the indirect impact from COVID-19, both offset by the positive impact of the settlement.

Apart from those non-recurring factors, the impact of the price cuts is still being fully offset by the transformation process, whose results are in line with expectations for the year. In the Onshore business, the trend towards price stabilization continued in the first half and the returns on contracts signed to be executed in the future continues to improve.

Reported EBIT in the first half was negative, -€347m, including the impact of PPA on the amortisation of intangibles amounting to €135m (€69m in Q2 20) and the impact of integration and restructuring costs worth €110m (€82m in Q2 20).

Although there is currently not enough visibility to predict the pandemic's impact reliably, we expect that its effects will be confined to FY 20 and will be concentrated in the Onshore market and operations. With the information available at this time, the impact on Offshore and Service in the second half of the fiscal year is expected to be notably lower. We also expect that the dip in demand for renewables, particularly wind installations, in 2020 will be recovered in future years, and we think that the renewables industry can and must play a significant role in the economic recovery. For this reason, Siemens Gamesa has continued to invest in property, plant and equipment and R&D, in line with its projections for the year, in order to attain an investment/revenue ratio of 6% and ensure the ability to meet projected demand growth. The entire workforce and, in particular, the teams established to ensure business continuity to serve our customers are working to minimise the disruption to operations caused by the shutdowns and the supply chain problems. The support and collaboration of our customers and suppliers has played and is continuing to play a fundamental role in achieving this.

It is important to note that Siemens Gamesa is facing this situation of reduced visibility with a very sound liquidity position. At 31 March 2020, Siemens Gamesa had nearly €4,000m in credit lines, against which it had drawn c. €1,100m. Of the €2,900m still available in the credit lines, €2,200m are committed by the banks with which the company works, with c. €200m maturing in 2021 and c. €2,000m in 2024. Additionally, strict control of working capital enabled the Group to end Q2 20 with -€865m in working capital, equivalent to -8.8% of revenue, and a net

debt position of €295m which, considering the implementation of IFRS 16[28] at the beginning of FY 20, represents an improvement in the debt position of c. €429m excluding the impact of adopting IFRS 16. This improvement includes the acquisition of Senvion Service assets completion in Q2 20.

In the current context, Siemens Gamesa is stepping up its commitment to sustainability, as evidenced by the fact that it has achieved carbon neutrality 5 years ahead of schedule. Additionally, during Q2 20, the company has received the AENOR certificate that it has a Tax Compliance Management System in accordance with the UNE 19602:2019 standard. This commitment was recognised by MSCI when it upgraded Siemens Gamesa's ESG rating by two notches to 'A'.

[28]Net debt as of March 31, 2019: €118m, increase in debt due to adoption of IFRS 16 in FY 20, at March 31, 2020: €606m, net debt as of March 31, 2020: €295m. See Note 8.b to the interim half-year consolidated financial statements as of March 2020 (lease liabilities of €123m short-term and €483m long-term).

Annex

Financial Statements October 2019 – March 2020

Profit and Loss Account

EUR in Millions	January - March 2019	January - March 2020	October 2018 - March 2019	October 2019 - March 2020
Revenue	2,389	2,204	4,651	4,204
Cost of sales	(2,152)	(2,141)	(4,214)	(4,198)
Gross Profit	**237**	**63**	**437**	**6**
Research and development expenses	(40)	(53)	(81)	(102)
Selling and general administrative expenses	(120)	(137)	(243)	(260)
Other operating income	14	11	18	13
Other operating expenses	(2)	(2)	(3)	(3)
Results of companies accounted for using the equity method	-	(1)	-	(1)
Interest income	-	4	6	6
Interest expense	(11)	(19)	(23)	(33)
Other financial income (expense), net	(3)	(4)	(9)	(6)
Income from continuing operations before income taxes	**77**	**(139)**	**103**	**(381)**
Income tax expenses	(27)	(28)	(35)	40
Income from continuing operations	**50**	**(166)**	**68**	**(340)**
Income from discontinued operations, net of income taxes	-	-	-	-
Non-controlling interests	(1)	1	(1)	1
Net income attributable to the shareholders of SGRE	**49**	**(165)**	**67**	**(339)**

