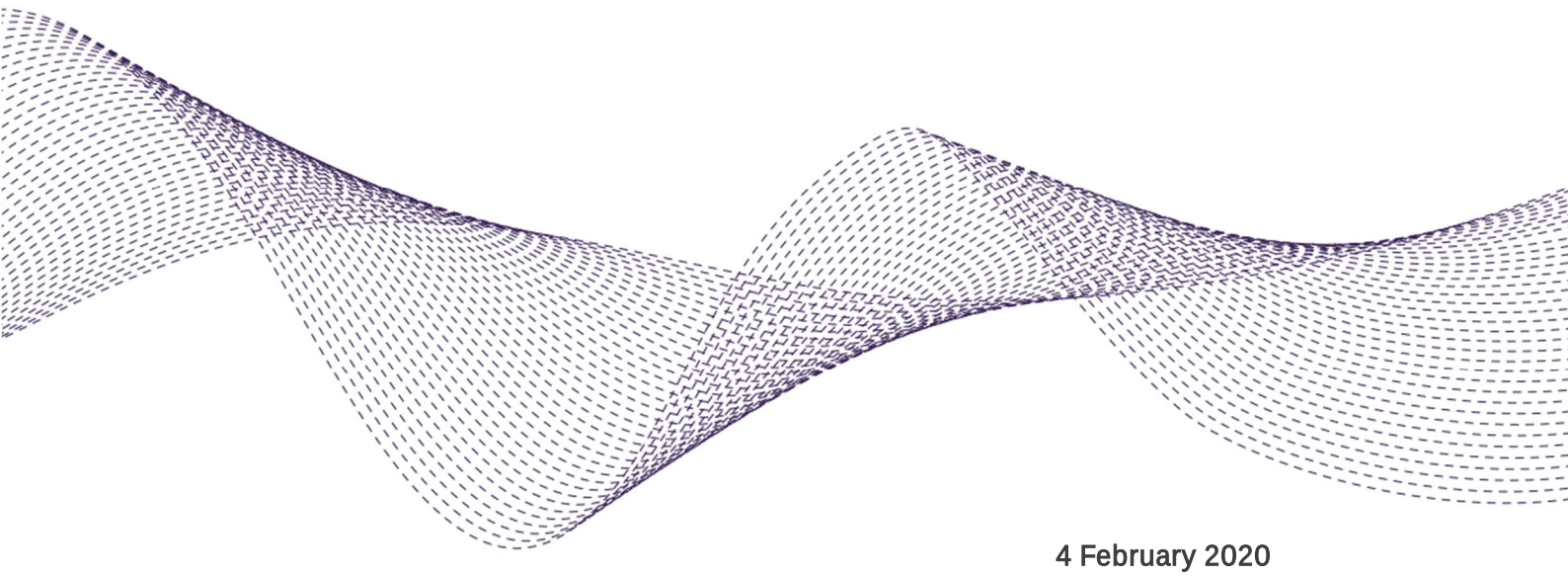
SIEMENS Gamesa
RENEWABLE ENERGY

Activity Report

First quarter FY 2020

October-December 2019 Results



4 February 2020

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Introduction

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

Political and macroeconomic volatility in both developed and developing countries, and adverse conditions arising from global trade tensions and *Brexit* continued in the last quarter of the year, as did the ongoing economic slowdown.

The situation is expected to be similar in 2020. A decade begins in which a great transformation of the energy markets in favor of renewable energies is expected. On the other hand, political and economic volatility, and its associated uncertainty, continue to be a characteristic that impacts markets.

In this complex and expanding market for wind power, Siemens Gamesa Renewable Energy[1] commenced its fiscal year 2020 (FY 20) with record commercial performance, having achieved an order book of €28,089m at 31 December, +22% y/y, with firm order intake amounting to €4,628m, 82% more than in the first quarter of 2019 fiscal year (Q1 19). The strong order book enables the company to achieve 100%[2] coverage of the low end of the sales guidance range for FY 20, and 98% of the mid-range. Within order intake in the quarter, Service performed a major role by quadrupling the intake registered in Q1 19, to €1,470m.

Contrasting with commercial strength, the financial performance in the first quarter of 2020 fiscal year (Q1 20), reflecting the plan for Wind Turbine activity to be concentrated in the second half of the year (H2 20), was materially impacted by a unforeseen cost increase — a one-off factor but a significant one — arising from delays in the execution of certain Onshore projects. These delays that have affected a portfolio of 5 projects (1,115 MW) located in Northern Europe (mainly in Norway) have occurred as a result of both roads and adverse weather conditions resulting from an early arrival of winter. As a result, the delivery and installation window has been reduced, postponed for some projects until the third quarter of FY 20, leading to additional costs estimated at c. €150m that have been accounted for in Q1 20.

As a result of these factors:

- Revenues in the first quarter shrank by 11.6% y/y to €2,001m, while the EBIT margin before PPA and integration and restructuring costs was -6.8%.
- The annual performance expected by the company at the EBIT before PPA and integration and restructuring costs margin level for FY 20 ranges between 4.5% and 6.0%, below the guidance communicated to the market on 5 November 2019. The revenue guidance range remains intact.

It is important to note that the performance of Offshore and Service is fully aligned with the company's forecasts, and that the long-term vision also remains intact. The company has made adjustments to improve risk assessment in project management, the focus on claims management has been strengthened, organizational changes initiated in Q3 19 have been completed and corporate governance has been improved. These actions have been introduced to avoid similar events in the future.

Group revenues in Q1 20 reflect the growth of single digit in Onshore: €1,116m (+1.2% y/y) and in Service: €366m (+2.5% y/y) and the contraction of Offshore sales: €518m (-35.4% y/y). In Onshore the strong growth of sales in the US is mostly offset by delays already mentioned in the execution of projects in Northern Europe, but also in India, due to market volatility. The contraction of Offshore revenues, above the expected annual rate, reflects the planning of the year with a reduced activity in Q1 20 due to the ramp-up of the SG 8.0-167 platform. Following commencement of manufacturing of the SG 8.0-167 DD turbine, Offshore activity will recover in Q2 20 in line with the projections for the year. Growth in Service revenue reflects a difficult comparison with Q1 19 because of the concentration of sales of value-added solutions in that quarter of last year.

EBIT before PPA and integration and restructuring costs, amounting to -€136m in Q1 20, reflects mainly

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

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

the impact of the unforeseen additional costs caused by the delay in the execution of projects in Northern Europe, but also the impacts from declining prices in the order book in all divisions at the beginning of the year, fully offset by productivity improvements and synergies from the L3AD2020 transformation programme, lower Offshore sales volumes and the project mix, all as expected.

In this context, balance sheet performance was very sound due to the financing strategy and the strict working capital control implemented in FY 19. Within the strict control of the working capital, it is necessary to highlight in Q1 20 the implementation of a manufacturing plan linked to billing and collection in India, given the volatility of the market. The company ended the quarter with €175m in net cash on the balance sheet, €105m less than at the beginning of the year[3]. Cash outflows were also contained in Q1 20 through a focus on receivables within the working capital control program, and a lower level of activity, in line with plans for the year, and a strong order intake. Accordingly, working capital improves both yearly and sequentially in Q1 20 to -€939m[4], €911m below the negative cash position of €27m registered as of 31 December 2018 and €95m below the beginning of FY 20 (-€843m). The ratio of working capital to revenues in the last twelve months was -9.4%, 9.1 percentage points (p.p.) better than in Q1 19 and 1.2 p.p. lower than at the beginning of the quarter.

The stronger balance sheet, which is vital in a manufacturing business such as WTG production, was reflected not only in the higher net cash position but also in the funding structure and conditions. In Q1 20, SGRE refinanced its €2,500m syndicated loan with a longer maturity and improving the financing conditions. Additionally, funding conditions were tied to sustainability criteria, in line with the company's commitment to the ESG principles[5].

In Q1 20, Siemens Gamesa continues strengthening its commitment to sustainability. In addition to introducing sustainability criteria into its entire funding strategy, the company was included in the Bloomberg Gender Equality Index. That index measures the financial performance of listed companies that are committed to supporting gender equality through policy development, representation and transparency.

Consolidated key figures Q1 20

- Revenues: €2,001m (-12% y/y)
- EBIT before PPA and integration and restructuring costs[6]: -€136m (NA)
- Net profit before PPA and integration and restructuring costs[7]: -€108m (NA)
- Net profit: -€174m (NA)
- Net cash/(Net financial debt – NFD[8]): €175m

[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 D.3 to the consolidated financial statements for FY 20.

[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 D.3 to the consolidated financial statements for FY 20.

[5]ESG: environmental, social and governance.

[6]EBIT before PPA, integration and restructuring costs excludes integration and restructuring costs in the amount of €27m and the impact of fair value amortisation of intangible assets as a result of the PPA (purchase price allocation) in the amount of €66m.

[7]Net profit before PPA and integration and restructuring costs excludes €67m of integration and restructuring costs and the impact of fair value amortisation of intangible assets as a result of the PPA (purchase price allocation), net of taxes.

