SIEMENS Gamesa
RENEWABLE ENERGY

26 July 2017

April-June 2017 Results

PERFORMANCE FOCUSED ON THE INTEGRATION PROCESS IN ORDER TO ACCELERATE SYNERGIES, WHOSE INITIAL AMOUNT OF €230 MILLION IS CONFIRMED AS THE MINIMUM LEVEL. FINANCIAL AND COMMERCIAL RESULTS IN APRIL-JUNE 2017 WERE AFFECTED BY THE TEMPORARY HALT IN THE INDIAN MARKET

Siemens Gamesa Renewable Energy[1] commenced combined operations on 3 April when the merger was registered in the Mercantile Registry of Bilbao. In its first quarter, the company focused on integrating the separate businesses of Siemens Wind Power and Gamesa in order to bring forward the attainment of the synergies to which the company is committed; the announced amount of such synergies (€230 million annually) was confirmed as the minimum amount. The financial and commercial results in the quarter reflect the temporary halt in the Indian market following the introduction of the auction system in the quarter from January to March 2017. Wind turbine orders received in the quarter totalled 805 MW, sales declined 7% with respect to the pro-forma[2] sales figure for the same period of 2016, and the underlying EBIT margin, excluding the impact of the PPA, stood at 7.8%[3]. Adjusting for the impact of the hiatus in the Indian market, group sales increased by 1.6% year-on-year and the underlying EBIT margin ex-PPA would have been 8.6%. The company ended the quarter with a net cash position of €236 million. Under the terms of the merger agreement, the company paid an extraordinary dividend of €3.6 per share in April.

Main consolidated figures for H1 2017:

- **Revenues:** €2,693 million (-7% y/y)
- **Underlying EBIT pre-PPA[3]**: €211 million (-21% y/y)
- **Underlying net profit[3]:** €135 million
- **Net financial debt (NFD)[4]:** -€236 million
- **MWe sold:** 1,950 MWe (-25% y/y)
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- **Firm order intake:** 805 MW

[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 division) and provides operation and maintenance services (Services division).

[2] Historical pro-forma sales are calculated as the sum of the sales reported by Siemens AG for its Wind Power division and those reported by Gamesa in the quarter from April to June 2016 plus 100% Adwen sales

[3] Underlying EBIT pre-PPA and underlying net profit pre-PPA exclude the impact of €36 million in integration costs and the impact of the Purchase Price Allocation (PPA) amounting to €124 million in EBIT and 87 in NI in the period April-June 2017. For comparison purposes, the pro-forma underlying EBIT in the same period of the previous year is calculated as the sum of Gamesa's underlying EBIT, the EBIT of Siemens AG's Wind Power division, including normalisation, consolidation scope and standalone adjustments, and the EBIT of Adwen (fully consolidated).

4 Net financial debt is defined as long-term and short-term financial debt less cash and cash equivalents.

In its first quarter of operation, the company focused on rapidly integrating Siemens Wind Power and Gamesa in order to bring forward the attainment of the announced synergies of €230 million annually, which is now presented as the minimum amount. Achieving those synergies is vital for strengthening the group's competitive position in a changing and increasingly demanding market context.

The integration process confirms the soundness of the strategic rationale behind the merger in this changing environment, where scale and global reach are absolutely essential in order to compete profitably. Siemens Gamesa offers a unique business proposition since it combines:

- An onshore platform positioned to gain market share based on an optimised, comprehensive product pipeline and a global commercial, manufacturing and supply presence. This platform will also be the main beneficiary of the merger synergies, which will enable it to compete more efficiently in the coming years.
- An offshore platform with experience far in excess of the nearest rival, having installed almost 70% of the world's offshore fleet and logged over 500 million hours of operation.
- A leading service platform with global reach
- Access to Siemens AG and Siemens Financial Services

As a result of the integration work, the new organisation was defined and decisions began to be taken about the product portfolio and manufacturing footprint in the quarter. Those decisions include notably the **integration of Adwen into the group's offshore division, making it possible to reduce the division's operation losses, better attend to customer needs, and maximise market opportunities.** Work also continued to optimise the manufacturing footprint, a process that the two companies had been undertaking separately and which is all the more logical following the merger. As part of this process, the closure of the Tillsonburg blade plant in Canada was announced in July (impact in Q4). **The speed with which the integration process is proceeding should make it possible to reap the announced synergies almost one year ahead of schedule.**

Detailed analysis of synergies has identified the main sources and beneficiaries in detail: procurements, accounting for €4,000 million in expenditure, is the main source, while onshore is the main beneficiary, as shown in the charts below. As a result of that analysis, the committed amount of synergies is now seen as the minimum amount that can be attained.

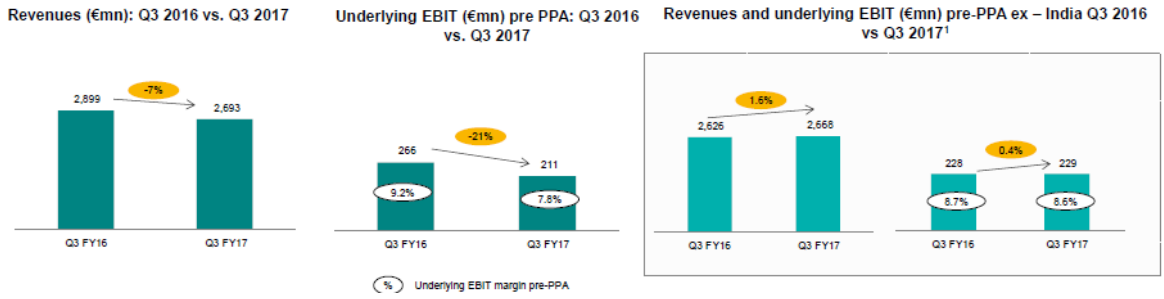
The next table details the main features of the work done to date:

		Progress	Key messages	WTG ON	WTG OF	O&M
Costs & Investments	Procure-ment	✓	• Main contributor to synergy • More than 20 teams by commodity • High focus on quick wins • Discount by larger volumes, supplier consolidation and arbitrage opportunities as main sources of synergies	●	◔	◔

Costs & Investments	Supply Chain	✓	• Rationalization of product portfolio and combined sales plan resulting in synergy potential
			  • Rationalization opportunities identified
			  • Optimization of existing facilities
			• Limited expansion requirements to pursue growth beyond standalone prospects
				◕	◔	◔

