4 May 2018

January-March 2018 Results

STRONG COMMERCIAL PERFORMANCE. FIRST-HALF RESULTS IN LINE WITH THE GUIDANCE FOR 2018

Siemens Gamesa Renewable Energy[1]'s financial performance in the first half of the year was in line with the guidance issued to the market for 2018, a year in which results are expected to improve steadily due to the first synergies and restructuring. Group revenues amounted to €4,369 million in the first half, with EBIT before PPA and integration and restructuring costs amounting to €322 million, i.e. an EBIT margin of 7.4%. Revenues in the second quarter of 2018 amounted to €2,242 million, with EBIT before PPA, integration and restructuring amounting to €189 million, i.e. an EBIT margin of 8.4%. The net debt position at end-March was €112 million, and working capital amounted to €263 million, i.e. 2.8% of LTM revenues.

Commercial activity continued to gain in strength in the second quarter of 2018, bringing the order book up to €22,041 million at the end of March 2018, i.e. practically in line with the figure at end-March 2017, which marked the peak of the previous cycle in the wind market. That order book enabled the group to end March 2018 with 100%[2] coverage of the sales guidance for the current year. A total of 2.5 GW of orders were signed for Onshore WTGs, i.e. 54%[3] more than in the second quarter of 2017, with the book-to-bill ratio reaching[4] 1.8x. Order intake for onshore (in MW) exceeded the record intake registered in the first quarter of 2015[3]. Offshore WTG order intake was more volatile; firm contracts were signed for 328 MW in the second quarter of 2018, together with a preferred supplier agreement with Ørsted to develop the world's largest offshore wind farm to date: 1,386 MW. The Services order book expanded by 2%[3] year-on-year to €10,524 million.

The pattern of intense activity seen in the first quarter of 2018 continued in the second quarter. Between October and December 2017, integration work focused on the product area: the group made major decisions, such as the "one segment, one technology" strategy and simplification of the product line, it began commercialising wind turbine generators with 20% higher AEP[5], such as the SG 4.2-145 (Onshore) and SG 8.0-167 DD (Offshore), and expanded the range of value-added services such as useful life extensions and retrofits to increase AEP, in the multi-

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

[2] Sales coverage: total firm orders (€) at end-March 2018 for activity in 2018/sales guidance published for 2018 (€9.0-9.6 billion). Existing orders cover 100% of the low end of the range.

[3] Variations in firm order intake and in the order book between and within years are calculated using pro-forma figures for 2017 (and previous years) obtained by adding the respective figures from Siemens Wind Power (100%), Gamesa (100%) and Adwen (100%).
References to order intake and order book prior to the merger refer to pro-forma figures calculated in the same way.

[4] Book-to-bill (MW): order intake in MW divided by activity in MWe (applicable at group, business unit and segment level).

[5] Annual Energy Production

technology segment. In the second quarter, from January to March 2018, the company launched the L3AD 2020 programme, which was presented to the financial community on 15 February during the Capital Markets Day; the programme pursues a leading position focusing on four areas: above-market growth, transformation (costs), technology and digitalisation, and change management. During the Capital Markets Day, the company also presented its financial targets for 2018-2020, including notably: faster-than-market growth; 8-10% operating profitability before PPA and integration and restructuring costs; positive cash flow in every year of the plan; all with the goal of attaining 8%-10% ROCE and distributing 25% of reported net profit as dividends each year.

Main consolidated figures for January-March 2018

- **Revenues[6]:** €2.242 bn (-29% y/y)
- **EBIT before PPA and restructuring and integration costs[7]**: €189 mn (-40% y/y)
- **Net profit before PPA and restructuring and integration costs[8]:** €133 mn
- **Net profit:** €35 mn
- **Net financial debt (NFD)/(Net cash)[9]:** €112 mn
- **MWe sold:** 1,830 MWe (-38% y/y)
- **Firm wind turbine order intake:** 2,792 MW (+28% y/y)

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[6] Historical pro-forma sales, which are used to calculate year-on-year variations, 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 January to March 2017, plus 100% of Adwen's revenues. The amount was €3,178 million in the second quarter of 2017.

[7] EBIT pre-PPA, integration and restructuring costs excludes integration and restructuring costs in the amount of €61 million and the impact of fair value amortisation of intangible assets as a result of the PPA (purchase price allocation) in the amount of €75 million. To compare profitability, pro-forma EBIT in the same period of the previous year is calculated as the sum of Gamesa's EBIT, the EBIT of Siemens AG's Wind Power division, including normalisation, consolidation scope and standalone adjustments, and the EBIT of Adwen (fully consolidated). EBIT in the second quarter of 2017 amounted to €313 million, excluding €8 million of merger expenses.

[8] Profit before PPA and integration and restructuring costs excludes €98 million of integration and restructuring costs and the impact of fair value amortisation of intangible assets as a result of the PPA (purchase price allocation), net of taxes.

[9] Net financial debt is defined as long-term plus short-term financial debt less cash and cash equivalents.

SIEMENS Gamesa
RENEWABLE ENERGY

MARKETS AND ORDERS

Commercial activity in the second quarter of 2018 maintained the strong performance observed in 2017 and in the first quarter of 2018. After three consecutive quarters of growth in order intake, **the group's order book at end-March 2018 was back at the levels attained at the end of March 2017**, when the wind industry reached the peak of the 2012-2017 cycle, **with €22,041 million**. Close to 50% of the order book (€10,524 million) was in Service, which has higher margins and grew at a pace of c.2% per year. The WTG order book is split €7,091mn offshore (-8% a/a) and €4,426mn onshore (+7% a/a).