[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

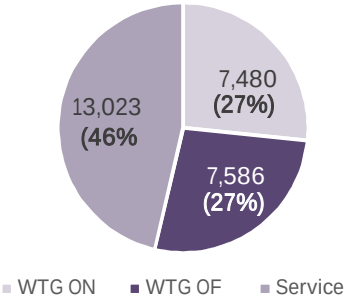
- MWe sold: 1,932 MWe (-9% y/y)
- Order book: €28,089m (+22% y/y)
- Firm order intake in Q1: €4,628m (+82% y/y)
- Firm order intake in the last twelve months: €14,836m (+29% y/y)
- WTG order intake in Q1: 3,841 MW (+61% y/y)
- Firm WTG order intake in the last twelve months: 12,924 MW (+19% y/y)
- Installed fleet: 101,336 MW
- Fleet under maintenance: 63,544 MW

Markets and orders

In a competitive market but with rising demand, solid commercial efforts continue to drive the company's performance, which reached new records in order intake and order book. In the last twelve months, Siemens Gamesa signed orders worth €14,836m (+29% y/y) and it ended December 2019 with an order book of €28,089m (+22% y/y). The order book expanded by €5,035m with respect to the end of December 2018, and by €2,583m with respect to September 2019, enabling the company to achieve 98%[9] coverage of the average sales guidance announced for FY 20 and 100% of the lower end of the range.

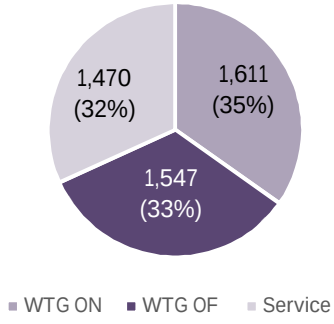
The 46% of the total order book (€13,023m) is in Service, which has higher returns and is growing by 22% year-on-year. The WTG order book is split €7,586m Offshore (+17% y/y) and €7,480m Onshore (+27% y/y).

Figure 1: Order book at 31.12.19 (€m)



Group order intake in Q1 20 amounted to €4,628m, +82% y/y, driven by strong commercial performance in Offshore and Service. Offshore achieved its largest-ever first-quarter order intake, while Service set an all-time record.

Figure 2: Order intake Q1 20 (€m):



Onshore commercial activity, amounting to €1,611m (-10% y/y) in Q1 20, reflects the dilutive impact of the increase in average turbine size and the smaller product scope due to China's larger contribution, which offset the record order intake (MW) in the first quarter: 2,563 MW, +8% y/y. Order intake in the last twelve months also reached a record 9,581 MW, +5% y/y, reflecting not only market growth but also the company's sound competitive position within a strategy of profitable growth. Siemens Gamesa signed €6,746m in orders for WTG ON in the last twelve months, i.e. a book-to-bill ratio of 1.3 times WTG ON revenues in the

liabilities (components of the Net Financial Debt) amounting to 583 million euros.

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

period. The book-to-bill ratio in Q1 20 was also 1.4 times revenues in the period.

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

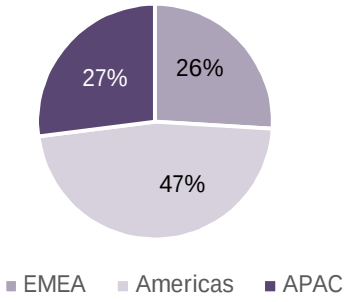
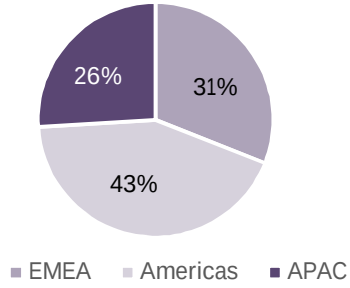


Figure 4: Order intake (€m) WTG ON Q1 20 (%)



Of the 44 countries that contributed new Onshore orders (€m) in the last twelve months, the three largest are the US (25% of volume in MW) India (15%) and China (11%). They are followed by Chile (9%), Canada (6%) and Brazil (5%). The main sources of new orders in Q1 20 were China (18%) and Canada (16%), followed by Brazil (9%), Sweden (9%) and Spain (7%). The US and India each contributed 6% of order intake in Q1 20. It is worthy to highlight that the quarter saw the first contract signed for the new Onshore 5.X platform: 35 SG 5.8-155 turbines for Arise AB for the Skaftasen wind farm in Sweden. The new platform offers an excellent value proposition for the company's customers:

- Higher annual energy production and CAPEX optimised for each project.
- A flexible design that facilitates logistics, construction and maintenance, resulting in a lower cost of energy (LCoE).
- Custom configuration for each project and site.

With this order, new platforms rated with 4 MW or higher accounted for 44% of total orders in the quarter, up from 26% in FY 19.

Table 1: WTG ON order intake (MW)

WTG ON order intake (MW):	LTM	Q1 20
Americas	4,452	1,069
US	2,407	159
Brazil	468	229
Mexico	122	122
EMEA	2,147	678
Spain	308	184
APAC	2,983	815
India	1,415	155
China	1,026	464
Total (MW)	9,581	2,563

Strong Offshore order intake in Q1 20 (1,279 MW) reflects not only the company's strong competitive position but also the normal volatility of commercial activity in this segment (12 MW of order intake in Q1 19). In the last twelve months, orders were signed for 3,343 MW (double the volume in the twelve months through December 2018), worth €4,250m (+66% y/y).

The following Offshore contracts were signed in Q1 20: Formosa 2 in Taiwan (376 MW), Neart Na Gaoithe in Scotland (432 MW), Hywind Tampen in Norway (88 MW) and Fryslan Park in The Netherlands (383 MW).

Siemens Gamesa's strong competitive position in the Offshore market was also reflected in:

- The choice of SGRE as preferred supplier for the 2,640 MW Dominion Energy Virginia Offshore Wind project, off the coast of Virginia (US). This preferred supplier contract is in addition to the one signed in Q3 19 with Ørsted and Eversource for 1.7 GW and increases the pipeline in the US to 4.4 GW.
- The selection of 140 units of the 11 MW Offshore turbine for the four Hollandse Kust Zuid wind farms being developed by Vattenfall in The Netherlands, which are part of the conditional order book.
- The signature of an agreement with Hai Long Offshore Wind for the preferential supply of wind turbines to the Hailong 2 wind farm in Taiwan (300 MW).

The signature of these conditional contracts enabled the company to end the first quarter with a pipeline of 9.6 GW.

The Service area attained an extraordinarily high level of commercial activity, with order intake totalling €1,470m in Q1 20, four times the figure in Q1 19 and representing a book-to-bill ratio of 4 times the revenues in the quarter. The volume was supported by contracts for Offshore wind turbines signed in Taiwan, Scotland and The Netherlands, accompanied by maintenance contracts. The Offshore market represents nearly 60% of maintenance order intake in the quarter. Given the impact of commercial activity in WTG OF, which is more volatile, it is important to note that the company expects to return to a standardised level of order intake in the coming quarters.

In the last twelve months, the Service division signed contracts worth a total of €3,840m, 79% more than in the twelve months to December 2018. The average duration of the Offshore order book is 8 years.

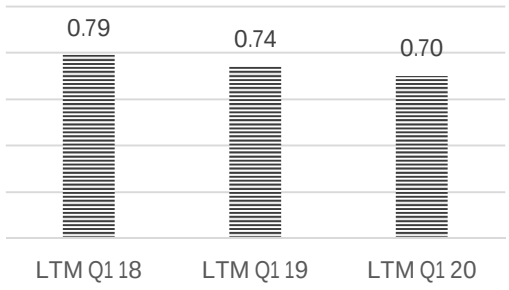
Table 2: Order intake (€m)

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

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

This decline in prices, which became particularly visible after the first auctions in Mexico, India and Spain during 2016 and 2017, has gradually stabilised since the beginning of FY 18, a trend that was maintained in FY 19 and Q1 20.

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



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

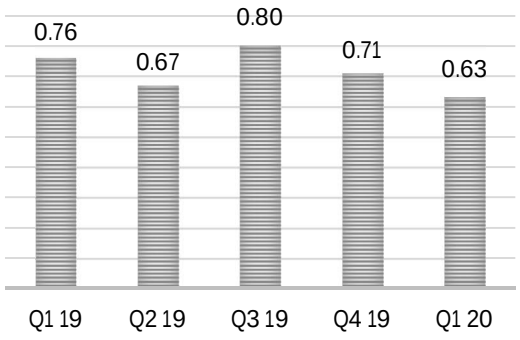
However, as noted in previous quarters, the average sale price is influenced by other factors apart from turbine prices, including the country, the contract scope and the machine mix, and that it is not directly

[10]LTM Q1 18 data is proforma.

correlated with profitability. These impacts are visible in the quarterly trend in average prices, with a particular impact in the first quarter of FY 20. The trend in the average sale price in Q1 20 with respect to previous quarters, both Q1 19 and Q4 19, is due mainly to two factors:

- The impact of the geographical mix, as the EMEA contribution declined and there was a higher contribution from the Americas and APAC, where prices are lower. The contribution by China (where the product scope excludes the tower) is particularly noteworthy as it accounted for 18% of Onshore order intake in Q1 20. The ASP in Q1 20, excluding the impact of China, was €0.68m/MW.
- The increase in the average rated capacity in the contracts that were signed, with products of 4 MW or higher accounting for 44% of order intake, compared with 26% in FY 20. The dilutive effect of the higher average rated capacity will persist in future quarters.

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



Key figures

The table below shows the main financial aggregates for Q1 (October-December) of FY 20 (Q1 20) and FY 19 (Q1 19).