Costs & Investments	Techno-logy	✓	• Well-balanced product portfolio of WTGs targeted to optimize presence • Balanced portfolio compatible with significant rationalization of product portfolio • Streamline of R&D expense	◑	◑	○
Costs & Investments	Project Mgmt	✓	• Overlap in operations identified • Resource allocation optimization and idle time reduction	◑	◔	◑
Costs & Investments	G&A and other	✓	• Combined company with more than 25k employees • Duplications in overhead structures being addressed	◑	○	◔
Revenues	Sales	✓	• Optimized and balanced product platform allows to better capture specific needs of each market • Scale and operating leverage allows to better compete for volumes	◕	○	◔

Coordination of the integration work by the Integration Office has enabled the company to maintain its normal business performance, a performance that has been clearly impacted by very specific though temporary market conditions, including notably the hiatus in India, one of the group's largest markets. **This halt resulted in a 7% decline in the group's sales in the quarter compared with pro-forma sales in the same period of 2016, to €2,693 million, with an underlying EBIT margin pre-PPA of 7.8%, i.e. 1.3 percentage points below the pro-forma underlying EBIT margin in the same period of last year.** Adjusting for the impact of India on the company's operations in both years, sales would have increased by 1.6% and the underlying EBIT margin pre-PPA would have been 8.6%.



Group underlying net profit pre-PPA amounted to €135 million in the quarter, equivalent to €0.2 per share, while reported profit amounted to €12 million. Reported profit includes the impact of €87 million of PPA (net of taxes) and €36 million in integration expenses. **The net cash position on the balance sheet was €236 million** due mainly to the seasonal increase in working capital.

MARKETS AND ORDERS

The temporary halt in the Indian market affected not only the group's financial performance but also its sales, **since it achieved 805 MW in firm orders in the period from April to June 2017**, clearly lower than the two companies' combined order intake in the same period of 2016, which was 2,610 MW.

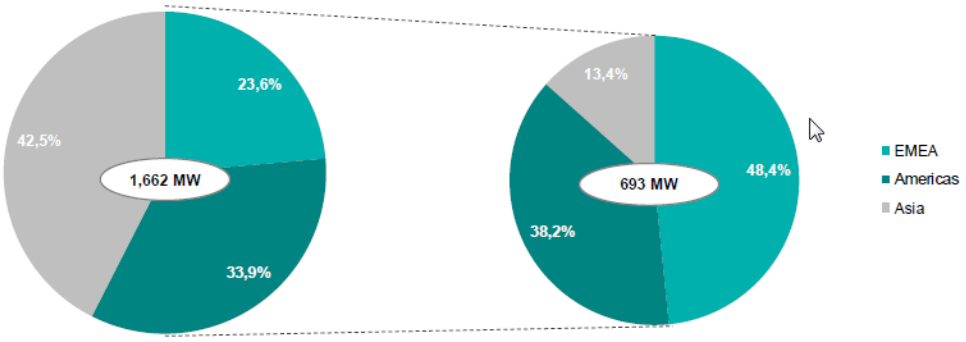
In addition to the halt in the Indian market, which contributed over 450 MW in orders in the third quarter of 2016, order intake in the quarter was affected by a number of other factors, including notably:

- **Conversion of the Safe Harbor contracts in the US, concentrated towards the end of the calendar year**; this market contributed over 450 MW in the third quarter of 2016.
- **A sizeable volume of orders shifted to the second half of the calendar year** in the three regions (EMEA, APAC and Americas).
- **Standard demand volatility in the offshore market**, with c. 950MW in order intake in Q3 2016. In this sense, it was secure a contract for the Borssele 1 and 2 windfarms with a total volume of 756 MW

These factors were offset only marginally by good performance in such markets as Germany, Turkey, Mexico and new Asian countries such as Indonesia.

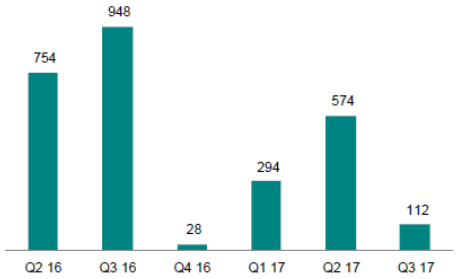
It is important to note that the decline in order intake does not reflect an impairment of the group's competitive position or a structural change in demand. Nevertheless, **the introduction of competitive auctions makes for more demanding markets, which require an increasingly competitive offer from all participants in the supply chain.** In this connection, the Siemens Gamesa merger will clearly enhance the group's position in the future due to the combined product pipeline and greater scale, with an optimised manufacturing presence and a global supply chain.

Onshore OI evolution (MW): Q3 2016 vs Q3 2017



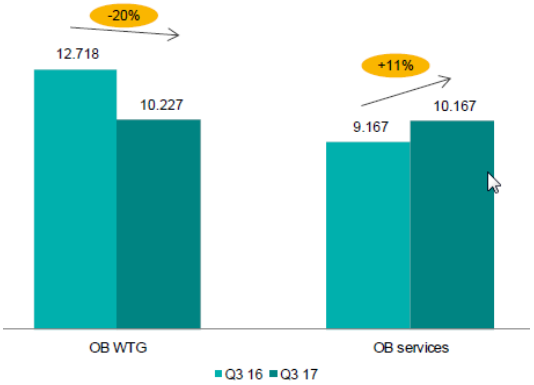
Siemens Gamesa maintains its lead in the offshore segment due to its accumulated experience, far ahead of its nearest rival, since it accounts for almost 70% of the installed fleet and over 500 million hours of operation. In July, Dong announced an agreement with the company to build the Borssele 1 and 2 wind farms, totalling 756 MW, i.e. 94 units of the SWP 8.0-154 turbine.

Offshore OI evolution (MW): Q3 2016 - Q3 2017

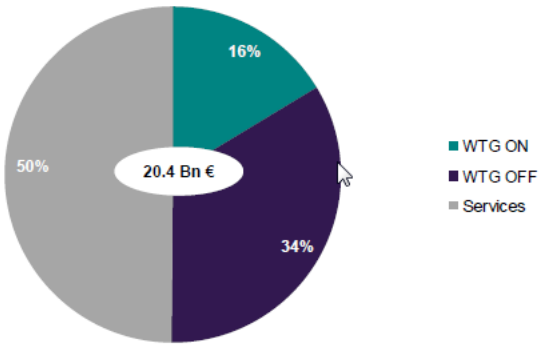


As a result of activity and weak order intake in the quarter, the wind turbine order book at the end of the quarter was down 20% with respect to the figure at the end of June 2016. In contrast, the services order book was 11% higher at 20,394 MM€

Evolution of Order Book (€mn) Q3 16 & Q3 17



Order Book @June 2017



FINANCIAL PERFORMANCE

The table below shows the main financial aggregates for the quarter from April to June 2017. The figures for the same period of 2016 are unaudited pro-forma numbers representing the sum of the numbers reported individually by Gamesa and Siemens Wind Power, plus Adwen (fully consolidated). The EBIT numbers include standalone, consolidation scope and normalisation adjustments for Siemens Wind Power.