The breakdown of order intake in the first quarter enabled the group to attain **100% of the orders required to reach the low end of the 2018 guidance range** (€9.0-9.6 billion), and to enhance coverage of future years' sales targets in the onshore business unit, where visibility is lower. As a result, the **book-to-bill ratio was 1.4x in the second quarter.**

Order Intake (€m)	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18
WTG	2,059	2,997	1,048	2,362	2,313	2,367
Onshore	1,491	1,460	680	1,498	1,688	1,834
Offshore	568	1,537	367	863	625	533
Service	656	1,016	350	429	599	676
Total Group	**2,715**	**4,013**	**1,398**	**2,791**	**2,912**	**3,043**

Note: pre-merger data are pro-forma unaudited figures obtained by adding the data for Siemens Wind Power (100%), Gamesa (100%) and Adwen (100%). Order intake in monetary terms includes all firm orders received in the period. Solar orders are counted in WTG Onshore (€88 million in Q1 18).

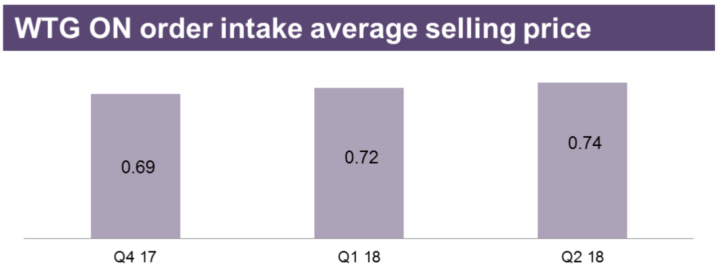
After two quarters of growth in onshore order intake accompanied by progressive normalisation of auction systems in the main markets, the **second quarter of 2018 ended with a record order intake for the group, c. 2,464 MW**, i.e. 54% more than in the same period of the previous year. **That was equivalent to 1.8 times onshore sales (MWe) in the quarter.** India and the US were the main sources of new orders, accounting for 25% and 22% of the total, respectively; this is a reflection of Siemens Gamesa RE's strong competitive position and a sign that both markets are normalising. Norway (12%), Spain (10%) and Australia (8%) rank third, fourth and fifth as contributors to onshore order intake.

Onshore order intake included notably a pioneering 194 MW contract for the Bulgana Green Energy Hub in Australia, which will combine 194 MW of wind capacity with 20MW/34 MWh of lithium ion batteries to partly cover periods of low wind. Siemens Gamesa RE will also be in charge of maintaining the farm for the next 25 years.

Order intake WTG ON (MW)	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18
EMEA	553	509	316	678	639	918
America	764	510	265	885	655	699
APAC	545	580	112	603	914	847
Total WTG ON	**1,862**	**1,599**	**693**	**2,167**	**2,208**	**2,464**

Note: pre-merger data are pro-forma unaudited figures obtained by adding the data for Siemens Wind Power (100%), Gamesa (100%) and Adwen (100%). Order intake in MW includes firm wind orders received in the period.

In addition to normalisation of order intake, **average sale prices stabilized in contracts signed between January and March 2018, in line with the trend in the first quarter of 2018**. The slight increase with respect to the quarter from October to December 2017 was due to greater project scope and to the geographic mix. **The double-digit decline in prices with respect to the same period of 2017 was maintained.**



Note: pre-merger data are pro-forma unaudited figures obtained by adding the data for Siemens Wind Power (100%), Gamesa (100%) and Adwen (100%).

Siemens Gamesa RE offshore was very active in the markets in the second quarter of 2018. The preferred supplier agreements signed with Vattenfall for the Vesterhav North and South wind farms (a total of 41 SG 8.0-167 DD wind turbine generators) in the first quarter of 2018 were converted into firm orders in the second quarter. Also in the second quarter, Siemens Gamesa RE **signed a preferred supplier agreement with Ørsted to supply SG 8.0-167 DD wind turbine generators for what will be the world's largest offshore wind farm: Hornsea 2 in the UK (1,386 MW).**

The company also worked to **strengthen its offshore commercial presence in Asia**, where it undertook a range of actions in China and Taiwan.

In China, it signed a licensing agreement with multinational Shanghai Electric for the 8MW WTG technology, on top of the agreement already in place for the 4.0 MW, 6.0 MW and 7.0 MW technologies, under which the two companies have installed 1,200 MW offshore in China. Under the agreement, Shanghai Electric, China's leading offshore wind company, will manufacture, sell and install the SG 8 MW DD turbine in offshore projects in Chinese waters.

In Taiwan, a memorandum of understanding was signed with Yeong Guan Energy (YGG), a technology group, to develop the offshore supply chain in Taiwan with the possibility of setting up a smelter and machining and paint shops there. This agreement follows the one signed in December 2017 with state-owned company Taiwan International Ports Corporation to study the possibility of establishing production facilities, offices and an area for component handling in the port of Taichung. It is important to note that the government of Taiwan has increased its target for offshore wind capacity from 3 GW to 5.5 GW by 2025 and that there are projects under consideration that amount to more than 10 GW.

KEY FINANCIAL PERFORMANCE METRICS

The table below shows the main financial performance metrics for the January-March 2018 and 2017 quarters and for the first half of 2018 (October 2017 - March 2018). The figures for financial year 2017 are unaudited pro-forma numbers representing the sum of the numbers reported individually by Gamesa and Siemens Wind Power, plus Adwen (fully consolidated). The comparable EBIT numbers for 2017 include standalone, consolidation scope and normalisation adjustments for Siemens Wind Power.