Table 3: Key figures

€m	Q1 19	Q1 20	Change y/y
Group revenues	2,262	2,001	-11.6%
WTG	1,904	1,634	-14.2%
Service	358	366	2.5%
WTG volume (MWe)	2,129	1,932	-9.3%
Onshore	1,520	1,747	+14.9%
Offshore	609	185	-69.6%
EBIT before PPA and I&R costs	138	-136	NA
EBIT margin before PPA and I&R costs	6.1%	-6.8%	-12.9 p.p.
WTG EBIT margin before PPA and I&R costs	2.7%	-13.7%	-16.4 p.p.
Service EBIT margin before PPA and I&R costs	24.3%	24.1%	-0.2 p.p.
PPA amortisation[1]	66	66	-0.7%
Integration and restructuring costs	32	27	-14.8%
Reported EBIT	40	-229	NA
Profit for the year attributable to equity holders of SGRE	18	-174	NA
Earnings per share attributable to equity holders of SGRE[2]	0.03	-0.26	NA
Capex	81	92	11
Capex/revenues (%)	3.6%	4.6%	1.0 p.p.
Working capital (WC)	-27	-939	-911
Working capital/revenues LTM (%)	-0.3%	-9.4%	-9.1 p.p.
Net (debt)/cash	165	175	10
Net (debt)/EBITDA LTM	+0.19	+0.27	+0.07

1. Impact of the Purchase Price Allocation (PPA) on amortisation of intangibles.
2. Earnings per share calculated using the weighted average of outstanding shares in the period. Q1 19: 679,450,733; Q1 20: 679,514,202.

The Group's financial performance in Q1 20 has suffered the unforeseen impact of a material increase in costs, derived from challenges in the execution of certain Onshore projects, specifically projects in Northern Europe. Roads conditions and an early arrival of winter that has reduced the delivery window, in some projects until the third quarter, have resulted in additional costs estimated at c. €150m, which are accounted for in the first quarter of FY 20.

Alongside this unexpected impact, performance also reflects the foreseen activity planned to be back-end loaded in the second half of the fiscal year.

The lower volume of activity planned for H1 20 is particularly notable in Q1 20, due to the manufacturing ramp-up of the SG 8.0-167 DD turbine, which reduced the pace of production of Offshore turbines temporarily. The Offshore manufacturing volume will normalise from Q2 20 onwards, in line with projected sales for the year.

Planned Onshore revenue was impacted by delays in executing projects in Northern Europe, already mentioned, and in India, where the market remains very volatile.

In Service, the evolution of revenues reflects the standard volatility of value-added solutions that had a very high contribution in Q1 19.

In this context, Group revenues amounted to €2,001m, 12% lower than in the year-ago quarter.

EBIT before PPA and integration and restructuring costs amounted to -€136m, i.e. a 13 percentage points year-on-year reduction in the EBIT margin.

The trend in EBIT before PPA and Group integration and restructuring costs in Q1 20 reflects the impact of the following factors:

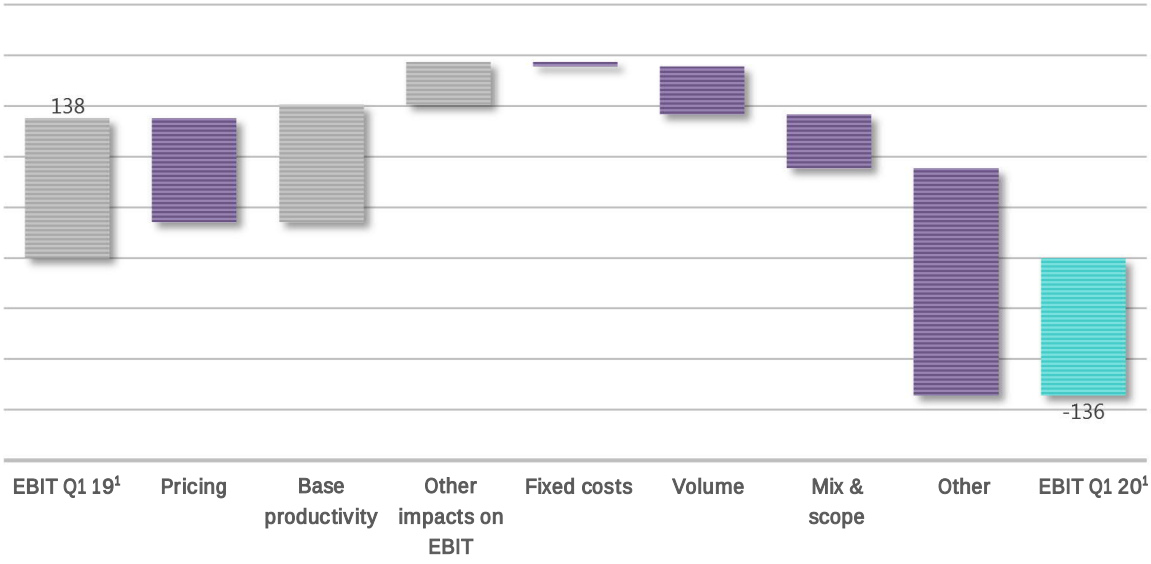
(-) The price cuts incorporated into the order book (Onshore, Offshore and Service) at the beginning of the year, which are still the main drag on Group profitability.

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

(-) The negative impact of the lower Offshore sales volume (-35% y/y).

(-) The Group's project mix.

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



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

In addition to these four factors, whose impact is in line with the company's forecasts, the year-on-year variation was impacted exceptionally by a material and unforeseen increase in costs derived from certain challenges in the execution of Onshore projects.

The impact of the PPA on amortisation of intangible assets was €66m in Q1 20 (€66m in Q1 19), while integration and restructuring expenses amounted to €27m in the same period (€32m in Q1 19).

Net financial expenses amounted to €12m in Q1 20 (€14m in Q1 19), while the tax expense amounted to €68m income (€8m expenses in Q1 19).

As a result, the Group reported a net loss before PPA and integration and restructuring costs of €108m in Q1 20. The reported net loss, including the impact of amortisation from the PPA and integration and restructuring costs, both net of taxes, totalling €67m in Q1 20, amounted to €174m, contrasting with €18m in profit in Q1 19. The net loss per share to SGRE shareholders amounts to €0.26.

The focus on receivables within the working capital control program, the low level of activity in the Offshore segment in Q1 20, the implementation of a strict manufacturing strategy in India tied to receipts and collections in view of market volatility there, and the

strong order intake for the Group helped to maintain working capital stable with respect to year-end: -€939m, equivalent to -9.4% of revenues in the last twelve months. Working capital improved by €911m year-on-year, equivalent to 9.1 p.p. of revenues.

Part of the improvement achieved in the first quarter will fade gradually in the coming quarters as the pace of Offshore manufacturing normalises.

Table 4: Workin g capital (€m)

Working capital (€m)	Q1 19[1]	Q2 19	Q3 19	Q4 19	Q1 20	Change y/y
Accounts receivable	1,135	1,171	1,460	1,308	1,108	-27
Inventories	1,925	2,006	2,044	1,864	2,071	146
Contract assets	2,033	1,771	1,952	2,056	1,801	-133
Other current assets	417	464	651	461[2]	578	161
Accounts payable	-2,557	-2,505	-2,733	-2,886	-2,471	86
Contract liabilities	-2,340	-1,991	-2,267	-2,840	-3,193	-853
Other current liabilities	-641	-706	-869	-798	-833	-192
Working capital (WC)	-27	211	238	-833	-939	-812
Change q/q	515	238	28	-1,071	-106[2]	
Working capital/revenues LTM	-0.3%	2.2%	2.4%	-8.1%	-9.4%	

1. For the purposes of comparison after the application of IFRS 9, which impacted the opening balance sheet in FY 19: the foregoing table shows a €3m decline in "Trade and other accounts receivable" and a €3m decline in "Contract assets", with a corresponding €4.6m impact on Group equity (including the tax effect).
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, change in working capital reduced by €95m in the first quarter of FY 20.

CAPEX amounted to €92m in Q1 20, in line with the guidance for the year. Investment was concentrated in developing new services, Onshore and Offshore platforms, tooling and equipment.

The application of IFRS 16 in FY 20[11] increase the gross financial debt by €583m (see note 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 2019 to €280m at the beginning of FY 20 (1 October 2019). Adjusting for this accounting change, the net cash position was practically stable in Q1 20: €175m, i.e. €105m less than at the beginning of the year. This performance was due mainly to stability in working capital.

In the first quarter of FY 20, Siemens Gamesa strengthened its funding structure by extending the maturity of the syndicated facility to December 2024 and arranging more flexible terms as a result of achieving an investment grade rating. Since the syndicated facility is now linked to ESG criteria, it is the Group's first green funding line.

[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.

WTG

Table 5: WTG (€m)

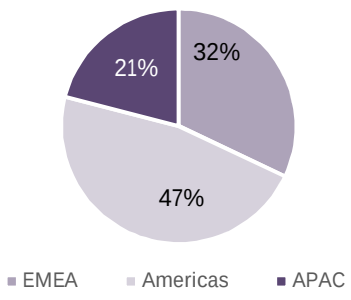
€m	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Change y/y
Revenues	1,904	2,060	2,242	2,527	1,634	-14.2%
Onshore	1,103	1,243	1,229	1,650	1,116	1.2%
Offshore	801	817	1,013	877	518	-35.4%
Volume (MWe)	2,129	2,383	2,394	2,585	1,932	-9.3%
Onshore	1,520	1,707	1,699	2,009	1,747	14.9%
Offshore	609	676	694	576	185	-69.6%
EBIT before PPA and I&R costs	51	106	76	149	-224	NA
EBIT margin before PPA and I&R costs	2.7%	5.1%	3.4%	5.9%	-13.7%	-16.4 p.p.

WTG revenues in Q1 20 amounted to €1,634m, 14% less than in Q1 19. WTG revenues contraction was driven by the reduction in Offshore sales (-35% y/y) slightly offset by the growth of single digit in Onshore (+1.2 y/y).

