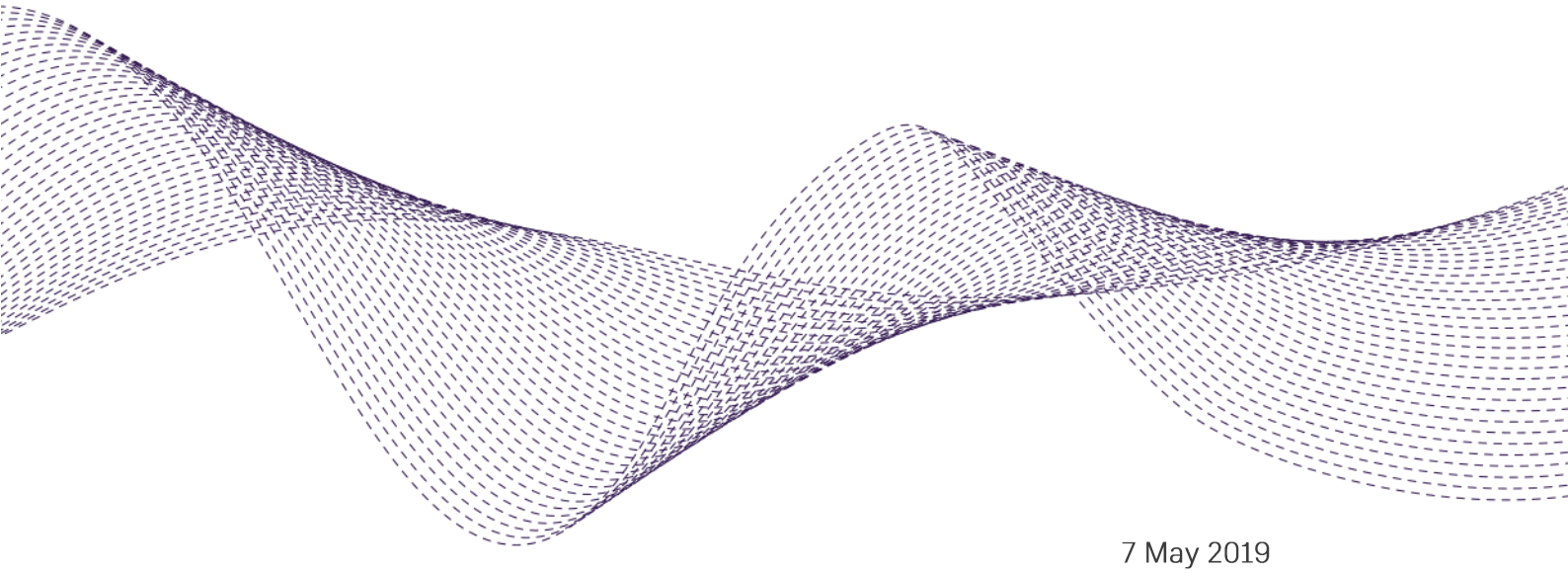
SIEMENS Gamesa
RENEWABLE ENERGY

Activity Report

Second quarter FY 2019

January-March 2019 Results



7 May 2019

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Introduction

The year 2019 commenced with the energy market continuing its transition towards an affordable, reliable and sustainable model in which renewable energy plays a fundamental role thanks to its growing competitiveness. In this context of rising demand and competitive pricing, Siemens Gamesa Renewable Energy[1] ended the second quarter of fiscal year 2019 (FY 19) with 7% y/y growth in revenue and an EBIT margin pre PPA and integration and restructuring costs of 7.5%. Both variables were in line with the guidance presented for 2019, a year in which the volume of activity is projected to be high, and back-end loaded in the case of Onshore.

The order book stood at €23,579m at 31 March 2019, covering 96%[2] of the mid-point revenue guidance for FY 19 and 100% of the lower end of the range. Order intake amounted to €2,466m in the second quarter of 2019 (Q2 19), driven by Service, where order intake increased by 11% year-on-year. The decline in order intake with respect to the previous year reflects the comparison with a record volume of Onshore orders booked in Q2 18 (2.5 GW). Order intake in the last twelve months (LTM) amounted to €10,924m, 8% more than in the twelve months to March 2018.

Group revenue in Q2 19 amounted to €2,389m (+7% y/y) and EBIT pre PPA and integration and restructuring costs amounted to €178m (-6% y/y). Sales growth was underpinned by strong performance in the Offshore and Service segments, offsetting the slight decline in Onshore revenue, where growth will be concentrated in the latter part of this year. EBIT performance pre PPA and integration and restructuring costs reflects mainly the effect of declining prices in the order book at the beginning of the quarter, partly offset by improvements in productivity, synergies and fixed costs as a result of the L3AD2020 transformation program and the higher volume of activity in Offshore and Service.

The quarter ended with a net debt position on the balance sheet amounting to €118m, i.e. €5m more than the net debt position in the second quarter of 2018 and €733m less than the net cash position booked at the end of the previous year (FY 18). The change in the net cash position since year-end (FY 18) is the result of the increase in working capital required to fund the significant increase in activity planned for FY 19. Working capital increased by €753m since 2018 year-end to a positive €211m, equivalent to +2.2% of LTM revenue.

In the product area, after presenting the SG 10.0-193 DD Offshore wind turbine in January 2019, Siemens Gamesa unveiled the new Onshore platform with the SG 5.8-155 and SG 5.8-170 wind turbines in April 2019, the latter having the largest rotor in the market. The new wind turbines provide an increase in annual energy production (AEP) of 20% and 32%, respectively, compared to the SG 4.5-145 wind turbine.

The company held its Shareholders' Meeting in the second quarter; the shareholders approved a dividend of €0.026 per share, which was paid on 4 April 2019.

Consolidated key figures Q2 19

- Revenue: €2,389m (+7% y/y)
- EBIT pre PPA and integration and restructuring costs[3]: €178m (-6% y/y)
- Net profit pre PPA and integration and restructuring costs[4]: €113m (-15% y/y)
- Net profit: €49m (+40% y/y)
- Net financial (debt)/cash-(NFD)[5]: -€118m
- MWe sold: 2,383 MWe (+30% y/y)
- Order book: €23,579m (+7% y/y)
- Firm order intake: €2,466m (-19% y/y)

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

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

[3] EBIT pre PPA, integration and restructuring costs excludes integration and restructuring costs in the amount of €22m and the impact of fair value amortization of intangible assets as a result of the PPA (purchase price allocation) in the amount of €66m.

[4] Net profit pre PPA and integration and restructuring costs excludes €64m of integration and restructuring costs and the impact of fair value amortization of intangible assets as a result of the PPA (purchase price allocation), net of taxes.

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

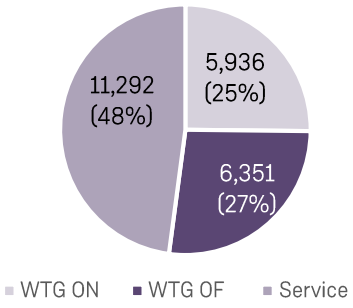
- Firm order intake in the last twelve months: €10,924m (+8% y/y)
- WTG order intake (MW): 2,206 (-21% y/y)
- Firm WTG order intake in the last twelve months: 10,246 MW (+10% y/y)
- Installed fleet: 92,940 MW
- Fleet under maintenance: 56,875 MW

Markets and orders

In a market with rising demand, solid sales efforts continue to drive the company's performance. In the last twelve months, Siemens Gamesa has signed orders worth €10,924m (+8% y/y) and it ended the second quarter of FY 19 with an order book of €23,579m (+7% y/y), which represents 96%[6] of the mid-point of the revenue guidance for FY 19.