€m	Jan-Mar 17	Jan-Mar 18	Var. y/y %	Oct-Mar 18	Var. y/y %
Group sales	3,178	2,242	-29%	4,369	-26%
WTG	2,891	1,973	-32%	3,813	-29%
O&M	287	268	-7%	555	-4%
WTG volume (MWe)	2,964	1,830	-38%	3,826	-27%
Onshore	2,534	1,397	-45%	3,048	-30%
Offshore	430	432	1%	778	-9%
Gross profit pre PPA, I&R costs	466	348	-25%	597	-34%
Gross profit margin pre PPA, I&R costs	14.7%	15.5%	0.9	13.7%	-1.5
EBIT pre-PPA, I&R costs	313	189	-40%	322	-45%
EBIT margin pre-PPA, I&R costs	9.9%	8.4%	-1.4	7.4%	-2.4
WTG EBIT margin pre-PPA, I&R costs	9.1%	6.5%	-2.6	5.2%	-3.6
Service margin pre-PPA, I&R costs	17.0%	22.3%	5.3	22.3%	2.7
PPA amortization		75	NA	158	NA
Integration & restructuring costs		61	NA	75	NA
Reported EBIT	305	54	-82%	88	-85%
Reported Net Income to SGRE shareholders		35	NA	0	NA
Net Income per share to SGRE shareholders		0.05	NA	0.00	NA

Note: pre-merger data are pro-forma unaudited figures obtained by adding the data for Siemens Wind Power (100%), Gamesa (100%) and Adwen (100%).
Average number of shares outstanding in the second quarter of 2018 (EPS Q2 18): 679,488,800
Average number of shares outstanding in the first half of 2018: (EPS H1 2018): 679,481,738

The group's financial performance in the second quarter and first half of 2018 was in line with the guidance for 2018, within the expected seasonal fluctuations; performance is expected to strengthen steadily in the second half, benefiting from the first synergies and the early benefits of the restructuring process.

Revenues in the second quarter amounted to €2,242 million, 29% less than the pro-forma figure for the first quarter of 2017, mainly **because of the decline in Wind Turbine sales**, which is attributable primarily to lower volumes and prices in the onshore market.

Those factors (lower WTG volumes and prices) depressed the group EBIT before PPA and restructuring and integration costs by 40% y/y to €189 million, **equivalent to an EBIT margin before PPA and restructuring and integration costs of 8.4%**, 1.4 percentage points lower than the pro-forma EBIT margin in the same period of the previous year: (9.9%) but in line with the target for profitability in 2018 and the positive impact expected from synergies and restructuring in the second half of 2018. EBIT in the second quarter was positively affected by the reversal of part of an inventory provision in the WTG unit (€25 million) and the currency effect in the Services unit (€19 million). Excluding both effects, the EBIT margin before PPA and restructuring and integration costs would have been 6.5%.

The impact of PPA on amortisation of intangible assets was €75 million, while integration and restructuring expenses amounted to €61 million.

The group incurred net financial expenses amounting to €10 million in the second quarter, and €11 million in tax expenses.

As a result, the group reported **net profit before PPA and integration and restructuring expenses of €133 million. Reported profit**, including the impact of amortisation from the PPA as well as integration and restructuring expenses, both net of taxes, totalling €98 million, **amounted to €35 million in the quarter, equivalent to €0.05 per share.**

WTG

€m	Q2 17	Q2 18	Var.
Sales	2,891	1,973	-32%
ON	2,181	1,277	-41%
OF	709	696	-2%
EBIT pre PPA, I&R	264	129	-51%
EBIT margin pre PPA, I&R	9.1%	6.5%	-2.6
Sales volume ON (MWe)	2,964	1,830	-38%
ON	2,534	1,397	-45%
OF	430	432	1%

Note: pre-merger data are pro-forma unaudited figures obtained by adding the data for Siemens Wind Power (100%), Gamesa (100%) and Adwen (100%).

The **Wind Turbine division's revenues declined by 32% y/y to €1,973 million and the onshore business remains under pressure** as it transitions to fully competitive markets. This transition, which will have very favourable consequences in the long term, is nevertheless resulting in **double-digit price adjustments** in the short term. Additionally, the decline in volumes (-38% y/y) was exacerbated by comparison with the exceptionally high volumes registered in the second quarter of 2017 (2,534 MW). Projects in India were accelerated ahead of the regulatory change in March 2017 (sales volumes in India in Q2 17 totalled 554 MWe, the highest figure in the company's history) and the volumes under the Safe Harbor system with 100% PTC were delivered, which far exceed the Safe Harbor volumes under the 80% PTC that were delivered in Q2 18. The main contributors to sales were the US, Mexico and India. Offshore sales declined by 2% y/y, reflecting execution in line with expectations, and were fully in line with projections for the year, which envisage a year-on-year decline due to the strength of the offshore business in 2017.

Lower revenues in an industry where leverage plays a vital role **are the main reason for the decline in profitability in the WTG segment**: down 2.6 percentage points y/y to 6.5% before PPA and restructuring and integration costs.

Part (€25 million) of an inventory impairment provision booked in the fourth quarter of 2017 was reversed in the second quarter of 2018 due to better market performance. Excluding the provision reversal, the margin in the WTG unit would have been 5.3%.

