

**Siemens Gamesa Renewable
Energy A/S**

**Borupvej 16
7330 Brande**

CVR no. 76 48 62 12

Annual report for 2019/20

Adopted at the annual general meeting
on 28 January 2021


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 2019 – 30 September 2020 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 2020 and of the results of its operations and cash flows for the financial year 1 October 2019 – 30 September 2020.

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 2021

Executive board

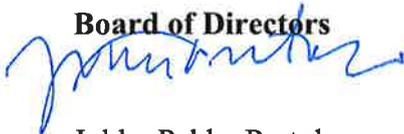
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Board of Directors



Jukka Pekka Pertola
chairman

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Alex Merrild**
Alex Merrild Andersen

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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 2019 - 30 September 2020, 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 2020 and of the results of the Company's operations and cash flows for the financial year 1 October 2019 – 30 September 2020 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 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 as to 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 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 the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism 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 the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

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

Aarhus C, 28 January 2021

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



Morten Friis
State Authorised Public Accountant
MNE no. 32732

Company details

The company

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CVR no.: 76 48 62 12

Reporting period: 1 October 2019 - 30 September 2020

Domicile: Brande

Board of Directors

Jukka Pekka Pertola, chairman
Thomas Herbert Albert Siegert
Thorbjörn Leif Fors
Alex Merrild Andersen
Mona Andersen
Lars Pedersen Bak

Executive board

Torben Bang
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 28 January 2021.

Financial highlights

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

	2019/20	2018/19	2017/18	2016/17	2015/16
	MDKK	MDKK	MDKK	MDKK	MDKK
Key figures					
Revenue	25.085	30.459	21.460	27.473	27.915
Gross profit	-600	3.878	3.016	2.264	1.645
Profit/loss before from ordinary operating activities before gains/losses from fair value adjustments	-1.259	3.239	2.131	1.602	960
Net financials	-55	-107	13	-114	-21
Profit/loss for the year	-1.012	2.431	1.677	1.157	711
Balance sheet total	22.834	23.705	18.367	18.612	18.255
Equity	550	3.650	2.456	1.917	613
Cash flows from:					
- operating activities	5.717	1.299	2.157	4.366	999
- investing activities	-1.857	-1.788	-1.301	-1.036	164
- including investment in property, plant and equipment	-1.073	-907	-580	-730	-829
- financing activities	-2.191	-1.020	-1.157	0	0
The year's changes in cash and cash equivalents	1.669	-1.510	-302	3.329	1.163
Number of employees	5.348	5.701	5.932	7.335	7.002
EBIT margin	-5,0%	10,6%	9,9%	5,8%	3,4%
Return on assets	-5,4%	15,4%	11,5%	8,7%	5,7%
Gross margin	-2,4%	12,7%	14,1%	8,2%	5,9%
Solvency ratio	2,4%	15,4%	13,4%	10,3%	3,4%
Return on equity	-48,2%	79,6%	76,7%	91,5%	523,9%

Where new International Financial Reporting Standards have been adopted, the comparatives have not been restated. For an account of newly adopted Standards, see the introduction of accounting policies.

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.

Financial review

Revenue amounted to DKK 25.085 million in fiscal year 2020 compared to DKK 30.459 million in fiscal year 2019. EBIT ended at DKK -1.259 million (EBIT margin -5,0%) which does not meet the expectations stated in the annual report fiscal year 2019.

The net result for the year decreased -142% compared to fiscal year 2019 and ended at DKK -1.012 million. Fiscal year 2020 was a year where our revenue and profitability was under significant pressure. The negative results mainly reflect the year shaped by the Covid-19 pandemic and performance was hampered by cost overruns caused by the execution challenges in onshore projects in Norway and Sweden, which at the date of this report have been delivered almost in their entirety to their respective customers.

The balance sheet total decreased by DKK 871 million to DKK 22.834 million mainly due to lower work in progress for third parties and inventories. On the other side total non-current assets increased DKK 1.695 million, mainly due to the implementation of IFRS 16 and investments in intangible assets. The company increased its net cash position to DKK 6.508 million, mainly due to improved working capital.

Subsequent events

No events have occurred after the financial year-end, which could significantly affect the company's financial position. However the COVID-19 pandemic is still ongoing and expect to have an impact on fiscal year 2021 as well.

Management's review

Outlook

The year 2020 has been marked by the Covid-19 pandemic, which, in addition to the high cost in human lives, is having a significant impact on the global economy, affecting production, supply chains and companies' financial stability while also curtailing consumer and capital spending. The uncertainty about the pandemic, the scale of additional lockdowns required to contain it, and about the effectiveness of the proposed economic measures make it difficult to estimate the economic impact reliably.

The business plan for FY21-FY23 is leveraged on the LEAP program, with the goal to turn around the Onshore activities, and to maintain profitable growth in the Offshore and Service activities. The LEAP program operates through three levers - innovation, productivity and asset management, and operational excellence - implement in a sustainable way and using digitalization as an enabler and differentiator feature:

- Innovation aimed at achieving or maintaining technology leadership and developing innovative business models for the benefit of our customers
- Productivity and asset management aimed at cost reduction and optimizing and managing cash flow
- Operational excellence focused on strengthening processes and attaining industry-leading levels of quality and safety.

Guidance for fiscal year 2021 foresees revenues of around DKK 23-27 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 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.

Management's review

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.

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.

Health

Occupational health & safety is an essential priority in Siemens Gamesa. Job satisfaction and health are top priorities in Siemens Gamesa. As Covid-19 pandemic spread globally, Siemens Gamesa established a task force to address the priority of keeping its employees and their families safe and healthy, implementing a series of actions aimed at balancing the demands of health and safety with those business activities.

