Rapid TopCo GmbH

Senvion GmbH

Analysts and Investors Conference Call

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15:00 pm CET

Andreas Nauen

Hello, everyone, and good afternoon to all of you and first I would like to thank you for making the time to join us on Senvion's investor conference call in which we would like to share with you the results of H1. Today I am joined as also in the recent meetings and recent phone calls by Manav Sharma, our CFO, and Dhaval Vakil, our Vice President Capital Markets and also he's your contact partner and leads our investor relations team.

I'm sure you had the chance to go through the investor presentation and the half-yearly results which we made available for you on our website and as promised you also will find there the restated past financials in our presentation for your reference and I remember there were quite a number of questions around that in the last call. Please note of course that these numbers are unaudited, but I'm sure you will still find them useful to better understand our business and to understand Senvion. Of course Manav and also Dhaval separately will take you through this later in the call today.

First before we get to the numbers I will share with you some details on our overall performance in the first half of this year and then Manav will talk about the financial performance for the period and including our achievement on the working capital side, which has been outstanding. As announced, we will then answer any questions you may have.

So, first, the key takeaways from our operational business: We have delivered solid growth in the first half-year with a revenue growth by about 20%. This was mainly driven by a few key markets like Germany, the UK, Canada, and some other European markets, but both onshore and the service division have seen growth over this first half-year. In terms of markets, Germany and the UK will continue to drive our business in the short term. However, due to changes in the regulatory system that you surely have picked up, both markets are likely to see a short-term froth in the annual demands.

In fact, Senvion's UK operation will experience a record growth installation next year as developers clearly rush to complete their projects under the expiring government support system and – as you will see – we also successfully intensified our sales effort in adjacent countries to account for any downturn that we see in France or in other countries at the beginning of this year. In hindsight that has helped us a lot in supporting the revenue growth that I shared with you.

Moving from the markets to our product offerings, I am extremely happy about the launch of our latest turbine. It's a 3.4-megawatt turbine with a 140-metre rotor diameter. We launched that in Q2 of this year at the Husum wind exhibition and this new turbine is clearly industry-leading in its segment and a testament of our enhanced R&D activities. The turbine has been developed for lower wind class sites and delivers about 20% more energy than its predecessor, our 3.0M122. We have already started offering that turbine to our clients and the feedback from the market is hugely encouraging. We had launched it at Husum and immediately we had questions from our customers in Germany and in other countries about delivery times, about prices, and therefore we're very confident that the expansion of our 3.XM portfolio with that addition that will make a considerable contribution to our future revenues.

It's also a big step forward to meeting our goal for lower Lifecycle Cost of Electricity, which the industry as well as Senvion has been working to and gradually but substantially reducing the cost of electricity. The 3.4M140 is only one of the products that we launched in the last six months. This is in addition to our 3.2M122 turbine for other site conditions.

Also the change in our ownership structure with the takeover by Centerbridge we have started to clearly increase our R&D spend and some of the developments are already visible and these new products coming into the market. We also increased our R&D support by our new R&D

centre that we just opened in India, just to show you a few practical examples of activities and results. As you can see, we have now a much larger and diversified portfolio in the three-megawatt segment and this will clearly be the backbone of our business in the future.

During the H1 period, we installed 915 megawatts compared to 907 in the same period of last year and we look forward to a busy installation period in the second half of this year. Our order intake has increased to over 1.4 billion in the first six months and this is driven by the performance of our offshore division in Q1 and good growth in our order intake also in our onshore business. Just to give everyone a quick comparison, our full-year order intake for FY15 was 1.6 billion and we are on track to easily surpass that figure this year with 1.4 billion after six months.

As a result of that, our order book continues to be healthy at around 5.4 billion on the 30th of September. You can split that into three buckets: It includes 2.1 billion of firm orders, 1.4 billion of signed contracts which we expect to convert into firm orders, as well as 1.9 billion of our service order book. Our turbine order book has grown around 9% on a year-on-year basis, which provides good visibility for the future.

Also a few other remarkable milestones that we achieved in Germany. We installed our 2,000th turbine over there and also in H1, we were the second-largest turbine supplier in the German market and this is also quite an achievement for Senvion.