P&L €mn	April-June 16[2]	April-June 17	Var. %
Group sales	2.899	2.693	-7%
WTG	2.621	2.393	-9%
O&M	278	300	8%
WTG volume (MWe)	2.590	1.950	-25%
Onshore	2.041	1.488	-27%
Offshore	549	461	-16%
Gross profit (Pre PPA)	418	357	-15%
Gross profit margin (Pre PPA)	14,4%	13,3%	- 1,2
Underlying EBIT[3] (Pre-PPA)	266	211	-21%
Underlying EBIT margin (pre-PPA)	9,2%	7,8%	- 1,3
Underlying WTG EBIT margin (pre-PPA)	8,1%	6,8%	- 1,3
Underlying Service margin (Pre-PPA)	19,6%	16,1%	- 3,5
Reported EBIT	266	50	-81%
Underlying Net Income pre-PPA[3]		135	NA
Reported Net Income		12	NA
Underlying Net Income per share pre-PPA[4]		0,20	

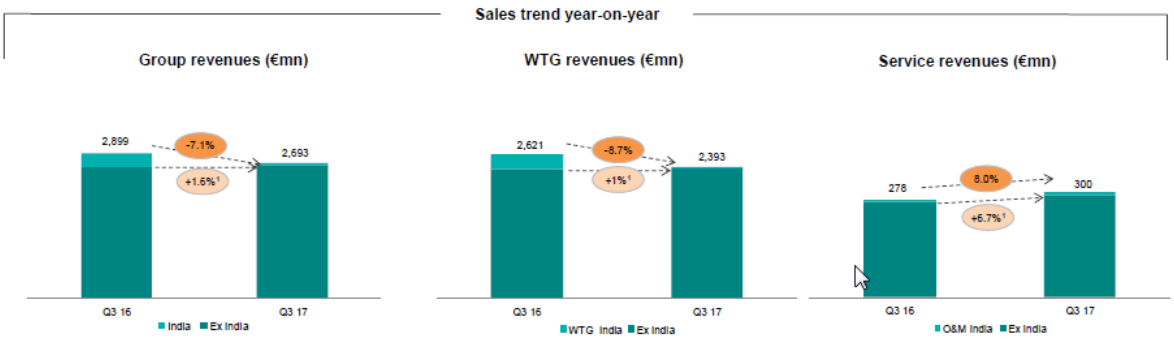
Balance sheet[5]	April-June 16[2]	April-June 17	Var. %
Working capital	323	142	- 181
Working capital o/sales LTM proforma	3,2%	1,2%	- 2,0
Capex	126	190	51%
Net financial debt/(cash)		-236	

1. All financial information and KPIs are non-audited. All historic information is pro-forma. See detailed information in the Earnings Release
2. April-June 16 financial data corresponds to non-audited pro-forma data, based on legacy business reported information (Siemens Wind Power, Gamesa and 100% of Adwen) including standalone, normalization and scope adjustments for SWP operations, amounting to 29 MM € in the April-June 2016 quarter. Adwen is fully consolidated in the historic pro-forma data with an impact of €49 mn at revenue level and of -€9 mn at EBIT level. See appendix in the Earnings Release with disclosure on pro-forma data calculation.
3. Underlying data excludes integration costs for €36 mn and the impact on amortization on intanbigles' fair value from the PPA in amount of €124 mn at EBIT level and €87 mn at net income level (net of taxes)
4. Number of shares for EPS calculation: in Q3 2017: 670,313,877
5. See definition of working capital, net financial debt and EBIT in the glossary of terms that can be found in the Q3 2017 earnings release together with the reconciliation of both items to the Q3 2017 consolidated financial statements
6. India contributed €273 mn in sales and €38 mn in EBIT in Q3 2016; it contributed €25 mn in sales and -€18 mn in EBIT in Q3 2017
7. Adwen revenues in Q3 2016 amounted to €49 mn and in Q3 2017 to €123mn
8. LTM pro forma, non-audited, is calculated adding revenues and EBIT reported by Siemens AG for Siemens Wind Power, those reported by Gamesa and 100%% of those reported by Adwen. Pro forma profitability includes standalone, normalization and scope adjustments for Siemens Wind Power. See appendix in the Earnings Release with full disclosure on pro-forma data.

The group's financial performance in the first quarter in which Siemens Gamesa operated as a unit was clearly impacted by specific market conditions, particularly the temporary suspension in the Indian market.

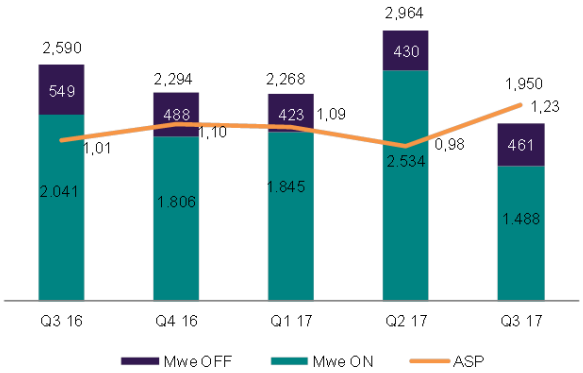
Sales fell by around 7% year-on-year as a result of the reduction in the sale of onshore wind turbines, in India primarily but also, to a lesser extent, in the UK. Adjusting for the impact of the halt in

the Indian market, sales increased by 1.6% due to strong offshore sales, which registered double-digit growth, and an 8% year-on-year increase in service revenues.