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 during fiscal year 2019 & 2020.

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.

Due to the COVID-19 pandemic SGRE also introduced online sessions for a better work from home environment and tips on how to stay active while working from home.

Management's review

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.

Corporate Social Responsibility

The company meets the statutory requirements for Corporate Social Responsibility by following the Consolidated Non-Financial Statement 2020 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 2020 go to our website [siemensgamesa.com](https://www.siemensgamesa.com) and follow the link below:

<https://www.siemensgamesa.com/-/media/siemensgamesa/downloads/en/sustainability/siemens-gamesa-consolidated-non-financial-statement-2020-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

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 one 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 2020.

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 2020 SGRE A/S did not meet the target of including women in the board as only one board member was changed in connection with change of ultimate majority shareholder from Siemens AG to Siemens Energy AG.

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

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

In fiscal year 2020 19,5% of managerial positions were held by women, and it is expected that the goal of 20% will be met during fiscal year 2021.

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 2019/20 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 2019/20 is presented in TDKK

Accounting policies

Adoption of new or revised international financial reporting standards:

- First-time application of IFRS 15, "Revenue from contracts with customers"

SGRE adopted this standard in the year ended September 30, 2020. SGRE has implemented IFRS 15 for purposes of interpreting the provisions of the Danish Financial Statements Act on revenue. According to the new standard, revenue is recognised to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. Revenue is recognised when, or as, the customer obtains control of the goods or services. IFRS 15 also includes guidance on the presentation of contract balances, that is, assets and liabilities arising from contracts with customers, depending on the relationship between the entity's performance and the customer's payment. IFRS 15 supersedes IAS 11, Construction contracts, and IAS 18, Revenue, as well as related interpretations.

SGRE applied the standard for the year beginning as of October 1, 2019 using the full retrospective approach; the comparable period is presented in accordance with IFRS 15 (using practical expedients).

As a result of this decision, SGRE has changed its accounting policies, has updated its internal processes and controls relating to revenue recognition and has included the disclosures required by the mentioned standard.

Presentation and impact:

IFRS 15 had no material impact on the line items of the Statements of Income (including retained earnings). Total cash flows from operating, investing and financing activities were also not impacted in fiscal year 2020 by IFRS 15. IFRS 15 had no impact on our tax and deferred tax in fiscal year 2020.

- First-time application of IFRS 16, "Leases"

SGRE implemented this standard in the year ended September 30, 2020. SGRE has implemented IFRS 16 for purposes of interpreting the provisions of the Danish Financial Statements Act on leases. SGRE has completed the analysis in order to assess whether an agreement includes a lease on the date of its first-time application in accordance with the definition and conditions set in IFRS 16.

The implementation of this standard in SGRE is based on the modified retrospective approach, which means that comparative period figures are not restated, and therefore, that the first-time adoption of IFRS 16 is accounted for as of October 1, 2019 (first-time application date). SGRE, using practical expedients, has chosen to apply the exemption in recognizing current leases:

- lease terms are equal or under 12 months, which will continue being accounted for as presently and associated payments will be recognized as a lease expense; and
- leases for which the underlying asset is of low value.

Accounting policies

Presentation and impact:

In the Financial Statements for the year ended September 30, 2020, SGRE has classified right-of-use assets and lease liabilities under the line items “Tangible assets”, current “Financial debt” and non-current “Financial debt” of the Balance Sheet.

The corresponding right of use asset recognized as of October 1, 2019 with the first-time application of IFRS 16 amounts to DKK 1.035 million (DKK 743 million "Land and buildings", DKK 253 million "Plant and machinery" and DKK 39 million "Other fixtures and fittings, tools and equipment"). The total lease liability recognized as of October 1, 2019 amounts to DKK 1.035 million. For fiscal year 2020 the IFRS 16 depreciations amounted to DKK 291 million, additions amounted to DKK 95 million whereas DKK 54 million are adjustment increases to the original lease contracts. The right of use asset and total lease liability recognized at September 30, 2020 amounts to DKK 839 million (DKK 653 million within "Non-current Financial debt" and DKK 186 million within "Current Financial debt" .

In order to determine the present value of lease payments, which is needed when classifying a lease (for the lessor) and to measure the lessee’s lease liability, three parameters are required: lease term, lease payments, and the appropriate discount rate.

IFRS 16 requires the lessee to discount the lease payments using the interest implicit in the lease or the incremental borrowing rate if the interest implicit in the lease cannot be determined. At the time of the first application, the company had one singular lease agreement in Euro amount whereas the rest of the lease agreements was in DKK, hence specific details of the discount rates used for the main currencies have not been included.

While IFRS 16 does not specify requirements on reassessment of discount rates by a lessor, a lessee is required to reassess the discount rate upon any of the following:

- Change in lease term or in the assessment of the purchase option.
- A lease modification that is not accounted for as a separate lease.
- Change in lease payment resulting from a change in floating interest rates.

Details of the reconciliation between the future minimum payment for non-cancellable operating leases under the scope of the IAS 17 at September 30, 2019 (Note 18) and lease liabilities recognized at October 1, 2019 in the transition to IFRS 16 are as follows:

+ Future minimum payments for operating leases in accordance with IAS 17 (DKK 479 million)
+ Difference due to reassessment of IFRS 16 (DKK 556 million)
= Lease liabilities as October 1, 2019 under IFRS 16 (DKK 1.035 million)

As a result of the adoption of IFRS 16, SGRE has updated its accounting policies and internal processes and controls related to leases.