I would also like to provide a quick update on the offshore blade loss. As a quick recap for those who hear about that the first time, one of our offshore wind turbines at the Nordsee Ost offshore wind farm in Germany suffered a blade loss in June 2015. At that time we immediately stopped all the turbines in the wind farm and implemented emergency safety measures. I'm happy to inform you now that all those turbines (including the turbine with blade loss) are back in operation. Also

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the turbines that we had shut down temporarily due to that incident is back in operation. We are still jointly working with the client and independent third parties on the final root cause analysis and a formal report will come out in a couple of months.

We have the longest operational track record in the five-megawatt-plus segment with almost one-gigawatt installations in that segment since 2007. We provide enough comfort with that track record also for the future projects and I mentioned earlier to you that we have signed two further orders of that turbine, so we are very confident that we will implement them successfully.

With that we'll look back to the first six months of our operational side I would like to hand over to Manav Sharma, our CFO, to discuss our financial performance.

Manav Sharma

Thank you, Mr. Nauen. A very warm welcome from my side and a good morning, afternoon, and evening to all of you. Before we get into our financial performance, I would like to give a quick update on the two commitments that we made earlier relating to our cash release from the working capital as well as to our restated financials.

On the point of working capital, I am pleased to report that our successful reduction of working capital is ahead of the schedule. The working capital as of end of quarter two stands at 2.5% of our total performance, much lower than the 8.1% at the beginning of the year. This has been made possible by achieving efficiencies in our inventory levels, improvements in our advanced payments and certain process and efficiency improvement initiatives internally.

In terms of absolute levels, last year we had €179 million tied up in working capital. About six months ago that number was €157 million. As of September we had a working capital of only €55 million. That's an absolute saving of around €120 million-plus over the last one year and roughly around €100 million-plus in the last six-month period. I would also like to state that going forward we are still committed to finding further opportunities to release more cash out of our working capital. However, those opportunities might be relatively smaller.

Turning to our restated financials, as we promised in our last call we have provided the full quarterly unaudited restated financials of the last two years and unaudited restated annual financials for the last three years. To make it easier for everyone to understand, we have also compared our new financials with the old financials and you will see that there is a very marginal difference between the two on an annual basis. As mentioned earlier, there is no change to the cash flow statements or underlying cash levels. Our objective has been and is to make sure that all of you are fully comfortable around these changes that have been made and to allow you to see that accounting policy has not materially altered our annual results. We are grateful for your support and patience during this period and if you still have any questions around the restated financials, our IR team will be more than happy to assist you through those numbers.

As we have started provided the financials of Rapid TopCo, we have also provided a bridge this time with the operating entity, the Senvion GmbH, to highlight that only major difference is in the interest cost, which is driven by interest on the high-yield bond and non-cash accrued interest on our deeply subordinated shareholder loan. As Rapid TopCo has made this acquisition in April 2015 only, for your benefit we have provided the Senvion GmbH data wherever appropriate, to allow you to see the comparison.

Coming to the results, I am pleased to report a growth of 57% in our EBIT in addition to 20% growth in our revenues and 32% growth in our total performance. This also demonstrates our successful efforts in driving cost efficiencies around the company. Our EBIT margin has also improved on a year-on-year basis, which is driven by volume effect, fixed cost controls, and a better product mix. Our net debt now stands at €174 million, which means that we are at a net debt EBITDA level of close to 1x. We expect this to be under 1x before the end of the year. Our free cash flow generation has also been very encouraging, mainly driven by the working capital initiative. At the end of the quarter we had a total available liquidity of around €361 million including cash and unused facilities with our banks compared to €332 million at the beginning of the year, from which we had up streamed about €177 million of cash.

I will now hand the call back to the moderator to introduce the Q&A session and open the line to your questions, which we'll be more than happy to answer.

Operator	Thank you. Ladies and gentlemen, at this time we will begin the question and answer session. Anyone who wishes to ask a question may press star followed by one. If you wish to remove yourself from the question queue, you may press star followed by two. If you are using speaker equipment today, please lift the handset before making your selections. Anyone who has a question may press star followed by one at this time. One moment for the first question, please. First question comes from the line of Felix Fischer of Lucror. Please go ahead, sir.
Felix Fischer	Yes. Thank you very much for the presentation. Very good results… congratulations. My question relates to the guidance. What is the EBITDA level that you expect for full-year? Any update there?
Manav Sharma	Thank you, Felix. The line is breaking up a bit, but I understand your question is about a guidance on the results. I think as a company policy we do not give a guidance of the company. However, given the trends that we are seeing, we are of a belief that our initial guidance of 'stable to growing' EBITDA for the company still holds true very strongly.
Felix Fischer	All right. Thank you. That is already all from my side.

