



**Siemens Gamesa Renewable Energy
A/S**

**Borupvej 16
7330 Brande**

CVR no. 76 48 62 12

Annual report for 2016/17

Adopted at the annual general
meeting on 18 January 2018



Lars Borup
chairman

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Statement by management on the annual report

Today, the executive board and the board of directors have discussed and approved the annual report for the financial year 1 October 2016 – 30 September 2017 for Siemens Gamesa Renewable Energy A/S.

The annual report is prepared in accordance with the Danish Financial Statements Act.

We consider the accounting policies applied adequate. Against this background, it is our opinion that the annual report gives a true and fair view of the company's assets and liabilities and financial position at 30 September 2017 and of the results of its operations and cash flows for the financial year 1 October 2016 – 30 September 2017.

In our opinion, management's review includes a fair review of the matters dealt with in the management's review.

We recommend the adoption of the annual report at the annual general meeting.

Brande, 18 January 2018

Executive board

Michael Heiko Krause

Board of Directors

Jukka Pekka Pertola
chairman

Lars Pedersen Bak

Pierre Dieter Bauer

Markus Michael Tacke

Torben Jensen

Independent auditor's report

To the shareholder of Siemens Gamesa Renewable Energy A/S

Opinion

We have audited the financial statements of Siemens Gamesa Renewable Energy A/S for the financial year 1 October 2016 - 30 September 2017, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity, cash flow statement and notes. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 30 september 2017 and of the results of the company's operations and cash flows for the financial year 1 October 2016 - 30 September 2017 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

Independent auditor's report

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on management's review

Management is responsible for management's review.

Our opinion on the financial statements does not cover management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read management's review and, in doing so, consider whether management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of management's review.

Aarhus C, 18 January 2018

Ernst & Young P/S
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Steen Skorstengaard
State Authorised Public Accountant



Jan Krarup Mortensen
State Authorised Public Accountant

Company details

The company

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CVR no.: 76 48 62 12
Reporting period: 1 October 2016 - 30 September 2017
Domicile: Brande

Board of Directors

Jukka Pekka Pertola, chairman
Pierre Dieter Bauer
Markus Michael Tacke
Lars Pedersen Bak
Torben Jensen

Executive board

Michael Heiko Krause

Auditors

Ernst & Young P/S
Godkendt Revisionspartnerselskab
Værkmestergade 25
8000 Aarhus C

General meeting

The annual general meeting is held at the company's address on 18 January 2018.

Financial highlights

Seen over a 5-year period, the development of the Company may be described by means of the following financial highlights:

	2016/17	2015/16	2014/15	2013/14	2012/13
	MDKK	MDKK	MDKK	MDKK	MDKK
Key figures					
Revenue	27.473	27.915	21.507	22.827	25.299
Gross profit	2.264	1.645	-673	-1.387	2.864
Profit/loss from ordinary operating activities before gains/losses from fair value adjustments	1.602	960	-1.374	-2.094	2.258
Net financials	-114	-21	87	17	-91
Profit/loss for the year	1.157	711	-973	-1.535	1.639
Balance sheet total	18.612	18.255	15.669	13.651	16.131
Equity	1.917	613	-342	596	3.800
- operating activities	4.366	999	2.752	3.154	402
- investing activities	-1.036	164	-642	-1.138	-1.038
- including investment in property, plant and equipment	-730	-829	-623	-1.024	-861
- financing activities	0	0	0	-1.638	-544
The year's changes in cash and cash equivalents	3.329	1.163	2.110	378	-1.180
Number of employees	7.335	7.002	6.436	5.872	5.302
EBIT margin	5,8%	3,4%	-6,4%	-9,2%	8,9%
Return on assets	8,7%	5,7%	-9,4%	-14,1%	15,2%
Gross margin	8,2%	5,9%	-3,1%	-6,1%	11,3%
Solvency ratio	10,3%	3,4%	-2,2%	4,4%	23,6%
Return on equity	91,5%	523,9%	-764,9%	-69,8%	50,4%

Management's review

Business activities

The company's main activity is the production, sale and installation of wind turbines, wind farms and subsequent maintenance of wind turbines. The company has been a frontrunner in the development of the modern wind turbine industry and has more than 30 years of experience within development, design, production, sale and maintenance of wind turbines.

The annual report of Siemens Gamesa Renewable Energy A/S (SGRE A/S) covers only the activities of the Danish company. Activities in subsidiaries and other SGRE group entities in the wind turbine industry (including production and installations of wind turbines outside Denmark) are not covered by this annual report. Thus, the annual report does not give the full picture of the SGRE group's activities in the wind turbine industry.

The company's headquarters and nacelle plant is located in Brande. Product development, quality and service management are also carried out from this location.

The production and development of wind turbine blades is carried out in Aalborg and the hub production is placed in Ølgod.

The company mainly sells MW class wind turbines for both onshore and offshore locations, primarily in EMEA (Europe, the Middle East & Africa) and North America. The sale is primarily made through other entities in the SGRE group.