Accounting policies

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 installments 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

The Company's activities are mainly focused on:

- The promotion and development of wind farms, including engineering solutions, design, production and sale of wind turbines, and
- The rendering of operation and maintenance services through advanced technology services in the renewable energy sector.

These activities correspond to the reported segments "Wind turbines" and "Operation and Maintenance", respectively. In addition, spare parts are sold (mainly during the wind farm maintenance period).

SGRE has implemented IFRS 15 for purposes of interpreting the provisions of the Danish Financial Statements Act on revenue.

Identification of performance obligations:

- Sales from construction-type contracts: A construction-type contract is a contract specifically negotiated for the construction of an asset or a combination of assets. The elements of the construction-type contracts may comprise, for example, the design and construction of nacelles, blades, towers, transformers, wind turbines etc., the transportation and logistics, the software included in wind turbines, the engineering, the erection, installation and commissioning of new wind turbines into service, etc. and, if applicable, they may also include the development of the wind farm (obtaining permits, licenses and authorizations). The promises in a contract are highly interrelated, interdependent and involve a significant service of integration and therefore, are not capable to being distinct for themselves individually. Furthermore, the delivery of the elements in the contract requires a single overarching project management team to ensure that the promises are delivered to the customer as per the contract accordingly. Therefore, the promises form a single performance obligation that provides the customer a complete and integral solution as per the contract (that is, a complete functioning wind farm rendering the agreed megawatts of output), and therefore, there is no significant judgment in the identification of the performance obligations.

Construction-type contracts are satisfied over time because SGRE A/S's performance does not create an asset with alternative use for the Company (IFRS 15.36). The Company manages projects with technical features that are specific for each customer contract, and therefore SGRE A/S produces components as per demand of the project (i.e. not producing to stock), and furthermore each project has its site specific customization regarding the components that are produced and used in the project (there is always bespoke works which are performed specifically for the project, like for example the siting and the related engineering for offshore as well as for onshore projects). Revenues are recognized under the percentage-of-completion method, based on the percentage of costs incurred to date compared to total estimated costs.

Accounting policies

The percentage-of-completion method places considerable importance on accurate estimates of the extent of progress towards completion and may involve estimates on the scope of deliveries and services required for fulfilling the contractually defined obligations. These significant estimates include total estimated costs, total estimated revenues, contract risks, including technical, political and regulatory risks, and other judgments. The Company continuously updates the estimations (amongst others of total planned costs and estimated costs to complete) with a corresponding analysis of variances and accurate recognition and controlling of revenues. Under the percentage-of-completion method, changes in estimates may lead to an increase or decrease of revenue. In addition, SGRE A/S needs to assess whether the contract is expected to continue or to be terminated. In determining whether the continuation or termination of a contract is expected to be the most likely scenario, all relevant facts and circumstances relating to the contract are considered on an individual basis.

In the case that separate legal entities are set-up for the development and sale of wind farms, the non-current assets (basically wind turbines, fixtures and civil engineering work) of the wind farms adopting the legal structure of a public or private limited liability company whose shares are fully consolidated in the accompanying Financial Statements, are classified as “Inventories”. These inventories are considered in the percentage-of-completion calculations as a project cost (i.e. projects consume such inventories), so that the accounting is the same as in the case of a wind farm sales contract with a customer without the existence of a separate legal entity, although this business model is a less significant practice at present.

In the Operation and Maintenance business, the promises in the contract can also comprise of several services, like for example minor services, jack-up vessel services, regular maintenance, etc.

- Revenues from services: In typical service contracts of SGRE A/S (hereinafter, “Service contracts”), the promises form a single performance obligation as the customer simultaneously receives and consumes the benefits provided by the performance of SGRE A/S, that is, the operation and maintenance of a wind farm, as the services are being rendered by the Company. The promises in the contract are highly interrelated, interdependent and involve a significant service of integration and therefore, are not capable to being distinct for themselves individually. Furthermore, the provision of the elements in the contract requires a single overarching project management team to ensure that the promises are delivered to the customer as per the contract accordingly. Therefore, the promises form a single performance obligation that provides the customer a complete and integral solution as per the contract (e.g. a complete service solution for a wind farm for a period of years ensuring the proper functioning of the wind farm according to the technical specifications of the machines), and therefore, there is no significant judgment in the identification of the performance obligations.

Accounting policies

Service contracts are satisfied over time because the customer simultaneously receives and consumes the benefits of the services performed by SGRE A/S. As in the construction-type contracts, revenues are recognized under the percentage-of-completion method, based on the percentage of costs incurred to date compared to total estimated costs.

In addition, it should be noted that in SGRE A/S's standard construction-type contracts and service contracts, there is a termination clause that typically stipulates that the Company has enforceable right to payment for performance completed to date of termination (including reasonable profit margin).

- Sale of goods (mainly related to sale of spare parts): the promise to transfer the goods to the customer correspond to the performance obligations under IFRS 15, since the respective promises are generally capable of being distinct, not tied to other promises and therefore, distinct within the context of the contract. With regard to such contracts, the sale of spare parts is not significant to Company revenues.

Revenues are recognized at the point in time when control of the goods passes to the buyer, usually upon delivery of the goods (at a point in time).

Principal or agent:

SGRE A/S acts as principal as it transfers control of and provides its own good or service directly to the customer. With that regard, the Company performs own value adding activities and furthermore, SGRE A/S is primarily responsible for fulfilling the promise to provide the specified good or service. Accordingly, e.g. in cases of subcontracted works and/or suppliers' deliveries of goods, in the context of construction contracts, the responsibility in front of the final customer remains with SGRE A/S.

