# Annual Financial Report 2015

# Senvion S.A. (formerly Senvion S.à r.l.)

SENVION
wind energy solutions

# Contents

# Consolidated Financial Statements

## as of and for the year ended 31 December 2015 of Senvion S.à r.l.

# Consolidated Management Report of Senvion S.à r.l.

# 1. Basis of the Group

## a. Description of the Group

Senvion S.à r.l. (formerly Rapid Acquisition Luxco S.à r.l.) was incorporated on 4 April 2014. Its majority-interest Senvion TopCo GmbH ("TopCo") as well as TopCo's wholly-owned direct subsidiary Senvion MidCo GmbH ("MidCo") were incorporated on 9 December 2014 and MidCo's wholly-owned direct subsidiary Senvion Holding GmbH ("Holding") was incorporated on 8 December 2014. Senvion S.à r.l., TopCo, MidCo and Holding were acquired by CCP II Acquisition Luxco S.à r.l., Luxembourg, CCP III Acquisition Luxco S.à r.l., Luxembourg, Rapid Management L.P., Cayman Islands (together with any of its affiliates "Centerbridge") for the purpose of facilitating the acquisition of the entire share capital of Senvion SE (which was transformed into Senvion AG on 25 June 2015 and into Senvion GmbH on 30 June 2015 ("Senvion" and, together with its fully consolidated subsidiaries, the "Senvion Group") from affiliates of Suzlon Energy Limited (the "Acquisition"). The Acquisition was completed on 29 April 2015. Prior to the date of the Acquisition, Senvion S.à r.l., TopCo, MidCo and Holding did not conduct any business operations and did not have any material assets or liabilities other than those incurred in connection with their respective incorporations.

In the fourth calendar quarter of 2015, TopCo, MidCo, Holding, Senvion and certain other of Senvion's subsidiaries changed their respective financial years from ending on 31 March to ending on 31 December.

This management report for the year ended 31 December 2015 ("financial year 2015") was prepared in accordance with Art. 68 of the Luxembourg Law of 10 December 2010.

Senvion S.à r.l. ("the Company", together with is fully consolidated subsidiaries the "Group") is the holding company of the Group. The Group's business is primarily conducted by the relevant operating subsidiaries at Senvion Group level. To allow for a better understanding of the Group's performance in comparison to prior periods, additional comparative information of Senvion Group is disclosed in this report on a voluntary basis as indicated in the following sections.

**Acquisition of Senvion Group**
The acquisition of the Senvion Group by Senvion S.à r.l. via its subsidiary Senvion Holding GmbH has been accounted for using the acquisition method. In accordance with IFRS 3, the identifiable assets, liabilities and contingent liabilities acquired were measured at their fair value as of the acquisition date. The fair value of the net assets acquired as of the acquisition date amounted to 1,006.8 m EUR. Among others the fair value of the net assets comprises a step-up of intangible assets amounting to 720.9 m EUR as well as a step-up of the inventories/ work-in-progress amounting to 94.9 m EUR. The excess of the fair value of the net assets acquired over the purchase price was recognized as a gain from bargain purchase in the consolidated financial statements of the Group as of and for the financial year ended 31 December 2015 as other operating income in profit and loss and amounted to 6.8 m EUR as of the acquisition date.

Sources of financing for the acquisition of the Senvion Group comprised 480.2 m EUR of funds from Centerbridge (thereof 364.6 m EUR interest bearing preferred equity certificates ("IBPEC's") at a fixed rate of 7.8% p.a. and 115.6 m EUR interest free preferred equity certifi-cates ("IFPEC's")), 400.0 m EUR resulting from the gross proceeds of the 6.625% senior secured notes due 2020 issued by Senvion Holding GmbH on 29 April 2015 and 176.2 m EUR from a bridge loan provided by banks at 3.5% p.a. plus EURIBOR that was repaid on 3 July 2015 using available liquid funds of the Senvion Group, all in aggregate used for settlement of the purchase price and the transaction costs for the acquisition of the Senvion Group and for the components of the acquisition financing in total of 62.4 m EUR.

For further information on the acquisition of the Senvion Group, refer to Note 2.3.2 Changes in the scope of consolidation in the Group's consolidated financial statements as of and for the year ended 31 December 2015.

## b. Business model and strategy

Senvion, an international machinery engineering company headquartered in Germany, is one of the world's leading manufacturers of onshore and offshore wind turbines. Its product portfolio comprises wind turbines with nominal powers of 2.0 to 6.15 megawatts (MW) and rotor diameters ranging between 82 and 152 meters, as well as further specifications tailored to customer requirements.

Senvion's core expertise lies in the production, installation, maintenance and service of wind turbines. The company also develops, manufactures, sells and erects turbines, as well as offering its customers project-specific solutions in the fields of transport, installation and foundations. Senvion's customers may also benefit from a broad range of service and maintenance options. Its main focus is ensuring the long-term availability of Senvion wind turbines.

Since the establishment of Senvion, more than 6,625 wind turbines with a combined output of over 13,700 MW were installed (i.e. physically erected) around the world by the end of 2015, giving the company considerable experience in the production and installation of wind turbines. In the financial year 2014, Senvion commissioned 1,477 MW of power (wind turbines with grid connection), equivalent to a global market share of around 2.8%. 2,092 MW of power were commissioned in the financial year 2015, which is expected to increase the company's global market share.

International consultancy services and the sale of Senvion wind turbines are facilitated by a wide distribution network covering Europe, North and South America, Asia and Australia. This means that regional conditions can be taken into account and customers have direct, competent and multilingual contact persons on site.

State-of-the-art manufacturing plants are currently located in Germany and Portugal. Its wind turbine production plants in Germany are located in Husum in Northern Germany, in Bremerhaven and in Trampe near Berlin. The plant in Husum manufactures nacelles and rotor hubs for the MM series (2 MW nominal power), while the plant in Trampe, Brandenburg, also produces 3 MW wind turbines in addition to MM series wind turbines. The Bremerhaven site is ideally suited to the production of 6.XM offshore wind turbines (6 MW nominal power); 3.XM series wind turbines (3 MW nominal power) are also produced there. The subsidiary PowerBlades GmbH is also located in Bremerhaven and manufactures Senvion-specific rotor blades for offshore wind turbines. Another rotor blade production site is located in Vagos, Portugal, where the RE45, RE51, RE55 and RE61 rotor blades are manufactured. Nacelles and rotor hubs for the 2 MW class wind turbines are also produced in Oliviera de Frades, Portugal.

Senvion's modern development center is located in Osterrönfeld in the German state of Schleswig-Holstein. This center houses the innovative research and development department, regularly cooperating with universities, the department responsible for remote monitoring of the global wind turbine fleet, technical support and the service department. Since September 2015, the new site in Bangalore, India, has been providing assistance to the engineers in Osterrönfeld. Furthermore, an engineering office in Osnabrück works on the ongoing development of Senvion turbines.

Senvion will remain a quality supplier and continue to offer its customers reliable wind turbines with high availability. In so doing, Senvion will manage all process stages from planning to installation on an integrated basis. Customers can also choose from a range of individually tailored service options, so that these high-quality turbines can be maintained by Senvion. Customers can thus obtain a suitable service package from a single source.

Senvion's core sales markets are Germany, the UK, France, Canada and Australia. The company is planning to establish Turkey and India as new, additional core markets. The satellite markets of Austria, Poland, Ireland, the Netherlands, Belgium, Portugal, Japan, Romania, Chile, Norway, Sweden and Italy are served by the hub structure.

