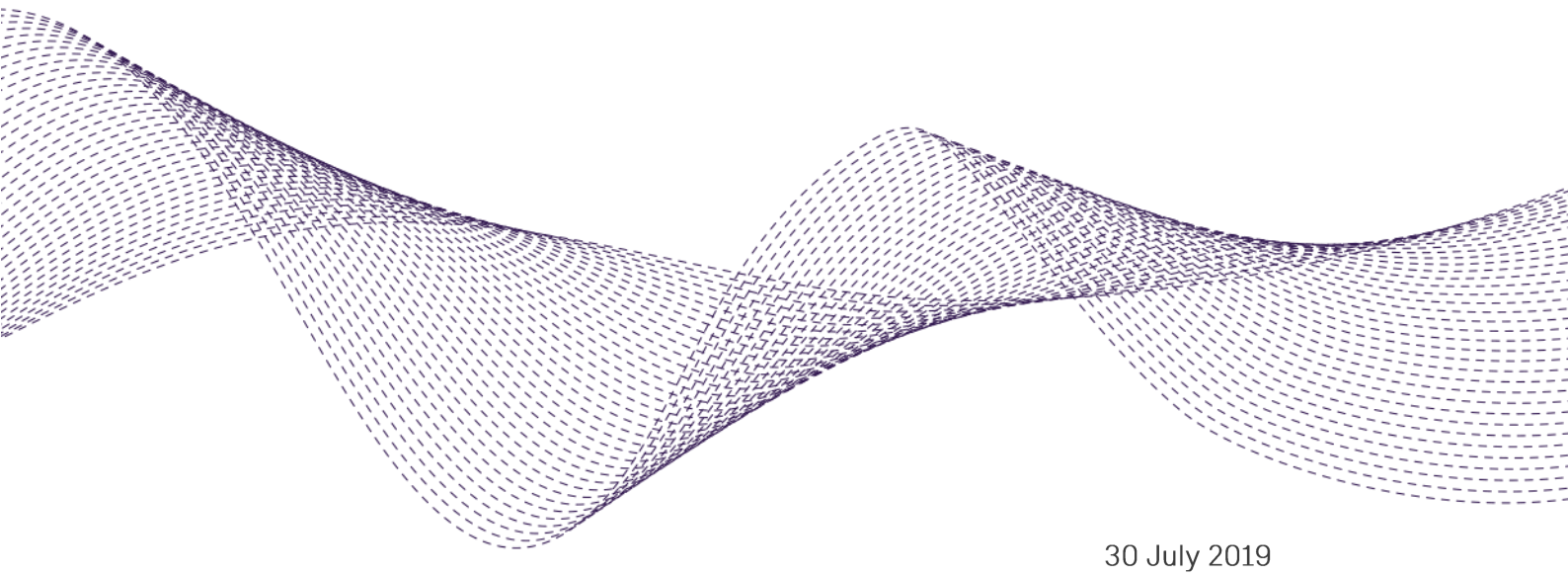
SIEMENS Gamesa
RENEWABLE ENERGY

Activity Report

Third quarter FY 2019

April-June 2019 Results



30 July 2019

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Introduction

The year 2019 commenced 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. In this context of rising demand and competitive pricing, Siemens Gamesa Renewable Energy[1] ended the third quarter of FY 19 with 23% y/y growth in revenue and an EBIT margin pre PPA and integration & restructuring costs of 6.1%. Both variables were in line with the guidance presented for 2019, a year in which the volume of activity is projected to be high, and concentrated in the fourth quarter in the case of Onshore. However, those variables also reflect the impact of several factors, such as emerging market volatility, which has resulted in delays in orders and, consequently, in project execution, and challenges also in Onshore project execution in Northern Europe and India, resulting in costs exceeding initial projections.

Despite that volatility, Siemens Gamesa achieved a number of records in commercial activity. Firstly, the order book reached €25,135m at 30 June 2019, providing 98%[2] coverage of the mid-point of the sales guidance for FY 19, equivalent to €10,256m. Secondly, order intake in the third quarter of 2019 (Q3 19) amounted to €4,666m, 42% more than in the year-ago quarter. This strong growth was driven by commercial activity in all business areas: Onshore, Offshore and Service, where order intake logged double-digit growth year-on-year, evidencing the company's sound competitive position. Order intake in the last twelve months (LTM) amounted to €12,298m, 2% more than in the twelve months to June 2018.

Group revenue in Q3 19 amounted to €2,632m (+23% y/y) and EBIT pre PPA and integration & restructuring costs amounted to €159m (+2% y/y). Like commercial activity, sales growth was supported by strong performance in all business areas, which registered double-digit growth year-on-year in the quarter. Onshore sales growth was supported by greater installation activity and also by the geographic mix. Offshore achieved record sales due to the large number of projects being executed this year, while Service growth came from both ordinary maintenance contracts and value-added solutions. EBIT performance pre PPA and integration & restructuring costs reflects mainly the effect of declining prices in the order book at the beginning of the quarter in all business areas, offset in Q3 19 by productivity improvements and synergies from the L3AD2020 transformation program and by higher sales volumes. Additionally, third-quarter profitability was negatively affected by certain challenges in the execution of Onshore projects in Northern Europe and India that generated higher-than-expected costs. Excluding those extra costs, the group's margin would have increased annually (y/y) and sequentially (q/q).

The quarter ended with a net debt position on the balance sheet amounting to €191m, i.e. €37m more than in the third quarter of 2018 and €806m less than cash position at the end of the previous year (FY 18). The change in the net cash position since FY 18 year-end is the result of the increase in working capital required ahead of the significant increase in activity planned for FY 19. Working capital increased by €780m since 2018 year-end to a positive €238m, equivalent to 2.4% of LTM revenue.

In May, Fitch Ratings granted the company a BBB rating with stable outlook. This investment grade rating is in addition to those already granted by Standard & Poor's (BBB-) and Moody's (Baa3). The three agencies justify the investment grade rating on the basis of the company's leading position in the industry, its diversified business and its conservative financial approach, among other factors.

Consolidated key figures Q3 19

- Revenue: €2,632m (+23% y/y)
- EBIT pre PPA and integration & restructuring costs[3]: €159m (+2% y/y)

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

[2]Sales coverage: total firm orders (€) received through June 2019 for activity in FY 19 (including the part executed in 9M 19) / the mid-point of the sales guidance published for FY 19 (€10,000m-€11,000m).

[3]EBIT pre PPA integration & restructuring costs excludes integration & restructuring costs in the amount of €36m and the

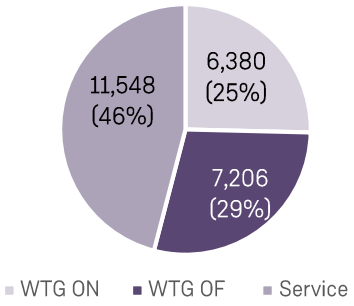
- Net income before PPA and integration & restructuring costs[4]: €96m (-20% y/y)
- Net income: €21m (-53% y/y)
- Net cash (Net financial debt – NFD)[5]: -€191m
- MWe sold: 2,394 MWe (+12% y/y)
- Order book: €25,135m (+8% y/y)
- Firm order intake: €4,666m (+42% y/y)
- Firm order intake in the last twelve months: €12,298m (+2% y/y)
- WTG order intake (MW): 3,658 MW (+21% y/y)
- Firm WTG order intake in the last twelve months: 10,887 MW (-6% y/y)
- Installed fleet: 95,567 MW
- Fleet under maintenance: 58,708 MW

Markets and orders

In a market with rising demand, solid commercial efforts continue to drive the company's performance, which reached a record order intake and order book. In the last twelve months, Siemens Gamesa has signed orders worth €12,298m (+2% y/y) and it ended the third quarter of FY 19 with an order book of €25,135m (+8% y/y), which represents 98% of the mid-point of the sales guidance for FY 19[6].

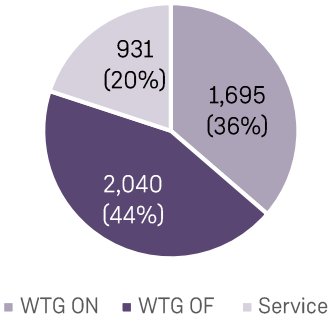
Forty-six percent of the order book (€11,548m) is in Service, which has higher returns and expanded by c.8% year-on-year. The WTG order book is split into €7,206m Offshore (-8% y/y) and €6,380m Onshore (+36% y/y).

Figure 1: Order book at 30.06.19 (€m)



Order intake in Q3 19 amounted to a record €4,666m, +42% y/y, driven by strong commercial activity in all the group's businesses, which registered double-digit growth in order intake in year-on-year terms. That resulted in a book-to-bill[7] ratio of 1.8 in the quarter, 0.8x more than in Q2 19 and 0.3x more than in Q3 18.

Figure 2: Order intake Q3 19 (€m):



Within Offshore commercial activity, the company achieved notable success in Taiwan, where it signed two orders for a total of 1.5 GW, which raised intake in the quarter to €2,040m, 33% more than in the year-ago quarter.

impact of fair value amortization of intangible assets as a result of the PPA (purchase price allocation) in the amount of €67m.

[4] Net income before PPA and integration & restructuring costs excludes €75m of integration & restructuring costs and the impact of fair value amortization of intangible assets as a result of the PPA (purchase price allocation), net of taxes.

[5] Cash / (Net financial debt) is defined as cash and cash equivalents less long-term and short-term financial debt.

[6] Sales coverage: total firm orders (€) received through June 2019 for activity in FY 19 (including the part executed in 9M 19) / the mid-point of the sales guidance published for FY 19 (€10,000m-€11,000m).

