



# **Senvion S.A., Luxembourg** **Half-Year Financial Report** **First Half of Fiscal Year 2017**



# Contents

## Interim group management report

|  |           |
|--|-----------|
| <b>1. Financial and operational highlights</b> | <b>6</b>  |
| a. Corporate highlights                        | 6         |
| b. Business highlights                         | 6         |
| <b>2. Corporate restructuring</b>              | <b>8</b>  |
| <b>3. Economic report</b>                      | <b>9</b>  |
| a. Economic and industry-related environment   | 9         |
| b. Course of business                          | 14        |
| c. Research and development                    | 19        |
| d. Financial performance                       | 20        |
| e. Related parties disclosure                  | 25        |
| f. Summary of business position                | 27        |
| g. Management control system                   | 28        |
| <b>4. Corporate social responsibility</b>      | <b>29</b> |
| a. Business model                              | 29        |
| b. Environmental protection                    | 29        |
| c. Social and employee matters                 | 31        |
| d. Human rights                                | 31        |
| e. Anti-corruption and -bribery                | 32        |
| f. Anti-trust provisions and insider trading   | 32        |
| <b>5. Report on risks and opportunities</b>    | <b>33</b> |
| <b>6. Events after the reporting date</b>      | <b>34</b> |
| <b>7. Outlook</b>                              | <b>35</b> |

## Interim condensed consolidated financial statements

|  |           |
|--|-----------|
| <b>Interim condensed consolidated financial statements</b>                     | <b>39</b> |
| Interim condensed consolidated income statement                                | 40        |
| Interim condensed consolidated statement of comprehensive income               | 41        |
| Interim condensed consolidated statement of financial position                 | 42        |
| Interim condensed consolidated statement of cash flow                          | 44        |
| Interim condensed consolidated statement of changes in shareholders' equity    | 46        |
| <b>Notes to the interim condensed consolidated financial statements</b>        | <b>48</b> |
| 1. Introduction  | 48        |
| 2. Information on segment reporting  | 52        |
| 3. Consolidated income statement   | 55        |
| 4. Consolidated statement of financial position                                | 58        |
| 5. Contingent liabilities and other financial obligations                      | 63        |
| 6. Financial instruments   | 64        |
| 7. Related parties disclosures   | 65        |
| 8. Events after the reporting date   | 66        |
| <b>Report on review of interim condensed consolidated financial statements</b> | <b>67</b> |
| <b>Forward-looking statements</b>  | <b>68</b> |
| <b>Responsibility statement</b>  | <b>69</b> |



# Interim group management report of Senvion S.A.



# 1. Financial and operational highlights

## a. Corporate highlights

- Completion of successful refinancing and extension of debt facilities with likely annualized interest cost savings of more than EUR 14m (without consideration of pre-payment premium of earlier high-yield bond), representing an overall reduction of 35% in cash interest costs and extension of maturity of senior secured notes to 2022.
- Announcement of extensive restructuring program ('Move Forward') for safeguarding the future and ensuring long-term competitiveness of the Group. Senvion earlier announced plans to close three factories in Germany and also to reduce approximately 660 jobs worldwide and expect to save around EUR 40m in fixed costs by end of 2017.
- Successful communication of Senvion 2019 strategy at the first annual analyst day in London.
- First Annual General Meeting after IPO held and resolutions adopted with large majorities.
- New Chairman – Steven Holiday, a distinguished energy expert with experience in managing boards of large global companies – appointed as new head of the Supervisory Board.

## b. Business highlights

- Senvion recorded excellent firm order intake of EUR 587m, an increase by 106% year-on-year (yoy). With total EUR 940m order intake in the first six months of 2017 (H1 2017) and many conditional orders for likely conversion this year, Senvion is well on track to achieve its EUR 2bn firm order intake guidance for 2017.
- H1 2017 Revenues reached EUR 830m, a decline of 5% yoy, which is in line with annual guidance.
- Senvion achieved adjusted EBITDA of EUR 62m in H1 2017 with overall adjusted EBITDA margin of 7.4% compared to 8.3% (EUR 72m) in corresponding period last year. Margins in the second quarter 2017 (Q2 2017) was at 9.2% (EUR 40m) compared to 8.9% (EUR 45m) in Q2 2016.
- Saving program well on track:
  - Opex (adjusted for foreign currency losses) reduced by 9.8% from quarter to quarter (Q2 2017 compared to Q1 2017) and by 21.6% yoy (Q2 2017 compared to Q2 2016). This achievement was driven by the consistent and rigorous implementation of the Move Forward program.
  - Employee costs decreased quarter to quarter (Q2 2017 compared to Q1 2017) as well, but may face partial offsets by additions to employees in newly acquired assets in India and hiring in new markets and services.
  - Production in two factories in Germany have stopped and discussions with works council are ongoing.
- At the end of June 2017, working capital rose to 4.6% mainly due to higher inventory buildup on account of upcoming installations in Chile, Norway and other markets.

### Onshore

- Exclusive cooperation agreement for several hundreds of megawatt (MW) with a large utility and developer, EnBW in our core market Germany, which paves way for Senvion in gaining future market share in new low wind regions in southern Germany and also confirms market fit of Senvion's low-wind turbine model 3.4M140.
- Senvion awarded with its highest onshore conditional order of 429 MW in its history for the delivery of 116 turbines in Murra Warra in Victoria, Australia. The order also includes Senvion's largest turbine till date – 3.7M144. Earlier in 2017, Senvion also announced conditional order for over 300 MW for Glen Innes Wind Farm in New South Wales and Lincoln Gap in South Australia. In total, Senvion has an announced conditional order backlog of around 730 MW in Australia by end of June 2017, underpinning revenue visibility for 2018 and 2019.
- Conversion of 42 MW Serbian order into firm order with installations scheduled in the first half of 2018.
- Further market expansion in Belgium, Czech Republic, Ireland and Croatia: new orders with new clients in Belgium, totaling 45 MW, 26 MW in Czech Republic, 10 MW in Ireland and 10 MW in Croatia.
- Senvion won 151 MW firm orders in Scotland and England with commissioning dates in 2018.
- Accelerated product developments thanks to modular product strategy: three new product releases within the last six months. 2MW product portfolio strengthened with 2.3M124 and 2.4M114 and medium-wind platform further strengthened with introduction of 3.7M144 turbine, which already helped Senvion close its largest order in Australia.

### Offshore

- 203 MW order for the Trianel Windpark Borkum II has been confirmed and received notice to proceed end of April with Trianel Windkraftwerk Borkum II GmbH & Co KG with delivery planned for 2019.
- Appointed as exclusive supplier for the first offshore plant in the Mediterranean Sea equaling 30 MW.
- Announcement of a 10 MW+ turbine under development and ready for tender in 2018.

### Service

- Service continues to be the backbone of Senvion with an increase in revenues by 20.5% to EUR 78.9m (Q2 2017 compared to Q2 2016).
- Gigawatt (GW) under service increased by 11.4% yoy from 11.4 to 12.7 GW in Q2 2017.
- Order book continued to increase further to EUR 2.5bn as of June 30, 2017 (EUR 2.1bn as of June 30, 2016).

## 2. Corporate restructuring

On March 13, 2017 Senvion presented an extensive program to secure the company's long-term competitiveness. The initiative identified excess costs across the entire company, opportunities to reduce overcapacity in production, and invest in research and development, new technologies as well as the quality of Senvion's products and services. Measures leading to reduction of about 660 jobs as well as process and efficiency improvements are included in the program. The measures include:

- Closure of Senvion's production site in Husum and consolidation of MM fleet nacelle production in the Oliveira de Frades site in Portugal
- Closure of the Trampe production site and consolidation of 3.XM fleet nacelle production in Bremerhaven
- Closure of the Powerblades plant in Bremerhaven and consolidation of blade production in the Senvion's Riablades facility in Portugal
- Leverage of in-house shared services located in Portugal
- Consolidation and adjustment of organizational dimensioning in products and technology, project management, life cycle engineering amongst others
- Efficiency Gains in Hamburg-based overhead functions

Senvion has consulted with employees' representatives on the above measures and is currently negotiating the balance of interest and social plan. Effects from the restructuring program are visible in opex and personnel cost reductions already.

As of the reporting date Senvion has reduced 65 positions of which 2/3 were in Germany and 1/3 in other locations.

Restructuring expenses in the first half of the financial year 2017 amount to EUR 52.0m and are composed of employee termination benefits of EUR 34.4m, legal and consulting costs EUR 7.8m, other operating expenses for repayments of government grants EUR 6.0m and scrapping/write-off of inventories EUR 3.7m.

The restructuring provision as of June 30, 2017 amounts to EUR 39.4m and consists of EUR 31.3m for employee termination benefits, legal and consulting costs of EUR 2.1m and repayments of government grants of EUR 6.0m.



## 3. Economic report

### a. Economic and industry-related environment

#### **Economic development**

Underlying dynamic of the world economic growth is still sound, albeit the growth rates compared to previous quarters could probably not be maintained at the start of the year 2017. The US Federal Reserve increased the fund rate twice this year by 25 basis points each, to a range of 1.00% to 1.25%. The IMF expects global economic output to climb by 3.5% in 2017 and by 3.6% in 2018. This estimate might be slightly too high in 2017 due to the subdued start to the year, notably for the United States. Since the beginning of the year the financial markets have been caught between volatile political influences and a basically stabilized world economy on the other side.

The price of Brent Crude decreased from 58.82 USD in January 2017 to 47.92 USD at the end of June 2017. The two factors weighting high on prices were on the one hand the recovery in production of the US oil production while on the other hand Saudi Arabia and Russia have agreed on extending the output cuts until 2018. Due to the base effect, the annual rate of change in oil prices contracted from 72% in January to 25% in April 2017.

#### **Developments in the German market**

The cyclical upturn in the German economy gained momentum at the beginning of the year. GDP in the first quarter 2017 rose by 0.6%, after calendar and seasonal adjustments. In the fourth quarter 2016 the German economy expanded by 0.4%. A breakdown of the GDP expenditure components suggests that the upswing has become more broadly based recently.

As in the last three months of 2016 the employment surged again in the first quarter of 2017. The German Federal Statistical Office estimates the country had a working population of 44.16 million in June 2017. Compared to the previous year, the number of people in employment increased by 652,000 until June 2017. Consumer prices (HICP) in the first quarter 2017 rose sharply, as they did in the fourth quarter of 2016; seasonally adjusted, they were up 0.5% on the quarter. Main drivers for inflation are energy prices and food. In May 2017 the annualized rate of inflation was down to 1.5% year on year, while the prices fell by 0.2% compared to April 2017.

The Ifo Business Climate Index for Germany rose to 115.1 in June 2017, the highest value since 1991, up from 114.6 in May 2017. The economic climate in June 2017 improved among manufacturers and wholesalers; also retailers were more satisfied with the course of business. For contractors the level remained high, although the assessment of current business and expectations were marginally reduced.

### Developments in other core markets

Early estimates see UK's real GDP, after adjustments for the usual seasonal variations, was up in the first quarter by 0.3% compared to fourth quarter 2016. In the last three months the UK economy expanded by some 0.7%.

There are mounting signs in the UK that the momentum in private consumption is fragile, as retail sales have fallen sharply while in the consumption-driven service sectors, the gross value added even decreased versus previous quarter. Inflation in UK, calculated based on the Harmonized Index of Consumer Prices (HICP) was up 2.7% in May.

The unemployment rate of 4.6% over the winter months was the lowest since spring 1975 down from 5.0% a year earlier. The Bank of England decreased the key interest rate by 0.25 basis points to 0.25%, in order to facilitate solid GDP growth and to control inflation.

On May 7, 2017 Emmanuel Macron was elected for president in France beating right-wing candidate Marine Le Pen with 66% of the votes. The president's two-party coalition secured a comfortable majority with 60.6% of the seats in the National Assembly on June 18, 2017. There is lots of work to tackle for the former banker in the next months. The president has a tough balancing act to face, on the one hand deep-seated reform to foster stronger mid-term growth while on the other hand avoiding discontent among the people that could reduce short-term growth, such as in 2016. Development of real wages is solid, due to tax cuts and low energy prices according to OECD. Wages are expected to increase by 1.7% this year. The upturn in unemployment that began in

2015 and continued through 2016 remained strong in 2017 with the unemployment rate just recently having fallen to 9.6% in May and expected to continue to fall till the end of 2017. Private consumption is expected to grow this year by 1.2%, with GDP growth (nominal) at 1.3% in 2017. Inflation in June 2017 was 0.7% compared to June 2016.

The IMF preliminary projected that the Canadian economy would grow by 2.5% in 2017 and by 1.9% in 2018, also supported by the strong growth in the USA. Though the economy has regained momentum, supported by expansionary fiscal and monetary policies, the overall situation within the economy is mixed. While personal consumption has been strong, business investments remain weak, with underperforming non-energy exports. The renegotiation of NAFTA, US policies on climate change and tax reforms, the timing and form of the UK's exit from the EU could lead to policies that encourage protectionism. As Canada is highly reliant on trade and cross border flows, this could have significant consequences. Unemployment rose in May to 6.6% (vs. 6.5% in April). Real GDP rose by 2.3% in the first quarter of 2017 (vs. Q1 2016). Consumer prices rose by 1.3% compared to the previous year period.

## Industry development

This section is based on the latest MAKE Consulting Reports by Q2 2017. There might be some deviations for the historic figures compared to the annual report from December 31, 2016. The reason is that installation figures were not completely visible at the time of creation and MAKE updates their historic figures as soon as they are final.

### Onshore

The global onshore wind energy market decreased slightly to an installed wind power capacity of around 50 GW in 2016, which was lower than the highest ever volume of installations in 2015, at 59 GW. Combined global onshore capacity of approximately 420 GW at the end of 2015 then reached 470 GW at the end of 2016. The change in installed capacity in 2016 was mainly due to a shrinking Chinese market with a reduction of more than 10 GW compared to 2015. With the Chinese market shrinking, the Asia-Pacific region has seen an overall reduction in commissioned capacity, with only 23 GW of new capacity connected by the end of 2016. Approximately 19 GW of this is being installed in China. India accounted for the main share of the region with almost 4 GW. With its very high demand for energy, India is still considered one of the world's most dynamic wind energy markets. With a national target of 60 GW by 2022, analysts are expecting a high volume of more than 4 GW in 2017.

The US wind energy market is still buoyant and saw almost 9 GW installed in 2016. This was mainly due to the extension of the Production Tax Credit (PTC) incentive (that runs from 2015 until 2020), which allows projects that meet certain criteria to continue receiving subsidies in subsequent years. The extension of the expired PTC means that 2017 will also see high levels of commissioning. Canada also enjoyed a constant level of installations in 2016, while Latin American nations (in particular Brazil

and Mexico) continue to show a positive outlook with a total growth of approximately 3 GW+. Meanwhile, in Chile and Argentina, a constant growth rate is expected in these markets from 2018 to 2025.