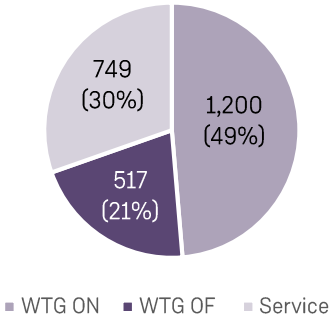
Forty-eight per cent of the order book (€11,292m) is in Service, which has higher returns and expanded by c. 7% year-on-year. The WTG order book is split into €6,351m Offshore (-10% y/y) and €5,936m Onshore (+34% y/y).

Figure 1: Order backlog at end of March 19 (€m)



Order intake in Q2 19 totaled €2,466m, driven by strong performance in Service: €749m (+11% y/y). The 19% y/y decline in order intake at group level is due to comparison with a record Onshore order intake booked in Q2 18 (2.5 GW). The Q2 19 order intake represents a Book-to-Bill ratio of 1 time the quarter revenue[7]. That ratio reflects the combination of a high level of Offshore sales activity with the volatility that characterizes firm order intake in that market (Book-to-Bill: 0.6x), offset by the surge in order intake in Service (Book-to-Bill: 2.3x).

Figure 2: Order intake Q2 19 (€m):



The increased commercial activity in Service is in line with plans for the year, following weaker intake in the first quarter. In particular, the company signed a 17-year maintenance contact for the SeaMade offshore wind farm and renewed a contract to maintain 255 MW for Glennmont Partners for 10 years in Italy.

Offshore commercial activity, where orders amounting to €517m were booked, reflects the contract to supply the Seamade offshore wind farm in Belgium: 58 units of the SG 8.0-167 DD turbine. SeaMade is a project combining the Mermaid and Seastar wind farms. Within the Offshore segment but outside the scope of Q2 19, two events in April confirm the company's leadership in this segment:

- Eolien Maritime France selected Siemens Gamesa (SWT-7.0-154 DD) as the preferred supplier for almost 1 GW of Offshore projects in France. The agreement includes a 15-year maintenance deal. The contracts were awarded in France's first Offshore auction (2012).

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

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

- Vattenfall is bidding in the Hollandse Kust Zuid III & IV auction with our new Offshore wind turbine, SG 10.0-193 DD.

The recovery in commercial activity Onshore, which was the primary source of order book growth, was in the context of growth in the wind market worldwide. This increase reflects the growing role that renewable energies are playing in the transition to a new energy system, thanks to their competitiveness; specifically, it is supported by the strength of the US market and the reactivation, since FY 17, of major wind markets such as India, South Africa, Brazil and Spain. Within this growing market, the increase in order intake reflects the company's strong competitive position, which has enabled it to capture €6,159m (8,402 MW) in firm orders in the last twelve months, equivalent to a Book-to-Bill ratio of 1.3 times revenue in the period. Orders totaling €1,200m (1,742 MW) were signed in Q2 19, 35% less than in the same period of FY 18, when order intake reached a record high.

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

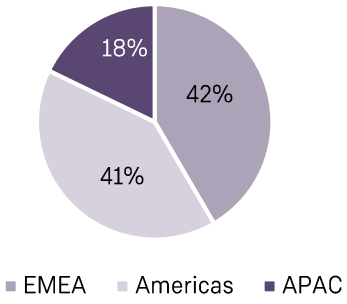
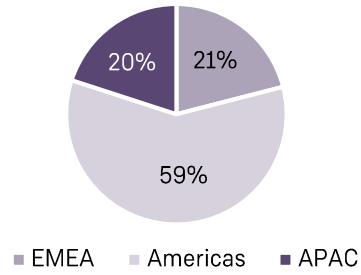


Figure 4: Order intake (€m) WTG ON Q2 19 (%)



Within the 25 countries that contributed to the overall order intake in the last twelve months, the USA and India are the most important for the group, with a total contribution of 28% and 12% each to the overall order intake (MW), followed by Spain and Brazil, both contributing 11% to the overall order intake volume. The main sources of new orders in Q2 19 were the USA, China and Canada with a total contribution to the order intake volume of 70% (44%, 15% and 11% each).

Table 1: Order intake WTG ON (MW)

Order intake WTG ON (MW)	LTM	Q2 19
Americas	3,713	1,035
USA	2,313	762
Brazil	928	80
Mexico	278	0
EMEA	3,232	308
Spain	964	38
APAC	1,458	399
India	1,020	68
China	338	267
Total (MW)	8,402	1,742

Order intake in Q2 19 included notably orders for the SG 4.5-145 wind turbine: 626 MW, 36% of total Onshore order intake. The SG 4.5-145 model offers flexible capacity between 4.2 MW and 4.8 MW depending on site conditions, and has a rotor diameter of 145 meters. Its design is optimized for average wind sites and it maximizes energy production while producing low levels of noise.

Additionally, commercial activity in Canada revived with the signature of an order for 193 MW.

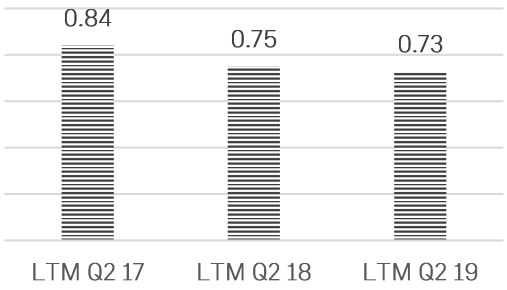
Table 2: Order intake (€m)

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

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

This decline in prices, which became particularly visible after the first auctions in Mexico, India and Spain during 2016 and 2017, has gradually stabilized since the beginning of FY 18, and this trend is being maintained in H1 19.

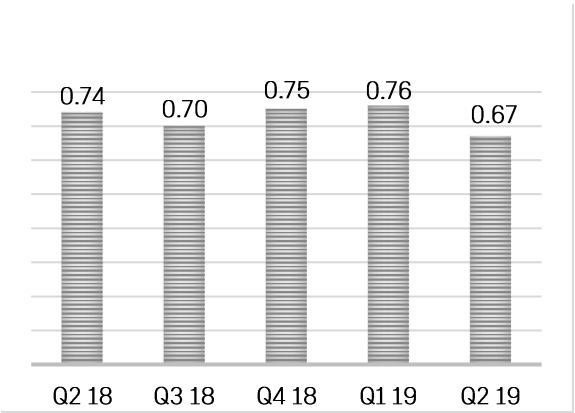
Figure 5: Average Selling Price – Onshore order intake (€m/MW)[8]



Consequently, initial high-single-digit/low-double-digit price cuts have given way to low-single-digit (<5%) cuts, i.e. comparable with the historical price trend associated with productivity improvements in the manufacturing process.

The average selling price in Q2 19 reflects the impact of the geographical mix and the higher contribution by orders from China (15% of Onshore order volume in the quarter), where the product scope and, consequently, the selling prices are lower. Average selling price excluding the impact from Chinese orders amounts to €0.72m/MW[9].

Figure 6: Average Selling Price – Onshore order intake (€m/MW)



[8] LTM Q2 17 and LTM Q2 18 are proforma figures.

[9] WTG ON order intake ASP exc. China in Q2 19: Q2 19 global WTG ON order intake exc. Solar orders (€1,167m) less WTG ON orders from China exc. Solar orders in Q2 19 (€110m) / Volume of order intake exc. Solar in Q2 19 (1,742 MW) less volume of order intake exc. Solar from China (267 MW) in Q2 19.

Key financial performance metrics

The table below shows the main financial aggregates for the second quarter (January-March) of FY 18 and FY 19 and those for the first half (October-March) of FY 19, and the change with respect to the first half of 2018.