Ownership

On April 3, 2017 the merger of the Siemens Wind Power business with Gamesa Corporacion Tecnologica S.A. (Gamesa) was completed. The Group is listed on the Spanish Stock Exchange. The Siemens Group holds 59% of the shares while Iberdrola (Gamesa's former shareholders) holds 8% of the shares and the remaining 33% are free-float shares. This transaction creates a global leader in the wind power industry, with a presence in more than 90 countries. For more information please see consolidated Financial Statement for the Group.

As a result of the merger the company has changed its name "Siemens Wind Power A/S" to "Siemens Gamesa Renewable Energy A/S". SGRE A/S is after the merger 100% owned by Siemens Gamesa Renewable Energy S.A.

Management's review

Financial review

The company realized revenue of DKK 27.473 million in the financial year 2016/17 compared to DKK 27.915 million in 2015/16. The revenue for the financial year is as expected.

The profit for the year increased 63% compared to 2015/16 and ended at DKK 1.157 million. The company's pre-tax profit margin is 5,42%, which exceeds expectations stated in the annual report 2015/16. Improved productivity in production and installation and increased capacity utilizations are the main drivers behind the improved pre-tax profit margin compared to financial year 2015/16.

The balance sheet total has increased by DKK 357million to DKK 18.612 million mainly due to increased receivables offset by a lower inventory. Cash flow from operating activities totals DKK 4.423 million against DKK 999.0 million last year mainly due to increased working capital.

Research and development activities

All development activities are carried out within the company and in cooperation with a number of sub-suppliers. Development activities both include improvements of and changes to existing wind turbines and development of new and larger wind turbines.

Permanent establishment

The company has permanent establishments in both China and South Africa.

Subsequent events

There are no subsequent events, except for the November 2017 announcement of further capacity adjustment measures to address changing market conditions, with no impact on the accompanying Financial Report.

Outlook

The renewable energy industry is in transition towards fully competitive models. This transition is being made possible by the efficiency achieved by renewable energy, particularly wind power, in recent years and that projected for the future. In the transition, all players in the industry are expected to attain efficiencies in addition to those already achieved. In the supply chain, these efficiencies are achieved through higher performance products (in terms of annual energy output) via such factors as larger rotors and higher rated capacities, and lower costs per MW in wind turbines. These efficiencies will materialize in more competitive wind turbine prices.

In order to enhance competitiveness, the Group has agreed a restructuring plan as described in subsequent event.

Guidance for fiscal year 2017/18 foresees revenues of around DKK 27 billion and an EBIT margin of around 6%.

Management's review

Special risks

General risks

The company is exposed to the market risks and operational risks which are usual for the business, as well as to risks associated with the company's warranty commitments. It is the opinion of management that the provisions made are sufficient to cover the company's warranty commitments.

Currency risks

The company's foreign currency risk exposure is mainly hedged by offsetting payments received against expenses in the same currency, and by the use of derivative financial instruments. Currency risks are mainly hedged via forward exchange contracts in order to reduce the impact of ex-change rate fluctuations.

Interest-rate risks

The company's interest-bearing debt includes periodic drawings on the operating credit facilities and represents only a minor part of the balance sheet total. Thus, the company's income statement and balance sheet are not affected materially by interest rate fluctuations.

Credit risks

Credit risks in connection with the sale of wind turbines are hedged via prepayments, bank guarantees, letters of credit, etc. The company is not exposed to substantial risks relating to one particular customer or business partner. The main part of the company's revenue is related to activities with other SGRE group entities.

Management's review

Employees

One of the company's key assets is its skilled, creative and committed employees. Consequently, the company has a continued focus on activities supporting employee skills and commitment, and priorities improving employees' health, job satisfaction, professional and personal development.

Health

Job satisfaction and health are top priorities in Siemens Gamesa. This is e.g. demonstrated in the canteens, which are committed to make healthy food. In addition, all employees have access to free fruit.

All employees are covered by a mandatory insurance program in case of critical illness as well as a general health insurance program.

Furthermore, all salaried employees are covered by schemes under which they can be treated for work-related muscle and joint injury by a chiropractor, physiotherapist, zone therapist or masseur. They may also book a general health check.

Working environment

SGRE targets high standards for the company's safety and health efforts in order to facilitate an attractive working life and ensure quality and efficiency in the design of solutions.

SGRE targets to reduce the number of work accidents and disease cases to a realistic minimum – beyond current workplace requirements. SGRE encourages its cooperation partners to share this ambition and works with both customers and suppliers to implement ongoing improvements.

Safety and health are an integral part of the business and day-to-day operations. SGRE works to ensure that all employees are allowed to work in a safe environment by providing safe processes, high educational standards and a working environment organization that matches the company's objective.

Management's review

Diversity

The SGRE Group promotes diversity in all of its locations worldwide. Diversity is considered an invaluable source of talent, creativity and experience.

Gender diversity is a key component of SGRE Principles for Promoting and Managing Diversity. SGRE strives to integrate women at all levels, including top management.

The board of directors at SGRE A/S has five members, of which three are elected by the shareholder, and executives from within the SGRE Group. The remaining two are elected by the employees. All of the Board members are male.

