Speech:
José Luis Blanco
Chief Executive Officer of Nordex SE

Check against delivery.
Dear shareholders,
Ladies and gentlemen,

On behalf of the Management Board, it gives me great pleasure to welcome you to Nordex SE’s annual general meeting. We have seen many changes over the last few months, as I am sure you have been able to see from the press and our own publications.

The most obvious changes concern the composition of the Management Board. Effective 17 March, the Supervisory Board appointed me to succeed Lars Bondo Krogsgaard as Chief Executive Officer, who had proposed to step down in view of the disappointment in the capital markets with the Company’s revised expectations for 2017 and 2018 and associated communications.

I would also like to take this opportunity to introduce to you Christoph Burkhard, our new Chief Financial Officer. Christoph joined Nordex on 1 September to take over from Bernard Schäferbarthold who left our Company at the end of September last year for personal reasons. Christoph was 18 years with Siemens in various management positions, the last 6 years as CFO of Offshore Wind, where Siemens is market leader. Accordingly, he is very familiar with our business.

Patxi Landa, whom you met already at last year’s annual general meeting, continues with the responsibility for sales.

Now, please allow me to introduce myself in greater detail:
As you know, I have been a member of the Company’s Management Board for a good year now as Chief Operating Officer, responsible for operations. The idea of combining Nordex and Acciona Windpower to form a single strong unit came from the Management Boards of Nordex and AWP and, hence, also from myself. I am convinced that this step was right and important for our joint future as we must face increasingly larger competitors and the results for FY2016 are testament to the rationale of the merger.

And I happen to know one of these main market participants very well, namely the Gamesa Group, as I held various management positions over a period of 15 years, most recently as Chief Sales Officer.

However, what is presumably far more important to you than my personal background is our programme for the company. We want to position our Company to achieve profitable growth on a sustained basis. There are short-term, medium-term and also long-term aspects to this goal, but the bottom line is that I want us to improve our efficiency and profitability. So, what does this mean in practice?

Steadily lowering the cost of energy is in our DNA. This is effectively the licence that we hold to play in the premiere league of wind turbine manufacturers. And when I say that it is in our DNA, what I mean is that we have internalised the programme. Today, almost 300 employees are working around the clock to lower the cost of energy of our products by high single digit YoY for the next years. This is strengthening our competitiveness and also driving our industry forward around the world.

At the same time, we want our Company to be lean by striving to be smart and efficient in the deployment of our resources and so avoiding
unnecessary overheads. That is not to say that we have grown fat. On the contrary, AWP joined Nordex a year ago as an operating unit with little or no overhead functions. These functions are now largely being performed by Nordex head office. Even so, we see scope for trimming our cost base. We have set a target of EUR 30 million for reducing our overhead costs in 2018. The potential has been identified and we have already started implementing some of the measures.

A material element of this is the reorganisation of the group that will allow us to strengthen our business again. Looking forward, we will be managing all our activities through three divisions defined by market segments. This will allow us to simplify the structure of our head office and achieve greater market proximity.

However, our main task is to match capacity closely to demand. In this way, we can respond relatively flexibly thanks to our low vertical integration. In other words, a large part of our manufacturing input is provided by our suppliers. And we are already pursuing a sourcing strategy oriented to regional demand, which, looking forward, will be based even more firmly on international structures and is set to open up additional potential for achieving savings. Thus, we are currently increasing our manufacturing and sourcing activities in Asia.

This now brings me to market trends and our business performance in 2016. After that, I will outline the current trends in the first quarter of 2017 and then finally return to our strategy and targets.
Market trends in 2016

Before I describe what has been happening in the market over the past eighteen months and focus too much on the short-term outlook, I think it makes sense to take another look at the broader project upon which we have embarked. I am referring to the “Energiewende”, or energy transition. We firmly believe that we can counter the threat of climate change by making use of modern technology. And this is a belief we share with an ever increasing number of people. Here, an important signal was given by the UN agreement on climate change, which was signed by almost 200 countries in Paris in December 2015 and which became effective on 4 November 2016 when the ratification threshold of 145 countries acceding to the treaty was crossed. In this “Paris accord” the global community - including all the major emitters of greenhouse gases - undertook to limit global warming.

Critics may now counter: That's true, but the world did not agree to do so at any price! And in this they would be right. At the moment we have more challenges to meet than just climate change. This almost always has something to do with the concrete economic situation we find ourselves in, although ultimately these things are closely related. However, we wish to make a different point and a very simple one at that: the protection of our environment must always be affordable!

