

Senvion S.A.

Analysts and Investors Conference Call

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Speaker key

JG	Jürgen Geissinger
MS	Manav Sharma
FF	Felix Fischer
HD	Haiyan Ding
PD	Pinaki Das
RF	Roy Fliers
DW	Dave Wheeler
RM	Ryan McGahon

Jürgen Geissinger

Thank you very much for the introduction. To all of you a very warm welcome to everybody and I thank you for taking the time to join us today for Senvion's investor call for the short fiscal year ended in December 2015, which is new and I think Manav Sharma who is joining me here will explain that afterwards as we have changed the fiscal year.

Manav Sharma, our CFO, is also with us here and Dhaval Vakil, our Vice President Capital Markets, whom you know pretty good, is also here at the table and at the phone. Just a couple of words about me because I probably need to introduce myself as we have not met so far as the bond was issued before I joined the Company. I'm here now since December in the Company and I was for almost 15 years with the Schaeffler Group before. I did a lot in the Schaeffler Group about building that company, started there with a company of €2 billion and then ended up with €13 billion and in addition with the continental. I think a company which was very successful, in my time at 15% EBIT, and it is still very successful. Before that I was with ITT, mostly based in the US.

So, I'm very excited here for taking over the job here in Senvion as this is a great technology-based company and I think there is a lot of opportunities what we can achieve in the next couple of years. There is a lot of room for improvement, for growth and for technology and market growth and I think this is exactly what I like to run as a business, having done basically everything in this industrial world. Let's dive into the business and in my day by day work I see a lot of opportunities what we will achieve.

Even there are a couple humps there in the market right now and ups and downs but, on the other hand, there are lots of extremely positive things what we are seeing in the future. I hope all of you have had a chance to read through our investor presentation and our annual report for both the Senvion GmbH but also the Senvion S.A., basically the listed company.

On this call I will share my take on Senvion's operational performance in the fiscal year. Manav will then talk about our financial performance for

the period including the key changes on the accounting side due to the change in the fiscal year what we have done. Finally, we will then open the call up to any questions from all of you so we can talk about the things what's driving you.

Now, let me start with the most important development of our company, Senvion S.A.. It got listed on the Prime Standard of the Frankfurt Stock Exchange on 23 March. The listing was achieved at a valuation of €1.02 billion with a free float of almost 29% assuming the exercise of a full green shoe option of 15%.

All of us, especially our dedicated finance team led by Manav, put in great efforts to achieve this listing and at the end of the day it was successful. The listing will help us a lot as we continue to increase Senvion's global profile by expanding into new markets and being a transparent listed company helps us also a lot with the aim to accelerate our growth abetted by access to the capital markets but also for our customers who are really able to see our company and to see our financial performance.

Due to the listing 2016 has had an exciting start and the year 2015 also had been an eventful year for us. Following Senvion's acquisition by Centerbridge and Arpwood Partners in April 2015, Senvion regained momentum and strategic flexibility, allowing it to improve its balance sheet on the one hand but also to enter into new markets. As you all know, that Senvion was somehow restricted in restraint due to the Suzlon ownership and this has gone with Centerbridge and now all the markets are open for us and we take that opportunity for the future growth.

The Senvion team achieved many milestones. Here are just a few of our key achievements:

We adopted an increasingly international-oriented strategy to drive growth in new but also in existing markets.

We increased our focus on R&D. Basically we doubled our R&D expenses and that gives us a boost into the development of new products.

Especially the launch of our Senvion 3.4M140, which is the low wind turbine, will be even more accelerated due to the possibilities and the focus on R&D what we have.

Gains in our order book is the third point of achievement and the margin improvements that we also have achieved.

In addition to that, there was a quick reduction of working capital to match the industry average.

And also our continuous growth is also reflected in our increased market share. In 2015 we gained more than 4% market share in EMEA, in Europe and Middle East, larger than any other turbine player. Our market share last year was 11.7%, coming from 7.5%, making us the fourth largest in the region as per the MAKE Consulting report in 2015.