It is the ambition of the board of directors to increase the number of women in managerial positions within SGRE A/S, including the board of directors. Since board members traditionally are chosen from among executives, it is imperative that the number of women in managerial positions is increased which will lead to more women executives and thus eligibility for board membership. In 2016/17 SGRE A/S did not meet the target of including women in the board. As previously mentioned, Siemens Wind Power was merged with Gamesa during the year, and in this transaction new members of the board were elected, however no woman was found qualified to take up the position.

For Siemens Gamesa Renewable Energy A/S the shorter term target is for at least 20 % of the managerial positions to be held by women within a 3 years period. To meet the target, the following initiatives were taken, and they still apply:

- Preparation of individual development plans for female employees with identified leadership potential
- Focus on selecting women for Siemens' talent programmes with a view to supporting women's career development
- Assignment of mentors to women participants in talent programmes

In 2016/17 16% of managerial positions were held by women, and it is expected that within a 3 years period that the goal of 20% will be met.

The board has accordingly decided that the shorter term target for composition of the board will be for at least 25 % of the board members elected by the shareholder to be women. The target is expected to be met within a 3 years period.

Management's review

Environment

Sustainability is an underlying fundamental principle for the company's strategy. The company follows the SGRE Group's CSR strategy and policies, for more information please see global CSR strategy and policy on our website [siemensgamesa.com](http://www.siemensgamesa.com) and in consolidated Financial Statement for SGRE Group, <http://www.siemensgamesa.com/recursos/doc/accionistas-inversores/informacion-financiera/cuentas-anuales/english/consolidated-audited-annual-accounts-2017.pdf>.

The company has defined an overall strategy for work related to environmental issues. The purpose is to reduce the environmental impact of the company's activities.

In this context, an environmental policy including objectives has been prepared as a management tool in the area of environment. This policy focuses on environmentally compatible operational procedures and is a natural part of the company's objectives with respect to product quality and occupational health and safety.

Our environmental impacts are controlled via an integrated management system certified according to ISO 9001, ISO 14001 and OHSAS 18001 (Environment, health and safety). All Danish locations as well as construction projects are working under these certifications and according to our EHS policy. We commit ourselves to continuously improve the environmental footprint of our business and our products.

Compliance

Compliance with applicable laws and regulations and ethical responsibility are key elements of SGRE business values and therefore, an integral part of the company's business processes.

All employees commit to observe these rules by signing the Business Code of Conduct, and all employees must complete a training program concerning applicable rules.

To help managers and employees comply with the company's rules, the company has implemented a Compliance System, which – based on management's responsibilities – includes both preventive activities and internal controls to help ensure that applicable law and internal rules are observed.

The knowledge of these rules is maintained through current online training. Additionally, appointed compliance officers supervise and control that applicable rules and procedures are observed.

In cooperation with a range of other companies and organisations Siemens Gamesa propagates integrity and high ethical business standards, and provides financial support to projects and educational activities to combat corruption and violation of competition law. In Denmark, SGRE A/S is represented by Siemens A/S as a member of Transparency International DK and an anti-corruption network comprising a number of major Danish companies.

Management's review

Human rights

In compliance with the Group's policies, the human rights complaint procedures and tools that SGRE places at the disposal of its stakeholders and its management processes are reflected in the group's Code of Conduct, the Crime Prevention and Anti-Fraud manual, as well as on the corporate website and the intranet.

SGRE has a Whistleblowing Channel through which the company's employees can get in touch with the Ethics and Compliance Department to report activities that are unethical, lack integrity or go against the principles contained in the Code of Conduct.

Knowledge resources

It is the company's objective to possess the latest knowledge within wind power technology and to ensure that the company's production processes are flexible. To meet this end, it is crucial that the company continues to be able to recruit and retain highly qualified employees.

The products and production processes are subject to continuous research and optimization as means of maintaining and developing the basis for the company's business activities, while at the same time ensuring that quality pervades all day-to-day operations.

Accounting policies

The annual report of Siemens Gamesa Renewable Energy A/S for 2016/17 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C as well as selected provisions as regards larger entities.

The company has as of 1 October 2016 implemented law no 738 of 1 June 2015 which has not resulted in changes to recognition and measurement, but has some few new and changed presentation and disclosure requirements.

Except from above, the accounting policies applied are consistent with those of last year.

SGRE A/S is a 100% owned subsidiary of Siemens Gamesa Renewable Energy SA and is included in consolidated financial statement of Siemens Gamesa Renewable Energy SA. The consolidated financial statement can be downloaded on website: siemensgamesa.com

The annual report for 2016/17 is presented in TDKK

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any instalments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

Segment information

The company operates within only one business segment, as all activities are related to wind turbine development, production installation and service. Segments information is thus only provided by geographical markets specified in EMEA, North America and the rest of the world.

Accounting policies

Revenue

Revenue includes sale of wind turbines and wind farms, and sale of subsequent service and spare parts. Revenue is recognised net of VAT and taxes charged on behalf of third parties.