Balance Sheet

EUR in Millions	09.30.2019	10.01.2019 (*)	03.31.2020
Assets:			
Cash and cash equivalents	1,727	1,727	1,421
Trade and other receivables	1,287	1,287	1,036
Other current financial assets	275	275	299
Trade receivables from related companies	22	22	37
Contract Assets	2,056	2,056	1,808
Inventories	1,864	1,864	2,115
Current income tax assets	207	207	210
Other current assets	461	451	466
Total current assets	**7,899**	**7,889**	**7,392**
Goodwill	4,744	4,744	4,629
Other intangible assets	1,916	1,916	1,946
Property, plant and equipment	1,426	2,105	2,087
Investments accounting for using the equity method	71	71	70
Other financial assets	143	143	191
Deferred tax assets	401	401	534
Other assets	89	4	6
Total non-current assets	**8,790**	**9,384**	**9,463**
Total assets	**16,689**	**17,273**	**16,855**
Liabilities and equity:			
Short-term debt and current maturities of long-term debt	352	418	487
Trade payables	2,600	2,600	2,332
Other current financial liabilities	130	130	150
Trade payables to related companies	286	286	212
Contract Liabilities	2,840	2,840	3,101
Current provisions	762	762	723
Current income tax liabilities	201	201	138
Other current liabilities	798	798	682
Total current liabilities	**7,968**	**8,034**	**7,825**
Long-term debt	512	1,029	1,229
Provisions for pensions and similar obligations	15	15	14
Deferred tax liabilities	320	320	391
Non-current provisions	1,400	1,400	1,472
Other financial liabilities	170	170	174
Other liabilities	31	31	53
Total non-current liabilities	**2,449**	**2,966**	**3,333**
Issued capital	116	116	116
Capital reserve	5,932	5,932	5,932
Retained earnings and other components of equity	222	222	(351)
Non-controlling interest	3	3	1
Total Equity	**6,273**	**6,273**	**5,697**
Total Liabilities & Equity	**16,689**	**17,273**	**16,855**

(*) The Siemens Gamesa Group has adopted IFRS 16 as of October 1, 2019 using the full retrospective approach without restating comparative period figures. As a result of the foregoing, the opening balance as of October 1, 2019 has been modified. The main impacts of the first application of IFRS 16 in the consolidated balance sheet as of October 1, 2019 are the increase in Property, plant and equipment corresponding to the asset for the right of use in the amount of 679 million euros, a decrease in advance payments recorded under the headings “Other non-current assets” and “Other current assets”, in an amount of 85 million euros and 10 million euros, respectively, and the corresponding increase in current and non-current liabilities (components of the Net Financial Debt) amounting to 583 million euros.

Cash Flow Statement

EUR in Millions	January - March 2019	January - March 2020	October 2018 - March 2019	October 2019 - March 2020
Net Income before taxes	77	(139)	103	(381)
Amortization + PPA	147	182	295	354
Other P&L (*)	(1)	(4)	(4)	(5)
Working Capital cash flow effective change (***)	(226)	(152)	(631)	(39)
Charge of provisions (**)	(4)	61	68	240
Provision payments (**)	(87)	(73)	(186)	(179)
CAPEX	(108)	(109)	(189)	(201)
Adwen provision usage (**)	(55)	(15)	(84)	(56)
Tax payments	(48)	(50)	(136)	(135)
Acquisitions of businesses, net of cash acquired	-	(151)	-	(151)
Others	23	(20)	31	(21)
Cash flow for the period	**(283)**	**(470)**	**(733)**	**(575)**
Beginning cash / (net financial debt)	165	175	615	280
Ending cash / (net financial debt)	(118)	(295)	(118)	(295)
Variation in net financing cash flow	**(283)**	**(470)**	**(733)**	**(575)**

(*) Other non-cash (income) expenses, including results of companies accounted for using the equity method.

(**) The line items Charge of provisions, Provision payments and Adwen provision usage are included within the caption "Change in other assets and liabilities" of the consolidated Statement of Cash Flow.

(***) The line item Working Capital cash flow effective change contains mainly the following line items of the consolidated Statement of Cash Flow: Inventories, Contract assets, Trade and other receivables, Trade payables, Contract liabilities and Change in other assets and liabilities (excluding the abovementioned effect of provisions).