## c. Research and development

Senvion's development activities cover all wind turbine and rotor blade types that the company itself manufactures. In the financial year 2015, research and development expenses of the Group amounted to 43.8 m EUR. Of the development expenses 28.7 m EUR were capitalized in the same period; 11.9 m EUR concerned third-party services, e.g. for temporary workers, consulting services or certification costs. This represents a total ratio of 65.5% of development costs capitalized over total development costs incurred.

For an overview of different models currently supplied by Senvion refer to Note 5.1 Revenues in the Group's consolidated financial statements as of and for the period ending 31 December 2015.

One focus of development activities was the development of the new electrical power train based on a full scale converter (NES) and its introduction in the 3.XM platform in anticipation of future grid requirements (ENTSO-E Code). A number of prototypes of the first version, the 3.4M114 NES 50 Hz with a hub height of 93 m, have been successfully installed and are currently undergoing validation. At present, two further hub heights (119 m and 139 m) are currently in development.

At the same time as the 3.4M114 NES 50 Hz, a 3.2M114 NES 60 Hz Cold Climate Version with a hub height of 100 m was also developed for the Canadian market. These turbines had already been delivered for Canadian projects by early 2016.

In addition, the 3.2M 112 NES 50 Hz low-wind version for three hub heights (89 m, 119 m, 139 m) is also in development; alongside the adaptation of the NES system, the nominal power of the 122 m rotor is being increased from 3.0 MW to 3.2 MW.

To maintain a viable competitive position in the future, development work was pushed ahead to expand the 3.4M140 EBC to hub heights of 110 m and 130 m. This new low-wind turbine with exceptionally low power generation costs was presented to great success at the Husum wind fair in September. The prototype of this version will be installed in 2017.

For the 2 MW MM platform, work in the financial year 2015 focused on the ongoing development of existing wind turbine types. The DFIG+ project was successfully brought to conclusion and implements the changes to the electrical system to reflect the new requirements of the German market regarding the electrical quality of the grid supply. The "ice operating mod" projects, i.e. operation in icy conditions, were specifically implemented for the Canadian market; work on the "hot air deicing" project, involving active deicing, continued throughout the financial year 2015. In addition, the development projects for the wind farms in Ontario and Quebec were completed. The "start of communication" commercial milestone on the project to upgrade the MM100 to wind class IEC IIb was reached.

Significant progress was also made in the ongoing development of the 6M offshore platform, of particular note being the successful validation of the 6.2M152. The prototype passed trial runs with an excellent availability of 99.6%. The validation of the rotor blade structure is fully on schedule; power and load measurements extensively corroborate the design hypotheses. In addition, substantial, specific developments for the Nordergründe and Nordsee One offshore projects were implemented. This includes the ongoing evolution of the technical issues related to the 6XM wind turbine generators ("WTG") series offshore blades (reference is made to section 3 report on risks on opportunities), which is due for completion in April 2016.

# 2. Economic report

## a. Economic and industry-related circumstances

**Economic development**
2015 was again a challenging year for investors and economists. Falling prices on the commodity markets and anticipation of the US Federal Reserve's decision on interest rates caused considerable uncertainty on the global stock markets. The year was marked by a downturn in economic growth – which globally amounted to barely more than 3%. Reasons for this included the weak figures emanating from the emerging economies, whose growth slowed from over 7% following the 2010 financial crisis to just under 4% in 2015. The prospects for growth in these countries in 2016 are chiefly dependent on the development of commodity prices and the global economy.

The price of crude oil, which has dropped sharply in recent months, remains a key pillar of the global economy. According to calculations issued by the International Monetary Fund (IMF), the loss of 50% in the price of oil in 2015 generated a growth contribution of between 0.16% and 0.37%. The price drop was due to a high global supply of oil. The Organization of the Petroleum Exporting Countries (OPEC), representing 38% of the global production, also did not decide to reduce output in the coming period at its most recent meeting on 4 December 2015.

In contrast to the emerging economies, growth in the US came to 2.0% in the last quarter of 2015 and was slightly lower than expected (2.1%). At the start of the year, the US economy was growing almost twice as fast, at 3.9%. Overall, US growth in 2015 came to 2.5%. Consumer spending and corporate capital expenditure remained at an encouragingly high level and thus acted to bolster the economy; on the other hand, foreign trade slumped as imports outpaced exports. This was in part due to the relatively strong dollar, making exports more expensive and imported goods valued in foreign currency relatively cheaper. On the back of stable labor market growth (an unemployment rate of 5.0% in November 2015) and inflation (0.5% year-on-year growth in the total rate), the US Federal Reserve decided on a turnaround in interest rates in December for the first time in ten years, involving an increase in the base rate from 0.0-0.25% to 0.25-0.5%.

**Developments in the German market**
The German economy, despite some considerable uncertainties (a flare-up of the euro crisis, weak growth in emerging economies, Volkswagen scandal etc.), grew moderately overall in 2015. The gross domestic product (GDP) showed a year-on-year growth of 1.7% in 2015. These positive developments were attributable to growth in both consumer and government spending, which strongly increased by 1.9% and 2.8% respectively in comparison to the prior year. Capital expenditure in the government and the private sector rose by 3.6% combined.

Despite a risky environment, German exports remained on a path of growth overall, rising 5.4% in 2015. At the same time, imports increased by 5.7%. In 2015, the German foreign trade improved marginally on the prior year, growing 0.2%. A fall in exports to China was set against a significant rise in exports to the US (+20.9%) and the UK (+10.5%) in the first eleven months of 2015. Depreciation in the value of the euro also helped exports to countries outside the Eurozone due to the greater price competitiveness of German companies. At the same time, low commodity and oil prices boosted German exports.

The German labor market also remains in good shape. The German Federal Statistical Office assumes a working population of 43.2 m EUR in the third quarter of 2015. Sustained labor demand has accordingly resulted in rising employee incomes: net wages and salaries increased 4% on the prior year. The number of employed persons also rose, growing 1.1% on the prior year.

According to the Federal Statistical Office, the annual average rate of inflation in 2015 is expected to be 0.3% compared to 2014. In this context, it should be noted that certain factors such as the drop in oil prices produced a number of unusual one-off effects.

In summary, despite weakened demand from the emerging economies, the German economy continued on its solid upswing over the last quarter of 2015. Overall, the mood at companies in the industrial sector remained buoyant, notwithstanding a minor slide in December 2015. The ifo Business Climate Index fell slightly from 109 points in November to 108.7 points, but optimism regarding the coming half-year remains strong. Foreign trade indicators suggest a less dynamic export activity in the next few months. Global economic growth will continue to be hampered by the weakness of some emerging economies, such as China. The fall in prices of commodities and oil is also having a strongly adverse effect on countries that export commodities, e.g. Russia. Compensating factors include increased demand from countries that are benefiting from the low oil price and the low exchange rate of the euro for exports outside the Eurozone.

Consumer spending is being bolstered by real increases in income and the sustained drop in unemployment rates. Inflation remains stable, but at just 0.3% is far off the 2.0% targeted by the European Central Bank (ECB). For 2016, GDP growth of 1.9% on the prior year is anticipated.