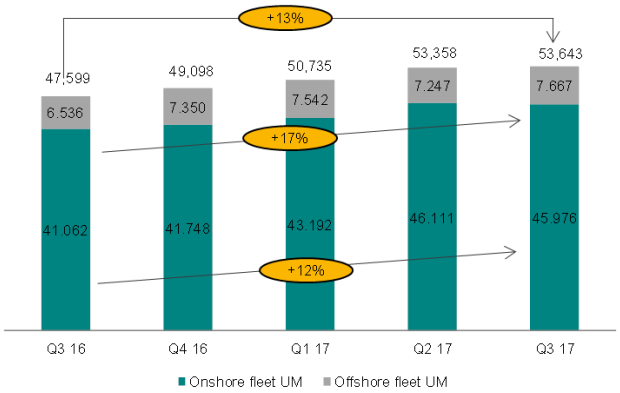
Wind turbine sales fell 9% as a result of a 25% y/y decline in **volume (MWe)**; this fall was concentrated in the onshore business, which shrank by 27% y/y, due to the reduction in activity mainly in India and the UK. The ASP was up 21% year-on-year, positively impacted by the concentration of activity in offshore installations in the quarter. The ASP in the onshore business remained stable at €0.92 million/MW.

WTG sales volume (MWe) and ASP[1] evolution (€mn /MW)



Services revenues increased by 8%, boosted by the fleet under maintenance

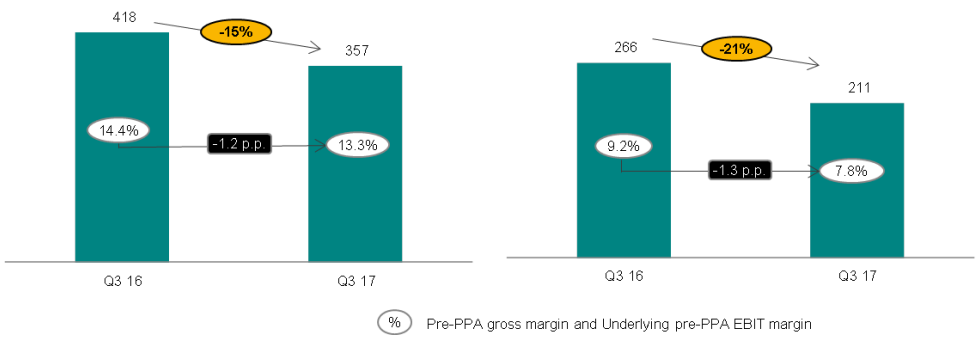
Fleet under maintenance (GW)



Group underlying EBIT pre-PPA declined by 21% y/y as a result of the decline in sales volume: 25% y/y, which was partly offset by a favourable offshore project mix. As a result, **the underlying EBIT margin pre-PPA was 7.8%**, just 1.3 percentage points lower than the pro-forma underlying EBIT margin in the same period of 2016: 9.2%. **Adjusting for the impact of the hiatus in the Indian market, the underlying EBIT margin pre-PPA would have been 8.6%.**

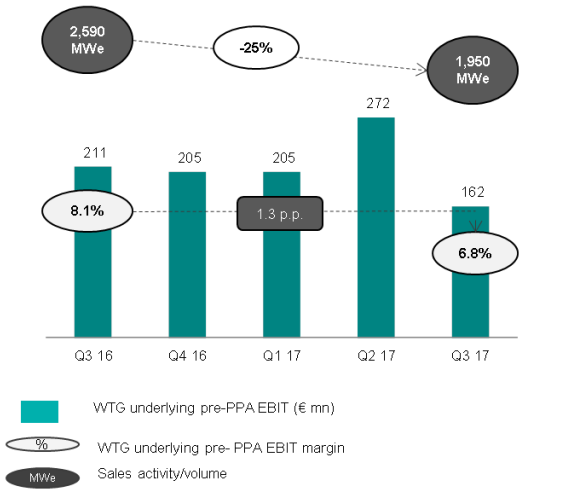
Adwen had a negative impact on group EBITDA amounting to c. €19 million, twice the impact in the same quarter of 2016. Integrating Adwen into the group's offshore division improved performance and reduced the division's operating losses. **Excluding Adwen, the group's underlying EBIT margin pre-PPA would have been 8.9%.**

Pre-PPA Gross Profit and Underlying pre-PPA EBIT (€mn)



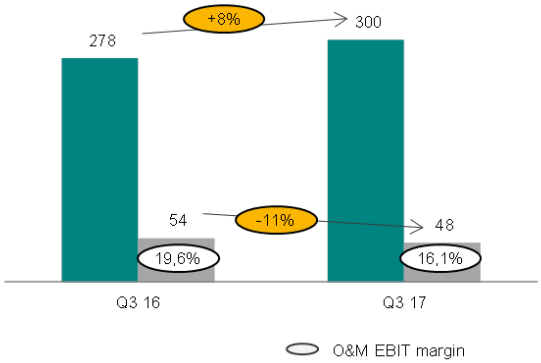
Underlying EBIT pre-PPA in the Wind Turbine division fell 23% and the underlying EBIT margin pre-PPA was 6.8% at the end of the quarter, 1.3 percentage points lower than in the same period of 2016. This decline was attributable to the 25% reduction in activity volume, which was offset by a favourable offshore project mix.

WTG quarterly underlying pre-PPA EBIT (€mn) and EBIT margin (%) evolution



The Services division experienced an 11% decline in underlying EBIT pre-PPA, ending the quarter with the margin 3.5 percentage points lower than in the third quarter of 2016. This reduction in the profit and margin is due to the non-recurring positive impact of exchange rate hedges in the third quarter of 2016**. Excluding that impact, EBIT would have been 16.1%.**

O&M revenues and EBIT (mn€)

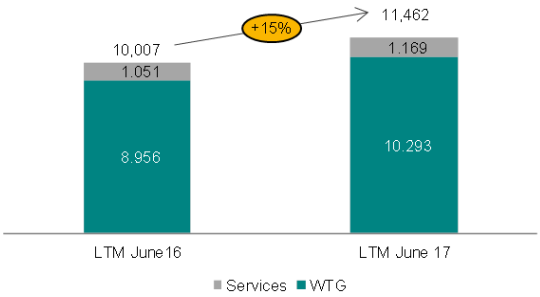


The group incurred net financial expenses amounting to €10.7 million in the third quarter, and €27 million in tax expenses. The marginal rate expected for the full year is between 26% and 29%.