In terms of the operations, we achieved revenues of €2.1 billion with an adjusted EBIT of €154 million at a margin of 7.2%. Our revenues grew by 11% at Senvion S.A. and 15% on Senvion GmbH level. This is just a consolidation issue and this is the difference. This was driven by growth across Canada and UK and other European markets. Both the offshore and the service division experienced satisfactory growth over the first half of 2015.

We also reduced our working capital level to negative €100 million or, roughly, negative 5%, which equates to a net cash generation of €259 million. That is a very positive cash generation and the only negative number, what we like, is negative working capital. This is reflected in our cash balance of €419 million and we ended the year with a net cash positive despite a bond of €400 million and upstreaming €178 million to our shareholders.

We also installed 1.4 gigawatt in the fiscal year 2015 and 1.7 gigawatt in the calendar year 2015. That was very successful, what we have achieved there, and we are looking forward to go even more into that direction.

We ended the year with an order intake of €1.7 billion in just nine months, surpassing our full year order intake of €1.6 billion of the full year 2015. Our order intake in the calendar year 2015 was €2.2 billion. As a result, our order book continues to be healthy at €5.4 billion as of 31 December. This includes €1.8 billion of net firm orders plus €1.6 billion of signed contracts as well as, and this is very important, €2 billion of fixed orders in our service order book.

Our numbers reflect that Senvion has a proven record of growing and maintaining its share in core markets. Going forward our growth strategy is pretty clear: We want to win market share in our existing markets. We will do this by implementing a country-specific strategy and a strong entry in the low wind market segment with our latest new turbine, the 3.4M140. MAKE Consulting announced that turbine as best in class for the segment and we all know that Senvion was not very strong in the low wind segment in the past. Therefore this will open us a great opportunity, winning additional markets which we did not have access to in the past.

In addition to that, we are going to enter new markets. We continuously identify and enter markets where our existing products fit and where we can benefit from building a local presence. We are developing upon existing client relationships, which is very supportive for us but we are supporting our clients also and we will follow them into selective new markets. And under the new strategy Senvion aims to increase its addressable market reach by approximately 60% in gigawatt terms as we had not access to this market, as I mentioned right at the beginning of our call, due to the Suzlon ownership. Now, as the markets are open for us, we have said we will go to all these markets we want to go, which is South Cone and also the Nordic region but also very important is India. And we have quite some success in these markets already but we can talk about this later on.

In order to achieve our targets we need the right staff as well as the right management team with the right experience. And that is something we are convinced we have. With the beginning of 2016 we have strengthened our management team and

appointed our new COO, who is Christoph Seyfarth. Christoph Seyfarth has about 20 years of professional and management experience in the industry. He is coming from Nordex and having been with Magna and Mercedes Benz before. He is, as I am, also coming from the auto industry. The main focus in the auto industry are cost reduction and also the strategic development on the technology side. And I think this is a good combination, with a very experienced management team we have in Senvion coming from the REpower days and also being long-term in the business.

Also, for India we have appointed Amit Kansal as the head of our Indian subsidiary and this Indian subsidiary is growing pretty fast. Kansal has over 23 years of overall experience and which the last 12 years have been spent in the power of renewable sector. We have already opened our sales office in North India and you all know that for quite some time we have our Indian offshore group for R&D which we are growing consistently. Therefore we also will take benefit from that they were going to develop turbines which will perfectly fit to the Indian market and I'm sure we are seeing very soon a great success there.

In summary, I believe Senvion is geared for growth and well positioned to capture the international opportunities. I will now hand over to Manav Sharma, who is our CFO, and you all know him pretty well from all the discussions when we issued the bond. He will discuss with you our financial performance for the short fiscal year 2015 and to explain various accounting changes and adjustments. Thank you very much and, Manav, please go ahead.

