Annual Financial Report 2016
Senvion S.A.
(formerly Senvion S.à r.l.)

BR/2016/EN/AR

Senvion S.A.
46a, Avenue John F. Kennedy
L-1855 Luxembourg
T +352 26 00 52 85
F +352 26 00 53 01
info@senvion.com
www.senvion.com

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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.

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Tailwind for wind energy worldwide

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

Dear Readers, Dear Supporters of Wind Energy,

For Senvion, 2016 was a fiscal year which was marked by reaching significant milestones and preparing for future growth plans.

On March 23, Senvion went public and was listed on the Frankfurt stock exchange at a price of EUR 15.75/share with an initial valuation of EUR 1,024m. At IPO, we listed down three key strategic objectives; 1) expanding into new markets and penetrating further segments of our current markets 2) tailor made product portfolio to address business demands and 3) improving our organizational efficiency. And I am happy to report substantial progress on each one of those objectives.

During the last year, we managed some new market entries on an accelerated pace – such as India, where we succeeded in entering the market one year ahead of schedule due to the capital efficient acquisition of Kenersys assets, an Indian turbine manufacturer with a low cost, low supply chain based low wind 2 MW turbine fleet. Our market entry strategy already paid off, as we were awarded with a 500 MW framework agreement with one of the largest IPP in India. Some other examples include:

- Australia – We won a 300 MW conditional order aided by our latest announced product 3.6M140
- Chile – We won a 300 MW conditional order in Chile, and are now waiting for its financial closure
- Germany – We won a framework contract totaling 100 MW with PROKON
- Offshore – We won a conditional contract for 203 MW for Trianel Windpark Borkum II
- France – We won a 74 MW in orders from RES, for two wind farms
- Scandinavia – We won a 112 MW firm order and also added another 250 MW+ conditional order

Our international market entry strategy is also reflected in our order book strength. With firm orders totaling EUR 1,304m, a conditional order book of EUR 1,764m and couple of framework agreements in India and Portugal totaling 716 MW, we have already built a solid pipeline for 2017 amounting to more than 1.9 GW. The Service business continued with yet another year of stellar performance with double digit growth to show for it.

Senvion now has a competitive product portfolio for all wind classes – low, medium and high wind class. In the last two years we successfully managed to develop and upgrade seven product variants with a relatively smaller R&D budget. This is a reflection of our innovative power and flexibility which we believe positions us well to continue to succeed in the wind turbine industry.

To give you some examples of our product strategy: In 2016, we launched several new product upgrades and presented the 3.6M140 at the leading trade fair WindEnergy Hamburg. Thanks to lighter, more flexible towers and innovative transportation solutions, Senvion can now also handle projects that are logistically challenging.

During the last year, we initiated a comprehensive organization wide program: **Move Forward,** to lead the company to more profitable and efficient level. The program has five focus areas – "Successful Sales", "Efficient Organization", "Competitive Products", "Streamlined Operations" and "Overall Quality" – This will bring us the results we need and lay the foundations of a sustainably profitable operation.

Some measures have already been implemented – we have already started to optimize our production footprint and identified measures which will enable us to reduce our operating and employee expenses.

At EUR 206m of adjusted EBITDA which corresponds to 9.3% margin for the full year 2016, Senvion's financial results fell in line with its guidance. Thanks to a strong inventory and cash management, we again achieved a working capital margin of minus 3.7% and also made positive progress in our free cash flow generation. We closed the year better than our plans, with a positive free cash flow of EUR 32m.

When we take a look at our industry trends, we believe that the wind industry is in a long-term growth cycle as the energy sector moves from carbonization to decarbonization. However, in the near-term, we believe that the markets will undergo lot of changes as the race to grid parity intensifies. As a result, we expect pricing pressure in our markets due to the shift to market based mechanisms and also some softening of growth in wind installations in some of our core markets such as Germany and the UK. This is a positive trend in the long-term as the industry is moving towards grid parity and increasingly subsidy free world. This will also imply immediate pricing readjustments but in the medium-term, we see additional potential as wind will reach grid parity in many markets sooner than expected. This would then lead to additional market demand for the wind industry and Senvion.

Under these market constraints we expect slightly less revenues for 2017 compared to 2016 and corresponding softer margins as a result of these near-term market trends.

Please be assured, that in the medium-term, we have a firm plan to come back to a profitable, capital-efficient and international growth path by 2019. We have been preparing the company for these challenges and will make lot of operational improvements over next couple of years. Our strategic priorities are clear:

- We will drive growth in new markets and penetrate further into core markets,
- we will improve our product portfolio
- and enhance overall organisational and cost efficiency

We will continue to further upgrade our product portfolio and have already five new products in the pipeline which we will announce in 2017. Our core focus in R&D is increase in energy yield and cost reduction. We target to reduce Levelized Cost of Energy by 4 – 6% every year by great design work, modularization, best cost country sourcing and many more such levers. These products will then be suited directly for our growth markets. Market entry strategies are based on product fit, flexibility and customer specific approaches.

Dear Shareholders, we are confident that with the mentioned measures Senvion is well positioned to thrive in the current wind industry, where technology is still key to growth. Based on our order backlog, the ongoing negotiations with customers, our product roadmap and our efficiency program, Senvion will be able to reach revenue of EUR 2.6bn to EUR 2.7bn in 2019 with adjusted EBITDA margins of 9.5% to 10.5%.

We would like to thank once again our workforce, whose extraordinary commitment is key to the success of Senvion.

We look forward to moving into a successful future, together with you.

Sincerely yours,

Dr. Jürgen M. Geißinger, CEO

Manav Sharma, CFO

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

The 57-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 35-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.

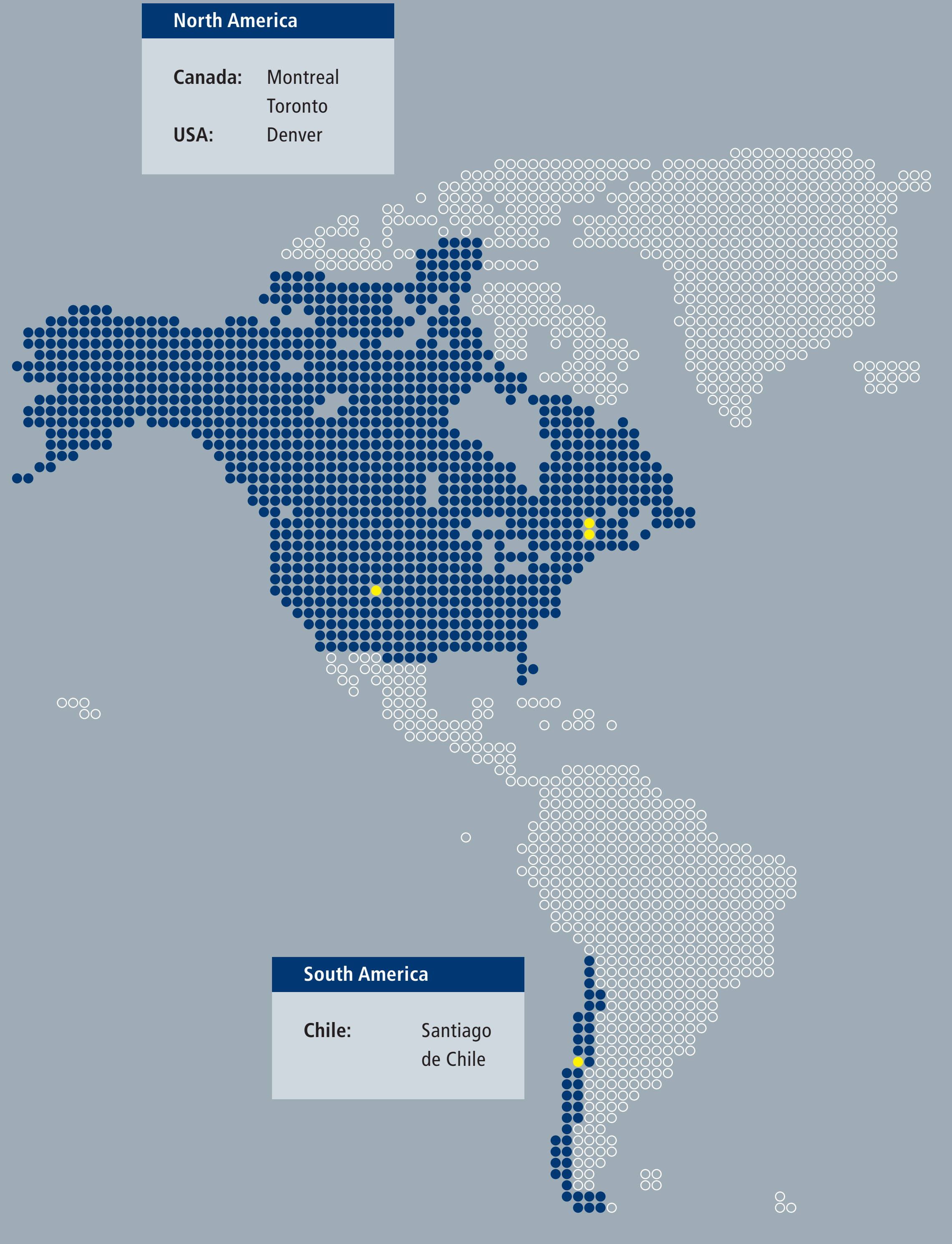
Extending our presence around the world.

Global vision meets local expertise

Whether the challenge is North Sea storms off the coast of Norway, or low wind speeds in the Chilean Andes – Senvion's robust and reliable technology is perfectly suited to locations around the globe. And so are the highly skilled teams in our 20+ locations worldwide: Our employees speak more than 20 languages and have in-depth knowledge of local needs and country-specific requirements. Physical proximity to our clients not only fosters a climate of trust and smooth cooperation, it also pays off in terms of business management. Our 90 regional service locations from Gaspé, Canada to Baotou, Inner Mongolia guarantee quick response times and top-level technical support – and thus ensure optimum availability.

Growing across markets, worldwide

From Senvion's core markets in Europe – most notably Germany, where we have installed a total of almost 2,200 wind turbines with over 4,500 megawatts – our company is successfully tapping into new global markets to realize additional growth. As one of the pioneers in the wind energy industry, Senvion creatively adapts its existing product portfolio to the various demands in new markets. To help countries worldwide develop energy solutions that are both sustainable and economically feasible, Senvion focuses on improving the efficiency and power of wind turbines by lowering the Levelized Cost of Energy (LCoE).

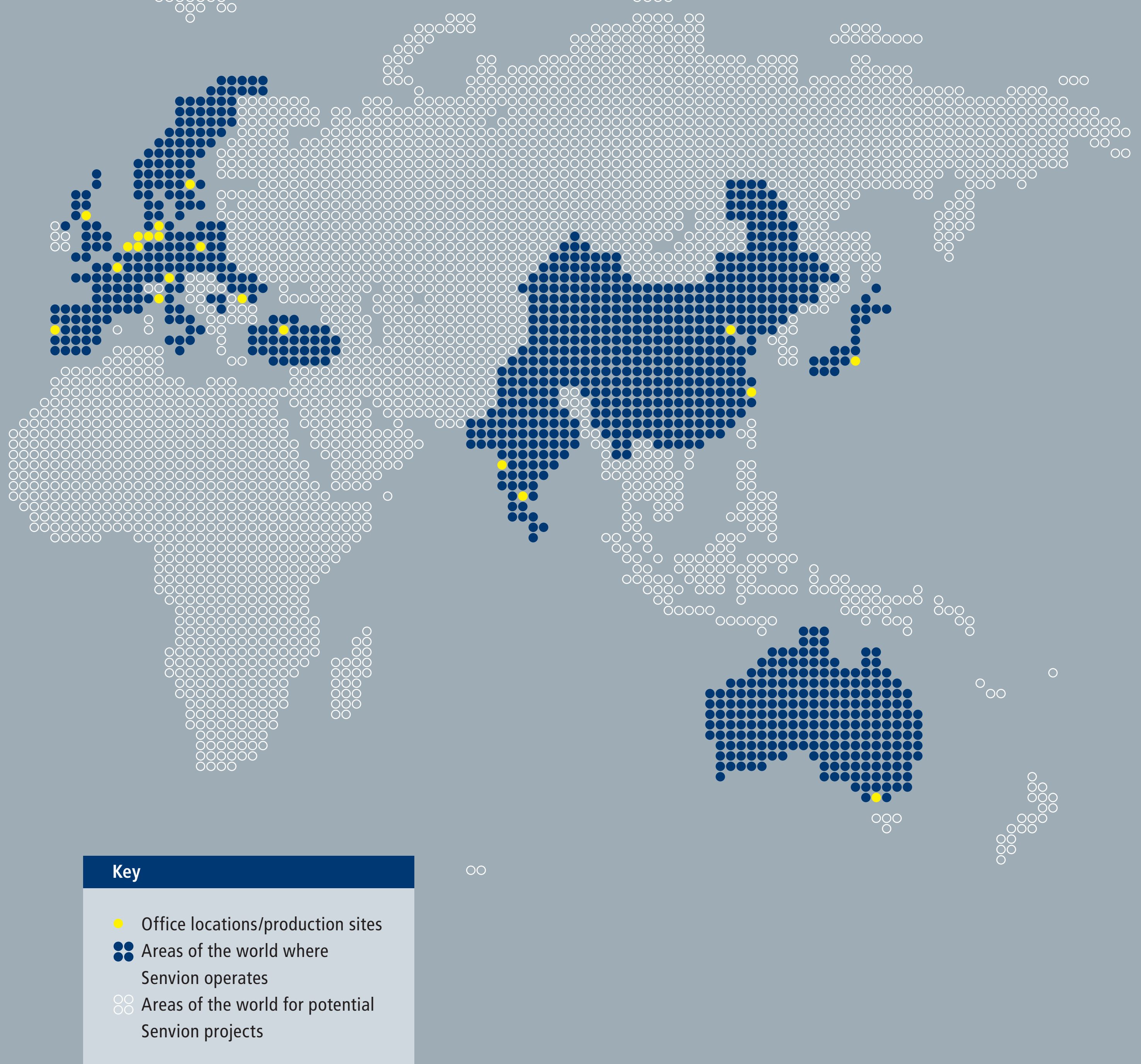


Europe

Luxembourg: Senvion S.A.
Germany: Hamburg (Senvion GmbH)
R&D: Osterrönfeld, Büdelsdorf, Osnabrück
Production: Bremerhaven, Husum, Trampe
Austria: Ernstbrunn
Belgium: Oostende
France: Paris
Italy: Milan
Netherlands: Nijkerk
Poland: Ustroń, Warsaw, Żory-Warszowice
Portugal: Porto
Production: Oliveira de Frades, Vagos
Romania: Bucharest
Scandinavia: Västerås
Turkey: Ankara
UK: Edinburgh

Asia Pacific

Australia: Melbourne
China: Shanghai
India: Mumbai
R&D: Bangalore
Japan: Tokyo



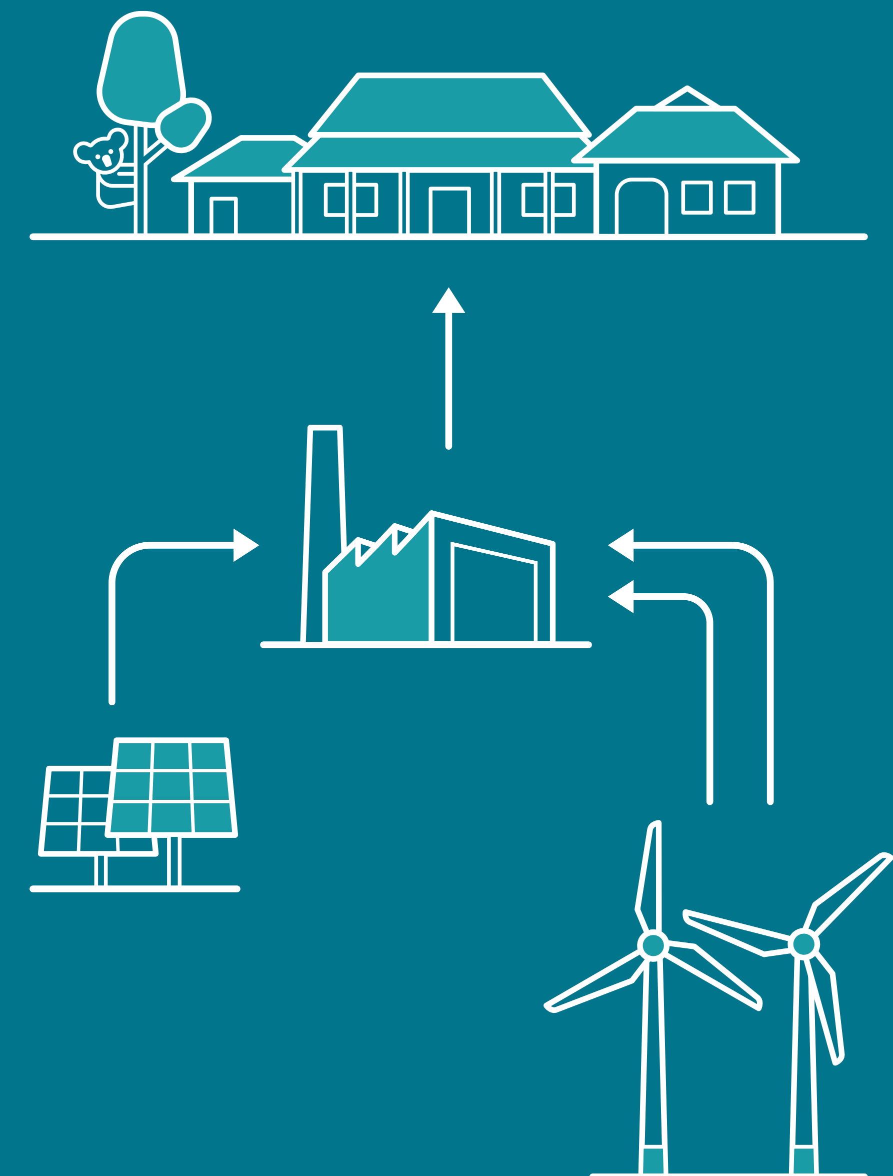
Here in the Australian Outback, independence is not an attitude but a matter of survival.

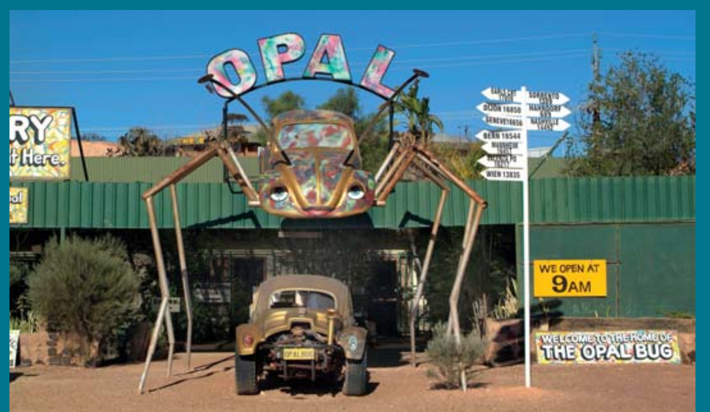
How a network of renewable micro-grids is shaping Australia's future.

Seeking to end reliance on expensive fuel
From Australia's sophisticated coastal cities to its arid outback settlements, it's not only a day-long drive, but a road trip into another world. Leaving behind Adelaide, Sydney or Melbourne, one enters a landscape of treeless salt plains, sand dunes, and isolated sheep farms on extensive rangelands. Here, being off-grid is not a choice, but a simple necessity: With a landmass of more than 7.6 million square kilometers, Australia is too vast for one power grid alone. As a result, most remote towns rely on costly diesel to generate electricity.

Coober Pedy, in the heart of outback South Australia, used to be one of those towns. The "Opal Capital of the World" became famous both for the abundance of the rare rainbow gem and for its unusual architecture. 100 years ago, temperatures of up to 120 °F (48.8 °C) drove the whole community underground – into "dugouts", subterranean structures complete with churches, bookstores and bars. Today, the people of Coober Pedy are as open to novel ideas as they were a century ago: The iconic mining town is building a hybrid micro-grid powered by approximately 70% renewable energy sources.

Not all of Coober Pedy rises out from the burnt-orange desert floor – the opal mining town is famous for its underground habitation.



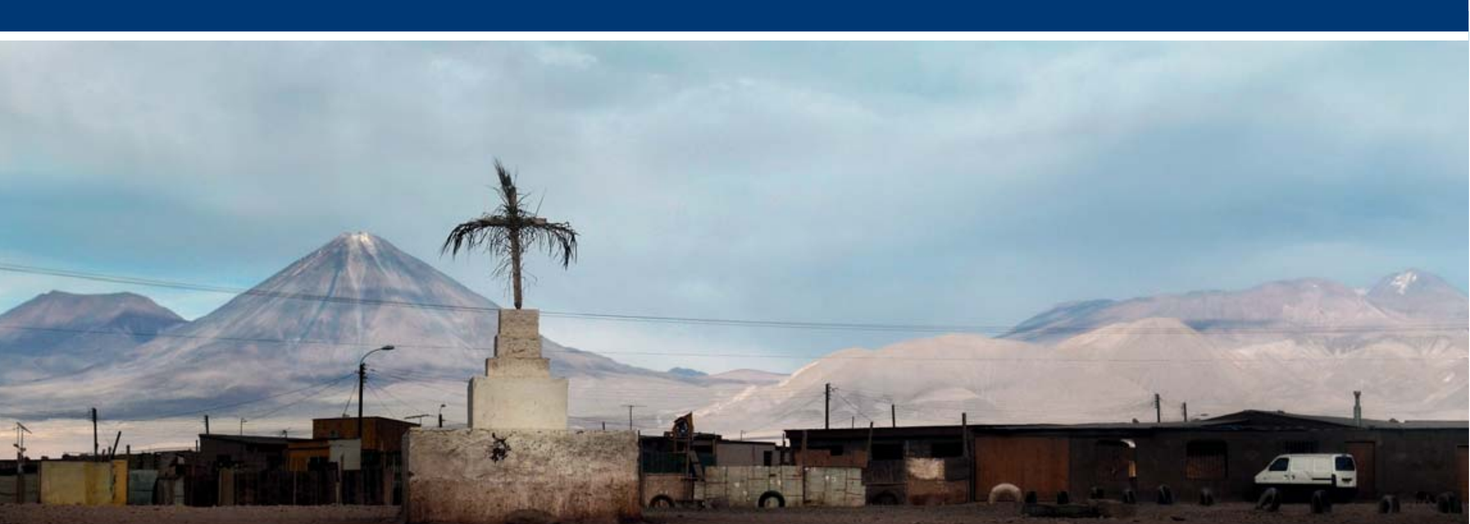


A blueprint for off-grid communities worldwide
By supplying wind energy to Coober Pedy, Senvion will become a major driver of the town's innovative micro-grid project. In addition to two Senvion MM92 turbines from our two-megawatt portfolio, the project will also employ a unique combination of solar and battery storage. Senvion's robust and reliable technology is perfectly suited to remote applications, including the harsh conditions of South Australia's outback. Construction kicked off in September 2016, and commercial operations are expected to begin in the second half of 2017.