Operation and Maintenance Services

€m	Q2 17	Q2 18	Var.
Sales	287	268	-7%
EBIT pre PPA, I&R	49	60	23%
EBIT margin pre PPA, I&R	17.0%	22.3%	5.3
Fleet under maintenance	53,358	55,454	4%

Note: pre-merger data are pro-forma unaudited figures obtained by adding the data for Siemens Wind Power (100%), Gamesa (100%) and Adwen (100%).

In the **Services segment, revenues fell 7%** with respect to the year-ago quarter**, to €268 million**, **due to volatility in the sale of value-added services**. Excluding the impact of lower sales of value-added services, services revenues would have remained stable.

The fleet under maintenance increased by 4% year-on-year to 55.5 GW due to 25% y/y expansion of the offshore fleet under maintenance to 9 GW, whereas the onshore fleet under maintenance expanded by 1% y/y, mainly because of the negative impact of non-renewal of part of the Iberdrola fleet under maintenance in Spain.

Services EBIT before PPA and restructuring and integration costs benefited from a €19 million positive impact from foreign currency, resulting in an EBIT margin of 22.3%, 5.3 percentage points higher than in the second quarter of 2017. Excluding that impact, the Services EBIT margin would have been 15.3%, i.e. lower than in the second quarter of 2017 but in line with expectations for the year given the seasonal fluctuations in the quarter.

Siemens Gamesa ended the year with €263 million in working capital, equivalent to 2.8% of LTM revenues, i.e. 4.6 percentage points more than in December 2017, equivalent to €448 million in absolute terms. The increase in working capital was due to seasonal fluctuations in the manufacturing business, particularly execution of offshore projects. Nevertheless, the ratio of working capital to revenues remained within the guidance range for the year (-3% to +3%) and is expected to improve in the second half.

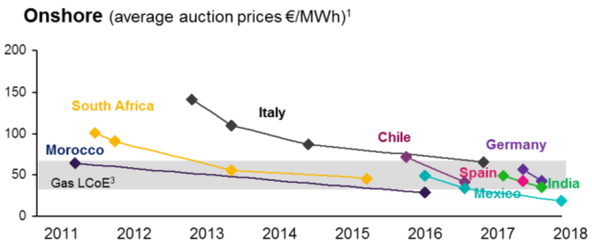
The company invested €84 million in property, plant and equipment and intangible assets in the second quarter of 2018 and €166 million in the first half, i.e. €158 million less than in the first half of 2017, in line with the cutback in capital expenditure set out in the BP2018-2020.

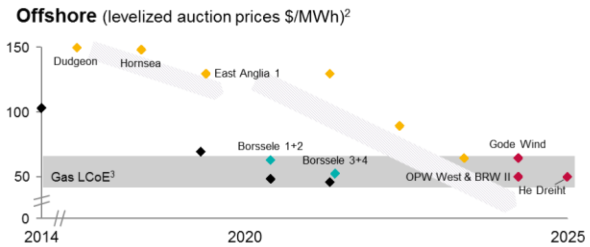
Net debt amounted to €112 million. That includes the usage of quality-related provisions (Adwen) amounting to €61 million (€49 million in the first quarter of 2018 and €12 million in the second quarter of 2018). In the second half of the year, the group will regain positive cash flow before Adwen-related quality provisions.

OUTLOOK

The transition towards fully competitive energy models, which commenced in 2016 with the first auctions in Mexico and Spain and the approval of declining subsidies in the US, has been accompanied in the recent past by temporary disruptions of demand in some of the leading wind markets, such as India, the US and Germany. Despite those disruptions, which began to ease in the first quarter of 2018 as markets started to normalise, there should not be any doubt about **the huge potential of wind power over the long term**.

That potential is supported mainly by wind's growing competitiveness, as reflected in auctions over the last year in which wind beat conventional fossil fuels in price (e.g. USD 19 for wind in the Mexican auction) and in **governments' clear commitment to renewable energy**. All these factors are driving growth in wind's contribution to the world's energy mix, from **7% in 2016 to 14% by 2040,** according to the International Energy Agency (*IEA WEO 2017- New Policies Scenario*), capturing USD 3.3 trillion in investment in 2017-40E according to BNEF's new scenario in 2017.

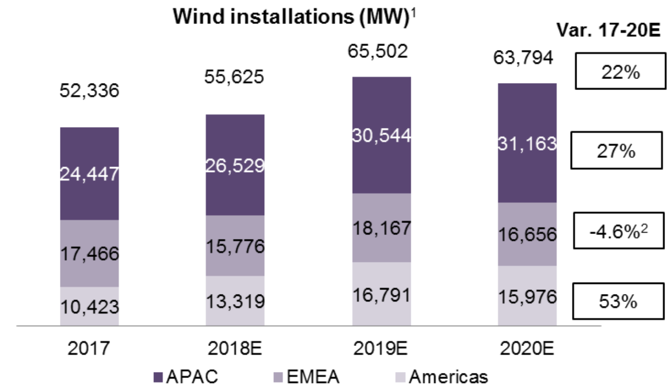




The steady flow of commitments to support renewable energies includes notably:

- European Parliament support for a renewable target of 35% by 2030, above the 27% target adopted by the European Commission,
- Germany's proposal to increase the target for renewable energy's contribution to 65% in 2030 (compared with the current targets of 35% in 2020, 40-45% in 2025, and 55-60% in 2035),
- normalisation of the auction mechanism in India, where 7,500 MW have been auctioned since May 2017 (SECI I, II, III and Gujarat, Tamil Nadu and Maharashtra) and where auctions are expected in Gujarat and Tamil Nadu, plus the intention of NTCP, India's largest electric utility, to buy 2 GW of wind capacity by competitive tender,
- reactivation of auctions in Brazil, although still with limited volumes, and the launch of additional auctions in Argentina (RenovAr3) and Mexico,
- the first auctions in countries with a low level of renewable penetration, such as Saudi Arabia and Pakistan,
- In fact, the final document of the US tax reform maintained the PTC regulation intact (though some details are pending clarification).