Contracts to deliver wind farms are recognised as the wind farms are installed based on the stage of completion of each individual contract (the percentage-of-completion method). Income from the sale of individual wind turbines and spare parts is recognised in the income statement provided that the risk has been transferred to the buyer prior to the year-end and provided that the income can be measured reliably and is expected to be received.

Service sales, which include service and maintenance agreements and extended warranties regarding sold wind turbines and wind farms, are recognised in the income statement over the term of the agreement as the agreed services are provided.

Cost of production

Production costs comprise expenses, including amortisation/depreciation and wages/salaries, incurred to generate the year's revenue.

Other operating income

Other operating income comprises items of a secondary nature relative to the company's primary objective, including income from property leasing and gains on the sale of fixed assets and activities.

Other operating expenses

Other operating expenses comprise items of a secondary nature relative to the company's primary objective, including loss from property leasing and losses on the sale of fixed assets.

Distribution costs

Distribution expenses comprise expenses related to the sale of goods and sales campaigns etc. in the year. Expenses related to sales staff, advertising and exhibitions and amortisation/depreciation charges are recognised in distribution expenses as well.

Administrative costs

Administrative expenses comprise expenses paid in the year to manage and administer the company, including expenses related to administrative staff, office expenses and amortisation/depreciation charges.

Financial income and expenses

Financial income and expenses comprise interest income and expenses, gains and losses on securities and transactions denominated in foreign currencies, surcharges and allowances under the on-account tax scheme etc.

Accounting policies

Tax on profit/loss for the year

Tax for the year comprises current tax and changes in deferred tax for the year. The tax expense relating to the profit/loss for the year is recognised in the income statement. Current and deferred tax concerning changes in equity is taken directly to equity.

Balance sheet

Intangible assets

Development projects comprise expenses, salaries and wages which are directly or indirectly attributable to the company's development activities.

Development projects that are clearly defined and identifiable and in respect of which the techno-logical feasibility, sufficient resources and a potential future market or development potential in the enterprise can be demonstrated and where the intention is to produce, market or use the product or the process, are recognised as intangible assets provided that it is sufficiently certain that the future earnings are adequate to cover the production, sales and administrative expenses and the total development costs.

Other development costs are recognised in the income statement when incurred.

Intangible assets, which are recognised in the balance sheet, are measured at cost less accumulated amortisation and impairment losses.

Following the completion of the development work, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is usually 3 years.

Accounting policies

Tangible assets

Land and buildings, plant and machinery, fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until such date as the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub suppliers, wages and salaries.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Buildings:10 - 30 years

Plant and machinery:3 – 10 years

Fixtures and fittings, tools and equipment:3 – 5 years

Land is not depreciated

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the sales price less cost of disposal and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement under depreciations.

Leases

Leases for non-current assets that transfer substantially all the risks and rewards incident to ownership to the Company (finance leases) are initially recognised in the balance sheet at cost, corresponding to the lower of fair value and the net present value of future lease payments. In calculating the net present value of the future lease payments, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the Company's other non-current assets.

The capitalised residual lease obligation is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

All other leases are treated as operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed in contingencies, etc.

Other investments

Securities and investments are measured at the market value at the balance sheet date, if they are listed or at an approximated fair value if they are not listed.

Accounting policies

Impairment of assets

The carrying amount of intangible assets and property, plant and equipment is subject to an annual impairment indicator test.

In case of evidence of impairment, each asset or group of assets is tested for impairment. Assets are written down to the lower of the recoverable amount and the carrying amount.

Inventories

Inventories are measured at cost using the weighted average cost method. If the net realisable value is lower than cost, inventories are written down to this lower value.

The cost of raw materials and consumables includes the purchase price plus costs of delivery.

The cost of finished goods and work in progress includes consumables, direct labour and production overheads.

Production overheads comprise indirect cost of material and labour as well as maintenance and depreciation of production machinery, buildings and equipment as well as plant administration and management. Borrowing costs are not included in cost.

The net realisable value of inventories is calculated as the sales price less costs of completion and expenses incurred to affect the sale and are made up taking into account marketability, obsolescence and developments in the expected sales price.

Trade receivables

Trade receivables are measured at amortised cost, which usually correspond to the nominal value. A provision is made for bad debts based on an individual assessment of each account receivable.

Accounting policies

Contract work in progress for third parties

Contract work in progress is measured at sales value of the work performed.

Contract work in progress includes construction work for the account of others in connection with wind turbine projects, where the supply of wind turbines also includes infrastructure such as roads, cable works, transformer stations, buildings and foundations.

The sales value is measured by reference to the stage of completion at the balance sheet date and the total expected income on each individual work in progress.

The stage of completion is made up as the costs incurred up to the balance sheet date compared to the total expected costs.

Individual contract work in progress is recognised in the balance sheet as either receivables or payables. Net assets are made up as the sum of contract work in progress where the sales value of the work performed exceeds progress billings and bad debts. Net liabilities are made up as the sum of contract work in progress where progress billings, less bad debts, exceed the sales value of completed work.