The expansion and integration of renewable energies still remains one of the central focus of economic policy in a number of countries around the world. Over the course of recent financial years, it has become clear that the intensity of efforts made and the attractiveness of conditions differ depending on the nature of the government in power. While countries like Mexico, Chile, Vietnam and Thailand continue to foster the economic conditions required for renewable energies, the Chinese market still remains barely accessible for western original equipment manufacturers (OEMs). Despite large investments most western OEMs do not increase market shares significantly (2%–5% market share at the maximum). Market hurdles seem to be non-transparent. On the other hand, Chinese OEMs increase their activities outside China. Goldwind, Envision and Sinovel, which are the biggest players in the Chinese wind market so far, focus on Latin America, the Middle East, Africa and the USA as well as some markets in Europe (e.g. France). Aggressive pricing policy as well as co-investing into projects are selected methods to enter new markets. Market success remains to be seen.

Some countries have completely turned their backs on making any initial steps towards creating a green energy sector. Following the nuclear disaster in Fukushima and efforts to establish an alternative energy model, Japan and its new government are now back where they started with an energy industry based on nuclear power. Comparably long and complex permission periods lead to a delay in market activity.

The European market for onshore wind power in 2016 was with 12 GW slightly higher than the previous year. The total cumulative capacity in Europe (on- and offshore) came to approximately 161 GW by the end of 2016. The German market stood out with more than 4 GW of new capacity. It was followed by the UK, with almost 1.5 GW of grid connections. This was significantly higher than in 2015, with 686 MW. France also saw growth, with almost 1.5 GW of newly commissioned capacity. There was also considerable growth in Finland, Ireland, Turkey and Portugal.

#### **Offshore**

The market for offshore wind turbines in 2016 showed a sharp decrease with approximately 2.3 GW compared to the previous year's level of 3.4 GW. This development was due to more complex installation processes and the typical multi-megawatt wind farms in the offshore sector, which causes installation rates to be cyclical. The core markets for offshore wind are located in Europe with over 1.5 GW of new installations in 2016. The biggest installations were made in Germany, the Netherlands and the UK. Outside of Europe, only China saw larger offshore installations, as well as some minor projects in Japan and USA.

#### **Political environment**

##### **Germany**

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

Regarding the onshore segment, all wind projects with a building permit from 2016 or before, can be built in 2017 and 2018 under the old fixed tariff system (transition period). In May 2017, Germany opened the first auction about 800 MW. On May 19, 2017, 807 MW were given to the winning bidders, 64.4 MW for projects with a building permit and 742.3 MW for projects without a building permit. Two more auctions with 1,000 MW each will follow on August 1 and November 1, 2017 under the same conditions. On June 29, 2017 the German government changed the rules for the first two auctions in 2018 (2 x 700 MW) in that all bidders including the cooperatives need a building permit. In 2018 a total auction volume of 2,800 MW/year and in 2019 a total auction of 2,900 MW/year for 2019 will take place, but only 902 MW/year in areas with grid constraints. Furthermore, we expect amendments about cross border auctions or technically neutral auction with certain volumes as well as for sector coupling.

In the offshore segment, the system will retain the old EEG 2014 until 2020 with a maximum of 7.7 GW installed capacity. From 2021 to 2030, the EEG 2017, together with the "Wind auf See Gesetz", will come into effect, leading to a total accumulated capacity of 15 GW until 2030. In the period from 2021 to 2025, 3.1 GW (1.55 GW on April 1, 2017 and 1.55 GW on April 1, 2018) will be auctioned, with a limited and defined number of projects part of the process. In the 2017 auction, 1,490 MW were given to four projects, 1,380 MW for zero bids and 110 MW for a 0.06 EUR/kWh bid. In 2018 1,610 MW will be auctioned. For the period from 2026 to 2030, the government will auction 840 MW/year using a "central" system with the government deciding which project will be auctioned. Within this framework, the Bundesnetzagentur (BNetzA) confirmed the development of the offshore grid (O-NEP 2025) until 2030.

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

#### **Other core and new markets**

The political environment in other core and new markets as described in Senvion's Consolidated Management Report for the year ended December 31, 2016 on page 47 remains unchanged.

In addition, Senvion does not see a big impact on the US wind market development in the short- and mid-term due to the US exiting the Paris agreement. The market development is mainly driven by the PTC extension which is unlikely to be removed. This view is also commonly shared by market analysts.

## b. Course of business

The reconciliation of the segment reporting is composed as follows:

### Segment reporting for the first half of the financial year 2017

|  | Onshore      | Offshore     | Service and Maintenance | Segment totals                 | Reconciliation                 | Group                          |
|--|--------------|--------------|-------------------------|--------------------------------|--------------------------------|--------------------------------|
|  | m EUR        | m EUR        | m EUR                   | 2017/01/01-2017/06/30<br>m EUR | 2017/01/01-2017/06/30<br>m EUR | 2017/01/01-2017/06/30<br>m EUR |
| <b>Revenues</b>  | <b>490.8</b> | <b>184.3</b> | <b>174.0</b>            | <b>849.1</b>                   | <b>-19.5</b>                   | <b>829.6</b>                   |
| > Thereof external revenues  | 490.8        | 184.3        | 151.4                   | 826.5                          | 3.1                            |                                |
| > Thereof intersegment revenues  | 0.0          | 0.0          | 22.6                    | 22.6                           | -22.6                          |                                |
| Cost of materials/cost of purchased services   | -369.1       | -129.3       | -67.2                   | -565.6                         |                                |                                |
| Personnel expenses   | -13.0        | -4.6         | -31.0                   | -48.6                          |                                |                                |
| Other operating expenses   | -14.0        | -4.9         | -10.0                   | -28.9                          |                                |                                |
| <b>Contribution margin I</b>   | <b>94.7</b>  | <b>45.5</b>  | <b>65.8</b>             | <b>206.0</b>                   |                                |                                |
| Intersegment elimination and unallocated revenues                                      |              |              |                         | -19.5                          |                                |                                |
| Unallocated changes in work in progress & cost of materials/cost of purchased services |              |              |                         | -25.6                          |                                |                                |
| Work performed by the entity and capitalized   |              |              |                         | 22.7                           |                                |                                |
| Other operating income   |              |              |                         | 23.3                           |                                |                                |
| Unallocated personnel expenses   |              |              |                         | -88.6                          |                                |                                |
| Unallocated other operating expenses   |              |              |                         | -56.5                          |                                |                                |
| <b>Adjusted EBITDA</b>   |              |              |                         | <b>61.8</b>                    |                                |                                |
| Depreciation and amortization  |              |              |                         | -31.9                          |                                |                                |
| <b>Adjusted EBIT</b>   |              |              |                         | <b>29.9</b>                    |                                |                                |
| Reorganization expenses  |              |              |                         | -52.0                          |                                |                                |
| Effects from purchase price allocation   |              |              |                         | -51.3                          |                                |                                |
| <b>Result from operating activities (EBIT)</b>   |              |              |                         | <b>-73.4</b>                   |                                | <b>-73.4</b>                   |
| Interest result  |              |              |                         | -41.3                          |                                |                                |
| <b>Result before income taxes (EBT)</b>  |              |              |                         | <b>-114.7</b>                  |                                | <b>-114.7</b>                  |

## Segment reporting for the first half of the financial year 2016

|  | Onshore      | Offshore    | Service and Maintenance | Segment totals                 | Reconciliation                 | Group                          |
|--|--------------|-------------|-------------------------|--------------------------------|--------------------------------|--------------------------------|
|  | m EUR        | m EUR       | m EUR                   | 2016/01/01-2016/06/30<br>m EUR | 2016/01/01-2016/06/30<br>m EUR | 2016/01/01-2016/06/30<br>m EUR |
| <b>Revenues</b>  | <b>655.4</b> | <b>75.0</b> | <b>173.3</b>            | <b>903.7</b>                   | <b>-34.2</b>                   | <b>869.5</b>                   |
| > Thereof external revenues  | 655.4        | 75.0        | 138.0                   | 868.4                          | 1.1                            |                                |
| > Thereof intersegment revenues  | 0.0          | 0.0         | 35.3                    | 35.3                           | -35.3                          |                                |
| Cost of materials/cost of purchased services   | -480.5       | -58.2       | -58.5                   | -597.2                         |                                |                                |
| Personnel expenses   | -14.4        | -1.7        | -26.5                   | -42.6                          |                                |                                |
| Other operating expenses   | -19.6        | -2.4        | -9.2                    | -31.2                          |                                |                                |
| <b>Contribution margin I</b>   | <b>140.9</b> | <b>12.7</b> | <b>79.1</b>             | <b>232.7</b>                   |                                |                                |
| Intersegment elimination and unallocated revenues                                      |              |             |                         | -34.2                          |                                |                                |
| Unallocated changes in work in progress & cost of materials/cost of purchased services |              |             |                         | -28.6                          |                                |                                |
| Work performed by the entity and capitalized   |              |             |                         | 24.4                           |                                |                                |
| Other operating income   |              |             |                         | 31.9                           |                                |                                |
| Unallocated personnel expenses   |              |             |                         | -84.5                          |                                |                                |
| Unallocated other operating expenses   |              |             |                         | -69.4                          |                                |                                |
| <b>Adjusted EBITDA</b>   |              |             |                         | <b>72.3</b>                    |                                |                                |
| Depreciation and amortization  |              |             |                         | -33.3                          |                                |                                |
| <b>Adjusted EBIT</b>   |              |             |                         | <b>39.0</b>                    |                                |                                |
| Other transaction costs  |              |             |                         | -6.7                           |                                |                                |
| Effects from purchase price allocation   |              |             |                         | -53.2                          |                                |                                |
| <b>Result from operating activities (EBIT)</b>   |              |             |                         | <b>-20.9</b>                   |                                | <b>-20.9</b>                   |
| Interest result  |              |             |                         | -36.5                          |                                |                                |
| <b>Result before income taxes (EBT)</b>  |              |             |                         | <b>-57.4</b>                   |                                | <b>-57.4</b>                   |

The Group successfully stood its ground in the market environment, generating revenues of EUR 829.6m in the first half of financial year 2017 (comparative period: EUR 869.5m).

The Group's cost of material/cost of purchased services amounts to EUR 699.8m (comparative period: EUR 675.7m) resulting in a cost of material ratio (cost

of materials/cost of purchased services in relation to total performance) of 72.8%. (The comparative period includes EUR 1.5m that results from the write-off of the step-up in inventories/work in progress due to the acquisition-related purchase price allocation. Adjusting for this non-cash relevant amount, the cost of material ratio is 71.5%).

### **Onshore**

The main revenues from the sale of Onshore wind turbines were generated in Germany (EUR 192.8m), the United Kingdom (EUR 89.8m) and France (EUR 66.8m). As of June 30, 2017 the contribution margin I ratio of Onshore wind turbines of 19.3% decreased slightly compared to the period ended June 30, 2016.

### **Offshore**

Offshore revenues in the first half of 2017 mainly relate to the project Nordergründe and Nordsee One. The contribution margin I ratio of Offshore wind turbines changed from 16.9% (as of June 30, 2016) to 24.7% mainly due to successful risk mitigation during project execution and reduced quality expenses.

### **Service**

The main service revenues were generated in Germany (EUR 37.5m), USA (EUR 16.7m), France (EUR 15.1m) and for Offshore projects (EUR 29.7m). The MW covered under operation & maintenance (O&M) contracts increased by 11% from 11,395 MW as of June 30, 2016 to 12,680 MW as of June 30, 2017. The contribution margin I ratio of service decreased from 45.6% (January 1, 2016 to June 30, 2016) to 37.8% (January 1, 2017 to June 30, 2017) mainly due to the change in allocation of service provision to the service segment from unallocated expenses. With that allocation the contribution margin I of the service business as of June 30, 2016 would be at 38.8% reflecting a stable contribution margin I within the service segment.



## Order situation and installed capacity

### Onshore

In the period from January 1, 2017 to June 30, 2017, Senvion received orders for contracts in the onshore segment with a total capacity of 677 MW, worth around EUR 633m. This data on the order backlog and order intake considers only effective contracts and does not include contracts under conditions precedent ("CP contracts"). Countries with the largest share in onshore order intake were Germany (45%), France (21%) and the UK (18%).

Senvion Group's order backlog in the onshore segment, including work in progress, stood at 1,745 MW as of the balance sheet date, with the UK (31%), Germany (27%) and France (21%) contributing the largest shares.

In the period from January 1, 2017 to June 30, 2017, Senvion Group erected onshore wind turbines with a combined capacity of 428 MW. Both the MM and the 3.XM series contributed with equal shares.

For an analysis of revenues from the sale of wind turbines analyzed by geographies and turbine type, please refer to section 3.1 "Revenues" of the interim condensed consolidated financial statements for the first half of the financial year 2017.

### Offshore

In the period from January 1, 2017 to June 30, 2017, Senvion received one order in the offshore segment with a total capacity of 203 MW.

The order backlog in the offshore sector stands at 645 MW, which represents 27% of the total order backlog.

In the period from January 1, 2017 to June 30, 2017, Senvion erected offshore wind turbines with a combined capacity of 191 MW. This refers to the installation of the first turbines in the Nordsee One wind farm.

### Service

In the period from January 1, 2017 to June 30, 2017 the total order intake in the service segment amounted to EUR 352m. This is the result of new contracts (EUR 320m), contract renewals (EUR 19m) and spare parts and services (EUR 13m).

The intake is split into the onshore sector (80%) and offshore sector (20%). In the onshore sector, Central Europe (27%), EU North (24%) and EU South West (16%) are the largest part of the order entry.

As of June 30, 2017, the order book for services was EUR 2,459m. This is composed of onshore (70%) and offshore (30%). In the onshore sector Germany, the UK and France form the largest part of the order book.

## Significant order intakes

### Onshore

The first half of 2017 showed several important order intakes in Eastern Europe. While a 10 MW order marks the market entry in Croatia, Senvion was also able to conclude contracts for projects in Serbia (42 MW) and the Czech Republic (26 MW).

In the UK, Senvion secured an order for the supply and installation of 47 turbines for three wind farms totaling 151 MW. The three wind farms were all successful in the UK government's first competitive Contracts for Difference (CfD) program for onshore and offshore projects in 2015.

Furthermore, Senvion recorded its first order intake in Ireland (10 MW).

### Offshore

In the reporting period the contract for the Trianel wind farm Borkum II (203 MW) became effective.

## Service

A significant contract renewal was achieved in Germany and France, where contracts for project Titz-Roedingen (Lot III) and for two Electrabel (GdF Suez) wind farms were extended. These have a value of EUR 8.2m.

Furthermore, Italy managed to extend two wind farms with a value of EUR 1.5m and close a new utility model contract with a value of EUR 1m.

In the new market segment, service contracts for the wind farms Alibunar and Malibunar (Serbia and Montenegro), Vaclavice (Czech Republic) and Dikili (Turkey) were signed with a cumulated value of EUR 25.8m.

In the offshore segment the service contract for the Trianel (EUR 73m) wind farm could be signed.

