Siemens Gamesa Renewable Energy A/S

Borupvej 16
7330 Brande

CVR no. 76 48 62 12

Annual report for 2017/18

Adopted at the annual general meeting on 28 January 2019

Alex Merrild Andersen
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 2017 – 30 September 2018 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 2018 and of the results of its operations and cash flows for the financial year 1 October 2017 – 30 September 2018.

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, 28 January 2019

Executive board

A. Nauen

Andreas Nauen

Krause

Michael Heiko Krause

Board of Directors

Jukka Pekka Pertola
chairman

Claus Møller

Pierre Dieter Bauer

Casper Lauridsen

Casper Lund Lauridsen

Lars Pedersen Bak

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 2017 – 30 September 2018 which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 30 September 2018 and of the results of the Company's operations and cash flows for the financial year 1 October 2017 – 30 September 2018 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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 the 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 note 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, 28 January 2019

Ernst & Young P/S
Godkendt Revisionspartnerselskab

Morten Friis
State Authorised Public Accountant
MNE no. 32732

Jan Krarup Mortensen
State Authorised Public Accountant
MNE no. 40030

Company details

The company	Siemens Gamesa Renewable Energy A/S Borupvej 16 7330 Brande	
	Telephone: Fax:	+45 99 42 22 22 +45 99 99 22 22
	E-mail:	info@siemensgamesa.com
	Website:	www.siemensgamesa.com/en/
	CVR no.:	76 48 62 12
	Reporting period:	1 October 2017 - 30 September 2018
	Domicile:	Brande
Board of Directors	Jukka Pekka Pertola, chairman Claus Møller Pierre Dieter Bauer Casper Lund Lauridsen Lars Pedersen Bak	
Executive board	Andreas Nauen 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 28 January 2019.	

Financial highlights

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

	2017/18	2016/17	2015/16	2014/15	2013/14
	MDKK	MDKK	MDKK	MDKK	MDKK
Key figures					
Revenue	21.460	27.473	27.915	21.507	22.827
Gross profit	3.016	2.264	1.645	-673	-1.387
Profit/loss from ordinary operating activities before gains/losses from fair value adjustments	2.131	1.602	960	-1.374	-2.094
Net financials	13	-114	-21	87	17
Profit/loss for the year	1.677	1.157	711	-973	-1.535
Balance sheet total	18.367	18.612	18.255	15.669	13.651
Equity	2.456	1.917	613	-342	596
Cash flows from:					
- operating activities	2.157	4.366	999	2.752	3.154
- investing activities	-1.301	-1.036	164	-642	-1.138
- including investment in property, plant and equipment	-580	-730	-829	-623	-1.024
- financing activities	-1.157	0	0	0	-1.638
The year's changes in cash and cash equivalents	-302	3.329	1.163	2.110	378
Number of employees	5.932	7.335	7.002	6.436	5.872
EBIT margin	9,9%	5,8%	3,4%	-6,4%	-9,2%
Return on assets	11,5%	8,7%	5,7%	-9,4%	-14,1%
Gross margin	14,1%	8,2%	5,9%	-3,1%	-6,1%
Solvency ratio	13,4%	10,3%	3,4%	-2,2%	4,4%
Return on equity	76,7%	91,5%	523,9%	-764,9%	-69,8%

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 Brande.

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.

Financial review

The company realized revenue of DKK 21.460 million in the financial year 2017/18 compared to DKK 27.473 million in 2016/17. EBIT ended at DKK 2.131 million (EBIT margin 9,9%) which exceeds expectations stated in the annual report 2016/17.

The profit for the year increased 45% compared to 2016/17 and ended at DKK 1.677 million. Improved productivity in production and installation and increased capacity utilizations are the main drivers behind the improved EBIT margin.

The balance sheet total decreased by DKK 245 million to DKK 18.367 million mainly due to lower receivables and inventory. Cash flow from operating activities totals DKK 2.157 million against DKK 4.366 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.

Subsequent events

No events have occured after the financial year-end, which could significally affect the company's financial position.

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.

Guidance for fiscal year 2018/19 foresees revenues of around DKK 26-28 billion and an EBIT margin of around 5-6%.

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 exchange 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 Aalborg where all employees are asked for some easy exercises prior to work. In addition, all employees have access to free fruit in the canteens, which are also committed to make healthy food.

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.

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. The remaining two are elected by the employees. SGRE A/S did not have any women in the board in 2017/18.

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 2017/18 SGRE A/S did not meet the target of including women in the board.

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 leadersh potential

- Focus on selecting women for Siemens' talent programmes with a view to supporting womer career development

- Assignment of mentors to women participants in talent programmes

In 2017/18 17% 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 latest in 2022.

Sustainability

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 and in consolidated Financial Statement for SGRE Group, https://www.siemensgamesa.com/en-int/investors-and-shareholders/financial-information/annual-reports.