All these factors support the long-term potential and also **demand in the short term (2018-2020), in which there is a prospect of single-digit growth in onshore and double-digit growth in offshore**. In the offshore segment, wind's growing competitiveness is opening up new markets in America and Asia, to be accompanied by demand from northern Europe countries, foreseeably from 2020 onwards. Notable in this connection is the recent increase in Taiwan's commitment, to 5.5 GW by 2025, and commitments from a number of US states (Massachusetts, New York, New Jersey, and Maryland) to reach a total of 8 GW by 2030.



1. Source 2017 GWEC; Source 2018-20: average of MAKE and BNEF Q1 18 Outlook
2. Comparative EMEA reflects 1) the volatility of offshore installations in Germany and the UK and 2) the strength of onshore installations in both markets in 2017 before the introduction of the auctions in Germany and the expiration of the subsides in the UK

In order to achieve the competitiveness required by the new renewable energy model, and sustain the long-term growth potential, wind turbine manufacturers must improve both their product portfolio and their cost structures in order to enhance the cost of energy. The demand for more competitive products is evident in the price trend observed in onshore and offshore auctions, and is behind the pressure on wind turbine prices being observed in the short term; nevertheless, that pressure is beginning to stabilise after double-digit declines in prices in 2017.

L3AD 2020

In this situation of competitive pressure combined with long-term growth potential, **Siemens Gamesa RE is superbly placed to emerge from the industry transition in a position of leadership going forward**. This is due not only to the advantages achieved from the merger but also to the L3AD 2020 plan.

L3AD 2020, which was presented to the financial community during the Capital Markets Day on February 15, is supported by three strategic levers: a lean business model, optimised cost of energy, and digitalisation, and it focuses on four areas to achieve leadership:

- **Above-market growth** in both physical and monetary terms, due to the range of products and services, the commercial and manufacturing footprint, and a focus on customers. The group is already a leader in the offshore market and in emerging onshore markets, and has a strong position in services. Siemens Gamesa RE led the field in installation volume in 2017, with 9.5 GW of installed capacity[10] and ranked second in offshore installations, with a 15% share of the market, just one point behind the leading manufacturer.

- **Transformation (costs)**, pursuing a reduction of €2,000 million by 2020: €1,600 million in productivity improvements, and €400 million in synergies. 65% of the cost savings will be achieved in the bill of materials, due to volumes, product design and procurement policies; the other 35% will be through savings split evenly between general and operating expenses (optimisation of manufacturing capacity in terms of volume and location, excellence programmes, etc.).

- **Technology and digitalisation**: during the first quarter of 2018, the company implemented a product strategy based on the principle of "one segment, one technology ", on simplifying the current portfolio and on launching the 4 MW platform with 20% higher AEP than previous

[10] BNEF Global Wind Market Shares 2017 (an external source for comparison of data and measurement criteria)

models. It is important to note that simplifying the product portfolio and adopting a “one segment, one technology” are fundamental for transforming costs. In the area of digitalisation, Siemens Gamesa RE has the best foundation for leadership in the industry: a team dedicated to developing and implementing digital solutions, partnered with NEM Solutions; two remote control centres with a global reach; and it is the first manufacturer to install remote diagnostic sensors on wind turbine generators.

- **Change management**

GUIDANCE FOR 2020

The L3AD 2020 plan, which is focused on growth and on cost-cutting, also seeks to resume value creation for all the company's stakeholders, including shareholders.

	PN2018E-2020E
Book to Bill	>1
Revenues (€m)	> market growth
EBIT margin pre PPA,I&R (%)	8% to 10%
Working capital to sales (%)	<2%
Capex to sales (%)	<5%
Cash conversion rate (excl. Adwen)	>1-growth
Net financial debt/EBITDA	<1x
ROCE (%)	8% to 10%
Dividend policy	25% of net income

Note: for full details:
http://www.siemensgamesa.com/recursos/doc/accionistas-inversores/presentaciones/cmd2018/presentation-cmd.pdf

GUIDANCE FOR 2018

However, in the shorter term the company is experiencing considerable price pressure, which is reflected in its guidance for 2018, as set out in the following table.

€m	H1 18	FY 2018E	
Revenues (€m)	4,369	9,000-9,600	✓
EBIT margin pre PPA,I&R (%)	7.4%	7% to 8%	✓
Working capital to LTM sales (%)	2.8%	-3% to +3%	✓
Capex (€m)	166	500	✓

Performance in the second quarter and the first half of 2018 was fully in line with the guidance for the year, which envisages an improvement as the year advances, due particularly to the impact of achieving synergies and the benefits of the restructuring programme, but also to projected project execution times.