Through the involvement in projects like Hepburn Wind (Australia's first ever community-owned wind farm) and the recently completed Pierre-De-Saurel wind project (Quebec's first 100% community-owned wind farm), Senvion is building a reputation as an expert in community-scale wind energy projects. However, this is the first time that Senvion delivers an off-grid project. Due to its innovative nature, the project has secured USD 18.4m in funding support from the Australian Renewable Energy Agency (ARENA). Chances are, this pioneering micro-grid project will demonstrate what can be achieved in remote applications – not just in Australia, but throughout the world.

Chile's future depends on education. And education depends on electricity.

In Chile's rural areas earthquakes disrupt more than just the ground.



Guaranteeing access to education regardless of personal backgrounds is the basic principle of the Chilean school system.

An emerging nation on top of a highly seismic area
With the world's driest desert in the north and icy glaciers in the south, and lying between the longest mountain chain and the deepest ocean, Chile is a land of extremes. The South American country sits on the so-called Ring of Fire, a highly active zone where about 90% of all earthquakes occur. Chile has a long history of volcanic eruptions and seismic activity, including the largest earthquake ever recorded – the 1960 Valdivia quake with a 9.4 – 9.6 magnitude on the Richter scale. When an earthquake measuring 8.8 struck the country in early 2010, it killed hundreds and caused widespread damage to infrastructure, leaving people without electricity, telephone service or running water for days or weeks.

Although Chile's building codes are recognized as some of the best in the world, and the country has implemented many quake-resistant building techniques, students in some of the worst-affected regions were out of school for several weeks. A natural disaster like this hampers Chile's ongoing efforts to target poverty and increase equality by means of education. As one of South America's most stable and prosperous nations, the Andean state prides itself on leading the regional PISA student rankings. But power outages at schools and homes creates considerable obstacles towards building a better future through education.

Number of earthquakes in Chile in 2016:

Magnitude on the Richter Scale	Amount of Earthquakes
3.0 – 3.9	44
4.0 – 4.9	509
5.0 – 5.9	50
6.0 – 6.9	6
7.0 – 7.9	1
8.0 – 8.9	0
9.0 +	0

Decentralizing energy with earthquake-resilient turbines
Chile, the first South American country Senvion has entered, has great potential for wind energy. The country is the second-largest market for clean energy on the continent, and plans to install an additional 3.3 GW of non-hydro renewables by the end of 2019. But while wind speeds can be very high in Patagonia, they tend to be relatively low in earthquake-prone Northern and Central Chile. The latter regions need turbines with large rotors that guarantee best yields at a low cost of operation – like the recently launched Senvion 3.4M140.

For safe, top-quality performance in an earthquake region, Senvion conducted a full investigation of the local conditions. Would the towers withstand large seismic loads? Or would they need major adaptations? Nicely demonstrating Senvion's quality standards, one of the two steel towers destined for the Latin American projects was so stable that it passed even the most conservative Chilean earthquake regulations. For the other tower, over 80 feet higher, a simple reinforcement of the tower shell led to a more rugged construction that reliably withstands all winds and wobbles. In conjunction with Senvion's smart logistics solutions, these state-of-the-art towers will soon bring power to Chile's aspiring population.

The new generation will inherit an India that is not only more prosperous, but also greener.

Bursting with possibility, India gears up for a cleaner, more powerful future.

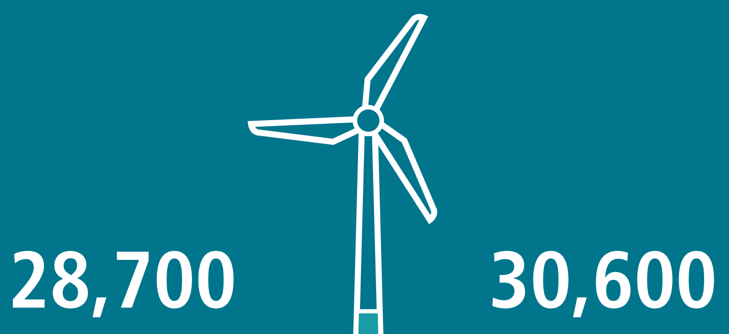
An emerging economy with a growing energy demand
"Sab kuch milega" – everything is possible – this Hindi phrase expresses both India's immense opportunities and its high hopes for the future. Twenty-five years ago, the country initiated economic liberalization, opening its doors to globalization and significantly improving the lives of millions of people. Today, India is the world's second-largest food producer, ranks among the world's biggest manufacturers of auto components, pharmaceuticals and textiles, and boasts a USD 600bn retail market. More than 300 million Indians have Internet access, a number that is expected to rise to 800 million over the next decade.

India is growing fast – and so is its energy demand. To meet this challenge, the government has set ambitious goals. India intends to have 175 GW of renewable energy – including 60 GW of wind power – by the year 2022, doubling its current wind power capacity of 28+ GW. "Sab kuch milega" rings true when it comes to clean energy in India: The country expects to exceed renewable energy targets set at COP21by nearly 50 percent – and three years ahead of schedule.

Benefiting from strong private consumption, India's economy is projected to continue growing by more than 7% in fiscal year 2017.

Population of India today (in million) | Population of India 2025 (forecast, in million)[1]

Energy demand today (in Mtoe) | Energy demand in 2025 (forecast, in Mtoe)[2]



Total installed capacity by YE 2016 (in MW)[3] | Total market volume potential 2017 – 2022 (in MW)[4]

[1] Source: UN World Population Prospects
[2] Source: JSEE Journal
[3] Source: GWEC
[4] Source: MAKE

The right portfolio, at the right time
Senvion is proud to be part of the renewable energy movement that will shape India's future. Building on the relationships fostered with various Indian partners over the years, Senvion entered the market in 2016. We started operations on the subcontinent with a sales team and recently announced the acquisition of a full-fledged production facility. So we have a certified and ready-to-sell product portfolio in place, fine-tuned to Indian requirements and market needs by the Senvion product teams.

As an experienced player with a highly skilled team working cross-continentally, Senvion India can utilize all of its assets to help the country attain its green targets. At Senvion's headquarters in Mumbai, teams focus on providing high-quality wind energy solutions to the Indian market and coordinate all sales, project management, and aftermarket activities for the region. In Bangalore, a new Research & Development Center opened in September 2015 to scale up Senvion's R&D capacities. The Bangalore team supports the global TechCenter based in Osterroenfeld, Germany – developing wind turbines further and keeping Senvion on track for continued international growth.

In Japan we respect and revere nature. And we also know how to put it to work.

Looking for a cleaner energy mix, Japan shifts towards wind.

Rich mythology surrounds the power of wind
When wind god Fujin and his brother Rajin, master over thunder, lightning and storms, are starting one of their periodic fraternal fights, the Japanese know it's time to take cover. The fierce-looking deities are both feared and respected for their power over nature: Of the thirty typhoons that form over the Northwest Pacific every year, about three hit Japan's main islands, bringing torrential rains, storm surges and landslides.

Highly industrialized Japan is searching for alternatives to nuclear power, which has played an important role in the country's energy supply to date, and the focus is turning towards wind energy. Last year, Japan's electricity market opened to competition – a momentous shift for an industry that has long been ruled by regional power monopolies. This liberalization promises a boom for renewable energies like wind.

But the challenge of tropical cyclones to cope with remains. At Japanese sites, annual mean wind speeds tend to be low, and turbulence intensity high. During a typhoon, wind turbines must withstand seismic loads and extreme winds roaring by at up to 120 miles per hour. What manufacturer can deliver turbines sturdy enough to master these weather challenges?

The typhoon season in Japan typically occurs in August and September, but may last from July through October.

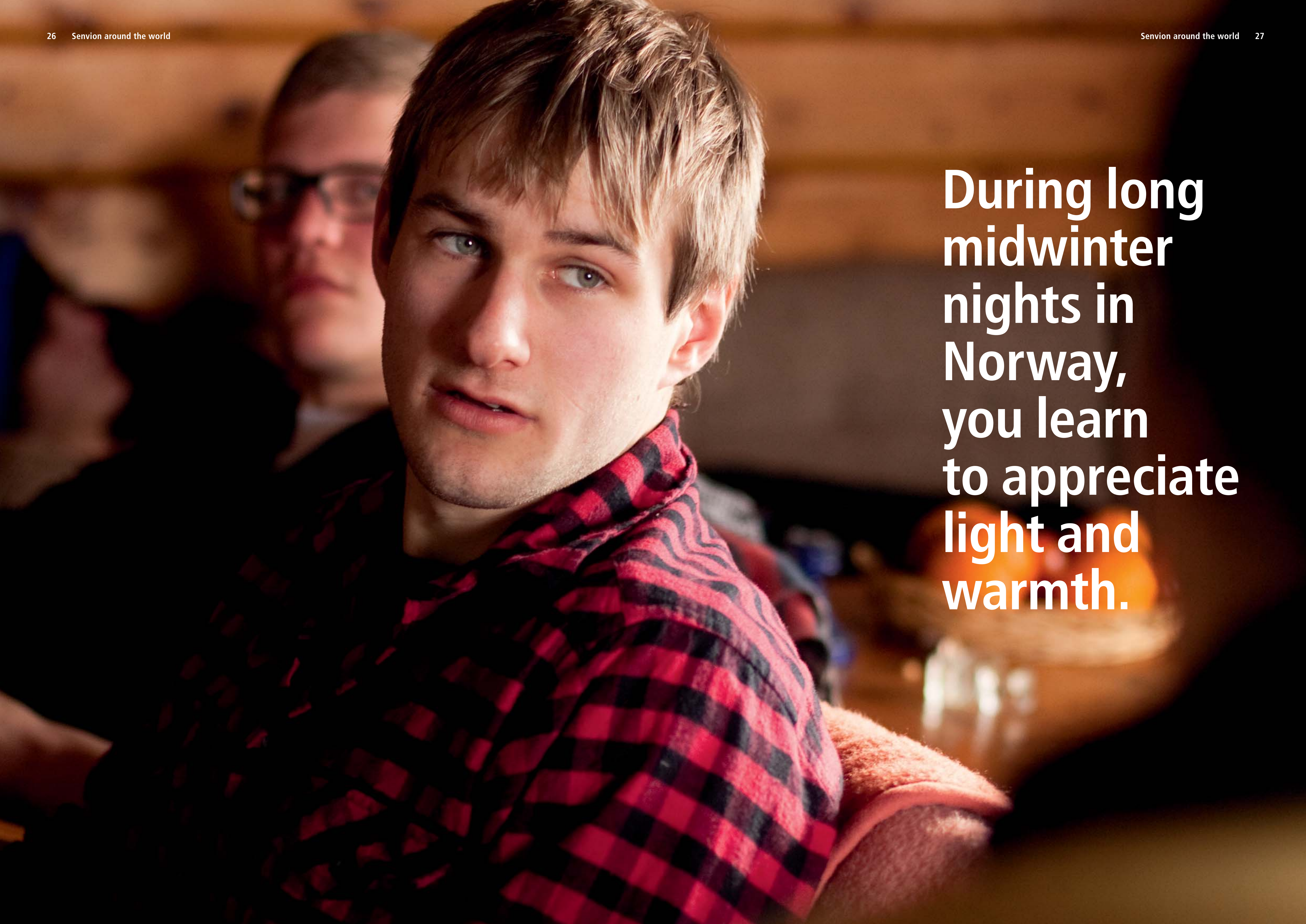
Floating turbines for Japan's deep waters
With 80% of its Offshore resources in deep water – far beyond the reach of the conventional fixed-bottom foundations – Japan sees its Offshore wind future in floating turbines. As an industry pioneer with experience in floating wind farm projects worldwide, Senvion is looking forward to pushing this emerging technology, always keeping an eye on the special challenges of typhoon resistance.

SENVION

Staying calm in the eye of the storm
Senvion has been active in Japan since 2003, and has delivered 68 wind turbines with an installed capacity of 118 MW to 16 wind farms across the country. In 2016, Senvion announced the opening of its office in Tokyo to service the local market even better, and also secured the go-ahead to deliver three turbines for the Mitane-Hamada wind farm in Japan. The wind farm will employ three Senvion MM92 turbines with a total generating capacity of over six megawatts.

While Senvion's reliable, high-performance turbine technology has always been well suited to the Japanese market, the three new turbines will be among the first to comply with rigorous new construction standards introduced by Japanese authorities in 2015. Senvion is working closely with the Meidensha Corporation, a leading electrical manufacturing company, and the project is expected to start generating clean power in 2017.

To meet the high construction standards for typhoon protection, Senvion conducted thorough risk assessments and analyses. As a result, we upgraded components for MM series machines, developed tower adaptations and created larger foundations to accommodate seismic loads – another example of how ingeniously Senvion adapts existing solutions to meet the varying demands in new markets.



During long midwinter nights in Norway, you learn to appreciate light and warmth.

A pioneer in renewables, Norway’s interest in wind energy grows.

Longtime experience with challenging climates and terrains has made Senvion an expert for innovative transport and logistics solutions.

Rock, fjords, and islands – a country created by ice
When the thick ice shield that had covered Norway for 100,000 years retreated, it formed a beautifully rugged landscape. Melting glaciers carved fjords into the sky-high mountains, created clean lakes and rivers, and shaped a jagged coastline with over 50,000 islands. Although Norway has a more temperate climate than other countries on the same latitude, like Alaska, Greenland or Siberia, it does experience long and cold winters. For heating, the country relies on electricity – which explains why the per-capita consumption rate is over three times the EU average.

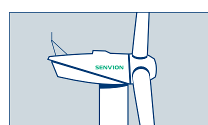
The export of oil and natural gas has made Norway prosper since the 1960s – a wealth that the country distributes into welfare investments and the health system. But despite its vast reserves of fossil fuel, Norway continuously develops its renewables. For decades, the country has mainly focused on hydroelectric power plants, but recent years have seen major investments in the wind energy sector, expected to give wind power capacities a significant boost.

Overcoming logistical challenges in a picturesque landscape
Egersund is Senvion’s first project in Norway. The wind farm just outside the town of Egersund – on the North Sea coast between Kristiansand and Stavanger – will be equipped with 33 Senvion 3.4M114 turbines and boast a total rated output of 112 megawatts. First installations are scheduled for summer 2017, with commissioning later in the year. Since the 3.4M114, with a hub height of 93 meters, is designed for particularly windy locations, it’s the ideal turbine for the stormy south-western coast.

To meet the challenges of the mountainous terrain, in-depth analysis and extensive coordination with all stakeholders was required. The steep, winding roads demanded specific logistics solutions for the larger components – they may only be transported at night and in collaboration with local authorities.

Egersund marks Senvion’s first-ever installation using a Rotor Assembly Platform. The compact design enables all three rotor blades to be assembled in a limited space, thus avoiding the more time-consuming method of single-blade lifts. Given the mountainous terrain, the Egersund project will also use rock anchors for the turbine foundations, which are quicker to install and environmentally friendly.

Our product portfolio



MM82

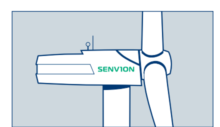
Nominal power	2,050 kW (LV-side) (50 Hz) 2,050 kW (LV-side) (60 Hz*)
Rotor diameter	82 m
Hub height	59 – 80 m
Certification	IEC IA, IEC S (based on IEC IA) *60 Hz as CCV only

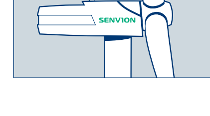
MM92

Nominal power	2,050 kW (LV-side) (50 Hz) 2,050 kW (LV-side) (60 Hz*)
Rotor diameter	92.5 m
Hub height	64 – 100 m
Certification	IEC IIA, IEC S (based on IEC IA) *60 Hz as CCV only

MM100

Nominal power	2,000 kW (LV-side) (50 Hz) 2,000 kW (LV-side) (60 Hz)
Rotor diameter	100 m
Hub height	75 – 100 m
Certification	IEC IIB, IEC S (based on IEC IIIA)





3.2M114

Nominal power	3,200 kW (LV-side) 3,170 kW (MV-side)
Rotor diameter	114 m
Hub height	100 m
Certification	IEC S (based on IEC IIA)

3.4M104

Nominal power	3,400 kW (LV-side) 3,370 kW (MV-side)
Rotor diameter	104 m
Hub height	73 – 100 m
Certification	IEC IB, IEC IIA

3.4M122

Nominal power	3,400 kW
Rotor diameter	122 m
Hub height	86 – 139 m
Certification	IEC IIA, IEC IIIA, IEC S (based o Up to IEC IIA)

3.4M140

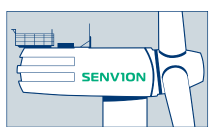
Nominal power	3,400 kW (LV-side)
Rotor diameter	140 m
Hub height	110 m – 130 m
Certification	IEC IIIA

3.6M114

Nominal power	3,600 kW (LV-side)
Rotor diameter	114 m
Hub height	90 – 119 m
Certification	IEC IIA, IEC S (based on IEC IB)

3.6M140

Nominal power	3,600 kW (LV-side)
Rotor diameter	140 m
Hub height	107 – 163 m
Certification	IEC IIIA, IEC S (based on IEC IIB)



6.2M126

Nominal power	6,150 kW (MV-side)
Rotor diameter	126 m
Hub height	95 – 117 m
Certification	IEC S (based on IEC IB)

6.2M152

Nominal power	6,150 kW (MV-side)
Rotor diameter	152 m
Hub height	97 – 124 m
Certification	IEC S

Senvion S.A. and the capital market

Volatile year on global stock markets driven mainly by political events

Global stock markets remained volatile in 2016. It was a difficult start to the year due to fears around China, decreasing oil prices that hit an all-time low of 27 USD a barrel, and the fear of a US recession had a negative impact on equity prices. Amidst all the volatility and weaker market sentiment, Senvion launched its IPO and succeeded in floating the Company at a price of EUR 15.75/share with an initial valuation of EUR 1,024m. Senvion S.A. was one of the largest stock market issuances at a time of very quiet ECM activity in Europe.

However, during the second quarter, markets recovered, boosted by the European Central Bank's decision to buy corporate bonds and by the ongoing expansionary monetary policy of the FED. But, the unexpected Brexit decision in the UK and the uncertainty concerning the outcome of the US election kept markets volatile in the third quarter. Mr. Trump's surprise victory in November 2016 had a short-term negative impact on the equity indices, but markets recovered quickly due to an improving growth outlook in the US and OPEC's agreement to cut production. The markets largely ignored political events in Turkey and Italy, although they had some impact on the outlook for wind installations in those countries. The year ended with a wide divergence in terms of results across equity markets.

The leading American S&P 500 index closed 8.5% higher, compared to the end of 2015, at 2,239 points. Others, such as Japan's Nikkei and the Chinese Hang Seng ended their year almost at the 2015 year-end level: The Nikkei improved 0.4% to a level of 19,114 points and the Hang Seng index gained 0.5% and ended the year at 22,001 points. In Europe, the indices showed a mixture of results. Whereas the DJ Stoxx 600 – which comprises the eurozone's leading 600 stocks – ended the financial year 2016 down by 1.2% at 361 points, the German DAX experienced a strong increase of 6.9% and reached 11,481 points.

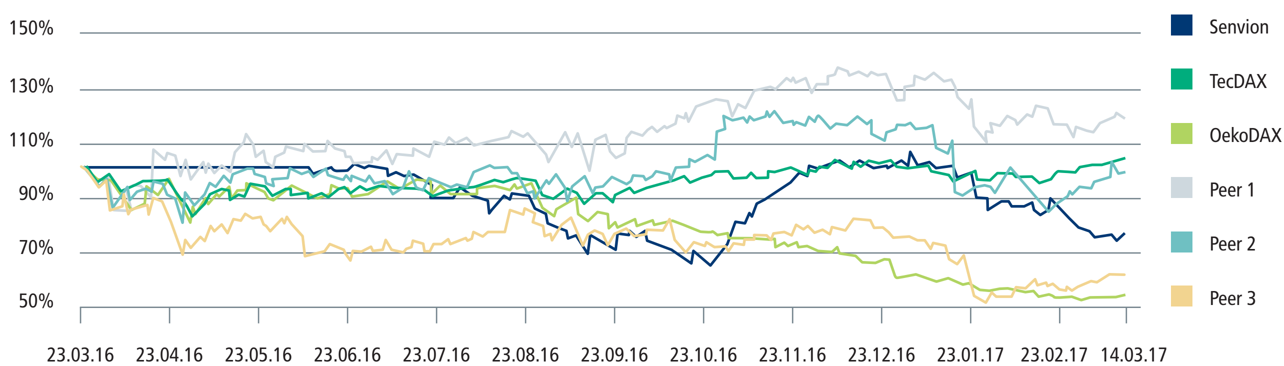
Shares of wind turbine manufacturers under pressure

Senvion S.A.'s benchmark indices, the TecDAX and the ÖkoDAX, were also very volatile. The TecDAX – the Company is one of the top candidates to join this index in near future – registered an annual performance down 1.0%, closing the year at 1,813 points. The ÖkoDAX – an index for renewable energy companies – had a very difficult year, and closed 2016 down 46.3% at 23 points.