Table 3: Key financial performance metrics

€m	Q2 18	Q2 19	Var. y/y	H1 19	Var. y/y
Group revenue	2,242	2,389	7%	4,651	6%
WTG	1,973	2,060	4%	3,964	4%
Service	268	330	23%	687	24%
WTG volume (MWe)	1,830	2,383	30%	4,513	18%
Onshore	1,397	1,707	22%	3,228	6%
Offshore	432	676	56%	1,285	65%
EBIT pre PPA, I&R costs	189	178	-6%	316	-2%
EBIT margin pre PPA, I&R costs	8.4%	7.5%	-1.0 p.p.	6.8%	-0.6 p.p.
WTG EBIT margin pre PPA, I&R costs	6.5%	5.1%	-1.4 p.p.	3.9%	-1.2 p.p.
Service EBIT margin pre PPA, I&R costs	22.3%	22.0%	-0.3 p.p.	23.2%	0.9 p.p.
PPA amortization[1]	75	66	-11%	133	-16%
Integration & restructuring costs	61	22	-64%	54	-29%
Reported EBIT	54	90	68%	130	46%
Reported Net Income to SGRE shareholders	35	49	40%	67	NA
Net Income per share to SGRE shareholders[2]	0.05	0.07	40%	0.10	NA
CAPEX	84	108	25	189	23
CAPEX to revenue (%)	3.7%	4.5%	0.8 p.p.	4.1%	0.3 p.p.
Working capital	291	211	-80	211	-80
Working capital to LTM revenue (%)	3.1%	2.2%	-0.9 p.p.	2.2%	-0.9 p.p.
Net (debt) / cash	-112	-118	-5	-118	-5
Net (debt) / EBITDA LTM	-0.16	-0.13	0.03	-0.13	0.03

1. Impact of the Purchase Price Allocation (PPA) on amortization of intangibles.
2. Earnings per share calculated using the weighted average of outstanding shares in the period. Q2 18: 679,448,800; Q2 19: 679,481,656; H1 19: 679,465,922.

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

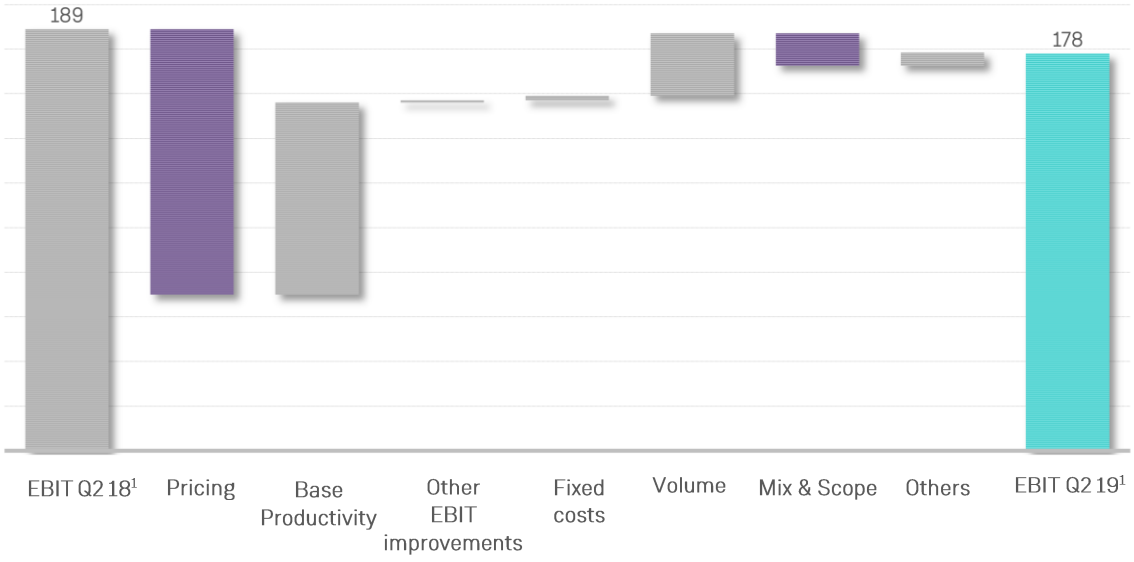
Group revenue amounted to €2,389m, 7% more than in the same period of the previous year. EBIT pre PPA and integration and restructuring costs declined by 6% y/y to €178m, i.e. an EBIT margin pre PPA and integration and restructuring costs of 7.5%, 1.0 p.p. below Q2 18 margin.

The trend in EBIT pre PPA and group integration and restructuring costs reflects the impact of the following factors:

(-) The price cuts incorporated into the order book at the beginning of the year are still the main drag on group profitability.

(+) Improvements in productivity and fixed costs under the L3AD2020 program offset much, but not all, of the impact of lower prices. The savings under the transformation module of L3AD2020 were accompanied by a positive impact from the high volume of revenue in Offshore and Service, which increased by 17% and 23% y/y each in the second quarter.

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



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

The quarter-on-quarter change was also impacted by:

(+) the positive impact of better fleet performance and product improvements on ordinary provisions,

(-) the positive one-time impact in Q2 18 of the reversal of a provision for inventory impairment booked in 2017 and of a foreign currency derivative.

Weak Onshore performance in the second quarter was offset again by strong Offshore performance in WTG.

The impact of the PPA on amortization of intangible assets was €66m in the second quarter (€75m in Q2 18), while integration and restructuring expenses amounted to €22m in the same period (€61m in Q2 18).

Net financial expenses amounted to €13m in the second quarter (€10m in Q2 18), while the tax expense amounted to €27m (€11m in Q2 18).

As a result, net profit pre PPA and integration and restructuring costs amounted to €113m in the second quarter. Reported net profit, which includes the impact on amortization of the PPA and integration and restructuring expenses, both net of taxes, totaling €64m in the second quarter, amounted to €49m, contrasting with a profit of €35m reported in the second quarter of 2018. Net profit per share attributable to Siemens Gamesa shareholders was €0.07.

During the second quarter, the company continued to ready itself for the high level of activity planned for this year — projected 15% average growth in revenue — and for Onshore execution concentrated

in the second half and particularly in the fourth quarter. This required working capital to increase by €753m with respect to end-September 2018, to €211m at the end of the second quarter. The increase in working capital since the beginning of the year is also driven by a reduction in accounts payable. Working capital amounted to 2.2% of revenue, i.e. 8.2 percentage points more than at the end of September 2018.

The variation in working capital with respect to the second quarter of 2018 amounts to -€80m, while the ratio of working capital to revenue declined by 0.9 percentage point with respect to the second quarter of 2018.

This annual evolution shows the group's effort to maintain a strict control of working capital.

Table 4: Working capital (€m)

Working capital (€m)	Q1 18	Q2 18	Q3 18	Q4 18[1]	Q1 19	Q2 19	Var. y/y
Trade receivables	1,172	1,091	1,158	1,139	1,135	1,171	80
Inventories	1,993	1,805	1,700	1,499	1,925	2,006	201
Contract assets	1,079	1,148	1,311	1,569	2,033	1,771	623
Other current assets	397	404	404	362	417	464	60
Trade payables	-2,204	-1,877	-2,040	-2,758	-2,557	-2,505	-628
Contract liabilities	-1,873	-1,571	-1,570	-1,670	-2,340	-1,991	-419
Other current liabilities	-722	-708	-697	-684	-641	-706	2
Working capital	-157	291	265	-542	-27	211	-80
Var. QoQ		448	-25	-808	515	238	
Working capital to LTM revenue	-1.5%	3.1%	3.0%	-5.9%	-0.3%	2.2%	

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

Capital expenditure amounted to €108m in the quarter, in line with the objectives of the Business Plan 2018-2020. Investment was concentrated in developing new services, Onshore and Offshore platforms, tooling and equipment. In Q2 19, Offshore CAPEX outweighs Onshore CAPEX reflecting the larger growth opportunities of the Offshore market.

As a result of the trend in operating performance, working capital and capital expenditure, the net debt position on the balance sheet stood at €118m at 31 March 2019.