[7] Book-to-Bill (MW or €): order intake in MW/€ divided by activity in MWe or sales in € (applicable at group, business unit and segment level).

- One order was with wpd AG for 640 MW (80 units of the SG 8.0-167 DD model) for the Yunlin wind farm. This is the first large-scale wind farm in Taiwan and also the first order from APAC for this model. Project construction will commence in 2019 and turbine installation and commissioning are scheduled from 2020 onwards.
- The other was with Ørsted for the Greater Changhua 1&2 wind farms. This project also acquired the SG 8.0-167 DD model, and construction will begin in 2021. Under this agreement, the company will establish a nacelle assembly plant near the port of Taichung to be ready by 2021, fulfilling local content requirements ahead of schedule. The towers will be supplied locally by a joint venture of CS Wind and Chin Fong, which will also supply the towers for the Yunlin wind farm.

The success in Taiwan, a market with great potential for Offshore wind power, was made possible not only due to Siemens Gamesa's lead in technology and execution but also to its early participation in market development: establishment of relationships with developers, participation in infrastructure development, creation of a local supply chain, and training of specialized local labour. The government of Taiwan's target is to install 5.5 GW of Offshore wind capacity by 2025[8].

The US market is another Offshore success. In July, Siemens Gamesa was conditionally awarded an order for 1.7 GW (including power boost option) by Ørsted and Eversource, the largest-ever order in the US. Referring to three Offshore wind farms, that order is contingent upon the customers' final investment decision. The three projects are located off the north-east coast of the US: Sunrise Wind (880 MW), Revolution Wind (704 MW) and South Fork (130 MW). Siemens Gamesa will supply the SG 8.0-167 DD model for all three farms and will provide operation and maintenance services. The projects are scheduled to come into operation between 2022 and 2024.

This conditional order raised the total portfolio of preferential supply agreements and conditional orders[9] to over 7 GW, enhancing the visibility of the company's future growth prospects in the Offshore segment.

The recovery in Onshore commercial activity, which was the primary source of order book growth, was in the context of growth in the wind market worldwide. This increase reflects the growing role that renewable energies are playing in the transition to a new energy system, thanks to their competitiveness; specifically, it is supported by the strength of the US market and the reactivation, since FY 17, of major wind markets such as India, South Africa, Brazil and Spain. Within this growing market, the increase in order intake reflects the company's strong competitive position, which enabled it to capture €6,680m (8,873 MW) in firm orders in the last twelve months, equivalent to a book-to-bill ratio of 1.4 times revenue in the period. Orders totalling €1,695m (2,130 MW) were signed in the third quarter, 44% more than in the year-ago quarter. Commercial activity in the quarter was affected by volatility in emerging markets, especially India. Participation in the recent auctions was lower than expected, reflecting a number of factors that have affected this market since the beginning of 2019: maximum prices that players consider to be insufficient, lack of sites for project development, lack of grid connection points, and distribution companies' payment terms are some of the reasons for scant interest in the recent past. This volatility resulted in order signatures being postponed from Q3 19 to Q4 19, when 453 MW were signed[10].

[8] Source: Ministry of Economic Affairs

[9] The firm order book does not include preferential supply agreements or conditional orders.

[10] The order was signed in the last week of June but it was not booked until the advance payment was received, in the first week of July.

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

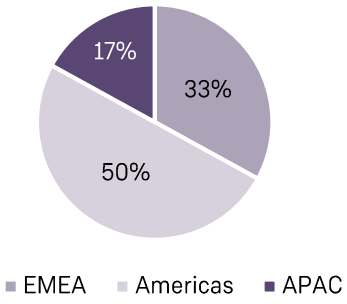
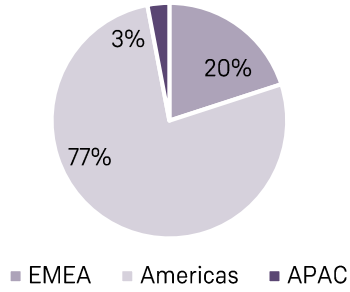


Figure 4: Order intake (€m) WTG ON Q3 19 (%)



Of the 26 countries that contributed new orders in Onshore in the last twelve months, the most outstanding are the US (38% of the total, in terms of MW) and India (11%), followed by Spain (8%), Brazil (6%) and Sweden (5%). The Americas were the largest source of new orders in Q3 19. The US (62% of new orders) and Chile (14%) together accounted for 76% of total order intake. Particularly notable are the repowering contracts signed in the US with MidAmerican. The company will supply and install 163 SG 2.7-129 and 18 SWT-2.3-108 units to repower a 429 MW project in Iowa.

The nacelles and hubs will be supplied by the Hutchinson, Kansas, plant while the blades will be supplied by the Fort Madison, Iowa, plant. The repowering market offers considerable growth opportunities, as 8 GW of installed capacity in the US is suitable for repowering in the coming years out of a total of 16 GW worldwide in 2025[11].

Table 1: WTG ON order intake (MW):

WTG ON order intake (MW):	LTM	Q3 19
Americas	4,726	1,751
US	3,409	1,324
Brazil	521	94
Mexico	270	0
EMEA	2,626	305
Spain	721	72
APAC	1,520	74
India	1,012	4
China	338	0
Total (MW)	8,873	2,130

Order intake in Service totalled €931m, 58% more than in the year-ago quarter. This strong growth was driven by two Offshore WTG supply contracts signed in Taiwan, both of which include maintenance. The company was also successful in multi-technology. In Europe, Siemens Gamesa signed its first end-to-end multi-technology contract for wind farms in Poland comprising 29 turbines (58 MW) produced by Vestas. Also in Q3, the company signed a multi-technology contract with Pattern Energy for a 218 MW wind farm in the US. Siemens Gamesa will maintain the Panhandle Wind I project, located in Texas, which comprises 118 General Electric 1.85-87 MW turbines.

Table 2: Order intake (€m)

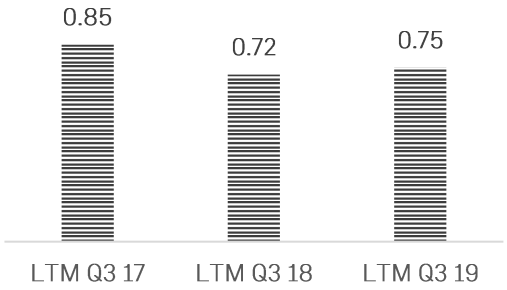
Order intake (€m)	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19
WTG	2,313	2,367	2,704	2,093	2,195	1,717	3,735
Onshore	1,688	1,834	1,175	1,985	1,799	1,200	1,695
Offshore	625	533	1,529	108	396	517	2,040
Service	599	676	588	531	346	749	931
Total Group	2,912	3,043	3,292	2,625	2,541	2,466	4,666

[11] Source: Wood Mackenzie

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 competition 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 stabilized since the beginning of FY 18, and this trend was maintained in the first nine months of 2019.

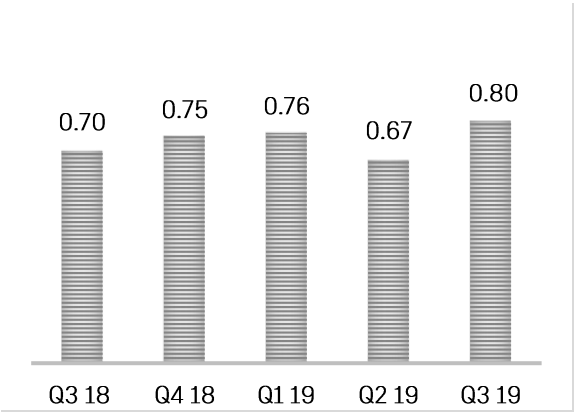
Figure 5: Average selling price - Onshore order intake (€m/MW)[12]



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 the manufacturing chain.

It is important to note that the average selling 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 correlated with profitability. These impacts are visible in the quarterly trend in average prices. The trend in average selling prices in Q3 19 with respect to Q2 19 reflects the impact of the geographical mix, with a lower contribution from China, which had contributed negatively by excluding the tower from the product scope. The year-on-year improvement in the ASP reflects the product mix, with larger towers and rotors, and contract scope, with a slightly positive impact from repowering contracts in the US, as stresses in the supply chain, including import tariffs on China-sourced components, are being passed on to the customer.

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



[12] The Q3 17 LTM figure is proforma.

Key figures

The table below shows the main financial aggregates for the third quarter (April-June) of FY 18 and FY 19 and for the first nine months (October-June) of FY 19, and the change with respect to the first nine months of FY 18.

Table 3: Key figures

€m	Q3 18	Q3 19	Change y/y	9M 19	Change y/y
Group revenue	2,135	2,632	23%	7,283	12%
WTG	1,827	2,242	23%	6,206	10%
Service	308	390	26%	1,077	25%
WTG volume (MWe)	2,137	2,394	12%	6,906	16%
Onshore	1,703	1,699	0%	4,927	4%
Offshore	434	694	60%	1,979	63%
EBIT pre PPA and I&R costs	156	159	2%	475	-1%
EBIT margin pre PPA and I&R costs	7.3%	6.1%	-1.3 p.p.	6.5%	-0.8 p.p.
WTG EBIT margin pre PPA and I&R costs	4.7%	3.4%	-1.3 p.p.	3.8%	-1.3 p.p.
Service EBIT margin pre PPA and I&R costs	22.8%	21.3%	-1.5 p.p.	22.5%	0.0 p.p.
PPA amortization[1]	82	67	-18%	200	-17%
Integration & restructuring costs	25	36	44%	90	-11%
Reported EBIT	50	56	13%	186	35%
Net income for the year attributable to equity holders of SGRE	44	21	-53%	88	98%
Earnings per share attributable to equity holders of SGRE[2]	0.07	0.03	-53%	0.13	98%
Capex	92	127	35	316	58
Capex/revenue (%)	4.3%	4.8%	0.5 p.p.	4.3%	0.4 p.p.
Working capital (WC)	265	238	-27	238	-27
Working capital/revenue LTM (%)	3.0%	2.4%	-0.6 p.p.	2.4%	-0.6 p.p.
Net (debt)/cash	-154	-191	-37	-191	-37
Net (debt)/EBITDA LTM	-0.24	-0.22	0.03	-0.22	0.03

1. Impact of the Purchase Price Allocation (PPA) on amortization of intangibles.
2. Earnings per share calculated using the weighted average of outstanding shares in the period. Q3 18: 679,503,717; Q3 19: 679,527,345, and 679,486,391 in 9M 19.