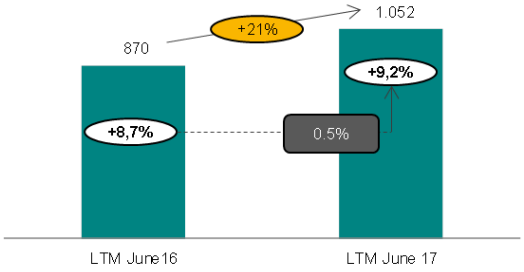
As a result, the group reported underlying net profit pre-PPA of €135 million, equivalent to €0.2 per share. Reported profit, which includes the €87 million impact of the PPA and €36 million in integration expenses, amounted to €12 million in the quarter.

Pro-forma figures for the last twelve months are as follows: revenues amounting to €11,462 million (15% more than in the twelve months to June 2016) and underlying EBIT pre-PPA amounting to €1,052 million (+21% y/y), i.e. an EBIT margin of 9.2% (0.5 percentage points more than in the twelve months to June 2016).

Non-audited LTM proforma revenues (mn€)



Non-audited LTM proforma EBIT (mn€)[1]



Siemens Gamesa ended the quarter with €142 million in working capital, equivalent to 1.2% of LTM revenues, i.e. 2 percentage points less than in June 2016, and 56% lower in absolute terms. The

reduction in working capital was due to lower sales, partly offset by lower advances and the decision not to resort to factoring (factoring habitually amounted to €150-200 million at Gamesa). The sequential increase in working capital is due to seasonal fluctuations in the business.

In the third quarter of 2017, the company invested €190 million in property, plant and equipment and intangible assets, mainly to start up the factories in Cuxhaven (offshore) and Morocco.

The company's net cash position amounts to €236 million as a result of the equity issue and capital expenditure.

During the quarter it has been carried out the provisional distribution of the Purchase Price along the Balance sheet items and it summarized split is presented in the chart below:

€mn	April 2017 OBS Post PPA	Preliminar PPA	
Fixed Assets	1,551	69	Fixed asset revaluation
Intangible Assets	2,640	2,123	WTG and Services' backlog and customer relationships and WTG technology revaluation
Goodwill	4,384	(778)	Reduction of goodwill during PPA process
Financial Assets (net)	355	-	
Deferred Tax Assets (net)	(328)	(701)	DTA impact due to asset revaluation
Working Capital	(479)	(278)	Working capital reduction (PoC) related mainly to Adwen projects
Tax working capital	(33)	-	
Assets held for sale (net)	-	-	
TOTAL	**8,088**	**434**	
Equity	(7,716)	-	
Provisions	(2,341)	(438)	Provisions increase mainly associated to the WTG division (Adwen)
OtherLT liabilities	(19)	4	
Net financial debt	1,988	-	
TOTAL	**(8,088)**	**(434)**	

This summarized balance sheet shows line items on net basis for example working capital or net financial debt as of the merger effective date of April 3rd.

CAUTION CONCERNING Opening balance sheet (OBS) and Purchase Price Allocation (PPA) impact on balance sheet and P&L (D&A): Information and statements made in this document are based on current estimates and certain assumptions of SGRE's management. These are subject to a number of risks, uncertainties and factors. Should one or more of these risks or uncertainties materialize, or should underlying expectations not occur or assumptions prove incorrect, the reported figures may (negatively or positively) vary materially from those described explicitly or implicitly. Additionally, the OBS and the PPA are still being reviewed by the company's governing bodies and being audited by the professional auditor and therefore could still differ materially. There is a twelve month review period from the merger effective date (April 3rd)

The amount in the income statement, via an increase in depreciation and amortization, was € 124 million due to PPA.

OUTLOOK

Demand prospects for the short and medium term are stable

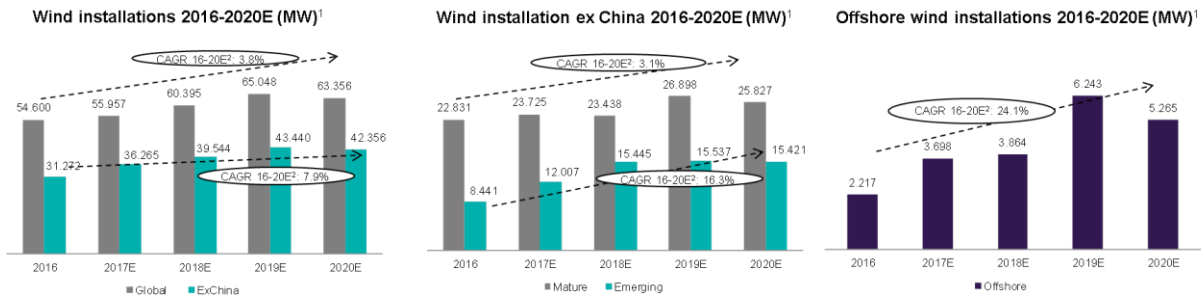
The prospects for the wind demand are relatively stable in the short, medium and long term, as consultants project a slight increase in growth rates in the period 2016-2020E ex-China; there have been no material changes in projections for this year. The strong demand prospects are underpinned by the growing number of countries that are committed to renewable energies as a means of containing the increase in temperature and climate change, and the increasing competitiveness of renewable energies, including wind power.

The growing commitment to renewable energies was evidenced in the Paris Agreement, signed on 12 December 2015 by 195 countries and ratified by 144, which came into force on 4 November 2016, laying the foundations for stable development of renewables. The recent announcement that the US was abandoning the Paris Agreement triggered a wave of support for the agreement from other signatory countries; meanwhile, a number of individual states in the US are advancing with their own commitment to combat climate change.

Renewable energies' rising competitiveness was evidenced in numerous auctions in 2016 and the first half of 2017 which point to a reduction in the cost of onshore wind power of almost 50%[5] in the next 20 years. These auctions are reviving markets such as Spain and Russia, and are behind the slight increase in consultants' projections for the market through 2020. In Spain, 3 GW of wind capacity were adjudicated in May and another auction for a similar volume is planned for this year. Russia, a country which had been inactive to date in the field of renewable energy, has just held its fifth auction, in which it adjudicated a total of 1,651 MW of wind projects to be built between 2018 and 2020. In addition to these auctions of onshore capacity, recent offshore capacity auctions reflect the qualitative improvements in the cost of energy in the coming decades which far outstrip initial estimates.

Stable demand trends are also supported by growing demand for electricity in the developing countries, which will account for c. 80% of total growth in worldwide energy demand over the next 20 years, according to the International Energy Agency.

These factors explain the growth in demand for wind power facilities in the developing countries (around 16% per year through 2020) and in the offshore segment, which is expected to achieve double-digit growth (c. 24%) in the coming years.