WTG

Table 5: Wind turbines (€m)

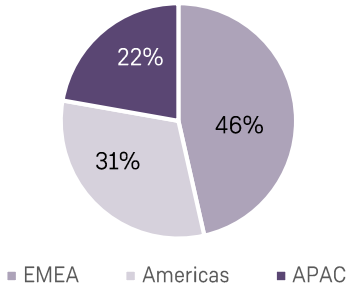
€m	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19	Var. y/y
Revenue	1,840	1,973	1,827	2,207	1,904	2,060	4%
Onshore	1,197	1,277	1,052	1,349	1,103	1,243	-3%
Offshore	643	696	775	858	801	817	17%
Volume (MWe)	1,997	1,830	2,137	2,409	2,129	2,383	30%
Onshore	1,651	1,397	1,703	1,926	1,520	1,707	22%
Offshore	346	432	434	483	609	676	56%
EBIT pre-PPA and I&R costs	69	129	86	109	51	106	-18%
EBIT margin pre PPA and I&R costs	3.8%	6.5%	4.7%	4.9%	2.7%	5.1%	-1.4p.p.

WTG division revenue amounted to €2,060m in the second quarter, 4% more than in the same period of 2018. Sales growth was driven by strong Offshore performance, where revenue increased by 17% y/y to €817m, offsetting the decline in Onshore revenue to €1,243m (3% less than in the same period of 2018).

Strong Offshore revenue reflect the high volume of activity planned for the full year and also the strong progress with executing projects in the quarter, representing a total volume of 676 MWe (+56% y/y). The decline in Onshore sales is due mainly to the lower scope of projects executed in the quarter and to the reduction in prices in the order book at the beginning of the period. Activity volume (MWe) increased by 22% to 1,707 MWe.

In the second quarter of FY 19, the main contributors to Onshore sales (in MWe) were the United States (28%) and Spain (20%). They were followed by India (15%) and Norway (11%).

Figure 8: Sales volume (MWe) WTG ON Q2 19 (%)



EBIT pre PPA and integration and restructuring costs declined by 18% to €106m, equivalent to a 5.1% margin on revenue, i.e. 1.4 percentage points below the EBIT margin pre PPA in Q2 18. Once again, this reduction was driven mainly by lower Onshore prices, partly offset by the outcome of the L3AD2020 transformation program.

Operation and Maintenance Service

Table 6: Operation and maintenance (€m)

€m	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19	Var. y/y
Revenue	287	268	308	411	358	330	23%
EBIT pre-PPA and I&R costs	64	60	70	106	87	73	21%
EBIT margin pre PPA and I&R costs	22.2%	22.3%	22.8%	25.8%	24.3%	22.0%	-0.3 p.p.
Fleet under maintenance (MW)	55,446	55,454	56,670	56,725	56,828	56,875	3%

The Service business increased revenue by 23% with respect to Q2 18, to €330m. This growth was driven by a significant expansion in maintenance revenue and, again, by the sale of value-added solutions in the second quarter (compared with practically zero sales in Q2 18).

The fleet under maintenance totals 56.9 GW, 3% more than in the second quarter of FY 18. The Offshore fleet, amounting to 10 GW under maintenance, expanded by 12% y/y, while the Onshore fleet was stable in year-on-year terms at 47 GW. The fleet of third-party technologies under maintenance totaled 2,561 MW at the end of the second quarter of 2019, in line with the fleet at end-December 2018.

EBIT pre PPA and integration and restructuring costs amounted to €73m, equivalent to an EBIT margin of 22.0%, practically the same as in the year-ago quarter. Year-on-year margin performance reflects not only the negative effect of the reduction in prices, offset by the positive impact of the transformation exercise, but also the positive effect in Q2 19 of improved fleet performance, offset by the positive impact of a foreign currency derivative in Q2 18.

Outlook

Long-term worldwide prospects

In 2019 the world energy market continued its transition towards an affordable, reliable and sustainable model in which renewable energy plays a fundamental role thanks to its growing competitiveness. This transition is not simple, nor is it guaranteed to achieve its objective without greater sustained efforts on the part of governments. As indicated in the UN report on the gap between the emission reduction targets and the actual achievements to date[10], governments must triple their efforts and introduce new measures on an urgent basis if they want to achieve their commitments.

The International Energy Agency (IEA) reaches similar conclusions in its last report[11]. The policies and commitments announced to date by the different countries and supra national organizations lead to an exchange of positions in the power generation mix between renewable sources (25% currently) and coal (40% currently) in 2040. In this scenario, accumulated wind capacity at the end of the period (2040) would amount to 1,700 GW[12], which represents a sustained level of average annual installations similar to the average of the last years (2012-2018): c. 50 GW per year, for more than 20 years. However, this is not enough to meet the goal of sustainable development that requires greater and faster deployment of renewable generation. A scenario compatible with sustainable growth, within which are included, among others, the commitments to combat climate change, would require to almost triple the weight of renewable sources in the generation mix, from the current 25% to two thirds of the capacity total or almost 70% in 2040. In this scenario, the wind fleet accumulated in 2040 would amount to 2,800 GW[13], 1,000 GW more than in the previous scenario, and the rate of annual installations would rise to an average of 100 GW per year during the next 20 years.

The results of the Bloomberg New Energy Finance report (BNEF) on the global energy outlook published in June 2018 (NEO 2018) also coincide. NEO 2018 foresees an energy transition whose conclusions are similar to the sustainable development scenario of the IEA, in which the competitiveness of renewable energies and the development of an increasingly competitive storage invert the current power mix, with renewables accounting for two-thirds of the power mix (the share currently accounted for by fossil fuels) in 2050. In this scenario, wind energy reaches an accumulated capacity of 2,700 GW in 2040, suggesting installations at an average pace of 90 GW per year over the next 20 years. In this same report, BNEF estimates that USD 11.5 trillion will be invested over the next 33 years, i.e. through 2050, in new power generation assets, and 73% of that (i.e. USD 8.4 trillion) will be in wind and solar facilities. The price of wind power will continue to fall: it will be 40% cheaper in 2030 and nearly 60% cheaper in 2050. Improved productivity in renewables will make it possible to double the capacity per dollar of investment by 2030, and practically quadruple it by 2050. In many countries, it is already cheaper to install wind farms than to build new gas- or coal-fired plants. This will probably be the case worldwide in 2030, and new plants will be increasingly efficient as time advances. Progress with competitive storage/battery systems will round out the potential of renewable sources and the

[10] Emissions Gap Report 2018, November 2018

[11] World Energy Outlook 2018, November 2018.

[12] Data source: BNEF comparison between NEO 2018 and WEO 2018.

[13] Data source: BNEF comparison between NEO 2018 and WEO 2018.

transformation of markets to enable them to operate when there is no wind or sun. The cost of batteries has fallen by 79% since the beginning of the decade and it is expected to fall by another 67% by 2030.

Figure 9: Wind installed base (GW)

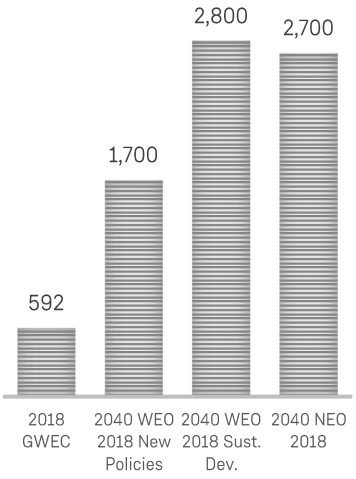
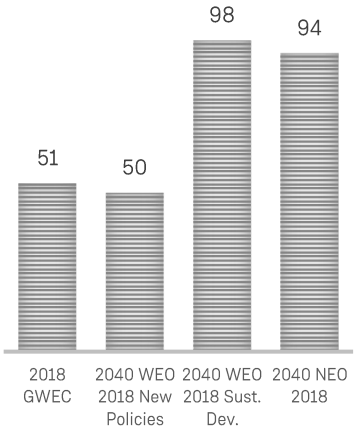