With regard to sales projections, the company began the year with practically 100% of offshore and services sales targets already covered, and during the first quarter it achieved a material improvement in coverage in onshore, to c.80% at the end of December 2017[11]. **Strong order intake in the second quarter enabled Siemens Gamesa to achieve 100%[12] coverage of the sales guidance for 2018.**

The projected 7%-8% profit margin assumes synergies amounting to around 1.5% of revenues, to be achieved in the second half of the year. It is the achievement of those synergies that will distinguish performance in the second half from the first-half figures. It should be noted that part of the inventory provision booked in 2017 was reversed in the second quarter of 2018 due to good market performance. That reversal, which was initially expected in the third quarter, partly offset the imbalance in performance between the two halves of the year.

The impact of PPA during the year is estimated at €321 million (€158 million in the first half and €75 million in the second quarter) while restructuring and integration expenses will amount to €160 million (€76 million in the first half and €61 million in the second quarter).

This guidance does not include charges for litigation or regulatory issues.

[11] Onshore coverage: firm onshore orders received through December 2018 for sales activity in 2018 (MW) / Average onshore sales volume implicit in the 2018 guidance.
[12] Coverage (total orders received for execution in 2018 / sales guidance for the year) of the low end of the group's sales guidance: €9.0-9.6 billion.

CONCLUSIONS

Siemens Gamesa Renewable Energy came 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. Meanwhile the combined company's diversification and balance and its leading position in emerging markets and offshore provide the group with resilience and growth potential above the market average.

Siemens Gamesa, which was registered on April 3, 2017, is half-way through its first full year, having ended a first half that is notable for continuing strong commercial performance in all segments. This strength, which is indicative of the company's sound competitive position, resulted in 2.8 GW of wind turbine order intake, 29% more than in the same period of 2017, which was exceptional in itself. As a result, the group's book-to-bill ratio amounted to 1.4x in the second quarter of 2018, slightly above the 1.3x registered in the year-ago quarter. The onshore business unit registered record order intake, raising sales coverage to c.100% of the low end of the guidance for the year. The Services segment had a strong start to the year in terms of commercial performance, having ended the quarter with a 2% year-on-year increase in its backlog.

In addition to sound commercial performance, Siemens Gamesa ended the second quarter and the first half of 2018 with financial performance in line with the 2018 guidance within seasonal fluctuations that point to a steady improvement in the second half of the year. Revenues in the quarter amounted to €2,242 million, while EBIT before PPA and restructuring and integration costs amounted to €189 million, i.e. an 8.4% EBIT margin, affected by lower volumes and falling onshore prices. The company ended the year with a net debt position of €112 million, and €263 million in working capital (2.8% of LTM revenues). Those working capital and net debt figures are the result of seasonal fluctuations in projects, particularly offshore. Cash flow will improve steadily in the second half of the year.

The integration process is ongoing; a notable development in the quarter was the launch of the L3AD 2020 plan, focused on four areas — transformation of costs, above-market growth, technology and digitalisation, and change management — with the goal of achieving global leadership in the renewables industry.

ANNEX

Conciliation pro-forma

Million Eur	**2Q17 (Pro-forma)**	**2Q18**
Revenues	3,178	2,242
WTG	2,891	1,973
Services	287	268
Gamesa	1,546	na
Siemens Wind Power	1,516	na
Adwen	116	na
EBIT Pre PPA and integration & restructuring costs	313	189
Margin	9.9%	8.4%
Gamesa	181	na
Siemens Wind Power	146	na
Adwen	-15	na

Annex

Financial statements October 2017 – March 2018
Siemens Gamesa Renewable Energy – Consolidated

Profit and Loss Account	
EUR in millions	October 2017-March 2018
Revenue	4,369
Cost of sales	-3,909
Gross Profit	**460**
Research and development expenses	-89
Selling and general administrative expenses	-281
Other operating income	8
Other operating expenses	-10
Results of companies accounted for using the equity method	1
Interest income	4
Interest expense	-30
Other financial income (expense), net	3
Income from continuing operations before income taxes	**66**
Income tax expenses	-67
Income from continuing operations	**-1**
Income from discontinued operations, net of income taxes	
Non-controlling interests	-1
Net income	**0**

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Balance sheet

EUR in millions	31/12/2017*	31/03/2018
Assets:		
Cash and cash equivalents	1,878	1,504
Available-for-sale financial assets	0	0
Trade and other receivables	1,122	1,050
Other current financial assets	151	148
Trade receivables from related companies	50	41
Contract Assets	1,079	1,148
Inventories	1,993	1,805
Current income tax assets	185	164
Other current assets	397	404
Current assets classified as held for sale	0	0
Total current assets	**6,855**	**6,264**
Goodwill	4,943	4,481
Other intangible assets	2,191	2,112
Property, plant and equipment	1,492	1,464
Investments accounting for using the equity method	74	74
Other financial assets	249	258
Other financial assets, related parties	0	0
Deferred tax assets	526	267
Other assets	107	108
Total non-current assets	**9,581**	**8,764**
Total assets	**16,436**	**15,028**
Liabilities and equity:		
Short-term debt and current maturities of long-term debt	1,082	1,172
Trade payables	1,825	1,807
Other current financial liabilities	83	78
Trade payables to related companies	379	71
Contract Liabilities	1,901	1,599
Current provisions	835	730
Current income tax liabilities	166	100
Other current liabilities	722	708
Current liabilities associated with assets classified as held for sale	0	0
Total current liabilities	**6,992**	**6,266**
Long-term debt	455	445
Provisions for pensions and similar obligations	9	11
Deferred tax liabilities	667	431
Provisions	1,692	1,734
Other financial liabilities	185	175
Other liabilities	24	29
Other non-current liabilities, related parties	0	0
Total non-current liabilities	**3,034**	**2,824**
Issued capital	116	116
Capital reserve	5,932	5,932
Retained earnings and other components of equity	360	-112
Non-controlling interest	2	2
Net assets and liabilities	0	0