1. Source: BNEF and MAKE Q2 17 Market Outlook
2. Compound annual growth rate calculated on the basis of BNEF and MAKE estimates of installations at the date of publication of their Q2 17 reports and GWEC reported figures for 2016 reported on February 10. Growth in mature markets includes growth coming from the offshore segment.

[5] Bloomberg New Energy Finance (H1 2017 Wind LCOE update) estimates a 47% reduction in the cost of energy of terrestrial wind power by 2040.

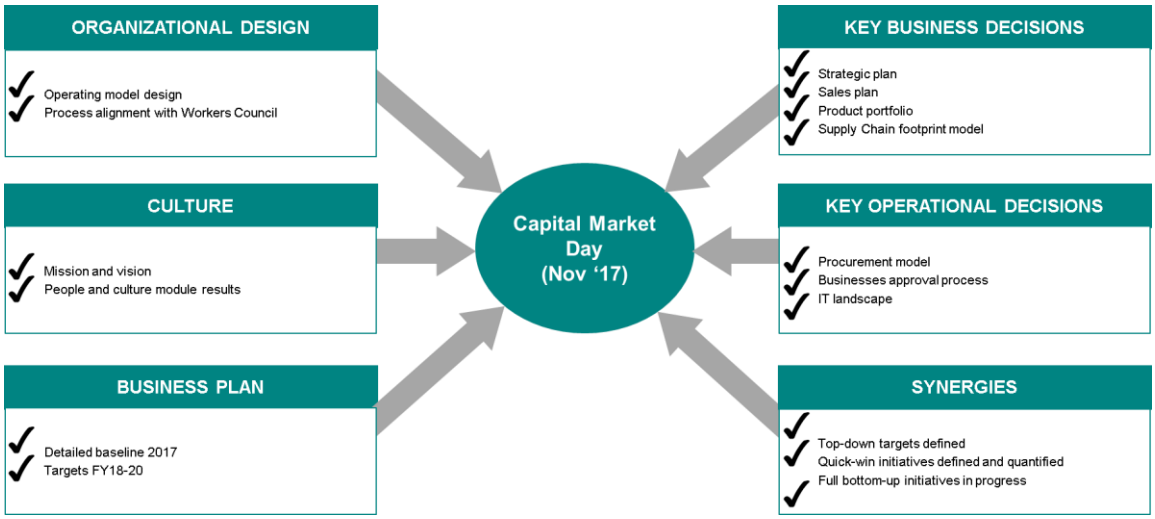
The 12-month forward-looking pro-forma guidance for September 2017 reflects the strong performance in the first half of the year and the impact of market conditions in the second half.

As indicated during the presentation of earnings for 2016 (through December) and the first quarter of 2017 (through March), those strong results were extraordinary and cannot be extrapolated. Accordingly, the second half of the new financial year (ending September 2017) will foreseeably be very different as the temporary market conditions are expected to correct progressively. This is the case of the Indian market, where the halt had a severe impact on performance in the April-June quarter; this market is not expected to recover in the fourth quarter of FY2017. During the fourth quarter of the year, the adverse mix of offshore projects is also expected to have a temporary negative impact, although this is not expected to be prolonged. As a result of these factors, the company expects pro-forma LTM revenues to amount to €11,000-11,200 million (equivalent to 6% growth on the pro-forma LTM revenues through September 2016), and underlying EBIT pre-PPA to be slightly decreasing with respect to LTM EBIT in September 2016 and equivalent or higher EBIT margin than 8%

MM €	Pro forma 9M June 17	Pro forma LTM Sept 17	Pro forma LTM Sept 16
Revenues	8.635	11,000-11,200	10.441
Underlying EBIT (pre-PPA)	801	c.900	945
Underlying EBIT margin (pre-PPA)	9,3%	≥8%	9,1%
Working capital to Sales	1%	-3% to +3%	3,2%
Capex	515	704	

In the second half of the year, the PPA process is expected to have a total impact of €248 million. The impact of the PPA in Q4 rises to €124 million.

The company will unveil its business plan, with objectives for the period 2018-2020, in November.



CONCLUSIONS

Siemens Gamesa Renewable Energy comes into being ready to address the challenges and seize the opportunities that the wind business offers in the short, medium and long term, so as to create value for all stakeholders. In a changing environment with increasingly demanding wind markets, the merger's strategic rationale is even more compelling. Global scale and reach have become essential in order to compete profitably.

After the creation of the merger, which was registered on 3 April 2017, Siemens Gamesa has concentrated its efforts during this third quarter on accelerating the integration, aware of the importance of acting as a single group in order to achieve the announced synergies. **The goal now is to achieve these synergies, which amount to €230 million, almost one year ahead of the originally announced date; moreover, that figure is now seen as the minimum achievable amount. The onshore business will be the main beneficiary.**

In addition to the integration activities driven by the Integration Office, Siemens Gamesa continued with its normal activity, **though it was materially affected in this third quarter by the temporary halt in India**, one of group's most important markets. **As a result, revenues fell 7% y/y in the quarter to €2,693 million and underlying EBIT pre-PPA fell 21% to €211 million, equivalent to a margin of 7.8%,** i.e. 1.3 percentage points below the pro-forma margin for the third quarter of 2016. Excluding the impact of the Indian market, revenues increased by 1.6% and EBIT increased by 0.4%, equivalent to an EBIT margin of 8.6% (stable year-on-year). The limited impact of the sharp decline in volume in the quarter (25% y/y) on the group's EBIT margin is partly due to a favourable offshore project mix.

With 805 MW in firm orders in the quarter, **commercial activity was also affected** not only by the halt in India but also by the conversion of safe harbor contracts in the US in the second half of the calendar year, the volatility of offshore order intake and the shift of larger onshore orders towards the second half of the year. It's important to note that the lower order intake this quarter does not signal a change in the company's strong competitive position or in the demand structure; rather, these are temporary situations that will correct in the coming quarters. **The order book at the end of June stood at €10,227 million in the Wind Generator business (-20% y/y) and €10,167 million in the Services division (+11% y/y).**

The company ended the quarter with a net cash position of €236 million and working capital of €142 million (1.2% of LTM revenues).