In terms of new contracts, Senvion secured significant service contracts for the Britain Kype Muir and Middle Muir wind farm (EUR 49.5m together), the Irish Teevurcher wind farm (EUR 5.3m) and the Portuguese Guardao wind farm (EUR 9.0m), together with turbine sales agreements.

## c. Research and development

Senvion's development activities cover all wind turbine and rotor blade types that the company itself manufactures. In the first six months of the year 2017, research and development expenses of the Group amounted to EUR 35.7m (Onshore: EUR 31.1m; Offshore: EUR 4.6m). Of the total expenses on research and development, EUR 22.5m (Onshore: EUR 18.8m; Offshore: EUR 3.7m) were capitalized in the same period; EUR 7.5m (Onshore: EUR 7.2m; Offshore: EUR 0.3m) concerned third-party services, e.g. for temporary workers, consulting services or certification costs. This represents a total ratio of 63.0% of development costs capitalized over total development costs incurred.

### Onshore

Within the first half of the year 2017 the focus was the successful prototyping of several 3.XM variants, integrating new variants for low wind into the portfolio and moving forward with the integration and further development of Kenersys-based and the 2.XM machines.

The prototype of the 3.4M140 EBC was installed and commissioned successfully in June 2017, which increases the competitiveness in the medium to low wind area. Measurement campaign for this turbine type started accordingly to get all certifications in time. Additionally the prototype for the power upgrade to 3.6M140 EBC was prepared to be ready for installation in Q3 2017. Also the development of the next upgrades was kicked off.

Completing the portfolio, the prototype of the 3.4M122 NES for the IEC 2 market was commissioned and the test campaign started together with the 3.6M114 NES for the IEC I market (high wind speed sites). Certification for both machines is ongoing.

To enable the market entries in Argentina, Egypt, the Middle East and Japan, the 3.XM turbine family is adapted to the specific requirements in these markets.

Within the 2.XM class new competitive product developments were launched specially for low wind classes, which will be prototyped in 2018. These developments will make use of the best technologies from both the Kenersys product portfolio and the Senvion portfolio.

To enable the market entry in India the 2.XM120 based on the acquired Kenersys turbine optimization is still ongoing.

Blade and tower development is a special focus area. Therefore the further development of the modular 140 meters blade family was pushed forward and optimization of the existing blade families was continued. Project-specific adaptation of towers was intensified and will get stronger and stronger within 2017. Also development of new tower heights to complete the portfolio for 2.XM and 3.XM as well as new technologies were started including the modularization of the towers.

Constantly ongoing are cost reduction activities and optimization activities for the onshore platform portfolio.

### Offshore

The Company finalized the development of the 6.2M152 and started the installation of the power upgrade to 6.3M152 in the prototype. The customization of the 6.3M152 for the next Offshore project started as well and final release for order will be within 2017. Adaptations for nearshore applications of the 3.XM portfolio and floating projects of the 6.3M152 were also started.

## d. Financial performance

### Other income and expense items

Other operating income in the first six months of financial year 2017 amounted to EUR 23.3m (comparative period: EUR 31.9m). It primarily includes income from insurance compensation payments or damages (EUR 9.2m; comparative period: EUR 10.6m) and foreign currency gains (EUR 9.0m; comparative period: EUR 16.0m).

Personnel expenses amounted to EUR 137.2m (comparative period: EUR 127.2m). In relation to the total performance the personnel expenses ratio was at 14.3% (comparative period: 13.5%).

Depreciation on property, plant and equipment and intangible assets amount to EUR 83.1m in total (comparative period: EUR 85.0m), whereof EUR 51.3m (comparative period: EUR 51.7m) relate to the amortization of intangible asset step-ups.

Other operating expenses totaling to EUR 85.5m (comparative period: EUR 107.2m) include legal and consulting fees amounting to EUR 14.8m (comparative period: EUR 30.4m, thereof other transactions costs of EUR 6.7m which were a result of the IPO in March 2016). Furthermore, foreign currency losses (EUR 10.3m; comparative period: EUR 8.1m), office and land costs (EUR 9.4m; comparative period: EUR 8.1m), purchased services (EUR 9.3m; comparative period: EUR 19.6m) and IT & telecommunication costs (EUR 9.1m; comparative period: EUR 7.3m) are disclosed in this item.

The selected measures earnings before interests and taxes (EBIT) and earnings before interests, taxes, depreciation and amortization (EBITDA) are independent of regional income taxation or different financing structures and therefore provide an optimal and objective basis to the management for decision-making.

In addition, realization of step-ups on inventories/work-in-progress and amortization of intangibles assets arising from the fair value measurement of assets and liabilities from the acquisition of Senvion Group (purchase price allocation) are adjusted so as to arrive at adjusted EBIT/EBITDA performance indicators which the Group monitors. The comparative period further includes cost related to the IPO of Senvion S.A. (other operating expense).

The measures-adjusted EBIT and EBITDA compute as follows:

|   | 2017/01/01-<br>2017/06/30 | 2016/01/01-<br>2016/06/30 |
|---|---------------------------|---------------------------|
|   | m EUR                     | m EUR                     |
| <b>Result from operating activities</b>                               | <b>-73.4</b>              | <b>-20.9</b>              |
| Reorganization expenses   | 52.0                      | 0.0                       |
| <b>Result from operating activities before reorganization expense</b> | <b>-21.4</b>              | <b>-20.9</b>              |
| Impact arising from purchase price allocation                         | 51.3                      | 53.2                      |
| Other transaction costs   | 0.0                       | 6.7                       |
| <b>Adjusted EBIT</b>  | <b>29.9</b>               | <b>39.0</b>               |
| Amortization and depreciation (excluding PPA effects)                 | 31.9                      | 33.3                      |
| <b>Adjusted EBITDA</b>  | <b>61.8</b>               | <b>72.3</b>               |

The financial result amounts to EUR -41.3m (comparative period: EUR -36.5m). The deviation mainly results from interest expenses from the refinancing of the high-yield bond in May 2017. For further details refer to Note 3.6 "Financial result" in the interim condensed consolidated financial statements for the first half of the financial year 2017.

Income taxes for the financial year amounted to EUR 22.8m (previous period: EUR 13.4m) leading to a relative tax rate of 19.9% (comparative period: 23.4%) and results into a negative net result for the period of EUR 91.9m (comparative period: EUR -44.0m).

The main driver of the negative low tax rate was a total of EUR 28.1m in interest expenses (comparative period: EUR 12.0m), which was not deductible in the period ending June 30, 2017. No deferred tax asset was recorded as the Group estimates the interest carryforward will not be used against taxable profit in following years.

The net result of the Group for this period, a loss of EUR 91.9m (comparative period: EUR -44.0m), was mainly impacted by restructuring expenses in the amount of EUR 52.0m in the first half of financial year 2017. For further details refer to section 2 "Corporate restructuring" in this interim Group Management Report.

#### Asset and capital structure

Current assets primarily consist of inventories (EUR 606.5m; previous year end: EUR 430.1m), liquid funds (EUR 150.1m; previous year end: EUR 441.1m), trade account receivables (EUR 137.5m; previous year end: EUR 168.0m), gross amount due from customers for contract work as an asset (EUR 85.0m; previous year end: EUR 88.6m), and other current assets (EUR 98.0m; previous year end: EUR 99.0m).

The gross amount due from customers for contract work as an asset is used to report work in progress which is recognized using the percentage-of-completion method in accordance with IAS 11. Advance payments on the contracts recognized are deducted directly from gross amounts due.

The trade accounts receivable primarily relate to receivables from customers for the delivery of wind turbines and from service and maintenance contracts. The change from EUR 168.0m as of December 31, 2016 to EUR 137.5m as of June 30, 2017 results mainly from lower volume of unconditional receivables.

The inventories of EUR 606.5m (previous year end: EUR 430.1m) contain EUR 370.4m raw materials and supplies (previous year end: EUR 302.6m) and EUR 236.1m work in progress (previous year end: EUR 127.5m). The increase in inventories primarily reflects production and

sourcing for upcoming installation in the following half year and respective revenue recognition.

For the split-up of other current assets, reference is made to Note 4.1.4 "Other current assets" in the interim condensed consolidated financial statements for the first half of the financial year 2017.

The non-current assets of EUR 828.8m (previous year end: EUR 845.3m) consist mainly of other intangible assets (EUR 559.4m; previous year end: EUR 600.2m) and property, plant and equipment (EUR 227.5m; previous year end: EUR 222.1m). The other intangible assets include other licenses, brand names, customer relationships, technology and advance payments. Technology mainly relates to our individual turbine types as well as service solutions. For details on additions and spending in the interim financial period 2017 refer to section 3 c. "Research and development" in this interim Group Management Report. The decrease in intangible assets results mainly from additional depreciation and amortization of EUR 64.6m and, in contrary, additional acquisition and production costs of EUR 25.1m.

The current liabilities of EUR 1,158.5m (previous year end: EUR 1,193.9m) mainly consist of trade accounts payable (EUR 466.6m; previous year end: EUR 431.0m), provisions (EUR 297.1m; previous year end: EUR 289.3m), advance payments received (EUR 167.8m; previous year end: EUR 189.2m), gross amount due to customers for contract work as a liability (EUR 91.3m; previous year end: EUR 122.2m), deferred income (EUR 44.8m; previous year end: EUR 35.0m), income tax liabilities (EUR 33.6m; previous year end: EUR 37.4m) and other current liabilities (EUR 51.8m; previous year end: EUR 82.2m).

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

Specific warranty provisions as of June 30, 2017, and as of December 31, 2016 respectively, mainly contain expected cost for technical issues with regard to Offshore blades for the 6.XM wind turbine series. The development of general warranty provisions reflects the decrease in the number of wind turbines sold and falling within the legal two-year warranty period. For further details of the development please refer to Note 4.3.2 "Provisions" in the interim condensed consolidated financial statements for the first half of the financial year 2017.

Income tax liabilities primarily relate to taxes for prior years.

The non-current liabilities of EUR 545.2m (previous year end: EUR 573.0m) primarily relate to other non-current financial liabilities other non-current financial liabilities (consisting of the high-yield bond in the amount of EUR 392.2m; previous year end: EUR 392.9m) and deferred taxes (EUR 147.7m; previous year end: EUR 173.1m).

The retained earnings of EUR -258.7m (previous year end: EUR -166.8m) represent the share of accumulated net results attributable to the owners of the parent.

The consolidated statement of financial position shows total equity of EUR 229.8m (previous year end: EUR 333.8m), mainly due to the net result for the period of EUR -91.9m.

The total volume of shares bought back within the framework of the share buyback program amounted to 977,010 common shares with a total value of EUR 13.2m, as of June 30, 2017.

For further details please refer to section 2. "Corporate changes" of Servion's Consolidated Management Report for the year ended December 31, 2016 and to Note 4.5 "Total equity capital" in the interim condensed consolidated financial statements for the first half of the financial year 2017.

The equity ratio is computed as follows:

|                          | 2017/06/30<br>m EUR | 2016/12/31<br>m EUR |
|--------------------------|---------------------|---------------------|
| Shareholder equity       | 229.8               | 333.8               |
| Total assets             | 1,933.6             | 2,100.6             |
| <b>Equity ratio in %</b> | <b>11.9</b>         | <b>15.9</b>         |

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

|                                    | 2017/06/30<br>m EUR | 2016/12/31<br>m EUR |
|------------------------------------|---------------------|---------------------|
| Current assets                     | 1,104.8             | 1,255.3             |
| Adjustments to current assets      | -150.1              | -441.1              |
| Total current liabilities          | -1,158.5            | -1,193.9            |
| Adjustments to current liabilities | 302.6               | 296.8               |
| <b>Net working capital</b>         | <b>98.8</b>         | <b>-82.8</b>        |

The Group uses the net working capital to measure the short-term liquidity of the business and to utilize assets in an efficient manner. Consequently the Group always attempts to optimize its net working capital on a sustainable basis. The change of the net working capital is mainly a result of the increase of inventories by EUR 176.4m.

### Financial summary

The Group reports a stable financial position with an equity amounting to EUR 229.8m as of June 30, 2017 (previous year end: EUR 333.8m). Liquid funds in the amount of EUR 150.1m decreased compared to the period ended December 31, 2016 (EUR 441.1m). In the first half of financial year 2017, the Group was able to meet all payment obligations at all times.

As of the reporting date, available credit lines amounted to EUR 974.5m (previous year end: EUR 967.9m), EUR 132.9m (previous year end: EUR 135.5m) from cash credit lines and EUR 841.6m (previous year end: EUR 832.4m) from guarantee lines. The latter includes an amount of EUR 16.6m (previous year end: EUR 7.0m) for guarantee lines, jointly backed by other lenders, whereas the cash facility includes EUR 7.9m (previous year end: EUR 10.5m) for construction financing. The main part of the available credit lines in the amount of EUR 950.0m was provided as part of the syndicated credit facility which was amended and restated on May 5, 2017. Thereof EUR 825.0m can be utilized in the form of guarantee and EUR 125.0m as working capital facility. Both facilities have a final maturity in April 2022.

In May 2017 Senvion issued a new high-yield bond with a nominal value of EUR 400m with a term ending October 2022. Transaction cost of EUR 8.0m directly attributable to that transaction were recognized as part of the effective interest method. This bond bears interest at a (nominal) fixed rate of 3.875% p.a. (effective rate

4.287% p.a.). The book value as of June 30, 2017 amounts to EUR 392.2m. The book value of the former high-yield bond of the previous year end amounted to EUR 392.9m.

For the first half of the financial year 2017, the Group reports a cash flow from operating activities of EUR -219.3m (comparative period: EUR -3.4m). The negative cash flow was mainly due to a change of working capital, with the main contributors being the increase of inventories due to production and sourcing for upcoming installations in the following months.

The cash flow from investing activities amounts to EUR -62.0m (comparative period: EUR -41.6m). The cash outflow mainly consist of cash payments for intangible assets, primarily consisting of capitalized development costs, as well as payments for office equipment and plant and machinery in process of construction.

The cash flow from financing activities of EUR -7.6m (comparative period: EUR -2.6m) reflects mainly the acquisition of treasury shares.



## e. Related parties disclosure

For the Group, related parties as defined by IAS 24 are shareholders that exercise (joint) control or significant influence, subsidiaries, joint ventures and associates.

Additionally, the members of the Management Board and the Supervisory Board are related parties as defined by IAS 24, as are people who hold a key position in the management of a parent company of the Group. Furthermore, the Group considers the managing directors of Senvion S.A. to be key management personnel. Close family members of these related parties are also considered as related parties.

