NORDEX SE
Annual General Meeting
4 June 2019 in Rostock

Speech:
José Luis Blanco
Chief Executive Officer of Nordex SE

Please check against delivery.

Dear Shareholders,
Ladies and gentlemen,

On behalf of the entire Management Board, I would like to welcome you to the Annual General Meeting of Nordex SE.

Our aim for 2018 was to make the Nordex Group fit for the future and further boost its competitiveness. First, some good news: your Nordex Group is well and truly back in the market with rising incoming orders and a competitive generation of turbines.
At the same time, the lack of incoming orders from Germany in 2017 led to a decline in sales in 2018 as expected. Price pressure continued well into the second half of the year – in short, it was an intense year for all of us.
I am pleased to present the development of the Nordex Group and our markets to you. I will give my presentation in English as I am more familiar with the English language. Thank you for your understanding.

The transition in our industry that I talked about a year ago is now largely complete. The markets now work almost exclusively with auction systems and no longer use feed-in tariffs guaranteed by the state. The market environment remained dynamic with intense competition in 2018. This led to significant price pressure in the market, which only eased noticeably at the end of the year. I will talk about this in more detail later. However, this price pressure also meant that the wind industry has established itself as a competitive alternative form of power production, offering greater opportunities than ever before.
In this highly competitive market environment, we managed to fully meet our guidance for 2018.

At this point, I would like to speak about our key strategic initiatives in 2018 and their outcomes.

I will begin with our product development. A year ago, I told you about the introduction of our competitive new Delta4000 platform in September 2017, with its optimized low cost of energy. In April 2018, we initially expanded our portfolio with the N133/4.8 high-wind turbine as the second model in this range after the N149/4.0-4.5 for sites with moderate wind speeds. We then erected the Delta4000 prototype near Hamburg in August, making us the first company in the market to enter the four-megawatt class. We received our first orders at the end of the third quarter, primarily from Sweden and Finland, and pushed ahead with these orders in the fourth quarter. The "Nysäter" project from Sweden is particularly noteworthy, with 104 N149/4.0-4.5 turbines plus a further ten turbines with a combined nominal output of 475 megawatts.

The Delta4000 range made up more than 40 percent of order intake in the fourth quarter of 2018 and 35 percent in the first quarter of 2019. This confirms our strategy of offering the right wind turbine to the market at exactly the right time. We also continue to see strong demand for these turbines.

In 2019, we sold them outside of Europe – in Australia and Argentina – for the first time, thus underlining the global operational capability and competitive strength of our products. We began series production of the Delta4000 here in Rostock in mid-March 2019 and expanded our product portfolio further at the end of the month. The N149/5.X is the third model in the Delta4000 range and signals our entry into the five-megawatt segment, reinforcing and strengthening our position as a provider of highly efficient, technologically advanced wind turbine

systems. We have since signed the first contract for delivery of the N149/5.X.
Particularly in non-European markets, we expect to achieve sales success with the new N155/4.5 turbine, presented recently in May as the fourth version of the Delta4000 series. With a rotor diameter of 155 meters, Nordex will exceed the 150-meter mark for the first time. The wind turbine enables high yields at medium wind speeds at locations where noise emissions are of lower importance. I firmly believe that those models will also be the first choice for many customers and projects.

Our competitive positioning is also being supported by further development of the AW140/3000 after the prototype of this turbine was successfully installed last summer. This turbine is similarly efficient and thus highly competitive. It has received positive feedback from our customers due to its high levels of quality and reliability and is set to be among our bestselling products in the three-to-four-megawatt segment. At the end of 2018, we received a major order from India – the "Mulanur" project – for more than 100 turbines totaling 300 megawatts.
We are currently working on additional versions of this product with the aim of gradually introducing them to the market in the course of 2019.