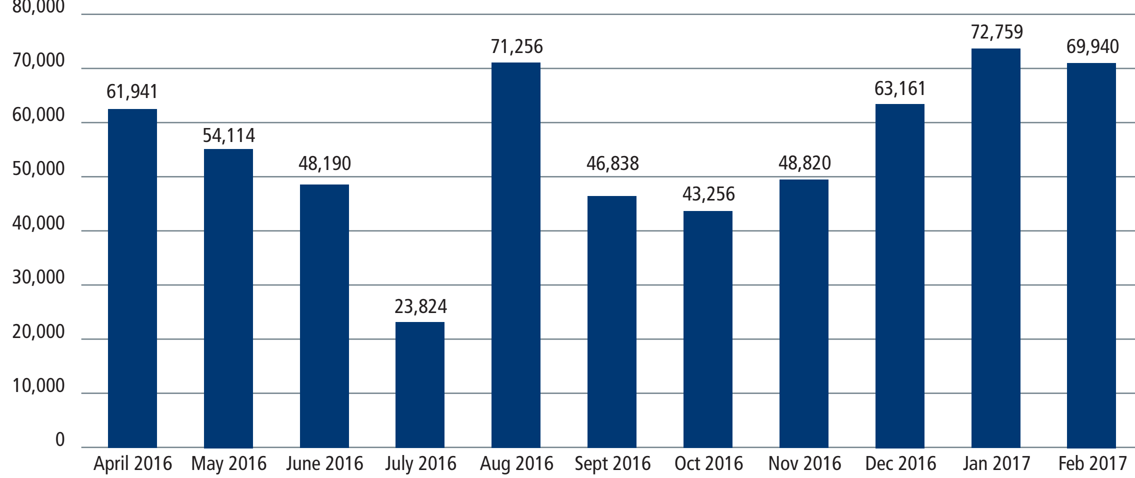
The subdued sentiment in relation to OEM wind stocks – largely due to upcoming auctions in Germany, Italy, France, the shrinking wind market in the UK and the impacts of the US election – also put Senvion S.A. stock under pressure. With moderate order intake announcements in the first three quarters, as well as benign macro conditions, followed by expectations of a softer outlook for 2017, Senvion S.A. stock declined from a EUR 15.75 issue price to EUR 12.20 by the end of the year. Senvion continues to focus on its strategy – preparing for a sustainable future by investing in leading industry products and entering selected new markets. This strategy will start delivering results by 2018 and some of the early indicators (e.g. order intake data) will already be visible in 2017. The Company will continue to search for bolt-on acquisitions to aid its strategy and accelerate growth.

The Senvion S.A. share is currently trading at EUR 11.50 (as at March 14, 2017).

Price trend for Senvion S.A. shares, indices and peers March 2016 to March 2017



Average monthly volume April 2016 to February 2017



Analyst coverage

Senvion S.A. has received active coverage by both national and international banks and research institutes. In 2016, the Group succeeded in gaining research coverage from a total of nine well-known establishments, while the IR team has already secured an additional one to begin work this year. The IR team continues to work with other research institutes to ensure even more extensive coverage, ensuring that investors receive a high degree of transparency and access to a large number of independent opinions. At the end of February 2017, seven out of ten analysts gave the Senvion stock an "Overweight" recommendation. The relevant share price targets varied between EUR 12/share and EUR 22/share.

Senvion S.A. (formerly Senvion S.à r.l), Luxembourg Consolidated Financial Statements

as of and for the year ending December 31, 2016

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Senvion S.A. (formerly Senvion S.à r.l), Group Management Report

for the financial year 2016 (January 1 to December 31, 2016)

1. Basis of the Group

a. Description of the Group

Senvion S.A. (hereafter the "Company", formerly Senvion S.à r.l.) 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 as well as 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 6.15 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. 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.

Since 2002 to the end of 2016, Senvion GmbH had installed more than 7,300 wind turbines around the world with a combined output of approximately 15.5 gigawatts (GW). This gives the Group considerable experience in the production and installation of wind turbines. In the financial year 2016, Senvion installed 1,762 MW of power in comparison to 1,746 MW installations in 2015.

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 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.

In September 2016 a new service center was established in the southeast of Poland to perform a wide range of services for the entire European market.

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 and Portugal: Wind turbine production plants are based in Husum and Bremerhaven in northern Germany, and Trampe, near Berlin. The plant in Husum manufactures nacelles and rotor hubs for the MM series (2 MW nominal power), while the plant in Trampe, Brandenburg, also produces 3 MW wind turbines in addition to MM series wind turbines. The Bremerhaven site is ideally suited to the production of 6.XM Offshore wind turbines (6 MW nominal power), while 3.XM series wind turbines (3 MW nominal power) are also produced at this location. Senvion's subsidiary PowerBlades GmbH is also located in Bremerhaven and manufactures Senvion-specific rotor blades for Offshore wind turbines. Another rotor blade production site is located in Vagos, Portugal, where the RE45, RE51, RE55, RE59 and RE68 rotor blades are manufactured. Additionally, nacelles and rotor hubs for the 2 MW class wind turbines are produced in Oliviera de Frades, 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 mold design. Its manufacturing facilities in Żory-Warszowice and Ustroń, Poland, are able to produce all Onshore mold 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 Osterrönfeld 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 works on the ongoing development of Senvion turbines.

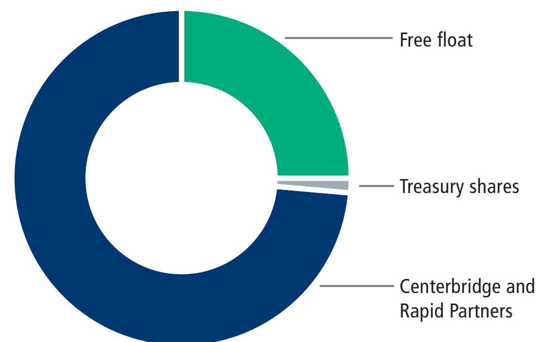
Senvion remains a quality supplier and continues to offer its customers reliable wind turbines with high availability. As part of this, Senvion manages all process stages from planning to installation on a step-by-step basis. Customers can also choose from a range of individually tailored service options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

Senvion's core sales markets include Germany, the UK, France and Canada. As part of an overall Group strategy, Senvion is expanding internationally, and in 2016 the Company successfully entered several new markets with projects in India, Chile, Norway, Serbia and Japan. Senvion also considers Australia a renewed market due to inactivity in the market for last couple of years. The satellite markets of Austria, Poland, the Netherlands, Belgium, Portugal, Japan, Romania, Chile, Norway, Sweden and Italy are served by the Company's hub structure.

2. Senvion S.A.

Shareholder structure: Free float amounting to 26.4%
On March 23, 2016 65,000,000 Senvion shares were successfully listed at the Frankfurt Stock Exchange by means of a private placement. As a result, the free float, in line with Deutsche Börse AG's definition, increased to approximately 26.4%. Shareholders consist primarily of funds and institutional investors such as asset managers, banks and insurance companies, as well as private investors in Germany and abroad. The main shareholders are the private investment firms Centerbridge and Rapid Partners, jointly holding roughly 73.6% of shares.

Centerbridge and Rapid Partners*: 73.6%
Treasury shares: 1,2%
Free float: 25.2%



* Centerbridge and Rapid Partners include Rapid Management.

Manager transactions
In August 2016, both members of the Management Board expressed their confidence in the Group's long-term strategy and bought shares of Senvion S.A. with their personal funds. The Company hereby provides notice that its two Management Board members held the following Senvion S.A. shares as at the end of 2016:

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

Additional paid-in capital
Sources of financing for the acquisition of the Senvion Group in the financial year 2015 comprised – amongst others – EUR 480.2m of funds from Centerbridge (of which EUR 364.6m were interest-bearing preferred equity certificates ("IBPECs") at a fixed rate of 7.8% p.a. and a nominal EUR 115.6m interest-free preferred equity certificates ("IFPECs")). On March 21, 2016 the IBPECs (including accrued yield) and IFPECs were converted into equity by way of a contribution in kind, resulting in an increase in equity of EUR 485.1m.

Non-controlling interests
As at 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.

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 75m 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 15, 2016, the Management of Senvion S.A. resolved to initiate a share buyback program for a maximum amount of EUR 75m and 10% of common shares over the next two years. The total volume of shares bought back within the framework amounted to 480,362 common shares with a total value of EUR 7.1m, as of December 31, 2016. As of today, the total volume of shares bought back within the framework of the share buyback amounts to 768,360 common shares with a total volume of EUR 10.5m, representing 1.18% of the subscribed capital of the Company.

3. Financial and operational highlights 2016

a. Corporate highlights

- **Successfully listed** – successful launch of private placement and listing of 65,000,000 shares on the Frankfurter stock exchange as of March 23, 2016
- **EUR 2,210m** – Revenues for 2016 with a healthy growth of 3.3% compared to the pro forma revenues for 2015 and with solid 18.5% growth in service revenues
- **Adjusted EBITDA margins of 9.3%** – Margins at previous year level despite challenging market conditions
- **Net working capital of minus 3.7%** – Continued excellent performance in managing working capital levels
- **EUR 1,304m** – Firm order intake for 2016; Senvion closes the year with the highest quarterly orders for the year, EUR 458m in Q4 2016
- **EUR 5.3bn order book** – Healthy order book with conditional order book closing at EUR 1,765m, a growth of 10.5% year-on-year (yoy)

b. Business highlights

Onshore

International expansion

- Senvion is present in Australia, Asia, Europe, North and South America and succeeded in entering new markets.
- First wind farm project in **Chile**, with a conditional order of 300 MW.
- **500 MW in India** – a first firm framework agreement with a large IPP in India with the recently acquired Kenersys product portfolio.
- **Japan** – opening of a sales office in Tokyo and advanced preparations for the first wind turbine installments.
- **300 MW in Australia** – Senvion wins a conditional order for its most recently developed product: 3.6M140.
- **360 MW+ orders in Scandinavia** – Senvion secures success twice in Scandinavia with firm order for 112 MW and conditional order of 250 MW+.
- **Other markets** – Senvion has been active in many other parts of the world with successful market entries and a strong set of projected orders for 2017.

Product innovations continued to reduce LCoE

- Extended product portfolio for high, medium and low wind sites:
  - Industry-leading wind turbine launched for medium wind sites: 3.6M140.
  - Further power upgrades to 3.XM product portfolio: 3.6M114 & 3.4M122.
  - Acquired the Kenersys product portfolio to complement the existing 2MW platform.
- Launch of the 3.4M140 in North America confirming product suitability and competitiveness.
- Further product optimizations are ongoing.

Management focus on enhancing productivity and efficiency

- Launch of a holistic efficiency and excellence program entitled "Move Forward".
- This project focuses on the areas of further sales growth, product competitiveness, organizational efficiency, operational efficiency and quality costs.
- The goal is to learn from other mature industries and implement best practice solutions to create a project-driven working culture.

Offshore

- **203 MW Offshore order** – Senvion's Offshore team succeeded in procuring a conditional Offshore order in Germany for installation in 2019.
- Senvion is in discussions for Offshore wind farms with **floating foundations** by adapting the 6.2M152.

Service

- **Double-digit service growth rate** in revenues of 18%.
- **First in class** – average duration of contracts: 10.7 years.
- **Increase** in the service order book of 14.9%
- **80% + renewals rate** on average for last three years.

4. Economic report

a. Economic and industry-related environment

Economic development

World economic growth has improved following the sluggish expansion at the beginning of 2016. The US Federal Reserve increased the fund rate by 25 basis points, to a range of 0.50% to 0.75%. 2016 was marked by the outcome of Britain's EU referendum and the US election, which triggered considerable turmoil and uncertainty in the markets. The global growth for purchase price parity exchange rates accelerated to 3.1% this year. This was the result of expansionary monetary policy and increasingly fiscal policies, particularly in the US. The commodity market continued to rise in the third quarter, from its low in early 2016.

The price of Brent Crude increased from USD 28.7 in February 2016 to USD 56.7 at the beginning of 2017. The focus in January was on USD 30/bbl oil and the imminent increase in Iranian oil production after sanctions were lifted. On November 30, the Organization of Petroleum Exporting Countries (OPEC) agreed to reduce crude oil output to 32.5 million barrels per day (mbd), effective January 2017, and for a duration of six months (extendable for an additional six months). That suggests a reduction in production by 1.2 mbd from current levels.

The UK held a referendum on whether the country should remain in or leave the European Union on June 23, 2016. 51.9% of the electorate voted to leave the EU, with 48.1% voting to remain. In 2016, the value of the British pound sterling in relation to the euro weakened steadily from 0.736, to a peak of 0.903 in October. Sterling then rallied to a level of 0.853 against the euro. Financial markets had been volatile since former Prime Minister David Cameron announced the referendum in February. On July 13, Theresa May replaced Cameron as Prime Minister and said Britain's exit from the EU would be triggered in 2017. To reach its target inflation rate of 2%, the Bank of England cut interest rates by 25 basis points to 0.25%.

In contrast to the emerging markets, the US economy grew by 3.5% in the third quarter of 2016, which was slightly higher than expected (3.2%). At the start of the year, the US economy grew by just 0.8% in the first quarter, with expansion improving through the year thanks to gains in the labor market, including a post-recession drop in the unemployment rate in November. Personal disposable income and household spending have remained fairly solid throughout 2016, boosted by buoyant consumer confidence, which jumped to a nine-year high in November. The positive prospects for oil prices and improved global trading conditions support US manufacturing activity, seeing the ISM index rise for a third consecutive month in November. After a long decision-making period, the US Federal Reserve decided on a turnaround in interest rates in December by increasing the base rate from 0.5% to 0.75%.

Developments in the German market

Despite some considerable uncertainty (Brexit, the US presidential election, failed TTIP negotiations, weak growth in emerging economies), the German economy grew moderately overall in 2016. Gross domestic product (GDP) showed an anticipated year-on-year growth of 1.9%. These positive developments were attributable to growth in both consumer and government spending, which strongly increased by 2.0% and 4.2% respectively.

Despite a difficult environment, German exports remained on a path of growth overall, rising 2.5% in 2016. At the same time, imports increased by 3.4%. In 2016, German foreign trade decreased marginally compared to previous years by –0.1%.

Germany more than doubled its economic growth rate in the first quarter of 2016, following a boost to domestic consumption as a result of the European Central Bank's expansionary monetary policy.

The German labor market also remained in good shape. The German Federal Statistical Office estimates the country had a working population of 43.4 million in 2016. The number of people in employment increased by 425,000 in 2016, or 1.0% compared to the previous year. Overall, the total number of people in employment reached its highest level since German reunification. Higher labor force participation in the domestic population and the immigration of foreign workers offset negative demographic effects.

According to the Federal Statistical Office, the annual rate of inflation in 2016 was about 0.5%. The development of energy prices (–2.7% in November 2015) had a negative effect on price rises in November 2016. Excluding energy prices, the inflation rate in November 2016 was +1.2%.

In summary, despite the difficult international environment and slower growth in emerging economies, Germany's economy continued on a solid path to growth in 2016. The Ifo Business Climate Index for Germany rose to 111.0 in December 2016 from 110.4 in November. This was above market expectations of 110.7. It was the strongest level since February 2014, as confidence improved among manufacturers, constructors and wholesalers, but remained unchanged for retailers. Global economic growth will continue to be hampered by the weakness of some emerging economies. Consumer spending is bolstered by a real increase in incomes and the sustained fall in unemployment rates. Inflation remains stable, but at just 0.5%, this is far from the European Central Bank (ECB)'s 2.0% target.

Developments in other core markets

Early estimates of the UK's GDP showed an increase of 0.6% in the fourth quarter of 2016 (October to December), compared to a rise of 0.5% in the third quarter (July to September). The UK's GDP was estimated to have increased by 2.0% in 2016, slowing slightly from 2.2% in 2015 and 3.1% in 2014. Growth during the fourth quarter was dominated by services, with a strong contribution from consumer-focused industries, such as retail sales and travel. The unemployment rate was 4.8%, down from 5.2% a year earlier. The Bank of England increased the key interest rate by 0.25 basis points to 0.25%, in order to facilitate solid GDP growth and to control inflation.

Early estimates show that the French economy will record annual GDP growth of 1.2% in 2016 and 1.3% in 2017. Driven by more relaxed monetary policy from the ECB, the key interest rate, which currently sits at 0.0%, should provide a solid basis for investment and consumption in France and in the eurozone. In 2016, the weak euro continued to have a positive impact on markets. Moreover, the ECB further increased its monetary stimulus in March 2016, which also positively contributed to growth. According to revised figures published by the National Statistical Institute (INSEE), consumer prices stayed flat. The annual average inflation rate picked up from 0.2% in October to 0.3% in November, while unemployment decreased slightly to 9.84% in 2016. The upturn in employment that began in 2015 continued in 2016, with various government measures implemented to foster accelerated job growth. This should be accompanied by a slight decline in unemployment through 2017 and an increase in average wages. 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 1.4% in 2015).

The IMF projected that the Canadian economy would grow by 1.5% in 2016 and by 1.9% in 2017. The circumstances affecting the energy sector will be partially offset by a more competitive currency and an expected increase in public investment. The unemployment rate is expected to rise to 7.3% by 2016 before increasing slightly to 7.4% in 2017. Inflation in Canada reached 1.42% in 2016. The key interest rate remains at 0.5%. The federal government used the fiscal space created by lower interest rates in its 2016 budget. A surge in exports was behind the bounce back as oil production returned to normal. Private consumption also picked up, but remained modest overall as many households are burdened with high debt.

Industry development

Onshore

The global Onshore wind energy market decreased slightly to an installed wind power capacity of around 53 gigawatts (GW) in 2016, which was lower than the highest-ever volume of installations in 2015, at 59 GW. Combined global Onshore capacity of approximately 420 GW at the end of 2015 then reached 470 GW at the end of 2016. The change in installed capacity in 2016 was mainly due to a shrinking Chinese market with a reduction of around 9 GW compared to 2015. With the Chinese market shrinking, the Asia-Pacific region has seen an overall reduction in commissioned capacity, with only 26 GW of new capacity connected by the end of 2016. Approximately 20 GW of this is being installed in China. India accounted for the main share of the region with more than 3 GW. With its very high 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 high volume of 3.6 GW in 2017.

The US wind energy market is still buoyant and saw more than 8 GW installed in 2016. 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 will also see high levels of commissioning. Canada also enjoyed a constant level of installations in 2016, while Latin American nations (in particular Brazil and Mexico) continue to show a positive outlook with a total growth of approximately 4 GW+. Meanwhile, in Chile and Argentina, a constant growth rate is expected in these markets from 2018 to 2025.

The expansion and integration of renewable energies still remains 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 (OEM). 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, focus on Latin America, Middle East, Africa and the US as well as some markets in Europe (e.g. France). Aggressive pricing policy as well as co-investing into projects are selected methods to enter new markets. Market success remains to be seen. Some countries have completely turned their backs on making any initial steps towards creating a green energy sector. 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 2016 – which is now defined by the leading research firm MAKE as a market segment – was comparable with the previous year (11 GW). The total cumulative capacity in Europe came to approximately 158 GW by the end of 2016. The German market stood out with more than 4 GW of new capacity. It was followed by the UK, with more than 1.5 GW of grid-connections. This was significantly higher than in 2015, with 676 MW. France also saw growth, with more than 1 GW of newly commissioned capacity. There was also considerable growth in Finland, Ireland, Turkey and Portugal.

Offshore

The market for Offshore wind turbines in 2016 showed a sharp decrease with slightly less than 2 GW compared to the previous year's level of 3.3 GW. This development was due to more complex installation processes and the typical multi-megawatt wind farms in the Offshore sector, which causes installation rates to be cyclical. The core markets for Offshore wind are located in Europe with over 1 GW of new installations in 2016. The biggest installations were made in Germany, the Netherlands and the UK. Outside of Europe, only China, South Korea, the US and Japan 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 already taken steps to create a standardized internal EU market, a secure energy supply and a reduction in CO_2 emissions. According to both commissioners, a fundamental change in Europe's energy system is generally necessary, as they explain in the strategy paper for the next five years, published in February 2015. 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. The issue of EU authority in internal market and climate policy versus member state freedom to make decisions for their own energy mix was the subject of great discussion within the EU in 2015. European climate policy focuses on the development and expansion of the domestic energy market and a substantial reduction in CO_2. Additionally, Sefcovic plans a statutory governance structure for European climate and energy goals for 2030. 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. Participants should implement the Paris resolutions on a national level, to create climate protection plans and a basis for a further expansion of renewable energy.

Germany

In Germany the government continued its efforts to address the challenge of comprehensive energy policy reform in the first half of 2016. The White Paper issued in July 2015 argues against the introduction of a capacity market and, in view of pending reforms in electricity design toward a competitive environment, cites the necessity for a capacity reserve (2 GW). On October 18, 2016, the Renewable Energy Sources Act (EEG 2017, formerly known as EEG 2016) and the "Wind auf See Gesetz" (for Offshore wind) came into force. This was followed by the "KWK-EEG-Änderungsgesetz" of December 16, 2016, where some minor points were changed or clarified, such as the lifetime extension from 20 to 25 years for Offshore power plants.