In addition to members of the Management Board and the Supervisory Board the following related parties were identified for the period ending June 30, 2017:

- CCP II Acquisition Luxco S.à r.l., Luxembourg (shareholder)
- CCP III Acquisition Luxco S.à r.l., Luxembourg (shareholder)
- Rapid Management L.P., Cayman Islands (shareholder)
- Rapid Partners L.P., Cayman Islands (shareholder)
- Arpwood Partners Investment Advisors LLP, Mumbai
- Centerbridge Partners Europe LLP, London
- SILA Fünf GmbH & Co. KG, Neustadt

Arpwood Partners Investment Advisors LLP and Centerbridge Partners Europe LLP were considered as related parties since individuals of those companies were members of the Senvion S.A. Advisory Board which was abolished in March 2016. Until that date Arpwood Partners Investment Advisors LLP and Centerbridge Partners Europe LLP also held key management positions in these entities. The terms and conditions of the transactions were made on terms and conditions that prevail in an arm's length transaction. There were no material securities given or received as part of the transactions. In the respective period, the Group has not recorded expenses for allowances or provisions on outstanding balances.

**Transactions with related parties**

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

| Transactions between Senvion S.A. and           | Expenses from Services/ Interests | Expenses from Services/ Interests | Income from Services/ Interests | Income from Services/ Interests | Receivables | Receivables | Liabilities | Liabilities |
|---|-----------------------------------|-----------------------------------|---------------------------------|---------------------------------|-------------|-------------|-------------|-------------|
|   | 2017/01/01-2017/06/30             | 2016/01/01-2016/06/30             | 2017/01/01-2017/06/30           | 2016/01/01-2016/06/30           | 2017/06/30  | 2016/12/31  | 2017/06/30  | 2016/12/31  |
|   | k EUR                             | k EUR                             | k EUR                           | k EUR                           | k EUR       | k EUR       | k EUR       | k EUR       |
| CCP II/CCP III Acquisition S.à.r.l., Luxembourg | 0                                 | 7,743                             | 0                               | 0                               | 0           | 0           | 0           | 0           |
| Centerbridge Partners Europe LLP, London        | 0                                 | 589                               | 0                               | 0                               | 0           | 0           | 0           | 0           |
| Prof. Dr Martin Skiba, Hamburg                  | 75                                | 123                               | 0                               | 0                               | 0           | 0           | 0           | 7           |
| Matthias Schubert, Rendsburg                    | 113                               | 0                                 | 0                               | 0                               | 0           | 0           | 40          | 0           |

| Transactions between subsidiaries of Senvion S.A. and | Expenses from Services/ Interests | Expenses from Services/ Interests | Income from Services/ Interests | Income from Services/ Interests | Receivables | Receivables | Liabilities | Liabilities |
|---|-----------------------------------|-----------------------------------|---------------------------------|---------------------------------|-------------|-------------|-------------|-------------|
|   | 2017/01/01-2017/06/30             | 2016/01/01-2016/06/30             | 2017/01/01-2017/06/30           | 2016/01/01-2016/06/30           | 2017/06/30  | 2016/12/31  | 2017/06/30  | 2016/12/31  |
|   | k EUR                             | k EUR                             | k EUR                           | k EUR                           | k EUR       | k EUR       | k EUR       | k EUR       |
| Rapid Management L.P., Cayman Islands                 | 0                                 | 0                                 | 2                               | 2                               | 66          | 64          | 0           | 0           |
| SILA Fünf GmbH & Co. KG, Neustadt                     | 0                                 | 0                                 | 6,622                           | 0                               | 22,718      | 0           | 1,091       | 0           |

The terms and conditions of the transactions were made on terms and conditions which prevail in an arm's length transaction. There were no material securities given or received as part of the transactions. In the respective period, the Group has not recorded expenses for allowances or provisions on outstanding balances.

## f. Summary of business position

Overall, the Group assesses its business performance as well as its assets, finances and earnings as positive despite the current loss in the first half of financial year 2017. In the current period and in the past financial year, Senvion Group held up well in the wind energy market, with order backlog at a consistently high level and order intake consistently improving over last year. Information relating to the expected future development is included in section 7. "Outlook" of this interim Group Management Report.

## g. Management control system

To measure and plan the business performance and results of the Company as a whole, Senvion continues to use financial and non-financial indicators, which originate from the project-based turbine business as well as from affiliated services. Both groups of performance indicators present the business development and being a part in controlling the Group as well as in decision-making within the monthly reporting to the management.

### Financial performance indicators

For the management of the Group, the following financial performance indicators are significant: order intake, revenue and net result as well as EBIT, EBITDA and net working capital (for details of the computation of adjusted EBIT, adjusted EBITDA and net working capital, please refer to section 3d. "Financial performance"). Furthermore, the Group strives for further improvements on a constant basis and focuses on cost optimization programs.

### Non-financial performance indicators

Relevant non-financial performance indicators for the Group are installation output, turbine availability and milestone monitoring. Human Resources (HR) uses several non-financial performance indicators for continuous improvements. However, these non-financial key performance indicators are not used for internal Group management purposes.

In 2017, follow-up activities regarding the introduction of the framework compensation agreement (Entgelt-rahmenabkommen ERA) at Senvion Deutschland GmbH continued. The process will most likely be finished by the end of the year. Preparations for the introduction of ERA at Senvion GmbH and Senvion Holding GmbH made good progress. An important part of that is a review of all job gradings at Senvion in Hamburg, which is based on a company agreement from January 16, 2017. This process will presumably be finished by the end of August 2017. The introduction of ERA will take place according to plan on October 1, 2017.

The Group had 4,692 employees worldwide as of June 30, 2017 (+110 employees in comparison to December 31, 2016), with an average number of 4,689 employees during the first six months of the financial year 2017. The personnel

numbers were increased mainly in Manufacturing and Service. This growth had an effect primarily in Portugal.

The company-wide efficiency program "Move Forward" will impact the headcount. The program was announced in March 2017 and includes measures to improve the efficiency, cost effectiveness and competitiveness of the Senvion Group, of which some are connected with a reduction of personnel. Most significant in this respect is the closure of the production facilities in Husum and Trampe for nacelle assembly and in Bremerhaven for rotor blade production. As negotiations are ongoing these measures have not yet resulted in a significant adjustment in the number of employees in the first half year of 2017. This is expected for end of 2017/ beginning of 2018. Current status is the handover of the employer's side proposal for the balance of interests and the social plan to the works council. An employment and transfer company will be set up to provide assistance to the affected employees. The personnel adjustments should be socially acceptable. In addition, all trainees can complete their training at Senvion.

At Senvion, vocational training is offered in the areas of mechatronics and technical product design. As of June 30, 2017, 44 employees were undertaking dual vocational training.

In the first half of 2017, our new crossfunctional project management development program, called "Tailwind" was implemented. The purpose of the training is to empower our project managers and to develop them to a higher level of competence.

The new IT system "Senvion Learning Services" for our training administration was rolled out for all Senvion German entities. With Senvion Learning Services all trainings being offered will be made available to the employees online in the training catalog on a basis of a more efficient training process.

## 4. Corporate social responsibility

### a. Business model

At Senvion we believe that wind is one of the most promising sources of energy for the future as it is easily accessible, plentiful, presents minimal impact to the environment and is scalable to the requirements of the user. Wind is one of the world's great renewable resources. By its very nature, wind power is a profoundly sustainable technology for which there is strong demand as countries around the world embrace wind energy from turbines such as ours to reduce carbon emissions and combat climate change. Senvion's global fleet of more than 7,300 wind turbines is currently avoiding about 32.2 million metric tons of CO<sub>2</sub> per year. On average, wind generation today will avoid approximately 0.70 metric tons of CO<sub>2</sub> for every mega-watt hour of wind generation. Different than other energy generating facilities, wind farms are very complementary to the communities they are located in. The land they are based on can still be used for cattle, farming and other purposes.

### b. Environmental protection

#### **Policies and due-diligence processes**

The protection of our natural resources and the prevention of environmental damage is at the heart of Senvion's mission and our very own business model. In line with this mission, Senvion has implemented an Integrated Management System (IMS), which includes environmental management in accordance with ISO 14001, quality management in accordance with ISO 9001 and health and safety management in accordance with the OHSAS 18001.

The environmental management system helps identify the environmental and energy-related aspects of our activities, products and services. Thanks to the system and the commitment of our skilled team, we continuously improve the mitigation of our activities' impact on the environment.

To ensure that our products are of the highest quality and have the lowest possible environmental impact, Senvion has implemented a process known as Life Cycle Assessment (LCA). This process aims at assessing the environmental impact associated with a product, taking into account its entire life cycle including production, installation and maintenance. In addition, we have worked with external parties to identify possible waste treatment options for the end of life of its products and will continue going down this path in the future.

#### **Outcome**

##### **Reduced electricity consumption**

In 2016, Senvion launched a campaign to reduce its overall electricity consumption by 5%. A whole range of organizational and technical measures was implemented and achieved the projected target. At most of Senvion's German sites, for example, offices and washrooms were equipped with motion sensors. At Senvion's production site in Portugal all lights were replaced by automated LED lights. While ensuring a safe and well-lit working environment, automated LED lights have smart sensors and only activate when required. In addition, energy audits based on EN 16247 were successfully carried out at all German

sites. In our hub EU North/UK, we ask our colleagues to make sure that electrical equipment (PCs, printers, photocopiers) is not left on standby and is completely switched off after use. Senvion France uses LED lights in most of its locations. In addition, at the main office, the lights are programmed to be automatically switched off at 12:30 p.m., at 7:00 p.m. and at 10:00 p.m.

#### **Reduced mobility emissions**

By promoting the use of low consumption company cars and by decreasing the number of trips taken by car, gasoline consumption at Senvion was reduced by 4%. Other measures include the use of electric vehicles for company trips or the use of public transportation for daily commutes. In addition, our Canadian subsidiary for example has an agreement with "Teo Taxi" for all trips. "Teo Taxi" has a fleet of electric vehicles only. In the UK, Senvion supports the "Bike to Work" scheme, which is a Government Green Transport initiative that stimulates low carbon commuting. In Germany, we encourage our employees to use public transportation by subsidizing their tickets. In total, 300 employees benefit from these tickets. In France, all of our service technicians have had eco-driving training.

#### **Reduction of paper consumption**

We introduced recycling paper towel dispensers at our headquarters in Hamburg to replace regular paper towels. We also started promoting the use of digital signatures. In addition, our marketing department replaced printed brochures by digital ones whenever possible. In many subsidiaries we use email only instead of fax. We also recycle waste Senvion-wide, including paper, cans, plastics, batteries and printer toners.

#### **Wildlife conservation and environmental protection**

Senvion wind turbines are designed to minimize their impact on the environment. First of all, Senvion wind turbines have already very low sound characteristics from the get-go and are supplied with a sound management system to further reduce sound emissions when needed. In addition, they can be equipped with a shadow management system if installed close to residential areas. We also offer a bat protection system which enables operators to shut down the turbines in times of increased bat activity. Certain parameters such as season, wind speed, temperature and twilight time can be adjusted according to the specific requirements of the bat species native to the wind turbine location.

#### **Outlook**

In the next months, our efforts to further reduce the company's environmental impact will be continued and improved. We will also continue to do research and to innovate to further reduce our products' impact on the environment as well as to meet constantly changing regulatory requirements.

#### **KPIs**

We monitor our global environmental performance on a monthly basis regarding:

- Electricity, water, gas, oil and gasoline consumption
- Waste production
- Emissions

## c. Social and employee matters

### **Policies and due diligence processes**

At Senvion, the dedicated promotion of young talents is a core initiative. Therefore, we regularly organize a "Girls and Boys Day" event for young students offering insight into job profiles at the company in a playful manner. One of the event's goals is to encourage girls to consider MINT careers. We also host the "Hamburg Company Tour" on a regular basis so university students can explore different job profiles and connect with managers. Furthermore, Senvion participates in job fairs and offers internships on a regular basis. We also encourage employees to take part in a yearly run and cover the participation fee. In Canada, we committed to hiring First Nations to service our wind turbines whenever possible.

### **Outcome**

Senvion has a very young workforce. In the last employee survey conducted in 2015, a big number of employees particularly highlighted the extraordinary team spirit at Senvion as a core strength.

## d. Human rights

### **Diversity and non-discrimination policy**

In order to make anti-discrimination a priority, Senvion has embedded a provision in its Code of Conduct. It states the company's commitment to equal opportunities and diversity: Senvion's employees, potential employees, suppliers, customers and any other parties the company makes business with are treated with fairness and respect, with no retaliation, free of discrimination and harassment on the basis of gender, age, race, skin color, ethnicity or national origin, citizenship, religion or religious beliefs, physical or mental disability, sexual orientation or any other characteristics protected by applicable law. Infringements of the Code of Conduct may be reported to the corresponding supervisors, anonymously through a whistleblower report to an external person of confidence or by using the "SpeakUp" system. The "SpeakUp" system allows employees to anonymously provide a report via a third party 24/7.

Management and work councils throughout the company ensure equality between women and men in terms of salary and placement. We also encourage the integration of people with disabilities into the labor market. Senvion France, for example, works with companies that are supporting the inclusion of people with disabilities into the workplace.

### **Outcome**

Over 59 cultures and nationalities are represented in Senvion's diverse workforce.

e. Anti-corruption and -bribery

**Anti-corruption policy and code of conduct**

Our anti-corruption policy is embedded in our Code of Conduct which is part of our global compliance program, aimed at formalizing Senvion's standards for ethical and legal conduct. The program is a crucial matter of good business practice and good corporate governance for us. The purpose of the policy is to increase employee awareness and to offer guidance for the evaluation of critical situations in day-to-day business. This way we make sure our employees act in the best interest of the company.

f. Anti-trust provisions and insider trading

**Anti-trust policy**

As per policy, we are committed to operating in a fair and competitive business environment and in compliance with all applicable laws in the countries in which we operate.



## 5. Report on risks and opportunities

The risks and opportunities described in Senvion's Consolidated Management Report for the year ended December 31, 2016 on pages 64 to 69 remain unchanged except for the following paragraphs. At present no risks have been identified that either individually or in combination could endanger Senvion as a going concern.

### **Strategic and economic risks and opportunities**

Senvion has realized successful market entry in a number of geographical markets with the first project due to be installed in Serbia in fall 2017 and contracts signed for Ireland and Croatia. In March 2017 Senvion announced a consolidation of its production footprint that will include the closure of three production sites in Germany as well as the concentration of blade production in Senvion's facility in Portugal to increase productivity and efficiency and improve Senvion's cost base. This consolidation may take longer than expected and may thus negatively impact Senvion.

### **Technological risks and opportunities**

Apart from an expansion of its geographical horizon, Senvion managed to increase the scope of its products substantially with the signing of a significant project in the near-shore segment in Italy as well as a first project with floating foundation in France.

Additionally, Senvion confirmed its intention to develop a 10+ MW turbine for the offshore segment to reconfirm its technological leadership within the wind turbine industry.

## 6. Events after the reporting date

Since July 1, 2017 no events of special significance have occurred that we expect to have a material impact on the financial position, the cash flows and results of operations of the Group.

## 7. Outlook

### a. Expected development of the overall economic environment

Following indications of a moderate recovery in the global economy, the IMF estimates global growth of 3.5% in 2017 and 3.6% in 2018, respectively. Stronger activity, expectations of more robust global demand, reduced deflationary pressures due to higher commodity prices provided help to commodity exporters and thus help to lift global headline inflation, and optimistic financial markets are all upside developments. Structural impediments to a stronger recovery and a balance of risks that remains tilted to the downside, especially over the medium term, remain important challenges.

