SIEMENS Gamesa
RENEWABLE ENERGY

Siemens Gamesa Renewable Energy A/S

Borupvej 16
7330 Brande

CVR no. 76 48 62 12

Annual report for 2018/19

Adopted at the annual general meeting on 8 January 2020

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 2018 – 30 September 2019 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 2019 and of the results of its operations and cash flows for the financial year 1 October 2018 – 30 September 2019.

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, 8 January 2020

Executive board

Andreas Nauen	Poul Hansen

Board of Directors

Jukka Pekka Pertola chairman	Alex Merrild Andersen	Claus Møller
Thomas Herbert Albert Siegert	Lars Pedersen Bak	Mads Sandholdt Risom

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 2018 - 30 September 2019, 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 2019 and of the results of the company's operations and cash flows for the financial year 1 October 2018 - 30 September 2019 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 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 disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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, 8 January 2020

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

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 2018 - 30 September 2019
	Domicile:	Brande
Board of Directors	Jukka Pekka Pertola, chairman Alex Merrild Andersen Claus Møller Thomas Herbert Albert Siegert Lars Pedersen Bak Mads Sandholdt Risom	
Executive board	Andreas Nauen Poul Hansen	
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 08 January 2020.	

Financial highlights

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

	2018/19 MDKK	2017/18 MDKK	2016/17 MDKK	2015/16 MDKK	2014/15 MDKK
Key figures					
Revenue	30.459	21.460	27.473	27.915	21.507
Gross profit	3.878	3.016	2.264	1.645	-673
Profit/loss from ordinary operating activities before gains/losses from fair value adjustments	3.239	2.131	1.602	960	-1.374
Net financials	-107	13	-114	-21	87
Profit/loss for the year	2.431	1.677	1.157	711	-973
Balance sheet total	23.705	18.367	18.612	18.255	15.669
Equity	3.650	2.456	1.917	613	-342
Cash flows from:					
- operating activities	1.299	2.157	4.366	999	2.752
- investing activities	-1.788	-1.301	-1.036	164	-642
- including investment in property, plant and equipment	-907	-580	-730	-829	-623
- financing activities	-1.020	-1.157	0	0	0
The year's changes in cash and cash equivalents	-1.510	-302	3.329	1.163	2.110
Number of employees	5.701	5.932	7.335	7.002	6.436
EBIT margin	10,6%	9,9%	5,8%	3,4%	-6,4%
Return on assets	15,4%	11,5%	8,7%	5,7%	-9,4%
Gross margin	12,7%	14,1%	8,2%	5,9%	-3,1%
Solvency ratio	15,4%	13,4%	10,3%	3,4%	-2,2%
Return on equity	79,6%	76,7%	91,5%	523,9%	-764,9%

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. Leading the way forward in the renewable energy sector, Siemens Gamesa provides cleaner, more reliable and affordable wind power. Our scale, global reach and proven track record ensure that we will play a central role in shaping the energy landscape of the future.

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 production facility is located in Brande. Hub production, product development, quality and service management are also carried out from this location. In Aalborg we have blade and mould production facility.

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

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.

Financial review

Revenue amounted to DKK 30.459 million in fiscal year 2019 compared to DKK 21.460 million in fiscal year 2018. EBIT ended at DKK 3.239 million (EBIT margin 10,6%) which exceeds expectations stated in the annual report fiscal year 2018.

The profit for the year increased 45% compared to fiscal year 2018 and ended at DKK 2.431 million. Fiscal year 2019 was a strong year for our offshore market.

The balance sheet total increased by DKK 5.337 million to DKK 23.705 million mainly due to higher work in progress for third parties, inventories and more capitalized costs. The company decreased its net cash position to DKK 4.840 million, mainly due to a decrease in receivables from subsidiaries.

Management's review

Subsequent events

As of end October 2019, an agreement has been signed with the workers council in Denmark for the dismissal of 460 employees, with an estimated impact of EUR 7 million. This measure is due to a challenging market environment and a highly competitive landscape characterized by price pressures affecting the production of direct drive onshore turbines in Brande that will cease at the end of 2020 and the onshore blade production in Aalborg.

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 2018 we unveiled the L3AD2020 program with the stated objective of ensuring our company's leading position in the wind sector. With this target in mind, the company launched a three-year program built on four modules: Growth, Transformation, Digitalization and Change Management. This is achieved through developing the most competitive products in the industry, being a trusted partner all across the globe and becoming one company with one DNA.

L3AD2020 is structured in three stages: merger and stabilization, leveraging economies of scale and sustainable profitability.