Key Balance Sheet Positions

EUR in Millions	09.30.2019	10.01.2019 (*)	03.31.2020
Property, plant and equipment	1,426	2,105	2,087
Goodwill & Intangibles	6,660	6,660	6,575
Working capital	(833)	(843)	(865)
Other, net (**)	365	279	458
Total	**7,618**	**8,201**	**8,254**
Net financial debt / (cash)	(863)	(280)	295
Provisions (***)	2,177	2,177	2,209
Equity	6,273	6,273	5,697
Other liabilities	31	31	53
Total	**7,618**	**8,201**	**8,254**

(*) Comparable after the application of IFRS16.

(**) The caption “Other, net” contains the following line items of the consolidated balance sheet: Other current financial assets, Investments accounting for using the equity method, Other financial assets, Other assets, Other current financial liabilities, Other financial liabilities, Current income tax assets, Current income tax liabilities, Deferred tax assets and Deferred tax liabilities.

(***) The caption “Provisions” contains the following line items of the consolidated balance sheet: Current and non-current provisions, and Post- employment benefits.

Note: Summarized balance sheet showing net positions mainly on the asset side.

Annex

Alternative Performance Measures

Siemens Gamesa Renewable Energy (SGRE) financial information contains magnitudes and measurements prepared in accordance with the applicable accounting standards and others referred to as Alternative Performance Measures (APMs). The APMs are considered to be adjusted magnitudes with respect to those presented in accordance with EU-IFRS and, consequently, the reader should view them as supplementary to, but not replacements for, the latter.

The APMs are important for users of the financial information since they are the metrics used by SGRE's Management to assess financial performance, cash flows and the financial position for the purposes of the Group's financial, operational and strategic decisions.

The APMs contained in SGRE´s financial disclosures that cannot be directly reconciled with the financial statements in accordance with EU-IFRS are as follows.

Net Financial Debt (NFD)

Net financial debt (NFD) is calculated as the sum of the company's bank borrowings (including any subsidized loans) less cash and cash equivalents.

Net financial debt is the main APM used by Siemens Gamesa Renewable Energy's management to measure the Group's indebtedness and leverage.

€m	09.30.2018 (*)	12.31.2018	03.31.2019	09.30.2019	10.01.2019 (**)	12.31.2019	03.31.2020
Cash and cash equivalents	2,429	2,125	1,353	1,727	1,727	1,661	1,421
Short-term debt	(991)	(705)	(345)	(352)	(418)	(513)	(487)
Long-term debt	(823)	(1,255)	(1,126)	(512)	(1,029)	(974)	(1,229)
Cash / (Net Financial Debt)	**615**	**165**	**(118)**	**863**	**280**	**175**	**(295)**

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

(**) The Siemens Gamesa Group has adopted IFRS 16 as of October 1, 2019 using the full retrospective approach without restating comparative period figures. As a result of the foregoing, the opening balance as of October 1, 2019 has been modified. The main impacts of the first application of IFRS 16 in the consolidated balance sheet as of October 1, 2019 are the increase in Property, plant and equipment corresponding to the asset for the right of use in the amount of 679 million euros, a decrease in advance payments recorded under the headings "Other non-current assets" and "Other current assets", in an amount of 85 million euros and 10 million euros, respectively, and the corresponding increase in current and non-current liabilities (components of the Net Financial Debt) amounting to 583 million euros.

Working capital (WC)

Working Capital (WC) is calculated as the difference between current assets and current liabilities. Current assets and liabilities exclude all items classified as Net Financial Debt, such as Cash and cash equivalents.

Working Capital reflects the part of Capital Employed that is invested in net operating assets. Siemens Gamesa Renewable Energy management uses this metric in managing and making decisions with respect to the business's cash conversion cycle, particularly in managing inventory, trade accounts receivable and trade accounts payable. Effective management of working capital involves achieving an optimal amount of working capital without jeopardising the company's ability to honour its obligations in the short term.