Low productivity growth and high income inequality are likely to persist. A faster-than-expected pace of interest rate hikes in the USA could intensify financial conditions elsewhere, which could be particularly stressful for emerging market economies, including China. In addition geopolitical tension might increase, especially in the Middle East and North Africa.

## b. Industry development

In terms of developments in the wind industry, the transition to auction system world over, is continuing. Global auctions will boost the wind market outlook as attention on cost-out intensifies. LCoE reductions are imperative to realizing average capacity of 62 GW/year from 2018 till 2020. Germany went through its first auction and achieved an average price of 57.1 EUR/MWh. This is approximately 20% lower than the previous FiT available. India also held its first auction and achieved a tariff of 3.46 Rs/KWh, which is roughly 20% lower than the various state FiTs available. Both the countries will hold more auctions later this year and the prices are expected to dip even further. Russia announced the results in June 2017 of its wind tender for 1.65 GW. The prices ranged at ~ 24k RUB/MWh/year on top of the market electricity price. The average price in Spain for the recent 3 GW technology neutral tender in May 2017 was 43 EUR/MWh. Wind won 99% of the projects. Another 3 GW tender has been announced for Q4 2017 in Spain, kick-starting market activity after a pause. France is expected to hold its first onshore auction in December this year for 500 MW and Turkey recently announced 1 GW of auction for July this year. Latin America is spearheaded by Chile with a 470 MW auction planned for this year. Saudi Arabia has announced a 400 MW tender for 2017.

In general, the tariffs continue to soften across the markets and race towards grid parity levels. This is expected to create near term price and margin pressure, however, it will only help establish and grow the wind markets in the medium term as LCoEs fall down and start comparing favorably to the energy costs from conventional sources of energy.

## c. Business outlook for the company

In the first half of financial year 2017, the Group continued to strengthen its position in new markets and improve its product portfolio to deliver the best possible Levelized Cost of Electricity for its clients.

### 2017 – Transition year with focus on strengthening market footprint

#### Revenues

Senvion finally received confirmation that 299 MW order in Chile has achieved financial close after a further few months of delays. As highlighted earlier, Senvion's 2017 guidance was dependent on the timely conversion of the Chile order. To reflect the delay in the conversion of the Chile order from conditional to firm, Senvion is now adjusting its sales forecast for 2017 as some installation will now spill over into next year. For the fiscal year 2017, the Company now expects total sales of between EUR 1.9bn and EUR 1.95bn.

#### Firm order intake activity

The current order book in new markets, consisting of firm orders in Norway, Serbia, Ireland and other small countries as well as the conditional orders in Chile, Australia and Scandinavia, provides good visibility for 2017 and beyond. Supported by a large order pipeline, Senvion continues to expect to close firm orders of EUR 2.0bn or more in 2017, largely driven by new markets. This would mean a minimum growth of more than 50% in order intake compared to 2016 firm order intake.

#### Operating margins

Despite the reduced revenue forecast the Company does not adjust the adj. EBITDA (consolidated earnings before interest, tax and depreciation adjusted for PPA effects and other one-off items) guidance of 8.0% to 8.5%, in light of good margins achieved in the H1 2017. The Group will continue to work on rationalizing its operating expenses and reduce material costs, and may partially offset some effects of pricing pressure.

#### Working capital ratio

Senvion ended up with higher working capital ratio by end of June 2017 compared to previous quarters. This is due to higher inventory on account of pending Chile, Norway and other upcoming installations in second half of this year. The Company expects that the working capital ratio will go back to negative levels by end of the year as the installations improve and larger conditional orders convert to firm orders with advance payments.

Luxembourg, August 11, 2017



# Interim Condensed Consolidated Financial Statements of Senvion S.A.

# Interim condensed consolidated financial statements

## Interim condensed consolidated income statement

|   | Section | 2017/01/01-<br>2017/06/30<br>k EUR | 2016/01/01-<br>2016/06/30<br>k EUR | 2017/04/01-<br>2017/06/30<br>k EUR | 2016/04/01-<br>2016/06/30<br>k EUR |
|---|---------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Revenues  | 3.1     | 829,618                            | 869,533                            | 437,356                            | 505,238                            |
| Changes in work in progress   |         | 108,620                            | 48,360                             | -925                               | -49,286                            |
| Work performed by the entity and capitalized  |         | 22,693                             | 24,444                             | 9,701                              | 13,878                             |
| <b>Total performance</b>  |         | <b>960,931</b>                     | <b>942,337</b>                     | <b>446,132</b>                     | <b>469,830</b>                     |
| Other operating income  | 3.2     | 23,252                             | 31,904                             | 9,853                              | 14,327                             |
| Cost of materials/cost of purchased services  |         | -699,771                           | -675,674                           | -308,367                           | -323,448                           |
| Personnel expenses  | 3.3     | -137,249                           | -127,206                           | -66,247                            | -65,654                            |
| Depreciation of property, plant and equipment and amortization of intangible assets |         | -83,142                            | -85,022                            | -40,980                            | -45,549                            |
| Other operating expenses  | 3.4     | -85,465                            | -107,237                           | -41,052                            | -50,129                            |
| <b>Result from operating activities before reorganization expense</b>               |         | <b>-21,444</b>                     | <b>-20,898</b>                     | <b>-661</b>                        | <b>-623</b>                        |
| Reorganization expenses   | 3.5     | -51,961                            | 0                                  | -19,183                            | 0                                  |
| <b>Result from operating activities</b>   |         | <b>-73,405</b>                     | <b>-20,898</b>                     | <b>-19,844</b>                     | <b>-623</b>                        |
| <i>Thereof impact arising from PPA effects</i>                                      |         | <i>-51,250</i>                     | <i>-53,231</i>                     | <i>-25,625</i>                     | <i>-25,745</i>                     |
| Share of result from associates and joint ventures                                  | 3.6     | -8                                 | -55                                | -8                                 | -55                                |
| Interest and similar financial income   | 3.6     | 1,167                              | 319                                | 523                                | -235                               |
| Interest and similar financial expenses   | 3.6     | -42,417                            | -36,804                            | -30,205                            | -14,202                            |
| <b>Result before income taxes</b>   |         | <b>-114,663</b>                    | <b>-57,438</b>                     | <b>-49,534</b>                     | <b>-15,115</b>                     |
| Income taxes  | 4.2.3   | 22,775                             | 13,421                             | 6,994                              | 3,510                              |
| <b>Net result for the period</b>  |         | <b>-91,888</b>                     | <b>-44,017</b>                     | <b>-42,540</b>                     | <b>-11,605</b>                     |
| Share of net result for the period attributable to non-controlling interests        |         | 0                                  | -1,041                             | 0                                  | 0                                  |
| Share of net result for the period attributable to shareholders of the parent       |         | -91,888                            | -42,976                            | -42,540                            | -11,605                            |
| Weighted average number of shares outstanding <sup>1</sup>                          | 4.5     | 64,203,306                         | 63,084,165                         | 64,107,066                         | 65,000,000                         |
| Earnings per share (basic/diluted) – in EUR per share <sup>1</sup>                  | 4.5     | -1.43                              | -0.70                              | -0.66                              | -0.18                              |

<sup>1</sup> The calculation has been adjusted retrospectively to reflect increase of share capital from additional paid in capital.



## Interim condensed consolidated statement of comprehensive income

|   | 2017/01/01-<br>2017/06/30<br>k EUR | 2016/01/01-<br>2016/06/30<br>k EUR | 2017/04/01-<br>2017/06/30<br>k EUR | 2016/04/01-<br>2016/06/30<br>k EUR |
|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| <b>Net result for the period</b>  | <b>-91,888</b>                     | <b>-44,017</b>                     | <b>-42,540</b>                     | <b>-11,605</b>                     |
| <b>Other comprehensive income to be reclassified<br/>to profit or loss in subsequent periods (net of tax)</b> |                                    |                                    |                                    |                                    |
| Cash flow hedges  | -2,355                             | -2,358                             | -63                                | -3,029                             |
| Income taxes relating to cash flow hedges   | 700                                | 693                                | 19                                 | 890                                |
| <b>Expenses/income or cash flow hedges after tax</b>  | <b>-1,655</b>                      | <b>-1,665</b>                      | <b>-44</b>                         | <b>-2,139</b>                      |
| Currency translation  | -4,368                             | 41                                 | -3,429                             | 162                                |
| <b>Other comprehensive income</b>   | <b>-6,023</b>                      | <b>-1,624</b>                      | <b>-3,473</b>                      | <b>-1,977</b>                      |
| <b>Total comprehensive income</b>   | <b>-97,911</b>                     | <b>-45,641</b>                     | <b>-46,013</b>                     | <b>-13,582</b>                     |
| Share of total comprehensive income for the period attributable to non-controlling interests                  | 0                                  | -1,026                             | 0                                  | 0                                  |
| Share of total comprehensive income for the period attributable to shareholders of the parent company         | -97,911                            | -44,615                            | -46,013                            | -13,582                            |

## Interim condensed consolidated statement of financial position

| Assets  | Section | 2017/06/30<br>k EUR | 2016/12/31<br>k EUR |
|---|---------|---------------------|---------------------|
| <b>Current assets</b>   |         |                     |                     |
| Liquid funds  |         | 150,070             | 441,078             |
| Gross amount due from customers for contract work as an asset | 4.1.1   | 84,997              | 88,626              |
| Trade accounts receivable                                     | 4.1.2   | 137,510             | 167,973             |
| Inventories   | 4.1.3   | 606,499             | 430,138             |
| Receivables from income taxes                                 |         | 15,063              | 12,982              |
| Other financial assets  | 4.1.4   | 12,618              | 15,530              |
| Other miscellaneous assets                                    | 4.1.4   | 98,008              | 98,951              |
| <b>Total current assets</b>                                   |         | <b>1,104,765</b>    | <b>1,255,278</b>    |
| <b>Non-current assets</b>                                     |         |                     |                     |
| Other intangible assets                                       | 4.2.1   | 559,393             | 600,216             |
| Goodwill  |         | 2,431               | 4,109               |
| Property, plant and equipment                                 | 4.2.2   | 227,475             | 222,116             |
| Other financial investment                                    |         | 4,010               | 4,023               |
| Loans granted   |         | 19,065              | 3,196               |
| Total other non-current assets                                |         | 16,465              | 11,687              |
| <b>Total non-current assets</b>                               |         | <b>828,839</b>      | <b>845,347</b>      |
| <b>Total assets</b>   |         | <b>1,933,604</b>    | <b>2,100,625</b>    |

| Shareholder equity and liabilities                              | Section | 2017/06/30<br>k EUR | 2016/12/31<br>k EUR |
|---|---------|---------------------|---------------------|
| <b>Current liabilities</b>                                      |         |                     |                     |
| Short-term loans and current portion of long-term loans         |         | 5,540               | 7,566               |
| Trade accounts payable  |         | 466,639             | 430,966             |
| Advance payments received                                       | 4.3.1   | 167,753             | 189,242             |
| Gross amounts due to customers for contract work as a liability | 4.1.1   | 91,300              | 122,248             |
| Provisions  | 4.3.2   | 297,057             | 289,270             |
| Deferred income   | 4.3.3   | 44,814              | 34,983              |
| Income tax liabilities  |         | 33,618              | 37,447              |
| Other financial liabilities                                     | 4.3.4   | 3,899               | 41,832              |
| Other miscellaneous liabilities                                 | 4.3.4   | 47,911              | 40,329              |
| <b>Total current liabilities</b>                                |         | <b>1,158,531</b>    | <b>1,193,883</b>    |
| <b>Non-current liabilities</b>                                  |         |                     |                     |
| Long-term loans   | 3.6     | 5,385               | 6,980               |
| Deferred taxes  | 4.2.3   | 147,704             | 173,053             |
| Other non-current financial liabilities                         | 4.4     | 392,154             | 392,919             |
| <b>Total non-current liabilities</b>                            |         | <b>545,243</b>      | <b>572,952</b>      |
| <b>Equity</b>   |         |                     |                     |
| Subscribed capital  | 4.5     | 640                 | 645                 |
| Additional paid-in capital                                      | 4.5     | 497,075             | 503,119             |
| Other reserves  |         | -9,187              | -3,164              |
| Currency translation  |         | -9,798              | -5,430              |
| Cash flow hedging reserve                                       |         | 611                 | 2,266               |
| Retained earnings   |         | -258,698            | -166,810            |
| <b>Total equity</b>   |         | <b>229,830</b>      | <b>333,790</b>      |
| <b>Total equity and liabilities</b>                             |         | <b>1,933,604</b>    | <b>2,100,625</b>    |

## Interim condensed consolidated statement of cash flow

|   | Section | 2017/01/01-<br>2017/06/30<br>k EUR | 2016/01/01-<br>2016/06/30<br>k EUR |
|---|---------|------------------------------------|------------------------------------|
| <b>Cash flow from operating activities</b>  |         |                                    |                                    |
| Result before income taxes  |         | -114,663                           | -57,438                            |
| <b>Adjustments for:</b>   |         |                                    |                                    |
| Depreciation on property, plant and equipment, amortization of intangible assets                    |         | 83,142                             | 85,022                             |
| Profit/loss from associates and joint ventures  |         | 8                                  | 0                                  |
| Interest income   | 3.6     | -1,167                             | -319                               |
| Interest expenses   | 3.6     | 42,417                             | 36,804                             |
| Increase/decrease in provisions   |         | 7,787                              | 7,448                              |
| Profit/loss from sales of property, plant and equipment, intangible and other long-term assets      |         | 141                                | -15                                |
| Change in working capital   |         | -187,588                           | -40,431                            |
| Interest received   |         | 1,167                              | 319                                |
| Interest paid   |         | -44,836                            | -22,281                            |
| Income tax paid   |         | -5,741                             | -12,507                            |
| <b>Cash flow from operating activities</b>  |         | <b>-219,333</b>                    | <b>-3,398</b>                      |
| <b>Cash flow from investing activities</b>  |         |                                    |                                    |
| Cash receipts from the sale of property, plant and equipment, intangible and other long-term assets |         | 2,946                              | 2,045                              |
| Cash payments for the purchase of intangible assets   |         | -23,152                            | -25,770                            |
| Cash payments from purchase of property, plant and equipment and other long-term assets             |         | -41,799                            | -17,849                            |
| <b>Cash flow from investing activities</b>  |         | <b>-62,005</b>                     | <b>-41,574</b>                     |
| <b>Cash flow from financing activities</b>  |         |                                    |                                    |
| Acquisition of treasury shares  |         | -6,050                             | 0                                  |
| Cash proceeds from borrowings   |         | 400,000                            | 0                                  |
| Cash repayments of amounts borrowed   |         | -401,594                           | -2,607                             |
| <b>Cash flow from financing activities</b>  |         | <b>-7,644</b>                      | <b>-2,607</b>                      |
| <b>Increase/decrease in cash and cash equivalents</b>   |         | <b>-288,982</b>                    | <b>-47,579</b>                     |
| Cash and cash equivalents at the beginning of the period  |         | 433,512                            | 413,419                            |
| <b>Cash and cash equivalents at the end of the period</b>   |         | <b>144,530</b>                     | <b>365,840</b>                     |
| Liquid funds  |         | 150,070                            | 371,296                            |
| Short-term bank liabilities   |         | -5,540                             | -5,456                             |
| <b>Cash and cash equivalents at the end of the period</b>   |         | <b>144,530</b>                     | <b>365,840</b>                     |