The group's financial performance in the third quarter was in line with the guidance for FY 19, in a year in which Onshore activity is planned to be strongly back-end loaded, concentrated in the fourth quarter.

Group revenue amounted to €2,632m, 23% more than in the third quarter of the previous year. EBIT pre PPA and integration & restructuring costs increased by 2% y/y to €159m, i.e. an EBIT margin pre PPA and I&R costs of 6.1%, down 1.3 p.p. on the margin in Q3 18.

The trend in EBIT pre PPA and group integration & restructuring costs 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 are still the main drag on group profitability.

(+) Improvements in productivity and fixed costs under the L3AD2020 programme in the third quarter fully offset the impact of lower prices.

(+) The positive impact of the strong sales volume in Onshore, +17%, Offshore, +31%, and Service, +26%, y/y in Q3 19.

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

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

In addition to these three main factors, the variation in the quarter was also driven by:

(-) a negative impact of the Offshore project mix,

(-) difficulties with execution in Northern Europe and India which resulted in additional costs

The sequential variation (QoQ) in the EBIT margin pre PPA and I&R costs was affected by the non-recurrence of the positive effect of releasing provisions for product and service improvements.

The impact of the PPA on amortization of intangible assets was €67m in the third quarter (€82m in Q3 18), while integration & restructuring expenses amounted to €36m during the same period (€25m in Q3 18).

Net financial expenses amounted to €20m in the third quarter (€13m in Q3 18), while the tax expense amounted to €14m (€8m tax revenue in Q3 18). The increase in net financial expenses is due mainly to a higher cost of debt in developing countries with higher interest rates.

As a result, the group ended the third quarter with net income before PPA and integration & restructuring costs amounting to €96m. Reported net income, which includes the impact on amortization of the PPA and integration & restructuring expenses, both net of taxes, totalling €75m in the third quarter, amounted to €21m, contrasting with a net income of €44m reported in the third quarter of 2018. Net earnings per share attributable to Siemens Gamesa shareholders was €0.03.

During the third quarter, the company continued to ready itself for the high level of activity planned for this year - projected 15% average growth in revenue - and for Onshore execution concentrated in the fourth quarter. This preparation required an increase in working capital, which amounted to €238m at the end of the third quarter of 2019, €780m more than at the end of September 2018.

Working capital amounted to 2.4% of revenue, i.e. 8.3 percentage points more than at the end of September 2018.

The variation in working capital with respect to the third quarter of 2018 amounts to -€27m, while the ratio of working capital to revenue declined by 0.6 percentage points with respect to the third quarter of 2018. This year-on-year trend evidences the company's strict control of working capital.

Table 4: Working capital (€m)

Working capital (€m)	Q1 18	Q2 18	Q3 18	Q4 18[1]	Q1 19	Q2 19	Q3 19	Change y/y
Accounts receivable	1,172	1,091	1,158	1,139	1,135	1,171	1,460	302
Inventories	1,993	1,805	1,700	1,499	1,925	2,006	2,044	344
Contract assets	1,079	1,148	1,311	1,569	2,033	1,771	1,952	641
Other current assets	397	404	404	362	417	464	651	247
Accounts payable	-2,204	-1,877	-2,040	-2,758	-2,557	-2,505	-2,733	-693
Contract liabilities	-1,873	-1,571	-1,570	-1,670	-2,340	-1,991	-2,267	-696
Other current liabilities	-722	-708	-697	-684	-641	-706	-869	-172
Working capital (WC)	-157	291	265	-542	-27	211	238	-27
Change q/q		448	-25	-808	515	238	28	
Working capital/revenue LTM	-1.5%	3.1%	3.0%	-5.9%	-0.3%	2.2%	2.4%	

1. For the purposes of comparison after the application of IFRS 9, which impacted the opening balance 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).

CAPEX amounted to €127m in the quarter, in line with the objectives of the Business Plan 2018-2020. Investment was concentrated in developing new services, developing Onshore and Offshore platforms, tooling and equipment.

As a result of the trend in operating performance, working capital and capital expenditure, the net debt position on the balance sheet stood at €191m at 30 June 2019.

Fitch Ratings granted the company a BBB rating with stable outlook during the third quarter. This rating follows those assigned by Standard & Poor's (BBB-) and Moody's (Baa3) and confirms the company's leading position, underpinned by geographical diversification, technology strengths and a solid financial position. The agency attributes the rating to Siemens Gamesa's established leading position in the wind industry, with the necessary technical capabilities and scale to compete globally in an industry that is concentrated, volatile and highly competitive. Fitch also noted the company's geographical and industrial diversification, which enable it to be close to the customer in core markets while also enhancing logistics and operational costs. It also referred to the company's solid financial profile, in line with an investment grade rating within the capital goods sector.

Moody's (Baa3) commented in its report that the rating is supported mainly by Siemens Gamesa's leading position in the industry, the high visibility of future sales as reflected in the strong order book, its technology lead over rivals, and the growth in Service, regional diversification and a moderate financial profile.

Standard and Poor's (BBB-) highlighted Siemens Gamesa's leading position in the competitive, consolidated Onshore and Offshore wind markets, based on its scale, installed base and technology, which should support growth in the company's market share and its ability to lead industry consolidation. The agency also expressed a positive opinion of the company's conservative approach to funding and its transparent financial policy, with a strong balance sheet that will enable it to maintain its credit metrics and liquidity.

WTG

Table 5: WTG (€m)

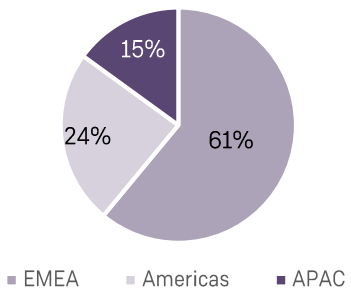
€m	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19	Change y/y
Revenue	1,840	1,973	1,827	2,207	1,904	2,060	2,242	23%
Onshore	1,197	1,277	1,052	1,349	1,103	1,243	1,229	17%
Offshore	643	696	775	858	801	817	1,013	31%
Volume (MWe)	1,997	1,830	2,137	2,409	2,129	2,383	2,394	12%
Onshore	1,651	1,397	1,703	1,926	1,520	1,707	1,699	0%
Offshore	346	432	434	483	609	676	694	60%
EBIT pre PPA and I&R costs	69	129	86	109	51	106	76	-11%
EBIT margin pre PPA and I&R costs	3.8%	6.5%	4.7%	4.9%	2.7%	5.1%	3.4%	-1.3 p.p.

WTG division revenue amounted to €2,242m in the third quarter, 23% more than in the same period of 2018. Sales growth was underpinned by strong performance in both the Onshore and Offshore segments.

Onshore volume (MWe) was stable in the quarter at 1,699 MWe, while sales growth was due mainly to greater installation activity, with MW installed in Q3 19 (1,695 MW) doubling the Q3 18 figure (839 MW) and to the regional mix, with a larger contribution from EMEA.

In the third quarter of FY 19, the main contributors to Onshore sales (in MWe) were Norway (23%), the United States (21%), Spain (17%) and India (9%).

Figure 8: Sales (MWe) WTG ON Q3 19 (%)



Offshore achieved record revenue of €1,013m in Q3 19, 31% more than in the year-ago quarter, and volume totalled 694 MWe, 60% more than in Q3 18. This growth is aligned with the record activity planned for fiscal year 2019.

WTG EBIT pre PPA and integration & restructuring costs declined by 11% to €76m, equivalent to a 3.4% margin on revenue, i.e. 1.3 percentage points below the EBIT margin pre PPA and integration & restructuring costs in Q3 18. Once again, this reduction was driven mainly by lower prices (principally Onshore but also Offshore), partly offset by the outcome of the L3AD2020 transformation program and by higher sales volumes. Third-quarter profitability was also impacted by the challenges faced in projects in Northern Europe and in India, where costs were higher than initially planned; but without this effect, EBIT pre PPA and integration & restructuring costs would have grown in both year-on-year and sequential terms. A less favourable Offshore project mix also contributed to margin shrinkage in the quarter.

Operation and Maintenance Service

Table 6: Operation and maintenance (€m)

€m	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19	Change y/y
Revenue	287	268	308	411	358	330	390	26%
EBIT pre PPA and I&R costs	64	60	70	106	87	73	83	18%
EBIT margin pre PPA and I&R costs	22.2%	22.3%	22.8%	25.8%	24.3%	22.0%	21.3%	-1.5 p.p.
Fleet under maintenance (MW)	55,446	55,454	56,670	56,725	56,828	56,875	58,708	4%

The Service business increased revenue by 26% with respect to Q3 18, to €390m. This growth was driven by a significant expansion in the sale of maintenance contracts and, again, by the sale of value-added solutions in the third quarter (compared with practically zero in Q3 18).

