



Annual Financial Report 2017

Senvion S.A.

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Left to right:
Manav Sharma
 Chief Financial Officer (CFO)
Dr. Jürgen M. Geißinger
 Chief Executive Officer (CEO)

Dear shareholders and supporters of wind energy,

We look back on a challenging yet successful fiscal year 2017. Despite difficult market conditions, Senvion was able to meet its corporate goals. This was possible due to our manifold measures to improve efficiency. In 2017, Senvion managed to hold its ground in a rapidly changing wind environment and made substantial progress on our path to achieving capital-efficient growth in 2019. We would therefore like to thank everyone at Senvion for their great efforts last year, as well as for their willingness and enthusiasm to actively push forward our Company's transformation. Further, I would also like to thank you as supporters and shareholders for your continued trust in our strategy.

Let us have a closer look at the four pillars of our strategy and the progress made:

1. Focus on selected higher growth markets.

As some emerging markets in Asia and Latin America become new growth drivers, we have been working on capturing market share in those regions while seizing opportunities in existing ones. So far our strategy is paying off. Order intake increased 36% yoy and amounted to EUR 1.8 bn. During 2017, we succeeded in winning orders in many new markets such as Australia, Argentina, Chile, Ireland, aggregating to EUR 715 m of firm order intake – an increase of 393% on a year-on-year basis. Further, Senvion succeeded in entering Indian market in February 2018 with a 101 MW firm order. We expect to keep gaining market share in new markets backed by a promising project pipeline.

On the other hand, order intake in existing markets shrunk mainly driven by Germany where the transition from Feed In Tariffs (FIT) to auction system forced an

unmeant market breaking as developers without any permits were favored. With the changes in auction rules in 2018, we expect better outcome for the German market in 2018 and 2019. The average winning bid in the first auction in 2018 already showed a price improvement by 24%. At Senvion, we have been gaining market share in Germany and with the framework agreements with some key developers like EnBW and Prokon in place for several hundred MWs, we remain positive in gaining further market share in our home country.

2. Best in class technology and modular product portfolio underpinning high entry barriers.

Our key differentiation for winning in new and existing markets is to offer project optimised products with a flexible approach and at a relatively cost decrease, enabling our clients to improve their returns. With our modular product approach and sourcing initiatives, we strive to achieve improvement on two counts: Improve energy output at a fraction of cost increase and improve cost structure via supply chain transformation. We managed to launch a lot more products in the last three years than in ten years before that, all within similar R&D budgets and our pipeline continues to remain robust.

We are currently undergoing a supply chain transformation and have established new sourcing contracts for essential parts of our turbines, such as towers, blades, generators and gearboxes from Asia. Ramp-up of those components should become effective in the next twelve months. Nevertheless, this step just represents the beginning of the transformation, and in line with our intention to increase sourcing from Best Cost Countries from roughly 5% to over 30% in 2019.

3. MOVE FORWARD – Significant operational improvement already achieved.

Senvion launched a comprehensive organization-wide program called 'Move Forward' at the end of 2016 to prepare itself for the anticipated market changes in 2017. This initiative focuses on fixed cost reduction and will enhance our long-term competitiveness and take us to improved levels of profitability and efficiency.

On March 13, 2017, we announced plans to cut 780 jobs worldwide in order to be prepared to the anticipated changes going along with the shifts to auction systems and increased competition. This was by no means an easy decision. However, it was a necessary step that to safeguard Senvion's long-term survival and competitiveness. In hindsight, we can conclude that we took the right decision to do so as it allowed us a head start in comparison to other industry players. As of today, we can confirm that we have successfully finished the consolidation of our production sites.

Besides, thanks to rigorous OPEX measures, Senvion was able to reduce OPEX costs by about EUR 36 m in 2017, which equates to roughly 20% yoy. We also reduced our annual interest burden by almost 30% by successfully refinancing our high-yield bond.

4. Growing Service platform providing an annuity-like backbone to cash flow generation.

Our service business continues to be the backbone of our business, by recording a consistent double digit growth – a testimony to the increasing relevance of its offerings. With an average service contract duration more than 10 years, the service business is a source of steadily increasing revenues and cash flows.

In summary, we have made substantial progress in achieving crucial milestones on our path to deliver our 2019 targets. Our order book and order pipeline gives us comfort that 2019 will be a year of growth. Also looking at profitability, we have implemented the right measures such as low cost sourcing and are further embedding modularity in various aspects of our product strategy.

Based on our order intake and market developments we expect to maintain stable to slightly shrinking revenues in the range of EUR 1.8–1.9bn in 2018. Looking at competitive pressures in the industry, with electricity prices closing gap with grid parity in many regions at a record pace, such as Germany, it will create some margin pressures in the near term. We forecast that we can limit this pressure to a Gross margin impact of 1.5% to 3%, which will directly flow into our adj. EBITDA. Hence, we expect our adj. EBITDA margin to be around 5% to 6.5% in 2018.

The key focus in 2018 will be on gaining further market share in selected markets and making advances in cost out measures. At the same time, continued positive market developments in India, Germany and other parts of our selected geographies will remain an equally important element for us to keep performing better throughout this year.

In the end, we believe that the wind industry is on the verge of becoming a more mature industry without need for subsidies and will be cheaper than all conventional choices. That creates pressure on margins in the short term, but benefit outlook for wind immensely in the long term. We rightly anticipated this change and were ahead of the rest in launching an effective strategy to address it. Our strategy has worked well so far and we believe that with highly innovative products and above all, with the right team, we can and we will have substantial growth to show by 2019. We would be delighted if you, our shareholders, accompany us on this path.

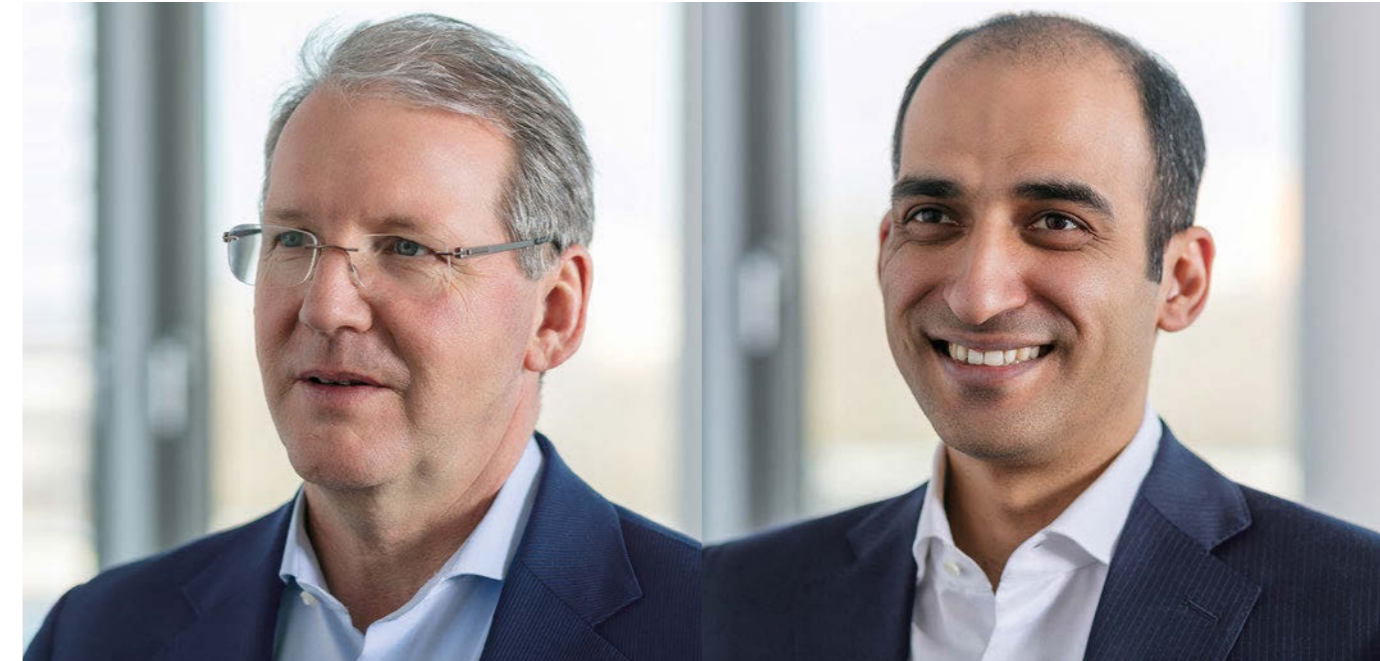
Sincerely,



Dr. Jürgen M. Geißinger, CEO



Manav Sharma, CFO



Dr. Jürgen M. Geißinger
Chief Executive Officer (CEO)

The 58-year-old mechanical engineer has been Chief Executive Officer (CEO) of Senvion since December 17, 2015. His sphere of responsibility covers Sales, Product & Technology, Project Management, Human Resources, Quality, Health & Safety, Strategic Business Development, Compliance & Legal, and Corporate Communications.

Manav Sharma
Chief Financial Officer (CFO)

The 36-year-old computer engineering and business management graduate joined Senvion in 2011 and was appointed the Company's Chief Financial Officer (CFO) on July 1, 2015. He is responsible for all areas of Finance as well as for IT, Internal Audit and Risk Management, and Support Functions.

Senvion S.A., Luxembourg

Report of the Supervisory Board

for the financial year ending December 31, 2017

During the financial year ending December 31, 2017 the Supervisory Board of Senvion S.A. performed its tasks and monitored the activities of the Management Board in accordance with legal requirements and the Articles of Association of Senvion S.A. The Management Board and the Supervisory Board maintained close and regular contacts. The Supervisory Board advised the Management Board in regard to strategic and operational decisions as well as governance topics and decided on matters requiring supervisory approval.

Cooperation with the Management Board

The Management Board reported regularly, promptly and extensively in verbal and written form to the Supervisory Board regarding the position and performance of the Company and the Senvion Group, including its commercial position as well as its key financial data. Furthermore, the Management Board informed the Supervisory Board on a regular basis concerning the future business policy, including the strategic and organizational direction of the Group. Between Supervisory Board meetings including Strategy and Investment Committee, of which there were 13 in total during the last fiscal year Senvion's management kept the Chairman of the Supervisory Board informed about new developments.

The Supervisory Board was involved in the main projects of Senvion. In particular, the Management Board provided information in regards to refinancing of the high-yield bond facilities, the LG / revolving credit facility and the restructuring program which was announced in March 2017. As far as approvals by the Supervisory Board were required for these topics, the Management Board applied for such approvals timely and provided all information necessary for a proper assessment by the Supervisory Board. The Management Board regularly provided reports about Senvion's business performance in the various geographic markets (operating segments) and about Senvion products. Major investments of the Group companies, in particular investments for capacity extensions in key markets, were presented to and approved by the Supervisory Board. The Management Board reported also about cost and quality matters as well as other operational topics related to Senvion's products.

Audit Committee and Human Resources Committee

Material questions concerning auditing, accounting, risk management and compliance and respective controls and systems have been discussed in Audit Committee meetings. The Audit Committee discussed in particular the quarterly reports. During the reporting period, the Audit Committee held four meetings.

Remuneration matters have been discussed by the Human Resources Committee. During the reporting period, the Human Resources Committee held four meetings.

Drawing up of the Financial Statements

The Supervisory Board examined the Company's stand-alone annual accounts and the Management Report for the fiscal year ending on December 31, 2017. Representatives of the auditor Ernst & Young Luxembourg Société Anonyme attended the meetings of the Audit Committee on March 9, 2018 at which the Financial Statements were examined. The representatives of the auditor reported extensively on their findings, provided a written presentation and were available to give additional explanations and opinions.

The Supervisory Board did not raise objections to the Company's annual financial report and its Financial Statements drawn up by the Management Board for the fiscal year ending on December 31, 2017 and to the auditors' presentation. According to the recommendation of the Audit Committee, the Supervisory Board agreed to the proposal of the Management Board to approve the Company's annual accounts for fiscal year 2017. The auditor issued unqualified audit opinions on March 14, 2018.

Luxembourg, March 14, 2018

On behalf of the Supervisory Board of Senvion S.A.



Consummate choreography lets us offer better deals around the globe.



Zhuzhou, China

To keep our generators competitive all over the world, we have them manufactured all over the world – including in China.



If you want to keep developing successfully in the global economy, you need partners everywhere. That is why the strategic framework contract Senvion has signed with CRRC Zhuzhou Electric, one of China's largest and most experienced generator manufacturers, marks a significant milestone on the road to penetrating new markets. The new partnership was announced at the China Wind Power fair on October 18, 2017.



"In terms of R&D and manufacturing capability, we rank among the leaders in China. We aim to become Senvion's strategic cooperation partner for existing and new markets."

Zhou Junjun, President at CRRC Zhuzhou Electric

A strategic partnership with long-term perspectives: The collaboration between Senvion and CRRC Zhuzhou Electric premieres with the development and delivery of generators for the NES-based Senvion 3.XM series. Under the agreement, CRRC is to provide a minimum of 50% of all generators for the 3.XM series, of which at least 100 in the first three years.

Beyond the current project, the parties in both Hamburg and Beijing see long-term potential for this relationship, as their shared goals will foster exchange between the two companies and increase each partner's understanding of the other's needs. Both are aware of the especially intense "getting acquainted" phase called for at the inception of any new collaboration, so each can learn about the other's unique culture and processes and help mesh the two.

Forging an alliance like this is a worthwhile investment in the future of wind power. That is because the Asia-based supplier opens up new prospects in terms of preventing supply shortages and staying competitive, especially in cost-sensitive market segments.



High-quality, cost-effective components are a key competitive advantage in all the world's markets.

Senvion

For Senvion, the partnership with this reputable Chinese company is a key strategic move toward more cost-optimized wind technology. Purchasing high-quality products efficiently creates scale effects crucial in helping Senvion remain among the leaders in the global wind industry long term.

CRRC

Senvion's partner CRRC Zhuzhou Electric Co., Ltd is one of China's largest manufacturers of traction equipment and generators for various applications. Headquartered in the metropolis of Zhuzhou, a major technology hub, CRRC Zhuzhou Electric is a primary subsidiary of China's CRRC Group.



**If you've waited for your first dance
for seven years, you really enjoy it.**





On the grid at last: Senvion takes over the Streu & Saale project, ending a seven-year standstill.



When the six communities of Hollstadt, Heustreu, Hendungen, Oberstreu/Mittelstreu, Mellrichstadt/Bahra and Unsleben in Germany's Franconian Streu Saale region decided to embark on a cooperative wind farm project in 2010, none of those involved imagined it would be seven years before its launch.

Official requirements changed repeatedly, which ultimately meant the envisioned technology was outdated. For the energy cooperatives set up specially for the wind farm and their investors, failure would have been catastrophic. But, with staying power and tenacity, they finally found the right partner: Senvion.



From zero to 34 MW in nine months.

When Senvion took over the Streu & Saale project in November 2016, there was no valid construction permit for Senvion machines, and there were many open questions regarding the cable route and license agreements. But then everything went very fast. A key to the project's success was that, for the first time in the Company's history, Senvion itself acted as project manager for a turnkey wind farm. That eliminated drawn-out negotiations, and the many challenges were easier to meet by colleagues pulling together. Nine months later, the wind farm was connected to the grid, supplying power for up to 15,000 homes. At the opening ceremony, delight was combined with great relief on the part of the local investors and project partner Agrokraft GmbH, the company that originally initiated the project and then saw it through to its happy conclusion.

Agrokraft GmbH

Based in Bad Neustadt an der Saale in Bavaria, Agrokraft GmbH operates as a service provider and project developer in rural areas. The team initiates projects in renewable energies, helps implement new ideas in agriculture and drives village and regional development. Agrokraft also shares its expertise in setting up and managing local companies, such as cooperatives, as well as in resolving issues surrounding biogas plants.

Streu & Saale eG wind farm

Location: Hollstadt, Bavaria, Germany
 Installations: 10 turbines, type 3.4M122 NES
 Hub height: 139 meters
 Rotor diameter: 122 meters
 Total output: 34 MW
 Powers some 15,000 households



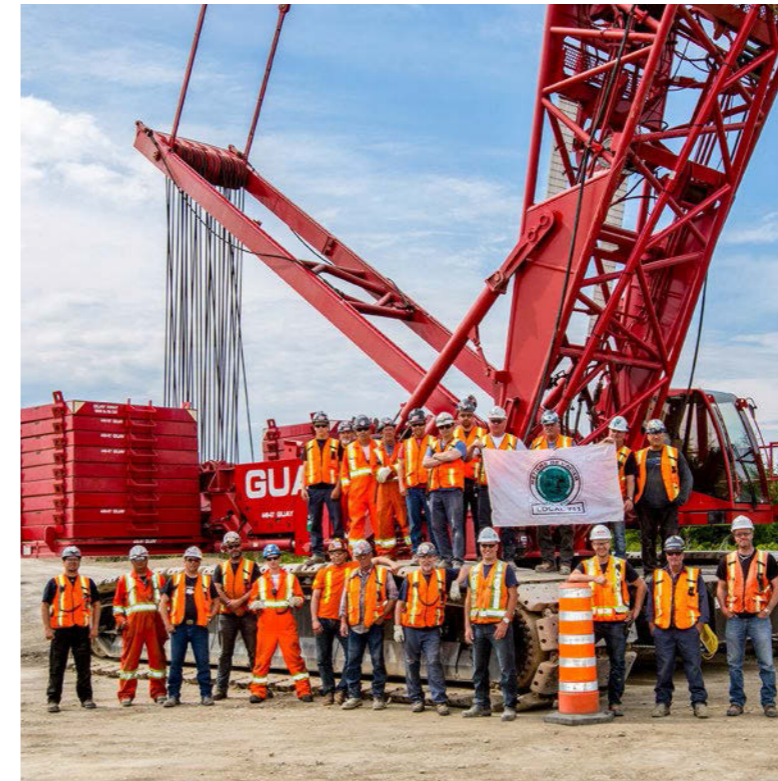
When we build a wind farm, we let our partners' ideas take the lead.





And when we install 47 turbines for a total of 150 MW, three indigenous communities are sharing in the economic growth including new job opportunities.

With Canada's winter climate, even seasoned wind farm project planners face unique challenges. Icy temperatures averaging in the double digits below zero throughout the long winter months, combined with frequent snowfalls – call for exceptional measures; and Senvion technology delivers the right solutions. To maintain the wind farm's output at the maximum level, all the turbines were equipped with a hot-air de-icing system that allows them keep turning wind power into electricity, even during the coldest January nights. Parts of the system were produced in collaboration with a local partner. The turbines installed here – boasting a nominal power of 3.2 MW – are the first from Senvion's 3.XM series operating in North America. In addition to their high yield, these models are noted for their exceptionally quiet operation. These turbines, with their innovative technologies, play a valuable role in further lowering project costs, which in turn increases the Company's competitive edge.



Canada's new colossus.

The Mesgi'g Ugju's'n project was the first Canadian large scale wind project developed with an indigenous partner. The 50-50 partnership between the three Mi'gmaq communities of Quebec and project developer Innergex Renewable Energy Inc. enables the communities gain access to resources to provide economic benefits to their people. The project is creating valuable, long-term jobs for Mi'gmaq and other local residents. The community anticipates profits of around CAD 150m over a 20-year period.

Senvion

Thanks to its successful collaboration with First Nations representatives, local communities and cooperatives in North America, Senvion has amassed valuable experience and contacts over the course of the past 10 years. The Company has gained local business partners and has trained employees on the ground. Subsidiaries, warehouses and service centers are now part of Senvion's network in Canada and the US.

Innergex Renewable Energy Inc.

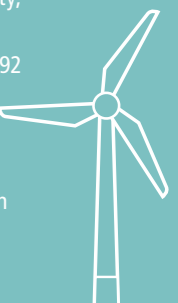
As the operator, Innergex holds a 50% stake in the project. A leading player in the renewable energy sector, the Canada-based company places special emphasis on creating partnerships to share the benefits of renewable energy projects. Innergex conducts operations in wind, hydroelectric, solar, and geothermal power around the world. Its net installed capacity currently amounts to 1,600 MW.

Mi'gmawei Mawiomi Business Corporation

MMBC is an organization whose shares are fully owned by the three communities: Gesgapegiag, Gespeg and Listuguj. Like Innergex, the MMBC holds a 50% stake in Mesgi'g Ugju's'n wind farm. The wind farm represents a major step toward independence and economic autonomy for the communities.

Mesgi'g Ugju's'n wind farm

Meaning in the Mi'gmaq language: "Big Wind."
 Location: Avignon Regional County Municipality, Gaspé Peninsula, Quebec
 Installations: 47 turbines, type 3.2M114 / MM92
 Hub height: 100 meters
 Rotor diameter: 114 meters
 Total output: 150 MW
 Annual electricity production: 562,500 MWh
 Powers some 30,000 households

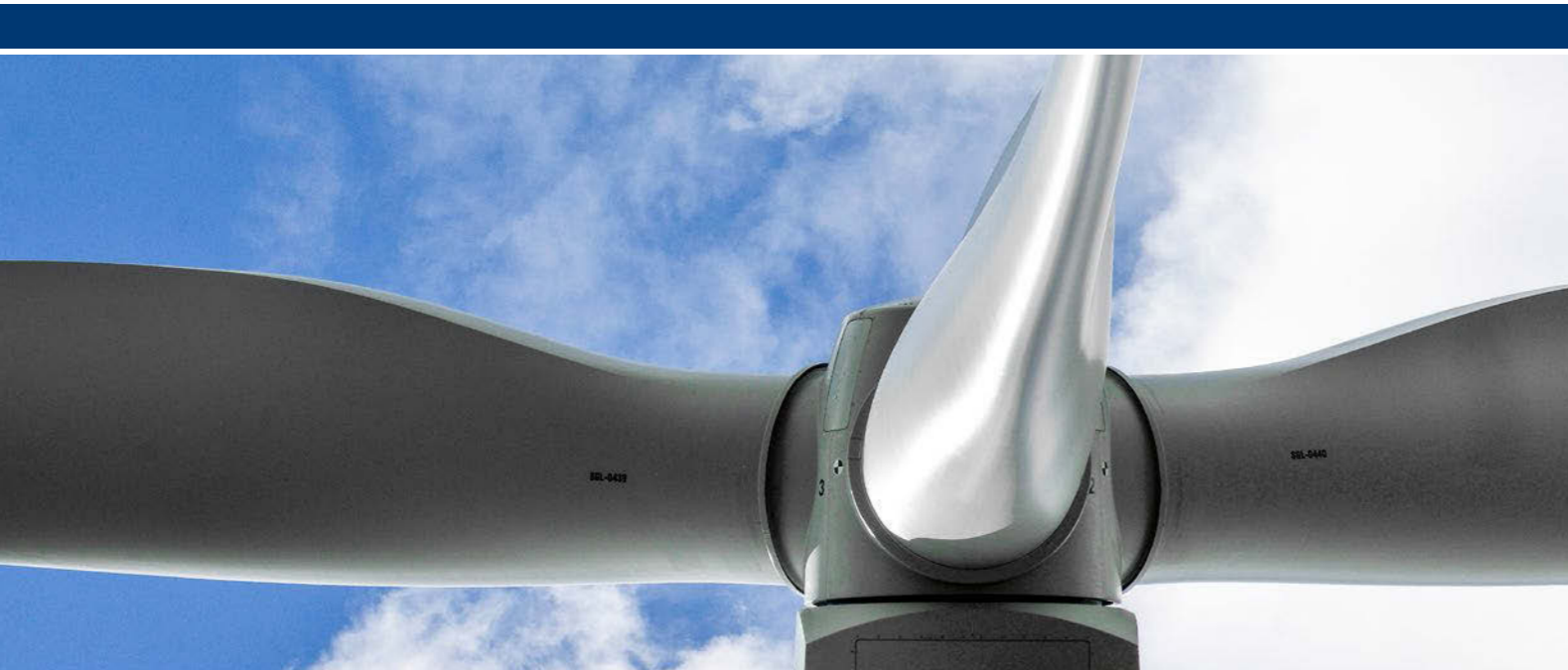




If you get into the rhythm faster,
everyone will want to be your partner.



A quick pirouette on the heels of updated guidelines propelled Senvion into the last auction round.



Since 2016, Argentina's government has brought all the spirit and speed of a traditional tango to the process of expanding the country's renewable energies. That year saw the launch of the RenovAr program, which aims to increase the share of power generated from renewable sources to 20% by 2025 – an ambitious plan, given the rising energy demands in this South American country.

Financing for the measures is guaranteed by a government fund supported by the World Bank. And, as has recently become the norm in the global wind-power industry, newly introduced auction systems call for especially competitive project pricing. By combining local knowledge with engineering expertise, Senvion ultimately got the edge on the competition in the last round.

"Our team in Hamburg works closely with the Wind & Site Team in South America. With our specific knowledge of the local requirements and wind conditions, we can set up a project that will be profitable in the long term."

Mario Leal de la Rosa, Sales Manager at Senvion



Surprising turn, lightning-fast reaction.

Round 2.0 of the RenovAr auctions invited bids for 550 MW-worth of wind energy projects. It was oversubscribed by more than 3 GW. As it turned out, a suitable turbine in a good location was only one factor in securing the contract. Just days before bid submission date, a government decree introduced new local content regulations, which changed the import tax on certain components – and this new regulation had yet to be included in the calculations. Even though none of the parties involved had anticipated this sudden turn, Senvion was poised for action. Thanks to a whirlwind ad-hoc communication drive with all the local and federal authorities, our partners and our suppliers, we were able within the brief period available to draw up and submit competitive adapted offers – and not only for projects already negotiated, but also for new customers.

Senvion

In Argentina, Senvion South America already secured a contract volume of some 100 MW in the first auction round of the RenovAr program – a great opening number in this market. The Company partnered with EREN Renewables in a firm contract to deliver 27 Senvion 3.6M114 NES turbines.

RenovAr

To meet Argentina's steadily growing demand for electricity, some 21 GW of additional power generating capacity will be needed by 2025. That calls for investments to the tune of USD 35bn – half of which will go into renewables. A total of 1.2 GW were awarded in the second auction round, of which 550 MW were wind energy projects. Bids were submitted on October 19, 2017.



**May we have this dance?
Senvion seeks local heroes.**





Port Augusta, Australien

As part of its work on the Lincoln Gap wind farm in South Australia, Senvion is creating opportunities for companies in the region.



Groundbreaking with plenty of energy: Property owner Bruce Nutt, Ronan Darcy (Wind Energy Solutions), Jay Weatherill (Premier of South Australia), Matthew Bartley (Founder and Co-CEO of Nexif Energy), Paul Phelan (Project Manager at Senvion Australia) and Marc Barrington (Head of Sales Asia Pacific at Senvion).

In November 2017, Senvion got the green light to install the first 35 turbines at the Lincoln Gap wind farm near Port Augusta in South Australia. When complete, the wind farm will comprise 59 turbines with a total generating capacity of 212 megawatts, powering 155,000 households with renewable energy and saving a total of 600,000 tonnes of greenhouse gas emissions each year. Financing for the project comes from the Clean Energy Finance Corporation, while the developer Nexif Energy provided the equity and worked closely with Senvion to achieve financial close.



With large-scale projects of this kind, there is an enormous opportunity for local people to benefit. Mark Whitehead, Senvion's Site Manager for the Lincoln Gap wind farm, is originally from nearby Port Augusta. With his broad international experience, Mark understands the importance of getting the local community on board, which in turn helps generate widespread acceptance of renewable energy. At the same time, he is looking forward to spending time on home turf and working with local companies to provide transportation, craneage, electrical installations, security, surveying, logistics and other services to the wind farm. During the 12- to 18-month construction phase, the wind farm will create around 110–130 jobs in the region.

Senvion

Installation of the first 35 turbines at South Australia's Lincoln Gap wind farm marks a major milestone for Senvion. It signals the debut of the Senvion 3.6M140 turbine on the continent. This technology is well suited to conditions on the Australian market, and will ensure that the wind farm continues to be a high performing asset for decades to come.

Nexif Energy

The independent power producer Nexif Energy operates in Australia, Southeast Asia and Bangladesh. Its core business is developing, operating, restructuring and financing power generation projects. Nexif Energy is part of the Singapore-based power and infrastructure developer Nexif.

Lincoln Gap

Location: Near Port Augusta in the state of South Australia
Installations: 59 3.6M140 EBC turbines (35 3.6M140 EBC in the first stage)
Hub height: 100 meters
Rotor diameter: 140 meters
Battery storage: 10 MW
Total output: 212 MW
 Will power some 155,000 households when complete



Senvion S.A. and the Capital Market

Positive global economic indicators drive equity markets

Triggered by global growth, macro-economic developments such as the US tax reform, the election of Macron as French president, having eased the fear of a further shift to the right in Europe, and strong earnings in the US tech sector positively impacted the stock markets in 2017. In total, most stock indices gained over the course of 2017 despite the prevailing risk factors of terrorism, German election results, the strengthening of the Euro and the North Korean crisis.

On the basis of a weakening US Dollar and the approval of the US tax reform, US equity markets outperformed European equity markets. The Dow Jones broke the 24,000-point mark in Q4 for the first time and gained in total 25.1% to 24,719 points in 2017. Both the S&P 500 and the Nasdaq continued to grow double digit and rose 19.4% to 2,674 points and 31.5% to 6,903 respectively. Looking further east to Asia, the Nikkei index jumped to the level of 22,765, an increase of 19.1%. In Europe, indices growth was mainly single digit, Euro Stoxx 50 rose only 6.5% to 3,504, and the Stoxx 50 moved 5.6% up.

In Germany, equity markets followed the US trend and were outperforming other European stocks. Pushed by the strong economic data with an all-time high of the Ifo index and the ECB decision to continue its asset purchase, all main indices were following an upward trend. The DAX grew 12.5% to a level of 12,918 points. Also MDAX, TecDAX and SDAX could benefit from the positive market momentum. With MDAX rising to 26,200 points, a gain of 18.1%, SDAX growing by 24.9% to 12,918 points and the TecDAX nearly growing 40% to 2,529 points markets experienced an equity rally.

Government bond markets experienced a run as well as low inflation rate and moderate ECB and Fed decisions continued throughout 2017. The yield on a 10-year German bond increased by 23 basis points to 0.43%.

Shares of wind turbine manufacturers impacted by transition to auction system and price pressure

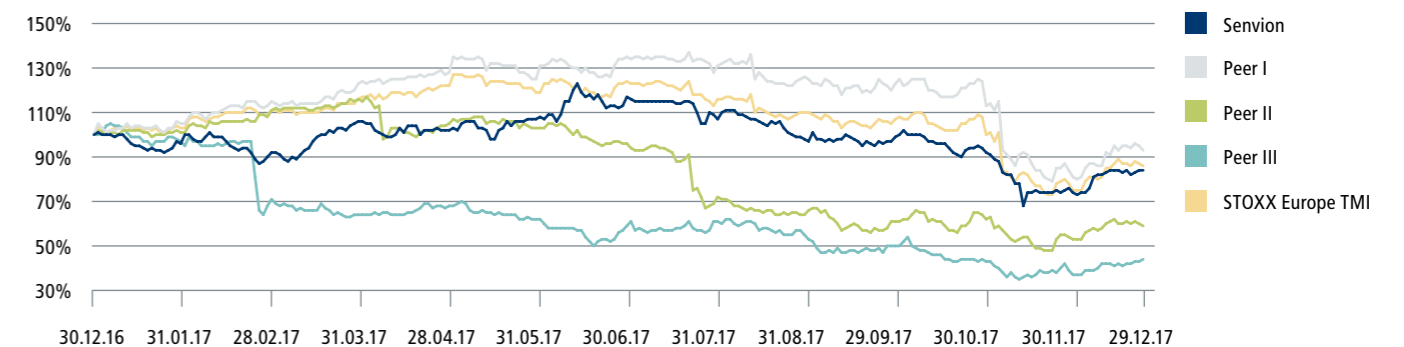
Despite bullish overall stock markets, wind equities experienced a weak 2017. Senvion's benchmark index, the STOXX® Europe TMI Renewable Energy Equipment, closed the year at 27.42 points, a decline of 14.2%. Triggers were mainly the transition from fixed Feed in Tariff systems to market based mechanisms which caused electricity prices to drop massively (40% decline in Germany, 50% decline in India) impacting margins expectations of the wind stocks. Consequently, a wave of profit warnings and cautious medium-term outlook led to stock price corrections.

In this environment, Senvion's share price reduced by 15.6% to EUR 10.30, which was still the second best performance in the sector in 2017 mainly due to a well laid out strategy for 2019, order intake announcements above previous year levels and progress made on fixed costs reduction and restructuring.

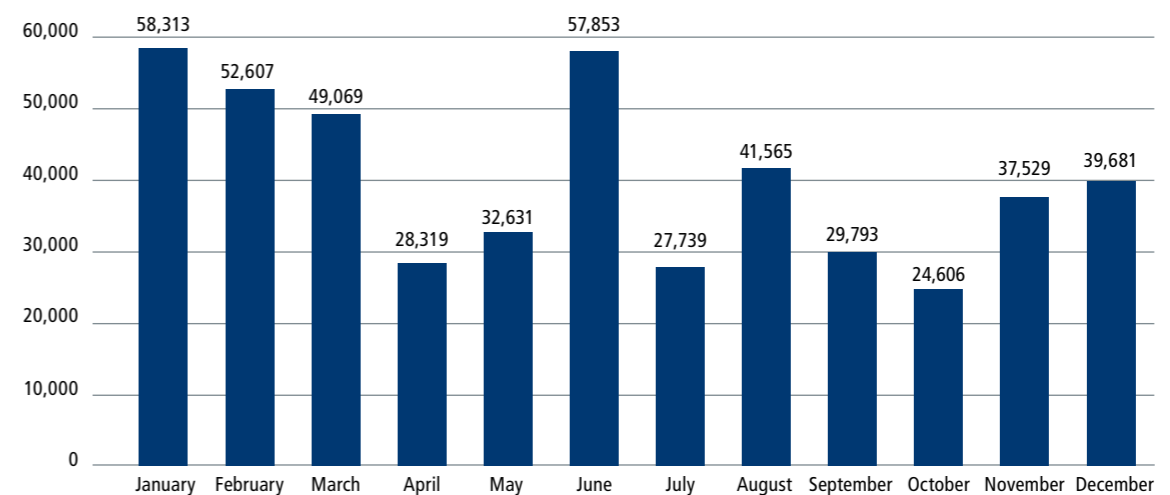
Key focus in 2018 will be on rigorously executing the 'strategy 2019' to gain further market share in select markets and to make advances in variable cost out measures. Throughout the year, Senvion will continue to transparently communicate progress on both the volume and cost side.

The Senvion S.A. share is currently trading at EUR 9.33 (as of March 13, 2018).

Price trend for Senvion S.A. shares and indices December 2016 to December 2017



Average monthly volume January to December 2017



Analyst coverage

Senvion has received active coverage by both national and international banks and research institutes and is currently covered by 10 sell-side analysts. Under Mifid II, Senvion aims to keep and expand the number of research

market coverages also from other institutes to ensure a fair and transparent reporting and independent opinions for investors. At the end of February 2018, four out of ten analysts gave the Senvion stock a 'Buy' recommendation, five analysts recommended "Hold".

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Senvion S.A., Luxembourg Group Management Report

for the 2017 financial year
January 1 – December 31, 2017



1. Basis of the Group

a. Description of the Group

Senvion S.A. (hereafter the "Company") was incorporated on April 4, 2014 and is organized under the laws of Luxembourg as a Société Anonyme for an unlimited period. The main activity of the Company is the acquisition, holding, and disposal of interests in Luxembourg and/or in foreign companies and undertakings, as well as the administration, development, and management of such interests and consulting services within their group of entities.

Senvion S.A. (with its fully consolidated subsidiaries the "Group" or "Senvion") is the holding Company of the Group. The Group's business is primarily conducted by the relevant operating subsidiaries with its main subsidiary being Senvion GmbH. The Group operates internationally in the area of manufacturing and sells wind energy turbines and develops and provides turnkey wind farms.

b. Business model and strategy

The Group is one of the world's leading manufacturers of onshore and offshore wind turbines. Its product portfolio comprises wind turbines with nominal powers of 2.0 to 6.3 megawatts (MW) and rotor diameters ranging between 82 and 152 meters, as well as further specifications tailored to customer requirements to ensure maximum yield on energy and minimum Levelized Cost of Energy (LCoE).

Senvion's core expertise lies in the production, installation, maintenance, and service of wind turbines. The Group also develops, manufactures, sells, and erects turbines, as well as offering its customers project-specific solutions in relation to transport, installation, and foundations among other solutions. In some cases, Senvion can also partner with the clients via codevelopment/coinvestment. Senvion's customers can also benefit from a broad range of service and maintenance options. Reliability and long-term availability are the main benefits of Senvion wind turbines.

From 2002 to the end of 2017, Senvion GmbH had installed more than 7,800 wind turbines around the world with a combined output of approximately 17.0 gigawatts (GW). This gives the Group considerable experience in the production and installation of wind turbines. In the 2017 financial year, Senvion installed 1,478 MW of power in comparison to 1,762 MW installations in 2016.

Senvion Operations & Maintenance team manages wind turbines during service once the turbine or wind farm has been commissioned. As a strong part of the Senvion Group, this business unit manages more than 5,300 offshore and onshore wind turbines as part of long-term service contracts. Senvion continuously monitors, maintains, and repairs turbines, as well as upgrading and/or retrofitting them with state-of-the-art technological solutions. Thanks to dedicated and professional service staff, customers benefit from a range of individually tailored service contract options from a single source. In order to increase annual energy production, make the process of ownership easier, and reduce LCoE, turbine-specific after-sales service products are being offered to wind turbine owners and operators.

Senvion has an international sales, consultancy, and agency/distribution network covering Europe, North and South America, Asia, and Australia/Pacific. This means that regional conditions and regulations can all be met, while supporting and providing customers with local, experienced, and multilingual customer service personnel on-site.

State-of-the-art manufacturing plants are currently located in Germany, Portugal and Poland: In 2017 the streamlining of production facilities took place to increase production synergies and scale effects. Wind turbine production plants are based in Bremerhaven in northern Germany, and in Oliveira de Frades, Portugal. Senvion-specific rotor blades are manufactured in Vagos, Portugal. In November 2016 Senvion acquired EUROS Group, located in Berlin and southern Poland, which has expertise in all areas of rotor blade design and production as well as master plug and mould design. Its manufacturing facilities in Żory-Warszowice and Ustroń, Poland, are able to produce all onshore mould and blade types, including all blades in the Senvion portfolio. This development further builds on Senvion's product innovation and market entry strategy.