The transaction price:

The objective when allocating the transaction price is that the entity allocates the transaction price to each performance obligation (or distinct good or service) in an amount that depicts the amount of consideration to which the entity expects to be entitled in exchange for transferring the promised goods or services to the customer.

Subsequent to the identification of the performance obligation in the contract, the contract price is allocated to the respective performance obligation. In general, SGRE A/S contracts consist of one performance obligation. Therefore, typically the contract price is fully assigned only to one performance obligation.

Accounting policies

Variable consideration:

- Construction-type contracts: There is no significant variable component in such contracts (without considering penalties due to delay clauses considered in the contracts).
- Service contracts: There are several service contracts with variable pricing tied to the energy produced by the wind farm (normally with a floor fee). However, and when applicable, it does not represent a substantial part of the fulfilment of the performance obligation as per the contract.

In cases where variable consideration is present in the contract, SGRE A/S assesses it based on likelihood of occurrence according to past experience in the wind farms. If it's highly probable that the variable consideration will occur, then it is incorporated in the planned revenue of the contract. The assessment is performed on a contract by contract basis and is reviewed regularly.

As described above, SGRE A/S generally has identified one performance obligation for each construction type and service contract. Therefore, if a portion of variable consideration is present it is deemed as attributable to the identified performance obligation i.e. to the contract as a whole.

Relation between the timing of satisfaction of the performance obligations and the typical timing of payment and the effects that those factors have on the contract asset and the contract liability balances:

- Construction-type contracts: The planned points in time of revenue recognition are compared to the payment dates in order to identify the time period that elapses.

At contract approval date an analysis of monthly contract cash flows (collections and payments) is performed, in order to identify the financing period for discounting purposes. The company determines the existence of a significant financing component in the contracts by comparing the date on which it is expected to achieve the billing with the periods in which the contract asset is being generated, as the performance obligation is expected to be fulfilled. Based on abovementioned information it is concluded that for construction-type contracts (as also assessed on contract-by-contract basis) there is no financing component present (the average deferral period is less than 12 month).

- Service contracts and sale of goods: The timing of the rendering of the Operation and Maintenance services is generally not directly linked to the timing of payments from the customer for service contracts, although, there is a direct link referring to the sale of goods business (sale of spare parts, and sales of field services outside service contract). For the service contracts, SGRE A/S receives payments from the customer at regular intervals (typically quarterly invoicing), but timing of the service provided depends on the service season when the scheduled maintenance is performed. The timing of unscheduled lag depending on crane/jack up vessel availability, if such is needed). For example: a 15-year service contract will typically have one annual service campaign, and there could be years where unscheduled service is not necessary, while in other years there is more activity due to unscheduled service. Still, the customer payments for such service contract will not vary from the originally agreed payment schedule (apart from the possible price indexation, and from the fact that staggered pricing schemes are often agreed with the customer).

Accounting policies

Other information about the performance obligations:

- **Construction-type-contracts:** The average duration of SGRE A/S construction-type contracts is 1-3 years, with contracts for onshore wind projects in the lower part of the range and those for offshore wind projects in the upper part of the range.

Payment terms for the customer are usually and in average 30-60 days from the date of issue of the invoice, always according to the contract terms.

The main warranties offered to customers in these contracts are the assurance type warranty (normal product warranty), including the power curve warranty and availability warranty. The power curve warranty offers an assurance of compliance with the wind turbine specifications in relation to the electrical power available in the wind turbine at different wind speeds. The availability warranty refers to the wind turbine being able to produce when the conditions for it are met within the technical specifications of the machine. These warranties are customary in the sales process of construction-type contracts in the wind turbine industry and can therefore not be separated as performance obligation.

- **Service contracts:** The average duration of SGRE A/S's service contracts is of 8 to 9 years.

Payment terms for the customer are usually and in average 30-60 days from the date of issue of the invoice, always according to the contract terms.

The main warranty included in service contracts is related to the availability in the operation of the wind farm during the maintenance contract and is therefore an integrated element of the service performance obligation.

- **Sale of goods:** Payment terms for the customer in case of sale of goods are, generally and on average 30-60 days from the date of the issue of the invoice, always in accordance to the contract terms. Invoices are usually issued close to the time of delivery of the goods.

Cost of productions

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.

Accounting policies

Other operating expenses

Other operating expenses comprise items of a secondary nature relative to the company's primary objective, including loss/modifications 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, allowances under the on-account tax scheme and discounted leasing obligations etc.

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

Items of land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost added revaluations and less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life. Land is not depreciated.

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

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

	Useful life
Buildings	10-30 years
Plant and machinery	3-10 years
Fixtures and fittings, tools and equipment	3-5 years

Gains or losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses, respectively.

Accounting policies

Leases

Until September 30, 2019, SGRE A/S recognized lease agreements in accordance with the criteria established in IAS 17: "Leases" and IFRIC 4: "Determination of whether an agreement contains a lease". SGRE has implemented IFRS 16 for purposes of interpreting the provisions of the Danish Financial Statements Act on leases.

SGRE A/S classified leases as finance leases whenever all the risks and rewards incidental to the ownership of the asset were substantially transferred to the lessee. All other leases were classified as operating leases.

Finance leases were recognized at the starting date of the lease as assets and liabilities in the Financial Statements at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each of those determined at the inception of the lease. The leased assets were depreciated in a similar manner as those assets owned by the Company.

Lease payments under an operating lease were recognized as an expense on a straight-line basis over the lease term in the Statement of Profit and Loss.