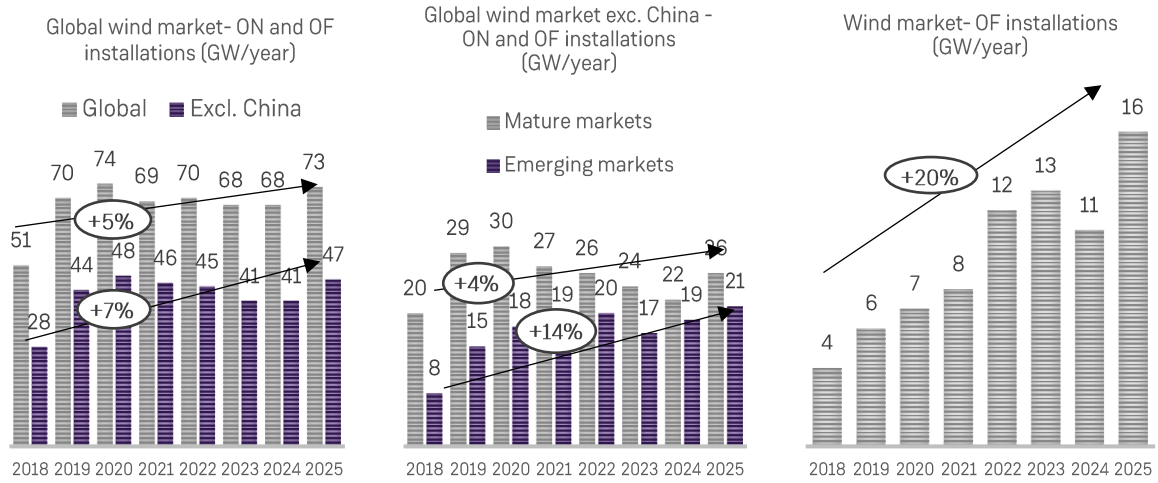
Figure 10: Annual Wind installations 2017-40E (GW/year)



Quarterly update of short- and medium-term demand

The figures below show the medium-term installation projections (2019-2025)[14] and final installations reported for 2018 according to the Global Wind Energy Council (GWEC).

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



2018[15] concluded with an accumulated installed base of 591,730 MW of wind capacity, 51,306 MW having been installed in the year: 46,820 MW onshore, to a cumulative total of 568,590 MW, and 4,486 MW offshore, to a cumulative total of 23,140 MW. The volume of installations in 2018 was 4% less than in 2017. The reduction is due to the decline in two large onshore markets, Germany and India, as a result of the introduction of auctions in 2017. The pace of installations declined in India from 4 GW in 2017 to 2 GW, and in Germany from 5.3 GW to 2.4 GW, in 2018.

The prospects for installations in the period 2019-2025[16] continue to factor in solid demand and are higher than the outlook presented in the fourth quarter of calendar 2018 (both projections by Wood Mackenzie). This 8.5 GW increase in the period 2019-2025 will be attributable almost entirely to the Offshore market (8 GW). In the Onshore market, the increase in installations (0.5 GW in 2019-2025) will partially offset the fact that installations in 2018 fell short of projections.

China (151 GW), USA (46 GW), India (39 GW) and Germany (22 GW) will still be the largest markets in the Onshore segment, accounting for more than 60% of total cumulative installations in 2019-2025. France, Spain, Sweden, Brazil and Australia, with between 8 GW and 11 GW in cumulative installations each in the period 2019-2025, will account for more than 10%.

Despite the appearance of new markets, the Offshore segment is still much more concentrated. China, with 27 GW of installations in 2019-2025, will account for 37% of total installations in the period. Europe, led by the United Kingdom (11 GW of installations in the same period), will install 30 GW,

[14] Source: Wood Mackenzie: Q1 19 Global Wind Power Market Outlook.

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

[16] Source: all projections dated calendar Q4 18 and calendar Q1 19 are from the Wood Mackenzie quarterly Global Wind Power Market Outlook.

accounting for 41% of the total. It is followed by the United States (6.5 GW) and Taiwan (5.7 GW) in 2019-2025.

The projected growth in Onshore installations will be in the USA, Northern Europe (Norway and Finland) and Australia, offsetting lower expected growth in Mexico and China.

- Projected installations in the United States within the cycle of 100% PTC (Production Tax Credits) will amount to 11.6 GW in 2019 and 13.6 GW in 2020, almost 2 GW higher overall than projected in calendar Q4 18; for the 80% cycle (2021), the projection is for 7.2 GW (0.5 GW more than the previous forecast), while 4 GW are projected in the 60% cycle (0.2 GW more than the previous forecast). Once the system of incentives expires, the US is expected to install 3-3.5 GW per year. This volume of installations is supported by wind energy's growing competitiveness, rising interest on the part of corporations and electric utilities in clean, competitive energy, and the states' targets for renewable energy.
- The increase in projections for Australia with respect to those published in calendar Q4 18 — an additional 2 GW between 2019 and 2025— is based on expectations that the country will adopt new renewable policies. The current policy, based on the Long Renewable Energy Target (LRET) is likely to be exceeded in or after 2020, considering the results of recent auctions such as the one in Victoria state (600 MW awarded) and the commitments that exist to execute several large-scale projects.
- In Northern Europe, after the increase in estimates in Sweden during calendar Q4 18, the projections for Norway and Finland have now been increased, by nearly 3 GW in the period 2019-2025, supported by the execution of commercial projects and corporate Power Purchase Agreements (PPAs). In Finland, the first renewable auction concluded with all the capacity being awarded to wind projects (around 462 MW).
- In contrast, after the prospects for Brazil were downgraded in calendar Q4 18, those for Mexico have now been ratcheted down by 2 GW in 2019-2025. This reduction is also due to lower visibility and the change in government, which has temporarily halted the planned auctions. The Onshore projections for China have also been reduced, by 3 GW for 2019-2025, due to the progressive elimination of subsidies and the introduction of auctions. Despite this reduction, China is still the world's largest wind market, with an average of over 21 GW of new Onshore wind installations projected per year in 2019-2025.

In the Offshore market, following the upgrade in projections in calendar Q4 18 for the US, Japan and South Korea, China is now the main contributor to the increase in projections, accounting for an additional 6.6 GW of demand in 2019-2025.

Beyond the pace of installations, price dynamics are unchanged with respect to the previous quarter and Onshore prices continue to stabilize, reflecting mainly the stabilization of auction prices but also the commercial dynamic in the US, cost inflation and the pressure on margins in the supply chain. Meanwhile, products of 3 MW and over continue to gain market share.

Summary of the main events relating to wind power in Q2 19[17]

The following information was published in the second quarter of FY 19 and the following measures were adopted in connection with government commitments and actions aligned with the transition towards a sustainable energy model.

European Union

- According to Eurostat, in 2017, for the first time, wind energy became the largest renewable source of electricity, ahead of hydroelectricity. As the EU pursues the goal that renewables should account for 20% of total energy consumption by 2020, the latest figures show that they contributed 17.5% in 2017. Denmark, Italy, Hungary, Romania and Sweden have already attained the target. Germany, Greece, Spain, Austria and Portugal are moving in the right direction. Belgium, Ireland, France, the Netherlands, Poland and the United Kingdom are far from achieving the target.
- Meanwhile, the national energy and climate plans which the EU Member States had to submit by 31 December 2018 are insufficient to achieve the goal that renewables account for 32% of energy consumption by 2030. Only Germany offers sufficient visibility to encourage investment since it has auctions scheduled up to 2030. The European Commission has until 20 June 2019 to propose changes to those plans in order to achieve the proposed target.

Germany

- The country maintains its plans to expand Offshore auctions by 5 GW to achieve 20 GW by 2030.
- The outcome of the first Onshore wind auction in 2019 was released: 476 MW at an average price of €61/MWh.
- A second Onshore wind auction is scheduled for May: 650 MW at a maximum price of €62/MWh. The plan is to auction a total of 3.8 GW in 2019.