The fleet under maintenance totals 58.7 GW, 4% more than in Q3 18. The Offshore fleet, amounting to 11.2 GW under maintenance, expanded by 17% y/y, while the Onshore fleet was stable (+1%) in year-on-year terms at 47.5 GW. The fleet of third-party technologies under maintenance totalled 2,525 MW[13] at the end of the third quarter of 2019, in line with the figure at end-March 2019.

Service EBIT pre PPA and integration & restructuring costs amounted to €83m, equivalent to a margin over sales of 21.3%, 1.5 percentage points lower than in Q3 18 in the same terms. EBIT performance year-on-year reflects not only the negative effect of lower prices, amply offset by the positive impact of the transformation process, but also the negative impact of cost inflation.

[13] Third-party technologies under maintenance includes 425 MW from MADE and 10 MW from Bonus technologies. Q3 announcements not included as maintenance period has not started yet.

Outlook

Economic situation

Following strong growth in 2017 and early 2018, the world economy is beginning to flag. Escalating trade tensions between the US and China, macroeconomic tensions in Turkey and Argentina, tightening credit policies in China and the contraction of financial conditions in parallel with the normalization of monetary policies in the advanced economies have contributed to the slowdown in growth. Although accommodative monetary policies that should help to achieve a rebound in growth have been re-introduced, both the World Bank (WB)[14] and the International Monetary Fund (IMF)[15] warn that the risks are still to the downside.

The IMF projects a deceleration of global growth from 3.6% in 2018 to 3.3% in 2019, returning to 3.6% in 2020 and stabilizing around 3.5% thereafter, supported mainly by growth in China and India and their rising importance in the world economy. The World Bank expects 2.6% growth in 2019, rising steadily to 2.8% in 2021.

The IMF envisages a deceleration in the European Union, from 2.1% in 2018 to 1.6% in 2019 and 1.7% in 2020. The possibility of a no-deal Brexit is still one of the main risks to future growth. The UK is expected to achieve growth of 1.2-1.4% in 2019 and 2020, which also reflects the uncertainty surrounding Brexit. Germany is projected to achieve 0.8% growth in 2019 and 1.4% in 2020 due to weak consumer spending, weak industrial output because of emission regulations for automobiles, and moderate external demand.

According to the World Bank, the United States will grow by 2.5% in 2019 and then decelerate to 1.7% in 2020 and 1.6% in 2021, as the positive stimulus of the tax reform tails off. The IMF expects growth of 2.3% in 2019, also impacted by the temporary government shut-down, and 1.9% in 2020. Growth performance beyond 2020 will depend on the continuation of accommodative monetary policies, a sustained increase in productivity and labour force participation, which will be offset by potential additional restrictions on trade.

In Mexico, the reversal of energy and education reforms and the uncertainty about key policies on the part of the new administration is discouraging private investment and negatively impacting the expected growth, which is projected to be below 2% in 2019-20 (IMF), and 2.4% by 2021 (WB). Meanwhile, growth in Brazil is projected to strengthen from 1.1% in 2018 to 2.1% in 2019 and 2.5% in 2020 (IMF). The IMF projects that both countries will achieve around 2.5% growth in the medium term, contained by structural rigidity, moderation in the terms of trade, and fiscal imbalances.

In Asia, the IMF and the World Bank expect India to grow above 7% in 2019, reaching 7.5% in 2020 due to the recovery by capital expenditure and robust consumer spending in a context of expansionary monetary policy and the momentum of fiscal policy. In the medium term, growth is expected to stabilise below 8% based on uninterrupted implementation of structural reforms and the attenuation of infrastructure bottlenecks. In China, the World Bank forecasts a slowdown from 6.6% growth in 2018 to 6.2% in 2019 and 6% in 2021, reflecting the impact of stricter financial regulation, lower manufacturing activity and trade, and the impact of tariffs imposed by the United States, all offset by greater fiscal and monetary stimuli.

Long-term worldwide prospects for wind

In 2019, the world energy market continued its transition towards an affordable, reliable and sustainable model in which renewable energy plays

[14] Source: World Bank. Global Economic Prospectus. Heightened Tensions, Subdued investment. June 2019

[15] Source: International Monetary Fund. World Economic Outlook; April 2019

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 the actual achievements[16] to date, governments must triple their efforts and introduce new measures on an urgent basis.

The International Energy Agency (IAE) reached similar conclusions in its most recent World Energy Outlook[17]. The policies and commitments announced to date by countries and supranational organizations will lead to renewables (currently accounting for 25% of power generation) exchanging places with coal (currently 40%) in the power generation mix by 2040. In this scenario, accumulated wind capacity at the end of the period (2040) will amount to 1,700 GW[18], which represents a sustained average level of installations that is similar to the average of recent years (2012-2018: c. 50 GW according to the Global Wind Energy Council - GWEC) for over 20 years. However, this will not be sufficient to fulfil the sustainable development goal that requires greater and faster deployment of renewable energies. A scenario compatible with sustainable growth, which includes the commitments to combat climate change, inter alia, requires that renewables practically triple their share of the generation mix, from the current 25% to two-thirds of total capacity or almost 70% in 2040. Under this projection, the accumulated wind fleet will total 2,800 GW[19] in 2040, i.e. 1,000 GW more than in the previous scenario and representing an average of 100 GW in installations each year over the next 20 years.

The Bloomberg New Energy Finance (BNEF) New Energy Outlook published in June 2019 (NEO 2019) reaches 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), indicating installations at an average pace of over 100 GW per year over the next 20 years. In that same report, BNEF estimates that USD 13.3 trillion will be invested in new energy 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 in practically every corner of the world. Since 2010, the cost of wind power has fallen by 49% and it is expected to decline by another 50% in the case of onshore wind power by 2050.

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. BNEF estimates that the cost of storage will fall by 64% through 2040, from USD 187/MWh at present to USD 67/MWh.

[16] "Emissions Gap Report 2018" (November 2018)

[17] "World Energy Outlook 2018" (WEO 2018) (November 2018)

[18] Data provided by BNEF in its comparison between NEO 2018 and WEO 2018.

[19] Data provided by BNEF in its comparison between NEO 2018 and WEO 2018.

Figure 9: Wind installations (cumulative GW)

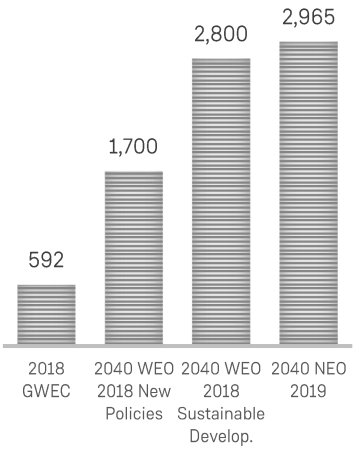
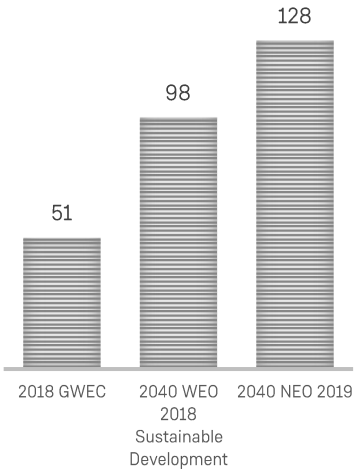


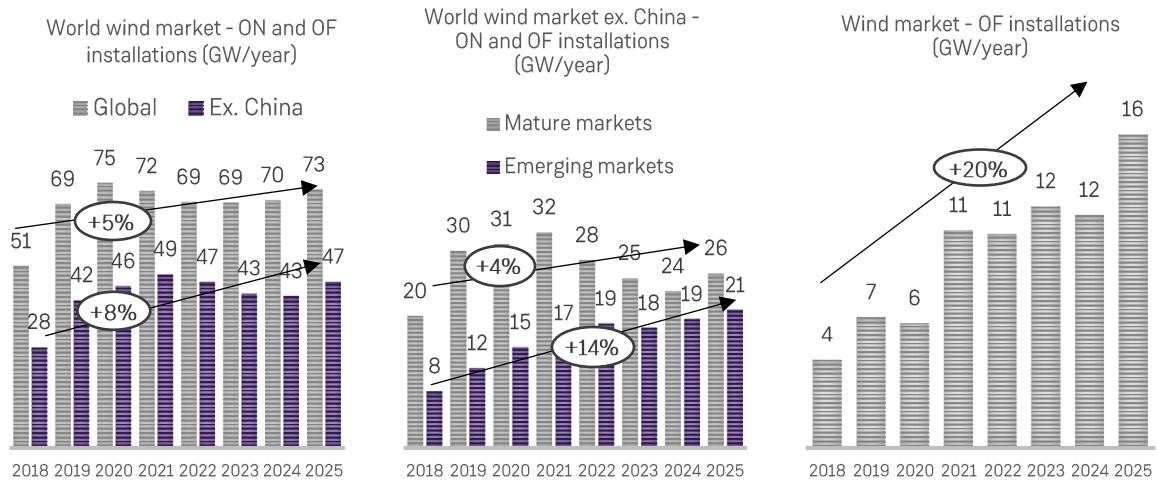
Figure 10: Annual installations 2018-40E (GW/year)



Quarterly update of short- and medium-term demand

The figures below show the medium-term installation projections (2019-2025)[20] as well as final installations reported for 2018[21] according to the Global Wind Energy Council (GWEC).