From October 1, 2019, SGRE A/S has adopted IFRS 16. This standard, from the perspective of the lessee, eliminates the current classification among operating and finance leases and requires the lessee to recognize a right-of-use asset and a lease liability at the present value of the obligation to make lease payments. SGRE, using practical expedients, has chosen to apply the exemption in recognizing current leases:

- lease terms are equal or under 12 months, which will continue being accounted for as presently and associated payments will be recognized as lease expense; and
- leases for which the underlying asset is of low value.

Right-of-use assets and lease liabilities:

A lessee measures right-of use assets similarly to other non-financial assets (such as "Property, plant and equipment") and lease liabilities similarly to other financial liabilities. Therefore, a lessee recognizes depreciation of the right-of-use asset and interest on the lease liability and classifies cash repayments of the lease liability into a principal and an interest portion.

Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments) and payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.

Accounting policies

The initial value of the lease liability is calculated as the value of future lease payments that are discounted, as a general rule at the incremental rate of the underlying assets. Lease payments include:

- Fixed or substantially fixed lease instalments specified in the contract, after deduction of any incentive to be received by the lessee. The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that affects the Company's ability to exercise or not exercise the option to renew or to terminate;
- Variable instalments dependent on an index or rate;
- The amounts that the lessee expects to pay for guarantees on the residual value of the underlying asset;
- The exercise price of the purchase option, if it is reasonably certain that the lessee will exercise such option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. In general, the agreements have renewal and cancellation clauses.

Contingent lease payments subject to the occurrence of a specific event and the variable instalments dependent on the use of underlying asset are recorded at the time when they are incurred under the heading of cost by nature of external services in the Statement of Profit and Loss, rather than as part of the lease liability. During fiscal year 2020, SGRE A/S has no contingent or variable lease payments.

Subsequently, the lease liability is increased to reflect the finance costs and is reduced in the amount of the payments made. The unwinding of the financial discounting is recorded under "Interest expenses" in the Statement of Profit and Loss. The lease liability is remeasured whenever there is a change in indexes or rates, in the estimated amounts to be paid for guarantees on the residual value, in those cases where the exercise of options to extend is considered reasonably certain or in those cases where the options to cancel are considered not to be exercised within reasonable expectations.

The right-of-use asset is initially recorded at cost, which includes:

- The amount of the initial measurement of the lease liability;
- Any lease payment made on or before the lease start date, minus lease incentives received;

Accounting policies

- The initial direct costs incurred as a result of the lease, and
- An estimation of the costs that will be incurred by the lessee for the dismantling and restoration of the asset.

After the initial recognition, the right-of-use asset is recorded at cost less accumulated depreciation and impairment losses. The depreciation of the right-of-use asset is recorded in the Statement of Profit and Loss during the useful life of the underlying asset, or during the lease term, whichever is shorter. If the property is transferred to the lessee or it is practically certain that the lessee will exercise the purchase option, it will be depreciated over the useful life of the asset. In case of non-removable leasehold improvements, the useful life of the respective leasehold improvement will not exceed the term of the lease contract.

For lease contracts which may include lease and non-lease components, in general SGRE A/S is not separating both elements for accounting purposes, recognizing them as a single element, except for the type of underlying assets for which the separation may have a significant impact on the Financial Statements (i.e. services related to leases of vessels).

The preparation of these Financial Statements in accordance with IFRS 16 has required SGRE A/S to make certain assumptions and estimates. In the determination of the lease term, SGRE A/S considers all the relevant facts and circumstances that create a significant economic incentive for the lessee to exercise the renewal option or not to exercise the cancellation option. Renewal or termination options are only included in the determination of the lease term if it is reasonably certain that the contract will be extended or will be terminated. If a significant event or a significant change in circumstances occurs that may affect the assessment of the term, the SGRE A/S reviews the assessment made in the determination of the lease term.

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.

Inventories

Inventories are measured at cost using the FIFO method. Where the net realisable value is lower than the cost, inventories are recognised at this lower value.

Accounting policies

The cost of goods for resale, raw materials and consumables comprises the purchase price plus delivery costs.

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

Production overheads include the indirect cost of materials, wages and salaries as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management. Borrowing costs are not recognised in the cost.

The net realisable value of inventories is calculated as the expected selling price less direct costs of completion and expenses incurred to effect the sale. The net realisable value is determined taking into account marketability, obsolescence and expected selling price movements.

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.

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.

Accounting policies

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.

Accounting policies

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.

Financial liabilities also include the capitalised residual finance lease commitment.

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 instruments are considered cash flow hedges, any unrealised value adjustments are taken directly to a fair value reserve under 'Equity'.

Accounting policies

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 the fair value reserve under '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. Dividend income from investments is recognised under 'Interest income and dividend received'. Interest element of discounted leasing obligations is recognised under 'Financial costs'.

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, payment of dividends to shareholders and installment of lease obligations.