## Interim condensed consolidated statement of changes in shareholders' equity

|                                | <b>Subscribed<br/>capital</b> | <b>Additional<br/>paid-in<br/>capital</b> | <b>Currency<br/>translation</b> |  |
|--------------------------------|-------------------------------|---|---------------------------------|--|
|                                | k EUR                         | k EUR                                     | k EUR                           |  |
| Section                        | 4.5                           | 4.5                                       |                                 |  |
| <b>Balance at 2016/01/01</b>   | <b>78</b>                     | <b>26,510</b>                             | <b>-240</b>                     |  |
| Net result for the period      |                               |   |                                 |  |
| Cash flow hedges               |                               |   |                                 |  |
| Currency translation           |                               |   | 26                              |  |
| <b>Comprehensive income</b>    | <b>0</b>                      | <b>0</b>                                  | <b>26</b>                       |  |
| Capital increase               | 572                           | 484,542                                   |                                 |  |
| Change in ownership interest   |                               | -855                                      |                                 |  |
| <b>Balance at 2016/06/30</b>   | <b>650</b>                    | <b>510,197</b>                            | <b>-214</b>                     |  |
| <b>Balance at 2017/01/01</b>   | <b>645</b>                    | <b>503,120</b>                            | <b>-5,430</b>                   |  |
| Net result for the period      |                               |   |                                 |  |
| Cash flow hedges               |                               |   |                                 |  |
| Currency translation           |                               |   | -4,368                          |  |
| <b>Comprehensive income</b>    | <b>0</b>                      | <b>0</b>                                  | <b>-4,368</b>                   |  |
| Acquisition of treasury shares | -5                            | -6,045                                    |                                 |  |
| <b>Balance at 2017/06/30</b>   | <b>640</b>                    | <b>497,075</b>                            | <b>-9,798</b>                   |  |

|  | Cash flow<br>hedging<br>reserve<br>k EUR | Retained<br>earnings<br>k EUR | Equity attributable<br>to shareholders of<br>the parent company<br>k EUR | Non-<br>controlling<br>interests<br>k EUR | Total<br>equity<br>k EUR |
|--|--|-------------------------------|--|---|--------------------------|
|  | 6,740                                    | -102,616                      | -69,528  | 171                                       | -69,357                  |
|  |  | -42,976                       | -42,976  | -1,041                                    | -44,017                  |
|  | -1,665                                   |                               | -1,665   |   | -1,665                   |
|  |  |                               | 26   | 15  | 41                       |
|  | -1,665                                   | -42,976                       | -44,615  | -1,026                                    | -45,641                  |
|  |  |                               | 485,114  |   | 485,114                  |
|  |  |                               | -855   | 855                                       | 0                        |
|  | 5,075                                    | -145,592                      | 370,116  | 0   | 370,116                  |
|  | 2,266                                    | -166,810                      | 333,790  | 0   | 333,790                  |
|  |  | -91,888                       | -91,888  | 0   | -91,888                  |
|  | -1,655                                   |                               | -1,655   |   | -1,655                   |
|  |  |                               | -4,368   |   | -4,368                   |
|  | -1,655                                   | -91,888                       | -97,911  | 0   | -97,911                  |
|  |  |                               | -6,050   |   | -6,050                   |
|  | 611                                      | -258,698                      | 229,830  | 0   | 229,830                  |

# Notes to the interim condensed consolidated financial statements

as of and for the first half ending June 30, 2017

## 1 Introduction

Senvion S.A., ("Senvion S.A." or the "Company"), 46a, Avenue John F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg, and its subsidiaries ("Senvion" or the "Group"), operate in the manufacturing and selling of wind turbines as well as developing and providing turnkey wind farms.

These unaudited interim condensed consolidated financial statements as of June 30, 2017 have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting", which regulates interim financial reporting under the International Financial Reporting Standards (IFRS). As a condensed interim report, it does not contain all the information required by IFRS for annual consolidated financial statements. These interim consolidated financial statements are unaudited, but they were subject to an auditor's review in accordance with Section 37w (5) of the German Securities Trading Act (WpHG).

The interim condensed consolidated financial statements disclose all material transactions within the first six months of the financial year 2017 and do not include all information required in the annual consolidated financial statements. Hence the interim statements should be read in conjunction with the consolidated financial statements for the financial year ending December 31, 2016, which are available on the Internet at [www.senvion.com](http://www.senvion.com) in the Investor Relations section.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ending December 31, 2016.

New or amended IAS and IFRS standards, for which application became mandatory for periods starting on or after January 1, 2017 had no or no material effect on the consolidated financial statements of the Group in the current period.

The following standards and interpretations – relevant to the Group and its business – published by the IASB and IFRIC are not yet mandatory because they have not yet been endorsed by the EU or the date of their first mandatory application has not yet been reached and are also not early adopted by the Group:



| <b>Standards/Interpretations</b> |  | <b>Mandatory application</b> | <b>Endorsement by European Commission</b> | <b>Expected effects</b>          |
|----------------------------------|--|------------------------------|---|----------------------------------|
| <b>IFRS 2</b>                    | Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2  | January 1, 2018              | No  | No effects                       |
| <b>IAS 7</b>                     | Disclosure Initiative (issued on January 29, 2016)   | January 1, 2017              | No  | Effects are still being analyzed |
| <b>IFRS 9</b>                    | Financial Instruments  | January 1, 2018              | Yes                                       | Effects are still being analyzed |
| <b>IFRS 15</b>                   | Revenue from Contracts with Customers  | January 1, 2018              | Yes                                       | Effects are still being analyzed |
|                                  | Clarifications to IFRS 15 Revenue from Contracts with Customers  | January 1, 2018              | No  | Effects are still being analyzed |
| <b>IFRS 16</b>                   | Leases   | January 1, 2019              | No  | Effects are still being analyzed |
| <b>Amendments to IAS 12</b>      | Recognition of Deferred Tax Assets for Unrealized Losses   | January 1, 2017              | No  | No material effects              |
| <b>Annual Improvements</b>       | Improvements to IFRS (2014–2016)   |                              |   |                                  |
| <b>of IFRS 12</b>                | Disclosure of Interests in Other Entities – Clarification of the Scope of the Disclosure Requirements in IFRS 12   | January 1, 2017              | No  | No material effects              |
| <b>of IAS 28</b>                 | Investments in Associates and Joint Ventures – Clarification that Measuring Investees at Fair Value through Profit or Loss is an Investment – by – Investment Choice | January 1, 2018              | No  | No effects                       |
| <b>IFRIC Interpretation 22</b>   | Foreign Currency Transactions and Advance Consideration  | January 1, 2018              | No  | No material effects              |
| <b>IFRIC Interpretation 23</b>   | Uncertainty over Income Tax Treatments   | January 1, 2019              | No  | Effects are still being analyzed |

**Expected effects based on IFRS 15**

The Group has largely completed its analysis of the impacts IFRS 15 'Revenue from Contracts with Customers' may have on the consolidated financial statements. The Group has initiated the implementation of changes to its accounting processes to meet the requirements under IFRS 15, including to prepare for the new presentation and disclosure requirements. The Group has also started to analyze the quantitative impact the application of IFRS 15 may have following its first time application. However, following first time application, we expect little variance to the total amount or timing of revenue recognition as compared to our historical financial data. Below is a summary of different types of our contractual agreement and the impact we currently believe IFRS 15 may have on the revenue recognition of such transactions:

- While there may be changes to when we record revenue from transactions under our turbine sales agreements with regards to our offshore contracts, we expect these to have only a limited effect on our consolidated revenues upon first time application in financial year 2018.
- We have reviewed our service contracts in the light of timing of revenue recognition and deem the value to the customer of our performance under such contracts to correspond directly with our right to consideration from the customer. As such, our revenue recognition pattern under IFRS 15 will not substantially change from our current accounting policy. Accordingly, we expect no significant impact on our consolidated revenue.

We have reviewed clauses in our service and turbine sales agreement comprising variable compensation but expect only a limited impact in total amount and timing of revenue recognition when accounting for such compensation under IFRS 15, approximately 1–2% of annual revenues based on our analysis of historic data.

**Expected effects based on IFRS 9**

We have continued our assessment of the impact IFRS 9 Financial Instruments will have on our consolidated financial statements. The changes required under IFRS 9 to the way we account for our allowances for bad debt of trade receivables and receivables due from customer as a contract asset will have no material impact on the Group's net result.

On August 11, 2017 the Management Board authorized the interim condensed consolidated financial statements as of June 30, 2017 for issue.

Our revenues and results of operations derived from our business are subject to fluctuations during the year. Wind turbine sales in the regions in which we currently sell our wind turbines are affected by seasonal variations and the timing of government incentives. For example, the number of wind farms constructed and connected to an electricity grid is usually higher in the months before the cut-off dates for decreases in Feed-in-Tariffs, which typically results in increased business in second half of our financial year. In addition, weather conditions in some of the areas where we operate also lead to seasonal influences on our business. This information is provided to allow for a better understanding of the results, however, management has concluded that this is not "highly seasonal" in accordance with IAS 34.

These interim consolidated financial statements are prepared with the euro as the presentation currency. Unless otherwise stated, all figures in the notes are accurate to the nearest thousand euro (k EUR) using commercial rounding.

## **1.1 Scope of consolidation**

### **1.1.1 Changes in the scope of consolidation**

As of February 2, 2017 Senvion Wind Technology Private Limited located in Mumbai, India, was incorporated to inter alia manufacture, erect and service wind energy turbines. Senvion Netherlands holds a share of 99.99% and Senvion India Private Limited holds a share of 0.01%.

Additionally, Senvion GmbH established its 100% subsidiary Senvion Norway AS, Oslo, Norway, effective May 30, 2017.

Furthermore as of January 30, 2017 (date of acquisition) Senvion, with Senvion GmbH as limited and Senvion Betriebs- und Beteiligungsgesellschaft mbH as general partner, acquired all shares and voting rights of 5M126 Hugo GmbH & Co. KG (formerly Lamogusta Vermietungsgesellschaft mbH & Co. Vermietungs KG) located in Hamburg, Germany. Business purpose of the acquired company is the operation of one 5M prototype wind turbine.

## 2 Information on segment reporting

The segment reporting of the Senvion Group is presented in accordance with IFRS 8 "Operating Segments". This standard uses the "management approach", i.e. the structure and content of segment reporting should be aligned with the internal management reporting to key decision-makers. The management approach is intended to allow users of external financial reports to view the Group from the same perspective as the management ("chief operating decision-maker").

### Segment reporting for the first half of the financial year 2017

|  | Onshore      | Offshore     | Service and<br>Maintenance | Segment<br>totals                  | Recon-<br>ciliation                | Group                              |
|--|--------------|--------------|----------------------------|------------------------------------|------------------------------------|------------------------------------|
|  | m EUR        | m EUR        | m EUR                      | 2017/01/01-<br>2017/06/30<br>m EUR | 2017/01/01-<br>2017/06/30<br>m EUR | 2017/01/01-<br>2017/06/30<br>m EUR |
| <b>Revenues</b>  | <b>490.8</b> | <b>184.3</b> | <b>174.0</b>               | <b>849.1</b>                       | <b>-19.5</b>                       | <b>829.6</b>                       |
| > Thereof external revenues  | 490.8        | 184.3        | 151.4                      | 826.5                              | 3.1                                |                                    |
| > Thereof intersegment revenues  | 0.0          | 0.0          | 22.6                       | 22.6                               | -22.6                              |                                    |
| Cost of materials/cost of purchased services   | -369.1       | -129.3       | -67.2                      | -565.6                             |                                    |                                    |
| Personnel expenses   | -13.0        | -4.6         | -31.0                      | -48.6                              |                                    |                                    |
| Other operating expenses   | -14.0        | -4.9         | -10.0                      | -28.9                              |                                    |                                    |
| <b>Contribution margin I</b>   | <b>94.7</b>  | <b>45.5</b>  | <b>65.8</b>                | <b>206.0</b>                       |                                    |                                    |
| Intersegment elimination and unallocated revenues                                      |              |              |                            | -19.5                              |                                    |                                    |
| Unallocated changes in work in progress & cost of materials/cost of purchased services |              |              |                            | -25.6                              |                                    |                                    |
| Work performed by the entity and capitalized   |              |              |                            | 22.7                               |                                    |                                    |
| Other operating income   |              |              |                            | 23.3                               |                                    |                                    |
| Unallocated personnel expenses   |              |              |                            | -88.6                              |                                    |                                    |
| Unallocated other operating expenses   |              |              |                            | -56.5                              |                                    |                                    |
| <b>Adjusted EBITDA</b>   |              |              |                            | <b>61.8</b>                        |                                    |                                    |
| Depreciation and amortization  |              |              |                            | -31.9                              |                                    |                                    |
| <b>Adjusted EBIT</b>   |              |              |                            | <b>29.9</b>                        |                                    |                                    |
| Reorganization expenses  |              |              |                            | -52.0                              |                                    |                                    |
| Effects from purchase price allocation   |              |              |                            | -51.3                              |                                    |                                    |
| <b>Result from operating activities (EBIT)</b>   |              |              |                            | <b>-73.4</b>                       |                                    | <b>-73.4</b>                       |
| Interest result  |              |              |                            | -41.3                              |                                    |                                    |
| <b>Result before income taxes (EBT)</b>  |              |              |                            | <b>-114.7</b>                      |                                    | <b>-114.7</b>                      |

## Segment reporting for the first half of the financial year 2016

|  | Onshore               | Offshore              | Service and Maintenance | Segment totals        | Reconciliation        | Group                 |
|--|-----------------------|-----------------------|-------------------------|-----------------------|-----------------------|-----------------------|
|  | 2016/01/01-2016/06/30 | 2016/01/01-2016/06/30 | 2016/01/01-2016/06/30   | 2016/01/01-2016/06/30 | 2016/01/01-2016/06/30 | 2016/01/01-2016/06/30 |
|  | m EUR                 | m EUR                 | m EUR                   | m EUR                 | m EUR                 | m EUR                 |
| <b>Revenues</b>  | <b>655.4</b>          | <b>75.0</b>           | <b>173.3</b>            | <b>903.7</b>          | <b>-34.2</b>          | <b>869.5</b>          |
| > Thereof external revenues  | 655.4                 | 75.0                  | 138.0                   | 868.4                 | 1.1                   |                       |
| > Thereof intersegment revenues  | 0.0                   | 0.0                   | 35.3                    | 35.3                  | -35.3                 |                       |
| Cost of materials/cost of purchased services   | -480.5                | -58.2                 | -58.5                   | -597.2                |                       |                       |
| Personnel expenses   | -14.4                 | -1.7                  | -26.5                   | -42.6                 |                       |                       |
| Other operating expenses   | -19.6                 | -2.4                  | -9.2                    | -31.2                 |                       |                       |
| <b>Contribution margin I</b>   | <b>140.9</b>          | <b>12.7</b>           | <b>79.1</b>             | <b>232.7</b>          |                       |                       |
| Intersegment elimination and unallocated revenues                                      |                       |                       |                         | -34.2                 |                       |                       |
| Unallocated changes in work in progress & cost of materials/cost of purchased services |                       |                       |                         | -28.6                 |                       |                       |
| Work performed by the entity and capitalized   |                       |                       |                         | 24.4                  |                       |                       |
| Other operating income   |                       |                       |                         | 31.9                  |                       |                       |
| Unallocated personnel expenses   |                       |                       |                         | -84.5                 |                       |                       |
| Unallocated other operating expenses   |                       |                       |                         | -69.4                 |                       |                       |
| <b>Adjusted EBITDA</b>   |                       |                       |                         | <b>72.3</b>           |                       |                       |
| Depreciation and amortization  |                       |                       |                         | -33.3                 |                       |                       |
| <b>Adjusted EBIT</b>   |                       |                       |                         | <b>39.0</b>           |                       |                       |
| Other transaction cost   |                       |                       |                         | -6.7                  |                       |                       |
| Effects from purchase price allocation   |                       |                       |                         | -53.2                 |                       |                       |
| <b>Result from operating activities (EBIT)</b>   |                       |                       |                         | <b>-20.9</b>          |                       | <b>-20.9</b>          |
| Interest result  |                       |                       |                         | -36.5                 |                       |                       |
| <b>Result before income taxes (EBT)</b>  |                       |                       |                         | <b>-57.4</b>          |                       | <b>-57.4</b>          |

The **Onshore** segment consists of domestic and international business resulting from the sale, production, project management and installation of onshore wind turbines. The revenue is generated mainly from the MM series as well as the 3.XM turbine business. Revenue includes construction contracts in progress according to IAS 11.