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



The prospects for installations in the period 2019-2025[22] continue to assume solid demand and are again higher than the outlook presented in the first quarter of calendar 2019 (both projections by Wood Mackenzie). This 5.6 GW increase refers to the period 2019-2025 and will be attributable to both the Onshore (4.3 GW) and Offshore (1.3 GW) markets. There is a sharp decline in projections for the Onshore market in 2019 (-1.8 GW) which is offset mainly in 2020 (+1.2 GW) and 2021 (+0.7 GW) and then exceeded in subsequent years. However, projections for the Offshore market have been raised slightly for 2019 (+0.4 GW), offset partly in 2020 (-0.2 GW), followed by a notable increase in 2021 (+2.6 GW).

China (153 GW), US (52 GW), India (36 GW) and Germany (20 GW) are expected to retain their position as the largest Onshore markets, accounting for more than 60% of the total accumulated installations projected in 2019-2025. France, Brazil, Sweden, Spain and Australia, will account for more than 10% with between 8 GW and 11 GW in cumulative installations each in the period 2019-2025.

Despite the appearance of new markets, the Offshore segment is still much more concentrated. China, with 28 GW of installations in 2019-2025, will account for 37% of total installations in the period. Europe, led by the United Kingdom (11 GW of installations in the same period), will install 30 GW,

[20] Source: Wood Mackenzie: Q2 19 Global Wind Power Market Outlook. The balloons indicate compound annual growth rates. The 2018 figures are actual numbers published by the Global Wind Energy Council (GWEC).

[21] Source: all installation data for 2018 and 2017 are from the Global Wind Report 2018 (April 2019) by the Global Wind Energy Council (GWEC).

[22] Source: all projections dated calendar Q1 19 and calendar Q2 19 are from the Wood Mackenzie quarterly Global Wind Power Market Outlook.

accounting for 39% of the total. They will be followed by the US (7.8 GW in 2019-2025) and Taiwan (5.7 GW).

The increase in projections for Onshore installations are in China, the US, Sweden and the Netherlands, offsetting lower expected growth in Germany and India. The increase in projections for the Offshore segment is mainly in the US.

- The increase in projected Onshore installations in the US is due mainly to interest in taking advantage of the 80% production tax credits in 2021 and to growth in demand for capacity on the part of electric utilities, particularly in the Mid-West, as a result of the proliferation of clean energy standards.

  The increase in the Offshore segment is due to targets published by Maryland (1,200 MW offshore by 2030) and Connecticut (2 GW offshore by 2030).

- Projections for Sweden are up due to execution of commercial projects and power purchase agreements (PPA), as occurred in Norway and Finland in calendar Q1 19.

- In the Netherlands, the announcement of a change in the SDE+ support mechanism has led to an increase in applications for Onshore wind projects in the technologically neutral auctions that had already been announced.

- In China, the transition to a subsidy-free system from 2021 for Onshore and 2022 for Offshore is accelerating the execution of projects to benefit from the pre-existing subsidies, and volume is much higher than the reduction projected for subsequent years.

- In India, the problems related to auctions, the low maximum prices set in the auctions and the repeated delays in commissioning projects have led to a significant reduction in the projections for installations. The lack of land and the grid connection problems have also contributed to a reduction in developer participation in the auctions so far in 2019.

- In Germany, developers are experiencing difficulties in obtaining permits, and this is also driving a low participation rate in auctions.

Beyond the pace of installations, price dynamics have not changed with respect to the previous quarter and Onshore prices continue to stabilize, reflecting mainly the stabilization of auction prices but also the commercial dynamic in the US, cost inflation and the pressure on margins in the supply chain. In terms of product, the category of 3 MW and over continues to gain market share.

Summary of the main events relating to wind power in Q3 19[23]

During the third quarter of FY 19, 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.

European Union

- The European Commission has published its evaluation and recommendations with regard to the national energy and climate plans presented by the EU-28 countries, to ensure that the collective target of 32% renewable energies is achieved by 2030. The Member States have until the end of 2019 to complete their plans.

- The Commission has asked the Member States to detail measures aimed at

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

repowering wind farms, simplifying permits for renewables, eliminating impediments to PPAs, and incentivizing the electrification of HVAC, transport and industrial processes.

- The Official Journal of the European Union has published the most recent legislative acts that complete the Energy Package[24]. Member States have between 1 and 2 years to transpose the directives into their domestic legislation.

Germany

- The outcome of the second auction was published: 250 MW adjudicated out of an initial 650 MW at an average price of €61.3/MWh. The low participation rate was due to the complexity and delays in obtaining the necessary permits.
- The outcome of the third neutral auction was published, in which all solar projects were fully adjudicated (210 MW at an average price of €56/MWh).

Spain

- The Canary Islands auction was held, and provisional results were released (184 MW).

France

- The results of the third Onshore auction were published: 516 MW adjudicated at an average price of €63/MWh. Execution of the adjudicated projects is still subject to risk due to lack of clarity regarding the authority in charge of issuing environmental permits.
- A consortium comprising EDF Renewable Energy, Innogy and Enbridge won the Dunkirk offshore auction (600 MW) at a price of €44/MWh.
- The final draft of France's national energy plan considers expanding capacity in Offshore auctions from the current 5 GW through 2028.

Greece

- The outcome of the first neutral auction was published: 371 MW solar awarded at an average price of €57/MWh, and 67 MW wind at an average price of €60/MWh.
- The third wind auction attracted a low participation rate (results not yet published).

Holland

- The outcome of the Autumn 2018 auction was published: 758 MW of wind capacity awarded at an average price of €43/MWh. There are 143 MW in the spring 2019 round.
- The National Climate Agreement was presented, with the following goals for 2030:
    - Renewables accounting for 75% of electricity production, and a 50% reduction in CO2 emissions.
    - Onshore wind capacity: 7.5 GW-8.5 GW.
    - Offshore wind capacity: 11.5 GW (700 MW per year through 2023 and 1 GW from 2024 onwards).

Ireland

- The new Climate Action Plan was published, tripling the renewable target to 12 GW by 2030.
    - 70% renewables in the energy mix: 8.2 GW of onshore wind (previously 3.3 GW), 3.5 GW of offshore wind (from 2023 onwards) and 1.5 GW of solar.

[24] The Clean Energy Package includes 8 legislative measures concerning; 1) energy performance in buildings; 2) renewable energy; 3) energy efficiency; 4) governance of the Energy Union; 5) electricity regulation; 6) Electricity Directive; 7) risk preparedness, and 8) ACER (Agency for the Cooperation of Energy Regulators).

Italy

- The European Union gave the green light to the renewables decree, which must now be passed by the Italian government.
- Approval of the decree would lead to a series of neutral auctions in the period 2019-2021 (six, in principle, beginning in September 2019) to allocate 5.5 GW of wind and solar capacity.

Portugal

- Plans for auctions to add 3 GW of wind (onshore and offshore) by 2030. It will also drive hybrid projects, allowing photovoltaic panels to be installed in existing wind farms.

UK

- The third round of auctions commenced under the contracts for differences (CfD) methodology, with European Union approval (under state aid programs).
- The UK was the first country to pass a law requiring zero emissions by 2050.

Russia

- The outcome of the 2019 auction was announced: 71 MW of wind projects adjudicated.

Turkey

- The second YEKA auction results were released: 1 GW at an average price of USD 39.4/MWh.

US

- The tariff on List 3 products under Section 301 was increased from 10% to 25%.
- Nevada and Washington passed Clean Energy Standards, requiring 100% clean energy by 2045 in the case of Washington, while Nevada requires 50% renewables by 2030 and 100% carbon-free by 2050. Other states with Clean Energy Standards are California, Hawaii and New Mexico.
- Massachusetts launched the second round of offshore wind auctions (800 MW) as part of the goal of reaching 1.6 GW by 2027.
- Maryland officially committed to being 50% renewable in 2030, from 25% in 2020, including 1,200 MW of offshore wind capacity.
- Connecticut passed a law to develop 2 GW of offshore wind power by 2030.
- New York: passed a mandate, pending only the governor's signature, to achieve a fully decarbonised electricity system by 2040. The mandate sets targets of 6 GW distributed solar by 2025, 3 GW of storage by 2030, and 9 GW of offshore wind by 2035.
- New Jersey picked Ørsted to develop the 1.1 GW Ocean Wind Project. The state published its energy plan, which targets 100% clean energy by 2050, including 3.5 GW of offshore wind capacity.
- The Environmental Protection Agency (EPA) published the Affordable Clean Energy (ACE) rule in place of Obama's Clean Power Plan (CPP), which sets much more limited requirements and makes no mention of renewable energy.
- Democrats and Republicans have presented a number of proposals to extend the tax credits for investment in Offshore wind capacity (Offshore Wind Incentives for New Development Act and Incentivizing Offshore Wind Power Act).

Argentina

- The third round of auctions (small renewable projects) attracted little interest: 282 MW of wind and solar projects were presented out of a potential total of 350 MW.

Brazil

- The outcome of the A-4 auction was published: 95 MW of wind projects awarded at an average price of €18/MWh.

- 25 GW of wind projects have been presented for the A-6 auction scheduled for October 2019.

Mexico

- The Energy Ministry (SENER) published the National Electricity System Development Program (PRODESEN), whose main initiatives are:
    - Ensure that state-owned enterprise CFE competes with the private sector on an equal footing.
    - Increase electricity production from clean and renewable sources, and fulfil the international commitments to reduce greenhouse gas emissions.
    - Design a balanced price system.
    - Optimise the use of CFE's generating infrastructure for basic power supply.
- CFE does not envisage setting any renewable energy projects in motion between 2019 and 2022, although it does plan to commission 105 MW of wind in 2023 and 1,200 MW of wind in 2024.
- The market in clean energy certificates has been suspended temporarily until the National Development Plan, among other documents, comes into force.
- The first private electricity auction is expected in December 2019.