Senvion's modern product development center is located in Osterröfeld, in the German state of Schleswig-Holstein. This center houses an innovative research and development department, the global wind turbine fleet remote monitoring team, technical support and the Company's service department. Since September 2015, a new site in Bangalore, India has been added to complement the engineering capabilities of the Company. Furthermore, an engineering office in Osnabrück, Germany works on the ongoing development of Senvion turbines.

Senvion remains a quality supplier and continues to offer its customers reliable wind turbines with high availability. As part of this, Senvion manages all process stages from planning to installation on a step-by-step basis. Customers can also choose from a range of individually tailored service options to ensure the maintenance of their turbines. By providing both a high-quality product and a range of service contracts, Senvion offers customers consistent quality from a single source.

Senvion's core sales markets include Germany, the UK, and France. As part of an overall Group strategy, Senvion is expanding internationally, and in 2017 the Company successfully entered several new markets with projects in Norway, Japan, Argentina, Chile, and Ireland. Senvion's new markets include Eastern EU countries, Egypt, India, Ireland, Japan, Latin America excl. Brazil, Middle East and North Africa, the Nordic region, Serbia, and the USA.

2. Senvion S.A.

Shareholder structure: free float amounting to 25.1%

On the basis of the last EGM and voting rights notifications, shareholders of the Company are as follows:

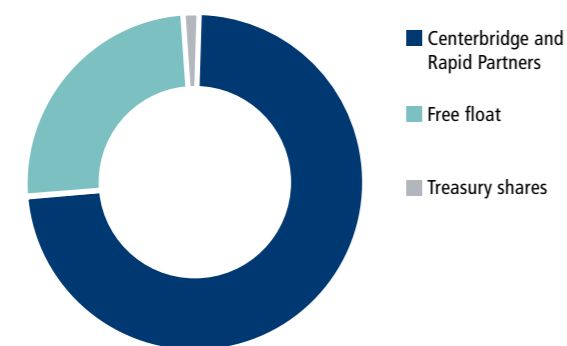
- CCP II Acquisition Luxco S.à r.l., Luxembourg, owns 41.74% of the issued shares
- CCP III Acquisition Luxco S.à r.l., Luxembourg, owns 14.13% of the issued shares
- Based on the last voting rights announcement (April 4, 2016), Rapid Partners L.P., Cayman Islands, owns 14.95% of the issued shares
- Based on the last voting rights announcement (April 4, 2016), Rapid Management L.P., Cayman Islands, owns 2.31% of the issued shares
- Senvion S.A., Luxembourg, (treasury shares) owns 1,115,736 shares representing 1.72% of the issued shares
- All other shareholders are under the notification threshold of 5%

The remaining 25.15% is held by funds, institutional investors such as asset managers, banks, and insurance companies as well as private investors.

Centerbridge and Rapid Partners¹: 73.1%

Treasury shares: 1.7%

Free float: 25.2%



¹ Centerbridge and Rapid Partners include Rapid Management LP

Manager transactions

Both members of the Management Board continued with their shareholding of Senvion shares, bought with their personal funds in 2016. The holding of the Senvion shares by its two Management Board members as of the end of 2017 is as follows:

- Juergen M. Geissinger, CEO: 35,000 shares, and
- Kumar Manav Sharma, CFO: 2,200 shares

As of the end of 2017, both members of the Management Board hold shares in Senvion indirectly through Rapid Management, L.P., a company under the laws of the Cayman Islands, and, in addition, Juergen M. Geissinger participated in Rapid Management II, LP, a company under the law of the Cayman islands in 2017.

Share buyback

At the Annual General Meeting held on March 21, 2016, the Management Board was granted a standing authorization for five years to acquire own shares for a maximum aggregate consideration of EUR 75 m and in a price range between EUR 10 and EUR 35. The Management Board authorization is limited to 25% of the common shares.

On August 25, 2016, the Management Board resolved to buyback shares in a first tranche of EUR 5 m. The first tranche was exhausted on October 18, 2016. On November 21, 2016 and on February 20, 2017, the Management Board resolved to buyback via additional tranches of EUR 5 m each. Both these tranches were finally exhausted with the last settlement on September 1, 2017. There were no further resolutions for buyback after the last settlement date.

On May 31, 2017, the Management Board was granted a standing authorization for a new floor by the Annual General Meeting to acquire own shares in a price range between EUR 0.01 to EUR 35.

Pursuant to the share buyback program, the Company has repurchased in total 1,115,736 (2016: 480,362) common shares for a consideration of about EUR 15.0 m since the start of the program.

Corporate restructuring

On March 13, 2017 Senvion presented an extensive program to secure the Company's long-term competitiveness. The initiative identified excess costs across the entire Company, opportunities to reduce overcapacity in production, and invest in research and development, new technologies, as well as the quality of Senvion's products and services. Measures leading to reduction of up to 660 jobs as well as process and efficiency improvements are included in the program. The measures include:

- Closure of Senvion's production site in Husum and consolidation of MM fleet nacelle production in the Oliveira de Frades site in Portugal
- Closure of the Trampe production site and consolidation of 3.XM fleet nacelle production in Bremerhaven
- Closure of the Powerblades plant in Bremerhaven and consolidation of blade production in the Senvion's Riablades facility in Portugal
- Establishment of in-house shared services located in Portugal
- Consolidation and adjustment of organizational dimensioning in products and technology, project management and life cycle engineering, among other things
- Efficiency gains in Hamburg-based overhead functions

Senvion had consulted with employees' representatives on the above measures and negotiated the balance of interest and social plan. A significant share of the measures has been implemented and has resulted

in opex and personnel cost reductions. The closure of Husum and Trampe sites is finished and most of the other measures are in final stages.

As of the reporting date Senvion has reduced 299 positions within this program, of which 87% were in Germany and 13% in other locations. Additional positions due to closure of blades facilities in Bremerhaven will come on top.

Restructuring expenses in the 2017 financial year amount to EUR 54.1 m and are composed of employee termination benefits of EUR 33.8 m, legal and consulting costs EUR 10.4 m, other operating expenses for repayments of government grants EUR 5.8 m and scrapping/write-off of inventories EUR 4.1 m.

The restructuring provision as of December 31, 2017 amounts to EUR 17.3 m and consists of EUR 15.6 m for employee termination benefits, legal and consulting costs of EUR 0.4 m and EUR 1.3 m for other expenses.

3. Alternative Performance Measures

The Senvion Group uses various financial and alternative performance measurers (APM) as part of its financial reporting. The present document defines the APMs used by Senvion and ensures that the requirements of the "Guidelines on Alternative Performance Measurements," published by the esma (European Securities and Markets Authority), are implemented in an appropriate way.

The guidelines are aimed at promoting the usefulness and transparency of APMs included in prospectuses or regulated information. Adherence to the guidelines will improve the comparability, reliability and/or comprehensibility of APMs. The APMs used by the Senvion Group supplement those measures that are documented and published in accordance with International Financial Reporting Standards (IFRS). An APM is defined as a financial measure of historical or future financial performance and non-financial performance.

The Senvion Group uses the following APMs:

- Conditional order(s)
- Firm order(s)
- (Firm) order(s) intake
- Conditional order(s) book
- (Net) firm order book
- Service order book
- Total order book/ Order backlog
- Equity ratio
- Adjusted EBIT and EBITDA
- (Net) working capital
- Contribution margin I
- Gross margin

Definitions

Conditional order(s)

Is defined as Senvion Group's orders received for WTGs from customers by means of a formal binding agreement that is subject to conditions precedent or is otherwise not fully effective. Conditional order(s) are relevant to determine potential future firm orders' intake and revenues.

Firm order(s)

Is defined as Senvion Group's firm orders received for WTGs from customers by means of a formal binding agreement after all conditions precedent have been fulfilled.

Firm orders is relevant to determine the potential revenues over a 6–12 month period.

(Firm) order(s) intake

Order intake considers only firm orders received for WTGs (or service business) within a defined period and does not include contracts under conditions precedent. Firm order intake is relevant to determine potential revenue, installation, and cash flow over a 6–12 month period (due to the lead time involved between firm order intake and the final installation).

Conditional order(s) book

The conditional order book comprises conditional orders that we have received from customers on the basis of a binding agreement and are still subject to conditions precedents. Such orders may be, and from time to time are, cancelled, modified, or subject to delays in execution, and customers may dispute the amounts owed to us. The conditional order book is relevant to determine potential future firm orders' intake and revenues.

(Net) firm order book

Is defined as Senvion Group's firm orders received for WTGs from customers by means of a formal binding agreement after all conditions precedent have been fulfilled, less any revenues already realized under the percentage of completion method. The firm order book can also be expressed in MW volume, which is agreed under a formal binding agreement after all condition precedents have been fulfilled and not yet installed. Net firm orders is relevant to determine the potential revenues over a 6–12 month period.

Service order book

Is defined as aggregate of operation and maintenance service contracts as of the respective reporting dates.

The order book is relevant to determine future revenues and cash flows over the short- to medium-term period.

Total order book / backlog

Is defined as aggregate of conditional orders for WTGs and firm orders for WTGs and operation and maintenance services as of the respective reporting dates. The order book is relevant to determine future order intake, revenue, and cash flow over the short- to medium-term period.

Equity ratio

The equity ratio is defined as total equity divided by total assets as on a specific date. It is a measure for our capital management. The aim of the Group's capital management is to ensure that it maintains a good equity ratio in order to support its business activities. The target is to aspire to be relatively be equal to meet market norms on equity norms (equity as a % of total deployed capital), as our business model needs consistent discussions with our customers and their financiers.

Adjusted EBIT and EBITDA

The Group defines adjusted EBIT as the result from operating profit before exceptional items and non-recurring expenses¹ for a defined period and adjusted EBITDA as result from operating profit before depreciation of property, plant, and equipment and amortization of intangible assets, exceptional items, and non-recurring expenses for a defined period. Adjusted EBIT and adjusted EBITDA are supplemental measures of the Group's performance and liquidity that are not required to be presented in accordance with IFRS. This is relevant to gauge the actual recurring operating performance of the Company.

(Net) working capital

(Net) working capital is calculated as follows: total current assets (adjusted for liquid funds) minus total current liabilities (adjusted for provisions, short-term loans, and the current portion of long-term loans).

The Group uses the net working capital to measure the short-term liquidity of the business and to utilize assets in an efficient manner. Consequently the Group always attempts to optimize its net working capital on a sustainable basis.

Contribution margin I

The key measure of segment profit or loss used by the Group is the "Contribution margin I" (CM I). This selected key measure is independent of regional income taxation or different financing structures and therefore provides the chief operating decision maker, which is defined as the Strategic Investment Committee (SIC) including the Management Board, with an objective basis for decision-making. Annual decisions about corporate planning and budgeting, and individual decisions taken during the year regarding capital expenditure and additional budget allocations, are made by the SIC during their meetings. These decisions are made taking into account the assessed segment performance on the basis of regular reports. CM I consists of revenues minus the cost of goods sold, which include production and material costs as well as logistics, construction site costs, and commissioning costs, and the cost of managing these direct cost centers. It also includes any expense related to general warranty obligations.

Gross margin

The Group defines gross margin as Total performance minus cost of material, adjusted for any exceptional items and non-recurring expenses like purchase price adjustments or non-recurring large provisions, divided by Revenues as reported for a defined period. It is an important measure to gauge company's operating performance and indicates direct net impact of pricing pressure on the group's margins.

¹ Non-recurring expenses relate to profits or losses on disposal and impairment of fixed assets, not meeting the criteria for categorization as exceptional items.

4. Financial and Operational Highlights 2017

a. Corporate highlights

- Completion of successful refinancing and extension of debt facilities with likely annualized interest cost savings of more than EUR 16 m (without consideration of prepayment premium of earlier High Yield Bond), in cash interest costs and extension of maturity of senior secured notes as well as syndicated line of credit to 2022.
- Announcement of extensive restructuring program ("MOVE FORWARD") for safeguarding the future and

- ensuring long-term competitiveness of the Group. As part of the program, Senvion announced plans to close three factories in Germany and also to reduce approximately net 660 jobs worldwide.
- Communication of Senvion 2019 strategy at the first annual analyst day in London in March 2017
- First Annual General Meeting after IPO held and resolutions adopted with large majorities.

b. Business highlights

- Senvion became the fourth largest turbine supplier in EMEA region and the sixth largest in the world for annual combined onshore and offshore wind installations according to study by Bloomberg New Energy Finance, published in February 2018. Senvion also increased its global market share to 5.7% from 4.9% a year earlier and increased its market share in Germany and France.
 - Revenue and EBITDA guidance achieved
 - 2017 revenues reached EUR 1.9 bn, a decline of 14.5% year on year (yoy), which is mainly driven by the slowdown in the UK market.
 - Senvion achieved adjusted EBITDA of EUR 151.6 m in 2017 with overall adjusted EBITDA margin of 8.0% compared to 9.3% (EUR 205.6 m) in 2016.
 - Senvion recorded firm order intake of EUR 1.776 m, an increase of 36% year on year (yoy). Most of this firm order intake was driven by new markets, which grew from EUR 145 m to EUR 715 m in 2017.
 - Saving program well on track:
 - Opex (adjusted for foreign currency losses) reduced by 19% yoy. This achievement was driven by the consistent and rigorous implementation of the MOVE FORWARD program.
 - Production plants in Husum and Trampe were successfully closed; Blade production in Bremerhaven was closed in January 2018.
 - Working capital level increased to 2.5% mainly due to pre-production of inventory for a Chilean project which is due for installation in H1 2018.
- Onshore**
- Windpower Monthly awarded Senvion's 3.64 MW turbine as second-best turbine introduced in the industry in the 3 MW+ category
 - Senvion order intake from new markets grew from EUR 145 m to EUR 715 m, a growth of 393% yoy
 - Exclusive cooperation agreement for several hundreds of MW with a large utility and developer, EnBW, in our core market Germany, which paves way for Senvion in gaining future market share in new low-wind regions in southern Germany and also confirms the market fit of Senvion's low-wind turbine model 3.4M140
- Senvion was awarded its highest onshore conditional order of 429 MW in its history for the delivery of 116 turbines in Murra Warra in Victoria, Australia. In total, Senvion has secured a total order backlog of over 800 MW in Australia, whereof over 200 MW have converted into firm orders.
 - Senvion succeeded in winning a EUR 100 m+ firm order in Argentina.
 - Further market expansion in Belgium, Serbia, Czech Republic, Ireland, and Croatia: new firm orders with clients in Belgium, totaling 45 MW, 26 MW in Czech Republic, 27 MW in Ireland, 62 MW in Austria, and 10 MW in Croatia
 - Accelerated product developments thanks to modular product strategy with four new products released in 2017
- Offshore**
- A 203 MW order for the Trianel Windpark Borkum II has been confirmed with delivery planned for 2019.
 - Appointed as exclusive supplier for the first offshore plant in the Mediterranean Sea equaling 30 MW
 - Announcement of a 10 MW+ turbine under development and expected to be ready for future auctions in offshore
 - Successful cooperation with suppliers and customers throughout the value chain for securing funding for the Horizon project 2020, an initiative of the European Commission to support offshore growth.
- Service**
- Service consistently showed high growth with an increase in revenues by 11.6% to EUR 308.3 m compared to EUR 276.3 m in 2016.
 - Increasing service order book of EUR 2.6 bn with high visibility
 - Industry-leading average duration of service contracts of more than 10 years, providing annuity-like cash flow streams

5. Economic report

a. Economic and industry-related environment

Economic development

The strength in global growth is broad-based across most advanced and emerging economies. Only a year and a half ago, world economic growth was faltered and financial markets faced some turbulences. In 2017 the picture was very different, with accelerating growth in Europe, Japan, China, and the United States. Financial conditions remained buoyant across the world, and financial markets seemed to be expecting little turbulence going forward, even as the Federal Reserve continued its monetary normalization process and the European Central Bank inches up to its own.

The price of Brent Crude increased from USD 56.82 in December 2016 to USD 66.87 in December of 2017. Oil prices were relatively stable in Q1 2017, with a drop to USD 45/barrel in June 2017. Political conflicts in the Middle East coupled with output cuts in major oil producing countries caused oil prices to surge in Q3 2017, ending the year at USD 66.87. Opec, and some non-Opec producers, agreed at their November 30, 2017 meeting in Vienna to extend the production cuts until December 2018.

In June 2017 the negotiations about the exit of the UK from the European Union started in Brussels. After several rounds of negotiations with basically little movement, the EU offered the UK the opportunity to remain in the EU, while the UK offered to pay GBP 40 bn (EUR 55 bn) in order to negotiate a favorable trade deal. In 2017, the value of British pound sterling in relation to the euro weakened, coupled with high volatility, from 0.8516, to a close of 0.8809 in December. Sterling has traded as low as 0.8356 and as high as 0.9267 against the euro.

The US economy grew by 2.3% in 2017 and will continue to grow at that rate in 2018. Unemployment was 4.1% in 2017 (vs 4.7% in 2016) while wage growth remains modest. Unemployment is expected to drop to 3.9% in 2018. Third quarter growth in the US economy was higher than expected due to stronger net exports and as household spending has been expanding at a moderate rate, business investment has picked up. In December the US economy gained 148,000 jobs. Inflation in the US was approximately 1.7%. Core inflation (as measured in December on a year-on-year basis) was 1.78% and close to the Fed target of 2.0%. This rate is expected to rise to 1.8% in 2018.

On December 13, 2017 the Federal Reserve raised the Fed Fund rate to 1.25–1.50%.

In Q3 GDP grew by 3.2% with an increase of 8.3% on durable goods, also by the replacement of 1 m vehicles that were destroyed by Hurricane Harvey (August 2017). Business investment rose 6%, where a 5.2% increase in investment in equipment offset a decline in commercial construction.

Developments in the German market

The strong upturn in output in the German economy since the beginning of the year is likely to have continued in the final quarter of 2017. The fact that new industrial orders are continuing to provide a strong stimulus means that industry is likely to remain the driving force behind the upturn. This is consistent with the Ifo business climate index in manufacturing in November reaching a new record high since German reunification, but dropping a little in December. However, companies expect prices to continue climbing in the following months.

Gross domestic product (GDP) is expected to show a year-on-year growth rate of 2.2% in 2017. These positive developments were attributable to growth in both consumer and gross fixed capital formation, which strongly increased by 2.0% and 3.0%, respectively. Government spending rose by just 1.4%. German exports remained on a path of growth overall, rising 4.7% in 2017. At the same time, imports increased by 5.2%. In 2017, the German foreign trade balance added, mathematically, 0.2% points to GDP growth.

Growing at rates far above those of potential output, the German economy's high underlying pace of economic growth is likely to continue in the first quarter of 2018. This has most likely been caused by the deceleration in employment growth, which is caused primarily by migration and demographic factors, and will fuel the shortage of skilled labor that can already be perceived in some sectors.

The German labor market thus remained very stable. On average 2.53 m people, 158 k less than 2016, were unemployed on average. This figure declined for the fourth consecutive year. The unemployment rate was at 5.7% (–0.4% vs 2016). Employment rose according to the

German Arbeitsagentur (employment agency) to the highest value since German Reunification, 44.27 m (+0.64 m) compared to 2016.

According to the German Federal Statistical Office, the annual rate of inflation in 2017 was about 1.8%. The development of energy prices (+3.1% in 2017) fueled inflation after having a stabilizing effect on prices in the years 2014–2016. Excluding energy prices and food, the inflation rate in 2017 was +1.4%.

In summary, despite the difficult international environment, Germany's economy continued on a solid path to growth in 2017. The Ifo Business Climate Index for Germany declined to 117.2 in December 2017, from 117.6 in November, which was the highest level since reunification. Confidence among manufacturers dipped from its record high, with wholesalers also deteriorating slightly, but increased for construction.

Developments in other core markets

Early estimates of the UK's GDP show an increase of 1.5% in 2017. The UK's GDP grew by 1.8% in 2016 while growing by 2.2% in 2015. Growth during the third quarter (+0.4%) was dominated by household consumption (+0.5%), while fixed investment softened (+0.3%) vs Q2 2017. Imports in Q3 rose by 1.7%, driven mainly by increases in fuels, machinery, and transport equipment. The unemployment rate was 4.3% in Q3 2017, down from 4.8% a year earlier. The Bank of England increased the key interest rate by 0.25 basis points to 0.50%. The hike was necessary as inflation rose to 3%, well above the 2% target of the BOE.

Banque de France expects in their projections the French economy to increase by 1.8% (working day adjusted, and highest rate since 2011), after just 1.1% in 2016. The annual average inflation rate picked up to 1.2% in 2017, compared to 0.3% in 2016, while unemployment decreased slightly to 9.6% in 2017. The upturn in employment that began in 2015 continued in 2017, supported by domestic demand, with more robust business and household investment and more moderate private consumption. Unemployment through 2018 is expected to remain on 2017 levels, with real wage growth of 1.1% (vs 1.3% in 2016). Together, these factors will

create a more solid foundation for consumption, which is expected to grow at an average annual rate of 1.5% (compared with estimated 1.2% in 2017).

Scotiabank projected that the Canadian economy would grow by 2.9% in 2017 and by 2.3% in 2018. Canadian consumers spent almost 4% more (in real terms) in 2017 vs 2016 and the strongest annual increase since 2010. Confidence and spending is being fueled by a booming job market, with employment growth at the strongest pace in a decade. Unemployment in Canada has dropped to 5.7%, the lowest level in 43 years. Inflation in Canada reached 2.1% in 2017.

The Chilean GDP grew by 1.4% in 2017. The IMF projected the GDP to strengthen to around 3% in 2018–19, due to improving external demand, a more accommodative monetary policy, and higher mining investments. The imports of goods and services rose by 5.5% in 2017, whereas the exports stagnated in 2017. For the next two years, the OECD assumes that imports will further increase. However, due to an expected increase of commodity prices (mainly copper), the exports of goods are likely to increase as well and will further enlarge the trade balance surplus of Chile by 0.1%–0.2%. The OECD expects a decreasing unemployment rate from 6.6% in 2017 to 6.3% in 2019. Banco Central de Chile is showing no evidence that the historically low monetary policy rate of 2.5% will be rise in the next years.

In India has the GDP growth moderated in 2017 to 6.7% after a dynamic economic growth of around 7.5% from 2014 to 2016. Due to the succeeded policy and tax reform, the IMF sees the Indian economy as well-equipped to achieve an increasing GDP of 7.4% in 2018 and 7.8% in 2019. The IMF expects a rising inflation rate from 3.3% in 2017 to 4.9% in the next two years. The trade balance deficit of India decreased over the last 5 years. Due to the positive outlook of the economy, the OECD expects that this trend will be progressing for the next years. With regard to the last release of the Reserve Bank of India, it is unlikely that the monetary policy rate will be changed from the current 6% in 2018.

Due to the structural reforms of the re-elected government in Australia, the OECD expects an increase of productivity and therefore an increasing GDP growth from 2.2% in

2017 to 2.9% in 2018. From this background, the OECD as well as the Reserve Bank of Australia expect a remaining low unemployment rate of 5.5%. The imports of goods and services rose by 7.3% in 2017. The exports increased by 5.6% in the same period, mainly driven by increased commodity prices. For the next two years, the IMF assumes that imports will further increase. However, due to an expected increase of commodity prices, the value of exports will be increased as well and will minimize the trade balance deficit of Australia from 2.3% to 2.1%–1.9%. The Reserve Bank of Australia expects that the inflation rate will rise from 2.0% in 2017 to 2.25% in 2018. With regard to the development of the inflation rate and as the economy strengthens, Bloomberg Consensus expect that the Reserve Bank of Australia will slowly raise its monetary policy rate from the middle of 2018.

Industry development

Onshore

The global onshore wind energy market decreased to an installed wind power capacity of around 46 gigawatts (GW) in 2017, which was lower than the volume of installations in 2016, at 50 GW. Cumulated global onshore capacity of approximately 452 GW at the end of 2016 then increased to 497 GW at the end of 2017. The change in installed capacity in 2017 was mainly due to a shrinking Chinese market, with a reduction of around 3 GW compared to 2016, as well as fewer installations in the US. With the Chinese market shrinking, the Asia-Pacific region has seen an overall reduction in commissioned capacity, with approximately 21 GW of new capacity connected by the end of 2017. Approximately 16 GW of this is being installed in China. India accounted for the main share of the region with more than 4 GW. With its very high and growing demand for energy, India is still considered one of the world's most dynamic wind energy markets. With a national target of 60 GW by 2022, analysts are expecting a short-term dip to around 2GW in 2018, growing back to 3–5 GW p.a. over the next years.

The US wind energy market is still buoyant and saw around 7 GW installed in 2017. This was mainly due to the extension of the Production Tax Credit (PTC) incentive (that runs from 2015 until 2020), which allows projects that meet certain criteria to continue receiving subsidies in subsequent years. The extension of the expired PTC means

that 2017–2020 will also see high levels of commissioning. Canada also enjoyed a good level of installations in 2017 (600 MW), while Latin American nations (in particular Brazil and Mexico) continue to show a positive outlook with a total growth of more than 3 GW. Meanwhile, in Chile and Argentina, good volumes of around 400 MW p.a. are expected in these markets from 2018 to 2025.

The expansion and integration of renewable energies still remain one of the central focus of economic policy in a number of countries around the world. Over the course of recent financial years, it has become clear that the intensity of efforts made and the attractiveness of conditions differ depending on the nature of the government in power. While countries like Mexico, Chile, Vietnam, and Thailand continue to foster the economic conditions required for renewable energies, the Chinese market still remains barely accessible for Western original equipment manufacturers (OEMs). Despite large investments, most Western OEMs do not increase market shares significantly (2–5% market share at maximum). Market hurdles seem to be intransparent. On the other hand, Chinese OEMs increase their activities outside China. Goldwind, Envision, and Sinovel, which are the biggest players in the Chinese wind market so far, have been focusing on Latin America, the Middle East, Africa, and the US as well as some markets in Europe (e.g. France). An aggressive pricing policy as well as co-investing into projects are selected methods to enter new markets. Their market success still remains to be seen.

Following the nuclear disaster in Fukushima and efforts to establish an alternative energy model, Japan and its new government are now back where they started with an energy industry based on nuclear power.

The European market for onshore wind power in 2017 was comparable with the previous year (12 GW). The total cumulative capacity in Europe came to approximately 161 GW by the end of 2017. The German market stood out with more than 5 GW of new capacity. It was followed by the UK, with more than 1.7 GW of grid connections. France saw installations at the same high level, with more than 1.4 GW of newly commissioned capacity. There was also considerable growth in Ireland, Finland, the Netherlands, and Norway.

Offshore

The market for offshore wind turbines in 2017 showed an increase by 1 GW totaling 3.3 GW compared to the previous year's level of 2.3 GW. This development was due to increased activities in the UK (more than 1.4 GW of grid-connections). The core markets for offshore wind are located in Europe with over 2.5 GW of grid connections in 2017. The biggest installations were made in Germany and the UK. Outside of Europe, only China and South Korea saw larger offshore installations, as well as some minor projects in Japan and Taiwan.

Political environment

Europe

The President of the European Commission Jean-Claude Juncker started work with his new team in October 2014. Energy and climate policy was handed over to Vice President Maros Sefcovic and Commissioner for Climate Action Miguel Arias Canete. Both have taken steps to create a standardized internal EU market, a secure energy supply, and a reduction in CO₂ emissions. The declared aim is to move away from the current national fragmentation of the European energy market toward an energy union, to exploit the potential and the benefits of a common internal market and to develop an international energy infrastructure and increase energy efficiency. European climate policy focuses on the development and expansion of the domestic energy market and a substantial reduction in CO₂. Additionally in January 2018 a statutory governance structure for European climate and energy goals for 2030 became effective. The successful conclusion of the Climate Change Conference held in Paris in November/December 2015, supports these initiatives. Two essential goals of the Paris Climate Change Agreement are the limitation of global warming to well below 2 °C or even 1.5 °C and "Intended Nationally Determined Contributions" (INDC) to limit greenhouse emissions to zero within the second half of the century. The European Parliament argued repeatedly for ambitious and binding targets stimulating the renewable energies and increasing the energy efficiency in Europe: the share of renewables shall reach at least 35% in 2030 and energy efficiency shall be increased by 35%. With adoption of these targets, the delegates of the EU Parliament increased the proposals from the EU Commission in January 2018.

Germany

In Germany the government continues its efforts to reach especially the next national climate target for 2020 and confirmed again the validity of the ambitious national climate targets up to 2050. In 2016, the Renewable Energy Sources Act (EEG 2017) and the "Wind auf See Gesetz" (for offshore wind) came into force. In May 2017 Germany started with the auction of 2,800 MW/y for 2017, continuing with 2,800 MW/y for 2018 and 2,900 MW/y for 2019. Due to a weakness of the EEG 2017 resulting in a short-term installation gap, the law was already changed in mid-2017 and might be changed again in 2018: several similar requests about additional auction capacity of 1,400–2,000 MW/y to be tendered in 2018 and 2019 are currently in the process of legislation and final approval of the lower house of the German parliament (Bundestag). In the offshore segment, the system will retain the old EEG 2014 until 2020 with a maximum of 7.7 GW of installed capacity. From 2021 to 2030, the EEG 2017, together with the "Wind auf See Gesetz," will come into effect, leading to a total accumulated capacity of 15 GW. Within this framework, Bundesnetzagentur (BNetzA) confirmed the development of the necessary offshore grid (O-NEP 2025) until 2030.

Argentina

There are excellent wind resources present in southern parts of Argentina, especially eastern Patagonia with continuous strong winds and low turbulence. However, grid access is limited after the two recent tender rounds and further investment is required if Argentina wants to further exploit Patagonian wind resources. The Argentine government declared 2017 to be the "year of renewables," defining a target of 20% renewable electricity production for 2025, and the Ministry of Energy and Mines (MINEM) implemented mechanisms for widespread deployment of renewables through tenders and renewable targets to be met by all consumers. To realize this ambitious target, the government foments competition through capacity tenders under the "RenovAr" program. The first action round awarded 1,470 MW and was oversubscribed by 6,000 MW of wind projects at an average awarded price of USD 56/MWh. The second RenovAr tender round in October 2017 led to the awarding of 990 MW at an average price of USD 41/MWh, underlining the success of the tender's ability to gain investor and lender confidence.

Chile

The Energy Agenda, presented in May 2014 by the President of Chile Michele Bachelet as a road map, established the design and execution of a long-term energy policy as one of its tasks and defined country targets for renewable energy sources of 20% for electricity generation by the year 2025, 60% by the year 2035, and at least 70% by the year 2050. In addition, this policy reflects a commitment to address the challenge that climate change poses and decidedly supports a transition towards the energy sources – which are significantly lower in carbon, reaching at least a 30% reduction in greenhouse gas emissions by 2030 in accordance with the international commitments made by Chile. Despite having low wind resources misaligned with grid capacity, the decrease in the cost of wind technology and improved low-wind turbine models has led to a boom for wind farm projects in the past three distribution tenders. It is important to note that energy tendering in Chile is done on a technology-neutral basis, and wind and PV have out-bid conventional coal, gas, and hydro projects, reducing the price of energy from USD 115 to USD 25 in the past 3 years, breaking the monopoly deadlock that had traditionally led to high energy prices in the country.

Australia

The Australian Government has ratified the Paris Agreement, committing to reducing emissions by 26% to 28% below 2005 levels by 2030. An important driver of investment in renewable energy in Australia has been the Renewable Energy Target, a mandatory target for 33,000 GWh of renewable energy generating capacity. With this target close to being achieved, work is being undertaken to develop the next phase of national energy policy. In the meantime, strong leadership is being shown at a state level with significant renewable energy targets in place such as the legislated Victorian Renewable Energy Target, which has a renewable energy generation target of 40% by 2025.

Other core markets

The third German renewables auction in November delivered record low results with lowest bid at EUR 22/MWh. Germany has been on a fast track to gridparity and therefore renewables are outcompeting conventional energy sources.

French government is currently working on reducing legal hurdles that slow down development of onshore projects in order to reach ambitious 2023 targets (21.8 GW).

Results from Alberta's Round I Renewables auction announced contracts for ~600 MW averaging CAD 37/MWh which are the lowest in the Americas again bringing another country closer to grid parity.

New markets

Indian central authorities and two state governments have recently announced a reverse auction, which has seen dramatic decline in the price of energy from renewables. However, these auctions have brought much needed demand back to the market, thereby paving the way for a 3–5 GW market in the short to medium term.

Additionally, India announced a national offshore wind energy policy, whereas the first real market activities are expected by the 2020s. The new tax system (GST) will be introduced from April 2017, which will affect all monetary transactions.

Norway is expected to leave the joint support mechanism with Sweden by 2021.

In Chile, a new energy auction was announced with bid submission in October 2017. Power purchase agreements for 4,200 GWh/year will be awarded for 20 years. The tender is open to all technologies.

b. Course of business

Reconciliation of segment reporting is as follows:

	Onshore	Offshore	Services and maintenance	Segment totals	Reconciliation	Group
	EUR m	EUR m	EUR m	01/01/2017 –31/12/2017 EUR m	01/01/2017 –31/12/2017 EUR m	01/01/2017 –31/12/2017 EUR m
Segment reporting for the 2017 financial year						
Revenues	1,226.9	345.7	352.5	1,925.1	–35.2	1,889.9
Cost of materials/cost of purchased services	–918.7	–236.3	–144.4	–1,299.4		
Personnel expenses	–30.2	–7.8	–60.7	–98.7		
Other operating expenses	–36.8	–9.5	–21.1	–67.4		
Contribution margin I	241.2	92.1	126.3	459.6		
Intersegment elimination and unallocated revenues				–35.2		
Unallocated changes in work in progress and cost of materials/cost of purchased services				–98.3		
Work performed by the entity and capitalized				46.2		
Other operating income				48.3		
Unallocated personnel expenses				–161.3		
Unallocated other operating expenses				–107.7		
Adjusted EBITDA				151.6		
Depreciation and amortization				–65.7		
Adjusted EBIT				85.9		
Reorganization expenses				–54.1		
Effects from purchase price allocation				–92.1		
Result from operating activities (EBIT)				–60.3		–60.3
Interest result				–60.8		
Result before income taxes (EBT)				–121.1		–121.1

	Onshore	Offshore	Services and maintenance	Segment totals	Reconciliation	Group
	EUR m	EUR m	EUR m	01/01/2016 –31/12/2016 EUR m	01/01/2016 –31/12/2016 EUR m	01/01/2016 –31/12/2016 EUR m
Segment reporting for the 2016 financial year						
Revenues	1,629.5	300.0	345.0	2,274.5	–64.1	2,210.4
Cost of materials/cost of purchased services	–1,214.2	–234.1	–108.3	–1,556.6		
Personnel expenses	–38.7	–7.5	–55.0	–101.2		
Other operating expenses	–49.2	–9.5	–20.6	–79.3		
Contribution margin I	327.4	48.9	161.1	537.4		
Intersegment elimination and unallocated revenues				–64.1		
Unallocated changes in work in progress and cost of materials/cost of purchased services				–79.8		
Work performed by the entity and capitalized				45.1		
Other operating income				45.9		
Unallocated personnel expenses				–154.4		
Unallocated other operating expenses				–124.5		
Adjusted EBITDA				205.6		
Depreciation and amortization				–63.7		
Adjusted EBIT				141.9		
Other transaction cost				–8.3		
Specific provision related to 6XM WTG series				–54.7		
Effects from purchase price allocation				–104.5		
Result from operating activities (EBIT)				–25.6		–25.6
Interest result				–63.9		
Result before income taxes (EBT)				–89.5		–89.5

The Group generated revenues of EUR 1,889.9 m in the 2017 financial year (previous period: EUR 2,210.4 m).

The Group's cost of material / cost of purchased services amounts to EUR 1,355.0 m (previous period: EUR 1,674.3 m). The cost of material ratio (cost of materials / cost of purchased services in relation to total performance) is 71.7% (previous period: 74.8%).

Onshore

The main revenues from the sale of onshore wind turbines were generated in Germany (EUR 516.4 m, previous period: EUR 420.4 m), France (EUR 184.9 m, previous period: EUR 191.7 m), and the UK (EUR 161.7 m, previous period: EUR 397.1 m). As of December 31, 2017, the contribution margin I ratio of onshore wind turbines of 19.7% remained almost unchanged compared to the period ending December 31, 2016.

Offshore

Offshore revenues in the 2017 financial year mainly relate to the projects Norddergründe and Nordsee-One. The contribution margin I ratio of offshore wind turbines changed from 16.3% (as of December 31, 2016) to 26.9%, mainly due to a change in the project mix.

Service

The main service revenues were generated in Germany (EUR 90.0 m), France (EUR 32.9 m), the UK (EUR 29.6 m), and via offshore projects (EUR 53.5 m). The MW covered under O&M contracts increased by 12.8%, from 12,051 MW as of December 31, 2016 to 13,595 MW as of December 31, 2017. The contribution margin I ratio of service has decreased from 46.7% to 35.8% mainly due to the change in allocation of service provisions to the service segment from unallocated expenses. With that allocation the prior years CM1 of the service business would be at 32.6%. On that basis the CM1 in the 2017 financial year remained stable.

Order situation and installed capacity

Onshore

In the period from January 1, 2017 to December 31, 2017, Senvion received orders for contracts in the onshore segment with a total capacity of 1,564 MW, worth around EUR 1,469 m. This data on the order book and order intake considers only effective contracts and does not include contracts under conditions precedent ("CP contracts"). Countries with the largest share in onshore order intake were Germany (26%), Chile (16%), and Australia (16%).

Senvion Group's firm order book in the onshore segment, including work in progress, stood at 1,793 MW as of the balance sheet date, with the UK, Chile (17% each), France, and Germany (14% each) contributing the largest shares.

In the period from January 1, 2017 to December 31, 2017, Senvion Group erected onshore wind turbines with a combined capacity of 1,146 MW. The 3.XM series contributed 56% and the MM series 44% to this result.

For an analysis of revenues from the sale of wind turbines analyzed by geographies and turbine type, please refer to section 5.1 "Revenues" of the condensed Consolidated Financial Statements for the 2017 financial year.

Offshore

In the period from January 1, 2017 to December 31, 2017, Senvion received one order in the offshore segment with a total capacity of 203 MW.

The firm order book in the offshore sector stands at 203 MW, which represents 10% of the total order backlog.

In the period from January 1, 2017 to December 31, 2017, Senvion erected offshore wind turbines with a combined capacity of 332 MW. This refers to the installation of the complete Nordsee One wind farm.

Service

In the period from January 1, 2017 to December 31, 2017, the firm order intake in the service segment amounted to EUR 604 m. This is the result of new contracts (EUR 536 m), contract renewals (EUR 47 m), and spare parts and services (EUR 21 m).