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 $\frac{\text{Equity excl. non-controlling interests, end of year x 100}}{\text{Total liabilities, end of year}}$

Return on equity $\frac{\text{Profit/loss for analysis purposes x 100}}{\text{Average equity excl. non-controlling interests}}$

Profit/loss for analysis purposes Profit/loss from ordinary operations after tax minus non-controlling interests' portion hereof

Income statement 1 October 2019 - 30 September 2020

	<u>Note</u>	<u>2019/20</u> TDKK	<u>2018/19</u> TDKK
Revenue	1	25.084.868	30.459.321
Cost of productions		<u>-25.684.965</u>	<u>-26.581.057</u>
Gross profit		-600.097	3.878.264
Distribution costs		-498.683	-585.296
Administrative costs		<u>-177.072</u>	<u>-89.293</u>
Profit before other operating expenses		-1.275.852	3.203.675
Other operating income	2	24.635	45.623
Other operating costs	3	<u>-8.249</u>	<u>-10.656</u>
Profit/loss from ordinary operating activities		-1.259.466	3.238.642
Income from investments in associates		283	2.570
Financial income	4	727	1.820
Financial costs	5	<u>-55.998</u>	<u>-111.248</u>
Profit/loss before tax		-1.314.454	3.131.784
Tax on profit/loss for the year	6	<u>302.132</u>	<u>-701.122</u>
Net profit/loss for the year		<u>-1.012.322</u>	<u>2.430.662</u>
Proposed dividend for the year		0	1.900.000
Transferred to other statutory reserves		-200.066	502.549
Retained earnings		<u>-812.256</u>	<u>28.113</u>
		<u>-1.012.322</u>	<u>2.430.662</u>

Balance sheet at 30 September 2020

	Note	2019/20 TDKK	2018/19 TDKK
Assets			
Completed development projects		902.627	330.013
Other intangible assets		0	0
Development projects in progress		<u>1.473.684</u>	<u>1.504.180</u>
Intangible assets	7	<u>2.376.311</u>	<u>1.834.193</u>
Land and buildings		1.819.866	1.112.704
Plant and machinery		245.805	216.680
Other fixtures and fittings, tools and equipment		1.228.087	890.146
Assets in progress and prepayments		<u>435.794</u>	<u>358.046</u>
Tangible assets	8	<u>3.729.552</u>	<u>2.577.576</u>
Investments	9	<u>2.267</u>	<u>785</u>
Fixed asset investments		<u>2.267</u>	<u>785</u>
Total non-current assets		<u>6.108.130</u>	<u>4.412.554</u>
Inventories	10	<u>3.101.661</u>	<u>3.616.703</u>
Trade receivables	11	289.471	337.850
Contract assets		4.387.387	7.505.424
Receivables from subsidiaries		8.034.032	7.059.697
Other receivables		723.343	671.234
Prepayments	12	<u>18.416</u>	<u>23.770</u>
Receivables		<u>13.452.649</u>	<u>15.597.975</u>
Cash at bank and in hand		<u>171.576</u>	<u>77.566</u>
Total current assets		<u>16.725.886</u>	<u>19.292.244</u>
Total assets		<u>22.834.016</u>	<u>23.704.798</u>

Balance sheet at 30 September 2020

	<u>Note</u>	<u>2019/20</u> TDKK	<u>2018/19</u> TDKK
Equity and liabilities			
Share capital		20.000	20.000
Reserve for development expenditure		1.295.152	1.495.218
Retained earnings		-764.905	234.392
Proposed dividend for the year		0	1.900.000
Equity		<u>550.247</u>	<u>3.649.610</u>
Deferred tax	13	285.112	626.298
Other provisions	14	7.215.869	6.876.685
Total provisions		<u>7.500.981</u>	<u>7.502.983</u>
Financial debt		652.619	0
Other payables	15	221.886	20.295
Total non-current liabilities		<u>874.505</u>	<u>20.295</u>
Financial debt		186.362	0
Prepayments received from customers		9.141	80.345
Trade payables		3.639.824	3.643.982
Contract liabilities		7.947.975	6.991.474
Payables to subsidiaries		1.054.990	664.124
Other payables		1.056.997	1.119.019
Deferred income		12.994	32.966
Total current liabilities		<u>13.908.283</u>	<u>12.531.910</u>
Total liabilities		<u>14.782.788</u>	<u>12.552.205</u>
Total equity and liabilities		<u>22.834.016</u>	<u>23.704.798</u>
Contingencies, etc.	18		
Financial instruments	19		
Staff	20		
Fee to auditors appointed at the general meeting	21		
Charges and security for loans	22		
Related parties	23		

Statement of changes in equity

	<u>Share capital</u>	<u>Reserve for development expenditure</u>	<u>Retained earnings</u>	<u>Proposed dividend for the year</u>	<u>Total</u>
TDKK					
Equity at 1 October 2019	20.000	1.495.218	234.392	1.900.000	3.649.610
Ordinary dividend paid	0	0	0	-1.900.000	-1.900.000
Fair value adjustment of hedging instruments	0	0	-187.041	0	-187.041
Net profit/loss for the year	0	-200.066	-812.256	0	-1.012.322
Equity at 30 September 2020	<u>20.000</u>	<u>1.295.152</u>	<u>-764.905</u>	<u>0</u>	<u>550.247</u>

Cash flow statement 1 October 2019 - 30 September 2020

	Note	2019/20 TDKK	2018/19 TDKK
Net profit/loss for the year		-1.012.322	2.430.662
Adjustments	16	1.344.885	776.992
Change in working capital	17	5.439.412	-1.799.103
Cash flows from operating activities before financial income and expenses		5.771.975	1.408.551
Financial income		727	1.820
Financial costs		-55.998	-111.248
Cash flows from operating activities		5.716.704	1.299.123
Investment in intangible assets		-797.517	-918.429
Purchase of property, plant and equipment		-1.072.922	-907.332
Sale of intangible assets		2.374	0
Sale of property, plant and equipment		11.190	37.632
Cash flows from investing activities		-1.856.875	-1.788.129
Installment of leases		-291.107	0
Dividend paid		-1.900.000	-1.020.494
Cash flows from financing activities		-2.191.107	-1.020.494
Change in cash and cash equivalents		1.668.722	-1.509.500
Cash and cash equivalents at 1. October		4.839.574	6.349.074
Cash and cash equivalents		6.508.296	4.839.574
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		171.576	77.566
Receivables from group enterprises, cashpool arrangement		6.336.720	4.762.008
Cash and cash equivalents		6.508.296	4.839.574