South Korea

- The Energy Ministry released the Third Energy Plan, which increases the target for renewables from 11% to 35% of total output by 2040.

China

- A first package totalling 4.5 GW of subsidy-free projects, spread over 56 wind farms, was approved. The government plans for 20.8 GW of subsidy-free renewable capacity.

India

- The Secretariat of the Ministry of New and Renewable Energy (MNRE) confirmed unofficially that it plans to increase its target to 500 GW by 2030. The official target is currently 175 GW by 2022, of which 60 GW are wind.
- The central and state auctions attracted a low level of participation due to grid connection problems and a shortage of land; the government is working to resolve these issues:
    - The SECI VII auction attracted bids for less than 50% of the available capacity (1,200 MW), and 480 MW were adjudicated at an average price of ₹2.81/kWh.
    - Similarly, the second hybrid auction awarded only 720 MW (out of a potential total of 1,200 MW) at an average price of ₹2.7/kWh.
    - The Gujarat state auction (1 GW) awarded 745 MW at an average price of ₹2.9/kWh, while Tamil Nadu has decided to transfer its auctions to SECI.
- A price cap of ₹2.85/kWh has been established for the SECI VIII auction (1,800 MW).
- To address the problem of low auction participation, the Ministry of Energy has announced that it will ensure the availability of land and grid connection infrastructure for the projects that win the SECI auctions. The states of Andhra Pradesh, Rajasthan and Madhya Pradesh have announced that they have reserved land to support the installation of 8 GW, 19 GW and 5 GW of wind capacity, respectively, while Gujarat has reserved land for 30 GW wind or hybrid capacity.

- The government has also introduced new rules to ensure timely payment to renewable producers.

Japan

- A white paper has been adopted that highlights the urgent need to reduce carbon emissions by the electricity sector and reiterates the goal of 22-24% renewables by 2030.

Pakistan

- The country has set a target of 30% renewables in its energy mix by 2030, which entails installing 18 GW of renewable capacity.

Auctions summary

Table 7: Summary of auction results published in Q3 19

Auctions	Type	Technology	MW targeted	MW awarded[1]	Average price €/MWh[2]	COD
US - New Jersey	Specific	OF		1,100	86	
Holland - SDE+ autumn	Neutral (Renewable)	ON	€6,000m	655	43	2023
India - Gujarat II	Specific	ON	1,000	745	37	2020
India - SECI VII	Specific	ON	1,200	480	36	2020
India - SECI Hybrid II	Specific hybrid	ON + Solar Battery option	1,200	720[3]	35	2020
Brazil - A4	Neutral (Renewable)	ON	NA	95	18	2023
Russia	Specific	ON	78	71	€0.89m/MW	2024
Germany - III	Neutral (ON + solar)	ON	200	0	-	2020
Germany -2019 II	Specific	ON	650	270	61	2021
Turkey – Yeka II	Specific	ON	1,000	1,000	39	2022
Greece	Neutral (ON + solar)	ON	600	67	60	2023
Spain - Canary Islands	Specific	ON	217	184	€0.30m/MW	2022
France - Onshore	Specific	ON	231	118		Sept. 21
France - Offshore	Specific	OF	600	600	44	2022

1. MW awarded to ON or OF.
2. Using the exchange rate on the date the results were announced.
3. The wind/solar breakdown was not disclosed.

Table 8: Auctions announced in Q3

Auctions	Technology	Target	Expected date[1]
US - Massachusetts	OF	800 MW	August
US - New Mexico	ON, Solar Battery option	141 GWh[2]	June
US - New York	Large-scale renewables	1.5 TWh[3]	June
US - Tennessee	ON, Solar Battery option	200 MW	May
India - SECI VIII	ON	1,800 MW	July
India - REMCL	Hybrid ON + Solar	105 MW	July
Greece - third specific auction	ON	300 MW	July
Lithuania	ON, Solar	300 GWh[2]	September
UK – CfD round 3	OF (mainly)	6 GW	July - October

1. Projected deadline for proposals. In some cases, the outcome will be published later.
2. Target in GWh and not in MW.
3. Published green certificate target. Figures in equivalent TWh.

The following comments and clarifications are in order with respect to the auctions published in Q3:

Holland:

- It plans auctions for 700 MW subsidy-free per year.

Germany:

- The auction system establishes a goal of 2.8 GWh per year, plus 4 GW in the period 2019-2021 (first 500 MW in September 2019).
- Innovation auctions: the auction scheduled for September has been postponed since the applicable regulation is lacking.

2019 Guidance

The following table sets out the company's guidance for FY 19.

	9M 18	FY 18	9M 19	FY 19E
Revenue (€m)	6,504	9,122	7,283	10,000-11,000
EBIT margin pre PPA and I&R costs	7.4%	7.6%	6.5%	7.0%-8.5%

In addition to specific targets for group revenue and the EBIT margin pre PPA and integration & restructuring costs, the group maintains the commitments set out in the Business Plan for the other key figures, which are part of the financial framework established for 2018-2020.

Commercial performance in the first nine months enabled the group to attain 98%[25] of the mid-point of its sales guidance, which enhances the visibility of the growth guidance for the year. Based on the coverage attained at the end of June, and excluding the potential book&bill impact in the fourth quarter, sales activity in the fourth quarter is expected to be around €3,000m. Despite strong commercial activity during the first nine months of the year, volatility in emerging markets, especially India and Mexico, has resulted in a delay in the signature of contracts, which cannot now be executed this year, with the resulting impact on the group's sales volumes and margins.

The EBIT margin pre PPA and integration & restructuring costs (6.5%) is below the guidance for the first nine months as a result of price pressure, an effect only partly offset by improvements in productivity and fixed costs under the transformation programme, and Onshore sales that are expected to be concentrated in the fourth quarter. The EBIT margin pre PPA and integration & restructuring costs was also impacted in the third quarter by challenges that the company faced in executing Onshore projects in Northern Europe and India, which resulted in additional costs and pushed returns below initial projections.

The impact of the PPA on amortization of intangible assets was €200m in the first nine months and €67m in Q3 19 (€250m projected for FY 19), while integration & restructuring costs amounted to €90m in the first nine months and €36m in Q3 19. The projection for integration & restructuring costs was maintained at €160m.

Within the execution of the fourth quarter, the risk and opportunity profile is balanced and focus is on execution of projects and the L3AD2020 transformation exercise.

Trends that have impacted performance during the first 9 months, beyond the known price pressure derived from the wind industry's transition to a competitive model, will continue to exert preasure in the short term, but not impairing the potential of the industry or the group in the medium- and long-term.

Pressure from the trade war, Brexit discussions, the slowdown in the growth of the world economy, macroeconomic volatility in emerging markets such as in India, Mexico, Argentina or Brazil, will continue to impact Onshore volumes and margins in the inmediate future.

To combat this trends, Siemens Gamesa has already launched solutions:

- In the form of price increase that transfer supply chain tensions that are already activated in the third quarter of fiscal year 2019,
- Through technology with the inclusion of the new SG 5.8-155 wind turbine, which will go into production in late 2020, and

[25] Sales coverage: total firm orders (€) received through June 2019 for activity in FY 19 (including the part executed in H1 19) / the mid-point of the sales guidance published for FY 19 (€10,000m-€11,000m).

- Through the acceleration of L3AD2020 program.

Likewise, the rationalization of the industry also begins with the disappearance of some manufacturers, while commitments to renewables are not only being maintained but are actually being stepped up.

Within these commitments, Offshore is the market with the greatest growth potential, with an annual installation rate that is expected to grow from 7 GW in 2019 to 16 GW in 2025. It is also a market in which the company is undisputed leader, as reflected by its €7,206m of firm backlog, over 7 GW of conditional orders, the most competitive product portfolio, and the best record of execution, including notably the 24/1/99 program. In addition, Siemens Gamesa is leading growth in new markets in Asia (Taiwan) and the Americas (US – New York). All this increase the visibility of the future performance once 2019 is completed, a year of record sales volume.

The company plans to hold a Capital Markets Day during the first half of 2020 to share its vision for the coming years.

Conclusions

Siemens Gamesa Renewable Energy ended the first nine months of FY 19 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. The International Energy Agency projects that the relative contributions by fossil fuels and renewables to the energy mix will be inverted in the next 20 years. In this connection, the policies and commitments announced to date will require slightly over 50 GW of wind capacity to be installed per year between now and 2040. That volume would have to be practically doubled if the zero emissions target is to be achieved. This potential is corroborated by the latest energy market report from Bloomberg New Energy Finance (NEO 19), which estimates 127 GW in average annual installations between 2019 and 2040, with $5.3 trillion being invested in wind facilities.

In this context, solid commercial activity enabled the company to attain a record order book at 30 June 2019 of €25,135m (+8% y/y) and reach 98%[26] of the mid-point of its sales guidance, i.e. 18 percentage points higher than at the beginning of the year, which lends security to the growth targets for the year. The low end of the sales guidance range, which is 10% higher than total sales in FY 18, had been fully attained in March. Order intake amounted to €12,298m in the last twelve months (+2% y/y) and to €4,666m in the quarter (+42% y/y). Growth in order intake in the last twelve months was supported both by Onshore (+8% y/y) and Service (+12% y/y). Order intake in the third quarter was supported by strong performance in all three business areas, which expanded by 44% in Onshore, 33% in Offshore and 58% in Service.