Expenses relating to sales work and contracts are recognised in the income statement as incurred.

When it is probable that the total contract costs will exceed the total contract revenue, a provision is made for the anticipated loss on the contract.

Prepayments

Prepayments recognised as assets include expenses incurred concerning subsequent financial years.

Equity - dividend

Proposed dividend is recognised as a liability at the date of adoption at the annual general meeting (declaration date). Dividend expected to be distributed for the year is shown as a separate item under equity.

Equity - reserve for development costs

Reserve for development costs includes capitalized development costs. The reserve can not be used for dividend or coverage of losses. The reserve will be reduced or dissolved if the capitalized development cost is depreciated or taken out of the company's operation. It will be done by a transfer directly to equity free reserves.

Deferred income

Deferred income comprises payments received concerning income in subsequent years.

Accounting policies

Other provisions

Provisions comprise anticipated expenses related to commitments in respect of sold wind turbines. Provisions are recognised when, as a result of past events, the company has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation.

Warranties comprise obligations to make good any defects within the warranty period of normally two to five years. Provisions for warranties are measured at net realisable value and are recognised based on past experience. The provision made for each turbine is estimated on a current basis and is adjusted in accordance with the experiential development in costs.

Income tax and deferred tax

Current tax charges and receivables are recognised in the balance sheet as the estimated tax charge in respect of the expected taxable income for the year, adjusted for tax on prior years' taxable income and tax paid in advance.

Deferred tax assets are measured at the value at which they are expected to be utilised, either through elimination against tax on future earnings or through a set-off against deferred tax liabilities.

Deferred tax assets, including the tax base of possible tax loss carry forwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax is measured according to the tax rules at the balance sheet date when the deferred tax is expected to be realised as current tax. The change in deferred tax as a result of changes in tax rates is recognised in the income statement.

The company's taxable income is part of a national joint taxation income, where the administration company is Siemens A/S.

Current tax regarding the companies in the joint taxation is distributed between profit- and loss giving Danish entities according to their taxable income (full allocation method).

Liabilities

Financial liabilities are recognised at the time of borrowing at the proceeds received net of transaction costs incurred.

Financial liabilities are subsequently measured at amortised cost.

Other non-financial liabilities are measured at net realisable value.

Accounting policies

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as interest income or expense and similar items.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date on which the receivable or payable arose or was recognised in the latest consolidated and parent company financial statements is recognised in the income statement as financial income or expense and similar items.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently measured at fair value.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the fair value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised under other receivables or other payables and directly in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised directly in equity are transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously deferred in equity are transferred to the income statement in the period in which the hedged item affects the profit for the year.

For derivative financial instruments that do not qualify for hedge accounting, fair value adjustment are recognised in the income statement.

Cash flow statement

The cash flow statement shows the company's cash flows for the year, broken down under cash flows from operating, investing and financing activities, the year's changes in cash and cash equivalents and the company's cash and cash equivalents at the beginning and at the end of the year.

Cash flows from operating activities

Cash flows from operating activities are stated as the profit or loss for the year, adjusted for non-cash operating items, changes in working capital and paid income taxes.

Accounting policies

Cash flows from investing activities

Cash flows from investing activities comprise payments related to the acquisition and sale of entities and activities, intangible assets, property, plant and equipment and investments.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the share capital and related costs, as well as the raising of loans, repayment of interest-bearing debt and payment of dividends to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term securities whose remaining life is less than three months and which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

Financial Highlights

Definitions of financial ratios.

Gross margin ratio	$\frac{\text{Gross Profit} \times 100}{\text{Revenue}}$
EBIT margin	$\frac{\text{Profit/loss before financials} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit/loss before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$

Income statement 1 October 2016 - 30 September 2017

	<u>Note</u>	<u>2016/17</u> TDKK	<u>2015/16</u> TDKK
Revenue	1	27.473.328	27.915.171
Cost of productions		<u>-25.209.273</u>	<u>-26.270.150</u>
Gross profit		2.264.055	1.645.021
Distribution costs		-676.694	-607.813
Administrative costs		<u>-38.825</u>	<u>-71.401</u>
Profit before operating expenses		1.548.536	965.807
Other operating income	2	68.577	18.492
Other operating costs	3	<u>-15.222</u>	<u>-24.686</u>
Profit/loss from ordinary operating activities		1.601.891	959.613
Income from investments in associates		8.591	-91.257
Financial income	4	1.574	93.710
Financial costs	5	<u>-124.138</u>	<u>-23.883</u>
Profit/loss before tax		1.487.918	938.183
Tax on profit/loss for the year	6	<u>-330.766</u>	<u>-227.295</u>
Net profit/loss for the year		<u>1.157.152</u>	<u>710.888</u>
Proposed dividend for the year		1.157.152	0
Transferred to other statutory reserves		336.540	0
Retained earnings		<u>-336.540</u>	<u>710.888</u>
		<u>1.157.152</u>	<u>710.888</u>