The intake is split into the onshore sector (88%) and offshore sector (12%). In the onshore sector, Central Europe (30%), EU North (22%), and EU Southwest (19%) form the largest part of the order entry.

As of December 31, 2017, the Service order book was EUR 2.6 bn. This is composed of onshore (72%) and offshore (28%). In the onshore sector Germany, the UK, and France form the largest part of the firm order book.

Significant order intakes

Onshore

In the 2017 fiscal year Senvion was able to record several order intakes from its new markets.

Two contracts for projects in Chile totaling 299 MW have become effective, marking Senvion's market entry in South America. Furthermore, the Company was able to conclude a contract for a wind farm in Argentina with a volume of 97 MW, which will be built by Senvion on a full EPC basis.

In 2017 Senvion also won several important order intakes in Eastern Europe. While a 10 MW order marks the market entry in Croatia, Senvion was also able to conclude contracts for projects in Serbia (42 MW) and the Czech Republic (26 MW).

For a wind farm in South Australia, Senvion has been issued notice to proceed under a contract to install 35 units of its 3.6M140 EBC turbine, the first from Senvion's 3 MW range to be installed in the country. In addition, an 80 MW wind farm with a full EPC scope has been secured in Australia.

In the UK, Senvion recorded an order for the supply and installation of 47 turbines for three wind farms totaling 151 MW. The three wind farms were all successful in the UK government's first competitive Contracts for Difference (CfD) program for onshore and offshore projects in 2015.

Furthermore, Senvion recorded its first orders in Ireland (37 MW).

Offshore

In the reporting period the contract for the Trianel wind farm Borkum II (203 MW) became effective.

Service

A significant contract renewal was achieved in Germany and Portugal, where contracts for project Titz-Roedingen (Lot III), Jerrishoe Extension, and for project Vale Grande were extended. These have a value of EUR 12.9 m.

Furthermore, USA managed to extend the Eva Creek farm with a value of EUR 2.8 m, France managed to extend two Electrabel (GdF Suez) wind farms with a value of 2.1 m, and Italy closed a new Utility model contract with a value of EUR 1 m.

In the new market segment, service contracts for the wind farms Alibunar and Malibunar (Serbia and Montenegro), Sarco and Aurora (Chile), and Los Hercules (Argentina) were signed with a cumulative value of EUR 53.7 m.

In the offshore segment the service contract for the Trianel wind farm was signed.

In terms of new contracts, Senvion secured significant service contracts for the Britain Kype Muir and Middle Muir wind farms, for the Australian Lincoln Gap wind farm, the Irish Teevurcher and Carrickallen wind farms, and the Portuguese Guardao wind farm, together with turbine sales agreements. The total value of the contracts mentioned above is EUR 107.6 m.

c. Research and development

Senvion's development activities cover the wind turbines and rotor blades that Senvion manufactures. In the 2017 financial year, the Group spent EUR 67.7 m on research and development (onshore EUR 60.4 m; offshore EUR 7.3 m). Of the total expenses on research and development, EUR 41.5 m (onshore EUR 34.9 m; offshore EUR 6.6 m) were capitalized in the same period, and EUR 15.9 m (onshore EUR 15.2 m; offshore EUR 0.7 m) concerned third-party services, e.g., for temporary workers, consulting services, or certification costs. This represents a total ratio of 61.3% of development costs capitalized over total development costs incurred.

Onshore

In 2017, several new product variants were kicked-off to secure the competitiveness of the portfolio. The focus on new products includes the 2.xM, 3.xM as well as the offshore platform. Additionally, several new market introductions (e.g., Chile, Argentina, India) were supported and a modular design approach implemented within the developments. To increase the efficiency within the development several tool and process improvement initiatives were started.

Within the 3.xM platform the prototypes of the 3.4M140 and the 3.6M140 were installed as planned on two sites in Germany. The necessary tests and certifications are running according to plan and will be finalized at the beginning of 2018. These turbines will increase competitiveness within the low and mid-wind range. Based on this platform and the modular design approach, an upgrade to 3.7M144 as the basis for several customer projects was kicked-off and developed to be ready for order. The prototype of this machine is expected to be installed mid-of-2018.

For the 3.6M118 the blade adaptations were designed and ordered. This development is part of the modular design and can be seen as one additional part to reach full flexibility. Installation of the prototype will be in January 2018 and measurements will run till mid-of-2018. The blade adaptations are the basis for further product upgrades planned in 2018.

A product upgrade for the complete 3.xM platform to higher ratings, bigger rotors, and higher wind classes was kicked-off, which is based on the modular design, to address respective market requirements. The prototypes of these upgrades will be installed in Q4/2018 and commercial rollout is planned for 2019.

The focus on the 2.xM platform was put on the low-wind turbines with a special focus on the Indian market. The first turbine will be prototyped in 2018 and commercially available in 2019. The machine is based on the successful MM platform with improvements taken over from the 3.xM and the Kenersys machines. The 2.xM platform is designed for several rotor diameters and ratings to be fully flexible to secure the most competitive projects and enable a flexible siting.

Special focus was put on the tower roadmap regarding new tower designs (steel tower up to 139 m based on tubular design), project-specific solutions, and standardization and modularization. Due to these activities the competitiveness of towers and the development time of towers was improved hugely. The first prototypes of the new towers will be installed in 2018.

Improvements for special requirements in markets were started for all platforms as improved hot-climate performance, modular hot-air deicing systems, and sand and dust systems. To increase overall competitiveness focus was also put into improving the installation concepts and handling tools. Several developments for easier and modular transportation devices and installation devices were finalized and are currently being tested.

Generally, the sourcing footprint was increased further to Asia by qualifying several component suppliers for existing products, but also for the new developments. As 2016 additional cost-out activities were implemented and closed with a focus on improving customer project values especially in the area of towers.

Offshore

The 6.3M152 turbine development was finalized and adaptation to the Trianel customer project. The design adaptations were finalized in 2017 and ordering of components is ongoing.

Additionally, design for the next generation offshore turbines was started and the first component and system designs. Feasibilities for the adapted package for onshore turbines for nearshore and offshore turbines for floating foundations were conducted, to broaden the possible offering.

d. Financial performance

Due to the finalization of the purchase price allocation in the 2017, financial year the acquisition of the EUROS Group as of November 21, 2016 adjustments were made retrospectively in accordance with IFRS 3.45 et seq. For details, please refer to section 2.3 "Scope of Consolidation" in the Consolidated Financial Statements for the 2017 financial year.

Other income and expense items

Other operating income in the 2017 financial year amounted to EUR 48.3 m (previous period: EUR 45.9 m). This primarily includes income from foreign currency gains (EUR 18.1 m; previous period: EUR 12.9 m) and insurance compensation payments or damages (EUR 12.1 m; previous period EUR 21.4 m).

Personnel expenses amounted to EUR 259.8 m (previous period: EUR 255.5 m). In relation to overall performance, the personnel expenses ratio was 13.7% (previous period: 11.4%).

Depreciation on property, plant, and equipment and intangible assets amounted to EUR 157.8 m in total

(previous period: EUR 166.8 m), with EUR 92.1 m (previous period: EUR 103.0 m) relating to the amortization of intangible asset step-ups (purchase price allocation).

Other operating expenses totaling EUR 175.1 m (previous period EUR 212.1 m) are composed of legal and consulting fees amounting to EUR 35.6 m (previous period: EUR 58.5 m). Furthermore, office and land costs (EUR 19.2 m; previous period: EUR 17.0 m), foreign currency losses (EUR 18.9 m; previous period: EUR 13.5 m), IT & telecommunication costs (EUR 17.6 m; previous period: EUR 11.8 m), travel expenses (EUR 14.6 m; previous period: EUR 14.0 m), and purchased services (EUR 15.3 m; previous period: EUR 38.0 m) are included in this item.

The selected measures consider earnings before interest and taxes (EBIT) and earnings before interest, taxes, depreciation, and amortization (EBITDA). The figures are independent of regional income taxation or different financing structures and therefore provide an optimal and objective basis to management for decision-making.

The following table summarizes the adjustments to reported financials to arrive at adjusted EBIT and adjusted EBITDA:

	01/01/2017 – 31/12/2017 EUR m	01/01/2016 – 31/12/2016 EUR m
Result from operating activities	–60.3	–25.6
Reorganization expenses	–54.1	0.0
Result from operating activities before reorganization expenses	–6.1	–25.6
Impact arising from purchase price allocation	92.1	104.5
General warranty provision release	0.0	0.0
Specific provisions related to the 6XM WTG series	0.0	54.7
Acquisition-related costs	0.0	0.0
IPO/Other transaction costs	0.0	8.3
Adjusted EBIT	85.9	141.9
Amortization and depreciation	65.7	63.7
Adjusted EBITDA	151.6	205.6

The financial result amounts to EUR –60.8 m (previous period: EUR –63.9 m) and was mainly driven by the refinancing of the new high-yield bond. For further details refer to section 6.6 “Other non-current financial liabilities” in the Consolidated Financial Statements for the 2017 financial year.

Income tax profit for the financial year amounted to EUR 28.1 m (previous period: EUR 24.2 m) leading to an effective tax rate of 23.3% (previous period: 27.1%). This income led to a negative net result for the period of EUR 92.9 m (previous period: EUR 65.3 m).

The main item for the effective tax rate being lower than the expected tax rate is a non-recognition of deferred tax assets on loss carryforwards and interest carryforwards in the amount of EUR 6.8 m (previous period: EUR 5.1 m).

The net result for the Group for this period, a loss of EUR 92.9 m (previous period: EUR 65.3 m), was mainly impacted by reorganization expenses amounting to EUR –54.1 m (previous period: EUR 0 m). For further details please refer to section 5 Economic report, g. Management control system.

Asset and capital structure

Current assets primarily consist of liquid funds (EUR 235.2 m; previous period: EUR 441.1 m), the gross amount due from customers for contract work as an asset (EUR 6.8 m; previous period: EUR 88.6 m), trade account receivables (EUR 198.8 m; previous period: EUR 168.0 m), inventories (EUR 490.4 m; previous period: EUR 429.8 m), and other current assets (EUR 78.2 m; previous period: EUR 126.9 m).

The gross amount due from customers for contract work as an asset is used to report work in progress, which is recognized using the percentage-of-completion method in accordance with IAS 11. Advance payments on the contracts recognized are deducted directly from gross amounts due.

The trade accounts receivable primarily relate to receivables from customers for the delivery of wind turbines and from service and maintenance contracts. The change from EUR 168.0 m as of December 31, 2016 to EUR 198.8 m as of December 31, 2017 results mainly from finalization of large offshore project.

The inventories of EUR 490.4 m (previous period: EUR 429.8 m) contain EUR 405.7 m in raw materials and supplies (previous period: EUR 302.3 m) and EUR 84.7 m in work in progress (previous period: EUR 127.5 m).

For the sharing of other current assets, reference is made to section 6.1.5 “Other current assets” in the Consolidated Financial Statements for the 2017 financial year.

Assets classified as held for sale in the amount of EUR 4.6 m (previous period: EUR 0 m) include land and buildings in Husum and Trampe, which in the course of the reorganization program will be sold after cessation of operations (refer to section 6.2 “Assets held for sale” in the Consolidated Financial Statements for the 2017 financial year).

The non-current assets of EUR 810.5 m (previous period: EUR 846.7 m) consist mainly of other intangible assets (EUR 525.0 m; previous period: EUR 602.2 m) and property, plant, and equipment (EUR 223.7 m; previous period: EUR 223.2 m). The other intangible assets include other licenses, brand names, customer relationships, technology, and advance payments for intangibles. Technology mainly relates to our individual turbine types as well as service solutions. For details on additions and spending in the 2017 financial period refer to section 5c. “Research and development in this Management Report.” The decrease in other intangible assets results mainly from an additional depreciation and amortization of EUR 119.9 m and additional acquisition and production costs of EUR 45.6 m.

The current liabilities of EUR 1,032.7 m (previous period: EUR 1,193.9 m) mainly consist of trade accounts payable (EUR 339.8 m; previous period: EUR 431.0 m), advance payments received (EUR 118.5 m; previous period: EUR 189.2 m), gross amount due to customers for contract work as a liability (EUR 138.8 m; previous period: EUR 122.2 m), provisions (EUR 300.4 m; previous period: EUR 290.1 m), income tax liabilities (EUR 6.5 m; previous period: EUR 37.8 m), and other current liabilities (EUR 83.7 m; previous period: EUR 83.7 m).

Advance payments from customers for orders for which no production work has been carried out are reported as advance payments received.

The decrease of specific warranty provision mainly relates to a release of a provision within the offshore blades (6.XM WTG series). This could be achieved by optimizing the production output and therefore avoiding the need to in-source blades from third-party suppliers, along with cost optimizations achieved during execution.

On the contrary, a rise of specific warranty provisions regarding technical issues within the electrical system on the 3.XM WTG series and issues relating to spoilers on the MM WTG series (both onshore) resulted mainly from increases in future cost expectations. Due to design issues, a replacement of electrical components is planned on a specific park, while the spoiler issues will be fixed fleet-wide. The issues addressed mainly increased due to internal cost adjustments and settlement closures with customers and suppliers to strengthen future order intake.

The increase of general warranty provisions reflects the increase in the number of offshore WTGs under service combined with a warranty extension for offshore WTGs. The general warranty provision for onshore WTGs was stable compared to the previous year.

The increase of other provisions relates to restructuring provision in the amount of EUR 17.3 m and consists of EUR 15.6 m for employee termination benefits, legal and consulting costs of EUR 0.4 m and EUR 1.3 m for other expenses. The further increase in the amount of EUR 17.4 m relates to litigation and arbitration proceedings.

For further details of these developments please refer to section 6.4.2 “Provisions” in the Consolidated Financial Statements for the 2017 financial year.

Income tax liabilities primarily relate to current taxes for the financial year.

The non-current liabilities of EUR 561.8 m (previous period: EUR 573.5 m) primarily relate to other non-current financial liabilities, including the high-yield bond (EUR 392.5 m; previous period: EUR 392.9 m) and deferred taxes (EUR 150.3 m; previous period: EUR 173.6 m).

The retained earnings of EUR –259.8 m (previous period: EUR –166.8 m) represent the share of net result for the period attributable to the shareholders of the parent.

The consolidated statement of financial position shows total equity of EUR 230.1 m (previous period: EUR 333.8 m), mainly due to the decrease of the net result for the period of EUR –92.9 m (previous period: EUR –65.3 m).

For further details please refer to section 2. "Senvion S.A." in this Management Report and to section 6.7 "Total Equity capital" in the Consolidated Financial Statements for the 2017 financial year.

The equity ratio is calculated as follows:

	31/12/2017 EUR k	31/12/2016 EUR k
Shareholder equity	230,094	333,751
Total assets	1,808,085	2,101,139
Equity ratio in %	12.7	15.9

Another figure used in capital management is net working capital or the net working capital ratio. Net working capital is calculated as follows: total current assets (adjusted for liquid funds) minus total current liabilities (adjusted for provisions, short-term loans, and the current portion of long-term loans). To calculate the net working capital ratio, this net figure is compared with the total operating performance for the last 12 months.

	31/12/2017 EUR k	31/12/2016 EUR k
Total current assets	1,009,459	1,254,416
Adjustments to current assets	-235,211	-441,078
Total current liabilities	-1,032,667	-1,193,852
Adjustments to current liabilities	304,917	297,683
Net working capital	46,498	-82,831
Total operating performance	1,893,360	2,237,179
Net working capital ratio in %	2.46	-3.70

The Group uses the net working capital to measure the short-term liquidity of the business and to utilize assets in an efficient manner. The development of the net working capital ratio in the 2017 financial year is due to a delay in installation in major projects in Chile, which will be recovered in Q1 and Q2 2018. Furthermore, investments in stock to secure growth led to the positive net working capital ratio. Without these one-off effects, the net working capital would be negative and in line with market expectations.

Financial summary

The Group reports a financial position with equity amounting to EUR 230.1 m as of December 31, 2017 (previous period: EUR 333.8 m). At EUR 235.2 m (previous period: EUR 441.1 m), cash and cash equivalents remain at a high level. In the 2017 financial year, the Group was able to meet all payment obligations at all times.

Senvion's financial management is focused on the efficient use of available resources. The Group's financing policy objectives are to secure liquidity, contain financial risks, and optimize financing costs by means of an adequate capital structure. Financial activities are designed based on the operating business and the Company's strategic alignment.

The financing requirement derives primarily from guarantees, especially those used to hedge advance payments and contractual obligations.

Effective May 5, 2017, the Group extended and restated the existing syndicated line of credit for EUR 950,000 k. EUR 825,000 k of this syndicated credit line can be utilized in the form of guarantees and EUR 125,000 k as a cash loan. Both facilities have a final maturity in April 2022. As part of the extension, transaction costs of EUR 7.1 m were incurred, which were capitalized as deferred financing fees.

The utilization regarding the syndicated line of credit and other guarantees as of December 31, 2017 is as follows:

31/12/2017	Credit facility total EUR m	Utilized EUR m	Remaining EUR m
Syndicated line of credit	950	534.1	415.9
- Guarantees	825	534.1	290.9
- Cash loan	125	0	125
Guarantees other	4.5	4.5*	0
Total	954.5	538.6	415.9

31/12/2016	Credit facility total EUR m	Utilized EUR m	Remaining EUR m
Syndicated line of credit	950	507.3	442.7
- Guarantees	825	507.3	317.7
- Cash loan	125	0	125
Guarantees other	7.4	2,4*	5
Total	957.4	509.7	447.7

* of which EUR 0.1 m (previous year: EUR 0.1 m) is from rental guarantees

Furthermore, as of the reporting date, contingent liabilities and other financial obligations amount to EUR 426.7 m (previous period: EUR 480.6 m) and EUR 87.8 m (previous period: EUR 93.2 m), respectively.

The loan agreement contains typical termination rights for the lenders that become effective in connection with certain contractual changes. These include the failure to comply with certain financial covenants or a change of control. The terms are variable and based on debt levels. Interest rate risks may arise from changes in the EURIBOR rate.

Apart from construction financing, as of December 31, 2017, the credit lines had only been utilized in the amount of approximately EUR 538.6 m for issuance of sureties and guarantees. This was also the case for the 2016 financial year, where the utilization was approximately EUR 509.7 m.

Effective on May 5, 2017, a premature return of the former high-yield bond with a nominal value of EUR 400 m with a term ending November 15, 2020 was made. In this context, a call cost premium amounting to EUR 13.8 m was incurred. Interest expense in the amount of EUR 9.7 m was recognized from January 1, 2017 until May 5, 2017. In addition transaction costs, which were recognized as part of the effective interest method, were expensed in the amount of EUR 6.6 m.

At the same time, the Group has issued a new high-yield bond with a nominal value of EUR 400 m with a term ending October 2022. This bond bears interest at a (nominal) fixed rate of 3.875% p.a. (former nominal fixed rate: 6.625%) and an effective of rate: 4.31% p.a. (former effective rate: 7.14%). Transaction costs of EUR 8.4 m that are directly attributable to that transaction were recognized as part of the effective interest method. The book value as of December 31, 2017, is EUR 392.5 m (previous year: EUR 392.9 m). The fair value of the high-yield bond as of December 31, 2017 amounted to EUR 376.5 m (previous year: EUR 405.6 m). Interest expense in the amount of EUR 11.1 m was recognized from May 5 until December 31, 2017.

For the 2017 financial year, the Group reports a cash flow from operating activities of EUR –91.2 m (previous period: EUR 137.7 m). The lower cash flow in the period was mainly due to a change in working capital to EUR –99.5 m (previous period: EUR –23.4 m), with the main contributors being the increase of inventories and the increase of trade accounts receivable, as well as the decrease of advanced payments received and trade accounts payable. In addition, interest paid increased by EUR 27.6 m mainly due to the premature repayment of the former high-yield bond (please refer to section 6.6 "Other non-current financial liabilities" in the Consolidated Financial Statements for the 2017 financial year).

The cash flow from investing activities amounts to EUR –99.3 m (previous period: EUR –105.3 m). The cash outflow mainly consists of cash payments for intangible assets, primarily comprising capitalized development costs and payments for office equipment and plant and machinery in the process of construction.

Cash flow from financing activities of EUR –12.4 m (previous period: EUR –12.3 m) reflects mainly the refinancing of the new high-yield bond and the acquisition of treasury shares.

e. Related parties' disclosures

For the Group, related parties as defined by IAS 24 are shareholders that exercise (joint) control or significant influence, subsidiaries, joint ventures, and associates.

Additionally, the members of the Management Board and the Supervisory Board are related parties as defined by IAS 24, as are people who hold a key position in the management of a parent company of the Group. Furthermore, the Group considers the managing directors of Senvion S.A. to be key management personnel. Close family members of these related parties are also considered as related parties.

In addition to members of the Management Board and the Supervisory Board the following related parties were identified in the current financial year:

- CCP II Acquisition Luxco S.à r.l., Luxembourg (shareholder)
- CCP III Acquisition Luxco S.à r.l., Luxembourg (shareholder)
- Rapid Management L.P., Cayman Islands (shareholder)
- Rapid Partners L.P., Cayman Islands (shareholder)

Regarding the prior year's transaction, please see as follows:

	Expenses from services/ interests 01/01/2016 – 31/12/2016 EUR k	Income from services/ interests 01/01/2016 – 31/12/2016 EUR k	Receivables 31/12/2016 EUR k	Liabilities 31/12/2016 EUR k
Transactions between Senvion S.A. and				
CCP II/CCP III Acquisition S.à r.l., Luxembourg	7,743	0	0	0
Prof. Dr. Martin Skiba, Hamburg	205	0	0	7
Matthias Schubert, Rendsburg	87	0	0	0
Transactions between subsidiaries of Senvion S.A. and				
Rapid Management L.P., Cayman Islands	0	4	64	0
Arpwood Capital Private Limited, Mumbai	0	0	0	0
Centerbridge Partners Europe LLP, London	597	0	0	0

In addition to business relationships with the subsidiaries, eliminated in the Consolidated Financial Statements by means of full consolidation, there were the following business relationships with related parties.

The terms and conditions of the transactions were made on terms and conditions that prevail in an arm's length transaction. There were no material securities given or received as part of the transactions. In the respective period, the Group has not recorded expenses for allowances or provisions on outstanding balances.

In the 2017 financial year, no transaction between Senvion S.A. and related parties have been taken place.

f. Summary of business position

Overall, the Group assesses its business performance as well as its assets, finances, and earnings as stable to positive. Revenues amounted to EUR 1.89 bn. The slight deviation from Senvion's official guidance of EUR 1.90 bn to EUR 1.95 bn was caused due to a minor delay in project installations. The Group closed 2017 with a firm order intake of EUR 1.8 bn. This was around EUR 200 m below the forecast and was primarily due to a delay in closing a couple of orders in India and Australia. The delayed orders are expected to convert in H1 2018. The closing total order book amounted to EUR 5.0 bn including the service order book of EUR 2.6 bn and

represents a healthy business situation. The Group succeeded in reaching an adjusted EBITDA margin of 8.0%, equivalent to EUR 151.6 m, which is within our stated guidance range of 8–8.5%. The Group ended the year with the working capital ratio of 2.5%, mainly due to preproduction of the Chile order and slightly lower order intake than our guidance. Information relating to the expected future development is included in section 10 "Outlook" in this Management Report. For details of the computation of adjusted EBIT, adjusted EBITDA, and net working capital please refer to section 5d. "Financial performance."

g. Management control system

To measure and plan the business performance and results of the Company as a whole, Senvion continues to use financial and non-financial indicators, which originate from the project-based turbine business, as well as from affiliated services. Both groups of performance indicators contribute to presenting business development and a part in controlling the Group, as well as in decision making within monthly reporting to management.

Financial performance indicators

For the management of the Group, the following financial performance indicators are significant: order intake, revenue, and net result as well as EBIT, EBITDA, and net working capital (for details of the computation of adjusted EBIT, adjusted EBITDA, and net working capital please refer to section 5d. "Financial performance"). Furthermore, the Group strives for further improvements on a constant basis and focuses on cost-optimization programs.

Non-financial performance indicators

Relevant non-financial performance indicators for the Group are installation output, turbine availability, and milestone monitoring. Human Resources (HR) uses several non-financial performance indicators for continuous improvements. However, these non-financial key performance indicators are not used for internal Group management purposes.

ERA (compensation framework agreement) was successfully introduced in Senvion GmbH and Senvion Holding GmbH on October 01, 2017. Thus, the collectively agreed regulation of the recognition collective agreement of July 04, 2013 was fully implemented in time. In addition, all claims regarding the Senvion remuneration system in Senvion GmbH and Senvion Holding GmbH as well as all claims regarding the initial grouping of ERA in Senvion Deutschland GmbH were successfully completed.

The Group had 4,338 employees worldwide as of December 31, 2017, with an average number of 4,577 employees during the financial year.

The number of employees in the Group decreased by 244 in 2017. This is driven by the reorganization program "MOVE FORWARD," which among other things included the consolidation of production sites and leaner structures across the Company. The country mainly affected was Germany with a net decrease in the number of employees of 316 in 2017. At the same time, personnel was increased in Portugal, Poland, and in new markets for Senvion like South America and Norway.

At Senvion, vocational training is offered in the areas of mechatronics and technical product design. As of December 31, 2017, 44 employees were undertaking dual vocational training. Due to the closure of the production sites in Trampe and Husum, the on-site training of the mechatronic apprentices was relocated to Bremerhaven.

In the second half of 2017, 152 managers attended the "MOVE FORWARD: Our path to the future – Management Session." During a cross-functional exchange, the participants discussed leadership behaviors for the further execution of MOVE FORWARD. In September and October, Townhall sessions with employees were held in Hamburg, Osterrönfeld, Paris, Milan, Denver, Montreal, and Mumbai, as well as at Senvion production sites in Bremerhaven and Portugal. In the Townhall employees had an exchange and feedback session with the management.

For the contribution of Senvion to become a more project-driven Company the new development program "Tailwind" was implemented for project managers. Tailwind develops our project managers in the core skills of project management concerning a common language, understanding, and cross-functional working processes.

In May 2017 the new learning management system "Senvion Learning Services" for training coordination was implemented for all German employees. The training courses being offered are available online in the new training catalog.

6. Corporate social responsibility

a. Business model

At Senvion we believe that wind is one of the most promising sources of energy for the future, as it is easily accessible, plentiful, presents minimal impact to the environment, and is scalable to the requirements of the user. Wind is one of the world's great renewable resources. By its very nature, wind power is a profoundly sustainable technology for which there is strong demand, as countries around the world embrace wind energy from turbines such as ours to reduce carbon emissions and combat climate change. Senvion's global fleet of more than 7,300 wind turbines is currently avoiding about 32.2 m metric tons of CO₂ per year. On average, wind generation today will avoid approximately 0.70 metric tons of CO₂ for every megawatt hour of wind generation. Different than other energy generating facilities, wind farms are very complementary to the communities they are located in. The land they are based on can still be used for cattle, farming and other purposes.

b. Environmental protection

Policies and due-diligence processes

The protection of our natural resources and the prevention of environmental damage is at the heart of Senvion's mission and our very own business model. In line with this mission, Senvion has implemented an Integrated Management System (IMS), which includes environmental management in accordance with ISO 14001, quality management in accordance with ISO 9001, and health and safety management in accordance with the OHSAS 18001.

The environmental management system helps identify the environmental and energy-related aspects of our activities, products, and services. Thanks to the system and the commitment of our skilled team, we continuously improve the mitigation of our activities' impact on the environment.

To ensure that our products are of the highest quality and have the lowest possible environmental impact, Senvion has implemented a process known as Life Cycle Assessment (LCA). This process aims at assessing the environmental impact associated with a product, taking into account its entire life cycle including production, installation, and maintenance. In addition, we have worked with external parties to identify possible waste treatment options for the end of life of its products and will continue going down this path in the future.

Outcome

Reduced electricity consumption and green electricity

In 2016, Senvion launched a campaign to reduce its overall electricity consumption by 5%. A whole range of organizational and technical measures was implemented and achieved the projected target. At most of Senvion's German sites, for example, offices and washrooms were equipped with motion sensors. At Senvion's production site in Portugal all lights were replaced by automated LED lights. While ensuring a safe and welllit working environment, automated LED lights have smart sensors and only activate when required. In addition, energy audits based on EN 16247 were successfully carried out at all German sites. In our hub EU North/UK, we ask our colleagues to make sure that electrical equipment (PCs, printers, photocopiers) is not left on standby and is completely switched off after use. Senvion France uses LED

lights in most of its locations. In addition, at the main office, the lights are programmed to be automatically switched off at 12:30 p.m., at 7:00 p.m., and at 10:00 p.m.

In addition, Senvion France moved its Brittany service center into a building equipped with a solar roof. The solar installation produces over 200 000 kWh per year. In 2017, it reached 206 779 kWh, which completely covered the electricity consumption of all Senvion service centers in France.

Moreover, Senvion France's headquarters located in Paris-La Défense are supplied by 100% green electricity. Senvion France signed a contract with an electricity supplier guaranteeing that the electricity supply is 100% renewable.

Reduced mobility emissions

By promoting the use of low consumption Company cars and by decreasing the number of trips taken by car, gasoline consumption at Senvion was reduced by 4%. Other measures include the use of electric vehicles for Company trips or the use of public transportation for daily commutes. In addition, our Canadian subsidiary, for example, has an agreement with "Teo Taxi" for all trips. "Teo Taxi" has a fleet of electric vehicles only. In the UK, Senvion supports the "Bike to Work" scheme, which is a Government Green Transport initiative that stimulates low-carbon commuting. In Germany, we encourage our employees to use public transportation by subsidizing their tickets. In total, 300 employees benefit from these tickets. In France, all of our service technicians have had eco-driving training.

Reduction of paper consumption

We introduced recycling paper at our headquarters in Hamburg to replace regular paper towels. We also started promoting the use of digital signatures. In addition, our marketing department replaced printed brochures by digital ones whenever possible. In many subsidiaries we use e-mail only instead of fax. We also recycle waste Senvion-wide, including paper, cans, plastics, batteries, and printer toners.

Wildlife conservation and environmental protection

Senvion wind turbines are designed to minimize their impact on the environment. First of all, Senvion wind turbines have already very low sound characteristics from the get-go and are supplied with a sound management system to further reduce sound emissions when needed. In addition, they can be equipped with a shadow management system if installed close to residential areas. We also offer a bat protection system, which enables operators to shut down the turbines in times of increased bat activity. Certain parameters such as season, wind speed, temperature, and twilight time can be adjusted according to the specific requirements of the bat species native to the wind turbine locations.

c. Social and employee matters

Policies and due diligence processes

At Senvion, the dedicated promotion of young talents is a core initiative. We host the "Hamburg Company Tour" on a regular basis so university students can explore different job profiles and connect with managers. Furthermore, Senvion participates in job fairs and offers internships on a regular basis. We also encourage employees to take part in a yearly run and cover the participation fee. In Canada, we committed to hiring First Nations to service our wind turbines whenever possible.

Outlook

In the next months, our efforts to further reduce the Company's environmental impact will be continued and improved. We will also continue to do research and to innovate to further reduce our products' impact on the environment as well as to meet constantly changing regulatory requirements.

KPIs

We monitor our global environmental performance on a monthly basis regarding:

- Electricity, water, gas, oil, and gasoline consumption
- Waste production
- Emissions

Outcome

Senvion has a very young workforce. In the last employee survey conducted in 2015, a large number of employees particularly highlighted the extraordinary team spirit at Senvion as a core strength.

d. Human rights

Diversity and non-discrimination policy

In order to make anti-discrimination a priority, Senvion has embedded a provision in its Code of Conduct. It states the Company's commitment to equal opportunities and diversity: Senvion's employees, potential employees, suppliers, customers, and any other parties the Company makes business with are treated with fairness and respect, with no retaliation, free of discrimination and harassment on the basis of gender, age, race, skin color, ethnicity or national origin, citizenship, religion or religious beliefs, physical or mental disability, sexual orientation, or any other characteristics protected by applicable law. Infringements of the Code of Conduct may be reported to the corresponding supervisors, anonymously through a whistle-blower report to an

external person of confidence or by using the "SpeakUp" system. The "SpeakUp" system allows employees to anonymously provide a report via a third party 24/7.

Management and work councils throughout the Company ensure equality between women and men in terms of salary and placement. We also encourage the integration of people with disabilities into the labor market. Senvion France, for example, works with companies that are supporting the inclusion of people with disabilities into the workplace.

Outcome

Over 59 cultures and nationalities are represented in Senvion's diverse workforce.

e. Anti-corruption and anti-bribery

Diversity and non-discrimination policy

Our anti-corruption policy is embedded in our Code of Conduct, which is part of our global compliance program, aimed at formalizing Senvion's standards for ethical and legal conduct. The program is a crucial matter of good business practice and good corporate governance for us.

The purpose of the policy is to increase employee awareness and to offer guidance for the evaluation of critical situations in day-to-day business. This way we make sure our employees act in the best interest of the Company.

f. Antitrust provisions and insider trading

Antitrust policy

As per policy, we are committed to operating in a fair and competitive business environment and in compliance with all applicable laws in the countries in which we operate.

7. Report on risks and opportunities

a. Risk Management

Generally, the Group's financial, earnings, and asset position can be influenced adversely by a variety of factors and risks. Additionally, the Company's own business activities will influence the financial, earnings, and asset position.

The Group has installed a system for the early detection of risks and opportunities in compliance with legal requirements to record, document, analyze, and track identified risks and measures. This is a prerequisite to control and minimize risks through a systematic and structured approach.

The Group produces a risk inventory on a quarterly basis in all business segments as part of quarterly risk reporting in order to identify as many material risks as possible, and assess them in terms of the potential financial impact and likelihood of occurrence in the current and subsequent financial years. The assessment of potential damages relates primarily to EBIT and potential liquidity effects, while risks and effects on order intake are also recorded. A gross evaluation of each risk is carried out for three different scenarios, which differ in terms of the severity of impact on the Company – the best, the expected, and the worst case. This enables the Company to analyze the cumulative effect of individual risks employing statistical techniques.

The Group has adopted binding risk policies to ensure proper risk management and commissioned the dedicated Risk Management Department to create detailed training documentation for employees that is also reviewed annually to ensure it is up to date.

Each individual operating unit is responsible for the early identification and management of risks. A risk owner is clearly assigned to each risk and is responsible for

monitoring it, tracking any established leading indicators, and taking steps to contain and mitigate risks and opportunities. Risks can be avoided or mitigated by taking appropriate actions or can be accepted under certain conditions. The risk owner is also responsible for ensuring that measures are followed up. Thorough risk monitoring is ensured along the value creation chain and is regularly checked to ensure it is complete. All risks are specified in detail as part of a two-level process and verified before being forwarded to the central Risk Management Department for plausibility checks, further analysis, and review.

The Group's internal risk policies are binding to ensure proper risk management. They have been approved by the Executive Board, specify that unexpected risks must be reported immediately to the business management (ad hoc notification), and business unit specific training courses take place on a regular basis. The Company's risk management system is reviewed annually and subject to continuous development by the dedicated Risk Management Department.

The central Risk Management Department also reports regularly to the business management and the Supervisory Board's Audit Committee on risks affecting any area of the Group, and on changes in the Group's risk situation and any countermeasures taken to control and minimize identified risks.

b. Individual risks and opportunities

For better manageability, risks identified are categorized into specific risk categories. The sequence in which risks are discussed is no indication whatsoever of the potential extent of severity, financial impact, or likelihood of occurrence.

Strategic and economic risks and opportunities

In particular, strategic risks for the Group arise with regard to competitiveness, the market entry of potential new competitors, the launch of technical innovations and products by competitors, or general market developments that may affect the Group. This also includes the risks of market entry into new geographical areas or business segments. General global economic developments as well as specific developments facing the renewable energy sector may have positive or negative impacts on the Group's asset, financial, and earnings position.

The Group counters market risks in general by means of in-depth analyses performed by centrally gathered business intelligence. In order to ensure continued existence in a challenging and changing environment, the Group will continue to cultivate new and promising markets and enter them following an extensive analysis of the opportunities and risks involved. This area is managed by the central New Markets unit. Challenges in new markets may include changes in the political landscape, caused by external factors such as a change of government, or by natural disasters like earthquakes or tsunamis. An opportunity for the Company is seen by its recent, successful entry into new markets in South America (Argentina & Chile) as well as by successful project wins in Australia.

Further market risks as well as opportunities may arise from changes in the political landscape in established markets. The increasing change towards auction systems intensifies the competitive pressure within the industry and consequently also affects the price competition. Senvion is mitigating the risks involved by optimizing its cost structure and internal processes. There is always the risk that these changes do not take as much effect as anticipated or are not executed as fast as anticipated. Consolidation within the wind industry may also affect Senvion's position.

Further external influences include the uncertainty with regard to Brexit as well as the outspoken support of fossil fuels by the US administration.

Further opportunities may exist with the expansion of the Company's customer base. In order to attract more diverse customers, the Company attempts not only to sell turbines to its established base, but also to gain the attention of non-traditional customers (e.g., pension funds or insurance providers) that may be looking for alternative investments in the current low-interest market environment.

With competition remaining fierce in the offshore sector – new competitors have entered the market and new joint ventures have been formed by rival suppliers – tendered projects have drawn the attention of all market players. Capital-intensive offshore wind projects still seem to be suffering the effects of the reluctance of electricity suppliers and banks to finance them. Nevertheless, the size of the offshore sector and potential new offshore markets may present the Company with an opportunity for successful lasting growth, however that will come with its own share of associated risks.

Additionally, competitor innovation may have an adverse effect on the Group's asset, financial, or earnings position. The Company mitigates this risk through extensive research and development activity. However, product development cycles have considerably shortened that is emphasizing the focus of development activities in order to develop what customers need.

Business-related risks also include sales risks. These arise particularly due to the risk of postponement of individual projects by Group customers or through other external circumstances. These delays may be caused by external forces beyond the Company's control. Project delays might additionally be caused by limited operating resources (such as installation capacities). The intensity of pricing competition continues unabated and can have a lasting influence on the Company's financial and earnings position. The Group will try to counter these challenges by maintaining its technological leadership and continuing its innovative approach to develop the smart application of its technical developments and intelligent management of scarce operating resources while at the same time

optimizing its cost structure. Any such activity, however, will come with the risk of not achieving desired outcomes, of misreading the market challenges, or their full extent could be underestimated.

The asset, earnings, and financial position may also be influenced by a potential dependency on a handful of major customers. As a rule, larger, higher-revenue projects are carried out with one of the few major utility companies. The number of potential customers is limited, especially in the offshore business. However, due to their size, the impact of these projects on revenue is considerably higher than other ventures.