The company ended the first nine months with revenue amounting to €7,283m (€2,632m in Q3 19), i.e. 12% more than in the first nine months of the previous year (+23% y/y in the quarter) and EBIT pre PPA and integration & restructuring costs of €475m, equivalent to an EBIT margin of 6.5%, 0.8 percentage points lower than in the first nine months of 2018. The EBIT margin pre PPA and integration & restructuring costs in the third quarter amounted to €159m, equivalent to an EBIT margin of 6.1%, i.e. 1.3 percentage points lower than in the third quarter of 2018.

Group revenue growth was supported by strong performance by Offshore and Service, which achieved jointly 25% y/y growth in the first nine months (31% and 26% y/y in the quarter), while Onshore began to grow in the third quarter (+17% y/y). This trend will persist in the fourth quarter in line with the company's plans, in which execution is concentrated in the second half of the year, particularly in the fourth quarter.

The pricing dynamics of the ongoing transition to a competitive market, which were built into the order book at the beginning of the year, are still the main drag on the group's profitability, though this effect was partly offset by productivity improvements and synergies from the transformation process and higher sales volumes. Additionally, profitability in the third quarter was negatively impacted by execution difficulties in a number of Onshore projects in Northern Europe and India.

Net debt amounted to €191m at 30 June. The change from a net cash to a net debt position since the beginning of the year is due to the increase in working capital required to undertake the projected strong volume of activity (15% average sales growth projected for the year) and the greater concentration of activity in the second half of the year, and particularly the fourth quarter, as planned. As a result, working capital stood at €238m at the end of the quarter, equivalent to 2.4% of LTM revenue. The increase in the net debt position in Q3 is due to the fact that capital expenditure amounted to €127m.

[26] Sales coverage: total firm orders (€) received through June 2019 for activity in FY 19 (including the part executed in 9M 19) / the mid-point of the sales guidance published for FY 19 (€10,000m-€11,000m).

Annex

Financial Statements October 2018 – June 2019

Profit and Loss Account

EUR in Millions	April - June 2019	October 2018 - June 2019
Revenue	2,632	7,283
Cost of sales	(2,412)	(6,626)
Gross Profit	**220**	**657**
Research and development expenses	(45)	(126)
Selling and general administrative expenses	(118)	(361)
Other operating income	2	20
Other operating expenses	(2)	(5)
Results of companies accounted for using the equity method	(1)	-
Interest income	2	8
Interest expense	(14)	(37)
Other financial income (expense), net	(8)	(18)
Income from continuing operations before income taxes	**35**	**138**
Income tax expenses	(14)	(49)
Income from continuing operations	**21**	**89**
Income from discontinued operations, net of income taxes	-	-
Non-controlling interests	-	(1)
Net income attributable to the shareholders of SGRE	**21**	**88**

Balance Sheet

EUR in Millions	09.30.2018 (*)	06.30.2019
Assets:		
Cash and cash equivalents	2,429	954
Trade and other receivables	1,111	1,421
Other current financial assets	171	205
Trade receivables from related companies	28	39
Contract Assets	1,569	1,952
Inventories	1,499	2,044
Current income tax assets	173	199
Other current assets	362	651
Total current assets	**7,343**	**7,466**
Goodwill	4,558	4,681
Other intangible assets	2,022	1,956
Property, plant and equipment	1,443	1,410
Investments accounting for using the equity method	73	75
Other financial assets	240	144
Deferred tax assets	368	414
Other assets	101	90
Total non-current assets	**8,805**	**8,770**
Total assets	**16,148**	**16,235**
Liabilities and equity:		
Short-term debt and current maturities of long-term debt	991	471
Trade payables	2,416	2,483
Other current financial liabilities	104	110
Trade payables to related companies	342	250
Contract Liabilities	1,670	2,267
Current provisions	731	741
Current income tax liabilities	167	163
Other current liabilities	684	869
Total current liabilities	**7,104**	**7,354**
Long-term debt	823	674
Provisions for pensions and similar obligations	13	13
Deferred tax liabilities	364	398
Non-current provisions	1,702	1,458
Other financial liabilities	185	145
Other liabilities	31	28
Total non-current liabilities	**3,118**	**2,716**
Issued capital	116	116
Capital reserve	5,932	5,932
Retained earnings and other components of equity	(124)	115
Non-controlling interest	2	3
Total Equity	**5,926**	**6,165**
Total Liabilities & Equity	**16,148**	**16,235**

(*) 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).

Cash Flow Statement

EUR in Millions	April - June 2019	October 2018 - June 2019
Net Income before taxes	35	138
Amortization + PPA	148	443
Other P&L (*)	2	(3)
Working Capital cash flow effective change (***)	(34)	(665)
Charge of provisions (**)	85	153
Provision payments (**)	(91)	(276)
CAPEX	(127)	(316)
Adwen related payments (**)	(35)	(119)
Tax payments	(33)	(169)
Others	(24)	7
Cash flow for the period	**(73)**	**(806)**
Beginning cash / (net financial debt)	(118)	615
Ending cash / (net financial debt)	(191)	(191)
Variation in net financing cash flow	**(73)**	**(806)**

(*) 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	09.30.2018 (*)	06.30.2019
Property, plant and equipment	1,443	1,410
Goodwill & Intangibles	6,580	6,637
Working capital	(542)	238
Other, net (**)	307	312
Total	**7,787**	**8,597**
Net financial debt / (cash)	(615)	191
Provisions (***)	2,445	2,212
Equity	5,926	6,165
Other liabilities	31	28
Total	**7,787**	**8,597**

(*) Comparable after the application of IFRS9

(**) 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.

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	09.30.2017 (*)	03.31.2018	06.30.2018	09.30.2018	09.30.2018 (*)
Cash and cash equivalents	1,659	1,504	1,455	2,429	2,429
Short-term debt and current maturities of long-term debt	(797)	(1,172)	(1,471)	(991)	(991)
Long-term debt	(485)	(445)	(138)	(823)	(823)
Cash / (Net Financial Debt)	**377**	**(112)**	**(154)**	**615**	**615**

(*) 09.30.2017 comparable for IFRS 15 and Opening Balance Sheet (PPA). 09.30.2018 comparable for IFRS 9. No modification exists in the Net Financial Debt calculation in either case.

€m	03.31.2019	06.30.2019
Cash and cash equivalents	1,353	954
Short-term debt and current maturities of long-term debt	(345)	(471)
Long-term debt	(1,126)	(674)
Cash / (Net Financial Debt)	**(118)**	**(191)**

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 jeopardizing 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. (**)
Trade and other receivables	1,050	1,124	1,114	1,111
Trade receivables from related companies	41	34	28	28
Contract assets	1,148	1,311	1,572	1,569
Inventories	1,805	1,700	1,499	1,499
Other current assets	404	404	362	362
Trade payables	(1,807)	(1,962)	(2,416)	(2,416)
Trade payables to related companies	(71)	(77)	(342)	(342)
Contract liabilities	(1,571)	(1,570)	(1,670)	(1,670)
Other current liabilities	(708)	(697)	(684)	(684)
Working Capital	**291**	**265**	**(536)**	**(542)**

(*) 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	12.31.2018	03.31.2019	06.30.2019
Trade and other receivables	1,093	1,137	1,421
Trade receivables from related companies	42	35	39
Contract assets	2,033	1,771	1,952
Inventories	1,925	2,006	2,044
Other current assets	417	464	651
Trade payables	(2,283)	(2,352)	(2,483)
Trade payables to related companies	(274)	(153)	(250)
Contract liabilities	(2,340)	(1,991)	(2,267)
Other current liabilities	(641)	(706)	(869)
Working Capital	**(27)**	**211**	**238**

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	Q3 18	Q3 19	9M 18	9M 19
Acquisition of intangible assets	(28)	(46)	(87)	(121)
Acquisition of Property, Plant and Equipment	(64)	(81)	(172)	(195)
CAPEX	**(92)**	**(127)**	**(258)**	**(316)**

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

€m	Q4 18	Q1 19	Q2 19	Q3 19	LTM Jun 19
Acquisition of intangible assets	(42)	(31)	(44)	(46)	(163)
Acquisition of Property, Plant and Equipment	(114)	(50)	(64)	(81)	(309)
CAPEX	**(156)**	**(81)**	**(108)**	**(127)**	**(472)**

€m	Q4 17	Q1 18	Q2 18	Q3 18	LTM Jun 18
Acquisition of intangible assets	(12)	(33)	(26)	(28)	(99)
Acquisition of Property, Plant and Equipment	(95)	(50)	(58)	(64)	(267)
CAPEX	**(107)**	**(83)**	**(84)**	**(92)**	**(366)**

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	9M 18	9M 19
Net Income before taxes	103	138
Amortization + PPA	460	443
Other P&L (*)	(1)	(3)
Charge of provisions	200	153
Provision usage (without Adwen usage)	(301)	(276)
Tax payments	(74)	(169)
Gross Operating Cash Flow	**387**	**286**

€m	Q3 18	Q3 19
Net Income before taxes	37	35
Amortization + PPA	143	148
Other P&L (*)	(5)	2
Charge of provisions	69	85
Provision usage (without Adwen usage)	(123)	(91)
Tax payments	(27)	(33)
Gross Operating Cash Flow	**94**	**146**

(*) 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.

	Q3 18 (*)	Q4 18	Q1 19 (*)	Q2 19 (*)	Q3 19 (*)
Order Intake Onshore Wind (€m)	1,166	1,985	1,793	1,167	1,695
Order Intake Onshore Wind (MW)	1,660	2,631	2,370	1,742	2,130
ASP Order Intake Wind Onshore	**0.70**	**0.75**	**0.76**	**0.67**	**0.80**

(*) Order intake WTG ON includes only wind orders. No solar orders are included. Solar orders amounted to €9m in Q3 18, €6m in Q1 19, €33m in Q2 19 and €1m in Q3 19.