Balance sheet at 30 September 2017

	Note	2016/17 TDKK	2015/16 TDKK
Assets			
Completed development projects		124.728	141.429
Other intangible assets		0	51
Development projects in progress		310.625	26.552
Intangible assets	7	435.353	168.032
Land and buildings		1.189.986	1.366.073
Plant and machinery		368.694	451.069
Other fixtures and fittings, tools and equipment		1.040.850	976.329
Assets in progress and prepayments		43.992	252.944
Tangible assets	8	2.643.522	3.046.415
Investments	9	1.689	1.617
Fixed asset investments		1.689	1.617
Fixed assets total		3.080.564	3.216.064
Inventories	10	1.876.600	2.550.483
Trade receivables		421.155	609.673
Work in progress for third parties		5.071.425	5.502.454
Receivables from subsidiaries		7.304.185	4.068.595
Other receivables	11	743.127	2.228.029
Prepayments	12	53.911	49.389
Receivables		13.593.803	12.458.140
Cash at bank and in hand		61.275	30.308
Current assets total		15.531.678	15.038.931
Assets total		18.612.242	18.254.995

Balance sheet at 30 September 2017

	<u>Note</u>	<u>2016/17</u> TDKK	<u>2015/16</u> TDKK
Liabilities and equity			
Share capital		20.000	20.000
Reserves for development expenditure		336.540	0
Retained earnings		403.558	593.444
Proposed dividend for the year		1.157.152	0
Equity		<u>1.917.250</u>	<u>613.444</u>
Deferred tax	13	319.094	195.154
Other provisions	14	8.017.818	7.414.963
Provisions total		<u>8.336.912</u>	<u>7.610.117</u>
Prepayments received from customers		0	13.695
Trade payables		3.493.203	3.867.341
Work in progress for third parties		3.663.143	5.135.606
Payables to subsidiaries		22.476	306
Other payables		1.176.147	1.007.028
Deferred income		3.111	7.458
Short-term debt		<u>8.358.080</u>	<u>10.031.434</u>
Debt total		<u>8.358.080</u>	<u>10.031.434</u>
Liabilities and equity total		<u>18.612.242</u>	<u>18.254.995</u>
Staff	19		
Contingencies, etc.	17		
Charges and securities	21		
Financial instruments	18		
Related parties	22		
Fee to auditors appointed at the general meeting	20		

Statement of changes in equity

	Share capital	Reserves for development expenditure	Retained earnings	Proposed dividend for the year	Total
Equity at 1 October 2016	20.000	0	593.444	0	613.444
Fair value adjustment of hedging instruments	0	0	146.654	0	146.654
Net profit/loss for the year	0	336.540	820.612	0	1.157.152
Proposed dividend for the year	0	0	-1.157.152	1.157.152	0
Equity at 30 September 2017	20.000	336.540	403.558	1.157.152	1.917.250

Cash flow statement 1 October 2016 - 30 September 2017

	Note	2016/17 TDKK	2015/16 TDKK
Net profit/loss for the year		1.157.152	710.888
Adjustments	15	2.021.566	1.492.573
Change in working capital	16	1.310.022	-1.318.487
Cash flows from operating activities before financial income and expenses		4.488.740	884.974
Financial income		0	93.710
Financial costs		-108.464	-23.887
Cash flows from ordinary activities		4.380.276	954.797
Corporation tax paid		-14.625	44.205
Cash flows from operating activities		4.365.651	999.002
Purchase of intangible assets		-363.092	-43.929
Purchase of property, plant and equipment		-730.366	-828.708
Sale of intangible assets		0	157
Sale of property, plant and equipment		57.225	417
Disposals of investment in associates		0	1.035.730
Dividends received from associates		50	100
Cash flows from investing activities		-1.036.183	163.767
Change in cash and cash equivalents		3.329.468	1.162.769
Cash and cash equivalent at 1. October		3.321.218	2.158.449
Cash and cash equivalents		3.321.218	2.158.449
Cash and cash equivalents		6.650.686	3.321.218
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		61.275	30.309
Receivables from group enterprises, cashpool arrangement		6.589.411	3.290.909
Cash and cash equivalents		6.650.686	3.321.218

Notes

1 Information on segments

Geographical

The company has only one business segment. Revenue is therefore broken down by geographical segments.

	<u>EMEA</u>	<u>North America</u>	<u>Other countries</u>	<u>I alt</u>
DKK				
Revenue	23.103.097	1.533.405	2.836.826	27.473.328

2 Other operating income

	<u>2016/17</u> TDKK	<u>2015/16</u> TDKK
Gain/loss on sale of assets	3.485	693
Gain on electricity from windmills	50.235	17.799
Other	14.857	0
	<u>68.577</u>	<u>18.492</u>

3 Other operating costs

	<u>2016/17</u> TDKK	<u>2015/16</u> TDKK
Loss on sale of assets	15.222	24.686
	<u>15.222</u>	<u>24.686</u>