€m	06.30.2018	09.30.2018	09.30.2018 Comp. (*)	12.31.2018	03.31.2019
Trade and other receivables	1,124	1,114	1,111	1,093	1,137
Trade receivables from related companies	34	28	28	42	35
Contract assets	1,311	1,572	1,569	2,033	1,771
Inventories	1,700	1,499	1,499	1,925	2,006
Other current assets	404	362	362	417	464
Trade payables	(1,962)	(2,416)	(2,416)	(2,283)	(2,352)
Trade payables to related companies	(77)	(342)	(342)	(274)	(153)
Contract liabilities	(1,570)	(1,670)	(1,670)	(2,340)	(1,991)
Other current liabilities	(697)	(684)	(684)	(641)	(706)
Working Capital	**265**	**(536)**	**(542)**	**(27)**	**211**

(*) Comparable after the application of IFRS9 starting October 1, 2018, affecting the Opening Balance Sheet of first quarter of FY19: the table above shows a decrease in line item “Trade and other receivables” of €3m and a decrease in line item “Contract assets” of €3m, with the corresponding effect (before taxes) in the Group’s Equity that decreases €4.6m (including tax effect).

€m	06.30.2019	09.30.2019	10.01.2019 Comp. (*)	12.31.2019	03.31.2020
Trade and other receivables	1,421	1,287	1,287	1,079	1,036
Trade receivables from related companies	39	22	22	29	37
Contract assets	1,952	2,056	2,056	1,801	1,808
Inventories	2,044	1,864	1,864	2,071	2,115
Other current assets	651	461	451	578	466
Trade payables	(2,483)	(2,600)	(2,600)	(2,282)	(2,332)
Trade payables to related companies	(250)	(286)	(286)	(188)	(212)
Contract liabilities	(2,267)	(2,840)	(2,840)	(3,193)	(3,101)
Other current liabilities	(869)	(798)	(798)	(833)	(682)
Working Capital	**238**	**(833)**	**(843)**	**(939)**	**(865)**

(*) The Siemens Gamesa Group has adopted IFRS 16 as of October 1, 2019 using the full retrospective approach without restating comparative period figures. As a result of the foregoing, the opening balance as of October 1, 2019 has been modified. The main impacts of the first application of IFRS 16 in the consolidated balance sheet as of October 1, 2019 are the increase in Property, plant and equipment corresponding to the asset for the right of use in the amount of 679 million euros, a decrease in advance payments recorded under the headings “Other non-current assets” and “Other current assets”, in an amount of 85 million euros and 10 million euros, respectively, and the corresponding increase in current and non-current liabilities (components of the Net Financial Debt) amounting to 583 million euros.

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

Capital Expenditure (CAPEX)

Capital expenditure (CAPEX) refers to investments made in the period in property, plant and equipment and intangible assets to generate future profits (and maintain the current capacity to generate profits, in the case of maintenance CAPEX). This APM does not include the allocation of the purchase price (the PPA exercise) to property, plant and equipment and intangible assets that has been performed in context of the merger transaction of Siemens Wind Power and Gamesa (the business combination). This APM does also not include additions to right of use assets (first time adoption of IFRS 16 starting October 1st, 2019).

€m	Q2 19	Q2 20	H1 19	H1 20
Acquisition of intangible assets	(44)	(42)	(75)	(84)
Acquisition of Property, Plant and Equipment	(64)	(67)	(114)	(117)
CAPEX	**(108)**	**(109)**	**(189)**	**(201)**

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

€m	Q3 19	Q4 19	Q1 20	Q2 20	LTM Mar 20
Acquisition of intangible assets	(46)	(38)	(42)	(42)	(169)
Acquisition of Property, Plant and Equipment	(81)	(143)	(50)	(67)	(341)
CAPEX	**(127)**	**(181)**	**(92)**	**(109)**	**(510)**

€m	Q3 18	Q4 18	Q1 19	Q2 19	LTM Mar 19
Acquisition of intangible assets	(28)	(42)	(31)	(44)	(145)
Acquisition of Property, Plant and Equipment	(64)	(114)	(50)	(64)	(292)
CAPEX	**(92)**	**(156)**	**(81)**	**(108)**	**(437)**

Definitions of Cash Flow

Gross operating cash flow: amount of cash generated by the company's ordinary operations, excluding working capital and capital expenditure (CAPEX). SGRE includes the flow of net financial expenses under gross operating cash flow. Gross operating cash flow is obtained by adjusting the reported income for the period, for the ordinary non-cash items (mainly depreciation and amortization and provision charges).