Guidance for fiscal year 2020 foresees revenues of around DKK 23-25 billion and an EBIT margin of around 3-5 %.

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.

Corporate Social Responsibility

The company meets the statutory requirements for Corporate Social Responsibility by following the Consolidated Non-Financial Statement 2019 for SGRE Group. Below is given an overview of the overall strategy presented by the SGRE Group, whereas some of the subsections e.g. "Health" and "Diversity", furthermore provide some specifics for SGRE A/S. For more information about the Consolidated Non-Financial Statement 2019 go to our website siemensgamesa.com and follow the link below:
https://www.siemensgamesa.com/en-int/-/media/siemensgamesa/downloads/en/sustainability
/siemens-gamesa-consolidated-non-financial-statement-2019-en.pdf.

Siemens Gamesa has identified different strategic lines and actions to work on in the coming years regarding corporate social responsibility (CSR) to support the business, strengthen the overall business strategy and to obtain competitive advantages in specific aspects of management that the company works on over the coming years. These strategic lines and actions define the CSR Strategy 2018-20 and will allow the company to continue
maintaining an excellent positioning in the market and for its stakeholders.

Siemens Gamesa's CSR strategy 2018-2020 currently consists of five pillars:

• Pillar 1: Integrity and transparency
• Pillar 2: Commitment to people
• Pillar 3: Green development
• Pillar 4: Responsible supply chain
• Pillar 5: Community engagement

Employees

One of the company's key assets is its skilled, creative and committed employees. Our organization believes in continuous learning and consequently the company has a continued focus on enabling learning and training so that SGRE employees can consistently develop their skills and competencies in order to fulfill their full potential. We aim to be an employer of choice by empowering and motivating all employees with a high-performance culture and development possibilities.

Health

Occupational health & safety is an essential priority in Siemens Gamesa. Job satisfaction and health are top priorities in Siemens Gamesa. Throughout the fiscal year 2019 initiatives such as Virgin Challenge and DHL stafet have had a positive impact and mobilized a great part of the total workforce.

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

The way of working at Siemens Gamesa is open, flexible and digital. Our goal is that everyone will feel a sense of empowerment and ownership, and the FlexAgility project demonstrates our commitment to this. FlexAgility is a step towards a single way of working wherever and however we want. In order to achieve this agility, we have created uniform open, digital and flexible office standard guidelines that has been implemented in Brande and Vejle this fiscal year.

SGRE is fully committed to ensuring a strong safety and zero-harm culture across our entire business. With this commitment we target to reduce the number of occupational accidents and illnesses by identifying potential hazards and implementing controls to manage them. SGRE encourages its cooperation partners to share this ambition and works with both customers and suppliers to implement ongoing improvements.

Management's review

Diversity

The SGRE Group promotes diversity in all its locations worldwide. Diversity is considered an invaluable source of talent, creativity and experience. Valuing the importance of the individual is on of the cornerstones of the Culture of Trust that we are building within all of the Siemens Gamesa organization.

At Siemens Gamesa, the Global Mobility & Diversity team within Global HR actively works to promote gender diversity in recognition of basic fairness as well as the fact that it is in the company's general interest. SGRE strives to integrate women at all levels, including top management.

The board of directors at SGRE A/S has six members, of which four 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 fiscal year 2019.

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 fiscal year 2019 SGRE A/S did not meet the target of including women in the board as no women 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 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 fiscal year 2019, 18% of managerial positions were held by women, and it is expected that within a 2 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.

Accounting policies

The annual report of Siemens Gamesa Renewable Energy A/S for 2018/19 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied are consistent with those of last year.

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

The annual report for 2018/19 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, gains and losses on securities and transactions denominated in foreign currencies 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, 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.

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.

Accounting policies

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.

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.

Accounting policies

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, foreign currency transactions are translated applying the exchange rate 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 financial income or financial expenses. If foreign currency transactions are considered cash flow hedges, the value adjustments are taken directly to equity.

Receivables and 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 the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Positive and negative fair values of derivative financial instruments are included in 'Other receivables' or 'Other payables', respectively.

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

Fair value adjustments of derivative financial instruments designated as and qualifying for hedging of future cash flows are recognised in other receivables or other payables and in equity. If the future transaction results in recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or the liability, respectively. If the future transaction results in income or expenses, amounts previously recognised in equity are transferred to the income statement in the period in which the hedged item affects the income statement.

As for derivative financial instruments that do not qualify for hedge accounting, fair value adjustments are recognised in the income statement on a current basis.