Growth in Onshore sales to €1,116m in Q1 20 is driven by growth in activity volume (MWe) to 1,747 MWe in the quarter, 15% more than in Q1 19, partly offset by the price trend, geographical mix and the delay in the final phase of delivery and installation of projects in Northern Europe. Activity volumes were also affected by delayed projects in India, because of the implementation of a model in which manufacturing is tied to collection due to market volatility.

The main sources of Onshore sales (MWe) in Q1 20 were the US (28% of the total) and India (14%).

Figure 8: Sales (MWe) WTG ON Q1 20 (%)



Offshore revenues shrank by 35% with respect to Q1 19, to €518m, and volume amounted to 185 MWe, 70% 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 with orders, and also reflects the impact of the production ramp-up of the SG 8.0-167 DD platform with lower manufacturing pace. Activity will be aligned again with projections for the full year starting in the second quarter.

EBIT before PPA and integration and restructuring costs amounted to -€224m, equivalent to an EBIT margin of -13.7%, i.e. 16.4 percentage points below the EBIT margin before PPA and integration and restructuring costs in Q1 19. The negative returns in Q1 20 are mainly due the unexpected material impact of difficulties encountered in executing Onshore projects, in Northern Europe. In addition, also influenced:

- Lower prices offset by the results of the L3AD2020 transformation programme.
- The cost of Offshore under-activity 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.

It is important to note that both the impact of lower price, 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 will be completed in the first half of FY 20. Onshore WTG order intake in Q1 20 showed a consistent margin that will feed into the income statement in the second half of FY 20. Additionally, Offshore volume will return to normal starting in Q2 20, contributing to offset the under-production costs.

The company continues to strengthen its Onshore organisation and processes to steadily enhance its execution track record. Additionally, due to market volatility, it has been implemented a strict policy of matching manufacturing to collections and taken advantage of the lower volume of activity to advance with developing India as a global supply hub.

All of these measures, and the progress expected, will result in a continuous improvement during the second half of the fiscal year.

Operation and Maintenance Service

Table 6: Operation and maintenance (€m)

€m	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Change y/y
Revenues	358	330	390	417	366	2.5%
EBIT before PPA and I&R costs	87	73	83	100	88	1.5%
EBIT margin before PPA and I&R costs	24.3%	22.0%	21.3%	24.1%	24.1%	-0.2 p.p.
Fleet under maintenance (MW)	56,828	56,875	58,708	60,028	63,544	11.8%

The Service business increased revenues by 2.5% with respect to Q1 19, to €366m. This growth was driven by higher sales of maintenance Service, +12% y/y, and spare parts, offset by a reduction in sales of value-added solutions.

The fleet under maintenance stands at 63.5 GW, 12% more than in Q1 19. The Offshore fleet under maintenance expanded by 23% y/y to 12.3 GW, while the Onshore fleet expanded by 9% y/y to 51.3 GW. Fleet growth was supported by a higher renewal rate: 71% in the quarter, i.e. 10 percentage points higher than in Q1 19. The fleet of third-party technologies under maintenance was 2,197 MW[12] at 31 December 2019.

Service EBIT before PPA and integration and restructuring costs amounted to €88m, equivalent to a margin over revenues of 24.1%, practically stable year-on-year (24.3% in Q1 19).

The acquisition of Senvion's Service assets has been completed in the second quarter of FY 20. That acquisition is in line with the strategy presented to the market in 2018 and will enhance the company's already-strong competitive position.

[12]The fleet of third-party technologies under maintenance includes 425 MW of MADE technology, 25 MW of Bonus technology, and 1,005 MW of Adwen technology.

Sustainability

The table below shows the main social development and sustainability figures for Q1 19 and Q1 20 periods, and the inter-quarter variation.

Table 7: Main sustainability figures

	Q1 19	Q1 20 (*)	Change y/y
Workplace health and safety			
Lost Time Injury Frequency Rate (LTIFR)[1]	1.32	1.32	0%
Total Recordable Incident Rate (TRIR)[2]	3.89	2.87	-26.2%
Environment			
Primary (direct) energy used (TJ)	89	90	0.7%
Secondary (indirect) energy use (TJ)	154	176	14.2%
of which, Electricity (TJ)	130	151	16.8%
from renewable sources (TJ)	97	99	2.7%
from standard combustion sources (TJ)	33	52	58.5%
renewable electricity (%)	75	66	-12.1%
Fresh water consumption (thousand m3)	90	108	19.5%
Waste production (kt)	11	17	55.3%
of which, hazardous (kt)	1	3	161.4%
of which, non-hazardous (kt)	10	14	43.5%
of which, recycled (kt)	7	12	69.4%
Employees			
Number of employees (at period-end)	23,384	24,327	4.0%
employees aged < 35 (%)	38.8	37.9	-2.3%
employees aged 35-44 (%)	36.0	36.5	1.6%
employees aged 45-54 (%)	18.6	18.4	-0.6%
employees aged 55-60 (%)	4.2	4.5	7.1%
employees > 60 (%)	2.0	2.1	3.7%
employees other not clasified(%)[3]	0.5	0.5	3.4%
Women in workforce (%)	18.7	18.9	0.7%
Women in management positions (%)	10.8	10.5	-2.3%
Supply chain			
No. of Tier 1 suppliers	14,468	11,543	-20.2%
Purchase volume (€m)	2,177	1,836	-15.7%

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

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

At the end of the reporting period, the Lost Time Incident Frequency Rate (LTIFR) was 1.32 in Q1 20 (1.32 in Q1 19).

The total recordable incident rate (TRIR) was set at 2.87 in Q1 20 (3.89 in Q1 19), at the end of the period.

Siemens Gamesa works proactively to analyse the causes of accidents and has management indicators that track the degree of fulfilment of this work philosophy in day-to-day performance. This includes, for example, performing safety inspections (3,791), safety observations (10,265) and health and safety audits (15) during the reporting quarter.

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 265,729 GJ (9% more than in Q1 19). Accordingly, cumulated energy consumption per employee and year was 10.9 GJ. The share of primary energy (includes energy for direct combustion sources such as fuel-oil, gasoline, natural gas or liquefied petroleum gases) is 34% while secondary energy (mainly electricity and district heating) amounts to 66% of the total.

Total waste production amounted to 16,567 tons in Q1 20. Most of waste -as much as 80% - produced is non-hazardous. Additionally, the recyclability rate of all waste produced at Siemens Gamesa stands at 75%, so that most waste is recycled.

Employment

The workforce totalled 24,327 employees at the end of Q1 20. Most of employees are located in the Europe, Middle East and Africa region (66%), followed by Asia and Australia (20%) and America (14%).

From a gender perspective, women account for 18.9% of the total workforce in Q1 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 295 employees in management positions at the end of Q1 20, 10.5% of them women. This proportion is expected to increase in line with the application of employment best practices.

Suppliers

Procurements in Q1 20 amounted to €1,836m, from above 11,000 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 member of prestigious international sustainability indexes, such as Dow Jones Sustainability Index®, FTSE4Good® and Ethibel Sustainability Index®.

Noteworthy, Siemens Gamesa was included in 2020 Bloomberg Gender-Equality Index®. The index includes 325 companies with a combined market capitalization of USD 12 trillion, headquartered in 42 countries and regions from 50 industries. Siemens Gamesa is fully committed to supporting gender equality through policy development, representation, and transparency.

Outlook

Economic situation

Since early 2018, the global economy has weakened, with slower growth than in 2017, as a result of the political uncertainty surrounding international trade and investment. According to the World Bank[13] (WB), GDP growth was 3% in 2018, compared with 3.2% in 2017. Despite trade tensions between the US and China eased with the 13 December 2019 agreement[14], those tensions could return. Additionally, the accumulation of debt and the slowdown in productivity growth worldwide continue to accentuate the weak outlook. In any event, as both the World Bank and the International Monetary Fund[15] (IMF) have noted, the risks are persistently to the downside.

The IMF projects that global growth slowed from 3.6% in 2018 to 2.9% in 2019, which is the lowest level since 2008–09 and 0.1 percentage point reduction on the projection published in the October 2019 report. Growth is expected to rebound in 2020 to 3.3% (0.1 percentage points lower than projected in the October report), reaching 3.4% in 2021, both figures below 2018 growth. Growth by the advanced economies is expected to slip from 2.2% in 2018 to 1.7% in 2019 and 1.6% in 2020 (0.1 percentage points lower in 2020) and 2021, while emerging and developing economies are expected to rebound from 3.7% in 2019 to 4.4% in 2020 and 4.6% in 2021 (0.2 percentage points lower than projected in October for all the three years). The growth forecast for India represents the bulk of the downward revisions.

Meanwhile, the World Bank expects 2.4% growth in 2019, progressively increasing to 2.6% in 2021 (in both cases, this is 0.2 percentage points below the June 2019 estimates).

In regional terms, the World Bank expects a slowdown in growth in the European Union, from 1.9% in 2018 to 1.1% in 2019, 1.0% in 2020, and 1.3% in 2021, with German industry being particularly weak as a result of the decline in demand in Asia and disruptions in vehicle manufacturing. Brexit-related uncertainty is also impacting growth. The IMF expects the UK to achieve growth of 1.3-1.5% between 2019 and 2021, while its projections for Germany are for 0.5% in 2019, 1.1% in 2020 and 1.4% in 2021.

According to the WB, the United States grew by 2.3% in 2019 and will decelerate to 1.8% in 2020 and 1.7% in 2021, as the positive stimulus of the tax reform tails off. The IMF expects growth of 2.3% in 2019, 2.0% in 2020 and 1.7% in 2021, moderation that results from the return to a neutral fiscal orientation and a lesser impulse to relax financial conditions.