Notes

	<u>2016/17</u> TDKK	<u>2015/16</u> TDKK
4 Financial income		
Interest received from group enterprises	1.308	288
Other financial income	<u>266</u>	<u>93.422</u>
	<u>1.574</u>	<u>93.710</u>
	<u>2016/17</u> TDKK	<u>2015/16</u> TDKK
5 Financial costs		
Interest paid to group enterprises	2.193	18.892
Other financial costs	<u>121.945</u>	<u>4.991</u>
	<u>124.138</u>	<u>23.883</u>
6 Tax on profit/loss for the year		
Current tax for the year	249.362	-2.301
Deferred tax for the year	84.543	226.856
Adjustment of tax concerning previous years	<u>-3.139</u>	<u>2.740</u>
	<u>330.766</u>	<u>227.295</u>

Notes

7 Intangible assets

	Completed development projects	Other intangible assets	Development projects in progress	Total
Cost at 1 October 2016	733.414	52.571	26.552	812.537
Adjustment	-479.179	0	0	-479.179
Additions for the year	52.467	0	310.625	363.092
Disposals for the year	0	-62	0	-62
Transfers for the year	26.552	0	-26.552	0
Cost at 30 September 2017	<u>333.254</u>	<u>52.509</u>	<u>310.625</u>	<u>696.388</u>
Impairment losses and amortisation at 1 October 2016	591.985	52.520	0	644.505
Adjustment	-479.179	0	0	-479.179
Depreciation for the year	95.720	24	0	95.744
Reversal of depreciation of sold assets	0	-35	0	-35
Impairment losses and amortisation at 30 September 2017	<u>208.526</u>	<u>52.509</u>	<u>0</u>	<u>261.035</u>
Carrying amount at 30 September 2017	<u>124.728</u>	<u>0</u>	<u>310.625</u>	<u>435.353</u>
Depreciated over	<u>3 years</u>	<u>3 years</u>		

Notes

8 Tangible assets

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Assets in progress and prepayments	Total
Cost at 1 October 2016	2.129.902	935.903	3.510.417	252.944	6.829.166
Adjustment	0	0	3.907	0	3.907
Additions for the year	2.975	75.426	650.162	2.967	731.530
Disposals for the year	-50.419	-49.132	-194.209	0	-293.760
Transfers for the year	511	8.685	202.723	-211.919	0
Cost at 30 September 2017	<u>2.082.969</u>	<u>970.882</u>	<u>4.173.000</u>	<u>43.992</u>	<u>7.270.843</u>
Impairment losses and depreciation at 1 October 2016	763.829	484.834	2.534.088	0	3.782.751
Adjustment	0	0	3.917	0	3.917
Depreciation for the year	165.098	160.225	740.128	0	1.065.451
Reversal of impairment and depreciation of sold assets	-35.944	-38.860	-149.994	0	-224.798
Transfers for the year	0	-4.011	4.011	0	0
Impairment losses and depreciation at 30 September 2017	<u>892.983</u>	<u>602.188</u>	<u>3.132.150</u>	<u>0</u>	<u>4.627.321</u>
Carrying amount at 30 September 2017	<u>1.189.986</u>	<u>368.694</u>	<u>1.040.850</u>	<u>43.992</u>	<u>2.643.522</u>
Depreciated over	<u>10-30 years</u>	<u>3-5 years</u>	<u>1-5 years</u>		

Notes

	<u>2016/17</u> TDKK	<u>2015/16</u> TDKK
9 Investments		
Cost at 1 October 2016	4.994	4.994
Additions for the year	<u>3</u>	<u>0</u>
Cost at 30 September 2017	<u>4.997</u>	<u>4.994</u>
Revaluations at 1 October 2016	-3.377	-3.439
Received dividend	-50	-100
Profit/loss after tax	<u>119</u>	<u>162</u>
Revaluations at 30 September 2017	<u>-3.308</u>	<u>-3.377</u>
Carrying amount at 30 September 2017	<u>1.689</u>	<u>1.617</u>
10 Inventories		
Raw materials and consumables	1.335.294	2.064.711
Work in progress	340.325	470.378
Finished goods and goods for resale	76.573	25.532
Prepayments for goods	<u>124.408</u>	<u>-10.138</u>
	<u>1.876.600</u>	<u>2.550.483</u>

11 Other receivables

Of the company's receivables, DKK 0 million (2015/2016: DKK 622,9 million) falls due for payment after more than 1 year after the balance sheet date.

12 Prepayments

Prepayments recognised as assets include expenses incurred concerning subsequent financial years.

Notes

	<u>2016/17</u>	<u>2015/16</u>
	TDKK	TDKK
13 Deferred tax		
Provision for deferred tax at 1 October 2016	195.154	0
Adjustment of deferred tax in the year from income statement	<u>123.940</u>	<u>195.154</u>
Provision for deferred tax at 30 September 2017	<u>319.094</u>	<u>195.154</u>
Intangible assets	84.056	25.245
Property, plant and equipment	-145.570	-79.810
Investments	196	193
Current assets	346.986	377.375
Provisions	-54.889	-67.088
Financial instruments relating to future cash flows	100.443	67.938
Liabilities other than provisions	-12.128	-20.040
Tax loss carry-forward	<u>0</u>	<u>-108.659</u>
	<u>319.094</u>	<u>195.154</u>
14 Other provisions		
Balance at beginning of year at 1 October 2016	7.414.963	7.065.587
Reversal of provisions	-1.331.119	-873.693
New provisions	4.656.973	3.951.414
Usage of provisions	<u>-2.722.999</u>	<u>-2.728.345</u>
Balance at 30 September 2017	<u>8.017.818</u>	<u>7.414.963</u>
The expected due dates of other provisions are:		
Within one year	2.078.844	2.049.115
Between 1 and 5 years	<u>5.938.974</u>	<u>5.365.848</u>
	<u>8.017.818</u>	<u>7.414.963</u>