Management's review

Environment

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 environ-mental 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.

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 the 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 2017/18 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 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 2017/18 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.

Accounting policies

Balance sheet

Intangible assets

Development projects, patents and licences

Development costs comprise costs, wages/salaries and amortisation losses that are directly and indirectly attributable to the company's development activities.

Development projects that are clearly defined and identifiable and in respect of which the technological 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 amortized on a straight-line basis over the estimated useful life. The amortisation period is usually 3-5 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.

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.

Accounting policies

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.

The cash flow effect of additions and disposals of entities is shown separately under cash flows from investing activities. The cash flow statement includes cash flows from acquired entities from the time of acquisition, and cash flows from sold entities are included until the date of sale.

Cash flows from operating activities

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

Cash flows from investing activities

Cash flows from investing activities comprise payments related to the acquisition and sale of entities and activities as well as 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 company's 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, cash-pool 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.

Accounting policies

Financial highlights

Definitions of financial ratios.

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

Income statement 1 October 2017 - 30 September 2018

	Note	2017/18 TDKK	2016/17 TDKK
Revenue	1	**21.460.302**	**27.473.328**
Cost of productions		-18.444.313	-25.209.273
Gross profit		**3.015.989**	**2.264.055**
Distribution costs		-817.026	-676.694
Administrative costs		-119.519	-38.825
Profit before other operating expenses		**2.079.444**	**1.548.536**
Other operating income	2	89.507	68.577
Other operating costs	3	-37.700	-15.222
Profit/loss from ordinary operating activities		**2.131.251**	**1.601.891**
Income from investments in associates		-813	8.591
Financial income	4	25.056	1.574
Financial costs	5	-11.468	-124.138
Profit/loss before tax		**2.144.026**	**1.487.918**
Tax on profit/loss for the year	6	-467.403	-330.766
Net profit/loss for the year		**1.676.623**	**1.157.152**
Proposed dividend for the year		1.020.494	1.157.152
Transferred to other statutory reserves		656.129	336.540
Retained earnings		0	-336.540
		1.676.623	**1.157.152**

Balance sheet at 30 September 2018

	Note	2017/18 TDKK	2016/17 TDKK
Assets			
Completed development projects		177.288	124.728
Other intangible assets		0	0
Development projects in progress		949.946	310.625
Intangible assets	7	**1.127.234**	**435.353**
Land and buildings		1.152.776	1.189.986
Plant and machinery		314.996	368.694
Other fixtures and fittings, tools and equipment		784.083	1.040.850
Assets in progress and prepayments		260.370	43.992
Tangible assets	8	**2.512.225**	**2.643.522**
Investments	9	777	1.689
Fixed asset investments		**777**	**1.689**
Total non-current assets		**3.640.236**	**3.080.564**
Inventories	10	**1.788.077**	**1.876.600**
Trade receivables		174.788	421.155
Work in progress for third parties		4.136.708	5.071.425
Receivables from subsidiaries		7.386.728	7.304.185
Other receivables	11	818.033	743.127
Prepayments	12	22.716	53.911
Receivables		**12.538.973**	**13.593.803**
Cash at bank and in hand		**400.175**	**61.275**
Total current assets		**14.727.225**	**15.531.678**
Total assets		**18.367.461**	**18.612.242**

Balance sheet at 30 September 2018

	Note	2017/18 TDKK	2016/17 TDKK
Equity and liabilities			
Share capital		20.000	20.000
Reserves for development expenditure		992.669	336.540
Retained earnings		423.049	403.558
Proposed dividend for the year		1.020.494	1.157.152
Equity		**2.456.212**	**1.917.250**
Deferred tax	13	163.968	319.094
Other provisions	14	7.687.262	8.017.818
Total provisions		**7.851.230**	**8.336.912**
Prepayments received from customers		10.197	0
Trade payables		3.507.875	3.493.203
Work in progress for third parties		3.142.053	3.663.143
Payables to subsidiaries		70.930	22.476
Other payables		1.324.411	1.176.147
Deferred income		4.553	3.111
Total current liabilities		**8.060.019**	**8.358.080**
Total liabilities		**8.060.019**	**8.358.080**
Total equity and liabilities		**18.367.461**	**18.612.242**
Staff	19		
Contingencies, etc.	17		
Charges and security for loans	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
TDKK					
Equity at 1 October 2017	20.000	336.540	403.558	1.157.152	1.917.250
Ordinary dividend paid	0	0	0	-1.157.152	-1.157.152
Fair value adjustment of hedging instruments	0	0	19.491	0	19.491
Net profit/loss for the year	0	656.129	1.020.494	0	1.676.623
Proposed dividend for the year	0	0	-1.020.494	1.020.494	0
Equity at 30 September 2018	**20.000**	**992.669**	**423.049**	**1.020.494**	**2.456.212**