**Developments in other core markets**
Early estimates of United Kingdom’s GDP gross domestic product growth in 2015 stands at a solid 2.2%. The labor market was robust, leading to a reduction in the unemployment rate from 5.4% to 5.1%. The Bank of England kept the key interest rate at 0.5% in order to facilitate solid GDP growth and inflation. Consumer price inflation showed severe weakness and came in at 0% for the full year of 2015. The balance of trade was negative throughout the year, totaling to -34,705 m GBP.

The IMF expects the French economy to achieve annual GDP growth of 1.1% in 2015 and 1.3% in 2016. Driven by the loosened monetary policy pursued by the ECB, the key interest rate, which currently sits at 0.05%, should provide a solid basis for investments and consumption in France and in the Eurozone along with low resource prices. Consumer price inflation came in at 0.04%, missing the ECB´s general target of 2% widely. The unemployment rate remained at its 2014-level of 10.6%. The balance of trade amounted to -45,248 m EUR. Private consumption increased by 1.4% in 2015. The increase was largely based on increases in expenditure on industrial goods and services (excl. food and beverages) and energy resources.

Australia is expected to show strong GDP growth in 2015 (2.3%). The unemployment rate decreased to 5.8%. Price inflation remained at a solid level of 1.7%; the key interest rate sits at 2.0%. However, reductions in resource and energy prices could cause downward pressure on GDP as Australia’s economy is heavily reliant on resource-related earnings. A cut of the key interest rate to 1.5% might become mandatory to sustain economic growth, even though inflation is expected to reach the 2%-level in 2016. The balance of trade amounted to -32,721 m AUD and is prone to further reductions.

The IMF expects the Canadian economy to grow by 1.2% in 2015 and by 1,7% in 2016. The unemployment rate increased slightly to 7.1% in 2015. The inflation rate increased to 1.2% driven by strong demand for foods, beverages and transport. The key interest rate sits at 0.5%. The balance of trade totaled to -23,318 m CAD in 2015.

**Industry development**

Compared to 2013, the global wind energy market saw an increase in installed wind power capacity of around 49 gigawatts (GW) in 2014. In 2015, a further increase to around 58 GW is expected. The combined global capacity of 370 GW will pass the 400 GW mark by the end of 2015. This increase in installed capacity in 2015 is in part due to the recovery of the US market and record numbers of new installations in Germany and China. Experts anticipate that the markets will remain at a similarly high level in 2016. Over the coming years, the offshore market will expand from 1.8 GW in 2014 to a little over 17 GW of annual grid connections, with particularly sharp growth from 2017 on. The Asia-Pacific region has seen a strong rise in commissioned capacity, with almost 28 GW connected by the end of 2015. More than 20 GW of new capacity is being installed in China; this equates to over 40% of the globally installed capacity and represents an important contribution to growth in the wind energy industry. Assisted by a stable framework for wind energy subsidies, new grid connections in India rose from 2.3 GW in 2014 to an even higher level in 2015, although it is unlikely that the 3 GW threshold will be reached. With its very high level of energy demand, India is still regarded as one of the world's most dynamic wind energy markets. Therefore, analysts are expecting a further increase in 2016, which in part will benefit from the reintroduction of the "Generation Based Incentive". "Generation Based Incentive" is an economic development scheme promoting the wind energy generation to a maximum capacity of 15 GW. This scheme is limited to March 2017.

The US wind energy market continued to recover in 2015 and passed the 8 GW threshold, almost doubling the capacity recorded for 2014. This was mainly due to the retention of the Production Tax Credit (PTC) incentive in 2014, which allows projects that meet certain criteria to continue receiving subsidies in subsequent years. The short-notice extension of the expired PTC means that 2016 will also see high levels of commissioning. Discussions are still being held with regard to extending the PTC beyond this period and are being monitored by Senvion. Canada also enjoyed a very high level of installations in 2015, while the Latin American nations (in particular Brazil and Mexico) continue to display positive growth. Experts estimate that the Brazilian market will see future new installations of between 2 and 3 GW a year, while the Mexican market will post new installations of around 1 GW. Due to high local value-added rates, however, these developments are subject to considerable entry barriers.

The expansion and integration of renewable energies remains 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 governments in power. While countries like Mexico continue to foster the economic conditions required for renewable energies, other countries like China are sealing themselves off from the international market. Some countries have in fact completely turned their backs on making any initial steps toward creating a green energy sector. Following the nuclear disaster in Fukushima and efforts to establish an alternative energy model, Japan and its new government found themselves back where they started with their former energy industry based around nuclear energy.

The European market for wind power, defined by the leading research firm MAKE as a market segment and thus, in contrast to the prior year (analysis only of EU member states), analyzed below, saw more newly commissioned capacity in 2015 than in 2014. The German market particularly stood out with a new record-breaking 6 GW of new capacity. Political uncertainty regarding support measures in France and Poland was largely eliminated.

Of the newly installed capacity in Europe, the majority continues to come from onshore wind turbines, although the share of offshore installations is constantly growing. The number of new onshore wind turbines installed was comparable with the prior year (11 GW). The total cumulative capacity in Europe came to almost 150 GW by the end of 2015.

With 6 GW (5.3 GW in 2014) of new capacity, Germany is the frontrunner among the EU member states, followed by the UK, at a slightly lower level than in the prior year (1.8 GW in 2014). Germany thus recorded considerable growth in newly commissioned capacity compared to the prior year. Poland also recorded strong growth, primarily due to uncertainty regarding future tenders to contract and the associated pull-forward effects. France also saw an increase with more than 1 GW of newly commissioned capacity (1 GW in 2014). There was also considerable growth in the Netherlands, Finland and Italy.

The German government pushed on with its efforts to address the challenge of comprehensive energy policy reforms in 2015. 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, merely cites the necessity for a capacity reserve. The government has already submitted further proposals relating to legislation, for example the digitization of the energy transition and the amendment of the Energy Act (EnWG); they are currently being addressed in an intensive consultation process. Moderately optimistic capacity additions according to the amendment to the Renewable Energy Sources Act (EEG) of August 2014 continued with significant expansion in 2015. An expansion corridor of 2,500 MW net targeted by the German government was considerably exceeded with over 3,500 MW net, not least due to pull-forward effects relating to deeper reforms in anticipation of the tendering procedure in the 2017 EEG. As the expansion corridor was far exceeded, the decline in compensation payments was comparatively large, at 1.2%. A first publication of key issues relating to the tendering procedure in July 2015 was firmed up with further content by the government in November 2015. Proposals from the industry were largely incorporated in the tendering model. Key pending issues discussed at the end of 2015 and the beginning of 2016 primarily include reforms toward a one-stage reference yield model and ideas relating to exceptions and tender volumes. The legislative process for the new 2017 EEG is running on schedule; the amendment is due to be passed in summer 2016. With introduction of a tendering procedure in the 2017 EEG the German Government shifts from a price-based to a quantity-based control. All wind turbines approved until the end of 2016 and installed until the end of 2018 will still benefit from the current 2014 EEG subsidy scheme. Therefore, impacts from the newly introduced tendering system are expected for the period after 2016. In the course of this year, the industry as a whole grew in all the German federal states, albeit with regional differences. This development is attributable to the 28% expansion in onshore capacity compared to the prior year. The wind energy industry branch is a very important employer and has a significant effect on the value creation. It also accounts for a considerable share of jobs and value creation in other countries.