The **Offshore** segment includes all domestic and international business activities in the area of offshore wind farms. The Group's offshore product portfolio consists primarily of the 6.XM series. Specialist expertise is required for the marketing, production and project management as well as the installation of wind turbines in the open sea, particularly since the market environment is completely different from the onshore segment. Revenue includes construction contracts in progress according to IAS 11.

The **Service and Maintenance** segment is responsible for planned maintenance and the rectification of technical faults in wind turbines at both domestic and international sites. It also performs technical updates and upgrades as well as the technical commissioning of turbines. 24/7 remote monitoring allows the performance and availability of the turbines to be permanently monitored and controlled. Any faults can be located and addressed in both the Onshore and Offshore segment.

The revenue of this Service and Maintenance results from commissioning services rendered to both the Onshore and Offshore segments. The intersegment-revenue is derived from actual figures prepared and accounted for under IFRS. Furthermore, the Service and Maintenance segment assumes the legal warranty obligations, which result from onshore and offshore turbine sale contracts. The general warranty provisions, which were originally debited to the Onshore and Offshore segments, are used to provide a reimbursement to the Service and Maintenance segment and are included in its "internal services" revenue.

The unallocated revenue presented in the reconciliation primarily relates to income from licenses as well as power revenue EUR 3,137k (comparative period: EUR 1,050k).

Furthermore, the reconciliation contains other amounts including overheads that were generally not allocable to individual segments or that could not be allocated to individual segments due to deviations from forecasts. Individual warranty provisions set up at Group level are considered here as well. Furthermore, capitalized work performed by the company as well as other operating income have not been allocated to the individual segments.

#### **Reconciliation**

In addition to CM I on a segment level, the CODM and the Group monitor performance based on EBIT and EBITDA on a group-wide level. This is adjusted for realization of step-ups on inventories/work-in-progress and amortization of intangibles assets arising from the fair value measurement of assets and liabilities from the acquisition of Senvion GmbH Group (purchase price allocation). The comparative period further includes costs related to the IPO of Senvion S.A. (other operating expenses).

### 3 Consolidated income statement

#### 3.1 Revenue

In the first half of the financial year 2017, the operations of the Group companies related almost exclusively to the development and manufacturing of wind turbines and wind turbine projects.

|   | 2017/01/01-<br>2017/06/30 | 2016/01/01-<br>2016/06/30 | 2017/04/01-<br>2017/06/30 | 2016/04/01-<br>2016/06/30 |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
|   | k EUR                     | k EUR                     | k EUR                     | k EUR                     |
| Revenue from sale of onshore wind turbines  | 490,764                   | 655,434                   | 263,461                   | 393,032                   |
| Revenue from sale of offshore wind turbines | 184,304                   | 75,002                    | 93,705                    | 46,490                    |
| Services                                    | 151,413                   | 138,047                   | 78,851                    | 65,457                    |
| Other                                       | 3,137                     | 1,050                     | 1,339                     | 259                       |
| <b>Revenue</b>                              | <b>829,618</b>            | <b>869,533</b>            | <b>437,356</b>            | <b>505,238</b>            |

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

|   | 2017/01/01-<br>2017/06/30 | 2016/01/01-<br>2016/06/30 | 2017/04/01-<br>2017/06/30 | 2016/04/01-<br>2016/06/30 |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
|   | k EUR                     | k EUR                     | k EUR                     | k EUR                     |
| Germany   | 192,766                   | 151,112                   | 118,728                   | 90,290*                   |
| United Kingdom                                    | 89,763                    | 131,825                   | 19,828                    | 98,696*                   |
| France  | 66,756                    | 54,656                    | 42,016                    | 22,361                    |
| Italy   | 40,413                    | 18,107                    | 21,943                    | 14,623                    |
| Norway  | 32,984                    | 0                         | 27,859                    | 0                         |
| Canada  | 16,353                    | 91,380                    | 6,572                     | 69,805*                   |
| Portugal  | 11,349                    | 133,526                   | 1,492                     | 63,331*                   |
| Belgium   | 9,564                     | 23,073                    | 6,171                     | 11,500                    |
| Rest of the world                                 | 30,816                    | 51,755                    | 18,852                    | 22,426                    |
| <b>Revenue from sale of onshore wind turbines</b> | <b>490,764</b>            | <b>655,434</b>            | <b>263,461</b>            | <b>393,032</b>            |

\* Due to the incorrect allocation of revenue by country figures were adjusted in the second quarter of the fiscal year 2016 (Q2 2016 Germany: EUR 80,917k; Q2 2016 UK: EUR 110,251k; Q2 2016 Canada: 58,251; Q2 2016 Portugal: EUR 72,704k).

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

|   | 2017/01/01-<br>2017/06/30 | 2016/01/01-<br>2016/06/30 | 2017/04/01-<br>2017/06/30 | 2016/04/01-<br>2016/06/30 |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
|   | k EUR                     | k EUR                     | k EUR                     | k EUR                     |
| 3.4M                                      | 187,774                   | 58,420                    | 107,197                   | 48,019                    |
| 6M  | 184,304                   | 75,002                    | 93,705                    | 46,490                    |
| MM92                                      | 111,937                   | 247,111                   | 45,895                    | 148,196                   |
| MM100                                     | 92,254                    | 76,366                    | 60,443                    | 20,633                    |
| 3.2M                                      | 52,707                    | 206,455                   | 30,971                    | 136,839                   |
| MM82                                      | 23,192                    | 61,252                    | 4,824                     | 38,125                    |
| 3.0M                                      | 22,900                    | 5,830                     | 14,131                    | 1,220                     |
| <b>Revenue from sale of wind turbines</b> | <b>675,068</b>            | <b>730,436</b>            | <b>357,166</b>            | <b>439,522</b>            |

### 3.2 Other operating income

Other operating income is composed as follows:

|  | 2017/01/01-<br>2017/06/30 | 2016/01/01-<br>2016/06/30 | 2017/04/01-<br>2017/06/30 | 2016/04/01-<br>2016/06/30 |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
|  | k EUR                     | k EUR                     | k EUR                     | k EUR                     |
| Insurance payments/compensations                         | 9,209                     | 10,584                    | 2,457                     | 3,377                     |
| Currency translation gains                               | 9,035                     | 15,951                    | 4,289                     | 6,921                     |
| Investment subsidies, research and development subsidies | 1,197                     | 1,512                     | 901                       | 1,079                     |
| Other  | 3,811                     | 3,857                     | 2,206                     | 2,950                     |
|  | <b>23,252</b>             | <b>31,904</b>             | <b>9,853</b>              | <b>14,327</b>             |

### 3.3 Personnel expenses

|                               | 2017/01/01-<br>2017/06/30 | 2016/01/01-<br>2016/06/30 | 2017/04/01-<br>2017/06/30 | 2016/04/01-<br>2016/06/30 |
|-------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|                               | k EUR                     | k EUR                     | k EUR                     | k EUR                     |
| Wages and salaries            | 114,423                   | 106,496                   | 55,406                    | 55,746                    |
| Social security contributions | 22,826                    | 20,710                    | 10,841                    | 9,908                     |
|                               | <b>137,249</b>            | <b>127,206</b>            | <b>66,247</b>             | <b>65,654</b>             |

The average number of employees in the first half of the financial year 2017 was 4,689 (comparative period: 3,979).

### 3.4 Other operating expenses

Other operating expenses are composed as follows:

|                                     | 2017/01/01-<br>2017/06/30 | 2016/01/01-<br>2016/06/30 | 2017/04/01-<br>2017/06/30 | 2016/04/01-<br>2016/06/30 |
|-------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|                                     | k EUR                     | k EUR                     | k EUR                     | k EUR                     |
| Legal and consulting costs          | 14,802                    | 30,386                    | 9,123                     | 11,319                    |
| Currency translation losses         | 10,314                    | 8,132                     | 5,778                     | 4,333                     |
| Office and land costs               | 9,375                     | 8,149                     | 4,683                     | 3,849                     |
| Purchased services                  | 9,311                     | 19,598                    | 2,071                     | 9,726                     |
| IT & telecommunication costs        | 9,112                     | 7,256                     | 6,443                     | 3,277                     |
| Travel expenses                     | 7,555                     | 6,222                     | 3,732                     | 3,271                     |
| Compensation for loss of production | 7,162                     | 2,050                     | 5,077                     | 1,648                     |
| Vehicle costs                       | 5,241                     | 3,779                     | 2,500                     | 1,727                     |
| Other                               | 12,593                    | 21,665                    | 1,645                     | 10,979                    |
|                                     | <b>85,465</b>             | <b>107,237</b>            | <b>41,052</b>             | <b>50,129</b>             |



### 3.5 Reorganization expenses

On March 13, 2017 the Group decided to start a program to secure its long-term competitiveness. Amongst others the planned measures will lead to a reduction of jobs mainly at Senvion's production sites in Husum, Trampe and Bremerhaven in Germany and an addition of jobs in low cost locations; resulting in a net planned 660 jobs reductions. The reorganization expense of EUR 51,961k are composed of employee termination benefits EUR 34,386k, legal and consulting costs EUR 7,834k, other operating expenses for repayments of government grants EUR 6,035k and scrapping/write-off of inventories EUR 3,706k.

### 3.6 Financial result

Financial result is composed as follows:

| Section   | 2017/01/01-<br>2017/06/30<br>k EUR | 2016/01/01-<br>2016/06/30<br>k EUR | 2017/04/01-<br>2017/06/30<br>k EUR | 2016/04/01-<br>2016/06/30<br>k EUR |
|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| <b>Share of result from associates and joint ventures</b> | -8                                 | -55                                | -8                                 | -55                                |
| <b>Interest and similar financial income</b>              |                                    |                                    |                                    |                                    |
| Other interests and similar income                        | 1,167                              | 319                                | 523                                | -235                               |
| <b>Interest and similar financial expenses</b>            |                                    |                                    |                                    |                                    |
| High-yield bond   | 6                                  | -32,714                            | -13,993                            | -25,694                            |
| Guarantee commission                                      |                                    | -5,237                             | -5,608                             | -2,375                             |
| Deferred financing fees for guarantees                    |                                    | -2,424                             | -2,567                             | -1,141                             |
| Preferred Equity Certificates                             |                                    | 0                                  | -7,743                             | 0                                  |
| Other   |                                    | -2,042                             | -6,893                             | -3,122                             |
|   |                                    | <b>-42,417</b>                     | <b>-36,804</b>                     | <b>-30,205</b>                     |
| <b>Finance result</b>                                     | <b>-41,258</b>                     | <b>-36,540</b>                     | <b>-29,690</b>                     | <b>-14,492</b>                     |

Long-term loans totaling EUR 5,385k as of June 30, 2017 (previous year end: EUR 6,980k) relate to liabilities to banks. The interest rate for bank loans remained unchanged between 3.64% and 5.5% per annum.

In May 2017 Senvion issued a new high-yield bond with a nominal value of EUR 400m with a term ending October 2022. Transaction costs of EUR 8,049k directly attributable to that transaction were recognized as part of the effective interest method. This bond bears interest at a (nominal) fixed rate of 3.875% p.a. (effective rate 4.287% p.a.). The book value as of June 30, 2017 amounts to EUR 392,154k. The book value of the former high-yield bond in the previous year amounted to EUR 392,919k (please refer to section 6 "Financial Instruments").

The related interest expense for the new and the former high-yield bond amounted to EUR 12,344k in the first half of the financial year 2017 (comparative period: EUR 13,993k).

In addition, other financial expenses related to the redemption of the former high-yield bond have occurred in the amount of EUR 20,370k.

Besides the new high-yield bond the credit and guarantee facilities agreement of EUR 950m was amended and restated on May 5, 2017. EUR 825m of this syndicated credit line can be utilized in the form of guarantees and EUR 125m as a working capital facility, both facilities have a final maturity in April 2022.

## 4 Consolidated statement of financial position

### 4.1 Total current assets

#### 4.1.1 Gross amount due from/to customers for contract work as an asset/as a liability

This item is used to report work in progress which is recognized using the percentage-of-completion method in accordance with IAS 11. Advance payments on the contracts recognized are deducted directly from gross amounts due.

|                                       | 2017/06/30<br>k EUR | 2016/12/31<br>k EUR |
|---------------------------------------|---------------------|---------------------|
| Gross amount due from or to customers | 1,053,804           | 908,447             |
| Less advance payments received        | -1,060,107          | -942,069            |
|                                       | <b>-6,303</b>       | <b>-33,622</b>      |

The net amount of EUR -6,303k (previous year end: EUR -33,622k) consists of gross amounts due from customers for contract work as an asset with an amount of EUR 84,997k (previous year end: EUR 88,626k) and to customers as a liability with an amount of EUR 91,300k (previous year end: EUR 122,248k) as of June 30, 2017.

As a result of significant collateral, bad debt allowances on gross amounts due are not significant.