Manav Sharma

Thank you, Jürgen. Good morning, everyone, and thank you for joining from my side as well. The last few months have been very busy as we prepared for the listing. I'm also very thankful to all of you for your patience and support during this period as we made a lot of changes which made our reporting somewhat complex, especially within the limited timeframe that we had. As you imagine, this was indeed done to get the Company prepared for a listing as we had to align our policies and reporting with the market standard.

All of these changes and improvements have now been completed as of end of December 2015. I would also like to take this opportunity to explain various changes that we have made since we last reported.

The first change: We altered our financial year ending from end of March to end of December. This aligns us with a reporting standard of our peers in the industry that we operate in. As a result, we have a short fiscal year of nine months at Senvion GmbH level from April 2015 to December 2015. We call it the short fiscal year.

The second change that we have done was that we have changed our reporting entity one level higher to Senvion S.A. to align all our future reporting to the market. Just so that you are aware, Senvion S.A. is the holding company of Senvion TopCo and it's also the listing entity for the private placement that we just had. Going forward we will have only one investor call for both equity and bondholders to give you access to maximum information and to inform all of you at the same time. Senvion S.A. already follows a calendar year reporting which is why we have provided Senvion S.A.'s annual report on the Company website. Please note that the reported Senvion S.A. financial statements only consolidate to about eight months of Senvion GmbH as the acquisition was completed on 29 April 2015. This is important to note because at times people look at the Senvion nine months results and do not find them matching with the Senvion S.A. results. It is primarily because in April the results had to be excluded from those numbers as the acquisition was done on end of April.

The third change that we have done is that we have voluntarily restated our past three financial years the reports to accounts for the accounting policy change. During the actual results call we shared with you our unaudited financial statements. We then got them audited to get ready for the listing and therefore we voluntarily got them audited. The audited financials are now available on the Company site. Please note that post the audit there have been some small changes to the figures compared to what we have previously

reported. All such changes have been reconciled in the presentation, I believe page 16 of the Annual Results Presentation.

I would also like to provide a quick update on the offshore blade loss incident as some of you have asked that question and we have mentioned in some of our former calls. Following the blade loss in June 2015 we conducted an internal investigation which demonstrated that there are a small number of offshore blades where anomalies were present. There are small cracks in a particular area of the blade, closer to the root of the blade. The investigation is still ongoing; however, based on our preliminary findings we believe that the potential anomalies can be addressed by an optimized design and retrofit measures for the existing blades.

Further examinations are being conducted together with the suppliers, our customers and external specialists to validate potential causes and verify the solution. However, we believe we are on a good way. As we still are evaluating the root cause, we cannot exclude that there may be precautionary measures on the blades of a similar type to prevent potential anomalies that may occur during the lifecycle of the blades. However, what is important to understand, that there are 50 such blade sets of which only 24 are offshore, 8 are installed onshore and 18 are lying around in our factory. So, the issue is contained within a known set of small number of blade sets that are affected today.

To cover this we have decided to set aside a provision totally about €96 million to cover the complete costs. As this relates to blades installed in the past, the provision is spread over the three years for about €82 million and €14 million were provided for the fiscal year totalling to €96 million. We expect to complete the retrofit exercise around 2018. It is important to note that all of these numbers have been included in the financial results that you see completely.

I would also like to touch on a few adjustments that we have shown in our numbers. There are actually two.

Firstly, the acquisition-related transaction expenses and interest cost breakup. Our holding company Senvion S.A.'s financials for the last year include consultancy fee, bank fees, etc., relating to the acquisition of Senvion by Centerbridge from Suzlon. We also carried a shareholder loan on our books as of December 2015, which has now been converted to equity to facilitate the market listing. As a result, we also had a non-cash interest charge on this loan. Needless to say, we don't expect these costs to recur and therefore we have adjusted our EBITDA for a better like-for-like comparison of the operating performance of the business. For a complete breakup you may refer to slide 17 of the presentation that has been provided.