In Mexico, 0% growth is estimated in 2019, but it should rebound to 1.2% in 2020 and 1.8% in 2021 as political uncertainty fades (WB). Meanwhile, IMF projects growth in Brazil to go from 1.3% in 2018 to 1.2% in 2019, 2.2% in 2020 and 2.3% in 2021. For Latin America, the IMF projects growth to rebound from 0.1% estimated for 2019 to 1.6% in 2020 and 2.3% in 2021, with a downward revision due to the continued investment weakness in Mexico and social tensions in Chile, partially offset by the upward revision in Brazil.

In Asia, the IMF projects growth in India of 4.8% in 2019, 5.8% in 2020 and 6.5% in 2021, 1.3 and 1.2 percentage points below October estimations for 2019 and 2020 respectively, due to a more marked deceleration of demand than expected. The WB also expects it to slow to 5% in 2019 (2.5 percentage points below its June estimate) as economic activity will be constrained by the shortage of credit and by

[13]World Bank. Global Economic Prospects. Slow Growth, Policy Challenges. January 2020

[14]Phase 1 agreement on 13 December, under which tariffs on imports of Chinese products were cut by approximately USD 120 billion, while China agreed to substantially increase the purchase of agricultural products from the US and make other concessions in the area of intellectual property, technology transfer, agriculture, financial services, and exchange rates.

[15]International Monetary Fund. World Economic Outlook. October 2019.

a slowdown in consumer spending. India is expected to rebound to 5.8% in 2020 and 6.1% in 2021. The IMF expects China to slow from 6.6% in 2018 to 6.1% in 2019, 6.0% in 2020 and 5.8% in 2021, while the WB projects a slowdown from 6.6% in 2018 to 6.1% in 2019 and 5.9% in 2020, meaning that China would log under 6% growth for the first time since 1990, amid slowing gains in labour productivity and persisting adverse factors.

Long-term worldwide prospects for wind

In 2020, the world energy market will continue 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 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 the 4 GW[18] installed in 2018 and the almost 7 GW[19] estimated for 2019.

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

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

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

[18]GWEC. Global Wind Report 2018 (April 2019) by the Global Wind Energy Council.

[19]Wood Mackenzie: Q4 19 Global Wind Power Market Outlook.

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

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. Five years ago, coal and gas occupied that position. By 2030, new wind and solar capacity will be cheaper than existing gas-fired and coal-fired facilities practically everywhere in the world. Since 2010, the cost of wind power has fallen by 49% and it is expected to decline by another 50% 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.

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.

Figure 9: Wind installations (cumulative GW)

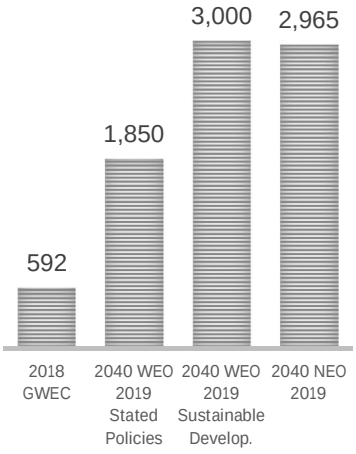
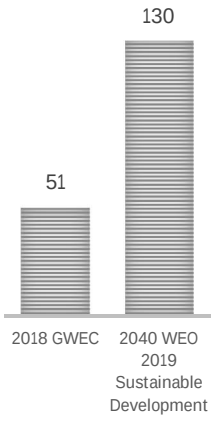


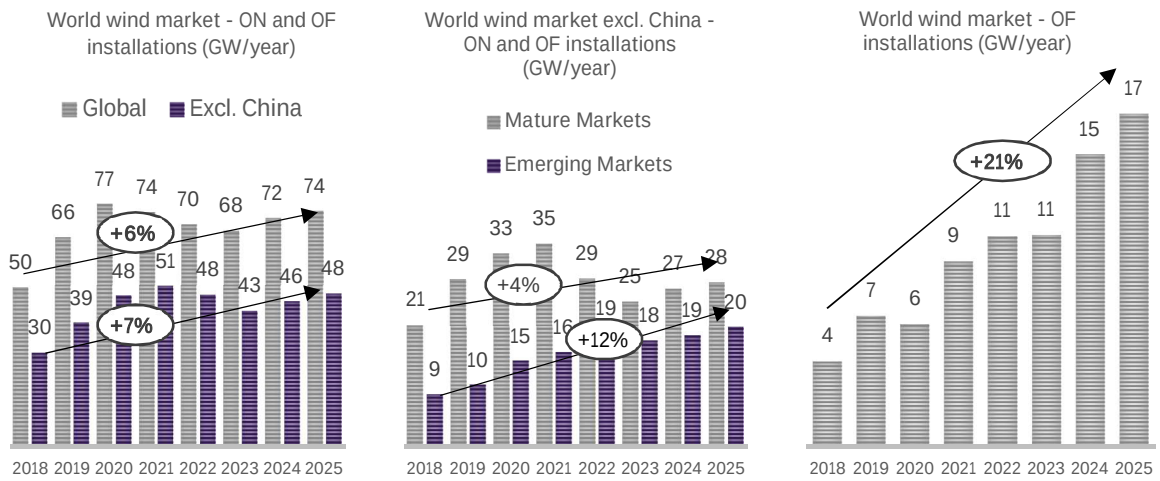
Figure 10: Annual installations 2018-40E (GW/year)



Quarterly update of short- and medium-term demand

The figures below show the medium-term installation projections (2019-2025)[21] as well as final installations reported for 2018[22].

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



The projections for installations in the period 2019-2025[23] continue to assume solid demand and are again higher than the outlook presented in the third quarter of calendar 2019 (both projections by Wood Mackenzie). The increase between third and fourth quarter 2019 outlooks, amounts 2 GW for the entire period 2019-2025, of which 1.5 GW will be Onshore and 0.5 GW Offshore. Between 2019e and 2028e, the projection for new installations has increased by 13.6 GW to 752 GW, driven mainly by Offshore and the repowering of Onshore facilities (especially in the second half of the decade).

For the Onshore business, the outlook update between the third and fourth quarter experience a sensitive reduction in 2019 (-1.5 GW), fully compensated in 2020 (+1.9 GW) and 2021 (+1.7 GW). The Offshore market is projected to shrink slightly in 2020 and 2021 (-0.5 GW overall) and sharply in 2023 (-1.2 GW), to be offset in 2024 and 2025 (+2.2 GW combined).

China (152 GW), US (56 GW), India (33 GW) and Germany (18 GW) are expected to retain their positions as the largest Onshore markets, accounting for more than 60% of the total accumulated installations projected for 2019-2025. France, Brazil, Sweden, Spain and Australia, with between 8 GW and 11 GW in cumulative installations each in the period 2019-2025, will account for more than 10%.

[21]Wood Mackenzie: Q4 19 Global Wind Power Market Outlook. The balloons indicate compound annual growth rates.

[22]"The Global Wind Power Market Outlook 2018" (GWEC April 2019) reported that ON + OF installations worldwide in 2018 amounted to 51 GW overall and to 28 GW excluding China; there were 20 GW of ON + OF installations in emerging markets, and 8 GW in mature markets; 4 GW in OF (similar to installations reported by Wood Mackenzie).

[23]All projections in this section dated calendar Q3 19 and calendar Q4 19 are from the Wood Mackenzie quarterly global wind power market outlooks.

Despite the appearance of new markets, the Offshore segment is still much more concentrated. China, with 27 GW of installations in 2019-2025, will account for 36% of total installations in the period. Europe, led by the United Kingdom (12 GW of installations in the same period), will install 29 GW, accounting for 38% of the total. They will be followed by the US (10 GW in 2019-2025) and Taiwan (6 GW).

The increase in projections for Onshore installations is mainly in Sweden, India, Ukraine and South Africa, while projections for Germany and China are lower. Growth in projections for Offshore is mainly concentrated in the US and the UK, partly offsetting the reduction in South Korea and Belgium:

- In Sweden, new investment decisions and the acquisition of projects by Vattenfall mean an increase in the short term.
- In India, although adverse factors are maintaining pressure on forecasts, installations in 2019 resulted in an increase in the forecasts.
- In Ukraine, the plan to eliminate the current feed-in-tariff system has accelerated project development and raised forecasts.
- The increase in South Africa is due to new targets for 2030.
- The projected reductions in Onshore are concentrated in Germany, where auctions continue to encounter a lack of demand, and in China, where many projects with permits will cease to be viable once subsidies are eliminated in 2021.
- The best prospects in Offshore are in the new projects announced in Virginia (US) and the United Kingdom, while the reductions will come from projects being postponed from 2021-2025 to later years.

Beyond the pace of installations, price dynamics are unchanged with respect to the previous quarter and Onshore prices continue to stabilise, reflecting mainly the stabilisation of auction prices but also the commercial dynamic in the US, cost inflation and the pressure on margins in the supply chain. 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 Q1 20[24]

During the first quarter of FY 20, the following information was published and the following measures were adopted in connection with government commitments and actions aligned with the transition towards a sustainable energy model.

COP 25 - United Nations - Climate Summit

- The Madrid summit postponed major moves against climate change to 2020.
- The agreement to develop the carbon market (Article 6) was deferred to COP26, due to Brazil's refusal and low interest on the part of the US and China.
- Up to 10 American countries[25] officially committed to achieving a target of 70% renewable energy in the region by 2030.

European Union

- After declaring a global climate and environmental emergency, the European Commission announced that it will propose a European climate law in March with the aim of making Europe climate-neutral by 2050.

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

[25]Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Guatemala, Haiti, Honduras, Paraguay and Peru.

- Renewable energy sources will play a fundamental role, and it is essential to increase offshore wind production based on cooperation between Member States.