The contract revenue for the respective period were as follows:

|                                 | 2017/01/01-<br>2017/06/30<br>k EUR | 2016/01/01-<br>2016/06/30<br>k EUR | 2017/04/01-<br>2017/06/30<br>k EUR | 2016/04/01-<br>2016/06/30<br>k EUR |
|---------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Contract revenue for the period | 675,068                            | 730,436                            | 357,166                            | 439,522                            |

The aggregated amount of costs incurred to date for the respective period was as follows:

|   | 2017/06/30<br>k EUR | 2016/12/31<br>k EUR |
|---|---------------------|---------------------|
| Aggregated amount of costs incurred to date | 1,047,349           | 909,260             |

#### 4.1.2 Trade accounts receivable

Trade accounts receivable primarily relate to receivables from customers for the delivery of wind turbines and from service and maintenance contracts.

|   | 2017/06/30<br>k EUR | 2016/12/31<br>k EUR |
|---|---------------------|---------------------|
| Trade accounts receivable (after bad debt allowances) | 137,510             | 167,973             |

#### 4.1.3 Inventories

|                            | 2017/06/30<br>k EUR | 2016/12/31<br>k EUR |
|----------------------------|---------------------|---------------------|
| Raw materials and supplies | 370,395             | 302,653             |
| Work in progress           | 236,104             | 127,485             |
|                            | <b>606,499</b>      | <b>430,138</b>      |

## Valuation allowances on inventories

|   | 2017/06/30     | 2016/12/31     |
|---|----------------|----------------|
|   | k EUR          | k EUR          |
| Inventories before valuation allowances | 643,878        | 472,007        |
| Thereof not impaired                    | 592,943        | 420,151        |
| Thereof impaired                        | 50,935         | 51,856         |
| Valuation allowance                     | -37,379        | -41,869        |
|   | <b>606,499</b> | <b>430,138</b> |

**4.1.4 Other current assets**

This item is composed of as follows:

|  | 2017/06/30    | 2016/12/31    |
|--|---------------|---------------|
|  | k EUR         | k EUR         |
| <b>Other financial assets</b>          |               |               |
| Derivative financial instruments       | 527           | 3,273         |
| Others                                 | 12,091        | 12,257        |
|  | <b>12,618</b> | <b>15,530</b> |
| <b>Other miscellaneous assets</b>      |               |               |
| Receivables from other taxes           | 63,166        | 65,617        |
| Advance payments on inventories        | 11,612        | 10,847        |
| Deferred financing fees for guarantees | 4,204         | 5,009         |
| Others                                 | 19,026        | 17,478        |
|  | <b>98,008</b> | <b>98,951</b> |

The Asset Purchase Agreement as of August 12, 2016 with Kenersys India Private Limited, Pune, India was not concluded until June 30, 2017 as not all conditions precedent were fulfilled. The Group expects to conclude the acquisition and account for it as business combination until December 31, 2017.

**4.2 Total non-current assets****4.2.1 Other intangible assets**

Research and development costs amounted to EUR 35,716k in the first half year, out of which EUR 16,675k were spent in the second quarter 2017 (first half of financial year 2016 and Q2 2016: EUR 35,351k and EUR 18,037k).

Of the development costs EUR 22,452k were capitalized the first half of the financial year 2017 and EUR 9,623k in the second quarter 2017 (in the first half of the financial year 2016 and Q2 2016: EUR 24,444k and EUR 13,878k).

Amortization of capitalized development costs amounted to EUR 9,898k the first half of the financial year 2017 and EUR 4,530k in the second quarter of the financial year 2017 (in the first half of the financial year 2016 and Q2 2016: EUR 13,643k and EUR 9,803k).

Technology that was acquired by Senvion S.A. through the acquisition of Senvion GmbH was amortized to the amount of EUR 45,454k the first half of the financial year 2017 and EUR 22,727k in the second quarter of the financial year 2017 (in the first half of the financial year 2016 and Q2 2016: EUR 45,453k and EUR 22,727k). Amortization of customer relationship amounted to EUR 5,796k the first half of the financial year 2017 and EUR 2,898k in the second quarter of the financial year 2017 (in the first half of the financial year 2016 and Q2 2016: EUR 6,278k and EUR 3,018k).

#### 4.2.2 Property, plant and equipment

Land and buildings relate primarily to the Group's own production sites and administrative buildings. Technical equipment and machinery primarily relates to facilities for the production of wind turbines. No in-house work was capitalized in either the current year or the previous years presented.

At the reporting date, assets under construction relate primarily to expenses for the construction of rotor blade molds.

#### 4.2.3 Income taxes

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

|   | 2017/01/01-<br>2017/06/30 | 2016/01/01-<br>2016/06/30 | 2017/04/01-<br>2017/06/30 | 2016/04/01-<br>2016/06/30 |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
|   | k EUR                     | k EUR                     | k EUR                     | k EUR                     |
| <b>Deferred taxes</b>                   | <b>25,017</b>             | <b>16,034</b>             | <b>7,398</b>              | <b>5,041</b>              |
| Current income taxes                    | -2,084                    | -2,367                    | -427                      | -1,110                    |
| Current income taxes for previous years | -158                      | -246                      | 23                        | -421                      |
| <b>Income taxes</b>                     | <b>22,775</b>             | <b>13,421</b>             | <b>6,994</b>              | <b>3,510</b>              |

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

The corporation tax rate for companies in Germany was 15% plus the solidarity surcharge of 5.5% of this amount, meaning that the total corporation tax rate was 15.825%. Including trade tax, the total tax rate of the Group was 29.715% in the above presented periods. The difference between the expected tax rate of 29.715% and the effective tax rate of 19.862% is mainly caused by non-recognized deferred tax assets on interest carry forward (interest limit) of EUR 7,370k. There are restrictions on the deductibility of net interest expense, which are carried forward to the next period when they cannot be offset in the current period (interest barrier regulation).

The total change in deferred tax assets and liabilities of EUR 8,983k compared to June 30, 2016 relates to deferred taxes on tax loss carryforwards (EUR 13,706k) and different balance sheet approaches between IFRS and Tax (EUR -4,723k).

#### 4.3 Total current liabilities

##### 4.3.1 Advance payments received

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

#### 4.3.2 Provisions

Provisions developed as follows:

|                              | As of<br>2017/01/01 | Addition      | Utilization    | Reversal    | As of<br>2017/06/30 |
|------------------------------|---------------------|---------------|----------------|-------------|---------------------|
|                              | k EUR               | k EUR         | k EUR          | k EUR       | k EUR               |
| Specific warranty provisions | 230,901             | 23,099        | -54,425        | 0           | 199,575             |
| General warranty provisions  | 28,041              | 5,841         | -10,735        | -127        | 23,020              |
| <b>Warranty provisions</b>   | <b>258,942</b>      | <b>28,940</b> | <b>-65,160</b> | <b>-127</b> | <b>222,595</b>      |
| Other provisions             | 30,328              | 48,867        | -4,388         | -345        | 74,462              |
| <b>Total provisions</b>      | <b>289,270</b>      | <b>77,807</b> | <b>-69,548</b> | <b>-472</b> | <b>297,057</b>      |

Specific warranty provisions as of June 30, 2017 mainly contain expected cost for technical issues with regard to offshore blades for the 6.XM WTG series. The increase of other provisions relates to restructuring provisions in the amount of EUR 39,422k and consists of EUR 31,324k for employee termination benefits, legal and consulting costs of EUR 2,063k and repayments of government grants of EUR 6,035k.

#### 4.3.3 Deferred income

Prepayments for revenue from service and maintenance are reported as deferred income. These deferred positions are reversed on a straight-line basis over the entire term of the service period.

#### 4.3.4 Other current liabilities

Other current liabilities are composed as follows:

|  | 2017/06/30    | 2016/12/31    |
|--|---------------|---------------|
|  | k EUR         | k EUR         |
| <b>Other financial liabilities</b>     |               |               |
| Liabilities to employees               | -*            | 29,608        |
| Derivative financial instruments       | 75            | 1             |
| Other                                  | 3,824         | 12,223        |
|  | <b>3,899</b>  | <b>41,832</b> |
| <b>Other miscellaneous liabilities</b> |               |               |
| Liabilities from other taxes           | 13,762        | 30,166        |
| Liabilities to employees               | 30,641        | -*            |
| Social security liabilities            | 1,477         | 1,661         |
| Other                                  | 2,031         | 8,502         |
|  | <b>47,911</b> | <b>40,329</b> |

\* Reclassification

#### 4.4 Long-term loans and other non-current financial liabilities

Please refer to section 3.6 "Financial result".

#### **4.5 Total equity capital**

The change in equity components is shown in the consolidated statement of changes in shareholder equity.

##### **Subscribed capital**

The share capital consisted unchanged to December 31, 2016 of 65,000,000 shares with a nominal value of 0.01 EUR as of June 30, 2017.

##### **Additional paid-in capital**

The decrease in additional paid-in capital of EUR 6,045k results from the acquisition of treasury shares.

##### **Authority to acquire shares (treasury shares)**

At the Annual General Meeting on March 21, 2016, the Management Board was granted a standing authorization for five years to acquire shares for a maximum aggregate consideration of EUR 75m. On August 15, 2016, the Management announced the commencement of its share buyback program up to a maximum of 6,500,000 shares corresponding to maximum of 10% of the Company's issued share capital.

Pursuant to this share buyback program, the Company repurchased 496,648 common shares during the first half of the financial year 2017 for a total consideration of EUR 6.1m. Thereof by applying the par value method EUR 5.0k were offset against subscribed capital and EUR 6,045k against additional paid-in capital.

##### **Earnings per share (basic and diluted)**

Basic earnings per share are calculated by dividing the profit for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. As no instruments with dilutive effects on the earnings per share were outstanding, diluted earnings per share do not differ from basic earnings per share.

## 5 Contingent liabilities and other financial obligations

|   | 2017/06/30     | 2016/12/31     |
|---|----------------|----------------|
|   | k EUR          | k EUR          |
| <b>Other financial obligations</b>                    |                |                |
| Obligations from leases and rental contracts          |                |                |
| due within one year                                   | 28,053         | 25,230         |
| due within 1 and 5 years                              | 50,455         | 27,660         |
| due in more than 5 years                              | 35,253         | 40,276         |
|   | <b>113,761</b> | <b>93,166</b>  |
| <b>Purchase commitments</b>                           | <b>299,745</b> | <b>480,552</b> |
| Thereof for purchase of inventories                   | 290,828        | 469,292        |
| Thereof for purchase of property, plant and equipment | 8,917          | 11,260         |

## 6 Financial instruments

Liquid funds, gross amount due from customers for contract work as an asset, trade accounts receivable, receivables from related parties and other financial assets generally have a term of twelve months or less, meaning that their carrying amounts on the respective reporting dates correspond closely to their fair values.

The fair values of non-current receivables correspond to the present value of the payments associated with these assets, taking into account the current parameters reflecting changes in conditions and expectations due to market- and partner-related developments.

As of June 30, 2017 the carrying amount of financial assets that are held for trading amounts to EUR 527k (previous year end: EUR 918k). Due to the required measurement procedures, the fair value is similar to the carrying amount.

No financial assets classified as hedge instruments were held as of June 30, 2017. As of December 31, 2016 financial assets classified as hedge instruments were held in the amount of EUR 2,355k which presented the carrying amount and the fair value.

Due to the short-term of trade accounts payable, liabilities to related parties, long-term loans and other financial liabilities, it is assumed that their carrying amounts and fair values are identical.

As of June 30, 2017 the carrying amount of the high-yield bond represents the book value in the amount of EUR 392,154k. The respective fair value amounts to EUR 388,351k. At the end of the financial year 2016 the book value of the former high-yield bond amounted to EUR 392,919k and the fair value amounted to EUR 405,659k.

As of June 30, 2017 the carrying amount of financial liabilities held for trading amounts to EUR 75k (previous year end: EUR 1k). Due to the remain measurement procedures the fair value is similar to the carrying amount.

Unchanged from previous year end, no financial liabilities classified as hedge instruments were held as of June 30, 2017.

The breakdown of the fair value hierarchy of financial assets and financial liabilities carried at fair value were differentiated between instruments whose fair values are directly observable on active markets (level 1), whose fair values are based on observable material input data (level 2) and whose fair values are based on non-observable material input data (level 3). There were no transfers between any levels during the first half year of financial year 2017.



## 7 Related parties disclosures

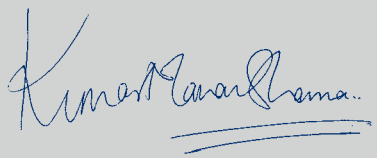
Please refer to the Interim Group Management Report section 3. "Economic Report".

## 8 Events after the reporting date

No material events after the reporting period occurred.



Dr Jürgen M. Geißinger  
(CEO)



Kumar Manav Sharma  
(CFO)

# Report on review of interim condensed consolidated financial statements

**To the Shareholders of  
Senvion S.A.  
46a, avenue John F. Kennedy  
L-1855 Luxembourg**

## **Introduction**

We have reviewed the accompanying interim condensed consolidated financial statements of Senvion S.A. as of June 30, 2017, which comprise the interim condensed consolidated statement of financial position as at June 30, 2017 and the related interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity, the interim condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Management Board is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting as adopted by the European Union ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

## **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

## **Other information**

The interim consolidated management report, which is the responsibility of the management board, is consistent with the interim condensed consolidated financial statements.

Ernst & Young  
Société anonyme  
Cabinet de révision agréé

Werner Weynand

Luxembourg, August 11, 2017


## Forward-looking statements

Information set forth in this report contains forward-looking statements, which involve a number of risks and uncertainties. The forward-looking statements contained herein represent the judgement of Senvion S.A. as of the date of this report. Such forward-looking statements are neither promises nor guarantees, but are subject to a variety of risks and uncertainties, many of which are beyond our control, and which could cause actual results to differ materially from those contemplated in these forward-looking statements. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any such statements to reflect any change in our expectations or any change in events, conditions or circumstances on which any such statement is based.

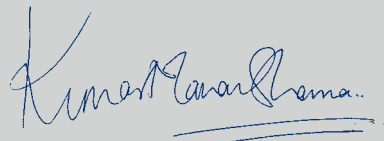
# Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting and in the accordance with principles of proper accounting, the interim condensed consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim group management report includes a fair review of the development and performance of the business and the position of the Group, important events that have occurred during the first six months of the financial year, and their impact on the interim condensed consolidated financial statements, together with a description of the principal opportunities, uncertainties and risks associated with the expected development of the Group for the remaining six months of the financial year and of the major related parties transactions.

Luxembourg, August 11, 2017



Dr Jürgen M. Geißinger  
(CEO)



Kumar Manav Sharma  
(CFO)



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**Legal reference**

This Half-Year Financial Report for the first half of fiscal year 2017 contains statements oriented to future developments which are based on our current assumptions and prognoses. As a result of known as well as unknown risks, uncertainty and influences, the actual results, financial situation or development may deviate from the assumptions presented in this document. We shall not assume any obligation to update any statements tuned to future developments.