The second adjustment is a purchase price allocation adjustment. The acquisition of Senvion Group by Senvion S.A. via its subsidiary, Senvion Holding GmbH, has been accounted for using the acquisition accounting method in accordance with IFRS 3. As per IFRS 3 the identifiable assets, liabilities and contingent liabilities acquired for measure at their fair value as of the acquisition date, which meant a step-up of intangible assets values and deferred taxes. These type of values are required to be amortised over several years. This is purely non-cash line items and arise only due to the acquisition and due to accounting rules around acquisitions.

In slide 18 of the presentation we are also providing an estimate of the yearly amortisation for the next five years for your ease of reference. In the past year the PPA impacts were in COGS as it led to allocation of profits. The other operating income, as there was a badwill because the accounting book value was marginally higher than the acquisition price and therefore that had to be written off and then the provision for amortisation and taxes. Going forward it will only impact the D&A and taxes line of the P&L statement and we will always show the PPA impacts to gain your understanding as they do not in any way impact operational performance or cash flows of the Company.

We have tried to present the financials and changes as best as we can in our investor relations presentation and we sincerely hope that it

helps you in your understanding. To provide maximum clarity, we have circulated not only the annual reports of Senvion S.A. and Senvion GmbH but also the pro forma notes of Senvion S.A., showing the pro forma adjusted P&L for calendar year 2015 after adjusting for all the one-off expenses that have been called out explicitly in page 16 of the presentation. I would request you to contact our IR team if you have any further questions regarding these items.

Coming back to our financials, I'm pleased to report our continuous success with our working capital reduction. The working capital that started at the beginning of 2015, when we came to you with the bond which was at 8.1%, we managed to finish the year at negative around 5% as a percentage of our revenue. It has been one of our core commitments to our bond holders from the time of listing the bond and marketing the bond to you, that we will be able to find working capital improvements and it pleases me a lot to highlight that we have been able to achieve and overachieve that commitment in a nice fashion.

In terms of our results, we have achieved an adjusted EBITDA of almost 10% and an adjusted EBIT of almost 7.2%, a significant improvement over the last year. We hope to achieve margins around similar levels in this year. We also have managed an adjusted PAT of €63 million at Senvion S.A. after adjusting for the PPA.

For the calendar year 2015, the improvement in margins was driven by the volume effect, the fixed cost controls, a better product mix and a stringent cost reduction programme in the company, which Jürgen just talked about improving it further. We ended the year with a cash level of €419 million, which means a €3 million of net cash or minus 5% working capital, a robust improvement compared to FY15 end.

With this last remark I will now hand the call back to the moderator to open the line to your questions which we will be happy to answer.

Operator

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 on your touch tone telephone. 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 connection. In the interests of time, please limit yourself to two questions only. If you have a question, please press start followed by one. And the first question is from the line of Felix Fischer of Lucror. Please go ahead.

Felix Fischer

Yes, thank you for hosting the call and congratulations on a stellar year and the listing. The first question is on the provisions that you took for the faulty blades or the cracks in the blades, €96 million, since the blades impacted. Is this also in relation to the blades that had to be replaced at the RWE Energy Wind Park or is that something different? And how is the estimated cash impact, if you can say anything on that?

And a second question on India and the outlook. What do you believe is your key competitive advantage in India and can you share with us how much orders do you expect to receive in India, looking ahead? Thank you.

Manav Sharma

Thank you, Felix. I'll take the question on the provisions and Jürgen will talk to you about the India market. In terms of provisions, the €96 million is provided for all the 50 blade sets that Senvion has ever produced for the offshore business. That means it covers the universe of all the blade sets. Frankly, we have a problem which is fairly restricted to 50 sets and therefore I know it leads to that question but the full universe has been provisioned as per our standards.