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 $$\frac{\text{Gross profit x 100}}{\text{Revenue}}$$

EBIT margin $$\frac{\text{Profit/loss before financials x 100}}{\text{Revenue}}$$

Return on assets $$\frac{\text{Profit/loss before financials x 100}}{\text{Average assets}}$$

Solvency ratio $$\frac{\text{Equity at year-end x 100}}{\text{Total assets at year-end}}$$

Return on equity $$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$$

Income statement 1 October 2018 - 30 September 2019

	Note	2018/19 TDKK	2017/18 TDKK
Revenue	1	**30.459.321**	**21.460.302**
Cost of productions		-26.581.057	-18.444.313
Gross profit		**3.878.264**	**3.015.989**
Distribution costs		-585.296	-817.026
Administrative costs		-89.293	-119.519
Profit before other operating expenses		**3.203.675**	**2.079.444**
Other operating income	2	45.623	89.507
Other operating costs	3	-10.656	-37.700
Profit/loss from ordinary operating activities		**3.238.642**	**2.131.251**
Income from investments in associates		2.570	-813
Financial income	4	1.820	25.056
Financial costs	5	-111.248	-11.468
Profit/loss before tax		**3.131.784**	**2.144.026**
Tax on profit/loss for the year	6	-701.122	-467.403
Net profit/loss for the year		**2.430.662**	**1.676.623**
Proposed dividend for the year		1.900.000	1.020.494
Transferred to other statutory reserves		502.549	656.129
Retained earnings		28.113	0
		2.430.662	**1.676.623**

Balance sheet at 30 September 2019

	Note	2018/19 TDKK	2017/18 TDKK
Assets			
Completed development projects		330.013	177.288
Other intangible assets		0	0
Development projects in progress		1.504.180	949.946
Intangible assets	7	**1.834.193**	**1.127.234**
Land and buildings		1.112.704	1.152.776
Plant and machinery		216.680	314.996
Other fixtures and fittings, tools and equipment		890.146	784.083
Assets in progress and prepayments		358.046	260.370
Tangible assets	8	**2.577.576**	**2.512.225**
Investments	9	785	777
Fixed asset investments		**785**	**777**
Total non-current assets		**4.412.554**	**3.640.236**
Inventories	10	**3.616.703**	**1.788.077**
Trade receivables	11	337.850	174.788
Work in progress for third parties		7.505.424	4.136.708
Receivables from subsidiaries		7.059.697	7.386.728
Other receivables		671.234	818.033
Prepayments	12	23.770	22.716
Receivables		**15.597.975**	**12.538.973**
Cash at bank and in hand		**77.566**	**400.175**
Total current assets		**19.292.244**	**14.727.225**
Total assets		**23.704.798**	**18.367.461**

Balance sheet at 30 September 2019

	Note	2018/19	2017/18
		TDKK	TDKK
Equity and liabilities			
Share capital		20.000	20.000
Reserves for development expenditure		1.495.218	992.669
Retained earnings		234.392	423.049
Proposed dividend for the year		1.900.000	1.020.494
Equity		**3.649.610**	**2.456.212**
Deferred tax	13	626.298	163.968
Other provisions	14	6.876.685	7.687.262
Total provisions		**7.502.983**	**7.851.230**
Prepayments received from customers		80.345	10.197
Trade payables		3.643.982	3.507.875
Work in progress for third parties		6.991.474	3.142.053
Payables to subsidiaries		173.403	70.930
Other payables	15	1.630.035	1.324.411
Deferred income		32.966	4.553
Total current liabilities		**12.552.205**	**8.060.019**
Total liabilities		**12.552.205**	**8.060.019**
Total equity and liabilities		**23.704.798**	**18.367.461**

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Statement of changes in equity

TDKK	Share capital	Reserves for development expenditure	Retained earnings	Proposed dividend for the year	Total
Equity at 1 October 2018	20.000	992.669	423.049	1.020.494	2.456.212
Ordinary dividend paid	0	0	0	-1.020.494	-1.020.494
Fair value adjustment of hedging instruments	0	0	-216.770	0	-216.770
Net profit/loss for the year	0	502.549	1.928.113	0	2.430.662
Proposed dividend for the year	0	0	-1.900.000	1.900.000	0
Equity at 30 September 2019	**20.000**	**1.495.218**	**234.392**	**1.900.000**	**3.649.610**