The continuous development of our supply chain is another key element of our strategy, and something I previously spoke to you about a year ago. In our project business, this primarily means bringing capacity into line with demand while remaining as flexible as possible. The extent and location of our production capacity generally follows demand. The Nordex Group is a global company with international demand for its products that requires international procurement. As a result, we began to expand our supply chain in countries with attractive cost structures and increase our production and purchasing capacity in these places in 2018 – a strategy which we will continue to pursue this year. For example, we have started to produce turbines and rotor blades in India to meet local and global demand and thus expand our production activities. We are now also producing nacelles and hubs for AW3000 turbines in Argentina and have two mobile concrete tower production facilities. Another important manufacturing base for our Company is Mexico, where we will produce rotor blades in the future to cover both the local market and the rest of the North and Latin American market. These various production sites enable us to reduce costs across our entire supply chain while at the same time optimizing logistics costs. In doing so, we are constantly focusing on the wishes and requirements of our customers. Our job is to enable our customers to win auctions and successfully complete projects.

All of this helps to steadily lower the cost of generating electricity with wind power, or what is known as the cost of energy. Our target of annual cost savings in the high-single-digit percentage range remains as ambitious as ever. With a team of around 350 employees, our company is currently working on several different initiatives, from purchasing and production all the way to technological efficiency improvements. At this point, we are still benefiting from the successful merger of Nordex and Acciona Windpower and the shared expertise it brings,
particularly with regard to the development of our product portfolio and our production and supply chain.

We also successfully launched our program to optimize our working capital in 2018. As a result, our working capital ratio as a percentage of consolidated sales improved from 5.3 percent at the end of 2017 to minus 3.8 percent at the end of 2018. Our stated goal is to achieve a sustained improvement of our cash flow.

At last year's Annual General Meeting I already reported on the refinancing we successfully carried out by issuing our bond at the start of 2018. The financial stability this provides allows us to focus fully on our operating business. It is hard to overestimate the benefit of this given the market conditions I have already described.

I will now outline the development of our markets before speaking about our business performance in 2018. I will then address the developments in the first quarter and present our expectations for the 2019 financial year.

Market development 2018/2019

The auction system stabilized in Germany during the 2018 financial year, which means all auction participants must produce a valid building permit in accordance with the Federal Pollution Control Act. There were four auctions in total in 2018, each for 700 megawatts, with the price per megawatt hour recovering significantly from a low of 38 euros in 2017 to over 62 euros. However, the last auction was not fully utilized due to the challenging approval process, and the same also applies to the first auctions of 2019. In light of this, we expect installation figures for Germany to remain low this year. On the positive side, additional volumes of one gigawatt for 2019, 1.4 gigawatts for 2020 and 1.6 gigawatts for 2021 were approved in addition to the basic volume of 2.8 gigawatts for 2019 and 2.9 gigawatts for both 2020 and 2021. This should help to ensure that installation volumes increase once again after their recent decline. Unused volumes will then be reintroduced to the market three years later.

Overall, we continue to assume that the German market will initially remain challenging before picking up again starting in 2020. We are convinced that our new Delta4000 turbine will have a positive impact on our business performance from 2020 onward. At present, more than 200 of our Delta4000 turbines are going through the approval process, with the outlook remaining positive in the medium to long term as well. The federal government reaffirmed its intention to lift the share of total electricity generation attributable to renewables to 65 percent by 2030. Although Germany remains an important market for us, we are not as dependent upon it as we were just two years ago.

Growth prospects appear positive in many markets across Europe. The four gigawatts tendered in Spain should be installed by the end of this year. We at Nordex are confident that we can benefit from the recovery of our second home market.

France also remains a significant market for us, in which we are also involved in upstream project development. This means that we are developing our own portfolio of wind farm projects, which we then resell to customers or investors. The project development pipeline currently comprises more than two gigawatts.
In addition, the Swedish and Finnish markets are very important for us, as we can see from the first major projects involving our Delta4000 turbines. The Polish market is also interesting, with a tender process for one gigawatt in 2018 and another this year. We are also represented in Ukraine with our first major project in this market.

I would now like to briefly touch on markets outside Europe. In 2018, the backlog of projects in South Africa was finally resolved in February after we spent many years waiting to begin construction. This meant that we recorded three projects in South Africa with a combined 400 megawatts as incoming orders during the past financial year. For 2019, we expect a new fifth round of auctions in the next few months.