Operator	As a reminder, ladies and gentlemen, if you'd like to ask a question, please press star followed by one. Next question comes from the line of Peter McCandless of Nomura. Please go ahead, sir.
Peter McCandless	Yes. Just to follow up on that previous question, I was wondering, what is the normal seasonality of the business under the new accounting format? Would it be correct to think that in a typical year EBITDA might actually be somewhat higher in the second half than the first half?
Manav Sharma	Thanks for the question, Peter. One of the things that we did highlight at the change of the accounting policy last quarter was that the business will be subject to more fluctuations as we go along as we basically drive the business more by installations rather than by production, which you can smoothen and installations cannot be smoothened. They follow the business.
	It's difficult to say whether the business is seasonal or not. I'll give you a very simple example. In some countries the policies mandate a change of the feed-in tariffs by end of the quarter. Those countries are more driven by push towards the end of a quarter. In some countries the feed-in tariff changes towards the end of a year and those countries will always be driven towards the end of the calendar year for the lift in installations. Our expectation is that generally going forward, we will see mostly Q2 and Q3 to be more stronger quarters than Q1 and Q4 However, that is the best indicative view that I can give on a standalone standard business scenario, but given the changes in the environment across the world, it's very difficult to measure seasonality, but I must admit we do expect a certain level of seasonality as we go in our future.
Peter McCandless	And in terms of advance payments from your customers, do you still see meaningful upside from here in the medium term? If so, would that be due to better terms or just simply higher business volumes?

Manav Sharma

Peter, if you think about wind and the goal that this business has of trying to march towards grid parity, we are a very competitive business and therefore we have to compete from outside the business as well as within the business itself and that basically means that we do not expect any major changes to the advance payment terms from the customers. However, as we go in a process of trying to find avenues to grow our business, if and when we are able to grow our order book you will see that the absolute amount of value in our customer advances will increase. However, that is subject to business growth and depends primarily on that only.

Peter McCandless

Thank you very much.

Operator

Next question comes from the line of Naveed Mukhtar from Pramerica Investment Management. Please go ahead.

Naveed Mukhtar

Hi, this is Naveed Mukhtar from Pramerica. Just a couple of questions. In terms of working capital, can you just spend a few minutes just explaining where your over-performance has occurred compared to your initial expectations? And what kind of level is the 2.5% now; how much below industry standard is that? What kind of sustainable level do you expect that to be?

Secondly, just what you're seeing in terms of the markets in terms of regulations. Could you just talk about anything that you're expecting over the near term? That would be useful. Thank you.

Manav Sharma

Hi, Naveed. Thanks for the question. Your question has basically two parts: the working capital performance and changes in legislation. I'll answer the first part and Mr. Nauen will take the second part.

Where is the performance driven in terms of working capital? The performance is fundamentally driven from – as we highlighted in the last call – the change in accounting policy. As our installation becomes the lead driver of business revenue, the incentive, inclination and the motivation to prebuild the stocks goes out of the window. That basically means that the inventory levels start coming down. That’s the first major lever.

The second lever as we straighten up our policies, our payment principles and obviously renegotiate payment conditions with our vendors. That’s the second lever that adds to our working capital.

The third lever which is equally important for us is the growth of our business. We have a pretty solid order book now, which is a result of very solid performance of order intake in the first half of the year. That basically turns into advances from customers. At this stage those three have been the leading factors that have helped create our performance on working capital.

In terms of where we are on the industry standard, when we met for the high-yield bond roadshow, I clearly highlighted that we were amongst the last few of the sector. I do believe today we will be amongst the top three of the comparable sector companies. Having said that, we do believe as initiatives unfurl over the next few months, if you remember the original discussion, we said we will have initiatives going on for at least 18 to 24 months, we do believe that even in the short term and the medium term we will continue to see a certain level of synergies and further efficiency improvements. I would not like to guide towards a number, but we do believe that there is an upside that is possible as I said in my opening note as well.