Cash flow statement 1 October 2018 - 30 September 2019

	Note	2018/19 TDKK	2017/18 TDKK
Net profit/loss for the year		2.430.662	1.676.623
Adjustments	16	776.992	243.448
Change in working capital	17	-1.799.103	224.271
Cash flows from operating activities before financial income and expenses		**1.408.551**	**2.144.342**
Financial income		1.820	25.055
Financial costs		-111.248	-11.471
Cash flows from operating activities		**1.299.123**	**2.157.926**
Investment in intangible assets		-918.429	-774.532
Purchase of property, plant and equipment		-907.332	-580.389
Sale of property, plant and equipment		37.632	52.535
Cash flows from investing activities		**-1.788.129**	**-1.302.386**
Dividend paid		-1.020.494	-1.157.152
Cash flows from financing activities		**-1.020.494**	**-1.157.152**
Change in cash and cash equivalents		**-1.509.500**	**-301.612**
Cash and cash equivalents at 1. October		6.349.074	6.650.686
Cash and cash equivalents		**4.839.574**	**6.349.074**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		77.566	400.175
Receivables from group enterprises, cashpool arrangement		4.762.008	5.948.899
Cash and cash equivalents		**4.839.574**	**6.349.074**

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	27.782.573	569.831	2.106.917	30.459.321

	2018/19	2017/18
	TDKK	TDKK
2 Other operating income		
Gain on sale of assets	8.461	7.169
Sales of electricity from windmills	36.279	34.165
Other	883	48.173
	45.623	**89.507**

	2018/19	2017/18
	TDKK	TDKK
3 Other operating costs		
Loss on sale of assets	10.656	37.700
	10.656	**37.700**

Notes

	2018/19	2017/18
	TDKK	TDKK
4 Financial income		
Interest received from group enterprises	1.442	1.105
Other financial income	378	23.951
	1.820	**25.056**

	2018/19	2017/18
	TDKK	TDKK
5 Financial costs		
Interest paid to group enterprises	1.262	943
Other financial costs	109.986	10.525
	111.248	**11.468**

	2018/19	2017/18
	TDKK	TDKK
6 Tax on profit/loss for the year		
Current tax for the year	179.490	628.419
Deferred tax for the year	525.872	-146.178
Adjustment of tax concerning previous years	-4.240	-14.838
	701.122	**467.403**

7 Intangible assets

	Completed development projects	Other intangible assets	Development projects in progress	Total
TDKK				
Cost at 1 October 2018	468.465	46.394	949.946	1.464.805
Additions for the year	50.319	0	868.110	918.429
Disposals for the year	0	-1.569	0	-1.569
Transfers for the year	210.096	0	-210.096	0
Cost at 30 September 2019	728.880	44.825	1.607.960	2.381.665
Impairment losses and amortisation at 1 October 2018	291.177	46.394	0	337.571
Depreciation and impairment for the year	107.690	0	103.780	211.470
Reversal of depreciation of sold assets	0	-1.569	0	-1.569
Impairment losses and amortisation at 30 September 2019	398.867	44.825	103.780	547.472
Carrying amount at 30 September 2019	**330.013**	**0**	**1.504.180**	**1.834.193**
Depreciated over	3-5 years	3 years		

Notes

8 Tangible assets

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Assets in progress and prepayments	Total
TDKK					
Cost at 1 October 2018	2.055.900	843.446	3.743.074	260.370	6.902.790
Additions for the year	38.511	9.332	494.168	342.454	884.465
Disposals for the year	-114	-101.761	-363.775	0	-465.650
Transfers for the year	280	25.668	219.668	-222.749	22.867
Cost at 30 September 2019	2.094.577	776.685	4.093.135	380.075	7.344.472
Revaluations at 1 October 2018	42.403	0	0	0	42.403
Revaluations at 30 September 2019	42.403	0	0	0	42.403
Impairment losses and depreciation at 1 October 2018	945.527	528.450	2.958.991	0	4.432.968
Depreciation and impairment for the year	78.749	116.060	570.498	22.029	787.336
Reversal of impairment and depreciation of sold assets	0	-91.380	-328.657	0	-420.037
Transfers for the year	0	6.875	2.157	0	9.032
Impairment losses and depreciation at 30 September 2019	1.024.276	560.005	3.202.989	22.029	4.809.299
Carrying amount at 30 September 2019	**1.112.704**	**216.680**	**890.146**	**358.046**	**2.577.576**
Depreciated over	10-30 years	3-5 years	1-5 years		

Notes

	2018/19	2017/18
	TDKK	TDKK
9 Investments		
Cost at 1 October 2018	3.998	4.997
Additions for the year	0	1
Disposals for the year	0	-1.000
Cost at 30 September 2019	3.998	3.998
Revaluations at 1 October 2018	-3.221	-3.308
Received dividend	-125	-100
Profit/loss after tax	133	187
Revaluations at 30 September 2019	-3.213	-3.221
Carrying amount at 30 September 2019	**785**	**777**

	2018/19	2017/18
	TDKK	TDKK
10 Inventories		
Raw materials and consumables	2.908.634	1.102.168
Work in progress	467.214	384.882
Finished goods and goods for resale	73.608	161.504
Prepayments for goods	167.248	139.523
	3.616.704	**1.788.077**

11 Receivables

Of the company's receivables, DKK 4,5 million (fiscal year 2018: DKK 6,8 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.