Cash flow statement 1 October 2017 - 30 September 2018

	Note	2017/18	2016/17
		TDKK	TDKK
Net profit/loss for the year		1.676.623	1.157.152
Adjustments	15	242.532	2.021.566
Change in working capital	16	224.271	1.310.022
Cash flows from operating activities before financial income and expenses		**2.143.426**	**4.488.740**
Financial income		25.055	0
Financial costs		-11.471	-108.464
Cash flows from ordinary activities		**2.157.010**	**4.380.276**
Corporation tax paid		0	-14.625
Cash flows from operating activities		**2.157.010**	**4.365.651**
Investment in intangible assets		-774.532	-363.092
Purchase of property, plant and equipment		-580.389	-730.366
Sale of property, plant and equipment		52.535	57.225
Business sale		816	0
Dividends received from associates		100	50
Cash flows from investing activities		**-1.301.470**	**-1.036.183**
Dividend paid		-1.157.152	0
Cash flows from financing activities		**-1.157.152**	**0**
Change in cash and cash equivalents		**-301.612**	**3.329.468**
Cash and cash equivalents at 1. October		6.650.686	3.321.218
Cash and cash equivalents		**6.349.074**	**6.650.686**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		400.175	61.275
Receivables from group enterprises, cashpool arrangement		5.948.899	6.589.411
Cash and cash equivalents		**6.349.074**	**6.650.686**

Notes

1 Information on segments

Geographical

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

	EMEA	North America	Other countries	Total
TDKK				
Revenue	19.275.980	489.526	1.694.796	21.460.302

	2017/18	2016/17
	TDKK	TDKK
2 Other operating income		
Gain on sale of assets	7.169	3.485
Gain on electricity from windmills	34.165	50.235
Other	48.173	14.857
	89.507	**68.577**

	2017/18	2016/17
	TDKK	TDKK
3 Other operating costs		
Loss on sale of assets	37.700	15.222
	37.700	**15.222**

Notes

	2017/18	2016/17
	TDKK	TDKK
4 Financial income		
Interest received from group enterprises	1.105	1.308
Other financial income	23.951	266
	25.056	**1.574**

	2017/18	2016/17
	TDKK	TDKK
5 Financial costs		
Interest paid to group enterprises	943	2.193
Other financial costs	10.525	121.945
	11.468	**124.138**

6 Tax on profit/loss for the year		
Current tax for the year	628.419	249.362
Deferred tax for the year	-146.178	84.543
Adjustment of tax concerning previous years	-14.838	-3.139
	467.403	**330.766**

Notes

7 Intangible assets

	Completed development projects	Other intangible assets	Development projects in progress	Total
TDKK				
Cost at 1 October 2017	333.254	52.509	310.625	696.388
Additions for the year	59.437	0	715.095	774.532
Disposals for the year	0	-6.115	0	-6.115
Transfers for the year	75.774	0	-75.774	0
Cost at 30 September 2018	468.465	46.394	949.946	1.464.805
Impairment losses and amortisation at 1 October 2017	208.526	52.509	0	261.035
Depreciation for the year	82.651	0	0	82.651
Reversal of depreciation of sold assets	0	-6.115	0	-6.115
Impairment losses and amortisation at 30 September 2018	291.177	46.394	0	337.571
Carrying amount at 30 September 2018	**177.288**	**0**	**949.946**	**1.127.234**
Depreciated over	3-5 years	3 years		

Notes

8 Tangible assets

TDKK	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Assets in progress and prepayments	Total
Cost at 1 October 2017	2.082.969	970.882	4.173.000	43.992	7.270.843
Additions for the year	8.672	23.515	298.786	242.830	573.803
Disposals for the year	-35.741	-159.284	-753.417	0	-948.442
Transfers for the year	0	8.333	24.705	-26.452	6.586
Cost at 30 September 2018	2.055.900	843.446	3.743.074	260.370	6.902.790
Revaluations for the year	42.403	0	0	0	42.403
Revaluations at 30 September 2018	42.403	0	0	0	42.403
Impairment losses and depreciation at 1 October 2017	892.983	602.188	3.132.150	0	4.627.321
Depreciation for the year	87.034	67.804	511.242	0	666.080
Reversal of impairment and depreciation of sold assets	-34.490	-141.542	-685.072	0	-861.104
Transfers for the year	0	0	671	0	671
Impairment losses and depreciation at 30 September 2018	945.527	528.450	2.958.991	0	4.432.968
Carrying amount at 30 September 2018	**1.152.776**	**314.996**	**784.083**	**260.370**	**2.512.225**
Depreciated over	10-30 years	3-5 years	1-5 years		