We believe that India will become one of the world’s largest markets and will even overtake the USA in terms of volume. Large tender volumes are expected here in the coming years, making India another key market for Nordex. We are also continuing to expand our production in this country. There is also good growth potential in Australia, where we secured a major order for our new Delta4000 turbine amounting to almost 160 megawatts in incoming orders in the first quarter of this year.

Let me now turn to the markets in North and South America.
The USA is and remains an important market for us. We reached a market share of 11 percent in 2018 based on installations, making us the third-largest provider in the US market. We expect another year of good order intake from the US and high installations in 2020 especially before the phase-out of the Production Tax Credit or PTC. We are also seeing strong interest in our new N149 turbine and received our first major order for more than 350 megawatts in mid-May 2019. High volumes and fierce competition currently remain the two main characteristics of the US market.
We are also anticipating positive developments in Latin American markets such as Brazil and Colombia. As auctions are expected in both markets this year, we assume that we will be able to record good incoming orders in these countries perspectively.

We believe that the medium-term outlook for our industry and thus for Nordex remains positive. As wind energy has evolved in recent years, the performance capabilities of turbines have also steadily improved. Today, digitalization plays a key role in our development efforts and is part of both our product and service strategies. Our aim here is to maximize the amount of energy generated for our customers. This can be done with the help of efficient processes and, above all, access to and availability of information. With this in mind, we have invested in a technology platform for Nordex that guarantees us fast and easy access to data. We can use this data to monitor wind farms, conduct analytical work and optimize business processes. This platform will be launched soon. Another good example of how Nordex is digitalizing is the new mobile app in the service business, which displays all service operating processes digitally and is already used by more than 800 technicians across Europe. This is improving efficiency for both us and our customers. We see further potential applications for digitalization, including predictive maintenance scheduling or centralized remote servicing with predictive diagnostics. We will continue to resolutely pursue this path towards digitalization and the development of our technology. As a global company with a focus on serving our customers, this approach enables us to establish long-term relationships as a strategic supplier, particularly with our key customers.

Ladies and gentlemen, our industry has continually reduced the cost of energy, making new onshore turbines the most competitive energy source. While we will keep working hard to optimize the cost of energy in order to remain competitive, our current challenges lie elsewhere. In particular, we need to demonstrate the added value of renewable energy to the general public and our society, and engage in dialogue about the beneficial development of our industry. A newly installed turbine is capable of generating electricity for more than 3,000 four-person households throughout the year on average. However, we also need a clear commitment from politicians to pursuing this path and introducing appropriate initiatives, whether that means creating a robust framework such as auction systems, optimizing and improving the flexibility of network utilization, or accelerating the approval process for constructing new wind turbines and power lines. This is important for our customers, for consumers and for us. The trend towards renewable energy is now irreversible and demand for energy is continuing to rise. We have already made a significant contribution towards mastering the transition to renewable energy and we want to continue doing this.

Ladies and gentlemen, I would now like to discuss our business performance in 2018.

Business performance in 2018

2018 was a very challenging year. My fellow board members, CFO Christoph Burkhard, CSO Patxi Landa and I successfully implemented the strategic initiatives together with our employees. Our competitive new generation of turbines is on the market, the cost reduction program and refinancing have been successfully completed and the working capital program is proving effective. As a result, we have laid the foundations for the future growth of our business and are well equipped for the challenges ahead. In this difficult market environment, we managed to close out the 2018 financial year in line with expectations.

I would like to take this opportunity to thank our employees for their tireless efforts, outstanding commitment, passion and perseverance – in short, for their good work!

In 2018, we generated sales of just under 2.5 billion euros, compared with 3.1 billion euros in the previous year. A good 2.1 billion euros in sales were attributable to the turbine business and nearly 340 million euros to the Service segment. Sales declined in line with our expectations, primarily as a result of the lack of projects in Germany.

The gross profit margin remained stable at 26.6 percent, exactly the same level as in the previous year. One major reason for this is the reduction in cost of materials, which is attributable to measures we introduced to reduce electricity generation costs as well as a positive project mix.

Earnings before interest, taxes, depreciation and amortization (EBITDA) came to 101.7 million euros after 200.7 million euros in the previous year. This translates to an EBITDA margin of 4.1 percent after 6.5 percent in the previous year. This decline is also largely due to the drop in sales.