Regarding the Onshore segment, all wind projects with a building permit from 2016 or before, can be built in 2017 and 2018 under the old fixed tariff system (transition period). In May 2017, Germany will start with the auction of 2,800 MW/y for 2017 and 2018 and 2,900 MW/y for 2019, but only 902 MW/y in areas with grid constraints. Furthermore, we expect amendments about cross-border auctions or technically neutral auctions with certain volumes as well as for sector coupling.

In the Offshore segment, the system will retain the old EEG 2014 until 2020 with a maximum of 7.7 GW 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. In the period from 2021 to 2025, 3.1 GW (1.55 GW on April 1, 2017 and 1.55 GW on April 1, 2018) will be auctioned, with a limited and defined number of projects part of the process. For the period from 2026 to 2030, the government will auction 840 MW/y using a "central" system with the government deciding which project will be auctioned. Within this framework, the Bundesnetzagentur (BNetzA) confirmed the development of the Offshore grid (O-NEP 2025) until 2030.

To support technical innovation, Onshore and Offshore prototypes (up to two turbines each) are exempt from the tender system. The wind energy industry branch is a very important employer (with approximately 150,000 people) and has a significant effect on wealth creation in Germany.

Other core markets

UK Prime Minister Theresa May indicated that the government would like to continue working with EU member states on clean energy.

France is switching to an auction system by the end of 2017.

In Canada, Prime Minister Trudeau pushes for a pan-Canadian renewable energy policy and creation of a carbon market at federal level. Moreover, in 2016, leaders of the US, Canada and Mexico announced intentions to procure 50% of clean energy by 2025.

New markets

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

Please note, prior to the acquisition of Senvion GmbH and its subsidiaries ("Senvion GmbH Group") on April 29, 2015, the Group did not conduct any business operations. Hence only a limited comparison can be made between the financial figures for the financial year 2016 and those of the previous year.

Reconciliation of segment reporting is as follows:

Segment reporting for the financial year 2016	Onshore m EUR	Offshore m EUR	Services and maintenance m EUR	Segment totals 2016/01/01 – 2016/12/31 m EUR	Reconciliation 2016/01/01 – 2016/12/31 m EUR	Group 2016/01/01 – 2016/12/31 m EUR
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 & 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**

Segment reporting for the financial year 2015[1]

	Onshore	Offshore	Services and maintenance	Segment totals	Reconciliation	S.A Group
				2015/01/01 –2015/12/31	2015/01/01 –2015/12/31	2015/01/01 –2015/12/31
	m EUR	m EUR	m EUR	m EUR	m EUR	m EUR
Revenues	**1,328.2**	**69.7**	**213.3**	**1,611.2**	**–50.6**	**1,560.6**
Cost of materials/cost of purchased services	–998.8	–52.3	–73.0	–1,124.1		
Personnel expenses	–23.3	–1.2	–34.0	–58.5		
Other operating expenses	–36.0	–1.9	–11.7	–49.6		
Contribution margin I	**270.1**	**14.3**	**94.6**	**379.0**		
Intersegment elimination and unallocated revenues				–50.6		
Unallocated changes in work in progress & cost of materials/cost of purchased services				–26.1		
Work performed by the entity and capitalized				28.7		
Other operating income				33.3		
Unallocated personnel expenses				–96.2		
Unallocated other operating expenses				–94.4		
Adjusted EBITDA				**173.7**		
Depreciation and amortization				–37.3		
Adjusted EBIT				**136.4**		
Acquisition-related cost				–21.8		
Other transaction cost				–5.9		
Specific provision related to 6XM WTG series				–13.5		
General warranty provision				3.7		
Effects from purchase price allocation				–157.5		
Reorganization expense				–8.0		
Result from operating activities (EBIT)				**–66.6**		**–66.6**
Interest result				–60.8		
Result before income taxes (EBT)				**–127.4**		**–127.4**

[1] Senvion S.A., Luxembourg, acquired Senvion GmbH, formerly Senvion SE Hamburg as of April 29, 2015. Prior to the acquisition of Senvion GmbH, Senvion S.A. did not conduct any business operations.

The Group generated revenues of EUR 2,210.4m in the financial year 2016 (previous period: EUR 1,560.6m).

The Group's cost of material/cost of purchased services amounts to EUR 1,674.3m (previous period: EUR 1,216.6m) including EUR 1.5m (previous period: EUR 94.9m) that results from the write-off of the step-up in inventories/work in progress due to the acquisition-related purchase price allocation, and EUR 54.7m (previous period: EUR 13.5m) relating to the technical issues concerning the 6XM WTG series Offshore blades. Adjusting for this noncash relevant amount, the cost of material/cost of purchased services amounts to EUR 1,618.1m (previous period: EUR 1,108.2m) the cost of material ratio (cost of materials/cost of purchased services in relation to total performance) is 72.3% (previous period: 71.4%).

Onshore

The main revenues from the sale of Onshore wind turbines were generated in Germany (EUR 420.4m), the UK (EUR 397.1m) and Canada (EUR 276.4m). As of December 31, 2016, the contribution margin I ratio of Onshore wind turbines of 20.1% remained almost unchanged compared to the period ending December 31, 2015.

Offshore

Offshore revenues in the financial year 2016 mainly relate to the projects Nordergründe and Nordsee One. The contribution margin I ratio of Offshore wind turbines changed from 20.5% (as of December 31, 2015) to 16.3%, mainly due to a change in the project mix.

Service

The main service revenues were generated in Germany (EUR 84.5m), France (EUR 33.2m), the UK (EUR 24.7m), and for Offshore projects (EUR 58.4m). The MW covered under O&M contracts increased by 17.9% from 10,221 MW as of December 31, 2015 to 12,051 MW as of December 31, 2016. The contribution margin I ratio of service has increased slightly (46.7%; previous period: 44.4%).

Order situation and installed capacity

Onshore

In the period from January 1 to December 31, 2016, Senvion received orders for contracts in the Onshore segment with a total output of 1,339 MW, worth around EUR 1,304m. This data on the order backlog and order intake considers only effective contracts and does not include contracts under conditions precedent ("CP contracts"). Countries with the largest order intake share were Germany (37%), France (19%) and the UK (15%).

For information on revenues from the sale of Onshore wind turbines analyzed by geographies, please refer to section 5.1 "Revenues" of the consolidated financial statements as of and for the period ending December 31, 2016.

Senvion Group's order backlog in the Onshore segment, including work in progress, stood at 1,605 MW as at the balance sheet date, with the UK (35%), Germany (25%) and France (21%) contributing the largest shares.

In the period from January 1 to December 31, 2016, Senvion Group erected wind turbines with a combined output of 1,650 MW. With an installed capacity of 915 MW, the Senvion MM series remained the most commonly installed turbine, closely followed by the Senvion 3.XM series, which has an installed capacity of 735 MW.

For an analysis of revenues from the sale of wind turbines analyzed by turbine type, please refer to section 5.1 "Revenues" of the consolidated financial statements as of and for the period ending December 31, 2016.

Offshore

The order backlog in the Offshore sector stands at 443 MW, which represents 22% of the total order backlog.

In the period from January 1 to December 31, 2016, Senvion erected wind turbines with a combined output of 112 MW. This refers to the installation of our 6.2M126 turbine in the Nordergründe wind farm.

Service

In the period from January 1 to December 31, 2016 the total order intake in the service segment amounted to EUR 531m. This is the result of new contracts (EUR 309m), contract renewals (EUR 206m), and spare parts and services (EUR 15m). The intake is split into the Onshore sector (97%) and Offshore sector (3%). In the Onshore sector, Central Europe (28%), the Americas (23%) and EU North (22%) are the largest part of the order entry.

As of the period ending December 31, 2016, the Service order book was EUR 2,265m. This is composed of Onshore (69%) and Offshore (31%). In the Onshore sector Germany (37%), the UK (14%) and France (11%) form the largest part of the order book.

Significant order intakes

Onshore

It is particularly worth mentioning that the financial year 2016 showed the first order intake in Japan (6 MW) after reentering the market, as well as order intake in Scandinavia (112 MW).

Furthermore, Senvion increased its order intake in France by 27% to EUR 279m. Part of this is an order intake totaling 56 MW for the Antilope wind farm with a total of 24 wind turbines from its 2 and 3 megawatt portfolio.

In Italy, Senvion secured a contract for the delivery and installation of 30 wind turbines with a total power of 60 MW, which is the largest project under the third Italian feed-in tariff auction system to date.

Additionally, Senvion obtained its first order intake for its new 3.6M140 turbine model for a project in Turkey (7 MW).

Despite not having reached unconditional order status in 2016, Senvion successfully signed significant contracts in new focus markets such as Chile (300 MW) and India (500 MW framework contract).

Offshore

Senvion signed a contract for the Trianel wind farm Borkum II (203 MW).

Service

A significant contract renewal was achieved in the US, where contracts for the Twin Ridges, Howard and Linden wind farms were all extended. These have a value of EUR 79m. Furthermore, in Australia the service maintenance contract for the Portland wind farm was renewed (5 years). In the Offshore segment the service contract for the Ormonde wind farm was also extended until 2020.

In terms of new contracts, Senvion secured significant service contracts for the Norwegian Egersund wind farm (5 years) and Italian Tursi wind farm (15 years), together with turbine sales agreements.

c. Research and development

Senvion's development activities cover all the wind turbines and rotor blades that Senvion manufactures. In the financial year 2016, the Group spent EUR 68.3m on research and development (Onshore EUR 59.8m; Offshore EUR 8.5m). Of the total expenses on research and development, EUR 45.1m (Onshore EUR 42.2m; Offshore EUR 2.9m) were capitalized in the same period, and EUR 21.4m (Onshore EUR 17.8m; Offshore EUR 3.6m) concerned third-party services, e.g. for temporary workers, consulting services or certification costs. This represents a total ratio of 66.0% of development costs capitalized over total development costs incurred.

Onshore

The focus in 2016 was the development of a new platform within the 3MW class, power upgrades of existing turbine variants in the existing 3.XM platform, and adaptations to the 2MW platform. The Company also continued to integrate the Kenersys business to realize a market introduction in 2017 in India.

The first variant of the NES turbine, 3.4M114 NES 93m, reached type certification. For this variant, an additional tower height (119 meters) was developed to increase competitiveness. Development of a power upgrade to 3.6MW (3.6M114 93m/119m), including a wind class upgrade to enable product offerings in the IEC I market, helped to leverage new control technologies, which were developed within the EBC platform. Prototype installation and certification is planned for mid-2017.

To increase the short-term competitiveness in the market for medium wind (IEC II) and low wind speed sites (IEC III), the 3.2M122 NES was upgraded to a 3.4M122 NES, including a wind class upgrade. The prototype installation started in 2016 and commissioning will be finalized at the beginning of 2017.

The prototype of the high steel tower for a hub height of 139 meters was finalized and validation is ongoing. This development enables Senvion to develop higher hub heights (>150 meters) with two competing technologies and leverage associated advantages. To fulfill the market demands for higher hub heights, a 160-meter tower development process started with prototype installation planned for the end of 2017.

The first 3.XM turbine was introduced in the 60Hz market in Canada at the end of 2016, with the successful installation and commissioning of the 3.2M114 60Hz cold climate version, including an optimized de-icing system to enable higher power production in winter. With this turbine variant, Senvion is now able to offer a broad range of turbines for 60Hz markets.

To maintain a competitive position in the future, development work on the 3.4M140 EBC with hub heights of 110 meters and 130 meters was intensified. Assembly of nacelle and hub was finalized on time at the end of 2016 and a prototype will be installed and commissioned at the beginning of 2017. In parallel to the 50Hz version, the introduction of the 3.4M140 EBC 60Hz was announced at AWEA this year.

To enable market entry in Chile and Norway, the 3.XM turbine family was adapted to the specific requirements in these markets.

Following the acquisition of Kenersys, Senvion pushed its market entry forward in India and integrated turbines with 110-meter and 120-meter rotors into the Senvion portfolio. The development of new tower heights began as well. Turbines with several towers will be available for installation in 2017 with the necessary specification.

For the 2MW platform, the Company prepared its market entry in Japan, with a turbine ready for installation in 2017. The MM100 was upgraded to the IEC IIb market.

For the overall turbine portfolio, a cost optimization program was implemented to drive competitiveness of Onshore turbines.

Offshore

Senvion finalized specific developments for the Nordergründe and Nordsee One projects, and production and installation of the projects is underway. The Company continued its development of the 6.2M152, including receipt of the type certificate. This project will be finalized at the beginning of 2017. Additionally, a power upgrade to 6.3MW152 was started to optimize the AEP of this turbine type for certain projects.

d. Financial performance

Please note, prior to the acquisition of Senvion GmbH Group on April 29, 2015, the Company did not conduct any business operations. Hence only a limited comparison can be made between the financial figures of the financial year 2016 and those of the previous year.

Other income and expense items

Other operating income in the financial year 2016 amounted to EUR 45.9m (previous period: EUR 40.1m). This primarily includes income from insurance compensation payments or damages (EUR 21.4m; previous period: EUR 2.6m) and foreign currency gains (EUR 12.9m; previous period EUR 20.9m).

Personnel expenses amounted to EUR 255.5m (previous period: EUR 154.7m). In relation to overall performance, the personnel expenses ratio was 11.4% (previous period: 10.0%).

Depreciation on property, plant and equipment and intangible assets amounted to EUR 166.8m in total (previous period: EUR 106.6m), with EUR 103.0m (previous period: EUR 69.3m) relating to the amortization of intangible asset step-ups (purchase price allocation).

Other operating expenses totaling EUR 212.1m (previous period EUR 171.8m) are composed of legal and consulting fees amounting to EUR 58.5m (previous period: EUR 52.8m), with other transaction costs of EUR 8.0m, which were a result of the IPO (previous period: acquisition-related costs of EUR 21.8m and other transaction costs of EUR 5.9m as a result of the change in shareholder in the Senvion). Furthermore, purchased services (EUR 38.0m; previous period: EUR 28.6m), office and land costs (EUR 17.0m; previous period: EUR 10.7m); foreign currency losses (EUR 13.5m; previous period: EUR 15.5m), and travel expenses (EUR 14.0m; previous period: EUR 7.9m) are disclosed 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.

Additionally, the realization of step-ups on inventories/work-in-progress and amortization of intangible assets arising from the fair value measurement of assets and liabilities from the acquisition of Senvion Group (Purchase Price Allocation), costs related to the IPO of Senvion S.A. (other operating expenses) as well as other transaction costs incurred in connection with the change in shareholder are adjusted to reflect on EBIT/EBITDA performance indicators, which the Group monitors. Furthermore, reported figures are adjusted for specific warranty provision additions for technical issues related to 6XM (refer to section 5 "Report on risks and opportunities" in this management report).

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

	2016/01/01 – 2016/12/31 m EUR	2015/01/01 – 2015/12/31 m EUR
Result from operating activities	**–25.6**	**–66.6**
Reorganization expenses	0.0	8.0
Result from operating activities before reorganization expenses	**–25.6**	**–58.6**
Impact arising from purchase price allocation	104.5	157.5
General warranty provision release	0.0	–3.7
Specific provisions related to the 6XM WTG series	54.7	13.5
Acquisition-related costs	0.0	21.8
IPO/Other transaction costs	8.3	5.9
Adjusted EBIT	**141.9**	**136.4**
Amortization and depreciation	63.7	37.3
Adjusted EBITDA	**205.6**	**173.7**

The financial result amounts to EUR –63.9m (previous period: EUR –60.8m) and was mainly driven by interest expenses from the high-yield bond issued and guarantee commissions which relate to the acquisition of Senvion Group with an effective date of April 29, 2015. For further details refer to section 5.5 "Financial result" in the consolidated financial statements for the financial year 2016.

Income tax for the financial year amounted to EUR 24.2m (previous period: EUR 20.8m) leading to a relative tax rate of 27.1% (previous period: 16.4%) and results in a negative net result for the period of EUR 65.2m (previous period: EUR –106.6m).

The main driver of the negative low tax rate was a total of EUR 19.7m in interest expenses (previous period: EUR 44.1m), which was not deductible in the period ending December 31, 2016. No deferred tax asset was recorded as the Group estimates the interest carryforward will not be used against taxable profit in following years.

The net result for the Group for this period, a loss of EUR 65.2m (previous period: EUR –106.6m) was impacted by effects arising from the purchase price allocation of Senvion Group, which mainly resulted in amortization and cost of sales, in total about EUR 104.5m in the financial year 2016 (previous period: EUR 157.5m). Conversely, the addition on specific provisions related to the 6XM WTG series had a significant impact on the net result for the period.

Asset and capital structure

Current assets primarily consist of liquid funds (EUR 441.1m; previous period: EUR 419.4m), gross amount due from customers for contract work as an asset (EUR 88.6m; previous period: EUR 49.4m), trade account receivables (EUR 168.0m; previous period: EUR 230.8m), inventories (EUR 430.1m; previous period: EUR 416.6m) and other current assets (EUR 127.5m; previous period: EUR 108.7m).

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 230.8m as of December 31, 2015 to EUR 168.0m as of December 31, 2016 results mainly from recovery of a large project (EUR 78.2m).

The inventories of EUR 430.1m (previous period: EUR 416.6m) contain EUR 302.6m in raw materials and supplies (previous period: EUR 270.7m) and EUR 127.5m in work in progress (previous period: EUR 145.9m).

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 financial year 2016.

The non-current assets of EUR 845.3m (previous period: EUR 901.4m) consist mainly of other intangible assets (EUR 604.3m; previous period: EUR 687.2m) and property, plant and equipment (EUR 222.1m; previous period: EUR 193.2m). The other intangible assets include other licenses, brand names, customer relationships, technology and advance payments. Technology mainly relates to our individual turbine types as well as service solutions. For details on additions and spending in the 2016 financial period refer to section 4c "Research and development" in this Management Report. The decrease in intangible assets results mainly from an additional depreciation and amortization of EUR 133.5m and additional acquisition and production costs of EUR 50.4m.

The current liabilities of EUR 1,193.9m (previous period: EUR 1,129.7m) mainly consist of trade accounts payable (EUR 431.0m; previous period: EUR 382.0m), advance payments received (EUR 189.2m; previous period: EUR 291.4m), gross amount due to customers for contract work as a liability (EUR 122.2m; previous period: EUR 71.8m), provisions (EUR 289.3m; previous period: EUR 217.5m), income tax liabilities (EUR 37.4m; previous period: EUR 62.4m) and other current liabilities (EUR 82.2m; previous period: EUR 72.4m).

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

Specific warranty provisions as of December 31, 2016 amount to EUR 230.9m (previous period: EUR 167.2m). The rise of specific warranty provision results mainly from expected costs increase for technical issues within Offshore blades (6.XM WTG series) due to updates on the root cause analysis results as well as consequent updates to the blade design and additional sourcing as the company decided to replace blades instead of repairing them. The majority of repair and replacement works will be executed in 2017, with cash outflows mainly comprising logistic cost for On- and Offshore works during the replacement, additional cost for blades used in replacement, repair and inspection cost until the replacement campaign is completed and liquidated damages incurred for down time during inspection and replacement works. The assumptions used in determining the expected cash outflow include inspection intervals and length, work and repair time per turbine, bad weather and production and installation timing of redesigned blades, which are subject to uncertainty. The development of general warranty provisions reflects the decrease in the number of WTGs and an improvement in product quality over the years. For further details of these developments please refer to section 6.3.2 "Provisions" in the consolidated financial statements for the financial year 2016.

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

The non-current liabilities of EUR 573.0m (previous period: EUR 1,065.8m) primarily relate to other non-current financial liabilities, including the high-yield bond (EUR 392.9m; previous period: EUR 391.4m) and deferred taxes (EUR 173.1m; previous period: EUR 195.1m). On March 21, 2016, CCP II Acquisition S.à r.l., CCP III Acquisition S.à r.l. and Rapid Partners L.P. contributed their interest-free and interest-bearing PECs to the special reserve account of the Company for a nominal amount of EUR 499,459,261.45 plus the accrued interest of EUR 25,595,605.86 until March 12, 2016 (please refer to section 6.7 "Total equity capital" in the Consolidated Financial Statements as of and for the year ending December 31, 2016).

The retained earnings of EUR –166.8m (previous period: EUR –102.6m) 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 333.8m (previous period: EUR –69.4m), mainly due to the equity increase of EUR 485.1m by the conversion of PECs into equity, as well as the net result for the period of EUR –65.2m.

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 financial year 2016.

The equity ratio is calculated as follows:

	2016/12/31 m EUR	2015/12/31 m EUR
Shareholder equity	333.8	–69.5
Total assets	2,100.6	2,126.2
Equity ratio in %	**15.9**	**–3.3**
Shareholder equity	333.8	–69.5
Adjusted CPECs	0.0	468.8
Adjusted shareholder equity	333.8	399.3
Adjusted equity ratio in %	**15.9**	**18.8**

Another figure used in capital management is net working capital, which is calculated as follows: Total current assets (adjusted for liquid funds) minus total current liabilities (adjusted for provisions and short-term loans and 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.

	2016/12/31 m EUR	2015/12/31 m EUR
Current assets	1,255.3	1,224.8
Adjustments to current assets	–441.1	–419.4
Total current liabilities	–1,193.9	–1,129.7
Adjustments to current liabilities	296.8	223.5
Net working capital	**–82.8**	**–100.9**
Total performance	2,237.2	1,551.0
Net working capital ratio in %	**–3.7**	**–6.5**

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. The change of the net working capital is, on the one hand, mainly a result of the decrease of trade accounts receivable by EUR 62.8m, as well as a result of the increase of trade accounts payable by EUR 48.9m and gross amounts due to customers for contract work as a liability by EUR 50.4m. On the other hand, advance payments received decreased by EUR 102.2m.