Denmark

- The parliament adopted the binding objective of reducing greenhouse gas emissions by 70% by 2030 and towards zero by 2050.
- The contracts for differences (CfD) approach was selected for the Thor Offshore project (between 800 MW and 1,000 MW). The Danish government intends to auction two additional Offshore projects (800 MW each) before 2023 to increase capacity by at least 2.4 GW in 2030. The need for additional environmental impact assessments could produce delays.
- The outcome of the second neutral auction was announced (Table 8). This is the first time a hybrid wind/solar project has been awarded in Europe.

France

- There are plans to install 1 GW Offshore in Normandy.
- The outcome of the fourth Onshore wind auction was announced (Table 8).

Germany

- The parliament approved the Climate Law, agreed the previous quarter, with a 65% renewable objective for 2030 and specific objectives for each renewable source, although without detailing the mechanisms by which these objectives will be achieved.
- A list of measures was presented in connection with obtaining permits and licenses and the development of the transmission network in order to revive interest in the Onshore market.
- The results of the fifth and sixth wind auctions and the fourth neutral auction were published between October and December (Table 8). For the first time in almost 2 years, the sixth auction attracted a high level of interest.

Ireland

- The government approved the new auction scheme for renewable projects. Indicatively, between 1,000 GWh and 3,000 GWh will be auctioned each year (calculated as being equivalent to between 300 MW and 750 MW, approximately). The projects will be delivered from December 2022 onwards.

The Netherlands

- The government has announced a third Offshore wind auction, without subsidies, for the 700 MW Hollandse Kust Noord project.
- The outcome of the wind auction in the spring of 2019 was released (Table 8). An additional auction has been announced for the spring of 2020, in which other renewable technologies are eligible.

Norway and Sweden

- The Norwegian government cancelled a national plan for Onshore wind power and is considering an increase in taxes on wind farms in line with hydroelectric plants (37% of profits and €1.29/MWh) in view of popular opposition to the industry.
- Sweden is considering ending its participation in its joint green certificate programme with Norway in 2021 (the initial commitment was to keep it until 2030).

Poland

- The government presented its energy and climate plan to the European Commission (renewables to cover 23% of consumption by 2030), under which Onshore wind capacity would reach 9.6 GW in 2030, from the current 6 GW. Offshore capacity would

amount to 3.8 GW in 2030, and 8 GW in 2040.

- The outcome of the 2019 auction was announced: 78 TWh were allocated out of the initial objective of 113.97 GWh (approximately 1.73 GW). The breakdown between wind and solar was not revealed.

South Africa

- The Energy Department has published a new 10-year plan, the Integrated Resource Plan, which includes a 14.4 GW increase in wind capacity, equivalent to adding 1,600 MW per year between 2022 and 2030.

Spain

- The parliament approved a rate of return of 7.09% for renewable plants between 2020 and 2025.

UK

- Following the December elections, the government has confirmed plans to increase the Offshore wind installations target for 2030 to 40 GW (from 30 GW).

Brazil

- A 10-year expansion plan, PDE – 2029, was published in which EPE (Empresa de Pesquisa Energética) envisages wind's share of the energy mix rising from 9% to 16%, with 3 GW of wind capacity being installed per year.
- The environmental authority has commenced public consultations to grant licences for the first Offshore projects. The final regulation is expected in 2020.
- The outcome of the A6 auction in 2019 was published (Table 8), as were the guidelines for the forthcoming A4 auction.

Chile

- The coal-fired plant closure plan is accelerating, with 647 MW of the existing 5 GW to be closed earlier than planned (the initial goal is for total closure by 2040).
- The rules were published for the auction for 5.9 TWh/year, open to all technologies (if awarded only to wind, it would amount to 1.68 GW).

Cuba

- A decree law was adopted whose goal is for renewables to account for 24% by 2030 (from 4% at present). Wind will account for 25% of the renewable energy.

US

- The US announced its official abandonment of the Paris Agreement, although it cannot formally leave until November 2020.
- The 60% PTCs (production tax credits for wind generation) and the 18% ITCs (investment tax credits, also applicable to Offshore projects) were extended by one year[26].
- The planned 5% increase in tariffs on imports from China of products on lists 1 to 3 was cancelled, maintaining the existing 25% tariff.
- Indiana issued a request for bids for 2,600 MW of wind and solar capacity (300 MW of wind) plus storage, to fulfil the plan to fully phase out coal by 2028.
- Maryland: the period for submission of applications for Offshore Wind Renewable Energy Credits (OREC) in connection with 1.2 GW of capacity commenced on January 1, 2020.

[26]For projects that begin construction or qualify for safe harbor in 2020, with deadline for commissioning in 2024.

- New Jersey increased its Offshore target to 7.5 GW, from 3.5 GW initially.
- The results of the Offshore auctions in Connecticut and Massachusetts were published (Table 8). Connecticut chose Vineyard Wind and Massachusetts chose Mayflower Wind (JV between EDPR and Shell).

China

- The Ministry of Finance announced a reduction in renewable energy subsidies for wind, biomass, and distributed solar projects in 2020 to CNY 5.67bn (from CNY 8.1bn in 2019), eliminating subsidies for large solar projects. It is also announced that Onshore wind projects will cease to be subsidised in 2021.
- The government is also considering eliminating subsidies for Offshore projects to be commissioned in or after 2022, although local and regional governments will still be allowed to support such projects.

India

- After local credit rating agency CRISIL (owned by S&P) raised doubts, the government confirmed it will reach the established 175 GW renewables target by 2022. The measures announced by the government include a new 66 GW transmission network, the development of "mega-parks", and simplification of the process of obtaining land in some regions.
- Despite the increase in the maximum price from INR 2.85/MWh to INR 2.93/MWh, the SECI IX wind auction was postponed again due to the low level of participation, as bids (from Enel and Adani) amounted to only 266 MW out of an initial target of 1,200 MW. Low participation is the result of a low maximum price and of problems with transmission lines and permits.
- The NTPC-II auction was deserted even after the maximum price had been increased (from INR 2.85/MWh to INR 2.93/MWh) and the deadline for bids had been extended. Meanwhile, the projects from the first NTPC auction (held in 2018) are still awaiting the necessary regulatory approvals.

Taiwan

- The Ministry of Economic Affairs plans to target an additional 10 GW Offshore between 2026 and 2035, on the basis that the objective of 5.7 GW by 2025 will be met as planned.
- The tariff for 2020 was also announced. Offshore wind projects will receive TWD 5,094.6/MWh (USD 151.9/MWh), 7.6% less than in 2019.

Auction summary

Table 8: Summary of auction results published in Q1 20

Auction	Type	Technology	MW[1]	Average price €/MWh[2]	COD
Denmark - neutral II	Neutral	ON	135	2[3]	2021
France	Specific	ON	576	67	2022
Germany - V	Specific	ON	204	62	2021
Germany - VI	Specific	ON	509	61.1	2021
Germany - neutral IV	Neutral	ON	0	0	2021
Greece - IV	Specific	ON	224	58	2023
Netherlands - SDE+ spring	Neutral	ON	142.91	41	2021
Brazil - A6	Neutral	ON	1,040	21	2025
Colombia	Neutral	ON	1,000	25[5]	2022
US - Connecticut	Specific	OF	804	NA	2025
US - Massachusetts	Specific	OF	804	NA	2025
India - NTPC II	Specific	ON	0	-	-

1. MW awarded to ON or OF.
2. Using the exchange rate on the date the results were announced.
3. Premium over market price.
4. Average price of awarded wind and solar projects.

Table 9: Auctions announced in Q1 20

Auction	Technology	Target	Expected date[1]
Netherlands - Hollandse Kust Noord	OF	700 MW	April 2020
Netherlands - SDE+ spring	Neutral (Renewable)	€2,000m	April 2020
Chile	Neutral	5.9 TWh/year	May 2020
US Maryland – ORECs	OF	1.2 GW	July 2020
Australia – ACT	Neutral (Renewable)	250 MW[2]	NA
India – NDMC hybrid	Wind, solar, hybrid plus storage	400 MW	January 2020

1. Deadline for proposals. In some cases, the outcome will be published later.
2. Capacity plus storage (0.1 MW/0.2 MWh battery per MW equivalent of wind capacity).

Guidance 2020

FY 20E1	Q1 20	FY 20E Nov. 19[1]	FY 20E Feb. 20[1]
Revenue (€m)	2,001	10,200-10,600	10,200-10,600
EBIT margin before PPA and I&R costs	-6.8%	5.5%-7.0%	4.5%-6.0%

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

Beyond the impact of an activity planning focused on the second half of the fiscal year, the lower prices offset by the transformation exercise, and the project mix, financial performance in Q1 20 is impacted by a material and unplanned increase in costs, resulting from delays in the execution of projects in Northern Europe. This impact is estimated at c. €150m and accounted for in Q1 20, and reduces the annual performance expected by the company in EBIT before PPA and integration and restructuring cost margin level to a range between 4.5% and 6.0%.

Revenue guidance remains intact driven by the strong commercial activity that resulted in an order book at the end of December 2019 covering 100% of the low end. Coverage on the mid-range achieved is 98%.

The impact of the PPA on amortisation of intangible assets was €66m in Q1 20 (€260m in FY 20E), while integration and restructuring expenses amounted to €27m (€200m in FY 20E).

CAPEX in the quarter is also in line with the target ratio to sales of 6%. 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 investments in new Onshore platforms.

Agreement to acquire Senvion assets[27]

The agreement to acquire certain Service assets from Senvion together with all its intellectual property was completed in January 2020. The acquisition of the plant in Vagos is expected to be completed in Q2 20.