As a result, earnings before interest and taxes (EBIT) also decreased, amounting to minus 54.2 million euros after 43.4 million euros in the previous year. We closed the year with a consolidated net loss of 83.9 million euros.

Our 2018 balance sheet was primarily impacted by the first-time application of the new IFRS 15 financial reporting standard, which led to a sharp increase in total assets along with a simultaneous decline in equity. The equity ratio decreased from 32.7 percent to 22.8 percent as a result. This fall is also largely due to a technical effect arising from the new statutory accounting rule. At the end of the year, we had a strong cash position of 610 million euros, on a par with the previous year's figure of 623 million euros. In short, we have a robust balance sheet structure that demonstrates the stability of our company.

In the past year, we have paid particularly close attention to our capital commitments, as these are very important to our project business, particularly in the operating business. As I have already mentioned, we have successfully begun our program to reduce working capital. As a result, we have considerably improved our working capital ratio from 5.3 percent to minus 3.8 percent.

In the 2018 financial year, we once again primarily invested in tools and equipment as well as fixtures and fittings. This capital expenditure focused on the rotor blade plant under construction in Mexico, the conversion of blade production in Europe to NR74.5 rotor blades, and the expansion of production in India. Overall, this investment amounted to 112.9 million euros after reaching 144.3 million euros in the previous year and was therefore in line with our planning.

Let me now discuss some key operating figures: Our newly installed capacity fell by seven percent in 2018 to 2.5 gigawatts. This means that we constructed 828 new turbines in 17 countries. Our global share of the onshore market – excluding China – rose from 9.0 percent in the previous year to 10.0 percent at the end of 2018.

Order intake for projects - that is, excluding service orders - increased considerably from 2.2 billion euros to 3.6 billion euros in 2018. The turbine business order book more than doubled from 1.7 billion euros to 3.9 billion euros during the year under review. The order book reflects the global positioning of our company and is well balanced across the different regions, with 46 percent relating to Europe, 11 percent to North America, 25 percent to Latin America and 18 percent to the rest of the world.

Services are a strategically important component of our business, as they are characterized by a high level of stability, attractive margins and long-term growth. Our service business also ensures that we remain in close contact with our customers. At the end of the year, our service contracts covered more than 7,500 turbines with a total output of 18.5 gigawatts – and this figure is trending upwards. Sales in the Service segment increased by nine percent from 315 million euros to 343 million euros and thus accounted for 14 percent of consolidated sales. The service business will also remain strategically significant in the future.
We received incoming service orders totaling 543 million euros, almost in line with the previous year’s figure of 557 million euros. As a result, the volume of our current service contracts increased by 12 percent from just under two billion euros to 2.2 billion euros.

In summary, our order book for new turbines and maintenance contracts grew from 3.7 billion euros at the end of 2017 to more than six billion euros at the start of 2019.

Outlook on 2019

In 2018 we laid the foundations for the future growth of our Company in the years ahead. 2019 is a year of transition for us in which we will need to process projects with unfavorable cost structures, record new high-margin incoming orders and expand our supply chain into countries with attractive cost structures as well as enhancing our production capacity.

We are confident of achieving our targets and anticipate consolidated sales of 3.2 to 3.5 billion euros in 2019 as well as an EBITDA margin of 3.0 to 5.0 percent. We continue to assume that the German market will recover only from 2020 onwards.
Prices generally stabilized towards the end of last year, and this will gradually be evident for us at the end of this year and the start of the following year.

We expect our working capital ratio as a percentage of consolidated sales to be below two percent. While this means that current assets will increase due to significantly higher activity levels, we nonetheless want to keep them as low as possible.

We currently anticipate that investments will reach 120 million euros. However, this ultimately depends on the momentum of incoming orders for new products over the course of the year. We are ready and able to make additional investments in good, profitable projects.

In terms of our business development, we expect two very different halves of the year in 2019. Installations will increase over the course of the year, resulting in a very high level of activity in the second half. This is due to our customers' project schedules. As a result, we anticipate weaker sales in the first half of the year and considerably higher sales in the second half of the year.

Q1/2019

On 14 May 2018, we presented our figures for the first quarter of the current year and reported on our start to the new financial year.