Total Equity	**6,410**	**5,938**
Total Liabilities & Equity	**16,436**	**15,028**

*) comparable for IFRS15 and OBS/PPA adjustments

Cash flow Statement	
EUR in millions	**January-March 2018**
Net Income before taxes	44
Amortization + PPA	157
Other P&L	3
Working Capital variation	-435
Charge of provisions	84
Provision payment	-114
Adwen provision usage	-12
Tax payments	-40
CAPEX	-84
Others	-57
Cash flow for the period	**-453**
Beginning cash / (net financial debt)	341
Ending cash / (net financial debt)	-112
Variation in net financing cash flow	**-453**

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

Millions Eur					
Financial Statements line item	**09.30.2017 (Reported)**	**09.30.2017 (comparable)***	**12.31.2017 (reported)**	**12.31.2017 (comparable)***	**03.31.2018**
Cash and cash equivalents	1,659	1,659	1,878	1,878	1,504
Short-term debt and current maturities of long-term debt	(797)	(797)	(1,082)	(1,082)	(1,172)
Long-term debt	(485)	(485)	(455)	(455)	(445)
Cash/(Net Financial Debt)	**377**	**377**	**341**	**341**	**(112)**

*) comparable for IFRS15 and OBS/PPA adjustments

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 Eur				
Financial Statements line item	**09.30.2017 (Reported)**	**09.30.2017 (comparable)***	**12.31.2017 (Reported)**	**12.31.2017 (comparable)***	**03.31.2018**
Trade and other receivables	1,081	1,081	1,122	1,122	1,050
Trade receivables from related companies	62	62	50	50	41
Contract Assets	-	1,241	1,081	1,079	1,148
Inventories	3,455	2,096	1,999	1,993	1,805
Other current assets	341	342	397	397	404
Trade payables	(2,232)	(2,265)	(1,792)	(1,825)	(1,807)
Trade payables to related companies	(364)	(364)	(379)	(379)	(71)
Contract Liabilities	-	(1,745)	(1,898)	(1,901)	(1,599)
Other current liabilities	(2,645)	(696)	(722)	(722)	(708)
Working Capital	**(300)**	**(248)**	**(141)**	**(185)**	**263**

*) comparable for IFRS15 and OBS/PPA adjustments

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.

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:

	Pro-forma		
Million Eur	**1Q 17**	**2Q 17**	**2Q 18**
Acquisition of intangible assets	(42)	(29)	(26)
Acquisition of Property, Plant and Equipment	(120)	(134)	(58)
CAPEX	**(162)**	**(163)**	**(84)**

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. The components of this pro forma calculation are as follow:

	1Q 17 (Pro-forma)			
Million Eur	**Siemens Wind Power**	**Gamesa**	**Adwen**	**SGRE Pro-forma**
Additions to intangible assets	(2)	(20)	(19)	(42)
Additions to Property, Plant and Equipment	(62)	(43)	(15)	(120)
CAPEX	**(65)**	**(64)**	**(34)**	**(162)**

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. The components of this pro forma calculation are as follow:

	2Q 17 (Pro-forma)			
Million Eur	**Siemens Wind Power**	**Gamesa**	**Adwen**	**SGRE Pro-forma**
Additions to intangible assets	(3)	(18)	(8)	(29)
Additions to Property, Plant and Equipment	(112)	(18)	(5)	(134)
CAPEX	**(115)**	**(35)**	**(13)**	**(163)**

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.

Cash flow is calculated as the variation in Net Financial Debt (NFD) between October 1st, 2017 and March 31st, 2018 (defined in item 1 above).

5. Average Selling Price (ASP)

a. ASP - Monetary revenue

Average monetary revenue collected by Onshore 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.

Million Eur	Pro-Forma					
	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18
Revenue Onshore (million Eur)	1,812	2,181	1,363	1,207	1,197	1,277
MWe Onshore	1,845	2,534	1,488	1,384	1,651	1,397
ASP Onshore	**0.98**	**0.86**	**0.92**	**0.87**	**0.73**	**0.91**

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 follow:

Million Eur	1Q17 (Pro-forma)			
	Siemens Wind Power	Gamesa	Adwen	SGRE Pro-forma
Revenue Onshore (million Eur)	667	1,145		1,812
MWe Onshore	769	1,076		1,845
ASP Onshore	**0.87**	**1.06**	**-**	**0.98**

Million euro	2Q17 (Pro-forma)			
	Siemens Wind Power	Gamesa	Adwen	SGRE Pro-forma
Revenue Onshore (million Eur)	769	1,412		2,181
MWe Onshore	1,044	1,490		2,534
ASP Onshore	**0.74**	**0.95**	**-**	**0.86**

b. ASP - Monetary order entry

Average monetary order entry collected by Onshore Wind Turbine division per unit booked (measured in MW). 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.