The acquisition of the Service assets was completed on time and in the expected terms. The Onshore Service backlog for the acquired assets amounts to €1.6bn, and the fleet under maintenance totals around 9 GW. The business is a going concern.

The impact of the transaction in FY 20, once Vagos plant acquisition is completed, will be limited, with an estimation of €150m in revenues. The impact on EBIT before PPA and integration and restructuring costs in FY 20 will not be material.

The agreement to acquire Senvion assets evidences the company's leading position in the next round of industry consolidation and is part of its strategy, announced in the business plan, to expand in the maintenance of third-party fleets. Completing the acquisition will strengthen the Group's position in Service, a very attractive segment because of its profitability and also its future growth potential through the acquisition of assets in a number of European countries. The acquisition will increase the Group's fleet under maintenance to c. 72 GW, concentrated particularly in Europe. Moreover, the order book will increase to €14.6bn.

[27] Ad hoc communication from January 9, 2020.

Conclusions

Siemens Gamesa Renewable Energy ended Q1 20 in an energy market that continued to transition towards an affordable, reliable and sustainable model in which renewable energy plays a fundamental role thanks to its growing competitiveness.

In this context, sound commercial activity enabled the company to attain a record order book at 31 December 2019 of €28,089m (+22% y/y) and reach 98%[28] of the mid-point of its sales guidance for FY 20 and 100% of the lower end of the guidance. That is 7 percentage points higher than the sales coverage in Q1 19 for the mid-point of the guidance for that year, providing assurance that the growth targets for FY 20 will be attained and increasing the visibility of medium- and long-term growth. In the last twelve months, the Group signed orders worth €14,836m (+29% y/y), of which €4,628m were signed in Q1 20 (+82% y/y). In terms of commercial activity in Q1 20 it is important to note Service order intake performance, increased to €1,470m, a four-fold increase over Q1 19, and the continuous Offshore success in new markets signing a preferred supplier agreement to supply 2.6 GW of capacity in the US.

Contrasting with commercial success, the company's financial performance in Q1 20 was unsatisfactory. In addition to the expected impact of lower Offshore activity, falling prices, even though offset by production gains, and a negative product mix, the quarter was impacted by an unexpected material increase in costs as a result of challenges in executing certain Onshore projects in the Northern Europe, impact that could not be offset within the quarter.

The additional costs were due to delays on the execution of pipeline in Northern Europe due to both roads and to adverse weather conditions.

As a result, the company ended Q1 20 with €2,001m in revenues, 12% less than in Q1 19, and EBIT before PPA and integration and restructuring costs amounting to -€136m, equivalent to 12.9 percentage points y-y decline in EBIT margin. Due to the additional costs generated by the challenges in the execution of projects in Northern Europe, the annual performance expected by the company at the EBIT before PPA and integration and restructuring costs margin level for FY 20 is adjusted to a range between 4.5% and 6.0%, below the guidance communicated to the market on 5 November 2019. The revenue guidance remains intact.

Annual planning includes a material improvement during the second semester, supported by the increase in the Group activity, the improvement in the margin of the orders that are executed in the second half of the year, part of which were received in Q1 20, and compliance with the transformation program.

The programme to control working capital, strong order intake, the level of activity and the implementation of a policy in India tying manufacturing to collection made it possible to stem the cash outflow that is normal in the first quarter, and end Q1 20 with a net cash position as of 31 December 2019 of €175m, €105m lower than at the beginning of the quarter, but nearly €600m[29] up y-y, adjusted for the accounting impact of IFRS 16.

Finally, in addition to the strong commercial performance, it is important to note the following

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

[29]Net cash as of 31 December 2018 €165m, increase in debt due to adoption of IFRS 16 in October 2019: €583m, net cash as of 31 December 2019: €175m. See Note D.3 to the consolidated financial statements for FY 19.

events that support the company's long-term outlook:

- The new 4 MW+ Onshore platforms accounted for 44% of order intake in Q1 20. Additionally, the first order for the 5.X platform was signed. In this line, the contracts signed in Q1 20 show a clear margin improvement.
- The acquisition of the Senvion services assets and intellectual property was completed on time and in the agreed terms, which strengthens the Service division, especially in Europe.
- Increased commitments in the Offshore market, where the company has an undisputed lead, increased considerably.

The company expects to hold a Capital Markets Day in the first half of 2020, together with the Q2 20 earnings release presentation, in which to share more details of the path to its enduring long-term vision.

Annex - Financial Statements October 2019 – December 2019

Profit and Loss Account

EUR in Millions	October - December 2019
Revenue	2,001
Cost of sales	(2,057)
Gross Profit	(57)
Research and development expenses	(50)
Selling and general administrative expenses	(123)
Other operating income	2
Other operating expenses	(1)
Results of companies accounted for using the equity method	-
Interest income	3
Interest expense	(14)
Other financial income (expense), net	(2)
Income from continuing operations before income taxes	(242)
Income tax expenses	68
Income from continuing operations	(174)
Income from discontinued operations, net of income taxes	-
Non-controlling interests	(1)
Net income attributable to the shareholders of SGRE	(174)

Balance Sheet

EUR in Millions	09.30.2019	10.01.2019 (*)	12.31.2019
Assets:			
Cash and cash equivalents	1,727	1,727	1,661
Trade and other receivables	1,287	1,287	1,079
Other current financial assets	275	275	161
Trade receivables from related companies	22	22	29
Contract Assets	2,056	2,056	1,801
Inventories	1,864	1,864	2,071
Current income tax assets	207	207	214
Other current assets	461	451	578
Total current assets	7,899	7,889	7,593
Goodwill	4,744	4,744	4,662
Other intangible assets	1,916	1,916	1,864
Property, plant and equipment	1,426	2,105	2,086
Investments accounting for using the equity method	71	71	71
Other financial assets	143	143	124
Deferred tax assets	401	401	504
Other assets	89	4	4
Total non-current assets	8,790	9,384	9,316
Total assets	16,689	17,273	16,909
Liabilities and equity:			
Short-term debt and current maturities of long-term debt	352	418	513
Trade payables	2,600	2,600	2,282
Other current financial liabilities	130	130	71
Trade payables to related companies	286	286	188
Contract Liabilities	2,840	2,840	3,193
Current provisions	762	762	711
Current income tax liabilities	201	201	167
Other current liabilities	798	798	833
Total current liabilities	7,968	8,034	7,959
Long-term debt	512	1,029	974
Provisions for pensions and similar obligations	15	15	13
Deferred tax liabilities	320	320	309
Non-current provisions	1,400	1,400	1,473
Other financial liabilities	170	170	158
Other liabilities	31	31	30
Total non-current liabilities	2,449	2,966	2,957
Issued capital	116	116	116
Capital reserve	5,932	5,932	5,932
Retained earnings and other components of equity	222	222	(58)
Non-controlling interest	3	3	4
Total Equity	6,273	6,273	5,993
Total Liabilities & Equity	16,689	17,273	16,909

(*) 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	October - December 2019
Net Income before taxes	(242)
Amortization + PPA	172
Other P&L (*)	-
Working Capital cash flow effective change (***)	113
Charge of provisions (**)	178
Provision payments (**)	(106)
CAPEX	(92)
Adwen related payments (**)	(41)
Tax payments	(85)
Others	(1)
Cash flow for the period	(105)
Beginning cash / (net financial debt)	280
Ending cash / (net financial debt)	175
Variation in net financing cash flow	(105)

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

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

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

Key Balance Sheet Positions

EUR in Millions	09.30.2019	10.01.2019 (*)	12.31.2019
Property, plant and equipment	1,426	2,105	2,086
Goodwill & Intangibles	6,660	6,660	6,526
Working capital	(833)	(843)	(939)
Other, net (**)	365	279	373
Total	7,618	8,201	8,046
Net financial debt / (cash)	(863)	(280)	(175)
Provisions (***)	2,177	2,177	2,198
Equity	6,273	6,273	5,993
Other liabilities	31	31	30
Total	7,618	8,201	8,046

(*) 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 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	09.30.2019	10.01.2019 (**)	12.31.2019
Cash and cash equivalents	2,429	2,125	1,727	1,727	1,661
Short-term debt and current maturities of long-term debt	(991)	(705)	(352)	(418)	(513)
Long-term debt	(823)	(1,255)	(512)	(1,029)	(974)
Cash / (Net Financial Debt)	615	165	863	280	175

(*) 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	03.31.2018 Reported Q3 18 (*)	06.30.2018	09.30.2018	09.30.2018 Comp. (**)	12.31.2018
Trade and other receivables	1,050	1,124	1,114	1,111	1,093
Trade receivables from related companies	41	34	28	28	42
Contract assets	1,148	1,311	1,572	1,569	2,033
Inventories	1,805	1,700	1,499	1,499	1,925
Other current assets	404	404	362	362	417
Trade payables	(1,807)	(1,962)	(2,416)	(2,416)	(2,283)
Trade payables to related companies	(71)	(77)	(342)	(342)	(274)
Contract liabilities	(1,571)	(1,570)	(1,670)	(1,670)	(2,340)
Other current liabilities	(708)	(697)	(684)	(684)	(641)
Working Capital	291	265	(536)	(542)	(27)

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

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

€m	03.31.2019	06.30.2019	09.30.2019	10.01.2019 Comp. (*)	12.31.2019
Trade and other receivables	1,137	1,421	1,287	1,287	1,079
Trade receivables from related companies	35	39	22	22	29
Contract assets	1,771	1,952	2,056	2,056	1,801
Inventories	2,006	2,044	1,864	1,864	2,071
Other current assets	464	651	461	451	578
Trade payables	(2,352)	(2,483)	(2,600)	(2,600)	(2,282)
Trade payables to related companies	(153)	(250)	(286)	(286)	(188)
Contract liabilities	(1,991)	(2,267)	(2,840)	(2,840)	(3,193)
Other current liabilities	(706)	(869)	(798)	(798)	(833)
Working Capital	211	238	(833)	(843)	(939)

(*) 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).