Notes

1 Information on segments

Geographical

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

	<u>EMEA</u>	<u>North America</u>	<u>Other countries</u>	<u>Total</u>
TDKK				
Revenue	20.050.338	577.326	4.457.204	25.084.868

2 Other operating income

	<u>2019/20</u> TDKK	<u>2018/19</u> TDKK
Gain on sale of assets	-2.273	8.461
Sales of electricity from windturbines	26.672	36.279
Other	236	883
	<u>24.635</u>	<u>45.623</u>

3 Other operating costs

	<u>2019/20</u> TDKK	<u>2018/19</u> TDKK
Loss on sale of assets	8.249	10.656
	<u>8.249</u>	<u>10.656</u>

Notes

	<u>2019/20</u> TDKK	<u>2018/19</u> TDKK
4 Financial income		
Interest received from group enterprises	524	1.442
Other financial income	<u>203</u>	<u>378</u>
	<u>727</u>	<u>1.820</u>
	<u>2019/20</u> TDKK	<u>2018/19</u> TDKK
5 Financial costs		
Interest element, discounted leasing obligations	1.596	0
Interest paid to group enterprises	844	1.262
Other financial costs	<u>53.558</u>	<u>109.986</u>
	<u>55.998</u>	<u>111.248</u>
6 Tax on profit/loss for the year		
Current tax for the year	2.496	179.490
Deferred tax for the year	-287.927	525.872
Adjustment of tax concerning previous years	<u>-16.701</u>	<u>-4.240</u>
	<u>-302.132</u>	<u>701.122</u>

Notes

7 Intangible assets

	Completed development projects	Other intangible assets	Development projects in progress	Total
TDKK				
Cost at 1 October 2019	728.880	44.825	1.607.960	2.381.665
Additions for the year	83.455	0	714.062	797.517
Disposals for the year	-3.165	0	-103.780	-106.945
Transfers for the year	744.558	0	-744.558	0
Cost at 30 September 2020	<u>1.553.728</u>	<u>44.825</u>	<u>1.473.684</u>	<u>3.072.237</u>
Impairment losses and amortisation at 1 October 2019				
	398.867	44.825	103.780	547.472
Depreciation for the year	253.025	0	0	253.025
Reversal of depreciation of sold assets	-791	0	-103.780	-104.571
Impairment losses and amortisation at 30 September 2020	<u>651.101</u>	<u>44.825</u>	<u>0</u>	<u>695.926</u>
Carrying amount at 30 September 2020	<u>902.627</u>	<u>0</u>	<u>1.473.684</u>	<u>2.376.311</u>
Depreciated over	<u>3-5 years</u>	<u>3 years</u>		

Notes

8 Tangible assets

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Assets in progress and prepayments	Total
TDKK					
Cost at 1 October 2019	2.837.620	1.030.016	4.132.014	380.075	8.379.725
Contract adjustments	59.294	-32.904	-1.144	0	25.246
Additions for the year	83.833	16.883	565.466	392.875	1.059.057
Disposals for the year	-2.110	-63.339	-219.007	-22.029	-306.485
Transfers for the year	31	16.783	353.563	-315.127	55.250
Cost at 30 September 2020	<u>2.978.668</u>	<u>967.439</u>	<u>4.830.892</u>	<u>435.794</u>	<u>9.212.793</u>
Revaluations at 1 October 2019	<u>42.403</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>42.403</u>
Revaluations at 30 September 2020	<u>42.403</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>42.403</u>
Impairment losses and depreciation at 1 October 2019	1.024.276	560.005	3.202.989	22.029	4.809.299
Contract adjustments	0	-27.266	-1.168	0	-28.434
Depreciation and impairment for the year	178.807	239.560	571.595	0	989.962
Reversal of impairment and depreciation of sold assets	-1.878	-56.266	-207.324	-22.029	-287.497
Transfers for the year	0	5.601	36.713	0	42.314
Impairment losses and depreciation at 30 September 2020	<u>1.201.205</u>	<u>721.634</u>	<u>3.602.805</u>	<u>0</u>	<u>5.525.644</u>
Carrying amount at 30 September 2020	<u>1.819.866</u>	<u>245.805</u>	<u>1.228.087</u>	<u>435.794</u>	<u>3.729.552</u>

Notes

8 Tangible assets (continued)

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Assets in progress and prepayments	Total
Depreciated over	10-30 years	3-5 years	1-5 years		
<i>Hereof right-of-use assets:</i>					
Carrying amount, IFRS 16, at 1 October 2019	743.043	253.329	38.879	0	1.035.251
Additions, IFRS 16	12.015	9.966	19.404	0	41.385
Depreciation, IFRS 16	-107	-164.604	-18.796	0	-291.107
Contract adjustments, IFRS 16	59.294	-5.638	24	0	53.680
Carrying amount, IFRS 16, at 30 September 2020	706.646	93.054	39.510	0	839.210
Cost for non-capitalized leasing					
Cost of short-term rental and lease arrangements					7.742
Cost of low-value lease expenses					169

Notes

	<u>2019/20</u> TDKK	<u>2018/19</u> TDKK
9 Investments		
Cost at 1 October 2019	3.998	3.998
Net effect from merger and acquisition	<u>1.401</u>	<u>0</u>
Cost at 30 September 2020	<u>5.399</u>	<u>3.998</u>
Revaluations at 1 October 2019	-3.213	-3.221
Received dividend	-150	-125
Profit/loss after tax	<u>231</u>	<u>133</u>
Revaluations at 30 September 2020	<u>-3.132</u>	<u>-3.213</u>
Carrying amount at 30 September 2020	<u>2.267</u>	<u>785</u>

	<u>2019/20</u> TDKK	<u>2018/19</u> TDKK
10 Inventories		
Raw materials and consumables	2.542.843	2.908.633
Work in progress	251.130	467.214
Finished goods and goods for resale	106.660	73.608
Prepayments for goods	<u>201.029</u>	<u>167.248</u>
	<u>3.101.662</u>	<u>3.616.703</u>

11 Receivables

Of the company's receivables, DKK 2,3 million (fiscal year 2019: DKK 4,5 million) falls due for payment after more than 1 year after the balance sheet date.