Spain

- The government approved the draft energy plan, which proposes to cover 42% of consumption with renewables by 2030 and 100% by 2050, in line with the European Union's climate change strategy. The objectives for wind under this plan are as follows: 28 GW by 2020, 40.3 GW by 2025, 50.3 GW by 2030; i.e. equivalent to installing 2.2 GW of wind capacity each year in the period 2021-2030. Whether this plan becomes law depends on the outcome of the general election on 28 April 2019.
- Bids are being accepted for the Canary Islands auction (maximum capacity: 217 MW).

France

- Changes were announced to the wind auction dates, volumes and price caps:
    - Rounds III and IV: 500 MW each at a maximum price of €71/MWh; V: 630 MW at a maximum price of €70/MWh; and VI: 752 MW at the same price.
    - Auction III has already been held but the results have not yet been released.

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

Greece

- The details of the first neutral auction (wind/solar) have been released: 600 MW at most with a maximum price of €64.72/MWh. Eight bids were presented for a total of 637.78 MW, meaning that the final capacity to be awarded will be 456 MW[18].

Italy

- Draft decree on renewables submitted to the European Commission as the first step towards its approval.
- Approval of the decree will trigger a series of auctions in the period 2019-2021 (six, in principle, beginning in 2019) to allocate 5.5 GW of capacity to wind and solar projects.

Portugal

- Existing farms are allowed to increase grid-connected capacity by at most 20% without requiring regulatory permits, with a tariff of €45/MWh for 15 years.

UK

- Government and industry launched a program with auctions every 2 years to attain 30 GW of Offshore capacity and supply 33% of the country's electricity needs by 2030. The UK had 8 GW of installed Offshore capacity at the end of 2018, according to the Global Wind Energy Council (GWEC). The next auction (contracts for differences—CfD) will be held in May 2019, capped at 6 GW of capacity.

Denmark

- Plans have been announced to auction an 800 MW wind farm (Thor). Another two identical auctions are envisaged in order to increase capacity by 2,400 MW by 2030.

Saudi Arabia

- The outcome of the 400 MW Dumat Al Jandal auction was published; the capacity was awarded to a consortium involving EDF and Masdar at USD 21.3/MWh.
- Renewable targets have been stepped up to 20 GW of wind and 40 GW of solar capacity by 2030, and the government has announced it will auction 3 GW of renewable capacity in 2019.

South Africa

- The government published the Integrated Resource Plan (IRP) aimed at moving South Africa towards a predominantly renewable model. The draft is expected to be approved by parliament and come into force before the elections in May 2019.
- Under the draft, 1,600 MW of wind capacity are expected to be installed per year between 2022 and 2030.

India

- India announced that it could auction up to 500 GW of renewable capacity to meet the goal of generating 40% of electricity from renewable sources by 2030.
- The outcome of the SECI VI auction was published: 1.2 GW at an average tariff of INR 2.84/kWh (the auction was 1.94 times oversubscribed). The SECI VII auction has commenced to allot 1.2 GW with the price capped at INR 2.83/kWh.
- Gujarat announced an additional 15 GW of renewable capacity by 2022, of which 5 GW will be wind.

[18] The amount required must exceed the volume awarded by 40%.

- Andhra Pradesh has requested proposals for hybrid projects (wind/solar plus storage) totaling 600 MW.

Taiwan

- The FiT for Offshore projects in 2019 was announced: €156/MWh for 20 years (or €178/MWh in the first 10 years and €118/MWh in the following 10 years).

USA

- The governor of New York expanded the Offshore capacity target to 9 GW by 2035, from the previous target of 2.4 GW by 2030. And the installation of 3 GW of storage was announced.

Canada

- The conditions for Alberta's fourth renewable auction are expected to be announced in mid-2019 (400 MW of renewable capacity).

Argentina

- The government extended the deadline for commissioning the projects awarded under RenovAr 2 (993 MW) due to the impact of the macroeconomic situation on the projects' access to funding. The launch of the RenovAr 3 program — 400 MW of small-scale (up to 50 MW) wind or solar projects — has been postponed for the same reason.

Brazil

- The A-4 and A-6 auctions are expected to be held in 2019, according to EPE, the state-owned energy planning company.

Mexico

- The long-term neutral auction (the fourth since auctions were introduced in 2016) has been cancelled.

Colombia

- Colombia's first renewable auction was declared to be null. Another auction is expected in the second half of calendar 2019.

2019 Guidance

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

	H1 18	FY 18	H1 19	FY 19E
Revenue (€M)	4,369	9,122	4,651	10,000-11,000
EBIT margin pre PPA and I&R costs	7.4%	7.6%	6.8%	7.0%-8.5%

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

Commercial performance in the first half enabled the group to attain 96%[19] of the mid-point of its sales guidance, which enhances the visibility of the growth guidance for the year. The lower end of the sales guidance was fully attained by March 2019. The EBIT margin pre PPA and integration and restructuring costs, 6.8%, is slightly below the guidance for the first half as a result of price pressure (as expected), an effect only partly offset by improvements in productivity and fixed costs under the transformation program, and of Onshore sales that are expected to be concentrated in the second half, particularly the fourth quarter. Accordingly, financial performance is expected improve steadily, culminating in a stronger second half.

The impact of the PPA on amortization of intangible assets was €133m in the first half and €66m in Q2 19 (€250m projected for FY 19), while integration and restructuring costs amounted to €54m in the first half and €22m in Q2 19. The forecast of integration and restructuring costs amounts to €160m (from the initial forecast of €130m) due to the acceleration of measures in the transformation program. The dispersion of the guidance for the EBIT margin pre PPA and integration and restructuring costs is due to:

- Adverse factors such as cost inflation, volatility in emerging markets and macro trends.
- Progress with the transformation program and the speed with which productivity improvements and synergies are achieved in 2019.

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

[19] Revenue coverage: total firm orders (€) received through March 2018 for activity in FY 19 (including the part executed in H1 19) / the mid-point of the sales guidance published for FY 19 (€10,000m-€11,000m).

Conclusions

Siemens Gamesa Renewable Energy ended the first half of FY 19 in an energy market that continued to transition towards an affordable, reliable and sustainable model in which renewable energy plays a fundamental role thanks to its growing competitiveness. The International Energy Agency projects that the relative contributions by fossil fuels and renewables to the energy mix will become inverted in the next 20 years. In this connection, the policies and commitments announced to date will require slightly over 50 GW of wind capacity to be installed per year between now and 2040. That volume would have to be practically doubled if the zero emissions target is to be achieved.

In this context, solid commercial activity enabled the company to attain an order book of €23,579m (+7% y/y) at 31 March 2019 and reach 96%[20] of the mid-point of its sales guidance, i.e. 16 percentage points higher than at the beginning of the year, which provides assurance of reaching the growth targets for the year. The low end of the sales guidance range, which is 10% higher than total sales in FY 18, has been fully attained. Order intake amounted to €10,924m in the last twelve months (+8% y/y) and to €2,466m in the quarter (-19%). Growth in order intake in the last twelve months was supported equally by the three business areas (Onshore, Offshore and Service), which expanded by between 7% and 8% y/y. Order intake in Q2 19 was supported by strong commercial activity in Service (+11% y/y) while also reflecting a difficult comparison in Onshore due to the division's all-time record order intake in Q2 18.

The company ended the first half with revenue amounting to €4,651m (€2,389m in Q2 19), i.e. 6% more than in the first half of the previous year (+7% y/y in the quarter) and EBIT pre PPA and integration and restructuring costs of €316m, equivalent to an EBIT margin of 6.8%, 0.6 percentage points lower than in the first half of 2018. The EBIT margin pre PPA and integration and restructuring costs in the second quarter amounted to €178m, equivalent to an EBIT margin of 7.5%, 1 percentage point lower than in the second quarter of 2018.

Group revenue growth was supported by strong performance in Offshore and Service, up 21% y/y and 24% y/y, respectively, in the first half (17% and 23% y/y in the quarter), which offset the slightly lower Onshore revenue. The reduction in Onshore revenue (-5% y/y in the first half and -3% y/y in the second quarter) is in line with the planning of project execution which is concentrated in the second half of the year, particularly in the fourth quarter. Lower sales in the second quarter reflect the impact of prices in the order book at the beginning of the quarter, as well as the scope of projects.