I have already described our endeavours to make generating electricity from wind energy more and more cost-efficient. This has put us in an unprecedented position: today wind-generated electricity accounts for one of the cleanest, but also least expensive ways of generating elec-
tricity. We can supply green energy more cheaply all over the word compared to new added capacity from fossil sources without subsidies.

However, this does presuppose a level playing field. Coal-fired power stations that pollute our environment at no cost or nuclear power plants where research or the final storage of highly toxic fuel rods are subsidised are no longer politically acceptable.

This way of thinking is gaining ground. And there is another important aspect. This has to do with the fact that often politicians used to think in the short term and that this is now undergoing a change. This becomes clear when we look at e-mobility. Does it really help us if there are 100,000 electric vehicles on the road, but fuelled by electricity generated from coal? Of course it is important that the electricity at the service station is also produced cleanly. And this is precisely the issue politicians are taking up when they call for so-called "sector coupling"

Ladies and gentlemen,

This is our vision for the future: politicians no longer think and act for the short term, our industry is able to develop its potential on a global scale by being a central part of the energy transformation and bring about a worldwide improvement in the quality of life.

This is no longer a vision, but is something that is already taking great strides towards us. This became very evident in the form of the latest auctions for renewable power plants in Spain and Germany. In both cases bids were submitted and of course contracts awarded, based largely on the spot electricity price.
You may be wondering whether our industry can still earn money in this way. My answer is: yes, it can but we need a fair price mechanism for- mation and carbon pricing policy in order to give our industry and new investment a fair competitive environment.

So much for the “big” picture. Let’s talk about current trends in our markets.

Last year, we witnessed two main developments: key markets in Europe prepared for the change in the legal framework for renewable energies. This entails the introduction of auction systems in Germany, the United Kingdom and Spain, for example. On a positive note, the uncertainty that this triggered caused investors to bring forward projects. I am specifi- cally referring to Germany in this case.

The second aspect also concerns the non-European markets in which – as a combined company with AWP - we are increasingly active. These growth markets experienced considerable turbulence in 2016, although this has not necessitated any fundamental revision of our generally positive medium to long-term outlook. I am particularly alluding to de- velopments in South Africa, Brazil, India, and Turkey.

Specifically, South Africa has no shortage of outstanding wind farm sites coupled with an enormous appetite for clean electricity. We were awarded around 40% of the total volume in the last round of tenders. Accordingly, we were optimistic of being able to grow sharply in this market. However, what then happened was completely unexpected. The government-owned electricity utility Eskom failed to sign the corres- ponding electricity supply contracts, preventing our clients and us from
commencing construction. We can only speculate as to the political background. The fact is, however, that the matter has still not been resolved. President Zuma recently reshuffled his cabinet - it remains to be seen, however, whether and when the South African government resumes the execution of its investment policies aimed at increasing the generation capacity for the electricity the country so dearly needs.

Brazil: In December 2016, the government cancelled an auction which had been awaited for a long time. This affects our outlook for 2018 and beyond. We experienced this with a specific project that we were not able to recognise in our books until April 2017. I am referring to the project “Lagoa do Barro”, the financing of which has only recently been finalised.

An international market in which we hope to generate volume is India. In 2016, we opened a nacelle assembly and a tower production plant in India, which has already completed its first customer deliveries. In 2017 we are planning to produce blades in India, to supply local and global demand. This marks an important step for us in our efforts to enter this large market, which we particularly want to open up by strengthening our project development activities. However, the likely full switch to an auction system has also triggered uncertainty on the part of customers, meaning that we have not yet received new orders and have had to adjust our short-term expectations.

In the meantime, we are somewhat more optimistic about future developments again. In April we signed power purchase agreements with Karnataka for two of our wind farm projects and we are now selling the projects.
Turkey witnessed extensive political turmoil last year. You have all heard of the failed military coup and are aware that the government then took a series of measures to reinforce its position. None of this has anything to do with our industry as such. Yet, the financial markets react to such occurrences. This, in turn will affect our sales planning as each project requires bank finance and the investment environment in the country changes.

I don’t want to go on forever about the country-specific challenges that affect our business and will do so going forward, but I would like to mention a further important phenomenon that we have observed in at least two countries. It relates to the availability of grid capacity.