ANNEX

Conciliation pro-forma

	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17 Actual	LTM June 2017
Revenues	2.181	2.534	2.899	2.827	2.764	3.178	2.693	11.462
WTG	1.918	2.298	2.621	2.535	2.475	2.891	2.393	
Services	263	236	278	292	289	287	300	
Gamesa	971	1.064	1.127	1.147	1.273	1.546		
SWP	1.197	1.460	1.722	1.597	1.384	1.516		
Adwen	13	10	49	83	107	116		
Pre-PPA Underlying EBIT	158	262	266	259	269	313	211	1.052
Margin	7,2%	10,4%	9,2%	9,2%	9,7%	9,9%	7,8%	9,2%
Gamesa	87	119	112	110	138	181		
SWP	87	158	163	157	142	146		
Adwen	- 16	- 14	- 9	- 7	- 11	- 15		

SIEMENS Gamesa
RENEWABLE ENERGY

Annex

Financial statements april-june 2017
Siemens Gamesa Renewable Energy – Consolidated

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF
APRIL-JUNE 2017

Profit and Loss Account	
EUR in millions	**June 2017**
Revenue	2,693
Cost of sales	-2,386
Gross Profit	**307**
Research and development expenses	-51
Selling and general administrative expenses	-192
Other operating income	-2
Other operating expenses	-12
Results of companies accounted for using the equity method	0
Interest income	7
Interest expense	-15
Other financial income (expense), net	-3
Income from continuing operations before income taxes	**39**
Income tax expenses	-27
Income from continuing operations	**12**
Income from discontinued operations, net of income taxes	
Non-controlling interests	0
Net income	**12**

Summarized Balance sheet

EUR in millions	03/04/2017	30/06/2017
Fixed assets	1,551	1,578
Goodwill	4,384	4,418
Intangible assets	2,640	2,525
Financial assets, current and non-current	732	732
Deferred tax assets	558	508
Current assets (working capital)	5,189	5,560
Current tax assets	103	106
Cash and cash equivalents	3,040	1,475
TOTAL ASSETS	**18,197**	**16,902**
Equity	7,716	6,611
Provisions, current and non-current	2,341	2,339
Non current liabilities	19	18
Deferred tax liabilities	886	791
Bank borrowings, current and non-current	1,052	1,239
Financial liabilities, current and non-current	377	346
Current liabilities (working capital)	5,668	5,418
Current tax liabilities	138	140
TOTAL LIABILITIES AND EQUITY	**18,197**	**16,902**

Cash flow Statement

EUR in millions	30/06/2017
Net Profit reported	12
Amortization + PPA	190
Other P&G	38
Working Capital variation	-622
Charge of provisions	73
Provision payment	-85
CAPEX	-190
Extraordinary dividend	-999
Tax and Financial payments	-75
Others	-95
Cash flow for the period	**-1,752**
Beginning net financial debt (cash)	1,988
Ending net financial debt (cash)	236
Variation in net financing cash flow	**-1,752**

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 (APM). The APM 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 APM 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 APM contained in SGRE´s financial disclosures that cannot be directly reconciled with them are as follows:

1. 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 management to measure the Group's indebtedness and leverage.

Million Eur		
Financial Statements line item	**Opening balance sheet 03.04.2017**	**30.06.2017**
Cash and cash equivalents	3,041	1,475
Short-term debt and current maturities of long-term debt	(393)	(758)
Long-term debt	(660)	(481)
Cash/(Net Financial Debt)	**1,988**	**236**

2. 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.

Million Euro			
Financial Statements line item	**30.06.2016 (pro forma)**	**Opening Balance Sheet 03.04.2017**	**30.06.2017**
Trade and other receivables	1,599	1,364	1,310
Trade receivables from related companies	683	2	287
Inventories	2,859	3,220	3,533
Other current assets	454	603	431
Trade payables	(2,846)	(2,585)	(2,537)
Trade payables to related companies	(532)	-	(202)
Other current liabilities	(1,894)	(3,083)	(2,679)
Working Capital	**323**	**(479)**	**142**

The comparable figures as of June 30th, 2016 have been calculated on a pro forma basis, as if the merger transaction had already occurred as of June 30th, 2016, including the full consolidation of Adwen, standalone savings and normalization adjustments. The components of this pro forma calculation follow:

Million Eur	**30.06.2016 (Pro Forma)**			
	Siemens Wind Power	**Gamesa**	**Adwen**	**SGRE Pro Forma**
Trade and other receivables	491	1,092	16	1,599
Trade receivables from related companies	508	179	(4)	683
Inventories	1,826	856	177	2,859
Other current assets	179	265	10	454
Trade payables	(761)	(1,906)	(179)	(2,846)
Trade payables to related companies	(324)	(208)	-	(532)
Other current liabilities	(1,717)	(172)	(5)	(1,894)
Working Capital	**202**	**106**	**15**	**323**

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

The **Working Capital consumption** is calculated as a difference between Working Capital as of the merger transaction date (April 3rd, 2017) and Working Capital as of 30th of June 2017.

Million euros	**3Q17**
Working Capital @ April 3rd, 2017	(479)
Working Capital @June 30th, 2017	142
Variation (consumption)	**622**

3. CAPital Expenditure (Capex)

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). 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).

The amount of Capex is the following:

Million Eur - QTD		
	3Q16 (Pro forma)	3Q17
Acquisition of intangible assets	(35)	(59)
Acquisition of Property, Plant and Equipment	(91)	(131)
CAPEX	**(126)**	**(190)**

The comparable figures for the 3rd Quarter of 2016 have been calculated on a pro forma basis, as if the merger transaction had already occurred before March 30th, 2016, including the full consolidation of Adwen, standalone savings and normalization adjustments. The components of this pro forma calculation follow:

Million Eur	3Q16 (Pro Forma)			
	Siemens Wind Power	Gamesa	Adwen	SGRE Pro Forma
Acquisition of intangible assets	(0)	(22)	(13)	(35)
Acquisition of Property, Plant and Equipment	(47)	(31)	(13)	(91)
CAPEX	**(47)**	**(53)**	**(27)**	**(126)**

4. 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 adding, to reported income for the year, the ordinary non-cash items (depreciation and amortisation, and provision charges) and income from equity-accounted affiliates.

Net operating cash flow: the result of deducting working capital (defined in item 2) from gross operating cash flow. Gamesa includes the cash impact of other provisions and other non-operating items under operating cash flow.

Free cash flow: obtained by deducting capital expenditure (capex) from operating cash flow. It indicates the funds available for use to distribute dividends, buy back shares, pay down debt or other corporate activities not related to ordinary business.

Free cash flow is calculated as the variation in Net Financial Debt (NFD) between March 2017 and June 2017 (defined in item 1 above).