The pricing dynamics of the ongoing transition to a competitive market, which were built into the order book at the beginning of the year, are still the main drag on the group's profitability, though this effect was partly offset by productivity improvements and synergies from the transformation process. Additionally, returns in the second quarter of 2018 were positively impacted by non-recurring effects: the reversal in 2017 of a provision for inventory impairment and a foreign currency derivative. These factors were overcome in Q2 19 by better fleet performance and an improved product portfolio.

Net debt amounted to €118m at 31 March. The change from a net cash position to a net debt position in the quarter is due to the increase in working capital required to undertake the projected strong volume of activity (15% average sales growth projected for the year) and the greater concentration of activity in the second half of the year, as planned. As a result, working capital stood at €211m, equivalent to 2.2% of LTM revenue. Working capital was also affected by the reduction in accounts payable.

It is also important to note the major progress with the product portfolio:

[20] Revenue coverage: total firm orders (€) received through March 2019 for activity in FY 19 (including the part executed in H119) / the mid-point of the sales guidance published for FY 19 (€10,000m-€11,000m).

- The SG 10-193 DD wind turbine was presented to the market in January 2019. This wind turbine provides 30% more energy than its predecessor, the SG 8-167 DD, coupled with unparalleled reliability, providing our customers with the best possible solution for offshore projects. During April 2019 Vattenfall announced that the company will bid for the HZK III & IV offshore wind farms with the SG 10-193 DD.
- The new platform for the Onshore market was unveiled during April 2019. The platform, which includes the SG 5.8-155 and SG 5.8-170 wind turbines, provides between 20% and 32% more power than the SG 4.5-145 and enhances Siemens Gamesa's competitive position as LCoE (Levelized Cost of Energy) leader.

Annex

Financial Statements October 2018 – March 2019

Profit and Loss Account

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

Balance Sheet

EUR in Millions	09.30.2018 (*)	03.31.2019
Assets:		
Cash and cash equivalents	2,429	1,353
Trade and other receivables	1,111	1,137
Other current financial assets	171	186
Trade receivables from related companies	28	35
Contract Assets	1,569	1,771
Inventories	1,499	2,006
Current income tax assets	173	189
Other current assets	362	464
Total current assets	**7,343**	**7,140**
Goodwill	4,558	4,732
Other intangible assets	2,022	1,990
Property, plant and equipment	1,443	1,417
Investments accounting for using the equity method	73	75
Other financial assets	240	155
Deferred tax assets	368	421
Other assets	101	96
Total non-current assets	**8,805**	**8,887**
Total assets	**16,148**	**16,027**
Liabilities and equity:		
Short-term debt and current maturities of long-term debt	991	345
Trade payables	2,416	2,352
Other current financial liabilities	104	142
Trade payables to related companies	342	153
Contract Liabilities	1,670	1,991
Current provisions	731	622
Current income tax liabilities	167	164
Other current liabilities	684	706
Total current liabilities	**7,104**	**6,475**
Long-term debt	823	1,126
Provisions for pensions and similar obligations	13	11
Deferred tax liabilities	364	411
Non-current provisions	1,702	1,621
Other financial liabilities	185	148
Other liabilities	31	29
Total non-current liabilities	**3,118**	**3,346**
Issued capital	116	116
Capital reserve	5,932	5,932
Retained earnings and other components of equity	(124)	156
Non-controlling interest	2	3
Total Equity	**5,926**	**6,206**
Total Liabilities & Equity	**16,148**	**16,027**

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

Cash Flow Statement

EUR in Millions	January - March 2019	October 2018 – March 2019
Net Income before taxes	77	103
Amortization + PPA	147	295
Other P&L (*)	(1)	(4)
Working Capital cash flow effective change (***)	(226)	(631)
Charge of provisions (**)	(4)	68
Provision payments (**)	(87)	(186)
CAPEX	(108)	(189)
Adwen related payments (**)	(55)	(84)
Tax payments	(48)	(136)
Others	23	31
Cash flow for the period	**(283)**	**(733)**
Beginning cash / (net financial debt)	165	615
Ending cash / (net financial debt)	(118)	(118)
Variation in net financing cash flow	**(283)**	**(733)**

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

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

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

Key Balance Sheet Positions

EUR in Millions	09.30.2018 (*)	03.31.2019
Property, plant and equipment	1,443	1,417
Goodwill & Intangibles	6,580	6,722
Working capital	(542)	211
Other, net (**)	307	258
TOTAL	**7,787**	**8,608**
Net financial debt/ (cash)	(615)	118
Provisions (***)	2,445	2,254
Equity	5,926	6,206
Other liabilities	31	29
TOTAL	**7,787**	**8,608**

(*) Comparable after the application of IFRS9

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

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

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

Alternative Performance Measures

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

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

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

Net Financial Debt (NFD)

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

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

€m	09.30.2017 (*)	03.31.2018	09.30.2018	09.30.2018 (*)	03.31.2019
Cash and cash equivalents	1,659	1,504	2,429	2,429	1,353
Short-term debt and current maturities of long-term debt	(797)	(1,172)	(991)	(991)	(345)
Long-term debt	(485)	(445)	(823)	(823)	(1,126)
Cash / (Net Financial Debt)	**377**	**(112)**	**615**	**615**	**(118)**

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

Note: The definition and reconciliation of this alternative performance measure (APM) as of 12.31.2018 is disclosed in the Activity Report associated to the Q1 19 results.

Working capital (WC)

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

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

€m	09.30.2017 Reported Q4 17	09.30.2017 Reported Q1 18	09.30.2017 Reported Q2 18	09.30.2017 Reported Q3 18 (*)
Trade and other receivables	1,081	1,081	1,081	1,081
Trade receivables from related companies	62	62	62	62
Contract assets	-	1,243	1,241	1,241
Inventories	3,455	2,102	2,096	2,096
Other current assets	341	342	342	342
Trade payables	(2,232)	(2,232)	(2,265)	(2,265)
Trade payables to related companies	(364)	(364)	(364)	(364)
Contract liabilities	-	(1,742)	(1,745)	(1,717)
Other current liabilities	(2,645)	(696)	(696)	(696)
Working Capital	**(300)**	**(203)**	**(248)**	**(220)**

€m	03.31.2018 Reported Q2 18	03.31.2018 Reported Q3 18 (*)	09.30.2018 Reported 4Q 18	09.30.2018 Comp. (**)	03.31.2019
Trade and other receivables	1,050	1,050	1,114	1,111	1,137
Trade receivables from related companies	41	41	28	28	35
Contract assets	1,148	1,148	1,572	1,569	1,771
Inventories	1,805	1,805	1,499	1,499	2,006
Other current assets	404	404	362	362	464
Trade payables	(1,807)	(1,807)	(2,416)	(2,416)	(2,352)
Trade payables to related companies	(71)	(71)	(342)	(342)	(153)
Contract liabilities	(1,599)	(1,571)	(1,670)	(1,670)	(1,991)
Other current liabilities	(708)	(708)	(684)	(684)	(706)
Working Capital	**263**	**291**	**(536)**	**(542)**	**211**

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

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

Note: The definition and reconciliation of these alternative performance measures (APMs) as of 06.30.2018 and 12.31.2018 are disclosed in the Activity Reports associated to the Q3 18 and Q1 19 results.

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

Capital Expenditure (CAPEX)

Capital expenditure (CAPEX) refers to investments made in the period in property, plant and equipment and intangible assets to generate future profits (and maintain the current capacity to generate profits, in the case of maintenance CAPEX). This APM does not include the allocation of the purchase price (the PPA exercise) to property, plant and equipment and intangible assets that has been performed in context of the merger transaction of Siemens Wind Power and Gamesa (the business combination).