Notes

	2017/18	2016/17
	TDKK	TDKK
9 Investments		
Cost at 1 October 2017	4.997	4.994
Additions for the year	1	3
Disposals for the year	-1.000	0
Cost at 30 September 2018	3.998	4.997
Revaluations at 1 October 2017	-3.308	-3.377
Received dividend	-100	-50
Profit/loss after tax	187	119
Revaluations at 30 September 2018	-3.221	-3.308
Carrying amount at 30 September 2018	**777**	**1.689**

	2017/18	2016/17
	TDKK	TDKK
10 Inventories		
Raw materials and consumables	1.102.168	1.335.294
Work in progress	384.882	340.325
Finished goods and goods for resale	161.504	76.573
Prepayments for goods	139.523	124.408
	1.788.077	**1.876.600**

11 Other receivables

Of the company's receivables, DKK 6,8 million (2016/2017: DKK 0 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.

13 Deferred tax

Provision for deferred tax at 1 October 2017	319.094	195.154
Adjustment of deferred tax in the year from income statement	-146.178	123.940
Adjustment of deferred tax prior years	-14.445	0
Adjustment by Equity	5.497	0
Provision for deferred tax at 30 September 2018	**163.968**	**319.094**

Intangible assets	236.270	84.056
Property, plant and equipment	-150.941	-145.570
Investments	200	196
Current assets	378.217	346.986
Provisions	-408.973	-54.889
Financial instruments relating to future cash flows	121.986	100.443
Liabilities other than provisions	-12.791	-12.128
	163.968	**319.094**

Notes

14 Other provisions

Balance at beginning of year at 1 October 2017	8.017.818	7.414.963
Reversal of provisions	-1.606.459	-1.331.119
New provisions	3.185.064	4.656.973
Usage of provisions	-1.883.729	-2.722.999
Accretion and changes in interest rates of non-current provisions	-25.432	0
Balance at 30 September 2018	**7.687.262**	**8.017.818**

The expected due dates of other provisions are:		
Within one year	2.337.253	2.078.844
Between 1 and 5 years	5.350.009	5.938.974
	7.687.262	**8.017.818**

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.

	2017/18 TDKK	2016/17 TDKK
15 Cash flow statement - adjustments		
Depreciation, amortisation and impairment losses	706.999	1.161.160
Change in other provisions	-485.682	726.795
Other adjustments	21.215	133.611
	242.532	**2.021.566**
16 Cash flow statement - change in working capital		
Change in inventories	88.523	673.883
Change in receivables	414.320	2.162.839
Changes in short-term liabilities	-298.061	-1.673.354
Changes to unrealised hedging items	19.489	146.654
	224.271	**1.310.022**

	2017/18	2016/17
	TDKK	TDKK
17 Contingencies, etc.		
Operating lease liabilities		
Operating lease commitments. Total rent in the notice period amounts to	129.819	163.507
Other rent and lease liabilities	41.838	43.073
	171.657	**206.580**
Guarantess to customers and suppliers provided by third parties, the company's bank and financial connections.	393.611	405.786

In addition DKK 5.529 million (2016/17: DKK 5.521 million) is guaranteed by SFS/Siemens AG/SGRE S.A., 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 Danish 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	Net position
	TDKK	TDKK	TDKK
EUR	5.420.803	5.398.608	22.194
USD	-1.754.208	-1.744.622	-9.586
GBP	4.825.643	4.826.665	-1.022
ZAR	770.835	769.184	1.651
Others	571.609	568.603	3.006
	9.834.682	**9.818.438**	**16.243**

At year end, the company's unrealised exchange gains totaled to DKK 547,8 million before tax and DKK 427,3 million after tax.

The year's change in unrealised exchange gains totals DKK 71,7 million after tax, of which a gain of DKK 19,5 million is taken to equity and a loss of DKK 52,2 million is recognised in the income statement.

Raw material contracts
At year end, an unrealised exchange gain on raw material contracts totaled DKK 0,6 million.

Notes

	2017/18	2016/17
	TDKK	TDKK
19 Staff		
Wages and Salaries	3.181.345	3.982.642
Pensions	259.068	306.942
Other social security expenses	75.410	96.734
Other staff expenses	77.502	107.277
	3.593.325	**4.493.595**
including remuneration to the Executive and Supervisory Boards of:		
Executive Board	5.210	12.645
	5.210	**12.645**
Average number of employees	5.932	7.335

	2017/18	2016/17
	TDKK	TDKK
20 Fee to auditors appointed at the general meeting		
Ernst & Young:		
Fee for statutory audit	1.615	1.630
Other assurance engagements	315	0
	1.930	**1.630**

21 Charges and security for loans

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

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 Tecnologico, Edificio 222, Spain.

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

Subsidaries and foreign branches

Siemens Gamesa Energy Tajdidpazir, Iran (99,98%).

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.