€m	Q1 19	Q1 20
Acquisition of intangible assets	(31)	(42)
Acquisition of Property, Plant and Equipment	(50)	(50)
CAPEX	(81)	(92)

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

€m	Q2 19	Q3 19	Q4 19	Q1 20	LTM Dec 19
Acquisition of intangible assets	(44)	(46)	(38)	(42)	(171)
Acquisition of Property, Plant and Equipment	(64)	(81)	(143)	(50)	(338)
CAPEX	(108)	(127)	(181)	(92)	(509)

€m	Q2 18	Q3 18	Q4 18	Q1 19	LTM Dec 18
Acquisition of intangible assets	(26)	(28)	(42)	(31)	(127)
Acquisition of Property, Plant and Equipment	(58)	(64)	(114)	(50)	(286)
CAPEX	(84)	(92)	(156)	(81)	(413)

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	Q1 19	Q1 20
Net Income before taxes	26	(242)
Amortization + PPA	148	172
Other P&L (*)	(3)	-
Charge of provisions	71	178
Provision usage (without Adwen usage)	(99)	(106)
Tax payments	(88)	(85)
Gross Operating Cash Flow	57	(83)

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

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

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

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

	Q4 18	Q1 19 (*)	Q2 19 (*)	Q3 19 (*)	Q4 19 (*)	Q1 20 (*)
Order Intake Onshore Wind (€m)	1,985	1,793	1,167	1,695	2,238	1,611
Order Intake Onshore Wind (MW)	2,631	2,370	1,742	2,130	3,147	2,563
ASP Order Intake Wind Onshore	0.75	0.76	0.67	0.80	0.71	0.63

(*) Order intake WTG ON includes only wind orders. No solar orders are included. Solar orders amounted to €6m in Q1 19, €33m in Q2 19, €1m in Q3 19, €2m in Q4 19 and €0m in Q1 20.

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

	Q2 19 (*)	Q3 19 (*)	Q4 19 (*)	Q1 20 (*)	LTM Dec 19
Order Intake Onshore Wind (€m)	1,167	1,695	2,238	1,611	6,710
Order Intake Onshore Wind (MW)	1,742	2,130	3,147	2,563	9,581
ASP Order Intake Wind Onshore	0.67	0.80	0.71	0.63	0.70

(*) 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 and €0m in Q1 20.

	Q2 18	Q3 18 (*)	Q4 18	Q1 19 (*)	LTM Dec 18
Order Intake Onshore Wind (€m)	1,834	1,166	1,985	1,793	6,779
Order Intake Onshore Wind (MW)	2,464	1,660	2,631	2,370	9,124
ASP Order Intake Wind Onshore	0.74	0.70	0.75	0.76	0.74

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

	Q2 17 (Pro-Forma)	Q3 17	Q4 17	Q1 18 (*)	LTM Dec 17
Order Intake Onshore Wind (€m)	1,460	680	1,498	1,600	5,238
Order Intake Onshore Wind (MW)	1,599	693	2,167	2,208	6,667
ASP Order Intake Wind Onshore	0.91	0.98	0.69	0.72	0.79

(*) Order intake WTG ON includes only wind orders. No solar orders are included. Solar orders amounted to €88m in Q1 18 and €6m in Q1 18.

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

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

Order Intake, Revenue and EBIT

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

€m	Q2 19	Q3 19	Q4 19	Q1 20	LTM Dec 19
Group	2,466	4,666	3,076	4,628	14,836
Of which WTG ON	1,200	1,695	2,240	1,611	6,746

€m	Q2 18	Q3 18	Q4 18	Q1 19	LTM Dec 18
Group	3,043	3,292	2,625	2,541	11,501
Of which WTG ON	1,834	1,175	1,985	1,799	6,793

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	Q2 19	Q3 19	Q4 19	Q1 20	LTM Dec 19
Onshore	1,742	2,130	3,147	2,563	9,581

MW	Q2 18	Q3 18	Q4 18	Q1 19	LTM Dec 18
Onshore	2,464	1,660	2,631	2,370	9,124

Offshore:

MW	Q2 19	Q3 19	Q4 19	Q1 20	LTM Dec 19
Offshore	464	1,528	72	1,279	3,343

MW	Q2 18	Q3 18	Q4 18	Q1 19	LTM Dec 18
Offshore	328	1,368	-	12	1,708

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

€m	Q2 19	Q3 19	Q4 19	Q1 20	LTM Dec 19
WTG	2,060	2,242	2,527	1,634	8,463
Service	330	390	417	366	1,502
TOTAL	2,389	2,632	2,944	2,001	9,966

€m	Q2 18	Q3 18	Q4 18	Q1 19	LTM Dec 18
WTG	1,973	1,827	2,207	1,904	7,912
Service	268	308	411	358	1,346
TOTAL	2,242	2,135	2,619	2,262	9,257

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).

€m	Q1 19	Q1 20
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	26	(242)
(-) Income from investments acc. for using the equity method, net	-	-
(-) Interest income	(5)	(3)
(-) Interest expenses	13	14
(-) Other financial income (expenses), net	6	2
EBIT	40	(229)
(-) Integration and Restructuring costs	32	27
(-) PPA impact	66	66
EBIT pre-PPA and integration & restructuring costs	138	(136)

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	Q1 19	Q1 20
EBIT	40	(229)
Amortization, depreciation and impairment of intangible assets and PP&E	148	172
EBITDA	188	(57)

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

€m	Q2 19	Q3 19	Q4 19	Q1 20	LTM Dec 19
EBIT	90	56	67	(229)	(16)
Amortization, depreciation and impairment of intangible assets and PP&E	147	148	204	172	670
EBITDA	237	204	271	(57)	655

€m	Q2 18	Q3 18	Q4 18	Q1 19	LTM Dec 18
EBIT	54	50	73	40	216
Amortization, depreciation and impairment of intangible assets and PP&E	157	143	185	148	633
EBITDA	210	193	258	188	849

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).

	Q1 19	Q1 20	12M 19
Net Income (€m)	18	(174)	140
Number of shares (units)	679,450,733	679,514,202	679,490,974
Earnings Per Share (€/share)	0.03	(0.26)	0.21

Other indicators

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

€m	12.31.2019
Actual revenue in year N (1)	2,001
Order Backlog for delivery in FY (2)	8,239
Average revenue guidance for FY (3) (*)	10,400
Revenue Coverage ([1+2]/3)	98%

(*) 2020 revenue guidance range of €10.2bn to €10.6bn. As a result, average revenue guidance is €10.4bn.

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	Q2 19	Q3 19	Q4 19	Q1 20	LTM Dec 19
Order Intake	2,466	4,666	3,076	4,628	14,836
Revenue	2,389	2,632	2,944	2,001	9,966
Book-to-Bill	1.0	1.8	1.0	2.3	1.5

€m	Q2 18	Q3 18	Q4 18	Q1 19	LTM Dec 18
Order Intake	3,043	3,292	2,625	2,541	11,501
Revenue	2,242	2,135	2,619	2,262	9,257
Book-to-Bill	1.4	1.5	1.0	1.1	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	Q2 19	Q3 19	Q4 19	Q1 20	LTM Dec 19
CAPEX (1)	108	127	181	92	509
Amortization depreciation & impairments (a)	147	148	204	172	670
Amortization, depreciation & impairments of right of use assets (IFRS 16) (b)	-	-	-	25	25
PPA Amortization on Intangibles (c)	66	67	67	66	266
Depreciation & Amortization (excl. PPA) (2=a-b-c)	80	81	137	81	379
Reinvestment rate (1/2)	1.4	1.6	1.3	1.1	1.3

€m	Q2 18	Q3 18	Q4 18	Q1 19	LTM Dec 18
CAPEX (1)	84	92	156	81	413
Amortization depreciation & impairments (a)	157	143	185	148	633
PPA Amortization on Intangibles (b)	75	82	66	66	288
Depreciation & Amortization (excl. PPA) (2=a-b)	82	61	119	82	345
Reinvestment rate (1/2)	1.0	1.5	1.3	1.0	1.2

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

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

€m	Q1 19	Q1 20
Gross Profit	200	(57)
PPA amortization on intangibles	44	42
Integration and Restructuring costs	22	21
Gross Profit (pre PPA, I&R costs)	266	7

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

€m	Q2 19	Q3 19	Q4 19	Q1 20	LTM Dec 19
Gross Profit	237	220	291	(57)	691
PPA amortization on intangibles	44	44	43	42	173
Integration and Restructuring costs	9	32	67	21	129
Gross Profit (pre PPA, I&R costs)	289	296	401	7	992

€m	Q2 18	Q3 18	Q4 18	Q1 19	LTM Dec 18
Gross Profit	262	191	304	200	957
PPA amortization on intangibles	43	80	3	44	170
Integration and Restructuring costs	43	17	41	22	123
Gross Profit (pre PPA, I&R costs)	348	288	348	266	1,250

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	Q2 19	Q3 19	Q4 19	Q1 20	LTM Dec 19
Onshore	1,707	1,699	2,009	1,747	7,163

MWe	Q2 18	Q3 18	Q4 18	Q1 19	LTM Dec 18
Onshore	1,397	1,703	1,926	1,520	6,546

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.