€m	Q2 18	Q2 19	H1 18	H1 19
Acquisition of intangible assets	(26)	(44)	(59)	(75)
Acquisition of Property, Plant and Equipment	(58)	(64)	(108)	(114)
CAPEX	**(84)**	**(108)**	**(167)**	**(189)**

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

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

€m	Q3 17	Q4 17	Q1 18	Q2 18	LTM Mar 18
Acquisition of intangible assets	(59)	(12)	(33)	(26)	(130)
Acquisition of Property, Plant and Equipment	(131)	(95)	(50)	(58)	(334)
CAPEX	**(190)**	**(107)**	**(83)**	**(84)**	**(464)**

Definitions of Cash Flow

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

€m	H1 18	H1 19
Net Income before taxes	66	103
Amortization + PPA	317	295
Other P&L (*)	4	(4)
Charge of provisions	131	68
Provision usage (without Adwen usage)	(178)	(186)
Tax payments	(47)	(136)
Gross Operating Cash Flow	**293**	**140**

€m	Q2 18	Q2 19
Net Income before taxes	44	77
Amortization + PPA	157	147
Other P&L (*)	3	(1)
Charge of provisions	84	(4)
Provision usage (without Adwen usage)	(114)	(87)
Tax payments	(40)	(48)
Gross Operating Cash Flow	**134**	**84**

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

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

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

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

	Q2 18	Q3 18 (*)	Q4 18	Q1 19 (*)	Q2 19 (*)
Order Intake Onshore Wind (€m)	1,834	1,166	1,985	1,793	1,167
Order Intake Onshore Wind (MW)	2,464	1,660	2,631	2,370	1,742
ASP Order Intake Wind Onshore	**0.74**	**0.70**	**0.75**	**0.76**	**0.67**

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

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

	Q3 16 (Pro-Forma)	Q4 16 (Pro-Forma)	Q1 17 (Pro-Forma)	Q2 17 (Pro-Forma)	LTM Mar 17
Order Intake Onshore Wind (€m)	1,471	1,647	1,491	1,460	6,069
Order Intake Onshore Wind (MW)	1,662	2,063	1,862	1,599	7,186
ASP Order Intake Wind Onshore	**0.89**	**0.80**	**0.80**	**0.91**	**0.84**

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

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

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

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

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

	Q3 16 (Pro-forma)			
	Siemens Wind Power	Gamesa	Adwen	SGRE (Pro-forma)
Order Intake Onshore Wind (€m)	508	963	-	1,471
Order Intake Onshore Wind (MW)	483	1,180	-	1,662
ASP Order Intake Wind Onshore	**1.05**	**0.82**	**-**	**0.89**

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

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

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

Order Intake, Revenue and EBIT

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

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

€m	Q3 17	Q4 17	Q1 18	Q2 18	LTM Mar 18
Group	1,398	2,791	2,912	3,043	10,144
Of which WTG ON	680	1,498	1,688	1,834	5,700

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

Onshore:

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

MW	Q3 17	Q4 17	Q1 18	Q2 18	LTM Mar 18
Onshore	693	2,167	2,208	2,464	7,532

Offshore:

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

MW	Q3 17	Q4 17	Q1 18	Q2 18	LTM Mar 18
Offshore	112	752	576	328	1,768

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

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

€m	Q3 17	Q4 17	Q1 18	Q2 18	LTM Mar 18
WTG	2,393	2,008	1,840	1,973	8,214
Service	300	321	287	268	1,177
TOTAL	2,693	2,329	2,127	2,242	9,390

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

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

€m	H1 18	H1 19
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	66	103
(-) Income from investments acc. for using the equity method, net	(1)	-
(-) Interest income	(4)	(6)
(-) Interest expenses	30	23
(-) Other financial income (expenses), net	(3)	9
EBIT	**88**	**130**
(-) Integration and Restructuring costs	75	54
(-) PPA impact	158	133
EBIT pre-PPA and integration & restructuring costs	**322**	**316**

€m	Q2 18	Q2 19
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	44	77
(-) Income from investments acc. for using the equity method, net	-	-
(-) Interest income	-	-
(-) Interest expenses	12	11
(-) Other financial income (expenses), net	(3)	3
EBIT	**54**	**90**
(-) Integration and Restructuring costs	61	22
(-) PPA impact	75	66
EBIT pre-PPA and integration & restructuring costs	**189**	**178**

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

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

€m	H1 18	H1 19
EBIT	88	130
Amortization, depreciation and impairment of intangible assets and PP&E	317	295
EBITDA	**406**	**425**

€m	Q2 18	Q2 19
EBIT	54	90
Amortization, depreciation and impairment of intangible assets and PP&E	157	147
EBITDA	**210**	**237**

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

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

€m	Q3 17	Q4 17	Q1 18	Q2 18	LTM Mar 18
EBIT	50	(197)	35	54	(58)
Amortization, depreciation and impairment of intangible assets and PP&E	190	238	160	157	745
EBITDA	**240**	**41**	**195**	**210**	**687**

Net income and Net income per share (EPS)

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

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

	Q2 18	H1 18	Q2 19	H1 19
Net Income (€m)	35	-	49	67
Number of shares (units)	679,488,800	679,481,738	679,481,656	679,465,922
Earnings Per Share (€/share)	**0.05**	**-**	**0.07**	**0.10**

Other indicators

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

€m	09.30.2017	03.31.2018	09.30.2018	03.31.2019
Actual revenue in year N (1)	-	4,369	-	4,651
Order Backlog for delivery in FY (2)	6,049	4,613	8,408	5,428
Average revenue guidance for FY (3) (*)	9,300	9,300	10,500	10,500
Revenue Coverage ([1+2]/3)	**65%**	**97%**	**80%**	**96%**

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

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

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

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

€m	Q3 17	Q4 17	Q1 18	Q2 18	LTM Mar 18
Order Intake	1,398	2,791	2,912	3,043	10,144
Revenue	2,693	2,329	2,127	2,242	9,391
Book-to-Bill	**0.5**	**1.2**	**1.4**	**1.4**	**1.1**

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

€m	Q3 18	Q4 18	Q1 19	Q2 19	LTM Mar 19
CAPEX (1)	92	156	81	108	437
Amortization depreciation & impairments (a)	143	185	148	147	623
PPA Amortization on Intangibles (b)	82	66	66	66	280
Depreciation & Amortization (excl. PPA) (2=a-b)	61	119	82	80	343
Reinvestment rate (1/2)	**1.5**	**1.3**	**1.0**	**1.4**	**1.3**

€m	Q3 17	Q4 17	Q1 18	Q2 18	LTM Mar 18
CAPEX (1)	190	107	83	84	463
Amortization depreciation & impairments (a)	190	238	160	157	745
PPA Amortization on Intangibles (b)	124	111	83	75	393
Depreciation & Amortization (excl. PPA) (2=a-b)	66	127	77	82	352
Reinvestment rate (1/2)	**2.9**	**0.8**	**1.1**	**1.0**	**1.3**

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

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

€m	H1 18	H1 19
Gross Profit	460	437
PPA amortization on intangibles	86	87
Integration and Restructuring costs	51	31
Gross Profit (pre PPA, I&R costs)	**597**	**555**

€m	Q2 18	Q2 19
Gross Profit	262	237
PPA amortization on intangibles	43	44
Integration and Restructuring costs	43	9
Gross Profit (pre PPA, I&R costs)	**348**	**289**

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

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

€m	Q3 17	Q4 17	Q1 18	Q2 18	LTM Mar 18
Gross Profit	307	15	198	262	782
PPA amortization on intangibles	49	38	43	43	174
Integration and Restructuring costs	-	-	8	43	51
Gross Profit (pre PPA, I&R costs)	**357**	**53**	**249**	**348**	**1,006**

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

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

MWe	Q3 17	Q4 17	Q1 18	Q2 18	LTM Mar 18
Onshore	1,488	1,384	1,651	1,397	5,920

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

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