Financial summary

The Group reports an improved financial position with an equity amounting to EUR 333.8m as of December 31, 2016 (previous period: EUR –69.4m). At EUR 441.1m (previous period: EUR 419.4m), cash and cash equivalents remain at a high level. In financial year 2016, 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. As of the reporting date, available credit lines amounted to EUR 967.9m (previous period: EUR 1,008.5m), EUR 135.5m (previous period: EUR 141.2m) from cash credit lines and EUR 832.4m (previous period: EUR 867.3m) from guarantee lines. The latter includes an amount of EUR 7.0m for guarantee lines, jointly backed by other lenders, whereas the cash facility includes EUR 10.5m for construction financing. The main part of the EUR 950m (previous period: EUR 950m) was provided as part of a syndicated credit facility signed on March 31, 2015 and can be divided in EUR 825.0m guarantee lines and EUR 125.0m undrawn cash facility. Furthermore, as of the reporting date, contingent liabilities and other financial obligations amount to EUR 480.6m (previous period: EUR 595.0m) and EUR 93.2m (previous period: EUR 88.3m), 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 if cash credit lines are drawn on.

Apart from construction financing, as of December 31, 2016 the credit lines had only been utilized in the amount of approximately EUR 509.7m for issuance of sureties and guarantees. This was also the case for the financial year 2015, with a utilization of approximately EUR 511.6m.

In order to finance the acquisition, Senvion Holding GmbH has issued a high-yield bond with a nominal value of EUR 400.0m with a term ending November 15, 2020. This bond bears interest at a (nominal) fixed rate of 6.625% p.a. (effective rate 7.14% p.a.). The book value as of December 31, 2016 amounts to EUR 392.9m (previous period: EUR 391.4m).

For the financial year 2016, the Group reports a cash flow from operating activities of EUR 137.7m (previous period: EUR 318.1m). The lower cash flow in the period was mainly due to a change in working capital of EUR –23.4m, with the main contributors being the slight increase of inventories and the increase of gross amounts due from customers for contract work as an asset, as well as the decrease of advanced payments received. This increase in the current period was partly compensated by a decrease in trade accounts receivable, and by an increase of trade accounts payable; gross amounts due to customers for contract work as a liability and provisions.

The cash flow from investing activities amounts to EUR –105.3m (previous period: EUR –779.1m). 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 –12.3m (previous period: EUR 874.4m) reflects the acquisition of treasury shares and the repayment of long-term loans.

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)
- Arpwood Partners Investment Advisors LLP, Mumbai
- Centerbridge Partners Europe LLP, London

Arpwood Partners Investment Advisors LLP and Centerbridge Partners Europe LLP were considered related parties as individuals who were members of the Senvion S.A. Advisory Board which was abolished in March 2016. Until that date Arpwood Partners Investment Advisors LLP and Centerbridge Partners Europe LLP also held key management positions in these entities.

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.

Transactions with related parties

The following transactions contain granted loans, financial advisory services and professional and consulting fees which are presented in these consolidated financial statements and their subsidiaries as well as their related parties:

	Expenses from services/interests 2016/01/01 –2016/12/31 k EUR	Expenses from services/interests 2015/01/01 –2015/12/31 k EUR	Income from services/interests 2016/01/01 –2016/12/31 k EUR	Income from services/interests 2015/01/01 –2015/12/31 k EUR	Receivables 2016/12/31 k EUR	Receivables 2015/12/31 k EUR	Liabilities 2016/12/31 k EUR	Liabilities 2015/12/31 k EUR
Transactions between Senvion S.A. and								
CCP II/CCP III Acquisition S.à r.l., Luxembourg	7,743	23,255	0	0	0	0	0	468,819[1]
Prof. Dr. Martin Skiba, Hamburg	205	0	0	0	0	0	7	0
Matthias Schubert, Rendsburg	87	0	0	0	0	0	0	0
Transactions between subsidiaries of Senvion S.A. and								
Rapid Management L.P., Cayman Islands	0	0	4	0	64	60	0	0
Arpwood Partners Investment Advisors LLP, Mumbai	0	2,500	0	0	0	0	0	0
Centerbridge Partners Europe LLP, London	597	1,897	0	0	0	0	0	858

[1] On March 21, 2016 the IBPECs (including accrued yield) and IFPECs were converted into equity. Please refer to 6.7. “Total equity capital” in the consolidated financial statements as of and for the year ending December 31, 2016.

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 2.21bn. The slight deviation from Senvion's official guidance of EUR 2.25bn to EUR 2.30bn was caused due to a delay in project installations, which were caused by external factors, out of Senvion's control and those revenues are expected to be captured in 2017. The Group closed 2016 with a firm order intake of EUR 1.3bn. This was around EUR 300m below the forecast and was primarily due to delay at the customer end in closing financing for the projects in Chile. The delayed orders are still in the business forecast for current year and are now expected to close in 2017. Closing order book amounted to EUR 5.3bn including service order book of EUR 2.23bn and represents a healthy business situation. The Group succeeded in reaching an adjusted EBITDA margin of 9.3%, equivalent to EUR 205.6m, which is around the range that we had forecasted for the year and succeeded in its Net Working capital target of a range of plus 2% to minus 4% with a year-end Net Working Capital of minus 3.7%. The Group had furthermore provided in its prior year outlook for a modest increase in unadjusted and adjusted results from operating activities (EBIT 2015: EUR –66.6m; adjusted EBIT 2015: EUR 136.4m), EBITDA (2015: EUR 40.0m) and net result for the period (2015: EUR –106.6m), all of which were achieved in a satisfactory and stable delivery of adjusted EBIT (2016: EUR 141.9m), EBIT (2016: EUR –25.6m), EBITDA (2016: EUR 141.1m) and net result for the period (2016: EUR –65.2m), all of which were delivered due to the stable and positive business performance of Senvion GmbH and the fact it had been contributing to the Group's results during the full 12-months period of financial year 2016. Information relating to the expected future development is included in section 8 "Outlook" of this management report. For details of the computation of adjusted EBIT, adjusted EBITDA and net working capital please refer to section 4d. "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 4d "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.

In 2016, many follow-up activities were undertaken regarding the introduction of a framework compensation agreement (Entgeltrahmenabkommen ERA) within Senvion Deutschland GmbH and at PowerBlades, as well as preparations for the introduction of ERA at Senvion GmbH and Senvion Holding GmbH. As provided in the Senvion remuneration system, individual salary groups began being transferred from the lowest to the main grades in this financial year.

The Group had 4,582 employees worldwide as of December 31, 2016, with an average number of 4,136 employees during the financial year.

With the acquisition of EUROS in November 2016, Senvion gained 195 additional employees. EUROS has a portfolio of rotor blade design and construction technology with 24 employees in Germany and a production plant with 171 employees in Poland.

Additionally, as part of the acquisition of Kenersys India, a first group of employees joined Senvion in the financial year.

In-house personnel numbers were increased mainly in Manufacturing, Service and Product Development. This growth had an effect primarily in Germany, India and Portugal.

At Senvion, vocational training is offered in the areas of mechatronics and technical product design. As of December 31, 2016, 52 employees were undertaking dual vocational training.

In the second half of 2016, 160 managers attended the "Executive Training Program". During a cross-functional exchange, the participants discussed Change Management, Executive Leadership and Process Management.

Along with a development program for the careers of executives and experts, a new project management career model was launched. As such, the competence model was adjusted following the requirements of a process-driven project organization.

The "Senvion Dialog" annual performance review was adjusted to fall in line with the new strategic outlook. As part of the new "Senvion Dialog", content-related and procedural changes have been implemented.

5. Report on risks and opportunities

a. Risk management

The Group's financial, earnings and asset position is influenced by a variety of factors and risks that may impact the Company adversely. Furthermore, 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 business management of the Group has adopted binding risk policies to ensure proper risk management and commissioned risk management to create detailed training documentation for employees that is 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 document 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 risk management for further analysis and review.

The Group's internal risk policies are binding to ensure proper risk management. They have been approved by management, specify that unexpected risks must be reported immediately to the business management (ad hoc notification) and business unit-specific trainings takes place on a regular basis. The Company's risk management system is reviewed annually and subject to continuous development by the central risk management department.

The central risk management department also reports regularly to the business management and Supervisory Board 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 to 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, or the launch of technical innovations and products by competitors. This also includes the risks of market entry into new geographical areas or business segments. General global economic developments 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 central business intelligence. In order to ensure continued existence in a challenging environment, the Group will continue to cultivate new and promising markets and enter them following an extensive analysis of the opportunities and risks. 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 the coup attempt in Turkey, or by natural disasters like earthquakes or tsunamis. An opportunity for the Company is seen by its recent, successful entry into Chile and India: The Company was able to secure two significant projects totaling 300 MW in Chile and sign a framework agreement for 500 MW in India.

Further market risks as well as opportunities may arise from changes in the political landscape in established markets, such as the planned introduction of an auction system for wind energy projects in certain countries, which is expected to have a significant impact on the market. Further external influences include the unexpected vote by the British electorate to leave the EU (Brexit), as well as the election of the new US administration. The new administration has been an outspoken supporter of fossil fuels, and do not appear to be in favor of renewable energies in general, or wind power in particular.

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 insurances) 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 lasting growth.

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.

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. In one of its core market areas within Germany, projects were delayed due to deferred permission for projects by the respective authorities. Financing issues for the Company's customers may also result in the delay of projects, also potentially affecting new markets for the Company. 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.

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 exist 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, which 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, 2016.

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.

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 in Germany 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 lender in relation to defined financial indicators. Financing in place can be withdrawn only for extraordinary reasons, including failure to meet financial targets.

Financial covenants and the indenture governing the EUR 400.0m 6.625% senior secured notes due in 2020, 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.

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.

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 fails to meet the Company's expectations, Senvion faces risks that may considerably affect its asset, financial and earnings position.

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 financial year 2015. 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. In November 2015, following a recent blade incident, a detailed analysis showed that the design of these blades was the root cause of cracks. Additionally, undesired production deviations were 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.

The recent acquisition of the intellectual property (IP) for the models of former competitor Kenersys closes the gap between the Company's MM and 3.XM series. With the associated acquisition of a production facility in India, the Company can also offer locally produced turbines not only to India, but also to other potential markets, in particular to developing countries.

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 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 fully 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.

To successfully persevere in the Indian market, the Company has announced the acquisition of a production facility in India, which is seen as an opportunity to facilitate successful market entry. Additionally, in November 2016 the Company announced its intention to acquire EUROS, a German company with blade production facilities in Poland, to expand it rotor blade production capacity in order to ensure its independence from external blade producers.

Opportunities in this area are also available through service activities, which represent a high-yield 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 newly established 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, the Company may also be exposed to criminal cyber activity. To ensure its security, the Group also has its IT infrastructure and IT security regularly checked by external experts.

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 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 preventive 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 financial year 2016, 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.

6. Corporate Governance

As a Luxembourg société anonyme, the Company is subject to the corporate governance regime as set forth in particular in the Luxembourg law of August 10, 1915 on commercial companies, as amended. As a company whose 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 which meets the specific needs and interests of the Company.

The principles of Senvion's 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 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 relating questions. Besides it is also possible to use an international Whistleblower System.

The internal control systems and risk management for the establishment of financial information is described in section 5 "Report on risks and opportunities".

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 shall advise on all questions concerning the terms of service or employment of any member of the Management Board or senior employee. The Audit Committee is responsible for the consideration and evaluation of the auditing and accounting policies and its financial controls and systems. 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. Further details on the composition and purpose of these committees and of the Management Board and the Supervisory Board is described below under "Disclosures pursuant to article 11 of the Luxembourg Law on Takeovers of May 19, 2006".

The Annual General Meeting shall be held on the last Wednesday of the month of May at 10 a.m. Central European Summer Time. If such day is not a business day in Frankfurt am Main, Germany, and Luxembourg, the meeting shall be held on the next following day which is a trading day of the Frankfurt Stock Exchange and which is a business day where the banks are generally open in Frankfurt am Main, Germany, and in Luxembourg, at the same hour. 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 his shares are determined with respect to the shares held by such shareholder the 14th day before the General Meeting. Each shareholder can exercise his voting rights in person, through a proxyholder 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 Regarding Article 11 of the Law on Takeovers of May 19, 2006".

Disclosures pursuant to article 11 of the Law on Takeovers of May 19, 2006

A) For information regarding the structure of capital, reference is made to section 6.7 "Total equity capital" of the consolidated financial statements as of and for the period ending December 31, 2016.

B) The shares are freely transferable in accordance with the legal requirements for dematerialised shares which transfer shall occur by book entry transfer.

C) With regard to the shareholding structure, please refer to section 3 of the annual financial report, as well as to section 2.3.1 "Fully consolidated companies" in the consolidated financial statements as of and for the period ending December 31, 2016.

D) The Company has not issued any securities granting special control rights to their holders and has currently no employee share schemes in place.

E) The Company has currently no employee share schemes 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, 2016, 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 re-appointment.
- 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 authorised to issue shares, to grant options and any other instruments convertible into shares within the limit of the authorised capital (EUR 97.5m). This authorisation may be

renewed once or several times by a resolution of the General Meeting for a period not exceeding five years.

- 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 75m and in a price range between EUR 10 and EUR 35. The Management Board authorization is limited to 25% of the common shares.

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.

7. Events after the reporting date

Senvion will start a program to secure the company's long-term competitiveness. The initiative will identify 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. Amongst others the planned measures will lead to a reduction of an estimated 780 jobs, mainly at Senvion's facilities in Husum, Trampe and Bremerhaven in Germany and addition of around 120 jobs, primarily in low cost locations; leading to a net planned 660 reductions.

On February 20, 2017 an additional EUR 5m tranche in respect of the share buyback program was resolved. Effective February 21, 2017, Todd Morgan has stepped down from the Supervisory Board. On February 22, 2017 Ben Langworthy has been appointed as member to the Supervisory Board until the next general meeting resolve on a permanent appointment.

8. Outlook

a. Expected development of the overall economic environment

Following indications of a moderate recovery in the global economy, the World Bank estimates global growth in 2016 at a post-crisis low of 2.3%, with a projection to rise to 2.7% in 2017. As mentioned previously in this report, such growth has been affected by stalling global trade, weak investment, heightened policy uncertainty and the weaker economic situation in a number of emerging economies. Collapsing oil prices have undermined Russia's fiscal sustainability, Brazil has struggled through a deep recession and political chaos, while the Chinese economy continued to slow, hurting growth prospects in other developing countries. In the US, the Federal Reserve is considering further increases following the last interest rate hike, which could direct more funds to the country, thereby devaluing national currencies in emerging economies. This would result in more expensive debt servicing, which is conducted in US dollars. If the central banks in those countries were to follow suit, it could trigger the risk of recession.

Due to strong exports, Germany remains directly affected by developments in the global economy. As a result, the development of domestic demand is immensely important. Consumer spending acted as a mitigating factor to global developments this year. There are some indications suggesting that levels of consumer spending are likely to rise considerably, at least in the short-term. Analysts recently forecasted consumer and government spending growth of 2.0% and 4.2% respectively in comparison to the previous year. The reasons attributed to this positive development include good labor market figures and increasing wages.

Immigration from crisis-stricken countries is also a key issue this year. It will involve increased expenditure by the government, the German states and their municipalities. However, the demand for goods and economic strength is growing. Affected by the imminent increase in Iranian oil production and the subsequent cuts in production of OPEC, the price of Brent crude oil has increased from USD 28.7 to USD 56.7 since February 2016.

According to the Federal Statistical Office, the annual rate of inflation in 2016 is expected to be 0.5% compared to 2015. The development of energy prices (–2.7% in November 2015) had a negative effect on the overall rise in prices in November 2016, as had been the case in the preceding months. Excluding energy prices, the inflation rate in November 2016 would have been +1.2%. Together with low prices for non-energy commodities, this indicates low activity in the global economy, and that the downward trend in import and producer prices will remain important over the coming months.

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 and use a more conservative approach than other research companies.

Onshore

For 2017, MAKE believes that new Onshore capacity commissioned around the world will remain at a similar level to 2016, approximately 52 GW: China with around 19.5 GW (20.5 GW in 2016), the US with 8.2 GW (slightly less than in 2016), Germany with 3.7 GW (4 GW in 2016) and France with 1.1 GW (1 GW in 2016). Installation figures are expected to continue growing worldwide thanks to clarity regarding general political conditions (auction system in France, new renewable energy law in Greece) 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 solar or nuclear energy, 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 9.3 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. This technology will be promoted under the new US administration.

For Europe, MAKE is expecting 11.2 GW of newly commissioned capacity in the Onshore sector in 2017, a minor fall from the figure in 2016. Growth is primarily expected in Norway, the Netherlands and Ireland. Markets such as France and Turkey will also maintain a high level of installed volume capacity. New installations of around 3.7 GW are anticipated in the Group's core market of Germany. Looking towards 2018 (launch of the auction process), MAKE does not believe that general political conditions will create much uncertainty with regard to capital expenditure. 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 3.2 GW for 2017, which is almost twice the volume of 2016. The core markets in the Offshore sector are located in Europe. The UK (~1.2 GW), Germany (~1 GW), the Netherlands (200 MW), Belgium (165 MW) and Denmark (28 MW) could show a cumulated newly installed capacity of 2.7 GW.

MAKE believes that during 2017, further Offshore installations will occur in China (~500 MW) and South Korea (30 MW).

c. Business outlook for the Company and the Group

During 2016, Senvion successfully entered into many new markets and made robust progress along with new product upgrades. 2016 proved that Senvion is on the right path and that its strategy of entering new markets is working well. During 2017, 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 with a very efficient and nimble organization. In this transition journey, the Company plans to focus on building a sustainable platform and transforming Senvion into a truly global player in its field.

2017 – transition year with focus on strengthening market footprint

Revenues

For the 2017 fiscal year, the Company expects Group sales of between EUR 2.0bn and EUR 2.1bn[1]. This would mean that Senvion will shrink marginally compared to 2016 levels, as its core markets shrink, while volumes from its new markets will increase. We expect this shrinkage to be transitory in nature and expect to return to growth from next year onwards again. Senvion expects its service sales to continue to grow at a double digit rate in 2017 as well and expects that the influence of the strong service business will continue to increase, thereby adding additional stability to the business model.

The marginal decrease in sales, which is expected in comparison to the 2016 fiscal year, relates to the Onshore business, and primarily to the UK market. Reduced political support compared to the last ten years, the transition towards auction systems in Germany, Italy, France, and a shrinking wind market in the UK will impact Senvion sales. Sales from new markets like Norway and Chile may not fully offset the decline in revenues from mainland Europe in the short-term, but are expected to cover for the shrinkage and bring additional growth from next year onwards. During 2016, Senvion signed large conditional and frame agreements in India, Scandinavia and Australia. However, material revenues from those contracts should start showing from 2018 onwards. This already provides good visibility for 2018 revenues, which may finally culminate in robust top-line growth driven by sustainable market footprint in new markets.

Firm order intake activity

The current order book in new markets, consisting of firm orders in Norway, and conditional orders in Chile, Australia, Scandinavia, as well as the framework agreement in India and Portugal provide good visibility for 2017 and beyond. Supported by a large order pipeline and advanced customer discussions, Senvion expects to close EUR 2.0bn or more firm orders in 2017, largely driven by new markets. This would mean a growth of 53.9% and above in order intake compared to 2016 firm order intake is planned.

During 2016, Senvion also signed an agreement to acquire certain assets of Kenersys including 2 MW product portfolio, fully functional nacelle facility and service operations. The 2 MW platform of Kenersys products will complement the Company's existing platforms and help it to enter new markets.

Adjusted EBITDA margin

The Company expects to achieve adjusted EBITDA margin (consolidated earnings before interest, tax and depreciation adjusted for PPA effects and other one-off/exceptional items) between 8.0% to 8.5% in 2017. The marginal decline compared with 2016 is largely driven by operating leverage effects from a marginal decline in sales and, in particular, higher pricing pressure in the various wind markets transitioning to marked based mechanisms. The Group will continue to work on rationalizing its operating expenses and reduce material costs, and plans to partially offset some effects of pricing pressure, which then are expected to create a lean business, once the growth is expected to return from 2018 onwards.

Other KPIs

The Company made good work in our working capital and maintained the ratio to minus 3.7% in 2016. 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. Net result of the period is expected to stay in proportion with adjusted EBITDA changes.

Luxembourg, March 15, 2017

[1] Potential delays in the conversion of the 300 MW Chile order beyond couple of months may lead to a partial (or full) shift of revenues and corresponding EBITDA to 2018. The exact impact on financials can be ascertained once the order becomes firm.

Senvion S.A. (formerly Senvion S.à r.l.), Luxembourg Consolidated Financial Statements

as of and for the year ending December 31, 2016

Senvion S.A. (formerly Senvion S.à r.l.)

Consolidated income statement

	Section	2016/01/01 – 2016/12/31 k EUR	2015/01/01 – 2015/12/31[1] k EUR
Revenue	5.1	2,210,457	1,560,613
Changes in work in progress		–18,377	–38,295
Work performed by the entity and capitalized		45,099	28,665
Total performance		**2,237,179**	**1,550,983**
Other operating income	5.2	45,889	40,107
Cost of materials/cost of purchased services		–1,674,339	–1,216,639
Personnel expenses	5.3	–255,525	–154,670
Depreciation of property, plant and equipment and amortization of intangible assets		–166,763	–106,623
Other operating expenses	5.4	–212,057	–171,788
Result from operating activities before reorganization expense		**–25,616**	**–58,630**
Reorganization expenses	5.5	0	–8,010
Result from operating activities		**–25,616**	**–66,640**
Thereof EUR –104,481k impact arising from PPA effects (prior year: EUR –157,471k)			
Interest and similar financial income	5.6	638	1,040
Interest and similar financial expenses	5.6	–64,489	–61,810
Result before income taxes		**–89,467**	**–127,410**
Income taxes	6.2.3	24,232	20,848
Net result for the period		**–65,235**	**–106,562**
Share of net result for the period attributable to non-controlling interests		–1,041	–3,964
Share of net result for the period attributable to shareholders of the parent		–64,194	–102,598
Weighted average number of shares outstanding[2]	6.7	**63,947,906**	**58,591,688**
Earnings per share (basic/diluted) – in EUR per share[2]	6.7	**–1.00**	**–1.75**

[1] Senvion S.A., Luxembourg, acquired Senvion GmbH, formerly Senvion SE Hamburg as of April 29, 2015. Prior to the acquisition of Senvion GmbH, Senvion S.A. did not conduct any business operations.