5. Average Selling Price (ASP)

Average monetary revenue collected by the Wind Turbine division per unit sold (measured in MWe). ASP is affected by a number of factors (project scope, geographical distribution, product, exchange rate, prices, etc.) and does not represent the level or trend of profitability.

The comparable figures for Quarters prior to the 3rd Quarter of 2017 have been calculated on a pro forma basis, as if the merger transaction had already occurred before January 1st, 2016, including the full consolidation of Adwen, standalone savings and normalization adjustments. Further details of this pro forma calculation follow:

	Pro Forma					
Million Eur	**2Q16**	**3Q16**	**4Q16**	**1Q17**	**2Q17**	**3Q17**
Group Sales	**2,534**	**2,899**	**2,827**	**2,764**	**3,178**	**2,693**
WTG (1)	2,298	2,621	2,535	2,475	2,891	2,393
Onshore	1,666	1,860	1,718	1,812	2,181	1,363
Offshore	631	761	816	663	709	1,030
Services	236	278	292	289	287	300
MWe WTG (2)	**2,282**	**2,590**	**2,294**	**2,268**	**2,964**	**1,950**
MWe Onshore	**1,822**	**2,041**	**1,806**	**1,845**	**2,534**	**1,488**
MWe Offshore	**460**	**549**	**488**	**423**	**430**	**461**
ASP Total(1/2)	**1.01**	**1.01**	**1.10**	**1.09**	**0.98**	**1.23**

6. Revenues and EBIT

Revenues LTM (Last Twelve Months): this APM is calculated by aggregation of the quarterly revenues for the last four quarters.

The comparable figures for quarters prior to the 3rd Quarter of 2017 have been calculated on a pro forma basis, as if the merger transaction had already occurred before June 30th, 2015, including the full consolidation of Adwen, standalone savings and normalization adjustments. The components of this pro forma calculation follow:

Million Eur	**LTM Jun 16 (Pro Forma)**	**4Q15(Pro Forma)**	**1Q16 (Pro Forma)**	**2Q16 (Pro Forma)**	**3Q16 (Pro Forma)**
WTG	8,956	2,119	1,918	2,298	2,621
Services	1,051	275	263	236	278
TOTAL	**10,007**	**2,394**	**2,181**	**2,534**	**2,899**

Million Eur	LTM Jun 17 (Pro Forma)	4Q16 (Pro Forma)	1Q17 (Pro Forma)	2Q17 (Pro Forma)	3Q17
WTG	10,293	2,535	2,475	2,891	2,393
Services	1,169	292	289	287	300
TOTAL	**11,462**	**2,827**	**2,764**	**3,178**	**2,693**

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'.

Underlying EBIT (Earnings Before Interest and Taxes): EBIT excluding integration costs related to the merger transaction and the impact on amortization of intangibles from of the Purchase Price Allocation (PPA).

Million Eur		
	3Q16 (Pro Forma)	**3Q17**
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	255	39
(-) Income from investments acc. for using the equity method, net	(2)	0
(-) Interest income	(9)	(7)
(-) Interest expenses	22	15
(-) Other financial income (expenses), net	(1)	3
Reported EBIT	**266**	**50**
(-) Integration costs	-	36
(-) PPA impact	**-**	124
Underlying EBIT	**266**	**211**

The comparable figures for the 3rd Quarter of 2016 have been calculated on a pro forma basis, as if the merger transaction had already occurred before March 30th, 2016, including the full consolidation of Adwen, standalone savings and normalization adjustments. The components of this pro forma calculation follow:

Million Eur	3Q16 (Pro Forma)				
	Siemens Wind Power	Gamesa	Adwen	Pro forma adjustments	SGRE proforma
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	142	94	(11)	30	255
(-) Income from. investments acc. for using the equity method, net	(6)	4	-	-	(2)
(-) Interest income	(0)	(7)	(1)	-	(9)
(-) Interest expenses	2	17	4	-	22
(-) Other financial income (expenses), net	(4)	3	0	-	(1)
Reported EBIT	**133**	**112**	**(9)**	**30**	**266**
(-) Integration costs	-	-	-	-	-
(-) PPA impact	-	-	-	-	-
Underlying EBIT	**133**	**112**	**(9)**	**30**	**266**

Reported/Underlying EBIT LTM: this APM is calculated by aggregation of the quarterly Reported/Underlying EBIT for the last four quarters.

The comparable figures for quarters prior to the 3rd Quarter of 2017 have been calculated on a pro forma basis, as if the merger transaction had already occurred before June 30th, 2015, including the full consolidation of Adwen, standalone savings and normalization adjustments. The components of this pro forma calculation follow:

Million Eur	LTM Jun 16 (Pro Forma)	4Q15 (Pro Forma)	1Q16 (Pro Forma)	2Q16 (Pro Forma)	3Q16 (Pro Forma)
Reported EBIT	870	183	158	262	266
(-) Integration costs	-	-	-	-	-
(-) PPA impact	-	-	-	-	-
Underlying EBIT	**870**	**183**	**158**	**262**	**266**

Million Eur	LTM Jun 17 (Pro Forma)	4Q16 (Pro Forma)	1Q17 (Pro Forma)	2Q17 (Pro Forma)	3Q17
Reported EBIT	884	259	269	305	50
(-) Integration costs	44	-	-	8	36
(-) PPA impact	124	-	-	-	124
Underlying EBIT	**1,052**	**259**	**269**	**313**	**211**

EBIT margin: ratio of reported EBIT to Revenue in the period (i.e. revenue in the consolidated profit and loss account).

Underlying EBIT margin: ratio of underlying EBIT to Revenue in the period (i.e. revenue in the consolidated profit and loss account).

7. Net income and Net income per share (EPS) – Reported and underlying

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

Underlying net income: net profit excluding after tax impact of integration costs related to the merger transaction and the after tax impact on amortization of intangibles' fair value from the Purchase Price Allocation (PPA).

Million Eur	
	3Q17
Net Income	**12**
(-) Integration costs	36
(-) PPA impact	124
(-) Tax effect in PPA	(37)
Underlying Net Income	**135**

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

Underlying net income per share: the result of dividing underlying net profit by the average number of shares outstanding in the period (excluding treasury shares.

	3Q17
Underlying Net Income (Million Eur)	135
Number of shares (units)	670,313,877
Underlying Earnings Per Share (€/share)	**0.20**

8. Other indicators

MWe: an indicator of activity (a physical unit of sale) used to measure wind turbine generator manufacture 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.

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

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