## b. Course of business

The wind energy market saw a minor upswing in 2015. The comparatively low market uncertainty and initial guidance relating to the content of the new EEG prompted some market players to implement projects on present conditions using existing processes. The Group successfully stood its ground in this market environment, generating revenues of 1,560.6 m EUR in financial year 2015. The net result for the period of the Group, a loss of 106.6 m EUR, was however impacted by effects arising from the purchase price allocation of Senvion Group, which mainly resulted in higher amortization and cost of sales, in total about 157.5 m EUR in financial year 2015. Furthermore, acquisition related cost and financing cost had a main impact on the net result for the period. Reference is made to section 2 c. Financial position within this management report.

**Order situation and installed capacity**
In the period from 1 April 2015 to 31 December 2015, Senvion Group received orders for contracts with a total output of 1,522 MW worth around 1,691.5 m EUR. This data on the order backlog and order intake takes only effective contracts into account, and does not include contracts under conditions precedent ("CP contracts"). With an order intake share of 20%, the UK is increasingly cementing its status as an important market for the onshore sector. It is followed by Germany (12%), Canada (12%) and France (7%).

For information on revenues from the sale of onshore wind turbines analyzed by geographies, reference is made to Note 5.1 Revenues of the consolidated financial statements as of and for the period ending 31 December 2015.

The order backlog of Senvion Group, including work in progress, stood at 2,324 MW as of the balance sheet date. The offshore sector (27%) is the frontrunner in terms of order backlog value, followed by onshore business in the UK (23%). After these two, Germany (13%), Portugal (9%) and France (8%) have the highest order backlogs at Senvion in the onshore market.

In the period from 1 April 2015 to 31 December 2015, Senvion Group erected wind turbines with a combined output of 1,432 MW. Prior to the acquisition, Senvion Group reported a comparative level of 1,543 MW for the period from 1 April 2014 to 31 December 2014. With an installed capacity of 866 MW, the Senvion MM series remained the most-installed turbine, followed by the Senvion 3.XM series with an installed capacity of 566 MW.

For an analysis of revenues from the sale of wind turbines analyzed by turbine type, reference is made to Note 5.1 Revenues of the consolidated financial statements as of and for the period ending 31 December 2015.

**Significant order intakes**
Particularly worthy of mention in this financial year 2015 is the increased order volume of Senvion Group in the UK (344 m EUR) and order intakes in the offshore sector (662 m EUR).

A key order received in the last financial year arose from the conclusion of a contract in December 2014. The financing agreements were signed in the spring of 2015, covering the supply and installation of 54 6.2M126 wind turbines for the Nordsee One offshore wind farm.

The wind turbines and rotor blades are being manufactured by Senvion and PowerBlades in Bremerhaven. The Senvion 6.2M126 is currently the world's most powerful offshore wind turbine in volume production. Following the scheduled completion in fall of 2017, the Nordsee One offshore wind farm will have an installed capacity of 332 MW, the equivalent of being able to supply over 215,000 homes with electricity a year.

A contract to supply, install and commission 18 Senvion 6.2M126 wind turbines for offshore wind farm Nordergründe was signed in the same period. With an installed capacity of 111 MW, the wind farm will be capable of supplying over 70,000 homes with electricity a year following its scheduled completion in fall of 2016.

In the fall of this year, Senvion installed its first 3.4M114 NES (Next Electrical System) wind turbine in the German region of North Friesland. This wind turbine represents Senvion's response to the increased grid requirements that will apply in the future for connections to the high-voltage grid following implementation of "TAB Hochspannung" (technical conditions for the connection and operation of customer systems to the high-voltage grid) from 2017 onward.

A stream of new orders was received in the UK, in terms of order volume making it the country with the third-largest market after the offshore and the German markets. The largest contract, signed in October 2015, involves the installation of 32 3.4M series wind turbines. With a total nominal power of 109 MW, the Beinneun wind farm will supply enough electricity for more than 59,000 homes a year. Beinneun now represents the fifth contract to supply wind turbines from the same customer in the UK. Senvion already has an installed capacity of 1.4 GW there.

In addition, Senvion also signed a contract to supply 3.2M114 Cold Climate Version (CCV) wind turbines for the 148 MW Mesgi'g Ugju's'n (MU) wind farm in Quebec, Canada. The established technology will be fitted with a hot-air de-icing system for North America. The wind turbines with a nominal power of 3.2 MW, a hub height of 100 meters and a rotor diameter of 114 meters can generate enough electricity to supply around 94,000 homes.

## c. Financial position

Prior to the acquisition of Senvion Group, the Group did not conduct any business operations. In the financial year 2014 Senvion S.à r.l. did not have any material assets or liabilities and income or expenses other than those incurred in connection with their respective incorporation leading to the following amounts:

| Statement of financial position information | 2014/12/31 k EUR |
|---|---|
| Equity | -6 |
| Liabilities | 6 |

| Income statement information | 2014/04/04 –2014/12/31 k EUR |
|---|---|
| Other operating expenses | -16 |
| Income tax expense | -3 |

**Revenue and earnings position**
The revenues for the financial year 2015 were 1,560.6 m EUR and are composed as follows:

| | 2015/01/01 –2015/12/31 k EUR |
|---|---|
| Revenues from sale of onshore wind turbines | 1,328,204 |
| Revenues from sale of offshore wind turbines | 69,662 |
| Services | 160,356 |
| Other | 2,391 |
| **Revenues** | **1,560,613** |

The main revenues from the sale of onshore wind turbines were conducted in Germany (517.7 m EUR), Canada (237.8 m EUR) and the United Kingdom (179.5 m EUR).

Other operating income in the financial year 2015 amounted to 40.1 m EUR. It primarily includes income from currency translation differences (20.9 m EUR), the gain from bargain purchases (6.8 m EUR) arising from the purchase price allocation, income from insurance compensation payments or damages (2.6 m EUR) and income from hedging transactions (2.5 m EUR).

The Group's cost of material/cost of purchased services amounts to 1,216.6 m EUR including 94.9 m EUR 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 (cost of materials/cost of purchased services in relation to total performance) is 72.3%.

Personnel expenses amounted to 154.7 m EUR. In relation to the total performance the personnel expenses ratio was at 10.0%.

Depreciation on property, plant and equipment and intangible assets amount to 106.6 m EUR in total, whereof 69.3 m EUR relate as non-cash relevant item to the amortization of intangible asset step-up.

Other operating expenses totaling to 171.8 m EUR are composed of legal and consulting fees amounting to 52.8 m EUR, thereof in particular acquisition-related costs of 21.8 m EUR and other transactions costs of 5.9 m EUR which were a result of the change in shareholder of Senvion Group. Furthermore, purchased services (28.6 m EUR), currency translation losses (15.5 m EUR), office and land costs (10.7 m EUR) and IT & telecommunication costs (9.3 m EUR) are disclosed in this item.

Reorganization expenses of 8.0 m EUR resulted from the Group's decision to restructure its subsidiary, PowerBlades Inc., Ontario, Canada on 22 October 2015. The closure of the factory was caused by low order intake volume whereby the factory could not establish a cost-covering production.

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, reorganization expenses, 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), cost related to the acquisition of Senvion Group (other operating expense) as well as other transaction cost incurred in connection with the change in shareholder are adjusted for to arrive at adjusted EBIT/EBITDA performance indicators which the Group monitors. In addition, reported figures are adjusted for releases of general warranty provisions and specific warranty provision additions for technical issues related to 6XM (refer to section 3 b. Individual risks and opportunities in this management report). General warranty provisions releases relate to the yearly update of the amount of the general warranty provisions based on the latest statistical data.
The adjustment is then also applied to all WTGs that are still under warranty and the amounts of provisions are adjusted accordingly.