[2] The calculation has been adjusted retrospectively to reflect the increase of share capital from additional paid-in capital.

Consolidated statement of comprehensive income

	2016/01/01 – 2016/12/31 k EUR	2015/01/01 – 2015/12/31 k EUR
Net result for the period	**–65,235**	**–106,562**
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax)		
Cash flow hedges	–6,326	9,546
Income taxes relating to cash flow hedges	1,852	–2,806
Expenses/income of cash flow hedges after tax	**–4,474**	**6,740**
Currency translation	–5,175	–88
Other comprehensive income	**–9,649**	**6,652**
Total comprehensive income	**–74,884**	**–99,910**
Share of total comprehensive income for the period attributable to non-controlling interests	–1,026	–3,812
Share of total comprehensive income for the period attributable to shareholders of the parent company	–73,858	–96,098

Consolidated statement of financial position

	Section	2016/12/31 k EUR	2015/12/31 k EUR
Assets			
Current assets			
Liquid funds	6.1.1	441,078	419,401
Gross amount due from customers for contract work as an asset	6.1.2	88,626	49,372
Trade accounts receivable	6.1.3	167,973	230,751
Inventories	6.1.4	430,138	416,552
Receivables from income taxes		12,982	2,664
Other financial assets	6.1.5	15,530	11,557
Other miscellaneous assets	6.1.5	98,951	94,453
Total current assets		**1,255,278**	**1,224,750**
Non-current assets			
Other intangible assets	6.2.1	600,216	687,195
Goodwill	2.3.2	4,109	0
Property, plant and equipment	6.2.2	222,116	193,198
Other financial investment		4,023	4,004
Loans granted		3,196	354
Total other non-current assets		11,687	16,692
Total non-current assets		845,347	901,443
Total assets		**2,100,625**	**2,126,193**

Shareholder equity and liabilities

	Section	2016/12/31 k EUR	2015/12/31 k EUR
Current liabilities			
Short-term loans and current portion of long-term loans	8.2	7,566	5,982
Trade accounts payable	8.2	430,966	382,035
Advance payments received	6.3.1	189,242	291,410
Gross amounts due to customers for contract work as a liability	6.1.2	122,248	71,847
Provisions	6.3.2	289,270	217,503
Deferred income	6.3.3	34,983	26,147
Income tax liabilities	6.3.4	37,447	62,375
Other financial liabilities	6.3.5	41,832	25,954
Other miscellaneous liabilities	6.3.5	40,329	46,483
Total current liabilities		**1,193,883**	**1,129,736**
Non-current liabilities			
Long-term loans	6.4	6,980	10,503
Shareholder loans	6.5	0	468,819
Deferred taxes	6.2.3	173,053	195,087
Other non-current financial liabilities	6.6	392,919	391,405
Total non-current liabilities		**572,952**	**1,065,814**
Equity			
Subscribed capital	6.7	645	78
Additional paid-in capital	6.7	503,119	26,510
Other reserves		–3,164	6,500
Currency translation		–5,430	–240
Cash flow hedging reserve		2,266	6,740
Retained earnings		–166,810	–102,616
Equity attributable to shareholders of the parent company		**333,790**	**–69,528**
Non-controlling interests	6.7	0	171
Total equity		**333,790**	**–69,357**
Total equity and liabilities		**2,100,625**	**2,126,193**

Consolidated statement of cash flows

	Section	2016/01/01 –2016/12/31 k EUR	2015/01/01 –2015/12/31 k EUR
Cash flow from operating activities			
Result before income taxes		–89,467	–127.410
Adjustments for:			
Depreciation on property, plant and equipment, amortization of intangible assets		166,763	109,568
Profit/loss from associates and joint ventures		0	0
Interest income		–638	–1,040
Interest expenses		64,489	61,810
Increase/decrease in provisions		71,477	–16,547
Profit/loss from sales of property, plant and equipment, intangible and other long-term assets		74	59
Change in working capital		–23,402	321,316
Interest received	5.6	638	1,040
Interest paid	5.6	–40,482	–27,650
Income tax paid		–11,765	–3,094
Cash flow from operating activities		**137,687**	**318,052**
Cash flow from investing activities			
Cash receipts from the sale of property, plant and equipment, intangible and other long-term assets	6.2	3,250	764
Cash payments for the purchase of intangible assets	6.2	–50,418	–32,086
Cash payments from purchase of property, plant and equipment and other long-term assets	6.2	–57,854	–16,465
Acquisition of subsidiary, net of cash acquired		–291	–731,274
Cash payments to acquire equity of associates and joint ventures		0	0
Cash flow from investing activities		**–105,313**	**–779,061**
Cash flow from financing activities			
Cash proceeds from capital increase		0	2,065
Acquisition of treasury shares		–7,082	0
Cash proceeds from borrowings		0	1,052,468
Cash repayments of amounts borrowed		–5,199	–180,105
Cash flow from financing activities		**–12,281**	**874,428**
Increase/decrease in cash and cash equivalents		**20,093**	**413,419**
Cash and cash equivalents at the beginning of the period		413,419	0
Cash and cash equivalents at the end of the period		**433,512**	**413,419**
Liquid funds	6.1.1	441,078	419,401
Short-term bank liabilities	8.2	–7,566	–5,982
Cash and cash equivalents at the end of the period		**433,512**	**413,419**

Consolidated statement of changes in shareholder equity

	Subscribed capital k EUR	Additional paid-in capital k EUR		Currency translation k EUR	Cash flow hedging reserve k EUR	Retained earnings k EUR	Equity attributable to shareholders of the parent company k EUR	Non-controlling interests k EUR	Total equity k EUR
Section	6.7	6.7						6.7	
Balance at 2015/01/01	**13**	**0**		**0**	**0**	**–19**	**–6**	**0**	**–6**
Net result for the period						–102,598	–102,598	–3,964	–106,562
Cash flow hedges					6,740		6,740		6,740
Currency translation				–240			–240	152	–88
Comprehensive Income	**0**	**0**		**–240**	**6,740**	**–102,598**	**–96,098**	**–3,812**	**–99,910**
Shareholder contribution		24,510					24,510		24,510
Capital increase	65	2,000					2,065		2,065
Loss of control in subsidiary from change in ownership interest							0	90	90
Addition of non-controlling interests							0	3,894	3,894
Balance at 2015/12/31	**78**	**26,510**		**–240**	**6,740**	**–102,616**	**–69,528**	**171**	**–69,357**
Balance at 2016/01/01	**78**	**26,510**		**–240**	**6,740**	**–102,616**	**–69,528**	**171**	**–69,357**
Net result for the period						–64,194	–64,194	–1,041	–65,235
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**	**–64,194**	**–73,858**	**–1,026**	**–74,884**
Capital increase	572	483,687					484,259	855	485,114
Aquisition of treasury shares	–5	–7,077					–7,082		–7,082
Balance at 2016/12/31	**645**	**503,120**		**–5,430**	**2,266**	**–166,810**	**333,790**	**0**	**333,790**

Notes to the consolidated financial statements

as of and for the financial year ending December 31, 2016

1 Introduction

Senvion S.A., formerly Senvion S.à r.l., ("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.

Senvion S.A. was incorporated on April 4, 2014 for the purpose of facilitating the acquisition of the entire share capital of Senvion GmbH, formerly Senvion SE and its subsidiaries, Hamburg, Germany ("Senvion GmbH Group"). The acquisition was completed on April 29, 2015. Prior to the acquisition of Senvion GmbH Group, Senvion S.A. did not conduct any business operations. Therefore, the comparability of the current year consolidated income statement and consolidated statement of cash flow with prior year is limited.

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

On February 5, 2016, the shareholders resolved to change the name from Rapid Acquisition Luxco S.à r.l. into Senvion S.à r.l. and, additionally, on March 3, 2016 the shareholders resolved to change the legal form into a public limited liability company (Société Anonyme). Senvion S.A. is listed on the Luxembourg and Frankfurt stock exchanges since March 23, 2016.

Senvion S.A. has an obligation to prepare consolidated financial statements for the financial year ending December 31, 2016 in accordance with article 309 of the Luxembourg law of December 10, 2010. The consolidated financial statements for the year ending December 31, 2016 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 15, 2017. 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 (k EUR) using commercial rounding. This may cause sums and subtotals to deviate from its arithmetical result by EUR 1k.

The consolidated financial statements are prepared on a historical cost basis, except for derivative financial instruments, which are measured at fair value as at 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. re-assesses 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 re-assesses 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:

	2016/12/31 Share in %	2015/12/31 Share in %
Holding companies		
Senvion TopCo GmbH, Hamburg, Germany	100.0	96.0
Senvion MidCo GmbH, Hamburg, Germany	100.0	100.0
Senvion Holding GmbH, Hamburg, Germany	100.0	100.0
Project companies		
Senvion Betriebs- und Beteiligungsgesellschaft mbH, Rendsburg, Germany	100.0	100.0
Yorke Peninsula Wind Farm Project Pty Ltd, Melbourne, Australia	80.0	80.0
Senvion Project Ventures GmbH, Hamburg, Germany	100.0	0.0
Senvion I Wind Development LLC, Wilmington, U.S.A.	100.0	0.0
Senvion II Wind Development LLC, Wilmington, U.S.A.	100.0	0.0
Production and services companies		
Senvion GmbH, Hamburg, Germany	100.0	100.0
PowerBlades GmbH, Bremerhaven, Germany	100.0	100.0
Senvion Deutschland GmbH, Hamburg, Germany	100.0	100.0
PowerBlades S.A., Vagos, Portugal	100.0	100.0
Ventipower S.A., Oliveira de Frades, Portugal	100.0	100.0
RiaBlades S.A., Vagos, Portugal	100.0	100.0
Senvion Indústria, S.A., Vagos, Portugal	100.0	100.0
RETC Renewable Energy Technology Center GmbH, Hamburg, Germany	100.0	100.0
Senvion India Ltd, Pune, India	100.0	100.0
PowerBlades Industries Inc., Québec, Canada	100.0	100.0
EUROS Entwicklungsgesellschaft für Windkraftanlagen mbH, Berlin, Germany	100.0	0.0
EUROS Polska sp. z o.o., Ustroń, Poland	100.0	0.0
EUROS Rotor Systems Polska sp. z o.o., Ustroń, Poland	100.0	0.0

	2016/12/31 Share in %	2015/12/31 Share in %
Sales companies		
Senvion France S.A.S. , Courbevoie, France	100.0	100.0
Senvion Italia S.r.l., Milan, Italy	100.0	100.0
Senvion Holdings Pty Ltd, Melbourne, Australia	100.0	100.0
Senvion Australia Pty Ltd, Melbourne, Australia	100.0	100.0
Senvion (Beijing) Trading Co. Ltd., Beijing, PR China	100.0	100.0
Senvion USA Corp., Denver, U.S.A.	100.0	100.0
Senvion Canada Inc., Montreal, Canada	100.0	100.0
Senvion Benelux b.v.b.a., Ostend, Belgium	100.0	100.0
Senvion UK Ltd, Edinburgh, UK	100.0	100.0
Senvion Polska, Sp.z o.o., Warsaw, Poland	100.0	100.0
Senvion Portugal S.A., Porto, Portugal	100.0	100.0
Senvion Scandinavia AB, Västerås, Sweden	100.0	100.0
Senvion Romania SRL, Bucharest, Romania	100.0	100.0
Senvion Austria GmbH, Ernstbrunn, Austria	100.0	100.0
Senvion Netherlands B.V., Nijkerk, Netherlands	100.0	100.0
Senvion Turkey Rüzgar Türbinleri Limited Şirketi, Ankara, Turkey	100.0	100.0
Senvion (Shanghai) Trading Co. Ltd, Shanghai, PR China	100.0	100.0
Senvion Japan G.K., Tokyo, Japan	100.0	0.0
Senvion Chile S.p.A., Santiago, Chile	100.0	0.0
Shelf or shell companies		
WEL Windenergie Logistik GmbH, Schloß Holte-Stukenbrock, Germany	100.0	100.0

2.3.2 Changes in the scope of consolidation

As of March 21, 2016 Rapid Management L.P., shareholder of Senvion S.A., transferred and contributed all shares held, totaling 4% of Senvion TopCo GmbH, into Senvion S.A. against issuance of new shares in the Company (please refer to section 6.7 “Total equity capital”).

Furthermore, Senvion Chile S.p.A., Santiago, effective April 2016, Senvion Japan G.K., Tokyo, effective April 2016 as well as Senvion I Wind Development LLC, Wilmington, and Senvion II Wind Development LLC, Wilmington, both effective December 2016, were established. All shares and voting rights are held by subsidiaries of Senvion S.A.

Additionally, Senvion GmbH established its 100% subsidiary Senvion Project Ventures GmbH, Hamburg, effective November 2016.

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 mould 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 recognized in the December 31, 2016 consolidated financial statements were based on a provisional assessment of their fair values. It is provisional due to the acquisition having occurred only shortly before year end 2016.

	Fair values recognized on acquisition k EUR
Liquid funds	209
Trade account receivables	511
Inventories	438
Other current assets	255
Intangible assets	5
Property, plant and equipment	10,370
Total assets	**11,788**
Trade accounts payable	781
Advance payments received	1,655
Loans	3,999
Provisions	290
Other current liabilities	8,672
Total liabilities	**15,397**
Total identified net assets at fair value	–3,609
Provisional goodwill	4,109
Provisional purchase consideration transferred	**500**

Provisional analysis of cash flows on acquisition:

	Cash flow on acquisition k EUR
Liquid funds acquired with the EUROS Group	209
Cash paid	–500
Net cash flow on acquisition	**–291**

The purchase price according to the contract can be up to EUR 8,200k and is partially dependent on valuation of certain assets and liabilities as of acquisition date. A change in purchase price will also result in an adjustment of the assets' and liabilities provisional fair values accounted for as of December 31, 2016. Provisional goodwill will likely not change materially.

The net result for the period after acquisition attributable to the EUROS Group was a loss of EUR 522k. For the financial year no revenues were included in respect of EUROS Group. Had this business combination been effected at January 1, 2016, the revenues of the Group would have been EUR 2,219,487k, and the net result for the year would have been a loss of EUR 74,378k.

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, amongst 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

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 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

3.5 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 – 5

3.6 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 pre-tax 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.

3.7 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 which 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.

3.8 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, 2016 amounts to EUR 73.6m.

This program supports longer payment terms for trade accounts payable. Participation allows Senvions 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.

3.9 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 starts, 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 which relate to future activity or costs for projects, which have not yet been dispatched to site are capitalized as inventories (work in progress).

Offshore wind turbines

In applying the percentage of completion method, 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, logistic 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.

3.10 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.

3.11 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 of borrowing cost, which is then applied to qualifying assets as a capitalization rate. The weighted average of borrowing cost is determined for each subsidiary individually where appropriate.

3.12 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.

3.13 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.

Nonmonetary 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.

3.14 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").

3.15 Share-based payments

When participation rights are granted to employees of the Group by an entity outside the Group, Senvion accounts for these transactions as equity-settled-plans when:

- The participation rights granted are its own equity instruments, or
- Senvion has no obligation to settle the share-based payment transaction

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 10 "Related parties' disclosures".

3.16 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 statements".

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 re-assessing 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.

3.17 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 warranty provisions (refer to section 6.3.2 "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 6.2.3 "Income taxes") and are described below:

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 5-year average cost rate per turbine class. For more information, refer to section 6.3.2 "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 6.2.3 "Income taxes").

3.18 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.

3.19 First-time adoption of new accounting standards

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

3.20 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 IFRS and amendments to existing IFRS 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	No	No effects
IAS 7	Disclosure Initiative (issued on January 29, 2016)	January 1, 2017	No	Effects are still being analyzed
IFRS 9	Financial instruments	January 1, 2018	Yes	Effects are still being analyzed
IFRS 15	Revenue from contracts with customers	January 1, 2018	Yes	Effects are still being analyzed
	Clarifications to IFRS 15 revenue from contracts with customers	January 1, 2018	No	Effects are still being analyzed
IFRS 16	Leases	January 1, 2019	No	Effects are still being analyzed
Amendments to IAS 12	Recognition of deferred tax assets for unrealized losses	January 1, 2017	No	No material effects
Annual improvements	Improvements to IFRS (2014–2016)			
of IFRS 12	Disclosure of interests in other entities – Clarification of the scope of the disclosure requirements in IFRS 12	January 1, 2017	No	No material effects
of IAS 28	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	No	No effects
IFRIC Interpretation 22	Foreign currency transactions and advance consideration	January 1, 2018	No	No material effects

IAS 7 – the amendments to IAS 7 "Statement of Cash Flows" should help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flow and noncash changes (such as foreign exchange gains or losses).

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 started to analyze its different revenue streams and to determine how those will be impacted by the first time application of IFRS 15.

Revenues from wind turbines
The Group expects that production, delivery, installation and commissioning will constitute a single bundled performance obligation under IFRS 15. Also, 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 considers to satisfy its performance obligation from the sale of wind turbines over time and as a result, expects to continue to be able to record revenue from the sale of wind turbines over time.

An analysis of whether adjustments will need to be made to the method by which the Group determines progress in satisfying its performance obligations from contracts is still ongoing, specifically, whether all milestones currently used in determining progress made to date for Onshore turbines can be maintained as references for completion. For Offshore wind turbine business, measuring progress by reference to cost incurred to date over total projected cost ("cost-to-cost") is expected to continue to represent the most appropriate method for measurement.

Considering the above, the Group expects some variance in revenue recognition from the first time application of IFRS 15, which is also owing to customer contracts regularly being executed and completed within a considerably short period of time smaller 1 year.

IFRS 15 also introduces guidance on how and when to include variable considerations in revenue recognition and how to account for arrangements containing financing components. However, the Group expects little change from applying IFRS 15 in this respect as variable consideration is scarce in turbine sales arrangements and prepayments are industry standard to cover for default risk and negotiated for commercial objectives rather than financing.

Revenues from service and maintenance contracts
The Group will continue to account for its service arrangements as separate contracts, as it considers them not to qualify for combination with the wind turbine sales agreements.

In executing its service contracts, the Group regularly performs a variety of activities which commonly spread evenly over the contractual period. The Group continues to analyze whether parts of its service arrangements contain distinct performance obligations and whether measurement of satisfying its obligation in providing servicing and maintenance will continue to spread evenly over the contractual period when it applies a cost-to-cost measurement method. However, it expects little variance in revenue recognition for a 12-months period.

IFRS 15 further provides more detailed presentation and disclosure requirements, which will represent a change from current practice. The impact of these disclosures is currently being assessed.

IFRS 16 "Leases" was issued in January 2016 and it 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.

In 2017, the Group plans to continue to assess the potential effect of IFRS 16 on its consolidated financial statements, but expects that under the new model, most of its operating lease arrangements disclosed under other financial obligations in section 7 "Contingent liabilities and other financial obligations" to be accounted for on balance under IFRS 16.

IFRS 9 "Financial Instruments" will replace IAS 39 "Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9". IFRS 9 brings together all three aspects of accounting for a financial instruments project: classification and measurement, impairment and hedge accounting. The Group plans to adopt the new standard on the date it becomes mandatory. The Group is still analyzing all three aspects of IFRS 9 – especially the impairment requirements of IFRS 9. The Group expects changes to its allowances from its first adoption and will continue to perform a detailed assessment to determine the extent and impact of the revised requirements, although this is currently not expected to materially affect profit and loss or equity.

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, a committee of the Supervisory Board. 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.

	2016/01/01 –2016/12/31 m EUR	2015/01/01 –2015/12/31 m EUR
Onshore segment		
Revenue		
External customers	1,629.5	1,328.2
Segment profit		
Contribution margin (CM) I	327.4	270.1

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.

	2016/01/01 –2016/12/31 m EUR	2015/01/01 –2015/12/31 m EUR
Offshore segment		
Revenue		
External customers	300.0	69.7
Segment profit		
Contribution margin (CM) I	48.9	14.3

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.

	2016/01/01 –2016/12/31 m EUR	2015/01/01 –2015/12/31 m EUR
Service and Maintenance segment		
Revenue		
External customers	276.3	160.4
Internal Services	68.7	52.9
Total revenue	**345.0**	**213.3**
Segment profit		
Contribution margin (CM) I	161.1	94.6

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 segment.

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 presented in the reconciliation primarily relates to income from licenses as well as EUR 4,585k power revenue (previous year: EUR 2,391k).

Furthermore, the reconciliation 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.

	2016/01/01 –2016/12/31	2015/01/01 –2015/12/31
	m EUR	m EUR
Germany	720.4	591.6
Great Britain	397.1	194.9
Canada	276.4	246.6
France	191.8	125.7
Portugal	158.0	68.0
Austria	71.6	31.5
Rest of the world	395.1	302.3
Total revenues	**2,210.4**	**1,560.6**

In the year under review, more than 10% (previous year 10%) of the Group's total revenue was achieved with one individual customer EUR 284.6m (previous year: EUR 254.1m).

The high amount of revenue from one customer was due to the completion of multiple contract orders in the Onshore 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 826.4m (previous year: EUR 880.4m), with the majority in Germany EUR 747.8m (previous year: EUR 823.0m).