	Pro-Forma					
Million Eur	**1Q17**	**2Q17**	**3Q17**	**4Q17**	**1Q18**	**2Q18**
Order Entry Onshore Wind (million Eur)	1,491	1,460	680	1,498	1,600	1,834
Order Entry Onshore Wind (MW)	1,862	1,599	693	2,167	2,208	2,464
ASP OE Wind Onshore	**0.80**	**0.91**	**0.98**	**0.69**	**0.72**	**0.74**

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 follow:

	1Q17 (Pro-forma)			
Million Eur	**Siemens Wind Power**	**Gamesa**	**Adwen**	**SGRE Pro-forma**
Order Entry Onshore Wind (million Eur)	439	1,052		1,491
Order Entry Onshore Wind (MW)	475	1,386		1,862
ASP OE Wind Onshore	**0.92**	**0.76**	**-**	**0.80**

	2Q17 (Pro-forma)			
Million Eur	**Siemens Wind Power**	**Gamesa**	**Adwen**	**SGRE Pro-forma**
Order Entry Onshore Wind(million Eur)	758	702		1,460
Order Entry Onshore Wind (MW)	772	827		1,599
ASP OE Wind Onshore	**0.98**	**0.85**	**-**	**0.91**

6. Revenues and EBIT

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

Million Eur	3Q17	4Q17	1Q18	2Q18	LTM Mar 18
WTG	2,393	2,008	1,840	1,973	8,214
Services	300	321	287	268	1,177
TOTAL	**2,693**	**2,329**	**2,127**	**2,242**	**9,390**

Million Eur	Pro-forma 2Q17	3Q17	4Q17	1Q18	LTM Dec 18
WTG	2,891	2,393	2,008	1,840	9,131
Services	287	300	321	287	1,196
TOTAL	**3,178**	**2,693**	**2,329**	**2,127**	**10,327**

Million Eur	Pro-Forma				
	3Q16	4Q16	1Q17	2Q17	LTM Mar 17
WTG	2,621	2,535	2,475	2,891	10,521
Services	278	292	289	287	1,147
TOTAL	**2,899**	**2,827**	**2,764**	**3,178**	**11,667**

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. The components of this pro forma calculation are as follow:

Million Eur	3Q16 (Pro-forma)				4Q16 (Pro-forma)			
	Siemens Wind Power	Gamesa	Adwen	SGRE Pro-forma	Siemens Wind Power	Gamesa	Adwen	SGRE Pro-forma
WTG	1,565	1,007	49	2,621	1,419	1,032	83	2,535
Services	157	120		278	177	115		292
TOTAL	**1,722**	**1,127**	**49**	**2,899**	**1,597**	**1,147**	**83**	**2,827**

Million Eur	1Q17 (Pro-forma)				2Q17 (Pro-forma)			
	Siemens Wind Power	Gamesa	Adwen	SGRE Pro-forma	Siemens Wind Power	Gamesa	Adwen	SGRE Pro-forma
WTG	1,223	1,145	107	2,475	1,363	1,412	116	2,891
Services	161	128		289	153	134		287
TOTAL	**1,384**	**1,273**	**107**	**2,764**	**1,516**	**1,546**	**116**	**3,178**

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

Million Eur		
	2Q17 (Pro-forma)	**2Q18**
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	276	44
(-) Income from investments acc. for using the equity method, net	21	(0)
(-) Interest income	(9)	0
(-) Interest expenses	13	12
(-) Other financial income (expenses), net	3	(3)
EBIT	**305**	**54**
(-) Integration costs	8	61
(-) PPA impact	**-**	75
EBIT pre-PPA and integration & restructuring costs	**313**	**189**

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. The components of this pro forma calculation are as follow:

Million Eur	**2Q 17 (Pro Forma)**				
	Siemens Wind Power	**Gamesa**	**Adwen**	**Pro forma adjustments**	**SGRE proforma**
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	145	149	(18)	-	276
(-) Income from. investments acc. for using the equity method, net	-	20	-		21
(-) Interest income	1	(10)	(0)		(9)
(-) Interest expenses	0	11	2		13
(-) Other financial income (expenses), net	(0)	3	0		3
EBIT	**146**	**173**	**(16)**	**-**	**305**
(-) Integration and restructuring costs		8			8
(-) PPA impact					-
EBIT pre-PPA and integration & restructuring costs	**146**	**181**	**(16)**	**-**	**313**

EBIT margin: ratio of 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)

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

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

	H1 18	2Q18
Net Income (Million Eur)	0	35
Number of shares (units)	679,481,738	679,488,800
Earnings Per Share (€/share)	**0.00**	**0.05**

8. Other indicators

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

Million Eur	2Q18
Actual revenue year N (1)	4,369
Order Backlog for delivery year N(2)	4,613
Low end Sales guidance year (3)	9,000
Revenue Coverage ((1+2)/3)	**100%**

Book-to-bill: ratio of 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.

	Pro-Forma					
Million Eur	**1Q17**	**2Q17**	**3Q17**	**4Q17**	**1Q18**	**2Q18**
Order Entry	2,715	4,013	1,398	2,791	2,912	3,043
Revenues	2,764	3,178	2,693	2,329	2,127	2,242
Book to bill	**1.0**	**1.3**	**0.5**	**1.2**	**1.4**	**1.4**

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. The components of this pro forma calculation follow:

	1Q17 (Pro-forma)			
Million Eur	**Siemens Wind Power**	**Gamesa**	**Adwen**	**SGRE Pro-forma**
Order Entry	1,435	1,279		2,715
Revenue	1,384	1,273	107	2,764
Book to bill	**1.0**	**1.0**	**0.0**	**1.0**

	2Q17 (Pro-forma)			
Million Eur	**Siemens Wind Power**	**Gamesa**	**Adwen**	**SGRE Pro-forma**
Order Entry	3,142	872		4,013
Revenue	1,516	1,546	116	3,178
Book to bill	**2.1**	**0.6**	**0.0**	**1.3**

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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