12 Prepayments

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

Notes

	<u>2019/20</u>	<u>2018/19</u>
	TDKK	TDKK
13 Deferred tax		
Provision for deferred tax at 1 October 2019	626.298	163.968
Adjustment of deferred tax in the year from income statement	-287.927	525.872
Adjustment of deferred tax prior years	884	-229
Adjustment by equity	<u>-54.143</u>	<u>-63.313</u>
Provision for deferred tax at 30 September 2020	<u>285.112</u>	<u>626.298</u>
Intangible assets	509.632	391.801
Property, plant and equipment	29.160	-170.051
Investments	-17	-18
Current assets	199.118	536.604
Provisions	-247.988	-197.993
Financial instruments relating to future cash flows	-300	78.053
Liabilities other than provisions	-195.759	-12.098
Tax loss carry-forward	<u>-8.734</u>	<u>0</u>
	<u>285.112</u>	<u>626.298</u>

Notes

	<u>2019/20</u> TDKK	<u>2018/19</u> TDKK
14 Other provisions		
Balance at beginning of year at 1 October 2019	6.876.685	7.687.262
Reversal of provisions	-1.150.697	-1.525.319
New provisions	3.362.744	2.384.187
Usage of provisions	-1.872.863	-1.716.066
Accretion and changes in interest rates of non-current provisions	<u>0</u>	<u>46.621</u>
Balance at 30 September 2020	<u>7.215.869</u>	<u>6.876.685</u>

The expected due dates of other provisions are:

Within one year	1.920.152	2.115.963
Between 1 and 5 years	<u>5.295.717</u>	<u>4.760.722</u>
	<u>7.215.869</u>	<u>6.876.685</u>

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

15 Other payables

Of the company's payables, DKK 221.886 million (fiscal year 2019: DKK 20 million) is due to the New Holiday Act and falls due for payment after more than 1 year after the balance sheet date.

	<u>2019/20</u> TDKK	<u>2018/19</u> TDKK
16 Cash flow statement - adjustments		
Depreciation, amortisation and impairment losses	1.285.300	1.007.838
Change in other provisions	-2.002	-348.247
Other adjustments	<u>61.587</u>	<u>117.401</u>
	<u>1.344.885</u>	<u>776.992</u>

Notes

	<u>2019/20</u>	<u>2018/19</u>
	TDKK	TDKK
17 Cash flow statement - change in working capital		
Change in inventories	515.042	-1.828.626
Change in receivables	3.720.038	-4.245.893
Changes in short- & long-term liabilities	1.391.373	4.492.186
Changes to unrealised hedging items	<u>-187.041</u>	<u>-216.770</u>
	<u>5.439.412</u>	<u>-1.799.103</u>

18 Contingencies, etc.

Total future non-capitalized lease payments:

Other rent and lease liabilities	<u>36.559</u>	<u>479.497</u>
	<u>36.559</u>	<u>479.497</u>

Guarantess to customers and suppliers provided by third parties, the company's bank and financial connections.

1.030.870	843.960
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In addition DKK 12.006 million (fiscal year 2019: DKK 12.186 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.

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	19.680.554	19.708.753	-28.199
CNY	-1.144.663	-1.145.353	690
USD	-1.154.706	-1.150.413	-4.293
GBP	-329.861	-338.781	8.920
Others	26.080	36.712	-10.632
	17.077.404	17.110.918	-33.514

At year end, the company's unrealised exchange losses totaled to DKK 42,8 million before tax and DKK 33,4 million after tax.

The year's change in unrealised exchange losses totals DKK 305,3 million after tax, of which a loss of DKK 192 million is taken to equity and a loss of DKK 113,3 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

	<u>2019/20</u> TDKK	<u>2018/19</u> TDKK
20 Staff		
Wages and Salaries	3.039.460	3.210.461
Pensions	243.340	252.242
Other social security expenses	68.909	79.588
Other staff expenses	<u>68.354</u>	<u>86.331</u>
	<u>3.420.063</u>	<u>3.628.622</u>
including remuneration to the Executive and Supervisory Boards of:		
Executive Board	<u>11.905</u>	<u>10.604</u>
	<u>11.905</u>	<u>10.604</u>
Average number of employees	<u>5.348</u>	<u>5.701</u>

Remuneration to executive board includes remuneration to resigned director.
In 2019/20 one member of the supervisory board have been provided with a company car.

	<u>2019/20</u> TDKK	<u>2018/19</u> TDKK
21 Fee to auditors appointed at the general meeting		
Ernst & Young:		
Fee for statutory audit	2.417	1.686
Other assurance engagements	<u>95</u>	<u>121</u>
	<u>2.512</u>	<u>1.807</u>

22 Charges and security for loans

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

Notes

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 Tecnológico, Edificio 222, Spain.

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

Subsidiaries 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.