The measures adjusted EBIT and EBITDA compute as follows:

| | 2015/01/01 –2015/12/31 m EUR |
|---|---|
| **Result from operating activities** | **-66.6** |
| Reorganization expenses | 8.0 |
| **Result from operating activities before reorganization expenses** | **-58.6** |
| Impact arising from purchase price allocation | 157.5 |
| General warranty provision release | -3.7 |
| Specific provision related to 6XM WTG series | 13.5 |
| Acquisition related costs | 21.8 |
| Other transaction costs | 5.9 |
| **Adjusted EBIT** | **136.4** |
| Amortization and depreciation | 37.3 |
| **Adjusted EBITDA** | **173.7** |

The financial result is composed as follows:

| | 2015/01/01 –2015/12/31 m EUR |
|---|---|
| **Interest and similar financial income** | |
| Other interests and similar income | 1.0 |
| | |
| **Interest and similar financial expenses** | |
| Preferred Equity Certificates | -23.3 |
| High Yield Bond | -18.7 |
| Deferred financing fees for guarantees | -2.9 |
| Guarantee commission | -7.6 |
| Other | -9.3 |
| | **-61.8** |
| **Financial result** | **-60.8** |

For interest expenses on the Preferred Equity Certificates reference is made to Note 4.5 Shareholder Loan in the consolidated financial statements as of and for the period ending 31 December 2015. The cost and conditions of the High-Yield Bond are further detailed in Note 4.6
Other non-current financial liabilities in the consolidated financial statements as of and for the period ending 31 December 2015.

Deferred financing fees for guarantees arise from the syndicated line of credit the Group utilizes, which are capitalized and expensed over the term of the facility.

Income taxes for the financial year amounted to 20.8 m EUR leading to a relative tax rate of -19.5% and results into a negative net result for the period of 106,6 m EUR.

Main driver of the negative low tax rate was a total of 44.1 m EUR interest expense which was not deductible in the period ended 31 December 2015. No deferred tax asset was recorded as the Group estimates the interest carryforward will not be utilized against taxable profit within the next years.

**Asset and capital structure**
In the financial year 2015 the total assets were 2,126.2 m EUR.

Primarily the current assets consist of liquid funds (419.4 m EUR), gross amount due from customers for contract work as an asset (49.4 m EUR), trade account receivables (230.8 m EUR), inventories (416.6 m EUR) and other current assets (108.7 m EUR).

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 inventories of 416.6 m EUR contain 270.7 m EUR raw materials and supplies and 145.9 m EUR work in progress.

For the split up of other current assets reference is made to Note 4.1.5 Other current assets in the consolidated financial statements as of and for the period ending 31 December 2015.

The non-current assets of 901.4 m EUR consist mainly other intangible assets (687.2 m EUR) and property, plant and equipment (193.2 m EUR).

The other intangible assets of 687.2 m EUR 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 spendings in the financial year 2015 refer to section 1 c. Research and development in this management report.

The current liabilities mainly consist of trade accounts payables (382.0 m EUR), advance payments received (291.4 m EUR), gross amount due to customers for contract work as a liability (71.8 m EUR), provisions (217.5 m EUR), income tax liabilities (62.4 m EUR) and other current liabilities (72.4 m EUR).

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 31 December 2015 mainly contain expected cost for technical issues with regard to offshore blades for the 6XM WTG series. The development of general warranty provisions reflects the increase in the number of WTGs sold and falling within the legal 2-year warranty period.

Income tax liabilities primarily relate to current taxes for the financial year.

The non-current liabilities of 1.065,8 m EUR primarily relate to shareholder loans (468.8 m EUR), other non-current financial liabilities (391.4 m EUR) and deferred taxes (195.1 m EUR). The subscribed capital comprises of 7,812,500 shares with a nominal value of 0.01 EUR each, of which 312,500 are preference shares. These contain the holders right to be entitled to receiving a 0.7% Preference Dividend amount.

The additional paid-in capital includes 2.0 m EUR from the capital increase in the current financial year.

The retained earnings of -102.6 m EUR represent the share of net result for the period at-tributable to the shareholders of the parent.
The consolidated statement of financial position shows negative total equity of 69,4 m EUR, mainly owing to the net result for the period of -106,6 m EUR. The main drivers of negative net result were higher cost of materials/cost of purchased services and amortization expenses from the fair value measurement of work-in-progress and intangible assets on the acquisition of Senvion GmbH (Purchase Price Allocation) of -157,5 m EUR. These impacts arising from the purchase price allocation were non-cash transactions.

Shareholder loans (Refer to Note 4.5 Shareholder loans) were provided to Senvion S.à r.l. amounting to 468.8 m EUR with a contractual maturity of 29 years. For the Group’s short- and medium-term equity ratio, these loans are included to arrive at an adjusted equity ratio, which is computed as follows:

| | **2015/12/31** k EUR |
|---|---|
| Shareholders' equity | -69,528 |
| Total assets | 2,126,193 |
| **Equity Ratio in %** | **-3.3** |
| Shareholders' equity | -69,528 |
| Adjusted for IFPECs and IBPECs | 468,819 |
| Adjusted shareholders' equity | 399,291 |
| **Adjusted Equity Ratio in %** | **18.8** |

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

To calculate the net working capital ratio, this net figure is compared with the total operating performance for the last 12 months.

| | **2015/12/31** m EUR |
|---|---|
| Current assets | 1,224.8 |
| Adjustments to current assets | -419.4 |
| Total current liabilities | -1,129.7 |
| Adjustments to current liabilities | 223.5 |
| **Net working capital** | **-100.9** |
| Total operating performance | 1,551.0 |
| **Net working capital ratio in %** | **-6.5** |

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. In the financial year 2015 the Group carried out a net working capital optimization project that consequently addressed all levers for improvement.

**Financial summary**

Despite a negative equity (reference is made to section "Asset and capital structure" within this management report) the Group reports a healthy financial position for the financial year 2015. At 419.4 m EUR, cash and cash equivalents remain at a high level.

Senvion's financial management is geared towards efficient use of available resources. The Group's financing policy objectives are to secure liquidity, contain financial risks and optimize financing costs by means of an adequate capital structure. Financial activities are designed based on the operating business and the company's strategic alignment.

The financing requirements stem primarily from guarantees, especially those used to hedge advance payments and contractual obligations. As at the reporting date, available credit lines amounted to 1,008.5 m EUR, 141.2 m EUR of which represented cash credit lines and 867.3 m EUR guarantee lines. This includes an amount of 42.3 m EUR for guarantee lines, jointly backed by other lenders, and 16.2 m EUR for construction financing. The other 950 m EUR were provided as part of a syndicated credit facility signed on 31 March 2015.

The loan agreement contains typical termination rights for the lenders that become effective in connection with certain contractual changes. These include the failure to comply with certain financial covenants or a change of control. The terms are variable and based on debt levels. Interest rate risks may arise from changes in the EURIBOR rate if cash credit lines are drawn on.

Apart from construction financing, as of 31 December 2015 the credit lines had only been utilized in the amount of approximately 511.6 m EUR for issuance of sureties and guarantees. This was also the case in the prior year, with a utilization of approximately 374.2 m EUR.