Reconciliation

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 realization of step-ups on inventories/work in progress and amortization of intangible assets arising from the fair value measurement of assets and liabilities from the acquisition of Senvion GmbH Group (Purchase Price Allocation), costs related to the acquisition of Senvion GmbH Group (other operating expenses) as well as other transaction costs incurred in connection with the change in shareholder and the IPO. Further, reported figures are adjusted for technical issues related to 6XM WTG series Offshore blades.

In contrast to prior year, adjustments of the general warranty provisions are not considered as an adjustment in determining adjusted EBITDA anymore, as the fleet has matured substantially. Consequentially, any general warranty provision change is no longer regarded to be an extraordinary, adjustable event (please refer to section 6.3.2 "Provisions").

Segment reporting for the financial year 2016

	Onshore	Offshore	Services and maintenance	Segment totals 2016/01/01 – 2016/12/31	Reconciliation 2016/01/01 – 2016/12/31	Group 2016/01/01 – 2016/12/31
	m EUR	m EUR	m EUR	m EUR	m EUR	m EUR
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**

Segment reporting for the financial year 2015

	Onshore	Offshore	Services and maintenance	Segment totals 2015/01/01 – 2015/12/31	Reconciliation 2015/01/01 – 2015/12/31	Group 2015/01/01 – 2015/12/31
	m EUR	m EUR	m EUR	m EUR	m EUR	m EUR
Revenues	**1,328.2**	**69.7**	**213.3**	**1,611.2**	**–50.6**	**1,560.6**
Cost of materials/cost of purchased services	–998.8	–52.3	–73.0	–1,124.1		
Personnel expenses	–23.3	–1.2	–34.0	–58.5		
Other operating expenses	–36.0	–1.9	–11.7	–49.6		
Contribution margin I	**270.1**	**14.3**	**94.6**	**379.0**		
Intersegment elimination and unallocated revenues				–50.6		
Unallocated changes in work in progress & cost of materials/cost of purchased services				–26.1		
Work performed by the entity and capitalized				28.7		
Other operating income				33.3		
Unallocated personnel expenses				–96.2		
Unallocated other operating expenses				–94.4		
Adjusted EBITDA				**173.7**		
Depreciation and amortization				–37.3		
Adjusted EBIT				**136.4**		
Acquisition-related cost				–21.8		
Other transaction cost				–5.9		
Specific provision related to 6XM WTG series				–13.5		
General warranty provision				3.7		
Effects from purchase price allocation				–157.5		
Reorganisation Reorganization expense				–8.0		
Result from operating activities (EBIT)				**–66.6**		**–66.6**
Interest result				–60.8		
Result before income taxes (EBT				**–127.4**		**–127.4**

5 Consolidated income statement

Senvion S.A., Luxembourg acquired Senvion GmbH Group, Hamburg, on April 29, 2015. Prior to the acquisition of Senvion GmbH Group, Senvion S.A. did not conduct any business operations. Hence only a limited comparison can be made between the financial figures of the financial year 2016 and the previous period.

5.1 Revenue

In the financial year 2016, the operations of the Group companies related almost exclusively to the development and manufacture of wind turbines and wind turbine projects.

	2016/01/01 –2016/12/31 k EUR	2015/01/01 –2015/12/31 k EUR
Revenue from the sale of Onshore wind turbines	1,629,578	1,328,204
Revenue from the sale of Offshore wind turbines	300,001	69,662
Services	276,293	160,356
Other	4,585	2,391
Revenue	**2,210,457**	**1,560,613**

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

	2016/01/01 –2016/12/31 k EUR	2015/01/01 –2015/12/31 k EUR
Germany	420,359	517,745
United Kingdom	397,075	179,514
Canada	276,401	237,758
France	191,753	105,427
Portugal	158,012	67,965
Austria	71,610	31,466
Australia	1,821	25,825
USA	24	326
Rest of the world	112,523	162,178
Revenue	**1,629,578**	**1,328,204**

Senvion has a multi-MW product portfolio, which ranges from 2 to 6.15 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 and the Senvion 6.2M152 with 6.15 MW output

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

	2016/01/01 –2016/12/31 k EUR	2015/01/01 –2015/12/31 k EUR
MM92	568,728	488,430
3.2M	419,029	391,778
6M	300,001	52,922
3.4M	240,819	154,853
MM100	168,834	162,067
MM82	144,111	101,811
3.0M	88,057	29,265
6M+	0	9,233
5M	0	7,507
Revenue from sale of wind turbines	**1,929,579**	**1,397,866**

5.2 Other operating income

Other operating income is composed as follows:

	2016/01/01 –2016/12/31 k EUR	2015/01/01 –2015/12/31 k EUR
Insurance payments/compensations	21,431	2,552
Currency translation gains	12,869	20,917
Investment subsidies, research and development subsidies	3,373	1,773
Income from hedging transactions	1,478	2,467
Income from reversal of provisions	913	290
Income from reversal of bad debt allowances	176	890
Gain from bargain purchase	0	6,773
Other	5,649	4,445
	45,889	**40,107**

Please refer to section 5.4 for currency translation losses.

5.3 Personnel expenses

	2016/01/01 –2016/12/31 k EUR	2015/01/01 –2015/12/31 k EUR
Wages and salaries	214,600	130,279
Social security contributions	40,925	24,391
	255,525	**154,670**

The average number of employees in the financial year 2016 was 4,136 (previous year: 3,843). Out of that figure, the average number of administrative staff was 2,115 (previous year: 1,925) and there were 2,021 industrial employees (previous year: 1,918).

The amount paid by the company in contributions to national pension schemes amounts to EUR 11.1m in the financial year 2016 (previous year: EUR 6.6m).

5.4 Other operating expenses

Other operating expenses are composed as follows:

	2016/01/01 –2016/12/31 k EUR	2015/01/01 –2015/12/31 k EUR
Legal and consulting costs	58,473	52,774
Purchased services	37,985	28,605
Office and land costs	17,019	10,726
Travel expenses	13,951	7,893
Currency translation losses	13,536	15,457
IT & telecommunication costs	11,841	9,300
Compensation for loss of production	11,121	6,300
Cost of training and appointing staff	10,161	6,655
Vehicle costs	8,729	5,078
Write-offs/write-downs of receivables	2,735	4,213
Expense from hedging transactions	91	2,830
Other	26,415	21,957
	212,057	**171,788**

5.5 Reorganization expenses

On October 22, 2015, the Group decided to restructure its subsidiary PowerBlades Inc., Ontario, Canada. The closure of the factory resulted in restructuring costs of EUR 8,010k and was caused by low order intake volume, whereby the factory could not establish a cost-covering production. The restructuring costs are composed of employee termination benefits EUR 1,960k, cost of sales EUR 1,236k, impairments EUR 2,945k and other operating expenses amounting to EUR 1,869k.

5.6 Financial result

Financial result is composed as follows:

	Section	2016/01/01 –2016/12/31 k EUR	2015/01/01 –2015/12/31 k EUR
Interest and similar financial income			
Other interests and similar income		638	1,040
Interest and similar financial expenses			
High-yield bond	6.6	–28,013	–18,695
Guarantee commission		–11,465	–7,629
Preferred equity Certificates		–7,743	–23,255
Deferred financing fees for guarantees	6.4	–5,133	–2,958
Other		–12,135	–9,273
		–64,489	–61,810
Financial result		**–63,851**	**–60,770**

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.

	2016/12/31 k EUR	2015/12/31 k EUR
Gross amount due from or to customers	908,447	714,015
Less advance payments received	–942,069	–736,490
	–33,622	**–22,475**

The net amount of EUR –33,622k (previous year: EUR –22,475k) consists of gross amounts due from customers for contract work as an asset with an amount of EUR 88,626k (previous year: EUR 49,372k) and to customers as a liability with an amount of EUR 122,248k (previous year: EUR 71,847k) as of December 31, 2016.

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

Changes in bad debt allowances	2016/12/31 k EUR	2015/12/31 k EUR
At the beginning of the financial year	538	0
Reversals and utilizations	–438	0
Additions	0	538
At the end of the financial year	**100**	**538**

The contract revenues for the respective financial year:

	2016/01/01 –2016/12/31 k EUR	2015/01/01 –2015/12/31 k EUR
Contract revenue for the period	1,929,579	1,397,866

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

	2016/12/31 k EUR	2015/12/31 k EUR
Aggregated amount of costs incurred to date	909,260	581,326

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.

	2016/12/31 k EUR	2015/12/31 k EUR
Trade accounts receivable (after bad debt allowances)	167,973	230,751

Bad debt allowances on trade accounts receivable:

Changes in bad debt allowances	2016/12/31 k EUR	2015/12/31 k EUR
At the start of the financial year	954	0
Reversals and utilizations	–164	0
Additions	2,207	954
At the end of the financial year	**2,997**	**954**

The maturity structure of trade accounts receivable:

		Not past due as at the end of the reporting period nor impairment	As at the end of the reporting period past due as follows		
			Less than 30 days	Between 30 and 180 days	More than 180 days
	k EUR	k EUR	k EUR	k EUR	k EUR
As of 2016/12/31					
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
As of 2015/12/31					
Trade accounts receivable before bad debt allowances	**231,705**	183,487	10,127	18,517	19,574
Thereof past due but not impaired	**45,669**	–	10,127	18,247	17,295
Thereof past due and impaired	**2,549**	–	0	270	2,279
Bad debt allowances	**954**	0	0	135	819
Trade accounts receivable after bad debt allowances	**230,751**	183,487	10,127	18,382	18,755

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 at 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, 2016 the value of the collateral received was EUR 1,655.63m (previous year: EUR 2,845.25m).

There were no trade accounts receivable whose terms were renegotiated and that would otherwise have been overdue or impaired as of December 31, 2016.

6.1.4 Inventories

	2016/12/31 k EUR	2015/12/31 k EUR
Raw materials and supplies	302,653	270,690
Work in progress	127,485	145,862
	430,138	**416,552**

Valuation allowances on inventories:

	2016/12/31 k EUR	2015/12/31 k EUR
Inventories before valuation allowances	472,007	433,233
Thereof not impaired	420,151	411,323
Thereof impaired	51,856	21,900
Valuation allowance	–41,869	–16,671
	430,138	**416,562**

Expenses for raw materials and supplies amounted to EUR 1,271,577k in the financial year 2016 (previous year: EUR 1,013,237k).

6.1.5 Other current assets

This item is composed of as follows:

	2016/12/31 k EUR	2015/12/31 k EUR
Other financial assets		
Derivative financial instruments	3,273	9,136
Others	12,257	2,421
	15,530	**11,557**
Other miscellaneous assets		
Receivables from other taxes	65,617	44,252
Advance payments on inventories	10,847	20,077
Deferred financing fees for guarantees	5,009	5,007
Others	17,478	25,117
	98,951	**94,453**

As of August 12, 2016 Senvion entered into an Asset Purchase Agreement with Kenersys India Private Limited, Pune, India 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 5.6m and on intellectual property of EUR 2.2m (including transactions costs) was made until December 31, 2016, included under prepayments. The prepayment of EUR 5.6m on inventories is shown within the cash flow from operating activities whereas the prepayment of EUR 2.2m on intellectual property is shown in the cash flow from investing activities. The Group expects to conclude the acquisition and account for it as a business combination in the first half of 2017.

6.2 Total non-current assets

6.2.1 Other intangible assets

In the financial year 2016 research and development costs amounted to EUR 68,282k (previous year: EUR 43,835k).

Of the development costs EUR 45,077k were capitalized in the financial year 2016 (previous year: EUR 28,665k). Amortization of capitalized development costs amounted to EUR 23,958k (previous year: EUR 10,290k).

Technology that was acquired by Senvion S.A. through the acquisition of Senvion GmbH was amortized to the amount of EUR 90,908k in the financial year 2016 (previous year: EUR 60,605k). Amortization of customer relationships amounted to EUR 12,074k in the financial year 2016 (previous year: EUR 8,692k).

6.2.2 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.

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 46,678k (previous year: EUR 46,478k) serve as collateral in the financial year presented (refer to section 6.4 "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 3,373k in Germany (previous year: EUR 1,895k).

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

Outside Germany, Senvion received no grants for subsidies in the current year (previous year: CAD 4k in Canada).

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

Acquisitions and production costs

	Balance 2016/01/01 k EUR	Additions k EUR	Additions from first consolidation k EUR	Reclassifications k EUR	Disposals k EUR	Exchange differences k EUR	Balance 2016/12/31 k EUR
I. Intangible assets							
1. Other licences	19,237	2,743	5	2,140	–332	21	23,814
2. Goodwill	0	0	4,109	0	0	0	4,109
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**	**4,114**	**16**	**–332**	**–3,740**	**821,416**
II. Property, plant and equipment							
1. Land, leasehold rights and buildings on non-owned land	110,745	3,522	7,428	197	–4,317	331	117,906
2. Technical equipment, plant and machinery	58,541	30,688	2,742	1,455	–4,818	421	89,029
3. Other equipment, fixtures, fittings and equipment	30,148	13,286	188	70	–2,397	–327	40,968
4. Advance payments and plant and machinery in process of construction	17,081	7,149	12	–1,738	–1,551	0	20,953
Total property, plant and equipment	**216,515**	**54,645**	**10,370**	**16**	**–13,083**	**425**	**268,856**
Total	**987,466**	**105,052**	**14,484**	**0**	**–13,415**	**–3,315**	**1,090,272**

Depreciation and amortization

	Balance 2016/01/01 k EUR	Additions k EUR	Reclassifications k EUR	Disposals k EUR	Exchange differences k EUR	Balance 2016/12/31 k EUR	**Book values** 2015/12/31 k EUR	**Book values** 2016/12/31 k EUR
I. Intangible assets								
1. Other licences	4,106	6,587	0	–203	11	10,501	15,131	13,313
2. Goodwill	0	0	0	0	0	0	0	4,109
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**	**133,527**	**0**	**–203**	**11**	**217,091**	**687,195**	**604,325**
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	111,385
2. Technical equipment, plant and machinery	12,852	19,429	347	–3,849	119	28,898	45,689	60,131
3. Other equipment, fixtures, fittings and equipment	4,762	8,969	–394	–1,759	–257	11,321	25,386	29,647
4. Advance payments and plant and machinery in process of construction	0	0	0	0	0	0	17,081	20,953
Total property, plant and equipment	**23,317**	**33,236**	**0**	**–9,888**	**75**	**46,740**	**193,198**	**222,116**
Total	**107,073**	**166,763**	**0**	**–10,091**	**86**	**263,831**	**880,393**	**826,441**

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

Acquisitions and production costs

	Balance 2015/01/01 k EUR	Additions k EUR	Additions from first consolidation k EUR	Reclassifications k EUR	Disposals k EUR	Exchange differences k EUR	Balance 2015/12/31 k EUR
I. Intangible assets							
1. Other licences	0	1,613	14,817	2,870	–17	–46	19,237
2. Brand name	0	0	2,521	0	0	0	2,521
3. Customer Relationship	0	0	193,137	0	0	0	193,137
4. Technology (incl. capitalized development costs)	0	28,665	525,205	0	0	0	553,870
5. Advance payments	0	1,843	3,213	–2,870	0	0	2,186
Total intangible assets	**0**	**32,121**	**738,893**	**0**	**–17**	**–46**	**770,951**
II. Property, plant and equipment							
1. Land, leasehold rights and buildings on non-owned land	0	771	109,514	1,092	–48	–584	110,745
2. Technical equipment, plant and machinery	0	6,043	51,292	2,940	–1,409	–325	58,541
3. Other equipment, fixtures, fittings and equipment	0	7,799	23,517	65	–1,075	–158	30,148
4. Advance payments and plant and machinery in process of construction	0	2,512	18,778	–4,097	–100	–12	17,081
Total property, plant and equipment	**0**	**17,125**	**203,101**	**0**	**–2,632**	**–1,079**	**216,515**
Total	**0**	**49,246**	**941,994**	**0**	**–2,649**	**–1,125**	**987,466**

Depreciation and amortization | **Book values**

	Balance 2015/01/01 k EUR	Additions k EUR	Restructuring Expenses k EUR	Reclassifications k EUR	Disposals k EUR	Exchange differences k EUR	Balance 2015/12/31 k EUR	2015/12/31
I. Intangible assets								
1. Other licences	0	4,127	0	0	–9	–12	4,106	15,131
2. Brand name	0	0	0	0	0	0	0	2,521
3. Customer Relationship	0	8,692	0	0	0	0	8,692	184,445
4. Technology (incl. capitalized development costs)	0	70,896	0	0	0	0	70,896	482,974
5. Advance payments	0	62	0	0	0	0	62	2,124
Total intangible assets	**0**	**83,777**	**0**	**0**	**–9**	**–12**	**83,756**	**687,195**
II. Property, plant and equipment								
1. Land, leasehold rights and buildings on non-owned land	0	3,461	2,421	0	–4	–175	5,703	105,042
2. Technical equipment, plant and machinery	0	13,513	524	0	–1,058	–127	12,852	45,689
3. Other equipment, fixtures, fittings and equipment	0	5,872	0	0	–992	–118	4,762	25,386
4. Advance payments and plant and machinery in process of construction	0	0	0	0	0	0	0	17,081
Total property, plant and equipment	**0**	**22,846**	**2,945**	**0**	**–2,054**	**–420**	**23,317**	**193,198**
Total	**0**	**106,623**	**2,945**	**0**	**–2,063**	**–432**	**107,073**	**880,393**

6.2.3 Income taxes

Current income tax expenses and deferred taxes in individual countries are reported as income taxes. Income tax expense is as follows:

	2016/12/31 k EUR	2015/12/31 k EUR
Deferred taxes	**11,530**	**56,260**
Thereof temporary differences	7,208	52,308
Thereof tax loss carryforwards and tax credits	4,322	3,952
Current income taxes	–2,624	–23,986
Current income taxes for previous years	15,326	–11,426
Income taxes	24,232	**20,848**

A significant proportion of the Group's operations is located in Germany and is subject to taxation in this jurisdiction. Accordingly, the Group uses the German tax rate as a base reference.

Unchanged to prior year, the corporation tax rate for companies in Germany was 15% plus a solidarity surcharge of 5.5%, meaning that the total corporation tax rate was 15.825%. Including trade tax, the total tax rate for the Group was 29.715% in the financial year 2016 (prior year: 29.395%).

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

The effects of different tax rates in Germany and abroad compared with the tax rate of the Group are presented under tax rate differences in the following reconciliations:

	2016/12/31 k EUR	2015/12/31 k EUR
IFRS result before income taxes	**–89,467**	**–127,410**
Expected income taxes	26,585	37,452
Income taxes for previous year	2,815	–368
Nondeductible operating expenses	–763	–767
Additions to/reductions in trade income tax	–2,155	–1,801
Changes in tax rates	–1,658	–314
Different foreign tax rates	826	262
Unrecorded deferred taxes on tax loss carryforwards	–5,100	–11,720
Other tax effects	3,682	–1,896
Actual income taxes	**24,232**	**20,848**

In financial year 2015, income tax expenses for previous years of EUR 368k mainly consisted of income tax expenses of EUR 11,426k and deferred tax income of EUR 11,058k. The income tax expenses for previous years were the result of an adjustment to assets' and liabilities' tax base following an ongoing tax audit in fiscal year 2015. The adjustment however also resulted in a deferred tax asset being recorded on the temporary differences arising from the revision of tax bases for previous years with a corresponding deferred tax income. In the current financial period, the tax field audit has been concluded and assets' and liabilities' tax bases for previous years were adjusted to reflect the results of the audit. Accordingly, this caused an adjustment to deferred and current income taxes at a net income amount of EUR 2,815k, consisting of current tax income of EUR 15,326k and deferred tax expense of EUR 12,511k.

Unrecorded deferred taxes on tax loss carryforwards mainly relate to interest carryforwards (interest barrier regulation) of EUR 5,159k (prior year: EUR 11,471k). A total of EUR 19,657k (prior year: EUR 44,115k) interest expense was not deductible in the period December 31, 2016. No deferred tax asset was recorded as the Group estimates the interest carryforward will not be utilized against taxable profit within the next years.

Deferred tax assets and deferred tax liabilities as at the respective reporting dates:

	2016/12/31 k EUR	2015/12/31 k EUR
Deferred tax assets		
Tax loss carryforwards and tax credits	13,977	10,001
Provisions	2,653	31,215
Property, plant and equipment	630	25
Trade accounts payable and liabilities to related parties	8,248	1,300
Other	9,122	8,042
Total deferred tax assets	**34,630**	**50,583**
Offsetting	–34,630	–50,583
Deferred tax assets after offsetting	**0**	**0**
Deferred tax liabilities		
Gross amounts due from customers for contract work	29,098	26,126
Technology (including capitalized development costs)	174,952	198,589
Provisions	34,547	0
Property, plant and equipment	18	576
Shareholder loans	0	10,117
Other	3,615	10,262
Total deferred tax liabilities	**207,683**	**245,670**
Offsetting	–34,630	–50,583
Deferred tax liabilities after offsetting	**173,053**	**195,087**

Deferred taxes include deferred tax liabilities of EUR 702k (previous year: EUR 12,673k) for temporary differences recognized and recorded in other comprehensive income. Also, an amount of EUR 8,552k previously recorded as deferred tax liability was recorded directly in equity (additional paid-in capital) upon conversion of Shareholder loans into equity, reference is made to section 6.7 "Total equity capital".

Deferred taxes on tax loss carry forwards are recognized in the amount of the expected utilizable tax losses of the German and international Group companies. The key factor for determining the value of deferred tax assets is the estimated reversal of the measurement differences and the usability of the tax loss carry forwards which led to deferred

tax assets. This depends on the occurrence of future taxable profit during the periods in which tax measurement differences are reversed and tax loss carry forwards can be utilized and on the reversal of temporary differences. According to the current status, tax loss carry forwards, for which deferred tax assets were recognized, can be carried forward without restriction in subsequent years in all countries where tax loss carry forwards exist.