€m	H1 19	H1 20
Net Income before taxes	103	(381)
Amortization + PPA	295	354
Other P&L (*)	(4)	(5)
Charge of provisions	68	240
Provision usage (without Adwen usage)	(186)	(179)
Tax payments	(136)	(135)
Gross Operating Cash Flow	**140**	**(106)**

€m	Q2 19	Q2 20
Net Income before taxes	77	(139)
Amortization + PPA	147	182
Other P&L (*)	(1)	(4)
Charge of provisions	(4)	61
Provision usage (without Adwen usage)	(87)	(73)
Tax payments	(48)	(50)
Gross Operating Cash Flow	**84**	**(23)**

(*) Other non-cash (income) expenses, including results of companies accounted for using the equity method.

Cash flow is calculated as the variation in Net financial debt (NFD) between two closure dates.

Average Selling Price in Order Intake, Onshore (ASP - Order Intake)

Average monetary order intake collected by Onshore WTG division per unit booked (measured in MW). ASP is affected by several factors (project scope, geographical distribution, product, exchange rate, prices, etc.) and does not represent the level or trend of profitability.

	Q2 19 (*)	Q3 19 (*)	Q4 19 (*)	Q1 20 (*)	Q2 20 (*)
Order Intake Onshore Wind (€m)	1,167	1,695	2,238	1,611	1,289
Order Intake Onshore Wind (MW)	1,742	2,130	3,147	2,563	1,645
ASP Order Intake Wind Onshore	**0.67**	**0.80**	**0.71**	**0.63**	**0.78**

(*) Order intake WTG ON includes only wind orders. No solar orders are included. Solar orders amounted to €33m in Q2 19, €1m in Q3 19, €2m in Q4 19, €0m in Q1 20 and €61m in Q2 20.

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

	Q3 19 (*)	Q4 19 (*)	Q1 20 (*)	Q2 20 (*)	LTM Mar 20
Order Intake Onshore Wind (€m)	1,695	2,238	1,611	1,289	6,832
Order Intake Onshore Wind (MW)	2,130	3,147	2,563	1,645	9,485
ASP Order Intake Wind Onshore	**0.80**	**0.71**	**0.63**	**0.78**	**0.72**

(*) Order intake WTG ON includes only wind orders. No solar orders are included. Solar orders amounted to €1m in Q3 19, €2m in Q4 19, €0m in Q1 20 and €61m in Q2 20.

	Q3 18 (*)	Q4 18	Q1 19 (*)	Q2 19 (*)	LTM Mar 19
Order Intake Onshore Wind (€m)	1,166	1,985	1,793	1,167	6,112
Order Intake Onshore Wind (MW)	1,660	2,631	2,370	1,742	8,402
ASP Order Intake Wind Onshore	**0.70**	**0.75**	**0.76**	**0.67**	**0.73**

(*) Order intake WTG ON includes only wind orders. No solar orders are included. Solar orders amounted to €9m in Q3 18, €6m in Q1 19 and €33m in Q2 19.

	Q3 17	Q4 17	Q1 18 (*)	Q2 18	LTM Mar 18
Order Intake Onshore Wind (€m)	680	1,498	1,600	1,834	5,613
Order Intake Onshore Wind (MW)	693	2,167	2,208	2,464	7,532
ASP Order Intake Wind Onshore	**0.98**	**0.69**	**0.72**	**0.74**	**0.75**

(*) Order intake WTG ON includes only wind orders. No solar orders are included. Solar orders amounted to €88m in Q1 18.

Order Intake, Revenue and EBIT

Order Intake (in €) LTM (Last Twelve Months) is calculated by aggregation of the quarterly order intake (in EUR) for the last four quarters.

€m	Q3 19	Q4 19	Q1 20	Q2 20	LTM Mar 20
Group	4,666	3,076	4,628	2,203	14,573
Of which WTG ON	1,695	2,240	1,611	1,350	6,896

€m	Q3 18	Q4 18	Q1 19	Q2 19	LTM Mar 19
Group	3,292	2,625	2,541	2,466	10,924
Of which WTG ON	1,175	1,985	1,799	1,200	6,159

Order Intake (in MW) LTM (Last Twelve Months) is calculated by aggregation of the quarterly order intake (in MW) for the last four quarters.