In order to refinance the acquisition Senvion Holding GmbH has issued a High Yield Bond with a nominal value of 400.0 m EUR with a term ending 15 November 2020. This bond bears interest at a (nominal) fixed rate of 6.625% p.a. (effective rate 7.14% p.a.). The book value as of 31 December 2015 amounts to 391.4 m EUR.

Furthermore, the shareholder loans comprise Preferred Equity Certificates (PEC's) amounting to 480.2 m EUR (thereof 364.6 m EUR IBPEC's and 115.6 m EUR IFPEC's) which were granted in the financial year 2015.

For the financial year ended 31 December 2015, the Group reports a cash flow from operating activities of 318.1 m EUR. The positive cash flow was mainly due to a decrease of working capital, with the main contributors being the reduction of inventories through optimization of suppliers payment terms and reduction of early components deliveries, the collection of milestone payments for pre-production from January until March, especially in Canada as well as an increase in down payments from orders in United Kingdom and Offshore.

For the financial year ended 31 December 2015, the Group reports a cash flow from investing activities of -779.1 m EUR. The cash outflows consist of the acquisition of Senvion Group as well as the Group's cash payments for intangible assets, primarily consisting of capitalized development costs.

For the financial year ended 31 December 2015, the Group reports a cash flow from financing activities of 874.4 m EUR. The financing cash flow mainly reflects the shareholder and external financing received for the purpose of acquisition of the Senvion Group.

## d. Summary of business position

Overall, the Group assesses its business performance as well as its assets, finances and earnings despite the current year's loss as positive. In the past financial year, Senvion Group held up well in the wind energy market, with order backlogs at a consistently high level. Information relating to the expected future development is included in the section Outlook of this management report.

## e. Management control system

To measure and plan the business performance and results of the Company as a whole, Senvion uses financial and non-financial indices, which originate from the project-based turbine business as well as from affiliated services. Both performance indicators conduce to 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, EBIT, EBITDA, net working capital and net result. Furthermore, the group strives for further improvements on a constant basis and focusses 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. Those non-financial key performance indicators are however not used for internal management purposes of the Group.

In the financial year 2015, core issues in human resources included the launch of the ERA remuneration system at Senvion Deutschland GmbH and PowerBlades GmbH.

As provided for in the Senvion remuneration system, individual salary groups began being transferred from the lowest to the main grades in this financial year. The Group in total employed 3,912 employees as of 31 December 2015 worldwide, with an average number of 3,843 employees during the financial year. The rotor blade plant in Portugal (Ria Blades) was further expanded and employed 651 employees at the end of the year; by contrast and due to a decline in demand in the regional North American markets, Powerblades Inc. in Ontario, Canada, which employed about 130 people, began closing down in the fall of 2015. The in-house personnel numbers were increased in Product Development, Service and Project Management. This growth primarily affected Germany and Portugal.

At Senvion, vocational training is offered in the areas of mechatronics and technical product design. As of 31 December 2015, 52 employees were undertaking dual vocational training.

In the area of HR development, the international young professionals promotion program JUMP was relaunched: Seventeen high potentials pass through the 13-month program, with training modules and projects for small, interdisciplinary teams, which will end in February 2016.

# 3. Report on risks and opportunities

## a. Risk management

As the Group's financial, earnings and asset position is influenced by a wide range of opportunities and risks that may impact the Company from outside or result from the company's own business activities, the Group has installed a system for early detection of risks in compliance with legal requirements. It is used to record, document, analyze and track identified risks and measures for controlling and minimizing these risks on a systematic and structured basis.

Comprehensive risk inventories are produced on a quarterly basis in all company segments as part of quarterly risk reporting in order to identify as many material risks as possible and assess them in terms of the potential financial impact and likelihood of occurrence in the current and subsequent financial year. The assessment of amounts of damages relates to EBIT; potential liquidity effects are also recorded. A gross evaluation of each risk is carried out for three scenarios which differ in terms of the severity of impact on the company – the best, the expected, and the most serious case. This procedure makes it possible to determine the cumulative effect of individual risks by means of statistical analyses.

The business management of the Group has adopted binding risk policies to ensure proper risk management and commissioned risk management to create detailed training documentation for employees that is reviewed annually to ensure it is up-to-date.

Each individual operating unit is responsible for the early identification and management of risks. A risk owner is clearly assigned to each risk and is responsible for monitoring that risk, tracking any established leading indicators and taking steps to contain and document risks. The risk owner is also responsible for ensuring that the measures are followed up. Thorough risk monitoring is ensured along the value creation chain and is regularly checked to ensure it is complete. All risks are specified in detail as part of a two-level process and verified before being forwarded to risk management for further analysis and review.

The Group's internal binding risk policies to ensure proper risk management, which have been approved by the business management, specify that unexpected risks must be reported immediately to the business management (ad hoc notification).

The central risk management regularly reports in detail to the business management and supervisory board audit committee on risks affecting any area of the Group, and on changes in the Group's risk situation and any counter-measures taken to control and minimize identified risks.

## b. Individual risks and opportunities

For better manageability, risks identified are categorized into specific risk categories. The sequence in which risks are discussed has no bearing on the potential extent of financial impact or likelihood of occurrence.

**Strategic and economic risks and opportunities**
Strategic risks for the Group particularly arise with regard to competitiveness, the market entry of potential new competitors or the launch of technical innovations and products by competitors. This also includes the risks of market entry into new geographical markets or business segments. General global economic developments may impact on the Group's asset, financial and earnings position positively or negatively.

The Group counters market risks in general by means of in-depth analyses performed by central Business Intelligence. In order to ensure continued existence in a challenging market environment, the Group will continue to cultivate new and promising markets and enter these markets following an extensive analysis of the opportunities and risks. This is managed by the central New Markets unit. Further market risks as well as opportunities may arise by changes in the political landscape, e.g. the planned introduction of an auction system for wind energy projects in certain countries, which may bring about considerable change.

Competition remains fierce in the offshore sector, manifested in the market entry of new competitors and the formation of joint venture activities among several competitors, for example. At the same time, capital-intensive offshore wind projects seem to be suffering the effects of the reluctance of electricity suppliers and banks to finance these types of project. Nevertheless, the size of the offshore sector and potential new offshore markets may present the company with an opportunity for lasting growth.

Business-related risks also include sales risks. These arise particularly due to the risk of postponement of individual projects by customers of the Group or through other external circumstances. This also includes possible delays due to limited operating resources (e.g. installation capacities) or delays caused by the reluctance of financial institutions to finance wind projects. The intensity of pricing competition remains unabated and can lastingly influence the financial and earnings position. The Group will counter the challenges created by this price competition, in particular by maintaining its technological leadership and the intelligent management of scarce operating resources.

The asset, earnings and financial position can also be impaired by a potential dependency on a few major customers. As a rule, larger, higher-revenue projects are carried out with one of the few major utilities. The number of potential customers is limited, particularly in the offshore business. At the same time, due to their size, such projects' impact on revenue is considerably higher.

The risks are countered by various opportunities that may have a positive impact on the financial, earnings and asset position of the Group. These include the entry into new and promising markets, both in and outside Europe, to participate in the development of capacity expansion for the generation of wind power in countries which in the past were not as concerned about the expansion of renewable energy. The Group also measures market trends on a continuous basis to form a basis for its decisions. In addition, detailed market monitoring is carried out by the Strategy department.