I think that business will define over time with what number are we comfortable with. We try and enter new countries, new geographies, new business models; so, it’s a changing story. However, our aspiration and drive will be that we first of all consistently deliver on our commitment to try and meet the industry benchmark on our working capital as well as making sure that efficiency is a part of our business from here on. I’ll go to Mr. Nauen on the second question.

Andreas Nauen: Naveed, if I understand correctly, the second question was about the regulatory environment in which we work. Correct?

Naveed Mukhtar: Yes. It was.

Andreas Nauen: Maybe I'll pick on a few of the very important markets that we are dealing in because they will then cover a lot of the volume that we currently execute or will go for. Let me start with offshore. The regulatory environment in the markets that we deal has stabilised over the last 12 to 24 months considerably. We are interested in markets like Germany, like Belgium, like the Netherlands and that the environment has stabilised. That you also can see in the order intake that we could convert in the first six months. I repeat again that we signed 660 million of offshore orders in Germany because finally after a long gestation time, these projects could reach financial close and turn into real orders. So, clearly on the offshore side after a long while of ups and downs, it's stable now.

Then you have another country like the UK. I mentioned that early in my introductory speech. The UK has a short-term positive effect. We'll have record installation next year because customers rushed to us and literally over weekends customers signed up for turbines for next year because they saw the change coming and I think we did an extremely good job in harvesting that opportunity. We are now working on the time after that rush and luckily the customers that won a major share in the auction system for the time under the new regulatory regime are some of our main customers and we are now very closely working with them to sign up for the time thereafter.

Another extremely important market for us is Germany and there was quite a nervousness about a year ago that the change of the German rules might reduce the market considerably. As usual when you have such things coming up, afterwards everybody believes that there will be a good continuation in the German market on the level of somewhere between three to four gigawatts. If you consider that's our most important market – we are currently number two in the first six months - you can also see that we have then a very stable situation. I'm also not nervous about the change to the auction system.

Like, in Italy we have now harvested out of the first auction tranche quite a share. There's also one outstanding country where I really can't find any negative effect but only positive: that is Australia. Australia after one year of hesitation, embarked on a new regulatory regime with a clear target for renewables for wind up to 2020. Australia was in the last few years an important contributor to our revenue and success, that will help us to keep our business growing.

So, overall you see changes. I gave you a few examples, but first we can deal with them and they offer some upside because we are present in so many markets..

Naveed Mukhtar

Thanks for that. I just wanted to just follow up on the working capital response. I understand the different approach on installations which is driving it. You mentioned that the improvements in working capital were actually better than you expected. Where were they better than you expected compared to prior year or industry benchmark?

Manav Sharma

I think, Naveed, you have to blame two things for that. Number one, when we started on this we had a track record of three to four years of working capital that is significantly above the industry standard. Practically it's a bit of an exploration journey for us as a company to really try and figure out what we can do.

Secondly it's a full credit to the company The way our colleagues in the supply chain reacted, the way guys in sales reacted in terms of getting advances on time, the way the project management team reacted in being able to consistently deliver returns of advances of our payments from customers was great. When you see that kind of response from the organisation, it's

	difficult to plan for that when you're trying to make a reliable, deliverable forecast. So, it's a mix of some pretty solid, consistent performance across the functions and our own defining the numbers that we know that we can commit to and deliver on.
Naveed Mukhtar	Thank you.
Operator	Next question comes from the line of Tom Hemmant of Invesco. Please go ahead, sir.
Tom Hemmant	Hi, there. I have a question in terms of other potential markets. There's a small mention in the slide pack and I was wondering if you see India as potentially quite a big growth market. I mean, is that something you can access or is there anything to stop you accessing that given sort of that you were spun out of Suzlon?
Andreas Nauen	I think first we have to decide whether I answer that because it's my direct responsibility or we ask Manav to answer it because he's Indian.
	In our past ownership structure, accessing India was a little complex for various reasons and now under the ownership of Centerbridge we now can focus and do what's best for Senvion. As you correctly say, Tom, India offers a vast growth opportunity. It's a five-gigawatt market over the next few years and this is nearly as half of Europe and therefore we have developed as part of the new strategy that we developed together with Centerbridge. India is one of our future growth markets and it will help us also to drive our business beyond our current markets and offers stability. If there is a change here, we are present in another country. So, we see quite some opportunity to go to India.
Tom Hemmant	And are you equipped to sort of sell there or would it require capex for factories and things like that or are you ready to go to sell there?
Andreas Nauen	When you ask us, are we equipped to do that, we already manufactured turbines in India in the past. In the Suzlon times we already bought blades in

India and we also assessed what product is needed for India and our two-megawatt platform is equipped or is the right platform for India, so I think we can access India with reasonable effort. We of course have to establish an organisation there, a sales force, but you saw also that we started with engineering in India and doing that already in that country will also support that.