Onshore:

MW	Q3 19	Q4 19	Q1 20	Q2 20	LTM Mar 20
Onshore	2,130	3,147	2,563	1,645	9,485

MW	Q3 18	Q4 18	Q1 19	Q2 19	LTM Mar 19
Onshore	1,660	2,631	2,370	1,742	8,402

Offshore:

MW	Q3 19	Q4 19	Q1 20	Q2 20	LTM Mar 20
Offshore	1,528	72	1,279	-	2,879

MW	Q3 18	Q4 18	Q1 19	Q2 19	LTM Mar 19
Offshore	1,368	-	12	464	1,844

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

€m	Q3 19	Q4 19	Q1 20	Q2 20	LTM Mar 20
WTG	2,242	2,527	1,634	1,808	8,212
Service	390	417	366	395	1,568
TOTAL	**2,632**	**2,944**	**2,001**	**2,204**	**9,780**

€m	Q3 18	Q4 18	Q1 19	Q2 19	LTM Mar 19
WTG	1,827	2,207	1,904	2,060	7,998
Service	308	411	358	330	1,407
TOTAL	**2,135**	**2,619**	**2,262**	**2,389**	**9,405**

EBIT (Earnings Before Interest and Taxes): operating profit as per the consolidated income statement. It is calculated as Income (loss) from continuing operations before income taxes, before 'Income (loss) from investments accounted for using the equity method', interest income and expenses and 'Other financial income (expenses), net'.

EBIT (Earnings Before Interest and Taxes) pre PPA and integration & restructuring costs: EBIT excluding integration and restructuring costs and the impact on amortization of intangibles' fair value from the Purchase Price Allocation (PPA).

- Integration costs: are one-time-expenses (temporary nature – limited in time) that are related to the integration of the two legacy companies, or of other acquired companies, excluding any restructuring related costs.
- Restructuring costs: personnel and non personnel expenses which arise in connection with a restructuring (e.g. site closures), where restructuring refers to measures that materially modify either the scope of business undertaken or the manner in which this business is conducted

€m	H1 19	H1 20
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	103	(381)
(-) Income from investments acc. for using the equity method, net	-	1
(-) Interest income	(6)	(6)
(-) Interest expenses	23	33
(-) Other financial income (expenses), net	9	6
EBIT	**130**	**(347)**
(-) Integration and Restructuring costs	54	110
(-) PPA impact	133	135
EBIT pre-PPA and integration & restructuring costs	**316**	**(103)**

€m	Q2 19	Q2 20
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	77	(139)
(-) Income from investments acc. for using the equity method, net	-	1
(-) Interest income	-	(4)
(-) Interest expenses	11	19
(-) Other financial income (expenses), net	3	4
EBIT	**90**	**(118)**
(-) Integration and Restructuring costs	22	82
(-) PPA impact	66	69
EBIT pre-PPA and integration & restructuring costs	**178**	**33**

EBIT margin: ratio of EBIT to Revenue in the period that is equal to the revenue figure in the consolidated Income Statement for the period.

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization): It is calculated as EBIT before amortization, depreciation and impairments of goodwill, intangible assets and property, plant and equipment.

€m	H1 19	H1 20
EBIT	130	(347)
Amortization, depreciation and impairment of intangible assets and PP&E	295	354
EBITDA	**425**	**7**

€m	Q2 19	Q2 20
EBIT	90	(118)
Amortization, depreciation and impairment of intangible assets and PP&E	147	182
EBITDA	**237**	**63**

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

€m	Q3 19	Q4 19	Q1 20	Q2 20	LTM Mar 20
EBIT	56	67	(229)	(118)	(224)
Amortization, depreciation and impairment of intangible assets and PP&E	148	204	172	182	706
EBITDA	**204**	**271**	**(57)**	**63**	**481**

€m	Q3 18	Q4 18	Q1 19	Q2 19	LTM Mar 19
EBIT	50	73	40	90	252
Amortization, depreciation and impairment of intangible assets and PP&E	143	185	148	147	623
EBITDA	**193**	**258**	**188**	**237**	**875**

Net income and Net income per share (EPS)

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

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

	Q2 19	H1 19	Q2 20	H1 20
Net Income (€m)	49	67	(165)	(339)
Number of shares (units)	679,481,656	679,465,922	679,399,017	679,516,555
Earnings Per Share (€/share)	**0.07**	**0.10**	**(0.24)**	**(0.50)**

Other indicators

Revenue coverage: the revenue coverage ratio expresses the degree of achieving the revenue volume targets set by the company for a given year. It is calculated as the revenue booked until one period (including the activity/revenue expected for the rest of the year) divided by the activity/revenue guidance for that year.