**Financial risks and opportunities**
The Group considers financial risks as those are risks that have a direct impact on the financial situation of the Group. These are described individually in Note 7 financial risks and financial instruments in the consolidated financial statements as of and for the year ended 31 December 2015.

Cash flows in foreign currencies, for example, create a foreign currency risk, which is managed centrally by the Treasury in accordance with internal directives. Hedging transactions may be entered into to contain foreign currency risk from underlying exposures.

Given the uncertainty as to the economic outlook and continuing relatively low interest rates, there is additionally a risk of interest rates rising. Interest rate hedging transactions can also be conducted in accordance with specified internal guidelines to manage this risk.

The risk of being unable to meet current or future payment obligations, or of only being able to do so under changed conditions, is known as the liquidity risk. This is also centrally managed by the Senvion Holding GmbH Treasury department. This risk may arise in particular from mismatches between payment receipts and payment obligations. A rolling liquidity planning is used to manage this risk; the Group companies report their payment receipts and outgoing payments for the short and medium term once a week. The liquidity situation is thus constantly reviewed and is also reported on to the business management every week.

All credit lines and loans are monitored by the lender in relation to defined financial indicators. Financing in place can be withdrawn only for extraordinary reasons, including failure to meet such financial targets.

Financial covenants and the indenture governing the 400.0 m EUR 6.625% senior secured notes due 2020 and the revolving credit facility restrict are also subject to monitoring by the Group's treasury department.

To guarantee maximum possible transparency, regular monitoring and reporting of the share-holder loans (IBPEC's and IFPEC's) are performed. However, the shareholder loans have a term of regular 29 years for which they are not included in the short- to mid-term liquidity forecast.

Technical problems which could harm the reputation of the Group may also entail financial risks. It is possible, for example, that customers may withhold payment due to technical issues or demand additional guarantees to secure their claims.

General financial and tax risks also exist, such as the possibility of default or monetary risks which may arise from an unanticipated change in tax legislation in a country. The Group is further subject to regular tax audits carried out by domestic and foreign financial authorities. These may result in demands for payment of tax arrears. Senvion Group is expanding its central Tax department to minimize this risk.

The successfully completed refinancing process also positively influences the Group's asset, financial and earnings position. While the financing arrangement provides the basis for ongoing business activity (e.g. by means of securing prepayments from customers), the significant extension of the facilities and the participation of new, previously uninvolved financial institutions also sends a positive signal that the financing parties have lasting confidence in Senvion's business model.

**Technological risks and opportunities**
Both the development of new technologies and optimization of existing technologies harbor considerable risks. If development requests of the market or customers cannot be implemented, this may lead to a market launch being delayed and, therefore, drive up development costs. If the development of the offshore market fails to meet expectations, Senvion faces risks that may considerably affect its asset, financial and earnings position.

Furthermore, besides regular warranty risks the Group faces, technical issues related to the 6XM WTG series offshore blades were detected in the financial year 2015. In detail a design error in certain of the company's blades was identified as the root cause for cracks in such blades which will potentially result in failures. Although such cracks had individually been observed in the past, these cases were dismissed as individual failures due to deviation from design in the manufacturing process. In November 2015, following a recent blade incident, a profound analysis showed that the design of such blades was the root cause of cracks. The defect is largely quarantined to a small population of projects - A total of 32 blade sets on the field and 18 manufactured sets not yet installed are affected by this design error. Appropriate measures were taken immediately to evaluate and solve this default.

Structured, intensive research and development efforts are conducted to mitigate the risk of losing technology leadership, ensuring that forward-looking technological innovations are brought to market, e.g. the "Next Electrical System". These also include the recently completed exclusive acquisition of the RodPack technology that enables optimized rotor blade design and both rapid and improved rotor blade production. Patents held by third parties, however, may limit development options, especially because patent competition remains intense on the market.

There is also the risk of defective purchased components creating production or design defects in entire series. Qualitative problems like this would significantly affect the asset, financial and earnings position of the Group, especially if important components are affected. The Group's reputation would be considerably damaged at the same time. A number of measures are in place to counter the risk of potential qualitative problems: careful monitoring of production by Quality Control, extensive warranty agreements with suppliers and, in serious situations, intensive handling of the problem by an interdisciplinary team. The Group also tries to implement appropriate insurance coverage wherever possible in order to minimize this risk. The Group is thus so far the only manufacturer of offshore wind turbines in the world to have taken out an insurance policy from a well-known provider to cover serial damage and defects for offshore wind farms. Despite wide-ranging actions to ensure quality, it is not possible to completely rule out technical defects; exceptional cases may arise in which a defect is identified late and results in additional costs or delayed acceptance by the customer. This may influence the company's financial and earnings position.

The Group strives to remain a technology leader in its business through continuous and intensive research activity. This includes advancing existing models in the onshore segment (e.g. promoting existing options for cold climate regions or models for low wind zones) as well as the evolution of our offshore models toward higher energy efficiency. In the future, too, the Group will continue to focus on increasing its development activities to both lastingly improve existing technologies and expand its technology leadership, and create products suitable for a successful market entry into new markets, also outside Europe. The risk of potential erroneous developments can never be fully ruled out.

**Supply chain risks and opportunities**
Supply chain risks are split up into procurement and production risks. Fluctuating commodity prices affect the asset, financial and earnings situation, as they can have a negative impact on the prices for individual purchased components. There is also a general risk of supplier default.

In relation to components manufactured by certain manufacturers only, there is a risk of dependency on individual suppliers. The Group is responding to this risk by qualifying alternative suppliers and increasing in-house production.

Production risks include in particular the risk of delayed production and therefore delays to individual projects as a result of bottlenecks in production capacity or the availability of materials. There is also the risk of using a substandard supply chain. The Group responds to this risk with a regular analysis of the supply chain and also takes difficult decisions for worst-case scenarios. This includes, for example, the closure of the Welland production site in Canada.

Transport risks also exist which may arise, for example, due to a neglected infrastructure for heavy load logistics.

Opportunities in this area are also available through service activities, which represent a high-yield segment of the Group. This includes extending the current service portfolio as well as the prolongation of service contracts.

**Operational risks**
The main risks classified by the Group as operational pertain to operating structures and processes, including staff and IT infrastructure-related risks.

In order to prevent undesirable employee turnover, HR works to improve the Group's attractiveness as an employer with a range of measures. These include a management training program and an extensive internal training and professional development program.

To minimize risks associated with IT system failures, the Group again implemented numerous security measures (including firewalls and antivirus software). The Group is also continuing to work steadily on IT processes supporting internal structures. It is also collaborating with a renowned partner in its IT infrastructure management to reduce IT-related risks to business activities. To ensure its security, the Group also has the IT infrastructure regularly checked by external experts.

**Legal and regulatory risks and opportunities**
As the Group operates in various countries with differing legislation and specifications, this gives rise to legal risks. These stem from court and out-of-court legal claims from third parties, for example those arising from contractual relationships with customers, suppliers or other business partners. Risks may also result from general legal developments.

Appropriate steps have been taken to manage litigation risks in coordination with the relevant departments. The Group creates provisions for legal disputes if the obligations arising from them are likely to take effect and the amount of the obligations can be determined to a sufficiently accurate degree. However, it is possible that provisions formed for pending cases may prove to be inadequate and that, as a result, considerable additional expenses may be incurred due to final judgments in some of these cases. This also applies to legal disputes for which the Group sees no need to establish provisions. The outcome of legal disputes can never be predicted with absolute certainty, as this is the nature of litigation.