Risk furthermore exists in relation to estimates and judgment that the Group makes and applies. Although the Group makes and applies reasonable and justified estimates, forecasts, projections, and judgment about future transactions and developments, these are subject to risks and uncertainties owing to their nature. Financial performance maybe better or worse than anticipated, mainly due to the inherent uncertainty caused by future unpredictable events, competitive environment, future laws and regulations, supply and demand, and other factors impacting the Group.

Risks are countered by various opportunities that may have a positive impact on the financial, earnings, and asset position of the Group. These include the entry into new and developing markets, both inside and outside Europe, and participation in the development of capacity expansion for the generation of wind power in countries that were not as concerned about renewable energy sources in the past. The Group also continually monitors market trends to form a basis for its decisions. Additionally, the Company's strategy department carries out detailed market monitoring.

Financial risks and opportunities

The Group considers financial risks as those that have a direct impact on the Group's financial situation. These are described individually in section 8. "Financial risks and financial instruments" in the Consolidated Financial Statements as of and for the year ending December 31, 2017.

Cash flows in foreign currencies, for example, create a foreign currency risk, which is managed centrally by the Treasury department in accordance with internal directives. Hedging transactions may be entered into to contain foreign currency risk from underlying exposures.

Given the uncertainty of the economic outlook and continuing low interest rates, there is an additional risk of rising interest rates. Interest rate hedging transactions can also be conducted in accordance with specified internal guidelines to manage this risk but cannot always be generated.

The risk of being unable to meet current or future payment obligations, or of only being able to do so under changed conditions, is a liquidity risk that every company faces. This is also centrally managed by the Treasury department and can arise from reconciliation problems between payment receipts and payment obligations. A rolling liquidity planning program is used to manage this risk; Group companies report their payment receipts and outgoing payments for the short and medium term once a week. The liquidity situation is constantly reviewed and is also reported to the business management team on a weekly basis.

All credit lines and loans are monitored by the lenders in relation to defined financial indicators. Financing in place can be withdrawn only for extraordinary reasons, including failure to meet financial targets.

Incurance financial covenants and the indenture governing the EUR 400.0 m 3.875% senior secured notes due in 2022, and the Revolving Credit facility restriction, are also subject to monitoring by the Group's treasury department.

Technical or sales problems that could harm the reputation of the Group can also be financially risky. For example, it's possible that customers withhold payment due to technical issues or demand additional guarantees to secure their claims or put claims or legal proceedings against the Company due to one of many possible issues.

General financial and tax risks also exist, such as the possibility of default or monetary risks, which might arise

from an unanticipated change in tax legislation. The Group is further subject to regular tax audits carried out by domestic as well as foreign financial authorities that routinely check the Group's tax submissions against the taxes Senvion is required to pay, such as VAT or income tax. As tax legislation may be interpreted differently, these tax audits may result in demands for payment of potentially substantive tax arrears. Senvion Group is expanding its central Tax department significantly to minimize this risk, but risks will remain.

Technological risks and opportunities

Both the development of new technologies and the optimization of existing technologies contain considerable risks. If market or customer development requests cannot be implemented, this may lead to the loss of technological leadership and market launches being delayed. Subsequently, development costs could increase. If the development of the offshore market or offshore market fails to meet the Company's expectations, Senvion faces risks that may considerably affect its asset, financial, and earnings position.

As product development cycles shorten, the need to focus development activities on what customers need increases accordingly in order to remain a market player.

Furthermore, apart from the regular warranty risks the Group faces, technical issues relating to the 6XM WTG series of offshore blades were detected in the 2015 financial year. A design error in some of the Company's blades was identified as the root cause for subsequent cracks, which may potentially result in product failures. Although such cracks had been observed in the past, these cases were dismissed as individual failures due to deviation from design in the manufacturing process. Additionally, undesired production deviations were subsequently discovered. The defect is largely quarantined to a small population of projects. Appropriate measures were immediately taken to evaluate and solve this defect. The decision was then taken to design a new blade instead of merely reworking the affected limited blade population, in order to prevent a recurrence in new offshore wind projects that would have had a negative impact on the Company. As part of this process, a tremendous effort was undertaken to develop a new

design in time for the installation of new projects. Where it is not possible to install the new blades, alternative technologies will be used.

Structured, intensive research and development efforts are conducted regularly to mitigate the risk of losing technological leadership and to ensure that forward-looking technological innovations are brought to market. Patents held by third parties, however, may limit development options, especially because patent competition remains intense on the market.

There is also the risk of defects in purchased components creating production or design defects in an entire series. Qualitative problems like this would significantly affect the asset, financial, and earnings position of the Group, especially if important components are affected. The negative effect would be amplified if the defect affected an important offshore component, and the Group's reputation would be considerably damaged. A number of measures are in place to counter the risk of potential qualitative problems: careful monitoring of production by quality control, extensive warranty agreements with suppliers, and, in serious situations, intensive handling of the problem by an interdisciplinary team. The Group also tries to implement appropriate insurance coverage wherever possible in order to minimize this risk. So far, the Group is the only manufacturer of offshore wind turbines in the world to have taken out an insurance policy from a well-known provider to cover serial damage and defects for some of the offshore wind farms to mitigate the negative financial aspects of a serial failure of its offshore turbines or any of its components.

Additionally, there is also the risk that the Company's turbines might not, in all cases, be able to reach the guaranteed technological standards. Despite wide-ranging actions to ensure quality, it is not possible to completely rule out technical defects; exceptional cases may arise in which a defect is identified late, resulting in additional costs or delayed acceptance by the customer. This may influence the Company's financial and earnings position.

The Group strives to remain a technological leader in its business through continuous and intensive research activity. This includes advancing existing models in the

onshore segment (promoting existing options for cold climate regions or models for low-wind zones) as well as the evolution of our offshore models toward higher energy efficiency. In the future, the Group will continue to focus on increasing its development activities to improve existing technologies and expand its technological leadership, and create products suitable for a successful entry into new markets, both inside and outside Europe. However, the potential risk of erroneous developments can never be ruled out.

Supply chain risks and opportunities

Supply chain risks are split into procurement and production risks. Fluctuating commodity prices affect the asset, financial, and earnings situation, as they can have a negative impact on the prices of individual components purchased. There is also a general risk of supplier default.

In relation to manufactured components – there is a risk of dependency on individual suppliers. The Group is responding to this risk by qualifying alternative suppliers and increasing in-house production. Additionally, the insolvency of a supplier might affect the Company negatively. These risks are countered by the implementation of a comprehensive supplier management system that monitors suppliers closely in order to enable the Company to react in a timely manner.

Production risks include the risk of delayed manufacture, and subsequent delays to individual projects as a result of bottlenecks in production capacity or the availability of materials. There is also the risk of using a substandard supply chain. The Group responds to this risk with a regular analysis of the supply chain and also takes difficult decisions for worst-case scenarios. Transport risks also exist such as neglected infrastructure for heavy load logistics or a potential lack of transport capacity, for example.

In order to successfully face the fierce competition in the market, Senvion has decided to optimize its supply chain footprint. In March 2017 Senvion announced the closure of three production facilities in Germany and a concentration of blades production in its RiaBlades subsidiary in Portugal, in order to shorten times, increase proactivity, and optimize costs. These endeavors always

bear the risk of unanticipated delays that Senvion counters by a structured approach of optimization.

Opportunities in the supply chain are also available through service activities, which represent a strong segment of the Group. This includes extending the current service portfolio, as well as the prolongation of service contracts, as well as aiming to improve service efficiencies by realizing market synergies.

Operational risks

The main risks classified by the Group as operational pertain to operating structures and processes, including staff and IT infrastructure-related risks.

In order to prevent undesirable employee turnover, HR works to improve the Group's attractiveness as an employer with a range of measures. These include a management-training program and an extensive internal training and professional development program, as well as a talent management system. To minimize risks associated with IT system failures, the Group implemented numerous security measures (including firewalls and antivirus software). The Group is also continuing to work steadily on IT processes supporting internal structures and to face the challenges of digitization. It is also collaborating with a renowned partner in its IT infrastructure management to reduce IT-related risks to business activities. With the risk of cyber incidents increasing worldwide, the Company may also be exposed to criminal cyber activity. To ensure its security, the Group is focusing on IT security.

Legal and regulatory risks and opportunities

As the Group operates in various countries with differing legislation and specifications, this creates a number of potential legal risks. These stem from in court and out-of-court legal claims from third parties, like those arising from contractual relationships with customers, suppliers, or other business partners, for example. Risks may also result from general legal developments.

Appropriate steps have been taken to manage litigation risks in coordination with relevant departments.

The Group creates provisions for legal disputes, if the obligations arising from them are likely to take effect,

and the amount of the obligations can be determined to a sufficiently accurate degree. However, it is possible that provisions formed for pending cases may prove to be inadequate and that, as a result, considerable additional expenses may be incurred due to final judgments in some of these cases. This also applies to legal disputes for which the Group sees no need to establish provisions. The outcome of legal disputes can never be predicted with absolute certainty, as this is the nature of litigation.

Various legislative changes, both national and international, could also affect the financial, earnings, or asset position of the Group. Among other things, these include changes to legislation affecting renewable energies subsidies and feed-in tariffs, but also technical directives. Since the Group operates internationally, this also applies to legislative changes outside Germany that could lead to changes in demand.

The political environment and its continuing aim to promote the development of renewable energy, as well as current political conditions, provide opportunities for the Group. This can be seen best in countries that have not, or not yet, placed a particular emphasis on the development of generating energy through renewable resources, especially wind energy. This also involves the creation of a reliable legal framework.

The regular assessment of the Group's risk situation includes the examination of the potential overall impact of all combined individual risks.

Internal Control System

The Group has implemented a comprehensive Internal Control System (ICS) based on the internationally recognized COSO model to ensure the proper conduct of business activities. The relevant unit is responsible for designing the ICS and carrying out and documenting the defined controls in an adequate manner.

Process descriptions, guidelines, and instructions that have to be adhered to in all business units are integral to the Internal Control System. The objective of the internal accounting control system at the Group is to avoid the risk of material misstatements in accounting, to identify significant incorrect assessments, and to ensure compliance with the relevant accounting regulations.

This involves a central accounting function and Group-wide standardization of accounting policies, as well as the regular performance and documentation of preventative and exploratory controls. It also covers the consolidation process during the preparation of Financial Statements, including regular reviews as to the plausibility of project calculations, for example. The Company has implemented an ongoing calculation method to monitor project costs accurately at any point in time during project execution. Suitable organizational measures such as the separation of functions and control review, regular analyses of key figures by financial control, and procedural instructions (account assignment manual, inventory procedures) ensure the proper preparation of financial reporting. A standardized procedure is guaranteed by a number of Group-wide specifications and directives.

Ongoing optimization of the IT system landscape also ensures that suitable processes are automated, meaning that manual processes, which are more prone to error, can be replaced with appropriate system-managed alternatives. An electronic workflow for order handling and invoice approval has been implemented to minimize potential sources of error.

During all audits conducted during the 2017 financial year, the Internal Audit department also reviewed the functionality of the Internal Control System (ICS) for each business unit. The efficiency and effectiveness of the checks carried out by the ICS are also reviewed annually by Internal Audit as part of a separate exercise. This draws on the respective unit's self-assessment method (CSA – controlled self-assessment). Samples of self-assessments prepared by various business units are checked by Internal Audit. Appropriate planning ensures that Internal Audit reviews all checks within a defined timeframe and that a certain proportion of checks from the previous year's sample are reviewed each year.

The management team and the Supervisory Board Audit Committee are regularly notified of material review/audit findings.

8. Corporate Governance

The Company in its form as a Luxembourg Société Anonyme is subject to the corporate governance regime as set forth in particular in the law of August 10, 1915 on commercial companies. Because the shares are listed on a regulated market, the Company is further subject to the law of May 24, 2011 on the exercise of certain shareholder rights in listed companies.

As a Luxembourg Société Anonyme whose shares are exclusively listed on a regulated market in Germany, the Company is not required to adhere to the Luxembourg corporate governance regime applicable to companies that are traded in Luxembourg or to the German corporate governance regime applicable to stock corporations organized in Germany. The Company has decided to set up own corporate governance rules as described in the following paragraphs rather than to confirm such corporate governance regimes in order to build up a corporate governance structure that meets the specific needs and interests of the Company.

The principles of the Compliance Management System are reflected in the Code of Conduct, which is applicable for every Senvion entity and its employees worldwide. Senvion's Code of Conduct is strengthened by other policies like the Anti-corruption Policy, the Antitrust Policy, the Supplier Code of Conduct and the Insider Trading Policy. The Compliance Department regularly reports to the Supervisory Board and the Management Board of the Company.

Every single Senvion employee can contact the member of the Compliance team or their direct supervisor in case of compliance-related questions. Besides it is also possible to use an international whistle-blower system.

The internal control systems and risk management for the establishment of financial information is described in the section 8. "Financial risks and financial instruments" of the Consolidated Financial Statements.

According to the Articles of Association of the Company, the Management Board must be composed of at least two members, and the Supervisory Board must be composed of at least three members. The Supervisory Board has set up the following committees in accordance with the

Articles of Association: the Human Resources Committee, the Audit Committee, and the Strategy and Investment Committee. The Human Resources Committee advises the Supervisory Board especially in terms of the appointment and recall of the members of the Management Board and other relevant personnel decisions. The Audit Committee especially deals with the Annual Financial Report and the Internal Control System. The Strategy and Investment Committee is responsible for making recommendations to the Supervisory Board and the Management Board on the terms of strategic orientation of the Company.

The Annual General Meeting shall be held, in accordance with Luxembourg law, in the Grand Duchy of Luxembourg at the address of the registered office of the Company or at such other place in the Grand Duchy of Luxembourg, specified in the convening notice of the meeting. The Management Board may convene extraordinary general meetings as often as the Company's interests so require. An extraordinary general shareholders' meeting must be convened upon the request of one or more shareholders who together represent at least one tenth of the Company's share capital.

Each share entitles the holder to one vote. The right of a shareholder to participate in the Annual General Meeting and to exercise the voting rights attached to their shares are determined with respect to the shares held by such shareholder the 14th day before the Annual General Meeting. Each shareholder can exercise their voting rights in person, through a proxy holder, or in writing (if provided for in the relevant convening notice).

The information required by Article 10.1 of Directive 2004 / 25 / EC on takeover bids, which has been implemented by Article 11 of the Luxembourg Law on Takeovers of May 19, 2006 (the "Law on Takeovers") is set forth here below under "Disclosure pursuant to the Law on Takeovers."

Disclosure pursuant to the Law on Takeovers

- A) For information regarding the structure of capital, reference is made to note 7 of the Annual Financial Report.
- B) The shares are freely transferable in accordance with the legal requirements for dematerialized shares whose transfer shall occur by book entry transfer.

C) With regard to the shareholding structure, please refer to note 3 of the Annual Financial Report, as well as to note 2.3.1 of the Consolidated Financial Statements of the Company.

D) The Company has not issued any securities granting special control rights to their holders.

E) The Company has currently a long-term employee share schemes for the benefit of some Supervisory Board members in place.

F) The Articles of Association of the Company do not contain any restrictions on voting rights, other than the communication of incomplete or incorrect information by the holder.

G) As of December 31, 2017, there are no agreements among the shareholders that are known to the Company that could result in restrictions on the transfer of shares or voting rights within the meaning of Directive 2004/109/EG (Transparency Directive).

H) Rules governing the appointment and replacement of Management Board members and the amendment of the Articles of Association:

- The Management Board members are appointed by the Supervisory Board by the majority of the votes of the members, or in the case of a vacancy, by way of a decision of the remaining Management Board members for the period until the next Supervisory Board meeting. Alternatively, the Supervisory Board may temporarily appoint one of its members in order to exercise the functions of a member of the Management Board.
- Management Board members serve for six years and are eligible for reappointment.
- Management Board members may be removed at any time with or without cause by the Supervisory Board.

- Resolutions to amend the Articles of Association may be adopted by a majority of two-thirds of the votes validly cast, without counting the abstentions, if the quorum of half of the share capital is met. If the quorum requirement of half of the share capital of the Company is not met at the General Meeting, then the shareholders may be re-convened to a second General Meeting. No quorum is required in respect of such second General Meeting and the resolutions are adopted by a supermajority of two-thirds of the votes validly cast, without counting the abstentions.

I) Powers of the Management Board:

- The Company is managed by a Management Board under the supervision of the Supervisory Board.
- The Management Board is vested with the broadest powers to perform or cause to be performed any actions necessary or useful in connection with the purpose of the Company.
- All powers not expressly reserved by the Luxembourg Companies Act or by the Articles of Association to the General Meeting or the Supervisory Board fall within the authority of the Management Board.
- Under the Articles of Association, the Management Board, with prior consent of the Supervisory Board, is authorized to issue shares, to grant options, and grant any other instruments convertible into shares within the limit of the authorized capital (EUR 975 k).
- This authorization may be renewed once or several times by a resolution of the General Meeting for a period not exceeding five years.
- The Management Board was granted a standing authorization for five years to acquire own shares (please refer to note 5.1).

- J) There are no significant agreements to which the Company is a party, which take effect, alter, or terminate upon a change of control in the Company following a takeover bid.
- K) There are no agreements between the Company and its Management Board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.

9. Outlook

a. Expected development of the overall economic environment

Global economic growth continues to strengthen and broaden across countries. The US economy remains robust, while growth has also firmed in other advanced economies and in many emerging-market economies. It is expected by economists that the US economy is to grow by 2.6%, reflecting stronger momentum and the effects of the recent tax reform. The Bank of Canada expects that reductions in personal and corporate tax will accumulate to roughly USD 600 bn by the end of 2019. It is expected that the improved labor market together with the tax cuts for personal incomes will stimulate household expenditures.

For Canada (and Mexico) especially there is considerable uncertainty to the economic development as there might be a drag on investments and trade policy reflecting increased uncertainty around the negotiations of the North American Free Trade Agreement (NAFTA).

Economic activity in China is expected to grow by 6.75% in 2017, which is to projected to moderate to 6.4% in 2018. The Chinese economy is planned to undergo some structural changes with more environmental protection. Furthermore the financial sector's vulnerabilities shall be addressed. In addition, Russia and Brazil are continuing to benefit from the recovery on the commodity markets.

Global financial conditions remain accommodative amid strengthening global growth, progress on US tax reforms, and generally low inflation. Yields on long-term sovereign bonds have edged up while equity markets have been strong, notably in the United States. At the same time, monetary policy in some major jurisdictions has been putting upward pressure on short-term yields since October. The Federal Reserve has continued to gradually normalize monetary policy, and markets expect several further increases in the federal funds rate in 2018 and beyond. The Bank of England also raised its policy rate in November.

The German economy is growing at rates far above potential output, and the high underlying pace of economic growth is likely to continue in Q1 2018. The high level of sentiment in the manufacturing sector and the recent very strong inflow of orders indicate that industrial activity will continue to rise robustly. As export expectations are optimistic and a large part of the order intake comes from abroad, exports are likely to rise.

The increasing capacity utilization coupled with lively demand are likely to encourage enterprises to invest in machinery and equipment. Domestic demand is also fueled by higher private consumption due to the rise in employment and optimistic consumer confidence. Employment growth is expected to decelerate due to demographic and migration factors, amplifying the shortage of skilled labor that is already perceptible in some sectors. This could sub-sequently dampen economic growth.

While some central banks and analysts expect the world economy to grow by 3.6% in 2018 (which is close to 2017 growths rate), the Bundesbank expects for Germany that the currently high rates of export growth are likely to initially align with the lower, and progressively falling, growth in the markets for German exports, and subsequently fall even slightly below this level. This will probably contribute to corporate investment rising more slowly. In addition, the labor supply's slowing growth rates could also have a dampening effect here, as enterprises are less likely to invest in new tangible fixed assets if they anticipate a shortage of skilled labor. Real GDP (adjusted for calendar effects) is expected to grow by 2.5% in 2018.

b. Industry development

Senvion uses the analytic data provided by the leading research and consultancy company MAKE to evaluate the development of the industry. These analyses and studies are updated on a regular basis.

Onshore

For 2018, MAKE believes that new onshore capacity commissioned around the world will be around 11% higher than in 2017, approximately 51 GW: China with around 18.8 GW (15.8 GW in 2017), the US with 8.9 GW (a big jump from 2017), Germany with 3.1 GW (5 GW in 2017), and France with 1.3 GW (1.4 GW in 2017). Installation figures are expected to continue growing worldwide thanks to PTC rush in the US, ambitious targets in France and India, and new emerging markets (Argentina, Mexico, Chile, Thailand, Japan, and the MENA region).

The development of the LCoE is a key driver of growth in the wind energy industry and ensures that it remains competitive. This factor is a standard calculation tool for all project participants and primarily demonstrates the cost of producing electricity, taking into account all influencing factors such as operation, maintenance, and financing. Onshore electricity is approaching "grid parity," the cost point (break-even) at which the cost of producing wind energy becomes cheaper than the purchase of traditional generation methods on the stock market (the average spot electricity price is used as a measure here). The cost of producing wind energy is already far below that of nuclear energy or coal, for example, and will decrease further in future. MAKE is convinced that these developments will have a positive effect on demand for wind energy and justifies a long-term increase in installations on this basis.

According to MAKE, the modest decrease in newly commissioned capacity in the US is primarily being driven by backlogged projects in the course of the expired PTC (some approved projects have been postponed). In 2018, the US market will show immense growth of up to 8.9 GW. Furthermore, fracking continues to have a negative impact on investment in renewable energies because it is a cheap – albeit very environmentally harmful – alternative form of energy production.

For Europe, MAKE is expecting 10.9 GW of newly commissioned capacity in the onshore sector in 2018, a fall from the figure in 2017. Growth is primarily expected in the Netherlands, Sweden, Italy, Spain, and Norway. Markets such as France and Turkey will also maintain a high level of installed volume capacity. New installations of around 3.1 GW are anticipated in the Group's core market of Germany. It should also be noted that forecasts differentiate between the generation of revenues and installed capacity: the majority of revenues are already generated during project development and production. As the lead-time until a wind turbine is constructed can last up to twelve months, revenues are transacted earlier than forecast market growth.

Offshore

Regarding the offshore market, MAKE estimates new global installations of 3.9 GW for 2018, which is more than in 2017 (3.3 GW). The core markets in the offshore sector are located in Europe. The UK (~1.5 GW), Germany (~550 MW), Belgium (309 MW), and Denmark (321 MW) could show a cumulated newly installed capacity of 2.6 GW.

MAKE believes that during 2018, further offshore installations will occur in China (~1.2 GW) and Taiwan (30 MW).

c. Business outlook for the Company and the Group

During 2017, Senvion successfully entered into many new markets, gained market shares, and made robust progress in cutting costs. Despite a rapid change in the regulatory scheme, leading to significant reductions in price of wind energy, Senvion proved that it has implemented the right strategic measures to continue to grow in new markets with a 36% growth in order intake. During 2018, the Group will continue to focus on strengthening its position in new markets and improving its product portfolio to deliver the best possible LCoE for its clients and achieve those objectives with a very efficient and nimble organization. The main focus in 2018 will be to ensure stable revenues while minimizing the impact on margins in light of aggressive competitive pressure. The management will also focus on building a platform for growth in 2019 and also focus on improving the product cost structures via several measures, including increasing sourcing of components from the best cost countries.

2018 – Focus on implementing measures to increase gross margins

Revenues

For the 2018 fiscal year, the Company expects Group sales of between EUR 1.8 bn and EUR 1.9 bn. This would mean stable to marginally lower revenues compared to 2017 levels. This development is mainly driven by the slowdown in Germany and the UK. In 2018, we expect volumes from new markets to continue to increase, mainly led by Chile and Australia. We expect the slowdown in Germany to be transitory in nature and expect an upswing once the government is formed and the changes regarding the auction system have been implemented in the Renewable Energy Act. Again, in 2018, we expect service business to continue to register double-digit growth, thereby adding additional stability to the revenue levels.

Adjusted EBITDA margin

The Company expects to achieve an adjusted EBITDA margin (consolidated earnings before interest, tax, and depreciation adjusted for PPA effects and other one-off / exceptional items) of between approximately 5.0% to 6.5% in 2018, on the back of delivery of our internal savings program initiated. In 2017, wind energy prices reduced significantly in a short period of time as many markets shifted from a fixed-tariff mechanism to an auction mechanism. As a result, the wind industry faced a great deal of pricing pressure to address this energy price reduction. We expect that this pressure will impact our gross margins by 1.5%–3%, as our efforts on reducing costs and transforming the supply chain may take around 6 to 12 months to fully materialize.

Other KPIs

The group ended the year with the working capital ratio of 2.5%, mainly due to pre production of Chile order and slightly lower order intake than our guidance. This remains a further area of focus, as we consolidate warehouses and focus more on inventory improvements. As the international business grows, the Group expects variances between quarters. We expect to largely focus on keeping the efficiency of our working capital maintained, with intermittent, planned variances during the year due to large inventory buildup requirements at times. For external reporting, the Company will primarily rely on the above-mentioned KPIs from here on. The net result for the period is expected to stay in proportion with adjusted EBITDA changes.

Luxembourg, March 13, 2018



Senvion S.A., Luxembourg Consolidated Financial Statements

as of and for the year ending
December 31, 2017

Senvion S.A.

Consolidated income statement

	Section	01/01/2017 –31/12/2017 EUR k	01/01/2016 –31/12/2016 ¹ EUR k
Revenue	5.1	1,889,918	2,210,457
Changes in work in progress		–42,736	–18,377
Work performed by the entity and capitalized		46,178	45,099
Total performance		1,893,360	2,237,179
Other operating income	5.2	48,295	45,889
Cost of materials / cost of purchased services		–1,355,033	–1,674,339
Personnel expenses	5.3	–259,837	–255,525
Depreciation of property, plant, and equipment and amortization of intangible assets		–157,835	–166,818
Other operating expenses	5.4	–175,137	–212,057
Result from operating activities before reorganization expenses		–6,187	–25,671
Reorganization expenses	5.5	–54,063	0
Result from operating activities		–60,250	–25,671
Thereof EUR –92,071 k impact arising from PPA effects (prior year: EUR –104,481 k)			
Share of result from associates and joint ventures	5.6	–12	0
Interest and similar financial income	5.6	3,821	638
Interest and similar financial expenses	5.6	–64,629	–64,489
Result before income taxes		–121,070	–89,522
Income taxes	6.3.3	28,147	24,248
Net result for the period		–92,923	–65,274
Share of net result for the period attributable to non-controlling interests		0	1,041
Share of net result for the period attributable to shareholders of the parent		–92,923	–64,233
Weighted average number of shares outstanding	6.7	64,060,756	63,947,906
Earnings per share (basic/diluted) – in EUR per share	6.7	–1.45	–1.00

¹ Due to the finalization of the purchase price allocation in 2017 financial year for the acquisition of EUROS Group as of November 21, 2016, adjustments were made retrospectively in accordance with IFRS 3.45 et seq. and comparative financial information for the period ended December 31, 2016 adjusted. For details, please refer to Section 2.3 "Scope of Consolidation."

Consolidated statement of comprehensive income

	01/01/2017 –31/12/2017 EUR k	01/01/2016 –31/12/2016 ¹ EUR k
Net result for the period	–92,923	–65,274
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax)		
Cash flow hedges	–281	–6,326
Income taxes relating to cash flow hedges	83	1,852
Expenses/income of cash flow hedges after tax	–198	–4,474
Currency translation	–2,746	–5,175
Other comprehensive income	–2,944	–9,649
Total comprehensive income	–95,867	–74,923
Share of total comprehensive income for the period attributable to non-controlling interests	0	–1,026
Share of total comprehensive income for the period attributable to shareholders of the parent	–95,867	–73,897

¹ Due to the finalization of the purchase price allocation in 2017 financial year for the acquisition of EUROS Group as of November 21, 2016, adjustments were made retrospectively in accordance with IFRS 3.45 et seq. and comparative financial information for the period ended December 31, 2016 adjusted. For details, please refer to Section 2.3 "Scope of Consolidation."

Consolidated statement of financial position

	Section	31/12/2017 EUR k	31/12/2016 ¹ EUR k
Assets			
Current assets			
Liquid funds	6.1.1	235,211	441,078
Gross amount due from customers for contract work as an asset	6.1.2	6,822	88,626
Trade accounts receivable	6.1.3	198,801	167,973
Inventories	6.1.4	490,439	429,832
Receivables from income taxes		15,080	12,982
Other financial assets	6.1.5	12,187	14,530
Other miscellaneous assets	6.1.5	50,919	99,395
Total current assets		1,009,459	1,254,416
Assets classified as held for sale	6.2	4,619	0
Non-current assets			
Intangible assets	6.3.1	527,440	604,598
Property, plant, and equipment	6.3.2	223,705	223,219
Other financial investment		66	4,023
Loans granted		15,303	3,196
Deferred taxes	6.3.3	12,692	0
Total other non-current assets		14,801	11,687
Total non-current assets		794,007	846,723
Total assets		1,808,085	2,101,139

¹ Due to the finalization of the purchase price allocation in 2017 financial year for the acquisition of EUROS Group as of November 21, 2016, adjustments were made retrospectively in accordance with IFRS 3.45 et seq. and comparative financial information for the period ended December 31, 2016 adjusted. For details, please refer to Section 2.3 "Scope of Consolidation."

Shareholder equity and liabilities

	Section	31/12/2017 EUR k	31/12/2016 ¹ EUR k
Current liabilities			
Short-term loans and current portion of long-term loans	8.2	4,555	7,566
Trade accounts payable	8.2	339,824	430,966
Advance payments received	6.4.1	118,540	189,242
Gross amounts due to customers for contract work as a liability	6.1.2	138,789	122,248
Provisions	6.4.2	300,362	290,117
Deferred income	6.4.3	40,450	32,216
Income tax liabilities	6.4.4	6,460	37,838
Other financial liabilities	6.4.5	8,512	15,724
Other miscellaneous liabilities	6.4.5	75,175	67,935
Total current liabilities		1,032,667	1,193,852
Non-current liabilities			
Long-term loans	6.5	2,559	6,980
Deferred taxes	6.3.3	150,282	173,637
Other non-current financial liabilities	6.6	392,483	392,919
Total non-current liabilities		545,324	573,536
Equity			
Subscribed capital	6.7	639	645
Additional paid-in capital	6.7	495,335	503,119
Other reserves		-6,108	-3,164
Currency translation		-8,176	-5,430
Cash flow hedging reserve		2,068	2,266
Retained earnings		-259,772	-166,849
Equity attributable to shareholders of the parent company		230,094	333,751
Total equity		230,094	333,751
Total equity and liabilities		1,808,085	2,101,139

¹ Due to the finalization of the purchase price allocation in 2017 financial year for the acquisition of EUROS Group as of November 21, 2016, adjustments were made retrospectively in accordance with IFRS 3.45 et seq. and comparative financial information for the period ended December 31, 2016 adjusted. For details, please refer to Section 2.3 "Scope of Consolidation."

Consolidated statement of cash flows

Section	01/01/2017 –31/12/2017 EUR k	01/01/2016 –31/12/2016 ¹ EUR k
Cash flow from operating activities		
Result before income taxes	–121,070	–89,522
Adjustments for:		
Depreciation on property, plant, and equipment, amortization of intangible assets	157,835	166,818
Loss from associates and joint ventures	12	0
Interest income	–3,821	–638
Interest expenses	64,629	64,489
Increase in provisions	10,245	71,477
Loss from sales of property, plant, and equipment, intangible and other long-term assets	458	74
Change in working capital	–99,530	–23,402
Interest received	5.6 3,821	638
Interest paid	5.6 –68,099	–40,482
Income tax paid	–35,641	–11,765
Cash flow from operating activities	–91,161	137,687
Cash flow from investing activities		
Cash receipts from the sale of property, plant, and equipment, intangible and other long-term assets	6.2 2,772	3,250
Cash payments for the purchase of intangible assets	6.2 –42,211	–50,418
Cash payments from purchase of property, plant, and equipment and other long-term assets	6.2 –58,903	–57,854
Acquisition of subsidiary, net of cash acquired	2.3.2 –1,000	–291
Cash flow from investing activities	–99,342	–105,313
Cash flow from financing activities		
Acquisition of treasury shares	6.7 –7,933	–7,082
Cash proceeds from borrowings	6.6 400,000	0
Cash repayments of amounts borrowed	6.6 –404,420	–5,199
Cash flow from financing activities	–12,353	–12,281
Increase/decrease in cash and cash equivalents	–202,856	20,093
Cash and cash equivalents at the beginning of the period	433,512	413,419
Cash and cash equivalents at the end of the period	230,656	433,512
Liquid funds	6.1.1 235,211	441,078
Short-term bank liabilities	8.2 –4,555	–7,566
Cash and cash equivalents at the end of the period	230,656	433,512

¹ Due to the finalization of the purchase price allocation in the 2017 financial year the acquisition of the EUROS Group as of November 21, 2016 adjustments were made retrospectively in accordance with IFRS 3.45 et seq. For details, please refer to Section 2.3 "Scope of Consolidation."

Consolidated statement of changes in shareholder equity

	Subscribed capital	Additional paid-in capital		Currency translation	Cash flow hedging reserve	Retained earnings ¹	Equity attributable to shareholders of the parent company ¹	Non-controlling interests	Total equity
	EUR k	EUR k		EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
Section	6.7	6.7						6.7	
Balance at 01/01/2016	78	26,510		-240	6,740	-102,616	-69,528	171	-69,357
Net result for the period						-64,233	-64,233	-1,041	-65,274
Cash flow hedges					-4,474		-4,474		-4,474
Currency translation				-5,190			-5,190	15	-5,175
Comprehensive Income	0	0		-5,190	-4,474	-64,233	-73,897	-1,026	-74,923
Capital increase	572	483,687					484,259	855	485,114
Acquisition of treasury shares	-5	-7,077					-7,082		-7,082
Balance at 31/12/2016	645	503,120		-5,430	2,266	-166,849	333,751	0	333,751
Balance at 01/01/2017	645	503,120		-5,430	2,266	-166,849	333,751	0	333,751
Net result for the period						-92,923	-92,923	0	-92,923
Cash flow hedges					-198		-198		-198
Currency translation				-2,746			-2,746		-2,746
Comprehensive Income	0	0		-2,746	-198	-92,923	-95,867	0	-95,867
Share-based payments		142					142		142
Acquisition of treasury shares	-6	-7,926					-7,932		-7,932
Balance at 31/12/2017	639	495,336		-8,176	2,068	-259,772	230,094	0	230,094

¹ Due to the finalization of the purchase price allocation in 2017 financial year for the acquisition of EUROS Group as of November 21, 2016, adjustments were made retrospectively in accordance with IFRS 3.45 et seq. and comparative financial information for the period ended December 31, 2016 adjusted. For details, please refer to Section 2.3 "Scope of Consolidation."

Notes to the Consolidated Financial Statements

as of and for the financial year ending December 31, 2017

1 Introduction

Senvion S.A. ("Senvion S.A." or the "Company"), 46a, Avenue John F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg, and its subsidiaries ("Senvion" or the "Group"), operate in the manufacturing and selling of wind energy turbines as well as developing and providing turnkey wind farms.

The financial year corresponds to the calendar year from January 1 to December 31.

Senvion S.A. has an obligation to prepare Consolidated Financial Statements for the financial year ending December 31, 2017 in accordance with article 309 of the Luxembourg law of December 10, 2010. The Consolidated Financial Statements for the year ending December 31, 2017 were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted for use in the European Union.

The Consolidated Financial Statements and the related Group Management Report for the period are published separately in the Trade and Companies Register (Registre de Commerce et des Sociétés – RCS).

The Management Board authorized these IFRS Consolidated Financial Statements for issue on March 13, 2018. Under Luxembourg law, Financial Statements are approved by shareholders at the Annual General Meeting.

The Consolidated Financial Statements are prepared with the euro as the presentation currency. The income statement is presented using the nature of the expense method. Unless otherwise stated, all figures in these notes are accurate to the nearest thousand euros (EUR k) using commercial rounding. This may cause sums and subtotals to deviate from its arithmetical result by EUR 1 k.

The Consolidated Financial Statements are prepared on a historical cost basis, except for derivative financial instruments, which are measured at fair value as of the reporting date.

2 Consolidation

2.1 Principles of consolidation

These Consolidated Financial Statements include Senvion S.A. and its directly or indirectly controlled German and foreign subsidiaries.

Subsidiaries are consolidated from the date on which Senvion S.A. obtained control and continue to be consolidated until the date when such control ceases. Control is achieved when Senvion S.A. is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, Senvion S.A. controls an investee if, and only if, Senvion S.A. has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure or rights to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

Senvion S.A. reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The Financial Statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-Group balances, transactions, unrealized gains and losses resulting from intra-Group transactions and dividends are eliminated in full. Profit or loss and each component of other comprehensive income (OCI) are attributed to the shareholders of the parent company of the Group and to the non-controlling interests.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

When Senvion S.A. loses control over a subsidiary it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of cumulative currency translation differences and cash flow hedging reserves previously recognized in OCI to profit or loss.

2.2 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date at fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in other operating expenses.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability are within the scope of IAS 39 Financial Instruments and are measured initially and subsequently at fair value with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss within other operating income.