	2018/19 TDKK	2017/18 TDKK
13 Deferred tax		
Provision for deferred tax at 1 October 2018	163.968	319.094
Adjustment of deferred tax in the year from income statement	525.872	-146.178
Adjustment of deferred tax prior years	-229	-14.445
Adjustment by Equity	-63.313	5.497
Provision for deferred tax at 30 September 2019	**626.298**	**163.968**
Intangible assets	391.801	236.270
Property, plant and equipment	-170.051	-150.941
Investments	-18	200
Current assets	536.604	378.217
Provisions	-197.993	-408.973
Financial instruments relating to future cash flows	78.053	121.986
Liabilities other than provisions	-12.098	-12.791
	626.298	**163.968**

Notes

	2018/19	2017/18
	TDKK	TDKK
14 Other provisions		
Balance at beginning of year at 1 October 2018	7.687.262	8.017.818
Reversal of provisions	-1.525.319	-1.606.459
New provisions	2.384.187	3.185.064
Usage of provisions	-1.716.066	-1.883.729
Accretion and changes in interest rates of non-current provisions	46.621	-25.432
Balance at 30 September 2019	**6.876.685**	**7.687.262**

The expected due dates of other provisions are:		
Within one year	2.115.963	2.337.253
Between 1 and 5 years	4.760.722	5.350.009
	6.876.685	**7.687.262**

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.

15 Other payables

Of the company's payables, DKK 20,3 million is due to the New Holiday Act and falls due for payment after more than 1 year after the balance sheet date.

	2018/19	2017/18
	TDKK	TDKK
16 Cash flow statement - adjustments		
Depreciation, amortisation and impairment losses	1.007.838	706.999
Change in other provisions	-348.247	-485.682
Other adjustments	117.401	22.131
	776.992	**243.448**

Notes

		2018/19	2017/18
		TDKK	TDKK
17	**Cash flow statement - change in working capital**		
	Change in inventories	-1.828.626	88.523
	Change in receivables	-4.245.893	414.320
	Changes in short-term liabilities	4.492.186	-298.061
	Changes to unrealised hedging items	-216.770	19.489
		-1.799.103	**224.271**

18 Contingencies, etc.

	2018/19	2017/18
Operating lease liabilities. Total future lease payments:		
Operating lease commitments. Total rent in the notice period amounts to	177.753	129.819
Other rent and lease liabilities	301.744	41.838
	479.497	**171.657**
Guarantess to customers and suppliers provided by third parties, the company's bank and financial connections.	843.960	393.611

In addition DKK 12.186 million (fiscal year 2018: DKK 5.529 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

19 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	12.628.205	12.612.037	16.168
USD	-1.283.551	-1.290.532	6.981
GBP	1.836.175	1.834.437	1.739
ZAR	252.946	250.656	2.290
Others	58.666	60.863	-2.197
	13.492.441	**13.467.461**	**24.981**

At year end, the company's unrealised exchange gains totaled to DKK 348,5 million before tax and DKK 271,9 million after tax.

The year's change in unrealised exchange losses totals DKK 155,4 million after tax, of which a loss of DKK 224,5 million is taken to equity and a gain of DKK 69,0 million is recognised in the income statement.

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

Notes

20 Staff

	2018/19 TDKK	2017/18 TDKK
Wages and Salaries	3.210.461	3.181.345
Pensions	252.242	259.068
Other social security expenses	79.588	75.410
Other staff expenses	86.331	77.502
	3.628.622	**3.593.325**

including remuneration to the Executive and Supervisory Boards of:		
Executive Board	10.604	5.210
	10.604	**5.210**

Average number of employees	5.701	5.932

21 Fee to auditors appointed at the general meeting

	2018/19 TDKK	2017/18 TDKK
Ernst & Young:		
Fee for statutory audit	1.686	1.615
Other assurance engagements	121	315
	1.807	**1.930**

22 Charges and security for loans

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

23 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 S.A., Zamudio, Bizkaia Parque Tecnologico, Edificio 222, Spain.

SGRE A/S is included in Siemens Gamesa Renewable Energy S.A. Spain 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 20.