€m	09.30.2018	03.31.2019	09.30.2019	03.31.2020
Actual revenue in year (1)	-	4,651	-	4,204
Order Backlog for delivery in FY (2)	8,408	5,428	9,360	6,157
Average revenue for FY (3) (*)	10,500	10,500	10,400	10,400
Revenue Coverage ([1+2]/3)	**80%**	**96%**	**90%**	**100%**

(*) FY 20 revenue guidance communicated in November 2019 and withdrawn due to the uncertainty associated with COVID-19 pandemic impact ranged €10.2bn to €10.6bn.

Book-to-Bill: ratio of order intake (in EUR) to activity/revenue (in EUR) in the same period. The Book-to-Bill ratio gives an indication of the future trend in revenue volume.

Book-to-Bill LTM (Last Twelve Months): this APM is calculated by aggregation of the quarterly Revenues and Order Intakes for the last four quarters.

€m	Q3 19	Q4 19	Q1 20	Q2 20	LTM Mar 20
Order Intake	4,666	3,076	4,628	2,203	14,573
Revenue	2,632	2,944	2,001	2,204	9,780
Book-to-Bill	**1.8**	**1.0**	**2.3**	**1.0**	**1.5**

€m	Q3 18	Q4 18	Q1 19	Q2 19	LTM Mar 19
Order Intake	3,292	2,625	2,541	2,466	10,924
Revenue	2,135	2,619	2,262	2,389	9,405
Book-to-Bill	**1.5**	**1.0**	**1.1**	**1.0**	**1.2**

Reinvestment Rate: ratio of CAPEX divided by amortization, depreciation and impairments (excluding PPA amortization on intangibles' fair value). According to the definition of CAPEX, the amount of amortization, depreciation and impairments does not include the amortization, depreciation and impairments of right of use assets (first time adoption of IFRS 16 starting October 1st, 2019).

€m	Q3 19	Q4 19	Q1 20	Q2 20	LTM Mar 20
CAPEX (1)	127	181	92	109	510
Amortization depreciation & impairments (a)	148	204	172	182	706
Amortization, depreciation & impairments of right of use assets (IFRS 16) (b)	-	-	25	27	52
PPA Amortization on Intangibles (c)	67	67	66	69	268
Depreciation & Amortization (excl. PPA) (2=a-b-c)	81	137	81	86	386
Reinvestment rate (1/2)	**1.6**	**1.3**	**1.1**	**1.3**	**1.3**

€m	Q3 18	Q4 18	Q1 19	Q2 19	LTM Mar 19
CAPEX (1)	92	157	81	108	438
Amortization depreciation & impairments (a)	143	185	148	147	623
PPA Amortization on Intangibles (b)	82	66	66	66	280
Depreciation & Amortization (excl. PPA) (2=a-b)	61	119	82	80	343
Reinvestment rate (1/2)	**1.5**	**1.3**	**1.0**	**1.4**	**1.3**

Gross Profit: the difference between revenue and cost of sales, according to the consolidated statements of profit and loss.

Gross Profit (pre PPA, I&R costs): Gross Profit excluding integration and restructuring costs and the impact on amortization of intangibles' fair value from the PPA (purchase price allocation. The result of dividing this indicator by the sales of the period, which are equal to the revenue figure in the consolidated Income Statement for the period, is denominated Gross Margin pre PPA, I&R costs, and it is expressed as a percentage.