2.3 Scope of consolidation

2.3.1 Fully consolidated companies

The consolidated Group includes Senvion S.A. as well as the following foreign subsidiaries:

	31/12/2017 Share in %	31/12/2016 Share in %
Holding companies		
Senvion TopCo GmbH, Hamburg, Germany	100	100
Senvion MidCo GmbH, Hamburg, Germany	100	100
Senvion Holding GmbH, Hamburg, Germany	100	100
Project companies		
Senvion Betriebs- und Beteiligungsgesellschaft mbH, Rendsburg, Germany	100	100
Yorke Peninsula Wind Farm Project Pty Ltd, Melbourne, Australia	80	80
Senvion Project Ventures GmbH, Hamburg, Germany	100	100
Senvion I Wind Development LLC, Wilmington, USA	100	100
Senvion II Wind Development LLC, Wilmington, USA	100	100
5M126 Hugo GmbH & Co. KG, Hamburg, Germany	100	0
Production and services companies		
Senvion GmbH, Hamburg, Germany	100	100
PowerBlades GmbH, Bremerhaven, Germany	100	100
Senvion Deutschland GmbH, Hamburg, Germany	100	100
PowerBlades S.A., Vagos, Portugal	100	100
Ventipower S.A., Oliveira de Frades, Portugal	100	100
RiaBlades S.A., Vagos, Portugal	100	100
Senvion Indústria, S.A., Vagos, Portugal	100	100
RETC Renewable Energy Technology Center GmbH, Hamburg, Germany	100	100
Senvion India Ltd, Pune, India	100	100
PowerBlades Industries Inc., Québec, Canada	100	100
EUROS Entwicklungsgesellschaft für Windkraftanlagen mbH, Berlin, Germany	100	100
EUROS Polska sp. z o.o., Ustroń, Poland	100	100
EUROS Rotor Systems Polska sp. z o.o., Ustroń, Poland	100	100
Senvion Wind Technology Private Ltd, Mumbai, India	100	0
Senvion India Wind Power Services LLP, Mumbai, India	100	0

	31/12/2017 Share in %	31/12/2016 Share in %
Sales companies		
Senvion France S.A.S., Courbevoie, France	100	100
Senvion Italia S.r.l., Milan, Italy	100	100
Senvion Holdings Pty Ltd, Melbourne, Australia	100	100
Senvion Australia Pty Ltd, Melbourne, Australia	100	100
Senvion (Beijing) Trading Co. Ltd., Beijing, PR China	100	100
Senvion USA Corp., Denver, USA	100	100
Senvion Canada Inc., Montreal, Canada	100	100
Senvion Benelux b.v.b.a., Ostend, Belgium	100	100
Senvion UK Ltd, Edinburgh, UK	100	100
Senvion Polska, Sp.z o.o., Warsaw, Poland	100	100
Senvion Portugal S.A., Porto, Portugal	100	100
Senvion Scandinavia AB, Västerås, Sweden	100	100
Senvion Romania SRL, Bucharest, Romania	100	100
Senvion Austria GmbH, Ernstbrunn, Austria	100	100
Senvion Netherlands B.V., Nijkerk, Netherlands	100	100
Senvion Turkey Rüzgar Türbinleri Limited Şirketi, Istanbul, Turkey	100	100
Senvion (Shanghai) Trading Co. Ltd, Shanghai, PR China	100	100
Senvion Japan G.K., Tokyo, Japan	100	100
Senvion Chile S.p.A., Santiago, Chile	100	100
Senvion Norway AS, Oslo, Norway	100	0
Senvion Argentina S.A.U., Buenos Aires, Argentina	100	0
Senvion Ireland Ltd., Dublin, Ireland	100	0
Shelf or shell companies		
WEL Windenergie Logistik GmbH, Schloß Holte-Stukenbrock, Germany	100	100

2.3.2 Changes in the scope of consolidation

As of February 2, 2017, Senvion Wind Technology Private Ltd located in Mumbai, India, was incorporated to inter alia manufacture, erect, and service wind energy turbines. Senvion Netherlands B.V. holds a share of 99.99% and Senvion India Private Ltd holds a share of 0.01%. In addition Senvion India Wind Power Services LLP, Mumbai, India, was incorporated as of May 24, 2017 as a service company for wind turbines. Senvion Netherlands B.V. holds a share of 99.9% and Senvion India Private Ltd holds a share of 0.1%.

Additionally, Senvion GmbH established its 100% subsidiary Senvion Norway AS, Oslo, Norway, effective May 30, 2017.

Furthermore, as of January 30, 2017, (date of acquisition) Senvion, with Senvion GmbH as a limited and Senvion Betriebs- und Beteiligungsgesellschaft mbH as the general partner, acquired all shares and voting rights of 5M126 Hugo GmbH & Co. KG (formerly Lamogusta Vermietungsgesellschaft mbH & Co. Vermietungs KG) located in Hamburg, Germany. This acquisition does not represent a business combination.

Senvion Ireland Ltd, incorporated as of August 31, 2017, held by Senvion GmbH, is located in Dublin, Ireland.

Senvion Argentina S.A.U., incorporated as of August 8, 2017, held by Senvion GmbH, is located in Buenos Aires, Argentina.

As of November 21, 2016 (date of acquisition), Senvion GmbH acquired all shares and voting of rights of EUROS Entwicklungsgesellschaft für Windkraftanlagen mbH, Berlin, Germany, EUROS Polska sp z o.o., Ustroń, Poland and EUROS Rotor Systems Polska sp. z o.o., Ustroń, Poland, (EUROS Group). The EUROS Group covers all areas of rotor blade design and production as well as mater plug and mold design. The Group acquired this business to be able to reach a shorter time to market for new blades and also to be able to produce additional new blades with a reduced time to market.

The net assets of EUROS Entwicklungsgesellschaft für Windkraftanlagen mbH, Berlin, Germany, EUROS Polska sp. z o.o., Ustroń, Poland, and EUROS Rotor Systems Polska sp. z o.o., Ustroń, Poland (EUROS Group) recognized in the December 31, 2016 Consolidated Financial Statements were based on a provisional assessment of their fair values.

With supplementary agreement dated June 5 / July 12, 2017 the purchase price has been finally agreed at EUR 1,500 k. The allocation and calculation of the purchase price for the inclusion of the EUROS Group in the Consolidated Financial Statements of Senvion were finalized in 2107. The final assessment of the assets and liabilities recognized was completed within the prescribed measurement period of twelve months after the acquisition. As a result, the provisional goodwill has been adjusted down by EUR 1,667 k to EUR 2,442 k. The change in provisional goodwill was mainly owing to the recognition of internally developed software (EUR –2,000 k), revaluation of property, plant and equipment (EUR –1,118 k) and an increase in acquisition price (EUR +1,000 k). This also resulted in a higher net cash flow from the acquisition, which was EUR –1,291 k.

All adjustments shown were made retrospectively in accordance with IFRS 3.45 et seq. within the assessment period. The adjustments made in updating and specifying the purchase price allocation and calculation described above for the date of acquisition are disclosed and adjusted for in the comparative financial information for the period ended December 31, 2016.

The following tables show the adjustments in the consolidated statement of financial position as of and for the year ending December 31, 2016.

	31/12/2016	Adjustments from provisional purchase price allocation	31/12/2016 adjusted
	EUR k	EUR k	EUR k
Revenue	2,210,457	0	2,210,457
Changes in work in progress	–18,377	0	–18,377
Work performed by the entity and capitalized	45,099	0	45,099
Total performance	2,237,179	0	2,237,179
Other operating income	45,889	0	45,889
Cost of materials / cost of purchased services	–1,674,339	0	–1,674,339
Personnel expenses	–255,525	0	–255,525
Depreciation of property, plant, and equipment and amortization of intangible assets	–166,763	–55	–166,818
Other operating expenses	–212,057	0	–212,057
Result from operating activities	–25,616	–55	–25,671
Interest and similar financial income	638	0	638
Interest and similar financial expenses	–64,489	0	–64,489
Result before income taxes	–89,467	–55	–89,522
Income taxes	24,232	16	24,248
Net result for the period	–65,235	–39	–65,274

	31/12/2016	Adjustments from provisional purchase price allocation	31/12/2016 adjusted
	EUR k	EUR k	EUR k
Assets			
Current assets			
Liquid funds	441,078	0	441,078
Gross amount due from customers for contract work as an asset	88,626	0	88,626
Trade accounts receivable	167,973	0	167,973
Inventories	430,138	-306	429,832
Receivables from income taxes	12,982	0	12,982
Other financial assets	15,530	-1,000	14,530
Other miscellaneous assets	98,951	444	99,395
Total current assets	1,255,278	-862	1,254,416
Non-current assets			
Intangible assets	604,325	273	604,598
Property, plant, and equipment	222,116	1,103	223,219
Other financial investment	4,023	0	4,023
Loans granted	3,196	0	3,196
Total other non-current assets	11,687	0	11,687
Total non-current assets	845,347	1,376	846,723
Total assets	2,100,625	514	2,101,139

	31/12/2016	Adjustments from provisional purchase price allocation	31/12/2016 adjusted
	EUR k	EUR k	EUR k
Shareholder equity and liabilities			
Current liabilities			
Short-term loans and current portion of long-term loans	7,566	0	7,566
Trade accounts payable	430,966	0	430,966
Advance payments received	189,242	0	189,242
Gross amounts due to customers for contract work as a liability	122,248	0	122,248
Provisions	289,270	847	290,117
Deferred income	34,983	-2,767	32,216
Income tax liabilities	37,447	391	37,838
Other financial liabilities	12,224	3,500	15,724
Other miscellaneous liabilities	69,937	-2,002	67,935
Total current liabilities	1,193,883	-31	1,193,852
Non-current liabilities			
Long-term loans	6,980	0	6,980
Deferred taxes	173,053	584	173,637
Other non-current financial liabilities	392,919	0	392,919
Total non-current liabilities	572,952	584	573,536
Equity			
Subscribed capital	645	0	645
Additional paid-in capital	503,119	0	503,119
Other reserves	-3,164	0	-3,164
Currency translation	-5,430	0	-5,430
Cash flow hedging reserve	2,266	0	2,266
Retained earnings	-166,810	-39	-166,849
Total equity	333,790	-39	333,751
Total equity and liabilities	2,100,625	514	2,101,139

3 Accounting policies

3.1 Liquid funds

Cash and cash equivalents include cash at bank and in hand, as well as short-term deposits with an original maturity of three months or less. The cash equivalents are subject to an insignificant risk of changes in value.

3.2 Receivables and other financial assets

Trade receivables, receivables from related parties, and other primary financial assets designated to the loans and receivables category are carried at fair value plus transaction costs on initial recognition. Subsequent measurement is at amortized cost using the effective interest rate method. Valuation allowances for impairments are determined on the basis of past experience and individual risk assessments. Valuation allowances on trade receivables are reported in an allowance account for impairments or in the form of a direct write-down of the carrying amount receivable. An impairment loss is recognized when the carrying amount of a financial asset is higher than the present value of the expected future cash flows.

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment exists if one or more events have occurred since the initial recognition of the asset (an incurred "loss event"), which have an impact on the estimated future cash flows of the financial asset or the group of financial assets. The following triggers, among other factors, may provide objective evidence of impairment:

- Significant financial difficulty of the obligor
- The lender granting a concession to the borrower for economic or legal reasons relating to the borrower's financial difficulty
- Likely insolvency or need for restructuring on the part of the borrower
- Loss of an active market for the financial asset due to financial difficulties

Receivables and other financial assets are derecognized when they are definitively found to be uncollectible.

3.3 Inventories

Inventories comprise raw materials, supplies, and work in progress. Raw materials and supplies are carried at the lower of cost or net realizable value. Work in progress is measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories is calculated using the weighted average cost basis and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. In addition to material and production overheads, manufacturing costs comprise overheads attributable within the meaning of IAS 2.

3.4 Non-current assets held for sale

The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions require to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sale will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of classification.

Property, plant, and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

3.5 Property, plant, and equipment

Property, plant, and equipment are stated at cost and depreciation on a straight-line basis over useful life. Costs include all expenses for purchasing the assets, insofar as these can be reliably calculated or estimated. The manufacturing costs of internally generated equipment comprise direct costs as well as attributable overheads.

The assessment of depreciation is based on the following estimated useful lives:

	Useful life in years
Buildings	25–50
Technical equipment, plant, and machinery	5–12
Office and operating equipment	3–14

3.6 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset, and
- The ability to measure reliably the expenditure during development

Capitalized development costs comprise all direct costs and overheads attributable to the development process. Development costs that account for customer-specific production orders are recorded in capitalized orders.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at the end of each reporting period at least. Changes in the expected useful life or the expected pattern of consumption of future economic benefits within the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. Amortization of the asset begins when development is complete and the asset is available for use. For development costs, amortization is recognized on a straight-line basis from the start of production for the expected product lifetime of developed models or technologies.

	Useful life in years
Technology (incl. capitalized development costs)	2.5–5
Customer relationship	11–19
Licenses, software	3

3.7 Impairment of property, plant, and equipment and intangible assets

The Group assesses, at each reporting date, whether there is an indication that items of property, plant, and equipment and intangible assets may be impaired. If any indication exists the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher figure of an asset or CGU's fair value less costs for disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments, value of money, and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated.

An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indications exist, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

3.8 Provisions

Provisions are recognized in accordance with IAS 37. These relate to legal or constructive obligations for which settlement is probable to result in an outflow of financial resources and the amount of which can be reliably estimated.

Warranty provisions

Warranty provisions are recognized both for individual risks from technical issues that affect individual wind turbine generators ("WTGs"), a specific series of WTGs or specific components across a number of different WTGs (specific warranty provisions), and for risks and defects of a smaller nature, which generally occur in every WTG sold during the warranty period (general warranty provisions). Warranty provisions are assurance-type warranties, which are recognized for the legal or contractual warranty period.

■ Specific warranty provisions

Specific technical warranty risks can be individually quantified by comprehensive documentation and are taken into consideration in the form of individual provisions. The economic risk and the level of provisioning are evaluated on an ongoing basis in coordination with the technical departments, taking existing risks into account. Specific warranty provisions comprise issues falling within the legal warranty period of 2 years as well as issues for which warranty provisions arise from contractual service agreements.

■ General warranty provisions

Provisions are recognized for risks and defects of a smaller nature, which generally occur in every WTG sold on the basis of past experience. General warranty provisions are determined as follows: for turbines erected, provisions are recognized for the anticipated future costs per year for the entire legal warranty period of 2 years. The anticipated costs are determined on the basis of past experience and reviewed on an ongoing basis. Due to the uncertainty involved, the estimated costs, and hence the amount of the provisions, may differ from actual costs.

■ Restructuring provisions

Restructuring provisions are recognized only when the Group has a contractual or constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline, and the employees affected have been notified of the plan's main features.

3.9 Trade liabilities

Trade accounts payable are measured at amortized cost using the effective interest rate method.

Senvion has implemented a non-recourse reverse factoring program with Santander Factoring Y Confirming S.A. The utilization, as of December 31, 2017, amounts to EUR 34.2 m.

This program supports longer payment terms for trade accounts payable. Participation allows Senvion's suppliers to improve liquidity and profitability in respect of earlier payments in addition to reducing financing costs. The original trade accounts payable continue to be accounted for as prior to the transfer under the reverse factoring agreement. The reverse factoring does not explicitly create an individual or additional liability for Senvion and does not incur a substantial change in condition. Thereby, in accordance with IAS 39, it does not result in a financial liability towards Santander.

3.10 Revenue recognition

Revenues include all revenues from the sale of wind energy turbines, license revenues, electricity revenues, and revenues from service and maintenance contracts.

Wind turbines

Revenue from the sale of wind turbines includes the production, delivery, and installation of wind turbines. To a limited extent, Senvion sells single components and spare parts for wind turbines.

The production, delivery, and installation of wind turbines consist principally of fixed price contracts. If the outcome of such a contract can be reliably measured, in accordance with IAS 11, revenues associated with the construction contract are recognized with reference to the stage of completion of the contract activity at year-end (the percentage of completion method). The outcome of a construction contract can be estimated reliably when:

- The total contract revenues can be measured reliably
- It is probable that the economic benefits associated with the contract will flow to the entity
- The costs to complete the contract and the stage of completion can be measured reliably, and
- The contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates

When the outcome of construction cannot be estimated reliably (generally during the early stages of a contract), contract revenues are recognized only to the extent of the costs incurred that are expected to be recoverable.

Contract revenues correspond to the initial amount of revenue agreed in the contract and any variations in contract work, claims, and incentive payments to the extent that it is probable that they will result in revenue and can be reliably measured.

The accounting policy for the recognition of revenues and the method to determine the stage of completion of the contract for the sale of wind turbines is as follows:

■ Onshore wind turbines

In applying the percentage of completion method, revenue recognized corresponds to the total contract revenue multiplied by the degree of completion measured, based on the achievement of defined milestones. Senvion identified the following individual milestones, which are significant to the overall completion of the contract.

Milestone	Description
Transit	Components are dispatched to site individually
Delivery on-site	Components arrive at site and are complete
Installation	Wind energy turbine is erected and installation work performed Wind energy turbine is connected to Grid
Commissioning	Test run period start, sign-off on full erection by the client
Final acceptance	All remaining work is completed

Revenues recognized under this milestone method correspond with the value created at this step in the process of an onshore wind farm project.

Costs incurred that relate to future activity or costs for projects that have not yet been dispatched to site are capitalized as inventories (work in progress).

■ Offshore wind turbines

In applying the percentage of completion method, the revenue recognized corresponds to the total contract revenue multiplied by the actual completion rate based on the proportion of total contract costs incurred to date and the estimated total contract costs (cost-to-cost method). Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that relate directly to a specific contract comprise: site labor costs (including site supervision); costs of materials used in construction; costs of design, and technical assistance that is directly related to the contract.

Offshore wind turbine projects differ significantly from onshore wind turbine projects in terms of contractual arrangements, installation and progress risks, financing and term of production, and construction, logistical, and environmental risk. Thus, the cost-to-cost method most reliably reflects actual progress towards completion.

Projects are presented in the statement of financial position as the gross amount due from or to customers for contract work as an asset or as liability, respectively. If the revenue recorded exceeds the invoiced installments, the contract will be presented as an asset. If the invoiced installments exceed the revenue recorded, the contract will be presented as a liability.

Single components and spare parts

Revenues from single components and spare parts are recognized in accordance with IAS 18. They are regarded as sold when the significant risks and returns have been transferred to the buyer. For conditional exchanges, revenue is recognized only when all the significant conditions are satisfied.

Licenses, electricity, service, and maintenance

Revenue from licenses and electricity are also treated according to IAS 18. License revenue is generated from volume-based licenses. Revenue from service and maintenance contracts is recognized as the respective services are rendered; advance payments are deferred.

Interest income

Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability at initial recognition of the financial instrument.

3.11 Income tax expense

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from, or paid to, the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Deferred tax

Deferred taxes are recognized using the liability method. According to this method, deferred taxes are generally recognized on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- When related to taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, carrying forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carrying forward of unused tax credits and unused tax losses, can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- When deductible temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation with the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change.

3.12 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction, or production of an asset that takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

The Group considers assets with a construction or production term over 12 months as qualifying assets. For the purpose of determining the amount of borrowing eligible for capitalization when funds are borrowed for general purposes, the Group computes a weighted average cost of borrowing, which is then applied to qualifying assets as a capitalization rate. The weighted average cost of borrowing is determined for each subsidiary individually where appropriate.

3.13 Government grants (investment subsidies)

Government grants are recognized depending on the nature of the subsidized expenses. Insofar as subsidies relate to capitalized assets, the grants received serve to reduce the cost of the subsidized assets. Grants provided as an expenditure allowance are recognized in the consolidated income statement of the financial year in which the subsidized expenses are incurred.

3.14 Transactions in foreign currencies

The Group's Financial Statements are presented in euros, which is also the parent company's functional currency. For each entity the Group determines the functional currency and items included in the Financial Statements of each entity are measured using that functional currency.

Transactions and balances

Senvion S.A. initially records transactions in foreign currencies and subsidiaries at their respective functional currency spot rates prevailing at the date the transaction first qualifying for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange ruling on the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their income statements are translated at the monthly average exchange rates. Fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange on the reporting date. The exchange differences arising on translation for consolidation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognized in profit or loss.

3.15 Reorganization expenses

Senvion discloses reorganization expenses separately by virtue of their nature, size, or incidence to allow a better understanding of the underlying performance of the Group (refer to section 5.5 "Reorganization expenses").

3.16 Share-based payments

Employees and management of the Group receive remuneration in the form of share-based payments, whereby employees and management render services as consideration for equity instruments (equity-settled transactions). The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model (Black-Scholes Valuation). Expense is recognized based on the fair value determined and the expectation of how many awards will ultimately vest. Reference is made to section 6.7 "Total equity capital."

3.17 Financial instruments

A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity. Financial instruments are recognized as soon as a Senvion S.A. company becomes a party to a financial instrument. Financial assets are recognized on delivery, i.e., the date of order fulfillment. Derivative financial instruments are recognized at the trade date. Financial assets and financial liabilities are generally reported separately; they are only offset if the reporting entity has a right to offset and the intention to settle on a net basis.

Financial instruments consist of cash and cash equivalents, receivables, equity instruments held in other companies (i.e., shares in project corporations), and other financial assets, as well as financial liabilities and loans, as long as these are based on contracts. The initial recognition of financial assets is at fair value plus directly attributable transaction costs, as long as the financial assets are not recognized at fair value through profit and loss. Subsequent measurement is at fair value or amortized cost using the effective interest rate, depending on the designation of the individual financial instruments to the IAS 39 categories.

Financial liabilities are carried at fair value less transaction costs on initial recognition and at amortized cost using the effective interest rate method in subsequent measurement.

Financial assets are derecognized if the rights to the cash flows resulting from the assets have expired or substantially all of the risks have been transferred to a third party such that the criteria for derecognizing are met. Financial liabilities are derecognized if the relevant obligations have expired or been cancelled.

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Derivative financial instruments are used to hedge foreign exchange and interest rate risks. Derivative financial instruments are carried at fair value. The recognition of changes in the fair value of derivative financial instruments depends on whether these instruments are deployed as hedging instruments and the conditions for hedge accounting in accordance with IAS 39 are met.

If these conditions are not met despite the existence of a hedging relationship, the derivative financial instruments are allocated to the category "at fair value through profit and loss" and the changes in fair value are recognized directly in income.

The effective portion of the change in the fair value of a derivative financial instrument, which was classified as a hedging instrument and which meets the definition of a cash flow hedge is recognized in other comprehensive income, net of tax. The ineffective portion is recognized in profit or loss. The effective portion is recognized in profit or loss when the hedged item is also recognized in profit or loss.

The Group measures financial instruments such as derivatives at fair value at each reporting date. Fair value-related disclosures for financial instruments that are measured at fair value or where fair values are disclosed, are summarized in section 8.2 "Information on the nature and extent of risks associated with financial instruments" and 8.3 "Information on significance of financial instruments for the Consolidated Financial Statement."

Fair value is the price that would be received when selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The Group uses valuation techniques that are appropriate in those circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable ones.

Assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the Financial Statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3.18 Use of assumptions

The preparation of these Consolidated Financial Statements requires the Group's management to make estimates and assumptions that form the basis for the value of assets and liabilities and income and expenses in the respective financial years. Key estimates and assumptions relate to share-based payments (refer to section 6.7 "Total equity capital"); warranty provisions (refer to section 6.4.2 "Provisions"), the realization of revenues according to the percentage of completion method (refer to section 6.1.2 "Gross amount due from/to customers for contract work as an asset / as a liability"), and income taxes (refer to section 6.3.3 "Income taxes") and are described below:

■ Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model, including the expected performance of the Senvion shares, the expected performance of the "STOXX Europe Total Market Renewable Energy Equipment" Index, as well as the volatility and correlation of the Senvion shares and the index. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Group uses the Black-Scholes methodology. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in section 6.7 "Total equity capital."

■ Warranty provisions

Specific warranty provisions include expenses for material and labor, which will be incurred to repair individual defects that fall within the respective warranty period. The amount of cost provided is subject to estimates, such as the number of affected turbines as well as the severance and complexity of technical defects.

General warranty provisions are accounted for based on a historical 3-year average cost rate per turbine class.

For more information, refer to section 6.4.2 "Provisions."

■ Revenues according to the percentage of completion method

The percentage of completion and the recognizable revenue are determined on the basis of a large number of estimates, such as the estimated future cost to complete a project. Consequently, the Group has implemented an internal financial budgeting and reporting system to adequately measure incurred and future costs required for completion. The Group reviews the estimates of contract revenues and contract costs as the contract progresses on a monthly basis (please refer to section 6.1.2 "Gross amount due from/to customers for contract work as an asset / as a liability").

Judgment has also been exercised in determining the percentage of completion allocated to each individual milestone. In determining the percentage of completion per milestone event, which is then applied to all onshore projects, management has considered common technical risks arising during production, logistics, installation, and construction, as well as contractual arrangements with its customers.

■ Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expenses already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities in the countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Judgment is also exercised in the recognition of deferred tax assets for unused tax losses. This judgment relates to determining the probability of future taxable profit being available against which unused tax losses can be utilized (please refer to section 6.3.3 "Income taxes").

3.19 Information on the consolidated statement of cash flows

The cash and cash equivalents shown in the consolidated statement of cash flows contain cash and bank balances. Short-term bank liabilities are deducted.

The indirect method was used to calculate the cash flow from operating activity. The consolidated statement of cash flows start with result before income taxes. The cash outflows from interest and taxes were allocated to ongoing business activity and recognized separately there.

3.20 First time adoption of new accounting standards

The Group has implemented all new amended standards and interpretations as adopted by the EU and applicable for the 2017 financial year, including:

IAS 7 – The amendments to IAS 7 "Statement of Cash Flows", refer to section 8.3 "Information on the significance of financial instruments for the Consolidated Financial Statements."

As of January 1, 2017, amendments to the interpretation of IAS 12 were introduced regarding the recognition of deferred tax assets on tax loss and interest carryforwards, in particular with regard to the determination of future taxable profits. The Group has applied these amendments retrospectively, however, the amendments do not have any effect on the Group's financial position and performance.

Initial application of other new IFRS standards or interpretations did not have material effects on the current period or prior period either.

3.21 New accounting standards not yet applied

In accordance with the IFRS, financial reporting at Senvion S.A. is based on IASB accounting standards and interpretations adopted by the European Commission in the context of the endorsement process for the European Union, in accordance with Regulation (EC) no. 1606/2002. The new IFRSs and amendments to existing IFRSs published by the IASB are mandatory only following a corresponding resolution by the Commission as part of the endorsement process.

The following standards and interpretations published by the IASB and IFRIC are not yet mandatory because they have not been endorsed by the EU yet, or the date of their first mandatory application has not yet been reached and are also not adopted by the Group at an early stage:

Standards/interpretations		Mandatory application	Endorsement by European Commission	Expected effects
IFRS 2	Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2	January 1, 2018	Yes	No effects
IFRS 9	Financial Instruments	January 1, 2018	Yes	See below
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	Yes	See below
	Clarifications to IFRS 15 Revenue from Contracts with Customers	January 1, 2018	Yes	
IFRS 16	Leases	January 1, 2019	Yes	Effects are still being analyzed
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	January 1, 2019	No	No material effects
Amendments to IFRS 9	Prepayments Features with Negative Compensation – Amendments	January 1, 2019	No	No effects
Annual improvements of IAS 28	Improvements to IFRS (2014–2016)			
	Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment - by - investment choice	January 1, 2018	Yes	No effects
IFRIC Interpretation 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018	No	No effects
IFRIC Interpretation 23	Uncertainty over Income Tax Treatments	January 1, 2019	No	Effects are still being analyzed
Annual Improvements	Improvements to IFRS (2015–2017)	January 1, 2019	No	Effects are still being analyzed
IAS 19	Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	January 1, 2019	No	Effects are still being analyzed

IFRS 9 “Financial Instruments” will replace IAS 39 “Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9” and will be recognized in the Consolidated Financial Statements for the financial year beginning on January 1, 2018. IFRS 9 brings together all three aspects of accounting for a financial instruments project: classification and measurement, impairment, and hedge accounting. The required changes due to the implementation of IFRS 9 will not affect the profit and loss or equity materially.

IFRS 15 – will replace all existing IFRS guidance on revenue recognition, including IAS 11. It introduces a five-step approach to revenue recognition and specific new guidance on when revenues can be recognized in a way similar to the percentage of completion approach currently used by the Group. The clarifications to IFRS 15 include amendments to address several implementation issues of the new revenue recognition standard.

The Group has analyzed its different revenue streams and determined how those will be impacted by the first time application of IFRS 15.

Revenues from wind turbines

Under IFRS 15, production, delivery, installation, and commissioning also constitute a single bundled performance obligation. In general, control over the wind turbines regularly transfers to the customer prior to completion of all final works. Although the Group is conducting business in many foreign jurisdictions and contractual agreements and local law vary, it is generally entitled to remuneration for services and parts delivered to date, e.g., through installments and prepayments of the total consideration of a contract. As such, the Group satisfies its performance obligation from the sale of wind turbines over time and, as a result, continues to record revenue from the sale of wind turbines over time.

We are required to measure our progress towards complete satisfaction of a performance obligation over time by selecting an output- or input-based method. Prior to applying IFRS 15, we measured progress by reference to an output-based method (milestones) for onshore turbine contracts.

Under IFRS 15, we continue to measure progress by applying an output-based method (milestones) as such measurement faithfully depicts our performance towards complete satisfaction of the performance obligation. However, we generally retain control of the goods produced and services performed to date until after we commence installation on a customer-specific site. Accordingly, milestones based on which we recorded revenue prior to application of IFRS 15 such as “transit” and “delivery on-site” will not be used any longer from 2018 onwards when applying IFRS 15. The milestones installation, commissioning, and final acceptance will remain unchanged. Those milestones appropriately depict our progress in completely satisfying our contractual obligations, as they include all material work in progress and cost transferred to the customer to date in the measurement of progress. This change in accounting method will not lead to a change in revenues recognized in total but the timing in revenue recognition is affected and will lead to a deferral of revenues for onshore projects, mainly during the initial phase of a project where we have not yet started to transfer control of goods and services to our customers.

For offshore wind turbine business, measuring progress by reference to the cost incurred to date over total projected cost (“cost-to-cost”) continues to represent the most appropriate method for measurement. That is owing to the fact that under our offshore contracts we typically commence the transfer control of goods and services significantly earlier than under our onshore contracts, and an output based method would fail to measure cost incurred for which control has transferred to the customer during such early stage of a contract. However, the Group will evaluate each offshore contract individually going forward and determine whether the cost-to-cost method can be applied or if another method is more appropriate to measure the progress of transfer of control to the customer prior to the completion of all final works.

Revenues from service and maintenance contracts

The Group continues to account for its service arrangements as separate contracts, as they do not to qualify for combination with the wind turbine sales agreements. In executing its service contracts, the Group regularly performs a variety of activities for which costs are commonly spread evenly over the contractual period. Such activities may include both preventive maintenance work as well as corrective tasks.

As a result of the analyses, revenue from service contracts will continue to be recorded over time and on a straight-line basis over the contracts’ term, which largely corresponds with our right to invoice our customers and starts after any contractual or legal warranty period granted under our turbine sales arrangements – which constitute assurance-type warranties – has expired.

Variable consideration out of penalties/other availability guarantees for onshore and offshore WTG contracts and service contracts

Our contracts may provide for payments we need to make to our customers if we fail to meet all of our contractual obligations. At contract inception the Group usually does not expect to be obliged for any penalties for delayed delivery out of onshore/offshore WTG contracts. Therefore, penalties are regularly not deducted from the transaction price at contract inception. However, the Group assesses each quarter if a penalty may occur. If this is the case, penalties will be considered a payment to our customer under the contract and considered in the determination of the transaction price and will therefore be recorded as a reduction of revenue.

Regarding penalties out of availability guarantees, the Group will record a reduction of revenues when it becomes apparent that penalties may need to be paid. In case revenue is recorded over time, the penalties impact the transaction price and thereby are recorded proportionally to the performance progress. This change in accounting method will not lead to a change in the timing of revenue recognition, but the total amount of revenue may change as the transaction price is adjusted.

In contrast to penalties, bonuses for exceeding the agreed availability level is highly susceptible to factors outside the Group's influence and therefore will only be considered as variable consideration when achieved and included as an increase of the transaction price.

If we had applied IFRS 15 in the 2017 financial year, we would have reported EUR 66.7 m (thereof EUR 19.8 m due to the reclassification of penalty expenses from material expenses to revenues) less revenues, EUR 63.4 m fewer direct and indirect cost of material (thereof EUR 19.8 m due to the reclassification of penalty expenses from material expenses to revenues), EUR 64.3 m higher inventories, EUR 1.1 m fewer amounts due from customers as a contract asset, and EUR 133.3 m fewer amounts due to customers as a contract liability; EUR 203.0 m higher amounts of advanced payments from customers for orders for which no production work has been carried out and the margin in the onshore segment would have decreased by EUR 3.3 m. The change in the applied revenue recognition under IFRS 15 will be reflected retrospectively, with the cumulative effect of initially applying the standard to be adjusted in the opening balance of retained earnings in the amount of EUR 6.4 m as of January 1, 2018. Consequently, the 2017 comparative figures will be reported according to IAS 11/18 and will not be restated to reflect the numbers according to IFRS 15.

IFRS 15 further provides more detailed presentation and disclosure requirements, which will represent a change from current practice.

The following alternative performance measures will also be affected by the aforementioned change in revenue recognition according to IFRS 15:

- Net firm order(s)
- Equity ratio
- Adjusted EBIT and EBITDA
- Net working capital
- Contribution margin I
- Gross margin

For the definition of these alternative performance measure please refer to section 3 "Alternative Performance Measures" in the Group Management Report.

IFRS 16 – "Leases" was issued in January 2016 and replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives, and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation, and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of "low-value" assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

IFRS 16 – also requires lessees and lessors to make more extensive disclosures than under IAS 17.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is in the process of preparing for the implementation of IFRS 16, which becomes effective January 1, 2019, but expects that under the new model, most of its operating lease arrangements disclosed under other financial obligations in Note 7 "Contingent liabilities and other financial obligations" to be accounted for on balance under IFRS 16.

IFRIC Interpretation 22 "Foreign currency transactions and advance considerations" clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The Group does not anticipate any impact on future periods from the adoption of the new accounting interpretations as current accounting policy is in line with the IFRIC Interpretation 22.

4 Information on segment reporting

Senvion segment reporting is presented in accordance with IFRS 8 "Operating Segments." This standard uses the "management approach." This means that the structure and content of segment reporting should be aligned with internal management reporting to key decision makers. The management approach is intended to allow users of external financial reports to see the Group from the same point of view as management ("chief operating decision-maker").

The chief operating decision maker (CODM) at Senvion is defined as the Strategic Investment Committee (SIC) including the Management Board of Senvion GmbH. Annual decisions about corporate planning and budgeting and individual decisions taken during the year regarding capital expenditure and additional budget allocations are made by the SIC during their meetings. These decisions are made taking into account the assessed segment performance on the basis of regular reports.

Senvion is organized in a matrix structure. Information is reported to the CODM based on consolidated functional areas and along geographical lines (individual countries or groups of countries). Consolidated information is also reported for individual products and services. However, the key CODM focus is not geographical, but rather a strategic segmentation based on the various products and services offered by the Group with a view to maintaining and improving those areas. In accordance with the criteria of IFRS 8, three business segments have been identified: The onshore segment, the offshore segment and the service and maintenance segment.

The key measure of segment profit or loss used by the Group is the "contribution margin I" (CM I). This selected key measure is independent of regional income taxation or different financing structures and therefore provides the CODM with an objective basis for decision-making. CM I consists of revenues minus the cost of goods sold, which include production and material costs as well as logistics, construction site costs, and commissioning costs. It also includes any expense related to general warranty obligations.

The segment data presented is prepared in accordance with IFRS but primarily derived from internal cost accounting. The profit measure CM I is a non-GAAP measure, which cannot be directly derived from the IFRS Group Financial Statements.

Segment assets and liabilities are not presented, as these figures are not regularly provided to the CODM and are not used for decision-making.

	01/01/2017 –31/12/2017 EUR m	01/01/2016 –31/12/2016 EUR m
Onshore segment		
Revenue		
External customers	1,226.9	1,629.5
Segment profit		
Contribution margin (CM) I	241.2	327.4

The onshore segment consists of domestic and international business resulting from the sale, production, project management, and installation of onshore wind turbines. The revenue is generated mainly from the MM series as well as the 3.XM turbine business. Revenue includes construction contracts in progress according to IAS 11.

	01/01/2017 –31/12/2017 EUR m	01/01/2016 –31/12/2016 EUR m
Offshore segment		
Revenue		
External customers	345.7	300.0
Segment profit		
Contribution margin (CM) I	92.1	48.9

The offshore segment includes all domestic and international business activities in the area of offshore wind farms. The Group's offshore product portfolio consists primarily of the 6.XM series. Specialist expertise is required for the marketing, production, and project management, as well as the installation of wind turbines in the open sea, particularly since the market environment is completely different from the onshore segment. Revenue includes construction contracts in progress according to IAS 11.

	01/01/2017 –31/12/2017 EUR m	01/01/2016 –31/12/2016 EUR m
Service and Maintenance segment		
Revenue		
External customers	308.3	276.3
Internal services	44.2	68.7
Total revenue	352.5	345.0
Segment profit		
Contribution margin (CM) I	126.3	161.1

The Service and Maintenance segment is responsible for planned maintenance and the rectification of technical faults in wind turbines at both domestic and international sites. It also performs technical updates and upgrades as well as the technical commissioning of turbines. 24/7 remote monitoring allows the performance and availability of the turbines to be permanently monitored and controlled. Any faults can be located and addressed in both the onshore and offshore segments.

The revenue of this Service and Maintenance results from commissioning services rendered to both the onshore and offshore segments. The intersegment-revenue is derived from actual figures prepared and accounted for under IFRS. Furthermore, the Service and Maintenance segment assumes the legal warranty obligations, which result from onshore and offshore turbine sale contracts. The general warranty provisions, which were originally debited to the onshore and offshore segments, are used to provide a reimbursement to the Service and Maintenance segment and are included in its "internal services" revenue.

The unallocated revenue in the amount of EUR 9,022 k (previous year: EUR 4,585 k) presented in "Intersegment elimination and unallocated revenues" primarily relates to income from power revenue. Furthermore, this position contains the elimination of aforementioned "internal services" revenues of the Service and Maintenance segment amounting to EUR 44.2 m (previous year: EUR 68.7 m).

	01/01/2017 –31/12/2017	01/01/2016 –31/12/2016
	EUR m	EUR m
Germany	1,012.5	720.4
France	218.7	191.8
United Kingdom	192.2	397.1
Norway	87.1	0.0
Belgium	62.6	44.4
Italy	65.1	54.6
Chile	37.1	0.0
USA	25.3	0.0
Czech-Republic	24.1	0.0
Rest of the world	165.2	802.1
Total revenues	1,889.9	2,210.4

The categorization of revenues by regions is based on the geographical location of the wind park.

In the year under review, more than 10% (previous year: 10%) of the Group's total revenue was achieved with one individual customer, EUR 309.0 m (previous year: EUR 284.6 m).

The high amount of revenue from one customer was due to the completion of one order in the offshore segment in the current financial year.

The Group holds no material non-current assets as defined by IFRS 8.33 (b) in the Company's country of domicile, Luxembourg. Nearly all such non-current assets are located in foreign countries EUR 751,1 m (previous year: EUR 827.8 m), with the majority in Germany EUR 652.7 m (previous year: EUR 747.8 m).

Reconciliation from CM I to result before income taxes (EBT)

Non-allocated expense/income contains other amounts including overheads that were generally not allocable to individual segments or that could not be allocated to individual segments due to deviations from forecasts. Individual warranty provisions set up at Group level are considered here as well. Furthermore, capitalized work performed by the Company, as well as other operating income, has not been allocated to the individual segments.