By generating sales of just under 400 million euros, we began 2019 in line with our expectations. The decline in sales is due to lower installation figures resulting from our customers' project scheduling. Just under 87 million euros of consolidated sales was attributable to the Service segment, which saw an 11 percent increase compared to the previous year. As a result of the drop in sales, the EBITDA margin was 0.8 percent; however, this will recover over the course of the year.

Good order intake continued in the first quarter of 2019 with over a gigawatt in the Projects segment, which will be realized from 2020 onward. Of this order intake, 41 percent related to Europe, 44 percent to Latin America and 15 percent to the rest of the world. Our global positioning continues to pay off.

Production output increased significantly this year compared to the prior-year quarter, as installations will rise sharply in the second half of the year. As a result, turbine production grew from 347 megawatts to 698 megawatts and rotor blade production increased by 67 percent from 180 to 300 units. We have a flexible production model and constantly manage our production in line with our delivery obligations.

We began series production of the Delta4000 series in March 2019 as planned. As I have already mentioned, we unveiled the third model in this range, the N149/5.X, marking our entry into the five-megawatt class.

Finally, I would like to summarize the most important aspects of our business development once more.

- The long-term growth outlook for the wind industry remains positive and demand for our products is good. We are benefiting from our global positioning.
- We have a highly efficient and competitive product portfolio that we are constantly expanding.
- Our efforts to further develop and transform the supply chain in order to enhance competitiveness and improve our profit margins are progressing according to plan.
- The requirements and wishes of our customers are at the center of our activities.
- In conclusion, we have laid the foundations for positive development.

At this point, I would like to mention the fact that we published our third sustainability report this year with our new sustainability strategy. We are confident that we as the Nordex Group are making a contribution to sustainable development. That is the aim of the sustainability strategy documented in our report.

As announced by the Chairman of our Supervisory Board and Annual General Meeting, Dr. Ziebart, I would like to briefly mention the proposed resolutions on today's agenda:

Agenda items one to four deal with the 2018 annual financial statements – which I already talked about –, and the resolutions to formally approve of the actions of the Management Board and the Supervisory Board for the past financial year 2018 as well as the election of the auditor for the current financial year 2019.

Agenda item 5 concerns the resolution to authorize the acquisition of own shares. This is a standard global authorization to buy back shares with a term of five years, not to exceed 10 percent of today's share capital. The Management Board will report to you, the shareholders, accordingly about any exercise of said authorization at the next Annual General Meeting. The authorization serves various purposes: Treasury shares are a means to improve our flexibility in equity financing, to be able to act swiftly and flexibly to take advantage of opportunities arising in the context of potential acquisitions, or to be able to support a stock option program for senior managers or to issue employee shares to staff.

The next two items on the agenda also serve these latter purposes:

Agenda item 6 concerns the authorization to launch a stock option plan for managers of the group. The so newly created *Contingent Capital II* for up to three percent of today's share capital will enable the Company to issue stock options for managers as a stock-based incentive: boosting their long-term motivation and encouraging managers to remain loyal to the Company. The intended beneficiaries are senior managers of the Nordex Group; members of the Management Board are excluded from the plan.

Agenda item 7 concerns the creation of a new *Authorized Capital II* for up to three percent of today's share capital. This authorization is intended to create the basis for launching an employee share program. Again, our aim here will be to encourage staff to remain loyal to the Company for the long term and to minimize staff turnover.

For further details on today's agenda items and requisite reports, please refer to the invitation to this Annual General Meeting, printed copies of which are available to you in this conference room. This concludes my remarks for today.

However, before we begin the general debate, I would like to take this opportunity to thank you for placing your trust in us. I am aware that the effects of the shift in our industry will continue to impact our company's development this year and will test your patience. While sales are already rising considerably and heading in the right direction, returning to profitability is only the second stage of the process. We believe we are on the right track and that our share price has already recovered significantly this year. Our aim is to ensure that you as shareholders benefit from the fundamentally positive outlook for our industry and Nordex in the long run.

I would also like to thank our business partners, employees and employee representatives.

I now look forward to your questions and to having a discussion with you, and would like to thank you for your attention.

Thank you very much!