New power plants are only built if their output can reach the consumers. In other words, the necessary power transmission lines must be installed. We’ve already had this discussion in Germany. However, some countries have substantially more dynamic and bigger wind markets, China being a case in point. New installations in that market shrank by 24% in 2016 due to grid shortfalls. This translates into a decline of almost 6,800 MW – more than the total new volume that went on line in Germany. This had only indirect consequences for us as we no longer sell any products in China. However, it does mean, of course, that our Chinese peers now have surplus capacity which are exerting pressure on global market prices.

The other market that I am referring to is Pakistan, where we are the market leader. The Pakistani government has introduced new, higher tariffs, which will, in principle, attract investors and lenders. However, there is not enough grid capacity available to ensure that the facilities can be built and thus encourage customers to invest in the construction
of new wind farms. Here as well, all signs are pointing to growth. However, not all the lights for new investment have switched to green yet.

Global new installations shrank by 13% to 54.6 gigawatts in 2016. Asia-Pacific including China was the dominant market leading the rest of the world. A good 50% of all turbines were installed in Asia, followed by Europe in second place with 26% and the Americas with 23%. This highlights once more why it makes a lot of sense to strengthen our global footprint in the combination with AWP. Europe is no longer driving the industry.

**Business performance in 2016 / Looking back at 2016**

As announced, I would now like to move on to our business performance in 2016. For most of you, recent developments will have cast a shadow on FY2016. Even so, and not least to pay due tribute to our staff, without whose exceptional commitment and hard work this would not have been possible, I would like to remind you that we not only delivered on our promises last year but also managed to put on record the best performance of the Company to date: Sales climbed by 40% to EUR 3.4 billion - reaching our target. The same applies to the operating margin, which increased from 7.5% to 8.4%. Order intake rose by 34% to EUR 3.3 billion.

Sales of EUR 3.4 billion include EUR 726 million contributed by AWP after consolidation from 1 April 2016. This means that Nordex in its “old” form achieved organic growth of around 10%!

The larger business volumes were the main reason for the 56% improvement in the gross margin and the increase in earnings before in-
terest, taxes, depreciation and amortization to EUR 286 million. In fact, consolidated net profit rose by more than 80% and was additionally driven by the improved terms of our long-term financing.

The success that we achieved in our service business is also remarkable, with sales climbing by 28%. This performance is partially due to the merger with AWP; Nordex posted organic growth of 12%. This is particularly significant as we earn larger margins on service business than on project business. Specifically, the EBIT margin for the service business stands at 16%.

A solid balance sheet is particularly important in a highly competitive market as this gives our customers the peace of mind of knowing that Nordex will be around for some time to come. That we meet that criteria by a margin is also reflected in our balance sheet as of 31 December 2016, which shows an equity-to-assets ratio of a stable 31.4%.

The Group continued to have positive net liquidity.

The decline in this item is primarily due to the acquisition of AWP: the cash component of the purchase price of around EUR 332 million was deducted from liquidity. The balance of the purchase price was paid for by issuing 16.1 million new shares, making use of the Company’s authorised capital.

Another important aspect is working capital. The shift in our business towards developing markets has been accompanied by a change in payment terms, which has exerted pressure on our cash flow at times. Thus, the working capital ratio rose to more than 6% in the third quarter of 2016 but dropped back down to below 5% at the end of the year.
Our Treasury department has initiated a special working capital management programme, which is pursuing a new structural approach to respond to this challenge on a sustained basis.

This brings me to another important performance indicator, capital spending. In 2016, we spent a good EUR 100 million on our plants and on the development of new products. This is an increase of 36% against FY2015 and reflects our ambition of closing in on the technical leaders in our industry.

Just recently, we have launched new products that are capable of achieving a larger yield without causing costs of the same magnitude. Put simply, these turbines allow our customers to generate clean electricity more inexpensively.

This brings me to a few more operating indicators: sales volumes measured in terms of new installed capacity rose by 55% in 2016 to 2.6 gigawatts. As a result, we have widened our share of the global onshore market - excluding China - to 9.3%. In other words, we closed the 2016 season in 5th position, up from 11th position in 2015!

Before moving on to the outlook and recent developments, I would like to provide a brief overview of our order books as this was the most important parameter for the new year.