In addition to CM I on a segment level, the CODM and the Group monitor performance based on EBIT and EBITDA on a Group-wide level. This is adjusted for amortization of intangible assets arising from the fair value measurement of assets and liabilities from the acquisition of Senvion GmbH Group (purchase price allocation) and reorganization expenses. The comparative period further includes costs related to the IPO and adjustments regarding the technical issues related to 6XM WTG series offshore blades.

Segment reporting for the 2017 financial year

	Onshore	Offshore	Services and maintenance	Segment totals	Reconciliation	Group
	01/01/2017 –31/12/2017	01/01/2017 –31/12/2017	01/01/2017 –31/12/2017	01/01/2017 –31/12/2017	01/01/2017 –31/12/2017	01/01/2017 –31/12/2017
	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m
Revenues	1,226.9	345.7	352.5	1,925.1	–35.2	1,889.9
Cost of materials / cost of purchased services	–918.7	–236.3	–144.4	–1,299.4		
Personnel expenses	–30.2	–7.8	–60.7	–98.7		
Other operating expenses	–36.8	–9.5	–21.1	–67.4		
Contribution margin I	241.2	92.1	126.3	459.6		
Intersegment elimination and unallocated other revenues				–35.2		
Unallocated changes in work in progress & cost of materials / cost of purchased services				–98.3		
Work performed by the entity and capitalized				46.2		
Other operating income				48.3		
Unallocated personnel expenses				–161.3		
Unallocated other operating expenses				–107.7		
Adjusted EBITDA				151.6		
Depreciation and amortization				–65.7		
Adjusted EBIT				85.9		
Reorganization expenses				–54.1		
Effects from purchase price allocation				–92.1		
Result from operating activities (EBIT)				–60.3		–60.3
Interest result				–60.8		
Result before income taxes (EBT)				–121.1		–121.1

Segment reporting for the 2016 financial year¹

	Onshore	Offshore	Services and maintenance	Segment totals	Reconciliation	Group
	01/01/2016 –31/12/2016	01/01/2016 –31/12/2016	01/01/2016 –31/12/2016	01/01/2016 –31/12/2016	01/01/2016 –31/12/2016	01/01/2016 –31/12/2016
	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m
Revenues	1,629.5	300.0	345.0	2,274.5	-64.1	2,210.4
Cost of materials / cost of purchased services	-1,214.2	-234.1	-108.3	-1,556.6		
Personnel expenses	-38.7	-7.5	-55.0	-101.2		
Other operating expenses	-49.2	-9.5	-20.6	-79.3		
Contribution margin I	327.4	48.9	161.1	537.4		
Intersegment elimination and unallocated other revenues				-64.1		
Unallocated changes in work in progress & cost of materials / cost of purchased services				-79.8		
Work performed by the entity and capitalized				45.1		
Other operating income				45.9		
Unallocated personnel expenses				-154.4		
Unallocated other operating expenses				-124.5		
Adjusted EBITDA				205.6		
Depreciation and amortization				-63.7		
Adjusted EBIT				141.9		
Other transaction costs				-8.3		
Specific provision related to 6XM WTG series				-54.7		
Effects from purchase price allocation				-104.5		
Result from operating activities (EBIT)				-25.6		-25.6
Interest result				-63.9		
Result before income taxes (EBT)				-89.5		-89.5

¹ Due to the finalization of the purchase price allocation in 2017 financial year for the acquisition of EUROS Group as of November 21, 2016, adjustments were made retrospectively in accordance with IFRS 3.45 et seq. and comparative financial information for the period ended December 31, 2016 adjusted. For details, please refer to Section 2.3 "Scope of Consolidation."

5 Consolidated income statement

Due to the finalization of the purchase price allocation in the 2017 financial year the acquisition of the EUROS Group as of November 21, 2016, adjustments were made retrospectively in accordance with IFRS 3.45 et seq. For details, please refer to Section 2.3 "Scope of Consolidation."

5.1 Revenue

In the 2017 financial year, the operations of the Group companies related almost exclusively to the development and manufacture of wind turbines and wind turbine projects.

	01/01/2017 –31/12/2017 EUR k	01/01/2016 –31/12/2016 EUR k
Revenue from the sale of onshore wind turbines	1,226,864	1,629,578
Revenue from the sale of offshore wind turbines	345,668	300,001
Services	308,364	276,293
Other	9,022	4,585
Revenue	1,889,918	2,210,457

Below is a regional analysis of revenue from the sale of onshore wind turbines:

	01/01/2017 –31/12/2017 EUR k	01/01/2016 –31/12/2016 EUR k
Germany	516,410	420,359
France	184,910	191,753
United Kingdom	161,748	397,075
Norway	86,987	0
Belgium	54,217	44,404
Italy	49,708	54,593
Chile	37,104	0
Czech–Republic	23,243	0
Rest of the world	112,537	521,394
Revenue	1,226,864	1,629,578

Senvion has a multi-MW product portfolio, which ranges from 2 to 6.33 MW wind turbines optimized for different wind speeds and locations:

- The MM82 model has a nominal power output of 2.05 MW, the hub heights range between 58.5 and 80 meters, and it has a rotor diameter of 82 meters
- The MM92 model has a nominal power output of 2.05 MW, the hub height ranges from 68 to 100 meters, and it has a large rotor diameter of 92.5 meters
- The MM100 model has a nominal power output of 1.8 MW (60 Hz) or 2.0 MW (50 Hz), hub heights of 78 to 100 meters, and a rotor diameter of 100 meters

- The 3.0M model has a nominal power output of 3 MW, a hub height of 100 meters (60 Hz) or 136 to 139 meters (50 Hz), and a rotor diameter of 122 meters
- The 3.2M has a nominal power output of 3.2 MW, hub heights ranging from 136 to 139 meters, and a rotor diameter of 122 meters
- The 3.4M model has a nominal power output of 3.4 MW, hub heights ranging from 78 meters to 143 meters, and a rotor diameter between 104 and 140 meters
- Our offshore portfolio consists of 5M models with 5MW output and the 6.XM series that consists of the Senvion 6.2M126, the Senvion 6.2M152 and the Senvion 6.3M152 with 6.33 MW output

Below is an analysis of revenue from the sale of wind turbines organized by type:

	01/01/2017 –31/12/2017 EUR k	01/01/2016 –31/12/2016 EUR k
3.4M	459,523	240,819
6M	345,668	300,001
MM92	266,193	568,728
MM100	194,375	168,834
3.2M	170,528	419,029
3.0M	84,246	88,057
MM82	46,308	144,111
3.6M	5,691	0
Revenue from sale of wind turbines	1,572,532	1,929,579

5.2 Other operating income

Other operating income is composed as follows:

	01/01/2017 –31/12/2017 EUR k	01/01/2016 –31/12/2016 EUR k
Currency translation gains	18,062	12,869
Insurance payments/Compensations	12,126	21,431
Investment subsidies, research and development	2,316	3,373
Income from reversal of bad debt allowance	1,316	176
Income from reversal of provisions	785	913
Income from hedging transactions	0	1,478
Other	13,690	5,649
	48,295	45,889

Please refer to section 5.4 for currency translation losses.

5.3 Personnel expenses

	01/01/2017 –31/12/2017	01/01/2016 –31/12/2016
	EUR k	EUR k
Wages and salaries	215,510	214,600
Social security contributions	44,327	40,925
	259,837	255,525

The average number of employees in the 2017 financial year was 4,577 (previous year: 4,136). Out of that figure, the average number of administrative staff was 2,268 (previous year: 2,115) and there were 2,309 industrial employees (previous year: 2,021).

The amount paid by the Company in contributions to national pension schemes amounts to EUR 11,3 m in the 2017 financial year (previous year: EUR 11.1 m).

5.4 Other operating expenses

Other operating expenses are composed as follows:

	01/01/2017 –31/12/2017	01/01/2016 –31/12/2016
	EUR k	EUR k
Legal and consulting costs	35,616	58,473
Office and land costs	19,233	17,019
Currency translation losses	18,883	13,536
IT & telecommunication costs	17,578	11,841
Purchased services	15,318	37,985
Travel expenses	14,641	13,951
Vehicle costs	9,835	8,729
Cost of training and appointing staff	7,566	10,161
Maintenance & Repairs	6,817	7,510
Write-offs/write-downs of receivables	5,102	2,735
Administration Costs	3,971	4,255
Other	20,577	25,862
	175,137	212,057

5.5 Reorganization expenses

On March 13, 2017, the Group decided to start a program to secure its long-term competitiveness. Among others, the planned measures have led to a reduction of jobs mainly at Senvion's production sites in Husum, Trampe, and Bremerhaven in Germany and an addition of jobs in low-cost locations; resulting in a net planned 660 jobs reduction.

As of December 31, 2017, Senvion has reduced 299 positions, of which 87% were in Germany and 13% in other locations. Additional positions in the amount of 331 due to the closure of blade facilities in Bremerhaven will come on top of this in 2018.

The closure of the Husum and Trampe sites is finished (please refer to section 6.2 "Assets classified held for sale") and most of the other measures are in the final stages.

The reorganization expenses of EUR 54,063 k is composed of employee termination benefits EUR 33,729 k, legal and consulting costs EUR 10,419 k, other operating expenses for repayments of government grants EUR 5,794 k, and scrapping/write-off of inventories EUR 4,110 k and other operating expenses of EUR 11 k.

5.6 Financial result

Financial result is composed as follows:

Section	01/01/2017 –31/12/2017	01/01/2016 –31/12/2016
	EUR k	EUR k
Share of result from associates and joint ventures	–12	0
Interest and similar financial income	3,821	638
Interest and similar financial expense		
High-yield bond	6.6	–41,165
Guarantee commission		–10,387
Deferred financing fees for guarantees	6.5	–4,651
Preferred equity Certificates		0
Other		–8,426
		–64,629
Financial result	–60,820	–63,851

6 Consolidated statement of financial position

6.1 Total current assets

6.1.1 Liquid funds

In the financial year presented there were no material restrictions on access to liquid funds.

6.1.2 Gross amount due from/to customers for contract work as an asset / as a liability

This item is used to report work in progress, which is recognized using the percentage-of-completion method in accordance with IAS 11. Advance payments on the contracts recognized are deducted directly from gross amounts due.

	31/12/2017 EUR k	31/12/2016 EUR k
Gross amount due from or to customers	377,617	908,447
Less advance payments received	-509,584	-942,069
	-131,967	-33,622

The net amount of EUR -131,967 k (previous year: EUR -33,622 k) consists of gross amounts due from customers for contract work as an asset with an amount of EUR 6,822 k (previous year: EUR 88,626 k) and to customers as a liability with an amount of EUR 138,789 k (previous year: EUR 122,248 k) as of December 31, 2017.

Bad debt allowances on gross amounts due can be seen below:

	31/12/2017 EUR k	31/12/2016 EUR k
Changes in bad debt allowances		
At the beginning of the financial year	100	538
Reversals and utilizations	0	-438
At the end of the financial year	100	100

The contract revenues for the respective financial year:

	01/01/2017 -31/12/2017 EUR k	01/01/2016 -31/12/2016 EUR k
Contract revenue for the period	1,572,532	1,929,579

The aggregated amount of costs incurred to date for the respective financial years:

	31/12/2017 EUR k	31/12/2016 EUR k
Aggregated amount of costs incurred to date	529,590	909,260

6.1.3 Trade accounts receivable

Trade accounts receivable primarily relate to receivables from customers for the delivery of wind turbines and from service and maintenance contracts.

	31/12/2017 EUR k	31/12/2016 EUR k
Trade accounts receivable (after bad debt allowances)	198,801	167,973

Bad debt allowances on trade accounts receivable:

	31/12/2017 EUR k	31/12/2016 EUR k
Changes in bad debt allowances		
At the beginning of the financial year	2,997	954
Reversals and utilizations	-1,745	-164
Additions	3,534	2,207
At the end of the financial year	4,786	2,997

The maturity structure of trade accounts receivable:

	Not past due as of the end of the reporting period nor impairment		As at the end of the reporting period past due as follows		
	EUR k	EUR k	Less than 30 days EUR k	Between 30 and 180 days EUR k	More than 180 days EUR k
as of 31/12/2017					
Trade accounts receivable before bad debt allowances	203,587	164,809	5,746	12,563	20,469
Thereof past due but not impaired	30,293	-	5,740	11,923	12,630
Thereof past and impaired	8,485	-	6	640	7,839
Bad debt allowances	4,786	0	6	574	4,206
Trade accounts receivable after bad debt allowances	198,801	164,809	5,740	11,989	16,263
as of 31/12/2016					
Trade accounts receivable before bad debt allowances	170,970	134,193	13,630	8,615	14,532
Thereof past due but not impaired	21,754	-	13,630	4,722	3,402
Thereof past due and impaired	15,023	-	0	3,893	11,130
Bad debt allowances	2,997	0	0	16	2,981
Trade accounts receivable after bad debt allowances	167,973	134,193	13,630	8,599	11,551

In the case of the trade accounts receivable that were neither impaired nor overdue, there was no evidence of the debtors being unable to meet their payment obligations as of the reporting date. For further information on the treatment of financial risks please refer to section 8.2 "Information on the nature and extent of risks associated with financial instruments."

The Group requires collateral from its customers depending on the outcome of credit checks. Collateral is generally requested in the form of bank guarantees or warranties for the purchase price less any advance payments made after a purchase contract is signed. Accordingly, the nominal value of the collateral received typically exceeds the current level of accounts receivable. As of December 31, 2017, the value of the collateral received was EUR 1,423.48 m (previous year: EUR 1,655.63 m).

There were no trade accounts receivable whose terms were renegotiated and that would otherwise have been overdue or impaired as of December 31, 2017.

6.1.4 Inventories

	31/12/2017 EUR k	31/12/2016 EUR k
Raw materials and supplies	405,690	302,347
Work in progress	84,749	127,485
	490,439	429,832

Valuation allowances on inventories:

	31/12/2017 EUR k	31/12/2016 EUR k
Inventories before valuation allowances	521,155	472,007
Thereof not impaired	482,717	419,845
Thereof impaired	38,438	51,856
Valuation allowance	-30,716	-41,869
	490,439	429,832

Expenses for raw materials and supplies amounted to EUR 842,974 k in the 2017 financial year (previous year: EUR 1,271,577 k).

6.1.5 Other current assets

This item is composed of as follows:

	31/12/2017 EUR k	31/12/2016 EUR k
Other financial assets		
Derivative financial instruments	2,075	3,273
Others	10,112	11,257
	12,187	14,530
Other miscellaneous assets		
Receivables from other taxes	24,222	65,617
Advance payments on inventories	5,862	10,847
Deferred financing fees for guarantees	7,113	5,009
Others	13,722	17,922
	50,919	99,395

As of August 12, 2016, Senvion entered into an asset purchase agreement to acquire wind turbine nacelle production facilities and infrastructure, complete product portfolio suite, wind turbine inventory, and service operations in India, in order to further move ahead with its market penetration of its new core markets. The transaction is subject to the fulfillment of conditions precedent (closing date). In November 2016, Senvion entered into an Amendment Agreement to the Asset Purchase Agreement dated August 12, 2016, whereby it is agreed to transfer the inventory and the intellectual property prior to the closing date subject to early conditions precedents, which were fulfilled in December 2016. A prepayment on inventory of EUR 5.6 m and on intellectual property of EUR 2.2 m (including transactions costs) was made until December 31, 2016, included under prepayments. The transaction was not concluded until December 31, 2017 as not all conditions precedent were fulfilled. Prepayments on inventory and on intellectual property are still shown under prepayments. The Group expects to conclude the acquisition and account for it as a business combination in the first half of 2018.

6.2 Assets classified held for sale

In 2017, with regard to the announced reorganization program (please refer to section 5.5 "Reorganization expenses") the Management decided to sell its land and buildings after cessation of operations in Husum and Trampe. The Management considered the land and buildings to meet the criteria to be classified as held for sale as of December 31, 2017 for the following reasons:

- The land and buildings in Husum and Trampe are available for immediate sale and can be sold to the buyer in its current condition
- The actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification

The carrying amount of in total EUR 4,619 k comprises EUR 3,400 k of land and buildings in Husum and EUR 1,219 k in Trampe. All land and buildings belong to the onshore segment.

6.3 Total non-current assets

6.3.1 Other intangible assets

In the 2017 financial year, research and development costs amounted to EUR 67,653 k (previous year: EUR 68,282 k).

Of the development costs, EUR 41,533 k were capitalized in the 2017 financial year (previous year: EUR 45,077 k). Amortization of capitalized development costs amounted to EUR 19,861 k (previous year: EUR 23,958 k), thereof impairment losses in the amount of EUR 2,351 k were recognized in the 2017 financial year.

Technology that was acquired by Senvion S.A. through the acquisition of Senvion GmbH was amortized to the amount of EUR 80,479 k in the 2017 financial year (previous year: EUR 90,908 k). Amortization of customer relationships amounted to EUR 11,592 k in the 2017 financial year (previous year: EUR 12,074 k).

6.3.2 Property, plant, and equipment

Land and buildings relate primarily to the Group's own production sites and administrative buildings. Technical equipment and machinery primarily relates to facilities for the production of wind turbines. No in-house work was capitalized in either the current year or the previous years presented.

In the 2017 financial year, impairment recognized on assets amounted to EUR 2,364 k and mainly relate to no longer usable molds.

At the reporting date, assets under construction relate primarily to expenses for the construction of rotor blade molds.

The Group's land and buildings amounting to EUR 46,678 k (previous year: EUR 46,678 k) serve as collateral in the financial year presented (refer to section 6.5 "Long-term loans" and section 8.2 "Information on the nature and extent of risks associated with financial instruments").

Government grants

In the current financial year Senvion received grants totaling EUR 2,316 k in Germany (previous year: EUR 3,373 k).

The funds received primarily relate to development projects for the optimization of turbine components.

Consolidated statement of changes in intangible assets and property, plant, and equipment

Acquisitions and production costs

	Balance 01/01/2017 EUR k	Additions EUR k	Reclassification EUR k	Reclassification in assets held for sale EUR k	Disposals EUR k	Exchange differences EUR k	Balance 31/12/2017 EUR k
I. Intangible assets							
1. Other licenses	25,809	4,418	867	0	-573	-22	30,499
2. Goodwill	2,442	0	0	0	0	0	2,442
3. Brand name	2,521	0	0	0	0	0	2,521
4. Customer relationship	189,376	0	0	0	0	-3,255	186,121
5. Technology (incl. capitalized development costs)	598,947	41,533	0	0	0	0	640,480
6. Advance payments	2,649	-327	-229	0	0	0	2,093
Total intangible assets	821,744	45,624	638	0	-573	-3,277	864,156
II. Property, plant, and equipment							
1. Land, leasehold rights, and buildings on non-owned land	118,477	1,030	14,690	-4,619	-403	208	129,383
2. Technical equipment, plant, and machinery	89,761	20,065	17,605	0	-9,520	-65	117,846
3. Other equipment, fixtures, fittings, and equipment	40,780	5,401	-531	0	-10,085	-344	35,221
4. Advance payments and plant and machinery in process of construction	20,941	19,995	-32,402	0	-2,690	-20	5,824
Total property, plant, and equipment	269,959	46,491	-638	-4,619	-22,698	-221	288,274
Total	1,091,703	92,115	0	-4,619	-23,271	-3,498	1,152,430

Depreciation and amortization

	Balance 01/01/2017 EUR k	Additions EUR k	Reclassifications EUR k	Disposals EUR k	Exchange differences EUR k	Balance 31/12/2017 EUR k	Book values 31/12/2016 EUR k	Book values 31/12/2017 EUR k
I. Intangible assets								
1. Other licenses	10,555	8,059	0	-552	132	18,194	15,253	12,305
2. Goodwill	0	0	0	0	0	0	2,442	2,442
3. Brand name	0	0	0	0	0	0	2,521	2,521
4. Customer relationship	20,766	11,592	0	0	0	32,358	168,610	153,763
5. Technology (incl. capitalized development costs)	185,762	100,340	0	0	0	286,102	413,185	354,378
6. Advance payments	62	0	0	0	0	62	2,587	2,031
Total intangible assets	217,145	119,991	0	-552	132	336,716	604,598	527,440
II. Property, plant, and equipment								
1. Land, leasehold rights, and buildings on non-owned land	6,521	5,351	-22	-403	4	11,451	111,956	117,932
2. Technical equipment, plant, and machinery	28,898	23,661	12	-9,280	2	43,293	60,863	74,554
3. Other equipment, fixtures, fittings, and equipment	11,321	8,832	10	-9,785	-552	9,826	29,459	25,395
4. Advance payments and plant and machinery in process of construction	0	0	0	0	0	0	20,941	5,824
Total property, plant, and equipment	46,740	37,844	0	-19,468	-546	64,570	223,219	223,705
Total	263,885	157,835	0	-20,020	-414	401,286	827,817	751,145

Consolidated statement of changes in intangible assets and property, plant, and equipment

Acquisitions and production costs

	Balance 01/01/2016 EUR k	Additions EUR k	Additions from first consolidation EUR k	Reclassifications EUR k	Disposals EUR k	Exchange differences EUR k	Balance 31/12/2016 EUR k
I. Intangible assets							
1. Other licenses	19,237	2,743	2,000	2,140	-332	21	25,809
2. Goodwill	0	0	2,442	0	0	0	2,442
3. Brand name	2,521	0	0	0	0	0	2,521
4. Customer relationship	193,137	0	0	0	0	-3,761	189,376
5. Technology (incl. capitalized development costs)	553,870	45,077	0	0	0	0	598,947
6. Advance payments	2,186	2,587	0	-2,124	0	0	2,649
Total intangible assets	770,951	50,407	4,442	16	-332	-3,740	821,744
II. Property, plant, and equipment							
1. Land, leasehold rights, and buildings on non-owned land	110,745	3,522	7,999	197	-4,317	331	118,477
2. Technical equipment, plant, and machinery	58,541	30,688	3,474	1,455	-4,818	421	89,761
3. Other equipment, fixtures, fittings, and equipment	30,148	13,286	0	70	-2,397	-327	40,780
4. Advance payments and plant and machinery in process of construction	17,081	7,149	0	-1,738	-1,551	0	20,941
Total property, plant, and equipment	216,515	54,645	11,473	-16	-13,083	425	269,959
Total	987,466	105,052	15,915	0	-13,415	-3,315	1,091,703

Depreciation and amortization

	Balance 01/01/2016 EUR k	Additions EUR k	Reclassifications EUR k	Disposals EUR k	Exchange differences EUR k	Balance 31/12/2016 EUR k	Book values 31/12/2015 EUR k	Book values 31/12/2016 EUR k
I. Intangible assets								
1. Other licenses	4,106	6,642	0	-204	11	10,555	15,131	15,254
2. Goodwill	0	0	0	0	0	0	0	2,442
3. Brand name	0	0	0	0	0	0	2,521	2,521
4. Customer relationship	8,692	12,074	0	0	0	20,766	184,445	168,610
5. Technology (incl. capitalized development costs)	70,896	114,866	0	0	0	185,762	482,974	413,185
6. Advance payments	62	0	0	0	0	62	2,124	2,587
Total intangible assets	83,756	133,582	0	-204	11	217,145	687,195	604,599
II. Property, plant, and equipment								
1. Land, leasehold rights, and buildings on non-owned land	5,703	4,838	47	-4,280	213	6,521	105,042	111,956
2. Technical equipment, plant, and machinery	12,852	19,429	347	-3,849	119	28,898	45,689	60,863
3. Other equipment, fixtures, fittings, and equipment	4,762	8,969	-394	-1,759	-257	11,321	25,386	29,459
4. Advance payments and plant and machinery in process of construction	0	0	0	0	0	0	17,081	20,941
Total property, plant, and equipment	23,317	33,236	0	-9,888	75	46,740	193,198	223,219
Total	107,073	166,818	0	-10,092	86	263,885	880,393	827,818

6.3.3 Income taxes

Current and deferred taxes are reported as income taxes. Income tax expense consists of the following items:

	31/12/2017 EUR k	31/12/2016 EUR k
Deferred taxes	32,714	11,530
Thereof temporary differences	32,719	7,208
Thereof tax loss carryforwards and tax credits	-5	4,322
Current income taxes	-5,438	-2,608
Current income taxes for previous years	871	15,326
Income taxes	28,147	24,248

A significant portion of the Group's operations is located in Germany and is subject to taxation in Germany. Accordingly, the Group uses the German tax rate as reference to calculate its expected income tax expense.

Unchanged to prior year the 2017 corporate tax rate in Germany was 15% plus a solidarity surcharge of 5.5% (total 15.825%). Including trade tax the 2017 total tax rate for the Group was 29.765% (prior year: 29.715%).

With regard to minimum taxation, the utilization of tax loss carry forwards in Germany is restricted. There are no restrictions for a positive basis of assessment of up to EUR 1 m. No more than 60% of any amounts exceeding this level may be reduced by offsetting against existing tax loss carry forwards in the period. Unused tax loss carry forwards are carried forward to the next period. There are also restrictions on the deductibility of net interest expense, which are carried forward to the next period when they cannot be offset in the current period (interest barrier regulation).

The effect from differences between tax rates in Germany and abroad are presented under tax rate differences in the following reconciliation:

	31/12/2017 EUR k	31/12/2016 EUR k
IFRS result before income taxes	-121,070	-89,467
Expected income taxes	36,037	26,585
Income taxes for previous year	-4,259	2,815
Non-deductible operating expenses	-1,528	-763
Additions to/reductions in trade income tax	-1,482	-2,155
Changes in tax rates	134	-1,658
Different foreign tax rates	-297	826
Non-recognition of deferred tax assets	-7,451	-5,100
Effects from tax incentives	5,960	0
Other tax effects	1,033	3,698
Actual income taxes	28,147	24,248

The effect of income taxes for previous years of EUR -4,259 k (previous year: EUR 2,815 k) relates to current tax income in the amount of EUR 871 k (previous year: income of EUR 15,326 k) and deferred tax expense EUR -5,130 k,

which mainly refers to the reflection of the results of the latest tax audit into the tax balance sheets and tax returns 2016 (previous year: expense of EUR -12,511 k).

The increase in unrecognized deferred tax assets mainly results from non-recognition of corporate income tax losses of EUR 3,184 k. In prior year, the increase in unrecognized deferred tax assets was mainly influenced by the non-recognition of deferred tax assets on interest carryforwards of EUR 5,159 k.

Tax incentives are mainly composed of EUR 4,755 k given as special tax credit for investments made on fixed tangible and intangible assets for RiaBlades S.A., Portugal. Additional tax credits are granted by the Portuguese tax authority for the incentive regime on research and development (SIFIDE II) in the amount of EUR 1,205 k.

Deferred tax assets and deferred tax liabilities are attributed to the following positions:

	31/12/2017 EUR k	31/12/2016 EUR k
Deferred tax assets		
Tax loss carryforwards and tax credits	11,918	13,977
Provisions	1,600	2,653
Property, plant, and equipment	566	630
Trade accounts payable and liabilities to related parties	4,690	8,248
Other	7,283	9,122
Total deferred tax assets	26,057	34,630
Offsetting	-13,365	-34,630
Deferred tax assets after offsetting	12,692	0

Deferred tax liabilities

Gross amount due from customers for contract work	10,503	29,098
Technology (including capitalized development costs)	152,546	174,952
Property, plant, and equipment	373	18
Other	225	4,199
Total deferred tax liabilities	163,647	208,267
Offsetting	-13,365	-34,630
Deferred tax liabilities after offsetting	150,282	173,637

Deferred taxes include deferred tax liabilities of EUR 620 k (previous year: EUR 702 k) for temporary differences recorded in other comprehensive income. Deferred tax assets, in particular deferred tax assets on tax loss carryforwards, and interest carryforwards are recognized in the amount they are expected to be utilized against taxable profits from the reversal of taxable temporary differences and to the extent it is probable that future taxable profits will be available against which the tax loss carryforwards can be utilized. Consequently, as of December 31, 2017 deferred tax assets on corporate income tax loss carryforwards were not recognized in the amount of EUR 6,964 k (previous year: EUR 3,780 k), deferred tax assets on trade tax loss carryforwards were not recognized in the amount of EUR 1,577 k (previous year: EUR 43 k) and deferred tax assets on interest carryforwards were not recognized in the amount of EUR 19,806 k (previous year: EUR 17,073 k).

According to IAS 12.39 deferred tax liabilities have to be recognized for taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures (so-called outside basis differences) except to the extent the respective parent entity is able to control the reversal of such taxable temporary differences and the reversal of such taxable temporary differences is not probable in the foreseeable future. Since Senvion can control the reversal of relevant temporary differences and these temporary differences are not expected to reverse in the foreseeable future, deferred tax liabilities for outside basis differences of EUR 812 k (previous year: EUR 702 k) were not recognized.

6.4 Total current liabilities

6.4.1 Advance payments received

Advance payments from customers for orders for which no production work has been carried out are reported as advance payments received.

6.4.2 Provisions

Provisions developed as follows in the 2017 financial year:

	As of 01/01/2017	Addition	Utilization	Reversal	As of 31/12/2017
	EUR k	EUR k	EUR k	EUR k	EUR k
Specific warranty provisions	230,901	82,717	132,831	0	180,787
General warranty provisions	28,041	63,642	22,620	169	68,894
Warranty provisions	258,942	146,359	155,451	169	249,681
Other provisions	31,175	40,061	20,118	437	50,681
Total provisions	290,117	186,420	175,569	606	300,362

Specific warranty provisions as of December 31, 2017 amount to EUR 180,787 m (previous period: EUR 230,9 m). The decrease of specific warranty provision mainly relate, to a release of a provision within the offshore blades (6.XM WTG series). This could be achieved by optimizing the production output and therefore avoid the need to in-source blades by third-party suppliers, along with cost optimizations achieved during execution.

On the contrary, a rise of a specific warranty provision regarding technical issues within the electrical system at the 3.XM WTG series and issues relating to spoilers on the MM WTG series (both onshore) resulted mainly from increases in future cost expectations. Due to design issues, a replacement of electrical components is planned on a specific park, while the spoiler issues will be fixed fleet-wide. The issues addressed mainly increased due to internal cost adjustments and settlement closures with customers and suppliers to strengthen future order intake.

The increase of general warranty provisions mainly reflects the increase in the number of offshore WTGs under service. The general warranty provision for onshore WTGs was stable compared to the previous year.

The increase of other provisions relates to restructuring provisions in the amount of EUR 17.3 m and consists of EUR 15.6 m for employee termination benefits and legal and consulting costs of EUR 0.4 m and EUR 1.3 m for other expenses. The further increase in the amount of EUR 17.4 m relate to litigation and arbitration proceedings.

6.4.3 Deferred income

Prepayments for revenue from service and maintenance are reported as deferred income. These deferred positions are reversed on a straight-line basis over the entire term of the service period.

6.4.4 Income tax liabilities

Income tax liabilities primarily relate to current taxes for prior financial years.

6.4.5 Other current liabilities

Other current liabilities are composed as follows:

	31/12/2017 EUR k	31/12/2016 EUR k
Other financial liabilities		
Derivative financial instruments	0	1
Other	8,512	15,723
	8,512	15,724

Other miscellaneous liabilities

Liabilities to employees*	35,110	29,608
Liabilities from other taxes	38,651	30,166
Social security liabilities	1,728	1,661
Other	-314	6,500
	75,175	67,935

* The presented Consolidated Financial Statements include a change in presentation in the 2017 and 2016 financial years. From January 1, 2017 onwards, liabilities to employees are no longer presented as other financial liabilities but as other miscellaneous liabilities. The prior period was changed accordingly. Such change in presentation is deemed to provide reliable and more relevant information.

6.5 Long-term loans

Long-term loans totaling EUR 2,559 k as of December 31, 2017 (previous year: EUR 6,980 k) relate to liabilities to banks. The interest rate for bank loans was in an unchanged range of between 3.64% and 5.5% per annum. Effective May 5, 2017, the Group extended and restated the existing syndicated line of credit for EUR 950,000 k. EUR 825,000 k of this syndicated credit line can be utilized in the form of guarantees and EUR 125,000 k as a cash loan. Both facilities have a final maturity in April 2022. As part of the extension transaction, costs of EUR 7,089 k were incurred, which were capitalized as deferred financing fees.

As of December 31, 2017, short-term deferred financing fees amounted to EUR 4,332 k (previous year: EUR 5,009 k) and long-term deferred financing fees amounted to EUR 14,801 k (previous year: EUR 11,687 k). The syndicated line of credit was secured by rights from registered patents and patent applications by Senvion GmbH as well as a pledge for the liquid funds of Senvion GmbH. The banking syndicate received a blanket assignment of Senvion GmbH outstanding receivables as well as an assignment of finished goods, work in progress, as well as raw materials and supplies, as additional security. Furthermore, the line of credit agreement contains rights of termination for the lender that become effective as soon as specific events or defaults occur. These breaches of contract may include the conclusion of control and profit-transfer agreements, failure to comply with certain financial covenants, or a change of control. Moreover, dividend payments are permitted only to a limited extent.

For details regarding the utilization of the line of credit please refer to section 8.2 "Liquidity risk."

6.6 Other non-current financial liabilities

Effective on May 5, 2017 a premature repayment return of the former high-yield bond with a nominal value of EUR 400 m with a term ending November 15, 2020 was made. In this context, a call cost premium amounting to EUR 13.8 m was incurred. Interest expense in the amount of EUR 9,730 k was recognized from January, 1 2017 until May 5, 2017. In addition transaction costs, which were recognized as part of the effective interest method were expensed in the amount of EUR 6,552 k as a result of the early prepayment.

At the same time, the Group has issued a new high-yield bond with a nominal value of EUR 400 m with a term ending in October 2022. This bond bears interest at a (nominal) fixed rate of 3.875% p.a. (former nominal fixed rate: 6.625%) and an effective of rate: 4.31% p.a. (former effective rate: 7.14%). Transaction costs of EUR 8,422 k that are directly attributable to that transaction were recognized as part of the effective interest method. The book value as of December 31, 2017 is EUR 392,483 k (previous year: EUR 392,919 k). The fair value of the high-yield bond as of December 31, 2017 amounted to EUR 376,520 k (previous year: EUR 405,659 k). Interest expense in the amount of EUR 11,066 k was recognized from May 5 until December 31, 2017.

The interest expense incurred under the high-yield bonds comprise as follows:

	01/01/2017 – 31/12/2017 EUR k
Interest expense former HYB (until May 5, 2017)	
Interest expense for the former HYB (January 1 – May 5, 2017)	9,730
Expensed transaction costs	6,552
Call cost premium	13,817
	11,066
Interest expense new HYB (from May 5, 2017 onwards)	
Interest expense for the new HYB (May 5 – December 31, 2017)	11,066
	41,165

6.7 Total equity capital

The change in equity components is shown in the consolidated statement of changes in shareholders' equity.

Subscribed capital

The share capital consisted of 65,000,000 shares with a nominal value of EUR 0.01 as of December 31, 2017 (previous year: 65,000,000 shares with a nominal value of EUR 0.01).

Additional paid-in capital

The decrease in additional paid-in capital of EUR 7,784 k results mainly from the acquisition of treasury shares in the amount of EUR 7,926 k (please refer to authority to acquire own shares) and on the contrary an increase in the amount of EUR 142 k relating to share-based payments (please refer to share-based payments).

Non-controlling interests

As of March 21, 2016, Rapid Management L.P. transferred and contributed all shares held, totaling 4% of Senvion TopCo GmbH, into Senvion S.A. against the issuance of new shares in the Company.

Earnings per share (basic and diluted)

Basic earnings per share are calculated by dividing the profit for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year under consideration of reacquired shares.

As no instruments with dilutive effects on the earnings per share were outstanding, diluted earnings per share do not differ from basic earnings per share.

Authority to acquire shares (treasury shares)

At the Annual General Meeting held on March 21, 2016, the Management Board was granted a standing authorization for 5 years to acquire shares for a maximum aggregate consideration of EUR 75 m in a price range between EUR 10 and EUR 35. The Management Board authorization is limited to 25% of the common shares. Luxembourg company law generally requires that the Company may not purchase their own shares if and to the extent that this will reduce the Company's net assets below the aggregate of their share capital and legal reserve. On August 15, 2016, Management announced the commencement of its share buyback program up to a maximum of 6,500,000 shares corresponding to maximum of 10% of the Company's issued share capital, pursuant to the aforementioned authorization. The credit institution Berenberg was authorized to acquire common shares from time to time in the open market, at a price reflecting the open market price and on other terms as determined by the Management Board, provided such purchases are in line with Luxembourg company law as well as EC regulations.

Pursuant to the share buyback program, the Company repurchased 635,374 common shares for a total consideration of EUR 7.9 m during the 2017 financial year. Since the start of the share buyback program a total of 1,115,736 common shares for a total consideration of EUR 15 m have been repurchased.

Under applicable provisions of Luxembourg company law, the common shares repurchased pursuant to the share buyback program are held as treasury shares. This means that these shares remain issued but holders are not entitled to vote. Furthermore, in computing earnings per common share, these shares are not considered part of outstanding common shares. The cost of these shares is accounted for as a deduction from shareholders' equity.

Share-based payments

Senvion introduced a Long-Term Incentive Program in 2017 for selected employees and executives (LTIP Staff). The program runs over three years. Also, Senvion introduced a Long-Term Incentive Program in 2017 for executives (LTIP Management). The program runs over four years.

A predefined number of initial performance shares is conditionally granted to each plan participant. Each year, one-third (LTIP Staff) or one-fourth (LTIP Management) of the conditionally granted performance shares multiplied by a factor (lock-in ratio) is locked in. The lock-in ratio depends on the performance of Senvion's share price compared to the performance of the "STOXX Europe Total Market Renewable Energy Equipment" Index over the past year.

The final number of performance shares, which is the sum of all locked-in performance shares, is settled in real Senvion shares after the vesting period of three years (LTIP Staff) or four years (LTIP Management). In case of a bad leaver (resignation by the employee or termination by the employer for cause) all performance shares are forfeited, whereas in the case of a good leaver event (retirement, early retirement, disability pension, or termination by employer not for cause, by mutual agreement, by expiration of contract, or in case of death) the locked in shares are delivered or cashed out.

The total number of initial performance shares issued under the plan to participants is 427,770 shares and 422,324 shares. The value of one conditionally granted initial performance share ranges from EUR 14.04 to EUR 14.10 (LTIP Staff) and EUR 15.05 to EUR 15.11 (LTIP Management).

As of December 31, 2017, the number of performance shares outstanding were as follows:

Plan	Number of shares	Year of locked-in
LTIP Staff	142,590	2017
	142,590	2018
	142,590	2019
LTIP Management	105,581	2017
	105,581	2018
	105,581	2019
	105,581	2020

The fair value of the performance shares granted is estimated at the date of grant using a Black Scholes model, taking into account the terms and conditions on which the performance shares were granted.