Due to the nature there are uncertainties related to the warranty provision. Calculation consist of estimated repair costs and estimated failure rates which are based on actual.

Notes

	<u>2016/17</u>	<u>2015/16</u>
	TDKK	TDKK
15 Cash flow statement - adjustments		
Depreciation, amortisation and impairment losses	1.161.160	870.571
Change in other provisions	726.795	290.612
Other adjustments	<u>133.611</u>	<u>331.390</u>
	<u>2.021.566</u>	<u>1.492.573</u>
16 Cash flow statement - change in working capital		
Change in inventories	673.883	240.789
Change in receivables	2.162.839	-2.978.739
Changes in short-term liabilities	-1.673.354	1.086.103
Changes to unrealised hedging items	<u>146.654</u>	<u>333.360</u>
	<u>1.310.022</u>	<u>-1.318.487</u>

Notes

	<u>2016/17</u>	<u>2015/16</u>
	TDKK	TDKK
17 Contingencies, etc.		
Operating lease liabilities		
Operating lease commitments.		
Total future lease payments:		
Total rent in the notice period amounts to	163.507	188.742
Other rent and lease liabilities	43.073	37.111
After 5 years	<u>0</u>	<u>1.713</u>
	<u>206.580</u>	<u>227.566</u>
Guarantees to customers and suppliers provided by third parties, the company's bank and financial connections	405.786	1.554.919
- hereof guaranteed by group company.	0	1.488.183

In addition DKK 5.521 million (2015/16: DKK 5.862 million) is guaranteed by SFS/Siemens AG, which can be subject to recourse.

Other commitments

As from the income year 2012, the company is jointly and severally liable together with other jointly taxed entities for payment of tax on the joint taxation income as well as withholding taxes. Further information can be found in the annual report for the administration company, Siemens A/S, CVR no 16 99 30 85

Notes

18 Financial instruments

In order to hedge recognised and non-recognised financial transactions, Siemens Gamesa Renewable Energy A/S uses forward exchange contracts.

Currency	Expected future payments (net)	Hedged by forward contracts	Netposition
	TDKK	TDKK	TDKK
EUR	19.305.281	19.261.031	44.251
USD	-1.009.566	-1.006.908	-2.658
GBP	4.420.891	4.419.765	1.126
JPY	292.528	292.652	-124
Others	330.935	327.570	3.365
	23.340.069	23.294.110	45.960

At year end, the company's unrealised exchange gains totaled to DKK 455,8 million before tax and DKK 355,6 million after tax.

The year's change in unrealised exchange gains totals DKK 118,7 million after tax, of which a gain of DKK 146,6 million is taken to equity and a loss of DKK 27,9 million is recognised in the income statement.

Raw material contracts

At year end, an unrealised exchange loss on raw material contracts totaled DKK 0,7 million.

Notes

	<u>2016/17</u>	<u>2015/16</u>
	TDKK	TDKK
19 Staff		
Wages and Salaries	3.982.642	3.745.281
Pensions	306.942	285.331
Other social security expenses	96.734	93.164
Other staff expenses	<u>107.277</u>	<u>136.966</u>
	<u>4.493.595</u>	<u>4.260.742</u>

including remuneration to the Executive and Supervisory Boards of:

Executive Board	<u>12.645</u>	<u>7.717</u>
	<u>12.645</u>	<u>7.717</u>

Average number of employees	<u>7.335</u>	<u>7.002</u>
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	<u>2016/17</u>	<u>2015/16</u>
	TDKK	TDKK
20 Fee to auditors appointed at the general meeting		
Ernst & Young:		
Fee for statutory audit	1.630	1.589
Fee for other assurance engagements	<u>0</u>	<u>67</u>
	<u>1.630</u>	<u>1.656</u>

21 Charges and securities

No charges or security for loans have been placed at year end.

Notes

22 Related parties

Related parties include the supervisory and executive boards and the executive officers as well as the family members of these persons.

Parent company (100% owner of SGRE A/S):
Siemens Gamesa Renewable Energy SA., Zamudio, Bizkaia Parque Tecnológico, Edificio 222, Spain.

SGRE A/S is included in Siemens Gamesa Renewable Energy SA consolidated Financial Statement.

Foreign branches

The company has permanent establishments in both China and South Africa.

Transactions

Transactions with companies and branches regarding construction contracts in other countries take place on an arm's length basis.

Remuneration to the Executive and Supervisory Board is disclosed in note 19.