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

	Q4 18	Q1 19 (*)	Q2 19 (*)	Q3 19 (*)	LTM Jun 19
Order Intake Onshore Wind (€m)	1,985	1,793	1,167	1,695	6,641
Order Intake Onshore Wind (MW)	2,631	2,370	1,742	2,130	8,873
ASP Order Intake Wind Onshore	**0.75**	**0.76**	**0.67**	**0.80**	**0.75**

(*) 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 and €1m in Q3 19.

	Q4 17	Q1 18 (*)	Q2 18	Q3 18 (*)	LTM Jun 18
Order Intake Onshore Wind (€m)	1,498	1,600	1,834	1,166	6,098
Order Intake Onshore Wind (MW)	2,167	2,208	2,464	1,660	8,498
ASP Order Intake Wind Onshore	**0.69**	**0.72**	**0.74**	**0.70**	**0.72**

(*) Order intake WTG ON includes only wind orders. No solar orders are included. Solar orders amounted to €88m in Q1 18 and €9m in Q3 18.

	Q4 16 (Pro-Forma)	Q1 17 (Pro-Forma)	Q2 17 (Pro-Forma)	Q3 17	LTM Jun 17
Order Intake Onshore Wind (€m)	1,647	1,491	1,460	680	5,278
Order Intake Onshore Wind (MW)	2,063	1,862	1,599	693	6,218
ASP Order Intake Wind Onshore	**0.80**	**0.80**	**0.91**	**0.98**	**0.85**

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:

	Q4 16 (Pro-forma)			
	Siemens Wind Power	Gamesa	Adwen	SGRE (Pro-forma)
Order Intake Onshore Wind (€m)	753	894	-	1,647
Order Intake Onshore Wind (MW)	973	1,090	-	2,063
ASP Order Intake Wind Onshore	**0.77**	**0.82**	**-**	**0.80**

	Q1 17 (Pro-forma)			
	Siemens Wind Power	Gamesa	Adwen	SGRE (Pro-forma)
Order Intake Onshore Wind (€m)	439	1,052	-	1,491
Order Intake Onshore Wind (MW)	475	1,386	-	1,862
ASP Order Intake Wind Onshore	**0.92**	**0.76**	**-**	**0.80**

	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	Q4 18	Q1 19	Q2 19	Q3 19	LTM Jun 19
Group	2,625	2,541	2,466	4,666	12,298
Of which WTG ON	1,985	1,799	1,200	1,695	6,680

€m	Q4 17	Q1 18	Q2 18	Q3 18	LTM Jun 18
Group	2,791	2,912	3,043	3,292	12,038
Of which WTG ON	1,498	1,688	1,834	1,175	6,195

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	Q4 18	Q1 19	Q2 19	Q3 19	LTM Jun 19
Onshore	2,631	2,370	1,742	2,130	8,873

MW	Q4 17	Q1 18	Q2 18	Q3 18	LTM Jun 18
Onshore	2,167	2,208	2,464	1,660	8,498

Offshore:

MW	Q4 18	Q1 19	Q2 19	Q3 19	LTM Jun 19
Offshore	-	12	464	1,528	2,004

MW	Q4 17	Q1 18	Q2 18	Q3 18	LTM Jun 18
Offshore	752	576	328	1,368	3,024

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

€m	Q4 18	Q1 19	Q2 19	Q3 19	LTM Jun 19
WTG	2,207	1,904	2,060	2,242	8,414
Service	411	358	330	390	1,488
TOTAL	**2,619**	**2,262**	**2,389**	**2,632**	**9,902**

€m	Q4 17	Q1 18	Q2 18	Q3 18	LTM Jun 18
WTG	2,008	1,840	1,973	1,827	7,647
Service	321	287	268	308	1,185
TOTAL	**2,329**	**2,127**	**2,242**	**2,135**	**8,833**

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

€m	9M 18	9M 19
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	103	138
(-) Income from investments acc. for using the equity method, net	(2)	-
(-) Interest income	(10)	(8)
(-) Interest expenses	42	37
(-) Other financial income (expenses), net	4	18
EBIT	**138**	**186**
(-) Integration & Restructuring costs	100	90
(-) PPA impact	239	200
EBIT pre PPA and integration & restructuring costs	**478**	**475**

€m	Q3 18	Q3 19
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	37	35
(-) Income from investments acc. for using the equity method, net	(1)	1
(-) Interest income	(6)	(2)
(-) Interest expenses	13	14
(-) Other financial income (expenses), net	7	8
EBIT	**50**	**56**
(-) Integration & restructuring costs	25	36
(-) PPA impact	82	67
EBIT pre PPA and integration & restructuring costs	**156**	**159**

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	9M 18	9M 19
EBIT	138	186
Amortization, depreciation and impairment of intangible assets and PP&E	460	443
EBITDA	**598**	**629**

€m	Q3 18	Q3 19
EBIT	50	56
Amortization, depreciation and impairment of intangible assets and PP&E	143	148
EBITDA	**193**	**204**

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

€m	Q4 18	Q1 19	Q2 19	Q3 19	LTM Jun 19
EBIT	73	40	90	56	259
Amortization, depreciation and impairment of intangible assets and PP&E	185	148	147	148	628
EBITDA	**258**	**188**	**237**	**204**	**886**

€m	Q4 17	Q1 18	Q2 18	Q3 18	LTM Jun 18
EBIT	(197)	35	54	50	(59)
Amortization, depreciation and impairment of intangible assets and PP&E	238	160	157	143	698
EBITDA	**41**	**195**	**210**	**193**	**639**

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).

	Q3 18	9M 18	Q3 19	9M 19
Net Income (€m)	44	45	21	88
Number of shares (units)	679,503,717	679,489,013	679,527,345	679,486,391
Earnings Per Share (€/share)	**0.07**	**0.07**	**0.03**	**0.13**

Other indicators

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

€m	09.30.2017	06.30.2018	09.30.2018	06.30.2019
Actual revenue in year N (1)	-	6,504	-	7,283
Order Backlog for delivery in FY (2)	6,049	2,770	8,408	2,973
Average revenue guidance for FY (3) (*)	9,300	9,300	10,500	10,500
Revenue Coverage ([1+2]/3)	**65%**	**100%**	**80%**	**98%**

(*) Note: 2019 revenue guidance range of €10bn to €11bn. As a result, average revenue guidance is €10.5bn. 2018 revenue guidance range of €9bn to €9.6bn. As a result, average revenue guidance was €9.3bn.

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 Revenue and Order Intakes for the last four quarters.

€m	Q4 18	Q1 19	Q2 19	Q3 19	LTM Jun 19
Order Intake	2,625	2,541	2,466	4,666	12,298
Revenue	2,619	2,262	2,389	2,632	9,902
Book-to-Bill	**1.0**	**1.1**	**1.0**	**1.8**	**1.2**

€m	Q4 17	Q1 18	Q2 18	Q3 18	LTM Jun 18
Order Intake	2,791	2,912	3,043	3,292	12,038
Revenue	2,329	2,127	2,242	2,135	8,833
Book-to-Bill	**1.2**	**1.4**	**1.4**	**1.5**	**1.4**

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

€m	Q4 18	Q1 19	Q2 19	Q3 19	LTM Jun 19
CAPEX (1)	156	81	108	127	472
Amortization depreciation & impairments (a)	185	148	147	148	628
PPA Amortization on Intangibles (b)	66	66	66	67	266
Depreciation & Amortization (excl. PPA) (2=a-b)	119	82	80	81	362
Reinvestment rate (1/2)	**1.3**	**1.0**	**1.4**	**1.6**	**1.3**

€m	Q4 17	Q1 18	Q2 18	Q3 18	LTM Jun 18
CAPEX (1)	107	83	84	92	366
Amortization depreciation & impairments (a)	238	160	157	143	698
PPA Amortization on Intangibles (b)	111	83	75	82	350
Depreciation & Amortization (excl. PPA) (2=a-b)	127	77	82	61	347
Reinvestment rate (1/2)	**0.8**	**1.1**	**1.0**	**1.5**	**1.1**

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 & restructuring costs related to the merger transaction 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	9M 18	9M 19
Gross Profit	651	657
PPA amortization on intangibles	166	131
Integration & Restructuring costs	68	63
Gross Profit (pre PPA, I&R costs)	**884**	**851**

€m	Q3 18	Q3 19
Gross Profit	191	220
PPA amortization on intangibles	80	44
Integration & Restructuring costs	17	32
Gross Profit (pre PPA, I&R costs)	**288**	**296**

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

€m	Q4 18	Q1 19	Q2 19	Q3 19	LTM Jun 19
Gross Profit	304	200	237	220	961
PPA amortization on intangibles	3	44	44	44	134
Integration & Restructuring costs	41	22	9	32	104
Gross Profit (pre PPA, I&R costs)	**348**	**266**	**289**	**296**	**1,199**

€m	Q4 17	Q1 18	Q2 18	Q3 18	LTM Jun 18
Gross Profit	15	198	262	191	666
PPA amortization on intangibles	38	43	43	80	204
Integration & Restructuring costs	-	8	43	17	68
Gross Profit (pre PPA, I&R costs)	**53**	**249**	**348**	**288**	**938**

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	Q4 18	Q1 19	Q2 19	Q3 19	LTM Jun 19
Onshore	1,926	1,520	1,707	1,699	6,853

MWe	Q4 17	Q1 18	Q2 18	Q3 18	LTM Jun 18
Onshore	1,384	1,651	1,397	1,703	6,135

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 €) 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).

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

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

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

LTM: last twelve months.

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

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

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

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