The following table list the inputs to the model used for the two plans for the year ended December 31, 2017:

Grant date	LTIP Staff	LTIP Management
Grant date	December 15, 2017	December 15, 2017
Senvion share price as at grant date	EUR 10.25	EUR 10.25
Risk-free interest rate 3 years (LTIP Staff)/ 4 years (LTIP Management) as at grant date	0.18%	0.40%
Dividend yield	0.00%	0.00%
Expected volatility share	32%	32%
Expected volatility index	24%	24%
Expected life as of grant date	2.04 years	3.04 years

The risk-free interest rate reflects German government bond as at grant date. The expected volatility reflects the historical one-year volatilities of Senvion share and index.

The total personnel expense recognized for the year arising from equity compensation plans was as follows:

	01/01/2017	31/12/2017
	EUR k	
Personnel expenses		
LTIP Staff		84.7
LTIP Management		57.4

7 Contingent liabilities and other financial obligations

	31/12/2017	31/12/2016
	EUR k	
Other financial obligations		
Obligations from leases and rental contracts		
Due within 1 year	19,613	25,230
Due within 1 and 5 years	28,350	27,660
Due in more than 5 years	39,853	40,276
	87,816	93,166
Purchase commitments		
Thereof for purchase of inventories	388,156	469,292
Thereof for purchase of property, plant and equipment	38,528	11,260
	426,684	480,552

All leases at the Group included in the scope of consolidation are operating leases. Lease payments are recognized directly in income on a straight-line basis over the term of the lease.

Obligations from leases and rental contracts relate primarily to obligations for the rental of office and warehouse space. Expenses amounting to EUR 22,536 k (previous year: EUR 26,904 k) were recognized for leases and rental contracts in the 2017 financial year.

8 Financial risks and financial instruments

8.1 Principles of risk management

With regard to its assets, financial liabilities, and planned transactions, Senvion is subject to risks arising from changes in raw materials and purchase prices, exchange rates, interest rates, and share prices. The aim of financial risk management is to limit these market risks through ongoing operation and financially oriented activities. To this end, specific hedging instruments are employed depending on the assessment of the respective risk. Risks are only hedged if they affect the Group's cash flow. Derivative financial instruments are only employed to hedge exchange rate risks, particularly those relating to larger customer or purchasing contracts in a foreign currency, and are not used for trading or other speculative purposes.

The principles of financial policy are agreed on an annual basis by the Management Board and monitored by the Supervisory Board. The implementation of financial policy and ongoing risk management is the responsibility of the Group's treasury department with the involvement of the Group's controlling department. Certain transactions require the prior consent of Senvion GmbH's Executive Board, which is also regularly informed of the scope and amount of current risk exposure. The treasury department considers the effective management of financial instruments and market risks as one of its main functions. In order to assess the effects of different events on the market, simulation calculations are performed using various worst-case and market scenarios.

8.2 Information on the nature and extent of risks associated with financial instruments

Credit and default risk is constantly monitored. Before entering into purchase and delivery contracts, the Group checks customer credit ratings using a standardized credit check process, including the evaluation of information from external rating agencies and credit agencies and the analysis of financial information. The Group requires collateral depending upon the rating results and materiality considerations. The result of the credit check process is documented for each customer.

The credit and default risk of financial assets is limited to a maximum of the amounts reported on the asset side of the consolidated statement of financial position.

Exchange rate risks only exist when deliveries are made to countries outside the eurozone or when cross-border deliveries are made from these countries. As defined by IFRS 7, risks arise from financial instruments that are denominated in a currency other than the functional currency and that are of a monetary nature; exchange rate differences arising from the translation of Financial Statements into the Group currency are not included.

IFRS 7 requires a currency sensitivity analysis showing the effects of hypothetical changes in relevant risk variables on earnings and shareholder equity. Foreign currency sensitivity is calculated for primary monetary financial instruments (cash and cash equivalents, trade receivables and payables, other assets, and other liabilities) by simulating a 10% increase or decrease in the value of all foreign currencies against the functional currency.

The simulated appreciation or devaluation of the relevant currencies would have impacted the Financial Statements as of December 31, 2017 as follows:

Currency risk

The following table presents the impact from changes in foreign currency exchange rates on the Group's net profit for all material foreign currencies.

31/12/2017	USD	AUD	CAD	GBP
Sensitivity analysis – Total	Profit impact in EUR k			
Exchange rate +10%	–3,811	74	384	695
Exchange rate –10%	4,658	–91	–470	–849

31/12/2016	USD	AUD	CAD	GBP
Sensitivity analysis – Total	Profit impact in EUR k			
Exchange rate +10%	1,876	41	–4,023	1,424
Exchange rate –10%	–749	18	4,917	–1,314

A change in foreign currency exchange rates would have no impact on the Group's net profit for financial instruments designated as hedges. The following table presents the impact on the Group's equity / other comprehensive income from changes in the fair value of derivative financial instruments.

31/12/2017	Fair value of derivative financial instruments designated as cash flow hedges
Sensitivity analysis – Total	Impact on equity in EUR k
Exchange rate +10%	11,455
Exchange rate –10%	–14,001

31/12/2016	Fair value of derivative financial instruments designated as cash flow hedges
Sensitivity analysis – Total	Impact on equity in EUR k
Exchange rate +10%	2,018
Exchange rate –10%	–2,466

At Senvion, exchange rate risk primarily arises from operating activities when contracts are arranged in a currency other than the euro. The primary risks are in connection with foreign currencies presented in the table above. The treasury department centrally identifies and monitors potential exchange rate risks from transactions and payments in foreign currency. Regarding transactions in foreign currency, subsidiaries and other departments report directly to the treasury department. The Group hedges individual transactions and payments in foreign currency against potential risks from a change in exchange rates. Cash outflows and inflows in the same foreign currency are offset and the net exposure is calculated and separately monitored for each foreign currency.

The risk position per currency measured in this manner is monitored and managed by the treasury department. Hedges are arranged to limit this risk. Exchange rate risks in the Company's operating activities are hedged using forward exchange contracts, currency swaps, and currency options.

Transacting or holding such contracts for trading or speculative purposes is not permitted. Derivative financial instruments that do not meet the conditions for hedge accounting are placed in the "held for trading" category.

Liquidity risk

Liquidity risk is monitored as part of rolling liquidity planning. Financing is provided mainly through advance payments for projects from customers. Payments made and received are monitored continuously as part of liquidity planning.

The utilization regarding the syndicated line of credit and other guarantees as of December 31, 2017 is as follows:

	Credit facility total	Utilized	Remaining
31/12/2017	EUR m	EUR m	EUR m
Syndicated line of credit	950	534.1	415.9
Guarantees	825	534.1	290.9
Cash loan	125	0	125
Guarantees other	4.5	4.5	0
Total	954.5	538.6	415.9

	Credit facility total	Utilized	Remaining
31/12/2016	EUR m	EUR m	EUR m
Syndicated line of credit	950.0	507.3	442.7
Guarantees	825.0	507.3	317.7
Cash loan	125.0	0,0	125.0
Guarantees other	7.4	2.4*	5.0
Total	957.4	509.7	447.7

* of which EUR 0.1 m (previous year: EUR 0.1 m) is from rental guarantees

For further details related to credit facilities please see section 6.5 "Long-term loans" and section 6.6 "Other non-current financial liabilities."

The following table shows the contractually agreed, undiscounted interest and principal payments for Servion's primary financial liabilities and derivative financial instruments with a negative fair value. Derivatives with positive fair values constitute assets, and hence are not included.

Maturity of financial liabilities

	Carrying amount as of 31/12/2017	Cash flows up to 1 year	Cash flows between 1 and 5 years	Cash flows more than 5 years
	EUR k	EUR k	EUR k	EUR k
Short-term loans and current portion of long-term loans	4,555	4,759	0	0
Thereof redemption payments		4,555	0	0
Thereof interest payments		204	0	0
Trade accounts payable	339,824	339,824	0	0
Derivatives		0	0	0
Long-term loans	2,559	0	2,654	0
Thereof redemption payments		0	2,559	0
Thereof interest payments		0	95	0
Other non-current financial liabilities	392,483	18,994	476,854	0
Thereof redemption payments		0	400,000	0
Thereof interest payments		18,994	76,854	0
Other financial liabilities	8,512	8,512	0	0
Total	747,933	395,842	959,016	0

	Carrying amount as of 31/12/2016	Cash flows up to 1 year	Cash flows between 1 and 5 years	Cash flows more than 5 years
	EUR k	EUR k	EUR k	EUR k
Short-term loans and current portion of long-term loans	7,566	8,020	0	0
Thereof redemption payments		7,566	0	0
Thereof interest payments		454	0	0
Trade accounts payable	430,966	430,966	0	0
Derivatives	1	1	0	0
Long-term loans	6,980	0	7,379	0
Thereof redemption payments		0	6,980	0
Thereof interest payments		0	399	0
Other non-current financial liabilities	392,919	26,500	480,604	0
Thereof redemption payments		0	400,000	0
Thereof interest payments		26,500	80,604	0
Other financial liabilities	45,332	45,332	0	0
Total	883,764	510,819	487,983	0

This table contains the financial instruments held as of December 31, 2017, for which the Group had entered into contractual payment obligations. Foreign currency amounts are converted using the respective closing rates.

Group outstanding trade receivables as well as an assignment of finished goods, work in progress, and raw materials and supplies were pledged as collateral as of December 31, 2017 for the syndicated revolving credit facility. Additionally, shares of certain Group subsidiaries and financial assets and patents were pledged as collateral to the holders of the notes from the high-yield bond (please refer to section 6.6 "Other non-current financial liabilities").

As of December 31, 2017 no other financial assets were pledged as collateral.

Interest rate risk

The Company does not have any material assets or liabilities that are sensitive to interest rates, as all loans have fixed interest rates.

The financial department records, measures, and monitors potential interest rate risks from external financing centrally. Hedges may be arranged to limit interest rate risks. Interest rate risks are hedged using interest rate swaps, interest rate caps, and derivatives if deemed material. Transacting or holding such contracts for trading or speculative purposes is not permitted.

Financial derivatives

The following table shows the carrying amounts and nominal volumes of financial derivatives as of December 31, 2017:

	31/12/2017		31/12/2016	
	Carrying amount EUR k	Nominal value EUR k	Carrying amount EUR k	Nominal value EUR k
Assets				
Forward exchange swaps				
Not used in hedges	0	0	918	51,198
Forward exchange contracts				
Not used in hedges	0	0	0	0
Used in cash flow hedges	2,075	123,893	2,355	24,550
Liabilities				
Forward exchange swaps				
Not used in hedges	0	0	1	24,591
Forward exchange contracts				
Not used in hedges	0	0	0	0
Used in cash flow hedges	0	0	0	0

The effective portion of the changes in fair value of financial derivatives used in cash flow hedging recognized in other comprehensive income, net of taxes, amounted to EUR –198 k (previous year: EUR –4,474 k).

During the 2017 financial year, the amount transferred from other comprehensive income to profit or loss as part of cash flow hedge accounting was EUR 2,722 k (previous year: EUR 4,859 k), which is presented in "Revenue" as the underlying hedge transactions pertain to sales contracts.

As of December 31, 2017 there were no ineffective portions of the change in the value of hedging instruments used in cash flow hedging.

The following table shows when the book values of the derivatives used for cash flow hedging are expected to be recognized in profit or loss:

	Carrying amount EUR k	up to 1 year EUR k	between 1 and 5 years EUR k	more than 5 years EUR k
Occurrence and recognition in profit and loss				
31/12/2017				
Forward exchange contracts				
Assets	2,075	2,075	0	0
Liabilities	0	0	0	0
31/12/2015				
Forward exchange contracts				
Assets	2,355	2,355	0	0
Liabilities	0	0	0	0

8.3 Information on the significance of financial instruments for the Consolidated Financial Statements

Based on the relevant consolidated statement of financial position items, the relationships between the classification of financial instruments in accordance with IFRS 7 and the carrying amounts of financial instruments, including liquid funds not allocated to any IAS 39 category, are shown in the following tables:

Category*	31/12/2017		31/12/2016		
	Carrying amount EUR k	Fair value EUR k	Carrying amount EUR k	Fair value EUR k	
Liquid funds	n.a.	235,211	235,211	441,078	441,078
Gross amount due from customers for contract work as an asset	L+R	6,822	6,822	88,626	88,626
Trade accounts receivable	L+R	199,801	199,801	167,973	167,973
Loans granted	L+R	15,303	15,303	3,196	3,180
Other financial assets – miscellaneous	L+R	8,328	8,328	8,895	8,895
Other financial assets – loans	L+R	1,784	1,784	2,362	2,362
Other financial investments	Afs	66	66	4,023	4,023
Total L+R	L+R	467,315	–	716,153	–
Other financial assets – financial derivatives held for trading	HfT	0	0	918	918
Other financial assets – financial derivatives classified as hedge instruments	n.a.	2,075	2,075	2,355	2,355

* L+R: loans and receivables
HfT: held for trading
Afs: available for sale

Liquid funds, the gross amount due from customers for contract work as an asset, trade accounts receivables, receivables from related parties, and other financial assets generally have a term of 12 months or less, meaning that their carrying amounts on the respective reporting dates correspond closely to their fair values.

The fair values of non-current receivables correspond to the present value of the payments associated with these assets, taking into account the current parameters reflecting changes in conditions and expectations due to market- and partner-related developments.

Financial liabilities are shown in the following table:

Category*	31/12/2017		31/12/2016		
	Carrying amount EUR k	Fair value EUR k	Carrying amount EUR k	Fair value EUR k	
Trade accounts payable	OL	339,824	339,824	430,966	430,966
Long-term loans	OL	2,559	2,559	6,980	6,980
Other non-current financial liabilities	OL	392,483	376,520	392,919	405,659
Short-term loans and current portion of long-term loans	OL	0	0	5,243	5,243
Other current financial liabilities	OL	8,512	8,512	45,331	45,331
Total OL	OL	743,378	–	881,439	–
Other financial liabilities – financial derivatives held for trading	HfT	0	0	1	1

* OL: other liabilities

Due to the short term of trade accounts payable, liabilities to related parties, long-term loans, and other financial liabilities, it is assumed that their carrying amounts and fair values are identical.

The following table provides a breakdown of the fair value hierarchy of financial assets and financial liabilities carried at fair value at the respective reporting date. This implies a differentiation between instruments whose fair values are directly observable on active markets (level 1), whose fair values are based on observable material input data (level 2), and whose fair values are based non-observable material input data (level 3):

	Carrying amount EUR k	Level 1 EUR k	Level 2 EUR k	Level 3 EUR k
31/12/2017				
Assets carried at fair value				
Held for trading (HfT)	0	0	0	0
Derivative financial instruments classified as hedge instruments	2,075	0	2,075	0
Total assets	2,075	0	2,075	0
Liabilities				
Held for trading (HfT)	0	0	0	0
Derivative financial instruments classified as hedge instruments	0	0	0	0
Total liabilities	0	0	0	0

31/12/2016	Carrying amount EUR k	Level 1 EUR k	Level 2 EUR k	Level 3 EUR k
Assets carried at fair value				
Held for trading (HfT)	918	0	918	0
Derivative financial instruments classified as hedge instruments	2,355	0	2,355	0
Total assets	3,273	0	3,273	0
Liabilities				
Held for trading (HfT)	1	0	1	0
Derivative financial instruments classified as hedge instruments	0	0	0	0
Total liabilities	1	0	1	0

There have been no transfers between any levels during the 2017 financial year. The following methods and assumptions were used to estimate the fair values of instruments for which the fair value is disclosed and those recognized at fair value:

- Long-term receivables are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness customers, and risk characteristics of financed projects (Level 3 measurement). Based on this evaluation, allowances are taken into account for the expected losses of these receivables. The fair values of such receivables, net of allowances, were not materially different from their carrying values.
- The Group enters into derivative financial instruments with various counterparts, principally financial institutions with investment-grade credit ratings. Derivatives valued using valuation techniques with market-observable inputs are mainly foreign exchange forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparts and foreign exchange spot and forward rates. The marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk.
- Fair values of the Group's other non-current liabilities, which includes high-yield bond, from market-observable information (Level 1 measurement). The fair values with respect to remaining borrowings and loans and other financial liabilities are determined by using the DCF method and a discount rate that reflects the issuer's borrowing rate as of the end of the reporting period (Level 3 measurement). The non-performance risk as of December 31, 2017 was assessed to be insignificant.

Net gains and losses on loans and receivables consist primarily of results from bad debt allowances and reversals thereof. With regard to bad debt allowances, please refer to section 6.1.2 "Gross amount due from/to customer for contract work as an asset / as a liability," section 6.1.3 "Trade accounts receivable," and section 6.1.5 "Other current assets." The net results of bad debt allowances and reversals thereof are primarily reported in other operating expenses.

The following table shows the net gains and losses for each valuation category:

	01/01/2017 – 31/12/2017	01/01/2016 – 31/12/2016
Net gain/loss	EUR k	EUR k
Loans and receivables (L+R)	–154	–113
Financial instruments held for trading (HfT)	0	1,263
Total	–154	1,150

The Group has received collateral amounting to EUR 1,423.48 m as of December 31, 2017 (previous year: EUR 1,655.63 m); this represents the fair value of the collateral, which primarily relates to standard industry guarantees from third parties for customer and supplier obligations for which Servion has carried out preliminary work or made advance payments. For further information please see section 6.1.3 "Trade accounts receivable."

Changes in liabilities arising from financing activities

	January 1, 2017	Cash flows from financing	Other	December 31, 2017
	EUR k	EUR k	EUR k	EUR k
Long-term loans	6,980	–4,420	0	2,560
Other non-current financial liabilities	392,919	0	–437	392,482
Total liabilities from financing activities	399,899	–4,420	–437	395,042

Other non-current financial liabilities comprise of a high-yield bond, which was subject to refinancing in 2017. Therefore, the amounts presented in cash flows from financing activities include the net effect of cash repayments of amounts borrowed and cash proceeds from borrowings of EUR 400 m each, which are presented on a gross basis in the consolidated statement of cash flow. The "Other" column includes changes in deferred transaction costs accounted for under the effective interest method and the net effect of the aforementioned refinancing. For further information, see notes 6.5 and 6.6. The Group classifies interest paid as cash flows from operating activities.

9 Capital management

The aim of the Group's capital management is to ensure that it maintains a good equity ratio in order to support its business activities. The target is to aspire to be relatively be equal to meet market norms on equity norms (equity as a % of total deployed capital), as our business model needs consistent discussions with our customers and their financiers.

The consolidated statement of financial position shows a total equity of EUR 230,094 k (previous year: EUR 333,751 k), due to a decrease in retained earnings.

The Group's short- and medium-term equity ratio calculated as follows:

	31/12/2017	31/12/2016
	EUR k	EUR k
Shareholder equity	230,094	333,751
Total assets	1,808,085	2,101,139
Equity ratio in %	12.7	15.9

Another figure used in capital management is net working capital or the net working capital ratio. Net working capital is calculated as follows: total current assets (adjusted for liquid funds) minus total current liabilities (adjusted for provisions, short-term loans and the current portion of long-term loans). To calculate the net working capital ratio, this net figure is compared with the total operating performance for the last 12 months.

	31/12/2017	31/12/2016
	EUR k	EUR k
Total current assets	1,009,459	1,254,416
Adjustments to current assets	-235,211	-441,078
Total current liabilities	-1,032,667	-1,193,852
Adjustments to current liabilities	304,917	297,683
Net working capital	46,498	-82,831
Total operating performance	1,893,360	2,237,179
Net working capital ratio in %	2.46	-3.70

The Group uses the net working capital to measure the short-term liquidity of the business and to utilize assets in an efficient manner. The development of the net working capital ratio in the 2017 financial year is due to a delay in installation in major projects in Chile, which will be recovered in Q1 and Q2 of 2018. Furthermore, investments in stock to secure growth led to the positive net working capital ratio. Without these one-off effects, the net working capital would be negative and in line with market expectations.

10 Related parties' disclosures

For the Group, related parties as defined by IAS 24 are shareholders that exercise (joint) control or significant influence, subsidiaries, joint ventures, and associates.

Additionally, the members of the Management Board and the Supervisory Board are related parties as defined by IAS 24, as are people who hold a key position in the management of a parent company of the Group. Furthermore, the Group considers the managing directors of Senvion S.A. to be key management personnel. Close family members of these related parties are also considered as related parties.

In addition to members of the Management Board and the Supervisory Board, the following related parties were identified in the current financial year:

- CCP II Acquisition Luxco S.à r.l., Luxembourg (shareholder)
- CCP III Acquisition Luxco S.à r.l., Luxembourg (shareholder)
- Rapid Management L.P., Cayman Islands (shareholder)
- Rapid Partners L.P., Cayman Islands (shareholder)

In addition to business relationships with the subsidiaries, eliminated in the Consolidated Financial Statements by means of full consolidation, there were the following business relationships with related parties.

The terms and conditions of the transactions were made on terms and conditions that prevail in an arm's length transaction. There were no material securities given or received as part of the transactions. In the respective period, the Group has not recorded expenses for, allowances or provisions on, outstanding balances.

In the 2017 financial year, no transactions between Senvion S.A. and related parties have taken place.

Regarding the prior year's transaction, please see as follows:

	Expenses from services/ interests	Income from services/ interests	Receivables	Liabilities
	01/01/2016 –31/12/2016	01/01/2016 –31/12/2016	31/12/2016	31/12/2016
	EUR k	EUR k	EUR k	EUR k
Transactions between Senvion S.A. and				
CCP II/CCP III Acquisition S.à r.l., Luxembourg	7,743	0	0	0
Prof. Dr. Martin Skiba, Hamburg	205	0	0	7
Matthias Schubert, Rendsburg	87	0	0	0
Transactions between subsidiaries of Senvion S.A. and				
Rapid Management L.P., Cayman Islands	0	4	64	0
Arpwood Capital Private Limited, Mumbai	0	0	0	0
Centerbridge Partners Europe LLP, London	597	0	0	0

11 Information on Senvion S.A. corporate bodies

The following people are, or were appointed as, members of the Supervisory Board:

- Alberto Terol (since July 10, 2017)
- Todd Morgan (until February 21, 2017)
- Stefan Kowski (until May 31, 2017)
- Amol Jain
- Matthias Schubert
- Prof. Dr. Martin Skiba (until July 5, 2017)
- Deepak Misra
- Ben Langworthy (since February 22, 2017)
- Steven Holliday (since June 15, 2017)
- Alberto Terol Esteban (since July 10, 2017)
- Carl Friedrich Arp Ole Freiherr von Beust (since September 21, 2017)

The following people are appointed as members of the Audit Committee:

- Alberto Terol (since July 10, 2017)
- Prof. Dr. Martin Skiba (until July 05, 2017)
- Todd Morgan (until February 21, 2017)
- Amol Jain
- Deepak Misra

The following people are appointed to the Management Board of Senvion S.A.:

- Dr. Jürgen Geißinger
- Kumar Manav Sharma

12 Remuneration for Senvion S.A. corporate bodies

For the 2017 financial year, remuneration of EUR 420 k was paid to the Supervisory Board (previous year: EUR 252 k).

The directors of Senvion S.A. were not entitled to any remuneration in the 2017 financial year.

Below is the total remuneration of current and former Senvion GmbH directors, who are considered to be key management for the Group, from January 1, to December 31, 2017:

	01/01/2017 – 31/12/2017	01/01/2016 – 31/12/2016
	EUR k	EUR k
Current salaries	1,250	2,154
Retirement benefits	0	0
Termination benefits	0	425
Other benefits	33	111
	1,283	2,690

In addition, in 2017 financial year, Dr. Jürgen M. Geißinger, CEO of Senvion SA, was given the opportunity to invest in an investment vehicle, Rapid Management II, L.P., which owns interests in Senvion Group.

The acquisition by the CEO of interests in the partnership qualifies as an equity-settled share-based payment arrangement in the Consolidated Financial Statements of Senvion Group.

The share-based payment arrangement has a remaining vesting period of approximately 1.5 years. The participation rights in form of partnership interest were acquired from an entity outside the Group and the Group has no obligation to make any payments on the partnership interests to the subscriber.

As the partnership interests were acquired free of charge, an expense of EUR 600 k was recorded as a result of the transaction, based on the fair value of the interest granted, determined using an option-based valuation at grant date on April 3, 2017.

13 Information on the remuneration paid to the auditor

The following table contains expenses recorded for services rendered by the Group auditor, Ernst & Young S.A., Luxembourg, and any of its network firms.

	01/01/2017 – 31/12/2017	01/01/2016 – 31/12/2016
	EUR k	EUR k
Audit fees (consolidated statements and annual statements)	1,455	1,417
Fees for other assurance services	753	263
Fees for tax advisory services	433	1,426
Fees for other services	229	1,269
	2,870	4,375

Responsibility statement

To the best of our knowledge, we confirm that the Consolidated Financial Statements, which have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group and that the Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities, uncertainties, and risks associated with the expected development of the Group.

Senvion S.A.
Luxembourg, March 13, 2018

Independent Auditor's Report

To the shareholders of
Senvion S.A.
46a, Avenue J.F. Kennedy
L-1855 Luxembourg

Report on the audit of the Consolidated Financial Statements

Opinion

We have audited the Consolidated Financial Statements of Senvion S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2017 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the Consolidated Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying Consolidated Financial Statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2017 and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with EU Regulation No. 537/2014, the Law of July 23, 2016 on the audit profession (the "Law of July 23, 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under those regulations, laws and standards are further described in the "Responsibilities of the 'réviseur d'entreprises agréé' for the audit of the Consolidated Financial Statements" section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the Consolidated Financial Statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of the current period. These matters were addressed in the context of the audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of intangible assets

Accounting for capitalized development costs

Net book values of capitalized development costs of EUR 174 m are deemed significant to our audit, given the significance of the position as at December 31, 2017 in the accompanying Consolidated Financial Statements, the rapid technological change in the industry, as well as the specific criteria that have to be met for capitalization under IAS 38. This involves management judgment, such as with respect to technical the feasibility, intention, and the ability to complete the intangible asset, the ability to use or sell the asset, the generation of future economic benefits, and the ability to measure the costs reliably. In addition, determining whether there is any indication of impairment of the carrying value of the related assets, requires management judgment and assumptions, which are affected by future market or economic developments.

We have performed audit procedures over the eligibility and valuation of amounts recognized. Our audit procedures included, among other things, assessing whether the recognition criteria for development cost capitalized as intangible assets had been met, challenging the key assumptions used or estimates made in capitalizing development costs, including the classification of projects as development projects – the eligibility of costs included and the useful economic life attributed to the asset. In addition, we considered whether any indicators of impairment were present by understanding the business rationale for the projects and by performing reviews for indicators of impairment. We also assessed the adequacy of the company's disclosure in note 3.6 Intangible assets and Note 6.3.1 Other intangible assets.

Revenue recognition – contracts

Revenue recognition – percentage of completion method

The revenue from construction contracts within the onshore and offshore segment of the Group is reported using the percentage of completion method. This requires significant management judgment and estimates such as assessment of costs incurred versus total cost of the project, expected time to completion, survey of work done, and the process for identification of loss-making contracts, which gives rise to a risk of incorrect recognition of revenue in a particular period. Furthermore, if specific circumstances arise, such as contract prepayments or contract modifications, this may result in a risk of incorrect revenue recognition. Accounting policies for revenue recognition and the judgments used by the management for future losses on loss-making contracts are given in notes 3.10, 3.18 and 6.1.2 to the Consolidated Financial Statements.

Considering the above, revenue recognition from construction contracts has been determined as a Key Audit Matter.

Our audit procedures, among others, included assessment of the appropriateness of the Group's revenue recognition policies, evaluation of management's assumptions in the determination of estimated costs to complete a project, the percentage of completion of a project, budget versus actual for both revenue and costs, and provisions for future losses for loss-making projects mainly due to the delay in the execution of the projects. We evaluated the significant judgments made by the management, whereby we examined project documentation and discussed the status of fixed-price projects under construction with management, finance, and project managers of the Group. In addition, we also assessed management's process of identifying loss-making contracts by evaluating their cost to complete the analysis of ongoing contracts.

We also performed a test of details including the examination of underlying contracts and hours incurred to assess the status of the fixed-price projects. We also performed, on a sample basis, substantive audit procedures relating to the contractual terms and conditions and the appropriate accounting thereof including the assessment of the financial implications due to the delays in the completion of the projects. We assessed revenue recognition taking place before and after year-end to evaluate whether revenues are recognized in the appropriate period. In addition, we assessed the appropriateness of disclosures made in note 3.10, 3.18 and 6.1.2 to the Consolidated Financial Statements.

Liabilities – warranties

Warranty provision

We identified warranty provisions as a Key Audit Matter due to the significant estimates made by the Group's management in determining the provision related to the cost of rectification work during the warrant period, mainly for a period of maximum of 2 years for wind turbine generators.

As detailed in note 3.18 to the Consolidated Financial Statements, management exercises considerable judgment in determining whether there is a present obligation as a result of a past event at the reporting date, whether it is more likely than not that such a warranty obligation would result in an outflow of resources, and whether the amount of the obligation can be reliably estimated. As at December 31, 2017, the Group recognized a warranty provision amounting to EUR 250 m, which represents the Group's best estimate of the liability based on relevant correspondence and contracts with customers and the estimated cost of rectification work based on the Group's experience.

Our procedures in relation to the warranty provision included:

- Understanding how the Group's management estimates the warranty provision;
- Discussing with the Group's management and evaluating the management process to identify and assess the warranty provision with reference to the relevant correspondence and contracts with customers;
- Interviewing management to understand its cost-estimation basis for rectification work and evaluating the reasonableness of the cost estimates for rectification work with regard to the Group's experience in addressing such matters;
- Evaluating the historical accuracy of the warranty provision assessed by management by comparing the actual loss and the historical warranty provision made; and
- Assessing the adequacy of the disclosure of warranty provision made in note 3.8 and 6.4.2 to the Consolidated Financial Statements.

Other information

The Management Board is responsible for the other information. The other information comprises the information included in the consolidated Management Report and the corporate governance statement but does not include the Consolidated Financial Statements and our report of "réviseur d'entreprises agréé" thereon.

Our opinion on the Consolidated Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Management Board and of those charged with governance for the Consolidated Financial Statements

The Management Board is responsible for the preparation and fair presentation of the Consolidated Financial Statements in accordance with IFRS as adopted by the European Union relating to the preparation and presentation of the Consolidated Financial Statements, and for such internal control as the Management Board determines is necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Responsibilities of the "réviseur d'entreprises agréé" for the audit of the Consolidated Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with EU Regulation No. 537/2014, the Law of July 23, 2016, and with the ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit in accordance with EU Regulation No. 537/2014, the Law of July 23, 2016, and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé." However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as "réviseur d'entreprises agréé" by the General Meeting of the shareholders on August 31, 2017, and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 3 years.

The consolidated Management Report, which is the responsibility of the Management Board, is consistent with the Consolidated Financial Statements and has been prepared in accordance with applicable legal requirements.

The corporate governance statement, included in the consolidated Management Report, is the responsibility of the Management Board. The information required by article 68ter paragraph (1) letters c) and d) of the law of December 19, 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the Consolidated Financial Statements and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the Audit Committee or equivalent.

We confirm that the prohibited non-audit services referred to in EU Regulation No 537/2014 were not provided and that we remained independent of the Group in conducting the audit.

Other matter

The corporate governance statement includes the information required by article 68ter paragraph (1) of the law of December 19, 2002, on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

Ernst & Young
Société Anonyme
Cabinet de révision agréé

Werner Weyand

Luxembourg, March 14, 2018



Financial Statements of Senvion S.A., Luxembourg

Senvion S.A., Luxembourg Financial Statements

Assets	Notes	31/12/2017 EUR	31/12/2016 EUR
A. Subscribed capital unpaid			
B. Formation expenses			
C. Fixed assets	3	521,887,618.42	521,887,618.42
I. Intangible fixed assets			
II. Tangible fixed assets			
III. Financial fixed assets	2.2.1, 3	521,887,618.42	521,887,618.42
1. Shares in affiliated undertakings	3.1	521,887,618.42	521,887,618.42
2. Loans to affiliated undertakings			
D. Current assets	2.2.2	12,421,395.03	10,862,259.57
I. Stocks			
II. Debtors	4	517,130.95	394,071.34
1. Trade debtors			
2. Amounts owed by affiliated undertakings	4.1	161,433.22	174,387.50
a) becoming due and payable within one year	4.1.1	161,433.22	174,387.50
3. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests			
4. Other debtors	4.2	355,697.73	219,683.84
a) becoming due and payable within one year	2.2.7, 4.2.1	348,631.73	212,617.84
b) becoming due and payable after more than one year	4.2.2	7,066.00	7,066.00
III. Investments	5	11,507,080.71	5,860,416.40
1. Shares in affiliated undertakings			
2. Own shares	5.1	11,507,080.71	5,860,416.40
IV. Cash at bank and in hand	2.2.3	397,183.37	4,607,771.83
E. Prepayments	2.2.5, 6	230,851.14	260,359.59
Total assets		534,539,864.59	533,010,237.58

The accompanying notes are an integral part of the Financial Statements.

Capital, reserves, and liabilities	Notes	31/12/2017 EUR	31/12/2016 EUR
A. Capital and reserves	7	513,398,875.33	518,234,259.42
I. Subscribed capital	7.1	650,000.00	650,000.00
II. Share premium account	7.2	512,825,772.63	520,758,471.77
III. Revaluation reserves			
IV. Reserves	7.3	15,014,873.31	7,082,174.17
1. Legal reserve	7.3.1		
2. Reserve for own shares	7.3.2	15,014,873.31	7,082,174.17
V. Profit or loss brought forward		(10,256,386.52)	(1,278,978.19)
VI. Profit or loss for the financial year		(4,835,384.09)	(8,977,408.33)
VII. Interim dividends			
VIII. Capital investment subsidies			
B. Provisions	2.2.4, 8	673,088.76	305,261.65
1. Provisions for pensions and similar Obligations			
2. Provisions for taxation	8.1		
3. Other provisions	8.2	673,088.76	305,261.65
C. Creditors	2.2.6, 9	20,467,900.50	14,470,716.51
1. Debenture loans			
a) Convertible loans			
b) Non convertible loans			
i) becoming due and payable within one year			
ii) becoming due and payable after more than one year			
2. Amounts owed to credit institutions			
3. Payments received on account of orders in so far as they are shown separately as deductions from stocks			
4. Trade creditors			
a) becoming due and payable within one year			
5. Bills of exchange payable			
6. Amounts owed to affiliated undertakings	9.1	20,293,639.88	14,443,622.38
a) becoming due and payable within one year	9.1.1	19,352,626.37	8,558,375.54
b) becoming due and payable after more than one year	9.1.2	941,013.51	5,885,246.84
7. Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests			
8. Other creditors	9.2	174,260.62	27,094.13
a) Tax authorities	2.2.7, 15	0.00	87.00
b) Social security authorities	9.2.1	6,708.58	4,182.31
c) Other creditors	9.2.2	167,552.04	22,824.82
i) becoming due and payable within one year		167,552.04	22,824.82
D. Deferred income			
Total (capital, reserves, and liabilities)		534,539,864.59	533,010,237.58

The accompanying notes are an integral part of the Financial Statements.

Senvion S.A., Luxembourg

Profit and Loss account

	Notes	01/01/2017 –31/12/2017 EUR	01/01/2016 –31/12/2016 EUR
1. Net turnover			
2. Variation in stocks of finished goods and in work in progress			
3. Work performed by the undertaking for its own purposes and capitalized			
4. Other operating income	10	855,592.04	174,387.50
5. Raw materials and consumables and other external expenses	11	(2,240,381.85)	(7,930,533.04)
a) Raw materials and consumables			
b) Other external expenses		(2,240,381.85)	(7,930,533.04)
6. Staff costs	12	(259,549.76)	(107,747.19)
a) Wages and salaries		(231,401.57)	(95,738.03)
b) Social security costs		(28,148.19)	(12,009.16)
i) relating to pensions		(16,920.04)	(7,185.71)
ii) other social security costs		(11,228.15)	(4,823.45)
7. Value adjustments	5.1	(2,285,215.84)	(1,221,757.77)
a) in respect of formation expenses and of tangible and intangible fixed assets			
b) in respect of current assets		(2,285,215.84)	(1,221,757.77)
8. Other operating expenses	13	(420,211.66)	(266,127.51)
9. Income from participating interests			
10. Income from other investments and loans forming part of the fixed assets	14		6,816,169.11
a) derived from affiliated undertakings	14.1		6,816,169.11
11. Other interest receivable and similar income	15	1,646.59	1,041.30
a) derived from affiliated undertakings			
b) other interest and similar financial income	15.1	1,646.59	1,041.30
12. Share of profit or loss of undertakings accounted for under the equity method			
13. Value adjustments in respect of financial assets and of investments held as current assets			
14. Interest payable and similar expenses	16	(482,473.61)	(6,439,630.73)
a) concerning affiliated undertakings	16.1	(447,268.62)	(6,430,046.07)
b) other interest and similar expenses	16.2	(35,204.99)	(9,584.66)
15. Tax on profit or loss	17	(4,790.00)	(3,210.00)
16. Profit or loss after taxation		(4,835,384.09)	(8,977,408.33)
17. Other taxes not shown under items 1 to 16			
18. Profit or loss for the financial year		(4,835,384.09)	(8,977,408.33)

The accompanying notes are an integral part of the Financial Statements.

Senvion S.A., Luxembourg

Notes to the Annual Accounts

for the financial year ending December 31, 2017

1 General information

Senvion S.A. (hereafter "Senvion" or the "Company") was incorporated on April 4, 2014 under the name of BPA Acquisition Luxco S.à r.l. The Articles of Association were modified on several occasions, the last one being on May 31, 2017. The Company is organized under the laws of Luxembourg as a Société Anonyme for an unlimited period.

On April 27, 2015, the shareholders resolved to change the name of the Company into Rapid Acquisition Luxco S.à r.l., on February 5, 2016, into Senvion S.à r.l., and on March 3, 2016, the shareholders resolved to change its legal form into a public limited liability company (Société Anonyme) listed on the Frankfurt Stock Exchange.

The registered office of the Company is established at 46a, Avenue John F. Kennedy, L-1855 Luxembourg.

The Company is managed by a Management Board, which is supervised by the Supervisory Board with a Human Resources Committee, Audit Committee and Strategy and Investment Committee.