Why did we do this provision is important to understand. There is a risk that the blades may not last the full lifecycle of 25 years. Senvion went proactively to its customers and told them that this is something that we believe we can solve. We also believe that the next set of blades that we are installing can be done with a new, much more improved design, and therefore can be absolutely defect-free. And the combination of these two factors led us to calculate, which we believe in a fair fashion, what should be the cost of replacing and repairing the blades.

We do believe that the cost of replacing and repairing 50 sets of blades at €96 million is a fair representation and therefore we do feel comfortable about the number that we have taken. The blade sets that we are talking about, the 24 sets that I said are installed offshore, actually are installed in the Nordsee Ost wind farm with RWE Innogy. We have been very transparent in our communication with the customer and have been able to make sure that every step in this process we have had agreements and alignment with the customers on this.

We do expect the cash flow to happen over the next three years, to go through our balance sheet to convert provisions into accruals being used and then the cash flow flowing out. We do believe that the Company has the wherewithal to take care of any such issue, given the liquidity that the Company has in cash terms of more than €540 million. We do feel confident in being able to manage through this three-year topic from within our operating cash flows without even touching the company cash.

I'll hand over to Jürgen to talk about the India market and why we believe we can be successful there.

Jürgen Geissinger

Okay, thanks, Manav. If we are looking to this whole market in India, we are really seeing that we have in India a market opportunity of about 4 gigawatt. And if we are just getting about 10% of the market share, I think this is a huge size of the market with a lot of local providers, a lot of local wind companies, but I think we are really able to beat with our technology and we can give the customers a lot of great solutions for the wind parks in India. Now, having a good team in India with Amit and also with our engineering team, we are quite confident that we will achieve a significant size of shares already next year. We think about 100 megawatts and then for the following years even more.

We will have a turbine which fits in the Indian market. We are just upgrading one of our turbines which will be done by the beginning of next year and then I think we are very well positioned. We already had a couple of very successful

discussions with the customers and we are in some negotiations where I see that we can report very soon some success.

Felix Fischer

Okay, thank you very much.

Jürgen Geissinger

You're welcome.

Operator

As a reminder, if you would like to ask a question, please press star followed by one.

And the next question is from the line of Haiyan Ding of Oddo Meriten. Please go ahead.

Haiyan Ding

Good morning. Maybe you can comment on the outlook for 2016 as I think that in the quarter ended December your revenues was year-on-year 8.5% lower. So, how does 2016 look like? And the second question concerns the bond. You previously stated you were to call the bond in next year. What's your current plan? Thanks.

Manav Sharma

Thank you, Haiyan. In terms of outlook, you know that the company has been fairly conservative in our outlooks and I don't make friends by saying that over and over again but we try to limit it as much as we can.

One point that I will make is please do not look at this business as a quarter-on-quarter business. We are a project business and, at the end of the day, at times there are more projections in our geography where the projected solutions are in summers and people avoid winter installations and therefore it can be that the summers are higher than winters. In a year where you are doing installations, let's say, in Australia, actually it might just change because the seasons change. Similarly, there can be in a country a subsidy ending at the end of the year, so there could be a rush at the end of the year. To be fair to our business, I do believe it is difficult to measure this business as a quarter on quarter business. It has to be looked at as an extension of a year, if you may.

Looking at 2016, I think what I can tell you is that we do believe that 2016 will have a revenue increase. The revenue increase will be in single digits. In terms of margins, we do expect to stay around a similar level of margins, I said that in my

statement earlier also, for 2016. We do feel good about 2016, where we are.

In terms of the capital structure and the bond buyback plan, I think we highlighted this the first time we came out with this call, that Servion wants to retain the flexibility to be able to buy the bonds from the open market. A) If there is the right opportunity and, B) given a chance, we would like to find a way to refinance the bond. We still maintain those two statements for a very simple reason, that we do believe that the interest rates that we are paying out are not as per the market standards and for the cash level that the Company is just carrying on its balance sheet, we should not be paying the kind of interest rates that we are paying. Our first call option is in May. We do intend to utilise it, depending on the market situations and so on and so forth. However, we do intend to use it. We have not made up our mind on precisely how and therefore I would not like to go into speculations on that any further than saying that we do intend to look at all possible opportunities to refinance the bond.