No deferred tax assets were recognized on corporation tax losses totaling EUR 3,780k (previous year: EUR 4,335k) as well as trade tax losses of EUR 43k (previous year: EUR 39k) in financial year 2016 due to the lack of prospects for offsetting in the near future.

According to IAS 12 deferred taxes have to be recognized for temporary differences between the tax base of investments in subsidiaries, associates and interests in joint ventures and the equity of these subsidiaries, associates and joint ventures in Group accounting (so called outside basis differences) to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. As Senvion GmbH and the concerned subsidiaries qualify as limited liability companies a future reverse of these differences will mainly be tax exempt according to § 8b KStG and hence qualify as a permanent difference. According to IAS 12.39 no deferred tax liability shall be recognized for any possible temporary differences (e.g. resulting from fictitious 5% non-deductible expenses related to tax free income from subsidiaries (§ 8b III KStG)) if the parent company is able to control that the temporary differences will not reverse in the foreseeable future. As no reversal of such temporary differences is expected, the existing deferred taxes liability related to outside basis differences of EUR 702k were not recognized.

6.3 Total current liabilities

6.3.1 Advance payments received

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

6.3.2 Provisions

Provisions developed as follows in the financial year 2016:

	As at 2016/01/01	Addition	Utilization	Reversal	As at 2016/12/31
	k EUR	k EUR	k EUR	k EUR	k EUR
Specific warranty provisions	167,186	138,442	–74,727	0	230,901
General warranty provisions	39,571	22,250	–29,721	–4,059	28,041
Warranty provisions	**206,757**	**160,692**	**–104,448**	**–4,059**	**258,942**
Other provisions	10,746	28,964	–8,517	–865	30,328
Total provisions	**217,503**	**189,656**	**–112,965**	**–4,924**	**289,270**

Specific warranty provisions as of December 31, 2016 amount to EUR 230.9m (previous period: EUR 167.2m). The rise of specific warranty provision results mainly from expected costs increase for technical issues within Offshore blades (6.XM WTG series) due to updates on the root cause analysis results as well as consequent updates to the blade design and additional sourcing as the company decided to replace blades instead of repairing them. The majority of repair and replacement works will be executed in 2017, with cash outflows mainly comprising logistic cost for On- and Offshore works during the replacement, additional cost for blades used in replacement, repair and inspection cost until the replacement campaign is completed and liquidated damages incurred for down time during inspection and replacement works. The assumptions used in determining the expected cash outflow include inspection intervals and length, work and repair time per turbine, bad weather and production and installation timing of redesigned blades, which are subject to uncertainty.

The development of general warranty provisions reflects the decrease in the number of WTGs and an improvement in product quality over the years.

Other provisions contain provisions for litigations and arbitration proceedings, for which additional disclosures are not made in accordance with IAS 37.92.

6.3.3 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.

6.3.4 Income tax liabilities

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

6.3.5 Other current liabilities

Other current liabilities are composed as follows:

	2016/12/31	2015/12/31
	k EUR	k EUR
Other financial liabilities		
Liabilities to employees	29,608	20,561
Derivative financial instruments	1	800
Other	12,223	4,593
	41,832	**25,954**
Other miscellaneous liabilities		
Liabilities from other taxes	30,166	34,732
Social security liabilities	1,661	1,853
Other	8,502	9,898
	40,329	**46,483**

6.4 Long-term loans

Long-term loans totaling EUR 9,303k as of December 31, 2016 (previous year: EUR 10,503k) 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 April 29, 2015, the Group acceded a syndicated line of credit for EUR 950,000k. EUR 825,000k of this syndicated credit line can be utilized in the form of guarantees and EUR 125,000k as a cash loan until March 31, 2020. As of December 31, 2016, short-term deferred financing fees amounted to EUR 5,009k (previous year: EUR 5,007k) and long-term deferred financing fees amounted to EUR 11,687k (previous year: EUR 16,692k). 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".

6.5 Shareholder loans

The Shareholder loans (PECs) have been contributed in kind as part of a capital increase (previous year: EUR 468,819k). For details please refer to section 6.7 "Total equity capital".

6.6 Other non-current financial liabilities

In order to refinance the acquisition, the Group has issued a high-yield bond with a nominal value of EUR 400m with a term ending November 15, 2020. Transaction costs of EUR 9,549k that are directly attributable to that transaction were recognized as part of the effective interest method. This bond bears interest at a (nominal) fixed rate of 6.625% p.a. (effective rate: 7.14% p.a.). The book value as of December 31, 2016 is EUR 392,919k (previous year: EUR 391,405k).

The related interest expense amounted to EUR 28,013k in the current financial year (previous year: EUR 18,695k).

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, 2016 (previous year: 7,812,500 shares with a nominal value of EUR 0.01).

Contribution in kind of Minority interest held in Senvion TopCo GmbH and Shareholder loans

On March 21, 2016, the Company's extraordinary general meeting of shareholders resolved to increase share capital, resulting in a final share capital of EUR 650,000 represented by 65,000,000 ordinary shares with a par value of EUR 0.01 each. This capital increase was realized by (i) Rapid Management LP contributing its shares in Senvion TopCo GmbH (4%) to the Company in exchange for 167,938 new, ordinary shares in the Company, (ii) CCP II, CCP III and Rapid Partners contributing their Shareholder loans (PECs) in the Company (including accrued yield on the interest-bearing PECs) to the Company in exchange for 2,454,694; 831,190 and 850,894 new, ordinary shares in the Company, and (iii) a conversion of additional paid-in capital into subscribed capital (EUR 528,878).

The contribution was recorded at the carrying amount of the Shareholder loans, including accrued interest and deferred tax thereon, (PECs) extinguished at the date of contribution (EUR 485,114k).

Conversion of Shareholder loans as of March 21, 2016	k EUR
Shareholder loans as of December 31, 2015	468,819
Accrued interests from January 1, 2016 until March 21, 2016 for the interest bearing IBPEC's	7,743
Deferred Taxes	8,552
Increase in equity	**485,114**
Thereof conversion in shares	43
Thereof increase in additional paid-in capital	485,071

The Company exercised control over Senvion TopCo GmbH with an interest of 96% prior to contribution of the remaining 4% in Senvion TopCo GmbH by the Company's Shareholder Rapid Management LP. As such, the carrying amount of non-controlling interest (EUR 855k) was offset against the increase in additional paid in capital at the date of contribution. No gain or loss was recorded as a result of the capital increase.

Increase of share capital from reserve

On March 21, 2016 the shareholders resolved an increase in capital by issuance of new shares via contribution in kind (EUR 43k; see table above), as well as through the conversion of a special reserve account amounting to EUR 529k in total.

The following table summarizes the number of shares issued prior and post the capital increase through contribution in kind and the increase of share capital from reserve.

	Shares before contribution	Contribution in kind	Increase of share capital from reserve	Total
CCP II Acquisition S.à r.l., Luxembourg	4,450,373	2,454,694	30,433,168	37,338,235
CCP III Acquisition S.à r.l., Luxembourg	1,506,952	831,190	10,305,052	12,643,194
Rapid Partners. L.P. Cayman Islands	1,542,675	850,894	10,549,338	12,942,907
Rapid Management, L.P. Cayman Islands	312,500	167,938	1,595,226	2,075,664
	7,812,500	**4,304,716**	**52,882,784**	**65,000,000**

As of April 2016 CCP II, CCP III, Rapid Partners and Rapid Management LP are holding together 73.6% of the shares. The remaining 26.4% is held by funds, institutional investors such as asset managers, banks and insurance companies as well as private investors.

Additional paid-in capital

The increase in additional paid-in capital of EUR 476,610k results mainly from the conversion of interest-free and interest-bearing Shareholder loans (PECs) into equity capital (EUR 484,542k). This is by way of contribution in kind, under consideration of the difference between the fair value of the PECs and the nominal amount as at a contribution date and deferred taxes thereon and a decrease of EUR 7.1m for the acquisition of treasury shares (please refer to authority to acquire own shares).

Non-controlling interests

As at March 21, 2016 Rapid Management L.P. transferred and contributed all shares held, totaling 4% of Senvion TopCo GmbH, into Senvion S.A. against 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 five years to acquire shares for a maximum aggregate consideration of EUR 75m 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 a 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 480,362 common shares for a total consideration of EUR 7.1m during the financial year 2016.

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 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.

7 Contingent liabilities and other financial obligations

	2016/12/31 k EUR	2015/12/31 k EUR
Other financial obligations		
Obligations from leases and rental contracts		
Due within one year	25,230	22,168
Due within 1 and 5 years	27,660	28,356
Due in more than 5 years	40,276	37,811
	93,166	**88,335**
Purchase commitments	**480,552**	**595,004**
Thereof for purchase of inventories	469,292	588,739
Thereof for purchase of property, plant and equipment	11,260	6,265

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 26,904k (previous year: EUR 14,343k) were recognized for leases and rental contracts in the financial year 2016.

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 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, 2016 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.

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

2015/12/31	USD	AUD	CAD	GBP
Sensitivity analysis – Total	Profit impact in k EUR			
Exchange rate +10%	–549	–1,033	–2,606	–2,251
Exchange rate –10%	671	1,263	2,417	2,752

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.

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

2015/12/31	Fair value of derivative financial instruments designated as cash flow hedges
Sensitivity analysis – Total	Impact on equity in k EUR
Exchange rate +10%	15,370
Exchange rate –10%	–18,785

At Senvion Group, exchange rate risk primarily arises from operating activities when contracts are arranged in a currency other than euros. 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, 2016 is as follows:

2016/12/31	Credit facility total m EUR	Utilized m EUR	Remaining m EUR
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**

* Thereof EUR 0.1m is from rental guarantees

2015/12/31	Credit facility total m EUR	Utilized m EUR	Remaining m EUR
Syndicated line of credit	950.0	479.0	471.0
Guarantees	825.0	479.0	346.0
Cash loan	125.0	0.0	125.0
Guarantees other	42.3	32.6*	9.7
Total	**992.3**	**511.6**	**480.7**

* Thereof EUR 1.7m is from rental guarantees

For further details related to credit facilities please see section 6.4 "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 Senvion'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 at 2016/12/31 k EUR	Cash flows up to 1 year k EUR	Cash flows between 1 and 5 years k EUR	Cash flows more than 5 years k EUR
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	41,831	41,831	0	0
Total	**880,263**	**507,318**	**487,983**	**0**

	Carrying amount as at 2015/12/31 k EUR	Cash flows up to 1 year k EUR	Cash flows between 1 and 5 years k EUR	Cash flows more than 5 years k EUR
Short-term loans and current portion of long-term loans	5,982	6,634	0	0
Thereof redemption payments		5,982	0	0
Thereof interest payments		652	0	0
Trade accounts payable	382,035	382,035	0	0
Derivatives	800	800		
Long-term loans	10,503	0	11,209	0
Thereof redemption payments		0	10,503	0
Thereof interest payments		0	706	0
Shareholder loans	468,819	28,436	113,512	1,185,045
Thereof redemption payments				503,973
Thereof interest payments		28,436	113,512	681,072
Other non-current financial liabilities	391,405	26,500	507,104	0
Thereof redemption payments			400,000	0
Thereof interest payments		26,500	107,104	0
Other financial liabilities	25,154	25,154	0	0
Total	**1,284,698**	**469,559**	**631,825**	**1,185,045**

This table contains the financial instruments held as of December 31, 2016, for which the Group had entered into contractual payment obligations. Foreign currency amounts are converted using the respective closing rates.

Group outstanding 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, 2016 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, 2016 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, 2016:

	2016/12/31		2015/12/31	
	Carrying amount	Nominal value	Carrying amount	Nominal value
	k EUR	k EUR	k EUR	k EUR
Assets				
Forward exchange swaps				
Not used in hedges	918	51,198	0	0
Forward exchange contracts				
Not used in hedges	0	0	387	4,351
Used in cash flow hedges	2,355	24,550	8,749	172,329
Liabilities				
Forward exchange swaps				
Not used in hedges	1	24,591	0	0
Forward exchange contracts				
Not used in hedges	0	0	733	9,969
Used in cash flow hedges	0	0	67	6,510

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 –4,474k (in the financial year 2015: EUR 6,740k).

During the financial year 2016, the amount transferred from other comprehensive income to profit or loss as part of cash flow hedge accounting was EUR 4,859k, which is presented in "Revenue" as the underlying hedge transactions pertain to sales contracts (Previous year: EUR 2,122k presented in "Other operating income" and EUR –779k presented in "Other operating expenses").

As of December 31, 2016 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:

Occurence and recognition in profit and loss	Carrying amount	up to 1 year	between 1 and 5 years	more than 5 years
	k EUR	k EUR	k EUR	k EUR
2016/12/31				
Forward exchange contracts				
Assets	2,355	2,355	0	0
Liabilities	0	0	0	0
2015/12/31				
Forward exchange contracts				
Assets	8,749	8,749	0	0
Liabilities	67	67	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*	2016/12/31		2015/12/31	
		Carrying amount	Fair value	Carrying amount	Fair value
		k EUR	k EUR	k EUR	k EUR
Liquid funds	n.a.	441,078	441,078	419,401	419,401
Gross amount due from customers for contract work as an asset	L+R	88,626	88,626	49,372	49,372
Trade accounts receivable	L+R	167,973	167,973	230,751	230,751
Loans granted	L+R	3,196	3,180	354	342
Other financial assets – miscellaneous	L+R	9,895	9,895	296	296
Other financial assets – loans	L+R	2,362	2,362	2,125	2,125
Other financial investments	Afs	4,023	4,023	4,004	4,004
Total L+R	**L+R**	**717,153**	**–**	**706,303**	**–**
Other financial assets – financial derivatives held for trading	HfT	918	918	387	387
Other financial assets – financial derivatives classified as hedge instruments	n.a.	2,355	2,355	8,749	8,749

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

Liquid funds, gross amount due from customers for contract work as an asset, trade accounts receivable, 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*	2016/12/31		2015/12/31	
		Carrying amount	Fair value	Carrying amount	Fair value
		k EUR	k EUR	k EUR	k EUR
Trade accounts payable	OL	430,966	430,966	382,035	382,035
Long-term loans	OL	9,303	9,303	10,503	10,503
Shareholder loans	OL	0	0	468,819	472,065
Other non-current financial liabilities	OL	392,919	405,659	391,405	394,564
Short-term loans and current portion of long-term loans	OL	5,243	5,243	5,982	5,982
Other current financial liabilities	OL	41,831	41,831	25,154	25,154
Total OL	**OL**	**880,262**	**–**	**1,283,898**	**–**
Other financial liabilities – financial derivatives held for trading	HfT	1	1	733	733
Other financial liabilities – financial derivatives classified as hedge instruments	n.a.	0	0	67	67

* 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 nonobservable material input data (level 3):

2016/12/31	Carrying amount k EUR	Level 1 k EUR	Level 2 k EUR	Level 3 k EUR
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**

2015/12/31	Carrying amount k EUR	Level 1 k EUR	Level 2 k EUR	Level 3 k EUR
Assets carried at fair value				
Held for trading (HfT)	387	0	387	0
Available-for-sale	4,004	0	0	4,004
Derivative financial instruments classified as hedge instruments	8,749	0	8,749	0
Total assets	**13,140**	**0**	**9,136**	**4,004**
Liabilities				
Held for trading (HfT)	733	0	733	0
Derivative financial instruments classified as hedge instruments	67	0	67	0
Total liabilities	**800**	**0**	**800**	**0**

There have been no transfers between any levels during the financial year 2016. 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 borrowings and loans and other financial liabilities are determined using the DCF method and a discount rate that reflects the issuer's borrowing rate at the end of the reporting period (Level 3 measurement). The nonperformance risk as of December 31, 2016 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:

Net gain/loss	2016/01/01 – 2016/12/31 k EUR	2015/01/01 – 2015/12/31 k EUR
Loans and receivables (L+R)	–113	954
Financial instruments held for trading (HfT)	1,263	–224
Total	**1,150**	**730**

The Group has received collateral amounting to EUR 1,655.63m as of December 31, 2016 (previous year: EUR 2,845.25m); 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 Senvion has carried out preliminary work or made advance payments. For further information please see section 6.1.3 "Trade accounts receivable".

9 Capital management

The aim of the Group's capital management is to ensure that it maintains a good equity ratio and a high credit rating in order to support its business activities and maximize shareholder value. This is especially significant in the context of growth targets.

The consolidated statement of financial position shows a total equity of EUR 333,790k (previous year: EUR 69,358k), mainly owing to capital increases of EUR 485,114k.

For the Group's short and medium-term equity ratio, these loans were included in the previous year to arrive at an adjusted equity ratio, which is calculated as follows:

	2016/12/31 k EUR	**2015/12/31** k EUR
Shareholder equity	333,790	–69,528
Total assets	2,100,625	2,126,193
Equity ratio in %	**15.9**	**–3.3**
Shareholder equity	333,790	–69,528
Adjusted CPECs	0	468,819
Adjusted shareholder equity	333,790	399,291
Adjusted equity ratio in %	**15.9**	**18.8**

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.

	2016/12/31 k EUR	**2015/12/31** k EUR
Total current assets	1,255,278	1,224,750
Adjustments to current assets	–441,078	–419,401
Total current liabilities	–1,193,883	–1,129,736
Adjustments to current liabilities	296,836	223,485
Net working capital	**–82,847**	**–100,902**
Total operating performance	2,237,179	1,550,983
Net working capital ratio in %	**–3.7**	**–6.5**

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.

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)
- Arpwood Partners Investment Advisors LLP, Mumbai
- Centerbridge Partners Europe LLP, London

Arpwood Partners Investment Advisors LLP and Centerbridge Partners Europe LLP were considered related parties as individuals who were members of the Senvion S.A. Advisory Board which was abolished in March 2016. Until that date Arpwood Partners Investment Advisors LLP and Centerbridge Partners Europe LLP also held key management positions in these entities.

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.

	Expenses from services/interests	Expenses from services/interests	Income from services/interests	Income from services/interests	Receivables	Receivables	Liabilities	Liabilities
	2016/01/01 –2016/12/31	2015/01/01 –2015/12/31	2016/01/01 –2016/12/31	2015/01/01 –2015/12/31	2016/12/31	2015/12/31	2016/12/31	2015/12/31
	k EUR	k EUR	k EUR	k EUR	k EUR	k EUR	k EUR	k EUR
Transactions between Senvion S.A. and								
CCP II/CCP III Acquisition S.à r.l., Luxembourg	7,743	23,255	0	0	0	0	0	468,819
Prof. Dr. Martin Skiba, Hamburg	205	0	0	0	0	0	7	0
Matthias Schubert, Rendsburg	87	0	0	0	0	0	0	0
Transactions between subsidiaries of Senvion S.A. and								
Rapid Management L.P., Cayman Islands	0	0	4	0	64	60	0	0
Arpwood Partners Investment Advisors LLP, Mumbai	0	2,500	0	0	0	0	0	0
Centerbridge Partners Europe LLP, London	597	1,897	0	0	0	0	0	858

11 Information on Senvion S.A corporate bodies

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

- Todd Morgan (since March 3, 2016)
- Stefan Kowski (since March 3, 2016)
- Amol Jain (since March 3, 2016)
- Matthias Schubert (since March 3, 2016)
- Prof. Dr. Martin Skiba (since March 3, 2016)
- Deepak Misra (since April 8, 2016)
- Steven Silver (until April 6, 2016)

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

- Prof. Dr. Martin Skiba
- Todd Morgan
- Amol Jain

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 financial year 2016, remuneration of EUR 252k was paid to the Supervisory Board (previous year: EUR 8k).

The directors of Senvion S.A. were not entitled to any remuneration in the financial year 2016.

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, 2016:

	2016/01/01 – 2016/12/31	**2015/01/01 – 2015/12/31**
	k EUR	k EUR
Current salaries	2,154	647
Retirement benefits	0	1
Termination benefits	425	2,213
Other benefits	111	310
	2,690	**3,171**

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.

	2016/01/01 – 2016/12/31	**2015/04/01 – 2015/12/31**
	k EUR	k EUR
Audit fees (consolidated statements and annual statements)	1,417	1,813
Fees for other assurance services	263	895
Fees for tax advisory services	1,426	1,747
Fees for other services	1,269	2,489
	4,375	**6,944**

14 Events after the reporting date

Senvion will start a program to secure the company's long-term competitiveness. The initiative will identify 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. Amongst others the planned measures will lead to a reduction of an estimated 780 jobs, mainly at Senvion's facilities in Husum, Trampe and Bremerhaven in Germany and addition of around 120 jobs, primarily in low cost locations; leading to a net planned 660 reductions.

On February 20, 2017 an additional EUR 5m tranche in respect of the share buyback program was resolved. Effective February 21, 2017, Todd Morgan has stepped down from the Supervisory Board. On February 22, 2017 Ben Langworthy has been appointed as member to the Supervisory Board until the next general meeting resolve on a permanent appointment.

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. (formerly Senvion S.à r.l.)
Luxembourg, March 15, 2017

Independent Auditor's Report

To the Shareholders of
Senvion S.A.
(formerly Senvion S.à r.l.)
46a, Avenue John F. Kennedy
L-1855 Luxembourg

Report on the consolidated financial statements
Following our appointment by the Shareholders dated March 1, 2016 we have audited the accompanying consolidated financial statements of Senvion S.A., which comprise the consolidated statement of financial position as at December 31, 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management boards of responsibility for the consolidated financial statements
The Management board is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Management board determines is necessary to enable the preparation and presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "réviseur d'entreprises agréé"
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the "réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management board, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements give a true and fair view of the financial position of Senvion S.A. as of December 31, 2016 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements
The consolidated management report, which is the responsibility of the Management board, is consistent with the consolidated accounts and has been prepared in accordance with applicable legal requirements.

The corporate governance statement, which is included in the consolidated management report, contains the information required by the law with respect to the corporate governance statement.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Werner Weynand

Luxembourg, March 15, 2017

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