Turbine order backlog rose by 34% to EUR 2.2 billion, in large part thanks to the business of AWP. At the same time, regional distribution of business is more evenly spread. Although at 55% Europe still ac-
counts for the bulk, the Americas with 40% have since closed the gap substantially.

Service order backlog was much stronger compared to FY2015, rising by 70% to around EUR 1.7 billion. Roughly half of this growth was contributed by AWP.

All told, we entered 2017 with order books worth EUR 3.9 billion.

**Outlook for 2017**

We think that we are well positioned to achieve our goals for 2017. This year, we are aiming for sales of between EUR 3.1 and 3.3 billion. This decline is primarily due to the project delays in several markets to which I have already referred. At the same time, we expect prices per megawatt to decline. Consequently, volumes in MW terms should remain largely stable despite the slightly lower sales in euro terms.

This will also impact our EBITDA margin target as business volume is the main lever we have for boosting profitability and vice versa. That is why I stated at the beginning of my speech that we must adjust our capacity to match demand. To put it quite simply: plants and structures that are operating below capacity cost money. This year, we are targeting an operating margin of between 7.8% and 8.2%, depending on volumes.

The working capital ratio should rise to a range of between 5% and 7% in 2017 due to the absence of any of the non-recurring effects that gen-
erated payments of EUR 170 million in 2016. These arose from “safe harbour” transactions, which our US customers used to secure tax credits.

We also plan to boost capital spending to enhance our competitive position. Thus, funds of around EUR 150 million have been budgeted for this purpose.

**Q1/2017**

We reported on the first quarter of 2017 on 11 May. We assume that the reaction of the markets was primarily due to the assumption that our business is spread largely even across the four quarters which, unfortunately, is not the case. Moreover, individual market participants may have been expecting a margin substantially in excess of our own guidance.

With sales of around EUR 650 million, Q1 lived up to our internal forecast, which assumes high activity in the summer months. This is also reflected in our balance sheet, where we have been accumulating inventories to meet our delivery obligations. This is not an unusual situation in our industry at this time of the year.

Service business was encouraging again, with sales rising by 57% and now accounting for more than 11% of total revenues.

At 7.9%, the EBITDA margin fully lived up to expectations despite the relatively small business volumes.
Once again, throughout the past 12 to 18 months our markets have suffered from project delays. In this first quarter this particularly applied to Europe and, specifically, the German market, where the high demand caused delays in processing by the building authorities and the financing banks. An additional factor was the switch to a tender system from May onwards.

This, as well as a number of basically positive factors, is casting a shadow over the short-term future. One example is Ireland, where the incentive system expected to expire soon was recently extended. This in turn prompted individual customers to reconfigure their projects, as a result of which they needed more time to apply for permits for their farms, thus delaying the start of construction.

Let me now just summarise everything that I have said:

- In our view, 2016 was a success for the Company and we delivered on our promises.
- The changes in our main markets have prompted us to issue a more conservative guidance for FY2017.
- In response to the heightened pressure on prices, we are systematically controlling costs while simultaneously stepping up capital spending to improve the competitive position of our products.
- In the short term, we will be giving greater attention to rigorously adjusting our capacity to demand and to making our Group leaner and more potent. What I am alluding to here is our cost reduction efforts and the “30-by-18” programme.
- In the medium term, we want to increase the international footprint of our supply chain and thus structure it in a more cost-efficient manner.
• At the same time, we will be remaining true to our DNA and reducing the cost of energy by a percentage in the high single digits each year. This calls for technical innovations to make our products specifically more efficient. And it is the core parameter for the entire value chain.
• Our medium to long-term goal is to harness growth potential and increase our profitability on a sustained basis.

This brings me almost to the end of my speech.

However, I would like to mention another two points. It may have escaped your attention that for the first time Nordex published a sustainability report this year, copies of which are available here. It reports on the results of our environmental auditing and our own expectations of sustainable corporate governance.

I would also like to take this opportunity to thank you, our shareholders, for your confidence. I am quite aware that the current share price and its recent development is testing your patience. At the same time, I wish to thank our business partners, employees and employee representatives whose confidence we particularly appreciate ahead of the planned changes.

I now eagerly await your questions and look forward to the discussion with you, which I unfortunately must conduct via our interpreters as my German is not yet good enough. However, I am confident of being able to meet this requirement as well in a year’s time. Finally, we would like to show you a short video, which is an example of how we reduce the cost of energy, in this case by installing the world’s highest wind turbine.
Many thanks