- Integration costs: are one-time-expenses (temporary nature – limited in time) that are related to the integration of the two legacy companies, or of other acquired companies, excluding any restructuring related costs.
- Restructuring costs: personnel and non personnel expenses which arise in connection with a restructuring (e.g. site closures), where restructuring refers to measures that materially modify either the scope of business undertaken or the manner in which this business is conducted

€m	H1 19	H1 20
Gross Profit	437	6
PPA amortization on intangibles	87	88
Integration and Restructuring costs	31	90
Gross Profit (pre PPA, I&R costs)	**555**	**184**

€m	Q2 19	Q2 20
Gross Profit	237	63
PPA amortization on intangibles	44	45
Integration and Restructuring costs	9	69
Gross Profit (pre PPA, I&R costs)	**289**	**177**

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

€m	Q3 19	Q4 19	Q1 20	Q2 20	LTM Mar 20
Gross Profit	220	291	(57)	63	517
PPA amortization on intangibles	44	43	42	45	174
Integration and Restructuring costs	32	67	21	69	189
Gross Profit (pre PPA, I&R costs)	**296**	**401**	**7**	**177**	**880**

€m	Q3 18	Q4 18	Q1 19	Q2 19	LTM Mar 19
Gross Profit	191	304	200	237	932
PPA amortization on intangibles	80	3	44	44	170
Integration and Restructuring costs	17	41	22	9	89
Gross Profit (pre PPA, I&R costs)	**288**	**348**	**266**	**289**	**1,191**

MWe: an indicator of activity (a physical unit of sale) used to measure wind turbine generator manufacturing progress. The MWe indicator does not reflect post-manufacturing processes (civil engineering, installation, commissioning, etc.), which also generate monetary revenue.

MWe	Q3 19	Q4 19	Q1 20	Q2 20	LTM Mar 20
Onshore	1,699	2,009	1,747	1,649	7,104

MWe	Q3 18	Q4 18	Q1 19	Q2 19	LTM Mar 19
Onshore	1,703	1,926	1,520	1,707	6,857

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

Note that due to rounding, numbers presented in this document may not add up exactly to the totals shown and percentages may not exactly replicate the absolute figures presented.

Glossary & Definitions for Alternative Performance Measures

The definition and conciliation of the alternative performance measures (APMs) that are included in this presentation are disclosed in the Activity Report document associated to these and previous results. This glossary contains a summary of terms and APMs used in this report but does not replace the aforementioned definitions and conciliations**.**

AEP: annual energy production.

ASP in Order Intake: average monetary order intake collected by WTG division per unit booked (measured in MW). It excludes the value and volume of solar orders from the calculation.

Book & Bill: amount of orders (in EUR) to be booked and fulfilled in a set period of time to generate revenue without material lead time ("in for out" orders in set period of time).

Book-to-Bill ratio: order intake (in EUR) to activity/sales (in EUR) in the same period. The Book-to-Bill ratio gives an indication of the future trend in sales volume.

Capital Expenditure (CAPEX): refers to investments made in the period in property, plant and equipment and intangible assets in order to generate future profits (and maintain the current capacity to generate profits, in the case of maintenance capex).

CAGR: Compound annual growth rate

EBIT (Earnings Before Interest and Taxes): operating profit per the consolidated income statement. It is calculated as Income (loss) from continuing operations before income taxes, before 'Income (loss) from investments accounted for using the equity method', interest income and expenses and 'Other financial income (expenses), net'.

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

• Integration costs: are one-time-expenses (temporary nature – limited in time) that are related to the integration of the two legacy companies, or of other acquired companies, excluding any restructuring related costs.

• Restructuring costs: personnel and non personnel expenses which arise in connection with a restructuring (e.g. site closures), where restructuring refers to measures that materially modify either the scope of business undertaken or the manner in which this business is conducted

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

Gross operating cash flow: amount of cash generated by the company's ordinary operations, excluding working capital, capital expenditure (CAPEX), payments related to Adwen provisions and others mainly FX conversion impacts. SGRE includes the flow of net financial expenses under gross operating cash flow. Gross operating cash flow is obtained by adding, to reported income for the period, the ordinary non-cash items (depreciation and amortization, and provision charges) and income from equity-accounted affiliates.

IP: Intellectual Property

LTM: last twelve months.

MWe: an indicator of activity (a physical unit of sale) used to measure wind turbine generator manufacturing activity in terms of work in progress. The MWe indicator does not reflect post-manufacturing processes (civil engineering, installation, commissioning, etc.), which also generate monetary revenue.

Net Financial Debt (NFD): is defined as long-term and short-term financial debt less cash and cash equivalents.

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

Working Capital (WC): is calculated as the difference between current assets and current liabilities. Current assets and liabilities exclude all items classified as Net Financial Debt, such as Cash and cash equivalents.