Haiyan Ding

Thank you.

Operator

The next question is from the line of Pinaki Das of Bank of America. Please go ahead.

Pinaki Das

Hi, good morning. Thank you for taking my questions. I've got two questions. The first one is could you give us some colour on YTD order intake in your own business if you can? And the second question is can you also give us an update on Germany, where we are in terms of the regulations and market outlook in terms of volumes.

Manav Sharma All right. Hi, Pinaki, this is Manav. As we are coming out with the results in a few days, I would like to defer because all the equity holders are not on the call. So, I would not like to create a differential on the news flow between the bond holders and the equity holders from here on, so we have to wait. However, in the spirit of what we said during the road shows, we do expect the quarter one to be a weaker quarter because, there has been a level of uncertainty in Germany, especially around building permits,

around change of regulations and so on and so forth. So, intrinsically for firm orders we do expect a weaker quarter per se and we did say that during the road show, also both in terms of order intake as well as top line. I'm not going to give a guidance on what I expect in the bottom line exactly but at least on revenues and order intake, I expect quarter one to be a lighter quarter.

I'm sorry, I missed your second question.

Pinaki Das

Just a quick update on the German regulations, where we are right now.

Manav Sharma

Regulation, per se the way it has been designed is the government is going to secure market by market volumes and then there will be auctions on those volumes within every market. That means every state of Germany will have, if you may, a bit of a quota of installations. It also means that this secures in a way that wind will stay alive and kicking strong in Germany. However, what happens in this kind of an environment is that you do see a certain level of slowdown prior to the event and we do suspect that there could be a continuous reduction in the market volume in Germany already starting this year.

At least in our internal models we have modelled it like that, we have budgeted it like that. So, we do expect Germany to stay mildly weaker as a market. Would this change? I do expect and hope so but then as the rules and regulations get cemented, as they get implemented, it's a bit of a play by the ear story for us. So, we are also sort of eagerly watching the market. From what we hear, there is a certain level of hesitancy in the market. However, it's early days for the auction to be cleared out and clarify on how this will work. So, let's watch over the next few months on how this shapes out.

Pinaki Das

Could you give us an idea on how much volumes have already been pre-qualified for feed-in tariff?

Manav Sharma

I would not give a number off the top of my head at this stage, Pinaki. I'm happy for us to check if we have that kind of data in the Company.

Pinaki Das

Thank you.

gives a certain level of comfort for the next year to us and that's why we track it.

To your last question, which is basically, I believe, the usage of guarantee lines of the company. I think Dhaval can send you the precise numbers as at end of December. I can tell you that today we are roughly around €500 million of guarantees used with about €300 million / €350 million guarantees still being available to the company, so adequate room for growth, and to support that obviously we have an additional €125 million lined up cash on top.

Roy Fliers

Great. Thank you very much for clarifying.

Operator

The next question is from the line of Dave Wheeler of Alcentra.

Dave Wheeler

Hi. My question's been answered, thank you.

Operator

Thank you. So, the next question is from the line of Ryan McGahon of PGIM. Please go ahead.

Ryan McGahon

Sorry, guys, my question's been answered already.

Operator

Thank you very much. So, we have no further questions. May I hand back to Jürgen Geissinger?

Jürgen Geissinger

Okay, thank you, all, for your interest and for joining us for the call today. It was a pleasure to give you all the answers and all the information. I think this is one more thing with the culture, what we will have in future as well and meeting you frequently. Now we are looking forward to drive the business successfully with all of what we have in our minds. If you should have any further questions, please do not hesitate to contact our IR team at any time and they will be glad to assist you. Have a great day and see you soon.