The main activity of the Company is the acquisition, holding, and disposal of interests in Luxembourg and/or in foreign companies and undertakings, as well as the administration, development, and management of such interests. The Company may provide support and render management and consulting services and any other form of services to companies and undertakings forming part of the group of which the Company is a member. The Company may provide loans and financing in any other kind or form or grant guarantees or security in any other kind or form, in order to secure its obligations and the obligations of the companies and undertakings forming part of the group of which the Company is a member. The Company may also invest in real estate, in intellectual property rights, or any other movable or immovable assets in any kind or form. The Company may borrow in any kind or form and issue bonds, notes, or any other debt instruments as well as warrants or other share subscription rights. In a general fashion, the Company may carry out any commercial, industrial, or financial operation it deems useful in the accomplishment and development of its purposes.

The Company's financial year starts on January 1 and ends on December 31 of each year.

The Company also prepares consolidated accounts, which are subject to publication as prescribed by Luxembourg law.

2 Principles, rules, and valuation methods

2.1 General principles

The annual accounts are prepared in conformity with Luxembourg legal and regulatory requirements and according to generally accepted accounting principles applicable in Luxembourg under the historical cost convention. The accounting policies and valuation principles are, apart from those enforced by the law, determined and implemented by the management.

The preparation of annual accounts requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the period in which the assumptions change. Management believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and results fairly.

2.2 Significant rules and valuation methods

The significant valuation rules of the Company can be summarized as follows:

2.2.1 Financial fixed assets

Financial fixed assets such as shares in affiliated undertakings, participating interests, and investments held as fixed assets are valued at their historical acquisition cost. Loans granted to affiliated undertakings or other companies and defined as financial fixed assets are valued at their nominal value.

If the management determines that a durable impairment has occurred in the value of a financial fixed asset, a value adjustment is made in order to reflect that loss. These value adjustments are not continued if the reasons for which they were made have ceased to apply.

2.2.2 Current assets

Debtors

Debtors are recorded at their nominal value. A value adjustment is made when their recovery is partly or completely in doubt. These value adjustments are not continued if the reasons for which they were made have ceased to apply.

Own shares

Own shares are recorded at acquisition cost and are classified as current assets. A value adjustment is recorded when the market value is lower than the acquisition cost. In accordance with article 430-18 (1) b of the Law on Commercial Companies, a non-distributable reserve ("Reserve for own shares") is constituted for an equivalent amount out of the "Share premium account".

Cash and cash equivalents

Cash and deposits are valued at their nominal value.

2.2.3 Foreign currency translation

The Company maintains its books and records in EUR.

All transactions expressed in currency other than EUR are translated into EUR at the exchange rate prevailing at the date of the transaction.

The formation expenses and the fixed assets other than the long-term loans classified as financial fixed assets and expressed in a currency other than EUR are exchanged into EUR at the exchange rate prevailing on the date of their acquisition. On the balance sheet date, these fixed assets are maintained at their historical exchange rate.

Cash is translated at the exchange rate prevailing on the balance sheet date. Exchange gains and losses resulting from this conversion are accounted for in the Profit and Loss account for the year.

Other assets and liabilities are translated separately at the lower (assets) or at the higher (liabilities) value converted at the historical exchange rate or the value determined on the basis of the exchange rates effective at the balance sheet date. The unrealized exchange losses are recorded in the Profit and Loss account. The realized exchange gains and losses are recorded in the Profit and Loss account at the moment of their realization.

In the case of an economic link between an asset and a liability, they are exchanged in total and only the unrealized net exchange losses are accounted for in the Profit and Loss account.

2.2.4 Provisions

The provisions for liabilities and charges are intended to cover losses or debts the nature of which is clearly defined, and which are either likely to be incurred on the balance sheet date or certain to be incurred but uncertain as to their amount or the date on which they will arise.

2.2.5 Prepayments

This item includes charges incurred during the financial year but attributable to a subsequent financial year.

2.2.6 Debts

Debts are recorded at their repayment value.

2.2.7 Tax

The tax liability estimated by the Company for the financial years for which the Company has not been assessed yet is recorded under the caption "Other creditors". The advance payments are disclosed in the assets of the balance sheet under "Other debtors".

3 Financial fixed assets**3.1 Shares in affiliated undertakings and shares in treasury**

The shares in affiliated undertakings are as follows:

Name of the company	Registered office	Percentage of ownership	Closing date of the last financial period	Shareholders' equity (EUR)	Results of the last financial period (EUR)	Net investment amount (EUR)
Senvion TopCo GmbH	Hamburg	100.0%	31/12/2016	420,991,033	(17,090,279)	521,887,618.42
Total						521,887,618.42

The figures mentioned in the shareholders' equity and the result of the last financial year are based on the last available annual accounts.

On January 27, 2015, the Company acquired shares in Senvion TopCo GmbH (formerly Rapid Topco GmbH and hereafter "TopCo" or the "Subsidiary") for an amount of EUR 86,000.00.

On April 27, 2015, the Company subscribed to a capital contribution in the Subsidiary for an amount of EUR 121,511,827.60.

On April 28, 2015, the Company sold 1,000 shares held in the Subsidiary to Rapid Management L.P., for an amount of EUR 3,894,343.45.

On March 21, 2016, a share transfer between Rapid Management L.P. and Senvion S.A. was agreed, transferring 1,000 shares at a nominal amount of EUR 1.00 each from TopCo into Senvion S.A. (contribution in kind).

On March 23, 2016, the Company subscribed to an additional capital reserve contribution of EUR 383,649,293.30 into the Subsidiary by contribution in kind of the existing shareholder loan plus accrued interest.

Management considered the valuation of the investments and decided that no value adjustment is required.

4 Debtors

4.1 Amounts owed by affiliated undertakings

4.1.1 becoming due and payable within one year

As of December 31, 2017, the amounts owed by affiliated undertakings were mainly composed of four invoices issued for Senvion S.A consulting services.

4.2 Other debtors

4.2.1 becoming due and payable within one year

The other debtors mainly include outstanding reimbursements for Input VAT of EUR 252 k and one invoice of USD 116 k (EUR 97 k) in respect of a guarantee issued on behalf of Senvion S.A.

4.2.2 becoming due and payable after more than one year

In March 2016, the Company signed an office lease agreement with the lessor at 46a, Avenue John F. Kennedy in Luxembourg. The lessor required a service deposit of two months' office fee (EUR 7,066) from the Company. This security deposit is refundable after the termination of the lease contract. Also, the lease agreement can be terminated on a monthly basis; the management do not expect to move in the time frame of the 2018 financial year.

5 Investments

5.1 Own shares

Name of the company	Registered office	Percentage ownership	Closing date of the last financial period	Shareholders' equity (EUR)	Results of the last financial period (EUR)	Net investment amount (EUR)
Senvion S.A.	Luxembourg	1.72%	31/12/2017	513,707,128	(4,835,384.09)	15,014,874
Total						15,014,874

At the Annual General Meeting held on March 21, 2016, the Management Board was granted a standing authorization for five years to acquire own shares in a price range between EUR 10 and EUR 35. The Management Board authorization is limited to 25% of the aggregate nominal amount of the issued share capital as at the date the Annual General Meeting took place.

Luxembourg Company Law generally requires that the Company may not purchase their own shares if and to the extent that this will reduce the Company's net assets below the aggregate of their share capital and legal reserve. On August 15, 2016, the management announced the commencement of its share buyback program up to a maximum of 6,500,000 shares corresponding to a maximum of 10% of the Company's issued share capital, pursuant to the aforementioned authorization, and for a maximum aggregate consideration of EUR 75 m. The share buyback program was granted for a time frame no longer than 24 month. The credit institution Berenberg was authorized to acquire common shares from time to time in the open market, at a price reflecting the open market price and on other terms as shall be determined by the Management Board, provided such purchases are in conformity with Luxembourg Company Law as well as EC regulations.

On August 25, 2016, the Management Board resolved a first tranche for the share buyback procedure of EUR 5 m. The first tranche was fulfilled on October 18, 2016. On November 21, 2016, and on February 20, 2017, additional EUR 5 m tranches were resolved. All tranches were granted plus any commission or other fee. Both were fulfilled with the last settlement on September 1, 2017. No further tranches were resolved since the last settlement date.

On May 31, 2017, the Management Board was granted a standing authorization for a new floor by the Annual General Meeting to acquire own shares in a price range between EUR 0.01 to EUR 35.

Pursuant to the share buyback program, the Company repurchased in total 1,115,736 common shares for a consideration of EUR 15.0 m during both financial years. In 2017, the Company acquired 635,374 (2016: 480,362) shares representing an amount of 0.98% of the subscribed capital of the Company. As of December 31, 2017, the Company made a value adjustment to the current market value in the amount of EUR 3.5 m to a balance of EUR 2.3 m (2016: EUR 1.2 m).

Under applicable provisions of Luxembourg Company Law, the common shares repurchased pursuant to the share buyback program are held as treasury shares, meaning that these shares remain issued but are not entitled to vote. Furthermore, in computing earnings per common share, these shares are not considered part of the outstanding common shares. A non-distributable reserve in the amount of the acquisition costs was created among the capital reserves (please refer to note 7.3.2).

On September 21, 2017, the shareholders resolved the participation of the members of the Supervisory Board in the long-term incentive program granting stocks in the Company. The maximum stocks granted shall not exceed a maximum of 62,000 shares.

6 Prepayments

Prepayments mainly relate to one D&O insurance contract in the amount of EUR 231 k.

7 Capital and reserves

7.1 Subscribed capital

The subscribed capital, amounting to EUR 650,000.00 (2016: EUR 650,000.00), is represented by 65,000,000 shares with a nominal value of EUR 0.01 each. There are no different classes of shares.

7.2 Share premium and similar premiums

The share premium represents the excess of proceeds received over the nominal value of shares issued (EUR 2 m) as well as the contributions in kind made by the shareholders on March 21, 2016 (EUR 526 m). From the total amount, EUR 15 m were booked to the Reserve for the own shares account.

7.3 Reserves

7.3.1 Legal reserve

In accordance with Luxembourg Company Law, the Company is required to transfer a minimum of 5% of its net profit for each financial year to a legal reserve. This requirement ceases to be necessary once the balance of the legal reserve reaches 10% of the issued share capital. The legal reserve is not available for distribution to the shareholders.

7.3.2 Reserve for own shares

Upon purchase of own shares as part of the buyback program, a transfer is made from the share premium account to the reserve for own shares equivalent to the acquisition value of shares purchased. Please refer to note 5.1 for further information about the share buyback program.

8 Provisions

8.1 Provisions for taxation

Income tax expense is recognized based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The Company expects no outstanding taxation for the current year nor was any deferred tax position identified.

8.2 Other provisions

Other provisions are mainly composed of EUR 237 k of audit fees, EUR 250 k for legal advice, EUR 88 k for outstanding invoices, and EUR 62 k remuneration for the Supervisory Board members. Additionally, provisions in the amount of EUR 7 k for custodian fees for own shares, EUR 5 k for outstanding employee holidays as per December 31, 2017, and other provisions of EUR 24 k were booked.

9 Creditors

9.1 Amounts owed to affiliated undertakings

9.1.1 becoming due and payable within one year

Amounts owed to affiliated undertakings in less than one year consist mainly of IPO fee payments and first installment costs (EUR 8.5 m) paid by Senvion GmbH, which are not yet transformed into a loan, as well as others in the amount of EUR 51 k.

In addition, on December 5, 2016, the Company signed into a 3.65% interest-bearing facility agreement with Senvion GmbH. As defined in the terms of the agreement, Senvion GmbH will lend up to EUR 25 m to Senvion S.A. The maturity date is December 31, 2018. As of December 31, 2017, Senvion S.A. requested drawdowns in a total amount of EUR 10.5 m with accrued interest of EUR 302 k.

9.1.2 becoming due and payable after more than one year

On July 23, 2015, the Company entered into an upstream loan agreement (the "Upstream loan") with Senvion GmbH, for a maximum amount of EUR 4 m. The drawn amount of EUR 815 k under the Upstream loan is interest-bearing by 7.00% and matures on July 23, 2020. As of December 31, 2017, EUR 126 k was accrued as interest.

9.2 Other creditors

9.2.1 Social security authorities

The amount payable to social security authorities reported on the Company's balance sheet relates to the payment to Centre Commun de la Sécurité Sociale for December salaries.

9.2.2 Other creditors becoming due and payable within one year

This amount mainly comprises invoices received but unpaid for the Supervisory Board mandates EUR 126 k, consulting fees EUR 37 k, and others totaling EUR 5 k.

10 Other operating income

As of December 31, 2017, the amounts were composed of invoices issued for Senvion S.A. consulting services and recharges to their group companies as well as one invoice for the issuance of a guarantee.

11 Other external expenses

This item is composed of legal and consulting fees of EUR 1,665 k, Ernst & Young audit and consulting fees of EUR 319 k, advertising of EUR 139 k, office expenses of EUR 62 k, insurance costs of EUR 23 k, and others in the amount of EUR 32 k.

12 Staff costs

The Company employs two employees as of December 31, 2017. The average number of employees in the 2017 financial year was two.

13 Other operating expenses

This item is composed of Supervisory Board fees of EUR 420 k.

14 Income from other investments and loans forming part of the fixed assets

14.1 derived from affiliated undertakings

On April 29, 2015, the Company entered into an intragroup loan agreement with Senvion TopCo GmbH (the "Subsidiary" or "TopCo"). On March 23, 2016, the Company subscribed to a capital reserve contribution into the Subsidiary to the full amount of nominal amount plus accrued interest until December 31, 2015. The income derived from affiliated companies reported on the Company's Profit and Loss account for 2016 relates to the interest payable of such loan for the period until the contribution date on March 21, 2016. On December 9, 2016 TopCo repaid the remaining amount of EUR 6.8 m in cash.

15 Other interest receivable and similar income

15.1 other interest and similar income

Other similar income amounting to EUR 1,646.59 is the result of foreign exchange gains, mainly consisting of gains on the current accounts.

16 Interest payable and similar expenses

16.1 concerning affiliated undertakings

The expenses derived from affiliated companies reported on the Company's Profit and Loss account for the period mainly relate to the interest payable of EUR 358 k on the two loan agreements totaling EUR 11.3 m signed into with Senvion GmbH (please refer to note 9.1) as well as expenses of EUR 89 k for one guarantee issued by Senvion GmbH on behalf of Senvion S.A.

16.2 other interest and similar expenses

Other interest and similar expenses amounting to EUR 35,204.99 is the result of transaction costs and custodian fees totaling EUR 35,009.38, foreign exchange losses of EUR 170.64, and others (EUR 24.97).

17 Tax status

The Company is subject to the applicable general tax regulations at their registered place of business in Luxembourg. Income tax expenses are recognized based on the management's estimate of the weighted average annual income tax rate expected for the full financial year. The Company has received assessments for income tax and net worth tax up to 2016 and paid the 2017 assessed net worth tax prepayments in full.

18 Related parties' disclosures

Related parties as defined by Art. 1790-2 (2) are shareholders that exercise (joint) control or significant influence, subsidiaries, joint ventures, and associates. Additionally, the members of the Management Board and the Supervisory Board are related parties. Close family members of these related parties are also considered as related parties.

In addition to members of the Management Board and the Supervisory Board, the following related parties were identified in the current financial year:

- CCP II Acquisition Luxco S.à r.l., Luxembourg (shareholder)
- CCP III Acquisition Luxco S.à r.l., Luxembourg (shareholder)
- Rapid Management L.P., Cayman Islands (shareholder)
- Rapid Partners L.P., Cayman Islands (shareholder)

During the year 2017 there were the following business relationships with related parties.

The terms and conditions of the transactions were made on terms and conditions that prevail in an arm's length transaction. There were no material securities given or received as part of the transactions. In the respective period, the Company has recorded expenses for allowances or provisions on outstanding balances.

Transactions between Senvion S.A. and	Expenses from services/ interests	Income from services/ interests	Receivables	Liabilities
	k EUR	k EUR	k EUR	k EUR
Prof. Dr. Martin Skiba, Hamburg				
2017/01/01-2017/12/31	77	0	0	0
2016/01/01-2016/12/31	205	0	0	7
Matthias Schubert, Rendsburg				
2017/01/01-2017/12/31	153	0	0	39
2016/01/01-2016/12/31	87	0	0	0
Steven Holliday, Colchester				
2017/01/01-2017/12/31	73	0	0	0
2016/01/01-2016/12/31	0	0	0	0
Alberto Terol Esteban, Madrid				
2017/01/01-2017/12/31	54	0	0	32
2016/01/01-2016/12/31	0	0	0	0
Carl Friedrich Arp Ole Freiherr von Beust, Hamburg				
2017/01/01-2017/12/31	28	0	0	0
2016/01/01-2016/12/31	0	0	0	0
Stefan Kowski, London				
2017/01/01-2017/12/31	2	0	0	0
2016/01/01-2016/12/31	0	0	0	0

19 Guarantees, commitments, contingencies, and pledges

On March 4, 2016, the Company signed into an account pledge agreement pledging the current bank accounts as guarantor of the senior-term loan facility.

With share pledge agreement dated March 7, 2016, the Company is the guarantor of the senior-term loan facility.

The Company signed into an interest-bearing facility agreement with Senvion GmbH on December 5, 2016, maturing on December 31, 2018.

As listed below, Senvion S.A. issued ultimate parent guarantees to the Italian tax authority given in favor of Senvion Italia S.r.l. and Senvion GmbH for VAT reimbursements:

Date of guarantee	Owner	Description	Nominal amount EUR	Interest EUR	Total EUR
21/06/2017	Senvion Italia	VAT CREDIT TAX DECLARATION ref. 2013	536,839.00	68,362.40	605,201.40
21/06/2017	Senvion Italia	VAT CREDIT Q3 2013	286,362.21	31,178.17	317,540.39
21/06/2017	Senvion Italia	VAT CREDIT Q3 2014	365,824.86	46,564.99	412,389.85
19/05/2017	Senvion GmbH	VAT CREDIT 2010	4,642,656.00	629,620.47	5,272,276.47
19/05/2017	Senvion GmbH	VAT CREDIT 2011	4,969,941.00	582,231.99	5,552,172.99
19/05/2017	Senvion GmbH	VAT CREDIT 2012	7,577,484.00	800,099.27	8,377,583.27

On August 10, 2017, the Company has entered into a reimbursement deed with Mainstream Renewable Power Limited, Ireland, for giving a third-party guarantee in order to secure and support the issuance of bid bonds totaling an amount of EUR 15 m as at December 31, 2017, and with maturity on December 31, 2018. On February 15, 2018, the parties agreed to transfer the agreement to Senvion GmbH the ultimate guarantor of the bid bonds.

20 Subsequent events

The Company evaluated its annual Financial Statements for subsequent events as at December 3, 2017.

On February 2, 2018, the Company requested an additional drawdown in the amount of EUR 500 k under the existing loan agreement dated December 5, 2016.

On February 12, 2018, Senvion S.A. issued additional ultimate parent guarantees to the Italian tax authority given in favor of Senvion GmbH for VAT reimbursements 2015 and 2016 in the total amount of EUR 7.3 m.

On February 16, 2018, the Company established a wholly owned subsidiary named Senvion Holding S.à r.l. with its registered address at 46a, Avenue John F. Kennedy, L-1855 Luxembourg.

Senvion S.A., Luxembourg

Management Report of the Management Board

for the financial year ending December 31, 2017

The Management Board of Senvion S.A. (hereafter “the Company”) submits its annual report and Company Financial Statements for the year ending December 31, 2017.

The foundation of the Company

The Company was incorporated on April 4, 2014 and is a public limited liability company (Société Anonyme) incorporated in the Grand Duchy of Luxembourg with its registered office at 46a, Avenue John F. Kennedy, L-1855 Luxembourg. The Company is registered with the Luxembourg Trade and Companies Register under number B 186.599, incorporated as BPA Acquisition Luxco S.à r.l. pursuant to a deed from Maître Marc Loesch, notary residing in Luxembourg, on April 4, 2014, published in Mémorial C, Recueil des Sociétés et Associations, on July 3, 2014 under number 1719, and whose legal form changed and Articles of Association have been amended for the last time pursuant to a deed of the undersigned notary, dated May 31, 2017, published in Mémorial C, Recueil des Sociétés et Associations, on October 9, 2017.

On the basis of the last EGM and voting rights notifications, shareholders of the company are as follows:

- CCP II Acquisition Luxco S.à r.l., Luxembourg, owns 41.74% of the issued shares
- CCP III Acquisition Luxco S.à r.l., Luxembourg, owns 14.13% of the issued shares
- Based on the last voting rights announcement (April 4, 2016), Rapid Partners L.P., Cayman Islands, owns 14.95% of the issued shares
- Based on the last voting rights announcement (April 4, 2016), Rapid Management L.P., Cayman Islands, owns 2.31% of the issued shares
- Senvion S.A., Luxembourg, (treasury shares) owns 1,115,736 shares representing 1.72% of the issued shares
- All other shareholders are under the notification threshold of 5%

The remaining 25.15% is held by funds, institutional investors such as asset managers, banks, and insurance companies as well as private investors.

Principal activities and business review

The Company’s principal activities in 2017 consist of management support for Senvion S.A.’s undertakings as well as consulting services within their group of entities.

The Company’s wholly owned direct subsidiary Senvion TopCo GmbH (“TopCo”) as well as TopCo’s wholly owned direct subsidiary Senvion MidCo GmbH (“MidCo”) were incorporated on December 9, 2014, and MidCo’s wholly owned direct subsidiary Senvion Holding GmbH (“Holding”) was incorporated on December 8, 2014. Senvion S.A., TopCo, MidCo, and Holding were acquired by CCP II Acquisition Luxco S.à r.l., Luxembourg, CCP III Acquisition Luxco S.à r.l., Luxembourg, and Rapid Management L.P., Cayman Islands (together with any of its “Centerbridge” affiliates) for the purposes of facilitating the acquisition of Senvion SE’s entire share capital, which was transformed into Senvion AG on June 25, 2015, and into Senvion GmbH on June 30, 2015, from affiliates of Suzlon Energy Limited. The acquisition was completed on April 29, 2015.

On January 18, 2016, the board decided to launch an initial private offering (the “IPO”) within five months after the resolution. Prior to this private placement, there had been no public market for the Company’s 65,000,000 issued and outstanding ordinary shares (all such shares, the “Company Shares”). The Company applied for admission of Company Shares for trading on the Frankfurt Stock Exchange’s regulated market segment with simultaneous admission to the subsegment of the regulated market with additional post-admission obligations (Prime Standard). This placement was effective March 23, 2016. After the full exercise of the greenshoe option, the free float following the private placement amounted to approximately 28.75% of the Company’s issued and outstanding share capital. Currently, there are approximately 26.40% of shares in free float.

On March 21, 2016, before the IPO, the shareholders resolved different capital measures as addressed in the Notes to the Annual Accounts.

On September 30, 2016, the Management Board resolved the establishment of two wholly owned subsidiaries: Senvion Ventures B.V. and Senvion Holding B.V., both to be incorporated under the laws of the Netherlands. As of today, the incorporation has not been completed.

On February 20, 2017, the management continued with the share buyback procedure and resolved the third tranche of EUR 5 m to acquire own shares from the open market.

The Group’s business is primarily conducted by the relevant operating subsidiaries, meaning Senvion GmbH and its affiliates.

Results

During the year ending December 31, 2017, the Company recorded a loss of EUR 4.8 m, mainly resulting from the value adjustments of own shares as well as consulting fees. The Management Board approved a recommendation to carry forward the loss of EUR 4.8 m against future profits.

The available net working capital as per December 31, 2017 is sufficient to meet all other obligations for at least the next twelve months. Furthermore, the managers of the Company will only enter into any commitments after ensuring that adequate funds are, or will become, available to settle such commitments.

In view of this, the accounting policies used in the underlying Financial Statements are based on expectations that the Company will be able to continue as a going concern.

Financial risks and liquidity

The Management Board is responsible for the internal control and management of risks and fraud within Senvion S.A. and for the assessment of the effectiveness of the control system. These control systems were set up in cooperation with Senvion Group (Senvion GmbH and subsidiaries) to identify and manage them.

The Management Board meets at least twelve times a year and, together with the Supervisory Board committees, ensures that the Company maintains high standards of integrity and control in its operations and that it possesses the adequate governance and means of control as required by law and regulation.

Review of operations

A review of the Company’s operations during the financial year, and the results of these operations, is as follows:

The Company had no activities in research and development until 2017.

On August 15, 2016, the management of Senvion S.A. resolved to initiate a share buyback program for a maximum amount of EUR 75 m and 10% of the common shares over the next two years. As of today, the total volume of shares bought back within the framework of the share buyback amounts to 1,115,736 common shares with a total volume of EUR 15 m, representing 1.72% of the subscribed capital of the Company. For further details as of December 31, 2017, please refer to note 5.1.

The Company’s operations during the financial year performed as expected in the opinion of the managers. For the future, the Management Board expects business development on a level similar to that of the reporting year. Therefore, the Management Board deemed it appropriate to utilize the going concern assumption in its preparation.

Organization and management

The Management Board consists of two managers, who are supervised by the Supervisory Board and its committees.

On March 3, 2016, the shareholders resolved to appoint Dr. Jürgen M. Geißinger, as Chairman, and Manav Kumar Sharma to the Management Board of the Company.

During the financial year, the following people are or were appointed as members of the Supervisory Board:

Date of appointment	Full name (appointed members)	Date of resignation
21/09/2017	Carl Friedrich Arp Ole Freiherr von Beust	
10/07/2017	Alberto Terol Esteban	
15/06/2017	Steven Holliday	
22/02/2017	Ben Langworthy	
08/04/2016	Stefan Kowski	31/05/2017
08/04/2016	Deepak Misra	
08/04/2016	Matthias Schubert	
03/03/2016	Todd Morgan	21/02/2017
03/03/2016	Amol Jain	
03/03/2016	Prof. Dr. Martin Skiba	05/07/2017

Corporate governance

The Company in its form as a Luxembourg Société Anonyme is subject to the corporate governance regime as set forth in particular in the Law of August 10, 1915, on commercial companies. Because the shares are listed on a regulated market, the Company is further subject to the Law of May 24, 2011, on the exercise of certain shareholder rights in listed companies.

As a Luxembourg Société Anonyme whose shares are exclusively listed on a regulated market in Germany, the Company is not required to adhere to the Luxembourg corporate governance regime applicable to companies that are traded in Luxembourg or to the German corporate governance regime applicable to stock corporations organized in Germany. The Company has decided to set up its own corporate governance rules as described in the following paragraphs rather than to confirm such corporate governance regimes, in order to build up a corporate governance structure that meets the specific needs and interests of the Company.

The principles of the Compliance Management System are reflected in the Code of Conduct that is applicable for every Senvion entity and its employees worldwide. Senvion's Code of Conduct is strengthened by other policies like the Anticorruption Policy, the Antitrust Policy, the Supplier Code of Conduct, and the Insider Trading Policy. The Compliance Department regularly reports to the Supervisory Board and the Management Board of the Company.

Every single Senvion employee can contact the member of the Compliance team or their direct supervisor in case of compliance-related questions. In addition, it is also possible to use an international whistle-blower system. The internal control systems and risk management for the establishment of financial information is described in the section "Financial risks and financial instruments" of the Consolidated Financial Statements.

According to the Articles of Association of the Company, the Management Board must be composed of at least two Management Board members, and the Supervisory Board must be composed of at least three Supervisory Board members. The Supervisory Board has set up the following committees in accordance with the Articles of Association: the Human Resources Committee, the Audit Committee, and the Strategy and Investment Committee. The Human Resources Committee advises the Supervisory Board especially in terms of the appointment and recall of the members of the Management Board and other relevant personnel decisions. The Audit Committee deals especially with the Annual Financial Report and the Internal Control System. The Strategy and Investment Committee is responsible for making recommendations to the Supervisory Board and the Management Board on the terms of the strategic orientation of the Company.

The Annual General Meeting shall be held, in accordance with Luxembourg law, in the Grand Duchy of Luxembourg at the address of the registered office of the Company or at such other place in the Grand Duchy of Luxembourg, specified in the convening notice of the meeting. The Management Board may convene extraordinary general meetings as often as the Company's interests so require. An extraordinary general shareholders' meeting must be convened upon the request of one or more shareholders who together represent at least one tenth of the Company's share capital.

Each share entitles the holder to one vote. The right of a shareholder to participate in a General Meeting and to exercise the voting rights attached to their shares are determined with respect to the shares held by such shareholder on the 14th day before the General Meeting. Each shareholder can exercise their voting rights in person, through a proxy holder, or in writing (if provided for in the relevant convening notice).

The information required by Article 10.1 of Directive 2004 / 25 / EC on takeover bids, which has been implemented by Article 11 of the Luxembourg Law on Takeovers of May 19, 2006 (the "Law on Takeovers") is set forth here below under "Disclosure pursuant to the Law on Takeovers."

Disclosure pursuant to the Law on Takeovers

- A) For information regarding the structure of capital, reference is made to note 7 of the Annual Financial Report.
- B) The shares are freely transferable in accordance with the legal requirements for dematerialized shares of which transfer shall occur by book entry transfer.
- C) With regard to the shareholding structure, please refer to note 3 of the Annual Financial Report, as well as to note 2.3.1 of the Consolidated Financial Statements of the Company.
- D) The Company has not issued any securities granting special control rights to their holders.
- E) The Company has currently a long-term employee share schemes for the benefit of some Supervisory Board members in place.
- F) The Articles of Association of the Company do not contain any restrictions on voting rights, other than the communication of incomplete or incorrect information by the holder.
- G) As of December 31, 2017, there are no agreements among the shareholders, which are known to the Company, that could result in restrictions on the transfer of shares or voting rights within the meaning of Directive 2004/109/EG (Transparency Directive).
- H) Rules governing the appointment and replacement of Management Board members and the amendment of the Articles of Association:
- The Management Board members are appointed by the Supervisory Board by the majority of the votes of the members, or in the case of a vacancy, by way of a decision of the remaining Management Board members for the period until the next Supervisory Board meeting. Alternatively, the Supervisory Board may temporarily appoint one of its members in order to exercise the functions of a member of the Management Board.
 - Management Board members serve for six years and are eligible for reappointment.
 - Management Board members may be removed at any time with or without cause by the Supervisory Board.
 - Resolutions to amend the Articles of Association may be adopted by a majority of two-thirds of the votes validly cast, without counting the abstentions, if the quorum of half of the share capital is met. If the quorum requirement of half of the share capital of the Company is not met at the General Meeting, then the shareholders may be reconvened to a second General Meeting. No quorum is required in respect of such second General Meeting and the resolutions are adopted by a supermajority of two-thirds of the votes validly cast, without counting the abstentions.
- I) Powers of the Management Board:
- The Company is managed by a Management Board under the supervision of the Supervisory Board.
 - The Management Board is vested with the broadest powers to perform, or cause to be performed, any actions necessary or useful in connection with the purpose of the Company.
 - All powers not expressly reserved by the Luxembourg Companies Act or by the Articles of Association to the General Meeting or the Supervisory Board fall within the authority of the Management Board.
 - Under the Articles of Association, the Management Board, with the prior consent of the Supervisory Board, is authorized to issue shares, to grant options and any other instruments convertible into shares within the limit of the authorized capital (EUR 975 k).
 - This authorization may be renewed once or several times by a resolution of the General Meeting for a period not exceeding five years.
 - The Management Board was granted a standing authorization for five years to acquire own shares (please refer to note 5.1).

J) There are no significant agreements to which the Company is a party, which take effect, alter, or terminate upon a change of control in the Company following a takeover bid.

K) There are no agreements between the Company and its Management Board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.

Events after the closing date

The Company evaluated its Annual Financial Statements for subsequent events as at December 31, 2017.

On February 2, 2018, the Company requested an additional drawdown in the amount of EUR 500 k under the existing loan agreement dated December 5, 2016.

On February 12, 2018, Senvion S.A. issued additional ultimate parent guarantees to the Italian tax authority given in favor of Senvion GmbH for VAT reimbursements 2015 and 2016 in the total amount of EUR 7.3 m.

On February 16, 2018, the Company established a wholly owned subsidiary named Senvion Holding S.à r.l. with its registered address at 46a, Avenue John F. Kennedy, L-1855 Luxembourg.

Senvion S.A., Luxembourg
Luxembourg, March 13, 2018

Senvion S.A., Luxembourg

Report of the Supervisory Board

for the financial year ending December 31, 2017

During the financial year ending December 31, 2017, the Supervisory Board of Senvion S.A. performed its tasks and monitored the activities of the Management Board in accordance with legal requirements and the Articles of Association of Senvion S.A. The Management Board and the Supervisory Board maintained close and regular contact. The Supervisory Board advised the Management Board in regard to strategic and operational decisions as well as governance topics and decided on matters requiring supervisory approval.

Cooperation with the Management Board

The Management Board reported regularly, promptly, and extensively in verbal and written form to the Supervisory Board regarding the position and performance of the Company and the Senvion Group, including its commercial position as well as its key financial data. Furthermore, the Management Board informed the Supervisory Board on a regular basis concerning the future business policy, including the strategic and organizational direction of the Group. Between Supervisory Board meetings including the Strategy and Investment Committee, of which there were 13 in total during the last fiscal year, Senvion's management kept the Chairman of the Supervisory Board informed about new developments.

The Supervisory Board was involved in the main projects of Senvion. In particular, the Management Board provided information in regards to refinancing of the high-yield bond facilities, the LG / revolving credit facility and the restructuring program, which was announced in March 2017. As far as approvals by the Supervisory Board were required for these topics, the Management Board applied for such approvals in a timely and provided all information necessary for a proper assessment by the Supervisory Board. The Management Board regularly provided reports about Senvion's business performance in the various geographic markets (operating segments) and about Senvion products. Major investments of the Group companies, in particular investments for capacity extensions in key markets, were presented, to and approved by, the Supervisory Board. The Management Board reported also about cost and quality matters as well as other operational topics related to Senvion's products.

Audit Committee and Human Resources Committee

Material questions concerning auditing, accounting, risk management, and compliance, and respective controls and systems, have been discussed in Audit Committee meetings. The Audit Committee discussed in particular the quarterly reports. During the reporting period, the Audit Committee held four meetings.

Remuneration matters have been discussed by the Human Resources Committee. During the reporting period, the Human Resources Committee held four meetings.

Drawing up of the Financial Statements

The Supervisory Board examined the Company's stand-alone annual accounts and the Management Report for the fiscal year ending on December 31, 2017. Representatives of the auditor Ernst & Young Luxembourg Société Anonyme attended the meetings of the Audit Committee on March 9, 2018, at which the Financial Statements were examined. The representatives of the auditor reported extensively on their findings, provided a written presentation, and were available to give additional explanations and opinions.

The Supervisory Board did not raise objections to the Company's Annual Financial Report and its Financial Statements drawn up by the Management Board for the fiscal year ending on December 31, 2017, and to the auditors' presentation. According to the recommendation of the Audit Committee, the Supervisory Board agreed to the proposal of the Management Board to approve the Company's annual accounts for 2017 fiscal year. The auditor issued unqualified audit opinions on March 13, 2018.

Luxembourg, March 13, 2018
On behalf of the Supervisory Board of Senvion S.A.

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the Financial Statements give a true and fair view of the assets, liabilities, financial position, and profit or loss for the Company. The Management Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Senvion S.A., Luxembourg
Luxembourg, March 13, 2018

Independent Auditor's Report

To the shareholders of
Senvion S.A.
46a, Avenue John F. Kennedy
L-1855 Luxembourg

Report on the audit of the Financial Statements

Opinion

We have audited the Financial Statements of Senvion S.A. (the "Company"), which comprise the balance sheet as at December 31, 2017, and the profit and loss account for the year then ended, and the notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying Financial Statements give a true and fair view of the financial position of the Company as at December 31, 2017, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the Financial Statements.

Basis for opinion

We conducted our audit in accordance with EU Regulation No. 537/2014, the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under those regulation, Law and standards are further described in the "Responsibilities of the 'réviseur d'entreprises agréé' for the audit of the Financial Statements" section of our report. We are also independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the Financial Statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements of the current period. These matters were addressed in the context of the audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Risk of overstatement of the shares held in affiliated undertakings

As at December 31, 2017, financial assets amount to EUR 522 m. This caption corresponds to the Company's participation in Senvion TopCo GmbH (100% of shares owned). This investment grants to the Company the control and entitles it to a substantial part of the economic benefit of the underlying Group.

We assessed that the valuation of this participation is a Key Audit Matter as per its significance in the Financial Statements and the judgment involved in the determination of whether this participation suffer any permanent diminution in value.

Our response

Our audit procedures over the valuation of shares in affiliated undertakings included, amongst others:

Obtaining and reading the latest Financial Statements of the investments in order to identify whether any going concern issue or liquidity issue exist at the investment level and ultimately if the investment is recoverable.

Assessing the valuation model prepared by management and its impairment test for the determination of the recoverable amount of the investments.

We further assessed the adequacy of the financial assets disclosures contained in Notes 2.2.1 and 3.1 to the Financial Statements.

Other information

The Management Board is responsible for the other information. The other information comprises the information included in the Management Report and the corporate governance statement but does not include the Financial Statements and our report of "réviseur d'entreprises agréé" thereon.

Our opinion on the Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Management Board and of those charged with governance for the Financial Statements

The Management Board is responsible for the preparation and fair presentation of the Financial Statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the Financial Statements, and for such internal control as the management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Management Board is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Responsibilities of the "réviseur d'entreprises agréé" for the audit of the Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with EU Regulation No. 537/2014, the Law of 23 July 2016 and with the ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with EU Regulation No. 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- The appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as "réviseur d'entreprises agréé" by the General Meeting of the shareholders on May 31, 2017 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 3 years.

The Management Report, which is the responsibility of the management, is consistent with the Financial Statements and has been prepared in accordance with applicable legal requirements.

The corporate governance statement, included in the Management Report, is the responsibility of the management. The information required by article 68ter paragraph (1) letters c) and d) of the Law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the Financial Statements and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

Other matter

The corporate governance statement includes the information required by article 68ter paragraph (1) of the Law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

Ernst & Young
Société Anonyme
Cabinet de révision agréé

Name of the réviseur d'entreprises agréé
Werner Weynand

Luxembourg, March 14, 2018

Financial Calendar 2017	
Event	Date
Annual Results 2017	March 15, 2018
Q1 2018 Results	May 15, 2018
Annual General Meeting	May 31, 2018
Q2 2018 Results	August 14, 2018
Q3 2018 Results	November 14, 2018

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Legal reference

This Annual Report contains statements oriented to future developments which are based on our current assumptions and prognoses. As a result of known as well as unknown risks, uncertainty and influences, the actual results, financial situation or development may deviate from the assumptions presented in this document. We shall not assume any obligation to update any statements tuned to future developments.