Tom Hemmant	Thank you.
Operator	Ladies and gentlemen, if you'd like to ask a question, please press star followed by one. We have a follow-up question of Tom Hemmant of Invesco. Please go ahead, sir.
Tom Hemmant	Hi. Sorry. Just another quick question. I'm still trying to catch up with these accounting changes. within terms of the working capital improvement: how much of it is due to the accounting change? And I mean, maybe another way to ask: Has the improvement resulted in releases of cash? I'm a bit concerned that some of it is just because of the accounting change.
Manav Sharma	Tom, I think before I get into that question. Your last statement also concerned me a bit when you said that you are a bit concerned that this is because of working capital change. If you can help me understand, what concern will you have there, so that I can answer that question much better.
Tom Hemmant	Sorry. I suppose I'm concerned that optically it looks like there has been this big improvement in working capital and we might normally think that, that results in better cash, but I wonder if it's just suddenly come down because of the way you've changed your accounting.
Manav Sharma	No. I think there are two important parts to it. That accounting change has created a definite sense of efficiency in the company and that helps big-time. That's a given. The fundamental reason to change that was basically to incentivise and structure and operate the company around, recognise what you sell rather than recognise what you produce. The

barometer of how I personally think about working capital is always the cash in bank. I know cash in bank looks small in terms of the absolute amount, but we have to remember that we had €177 million or roundabout that of upstreaming for the acquisition.

Once you add that number back to our current cash level, you get to a number that crosses €400 million and that basically is the result of what you see. In totality that the cash of the company has come up considerably from a level of €300 or €330 million to a level of about €400 or €420 million and that in itself cannot be an accounting change. That basically is clearance of inventory. That is because that was cash stuck in our shop floors and when I was doing the high-yield roadshows I was very categorical about that part. Our intention and aspiration is to convert the inventory that is lying on the shop floors of the company into cash in our bank balance because we also have to give adequate comfort to our shareholders and bondholders that the company has the wherewithal to have that much of cash and be competitive with the sector at large.

Tom Hemmant	Thank you.
Operator	Ladies and gentlemen, if there are any more questions, please press star followed by one. We have a follow-up question of Ryan Phillips of Henderson. Please go ahead.
Ryan Phillips	Hi, there. Congratulations on the results. Your guidance for leverage at year end you said is sub-one times. Where you do see your optimal leverage going forward and do you see yourself aiming for that? I think you've got a dividend lockup until you're three-quarters of a turn levered. Do you think you'll start getting sub-that and then start paying dividends? I'm just wondering what your thoughts are on leverage medium-term?
Manav Sharma	Looking at where we are, I do see a definite opportunity for the company to create more cash. Side effect of having that cash is that it improves our leverage ratios. We are targeting for a sub-1x

level of leverage ratios. Whether that is now 0.75x or 0.6x, but frankly at this stage it's a bit premature because the company is going through a process of identifying sustainable working capital savings. I would request for some more patience with me as I go through this process and the team goes through this process. As we crystallise on, what is the real working capital saving. Let's see, where do we stabilise at, but we do believe that over the long term the company should be able to have a net debt-to-leverage ratio which is significantly lower than 1x. However, this is subject to the business decisions that we make as I highlighted in my previous comment.

Ryan Phillips — Thank you.

Operator — There are no further questions at this time. I would like to pass back to Andreas Nauen for any closing comments.

Andreas Nauen — If there are no further questions, then again many thanks for your time today. We will upload the transcript of this call to the website in due course and in the meantime Dhaval - interestingly in my script it always says, our investor relations team is always available. That means Dhaval is available to help you and address any questions you might have afterwards when you've had the chance to go through the numbers again or whatever comes up in the coming period. So, thank you very much. I wish you a good Friday evening and have a good weekend. Thank you.