Various legislative changes, both national and (non-) European, could also affect the financial, earnings or asset position of the Group. Among other things, these include changes to legislation affecting renewable energies subsidies and feed-in tariffs, but also technical directives. Since the Group operates internationally, this also applies to legislative changes outside Germany that could lead accordingly to changes in demand.

The political environment and its continuing aim to promote the development of renewable energy as well as the current political conditions provide opportunities for the Group. This can best be seen in countries that have not or not yet particularly placed emphasis on the development of generating energy through renewable resources, especially wind energy. This also involves the creation of a reliable legal framework.

The regular assessment of the Group's risk situation includes the examination of the potential overall impact of all individual risks in combination.

**Internal control system**
The Group has implemented a comprehensive internal control system (ICS) based on the internationally recognized COSO model to ensure proper conduct of business activities. The relevant unit is responsible for designing the ICS and carrying out and documenting the defined controls.

The objective of the internal accounting control system at the Group is to avoid the risk of material misstatements in accounting, to identify significant incorrect assessments and to ensure compliance with the relevant accounting regulations. This involves Group-wide standardized accounting policies as well as regular performance and documentation of preventative and exploratory audits. It also covers the consolidation process during the preparation of financial statements, including, for example, regular reviews as to the plausibility of project calculations. Ongoing calculation means that the development of project costs can be precisely monitored at the time of creation. Suitable organizational measures such as the separation of functions and control review, regular analyses of key figures by Financial Control and procedural instructions (i.e. account assignment manual, inventory procedures) ensure a proper preparation of financial reporting. A standardized procedure is guaranteed by a number of Group-wide specifications and directives.

Ongoing optimization of the IT system landscape also ensures that suitable processes are automated, meaning that manual processes which are more prone to error can be replaced with appropriate system-managed alternatives. An electronic workflow for order handling was launched, for example, to minimize potential sources of error.

During all audits conducted during the financial year 2015, Internal Audit also reviews the functionality of the internal control system of the unit undergoing an audit. The efficiency and effectiveness of the defined checks carried out by the ICS are also reviewed annually by Internal Audit. This draws on the respective unit's self-assessment method (CSA – controlled self-assessment). Samples of self-assessments prepared by the unit being audited are inspected by Internal Audit. Appropriate planning ensures that Internal Audit reviews all checks within a defined timeframe and that a certain proportion of checks from the previous year's sample are reviewed each year.

The business management and the Supervisory Board Audit Committee of Senvion Holding GmbH and the advisory board and board of director of the Company are notified regularly of material review/audit findings.

# 4. Supplementary report

Since 1 January 2016 no events of special significance have occured that we expect to have a material impact on the financial position and results of operations of the Group.

# 5. Outlook

**Expected development of the overall economic environment**

Following indications of a moderate recovery in the global economy, the World Bank lowered its forecast for global economic growth in 2016, from its most recent figure of 3.3% to 2.9%. The reason given – as mentioned previously in this report – was the weaker economic situation in a number of emerging economies. China, in particular, (38% of the GDP of all emerging economies) is struggling with excess capacity and falling company profits. The majority of state-owned enterprises are supported by very cheap loans, meaning that these companies' liabilities have increased from 100% to over 160% of the GDP in the last seven years. If the US Federal Reserve considers further increases following the last interest rate hike, this could direct more funds to the US, thereby having the effect of devaluing the national currencies in the emerging economies. All else being equal, this would inevitably result in debt servicing, conducted in dollars, becoming more expensive. If the central banks in those countries were to follow suit, this could trigger the risk of an impending recession.

Due to strong exports, Germany remains directly affected by developments in the global economy. As a result, the development of domestic demand is immensely important. Consumer spending was able to act as a mitigating factor to global developments this year.

There are some indications suggesting that these levels of consumer spending are likely to rise considerably, at least in the short term. Analysts recently forecasted a consumer spending growth of 2.5%. The reasons attributed to this positive development include good labor market figures and sustainably rising wages.

Immigration from crisis-torn countries is also a key issue this year. It will involve increased expenditure on the part of the government, the German states and their municipalities. The demand for goods and economic strength, however, is growing. Overall, the additional demand for various daily consumer products together with the demand for personnel and housing is expected to increase the GDP by 0.3%, although this ultimately remains dependent on state subsidies and conflicts with the aim of reducing debt.

The development of consumer price levels is relatively strongly influenced by the low price of crude oil. Compared to the prior year, the price of a barrel of Brent in US dollars fell around 45%. Together with low prices for non-energy commodities, this indicates low activity in the global economy, such that the downward trend in import and producer prices will remain in focus over the coming months. Altogether, consumer prices are forecast to rise by 1.1% to 1.5% in 2016.

**Industry development**
Senvion uses the analytic data provided by the leading research and consultancy company MAKE to evaluate the development of the industry. Their analyses and studies are updated on a regular basis and embrace a more conservative approach than the data of other research companies.

For 2016, MAKE believes that new onshore capacity commissioned around the world will remain at a similar level to 2015, with approximately 54 GW: in China with approximately 20.5 GW (around 25 GW in 2015), the US with approximately 9.1 GW (around 8 GW in 2015), Germany with approximately 3.7 GW (around 4 GW in 2015) and Canada with approximately 1.2 GW (around 1.5 GW in 2015). Installation figures are expected to continue growing worldwide thanks to clarity regarding general political conditions (auction system in Poland, changes to underlying conditions in Italy) and new emerging markets (Brazil, Argentina, Mexico, Chile, Japan, Egypt).

The development of the Levelized Cost of Energy is a key driver of growth in the wind energy industry and ensures that it remains competitive. This factor is a standard calculation tool for all project participants and primarily demonstrates the cost of producing electricity, taking into account all influencing factors such as operation, maintenance and financing. Onshore electricity is approaching "grid parity", the cost point (break-even) at which the cost of producing wind energy becomes cheaper than the purchase of traditional generation methods on the stock market (the average spot electricity price is used as a measure here). The cost of producing wind energy is already far below that of solar or nuclear energy, for example. MAKE is convinced that these developments will have a positive effect on demand for wind energy and justifies a long-term increase in installations on this basis.

For 2016, MAKE is expecting a further increase in new commissioned capacity in the US, to 9.1 GW (around 8 GW in 2015). This development is primarily being driven by backlogged projects in the course of the expired PTC (some approved projects postponed to the coming years). The PTC is a production tax credit awarded by the government, but this will not help to normalize the US energy market in the short term. Fracking is still having a negative impact on investment in renewable energies because it is a cheap – albeit very environmentally harmful – alternative form of energy production. Here, high-pressure water is used to release trapped gas from between layers of shale rock.

President of the European Commission Juncker started work with his new team in October 2014; the energy and climate policy was handed over to Vice President Maros Sefcovic and Commissioner for Climate Action Miguel Arias Canete. Both have already taken steps to create a standardized internal EU market, a secure energy supply and a reduction in $CO_2$ emissions. According to both commissioners, a fundamental change in Europe's energy system is generally necessary, as they explain in the strategy paper for the next five years they published in February 2015. The declared aim is to move away from the current national fragmentation of the European energy market toward an energy union, to exploit the potential and the benefits of a common internal market also for the energy industry, develop an international energy infrastructure and increase energy efficiency. The thorny issue of the EU's authority relating to the internal market and climate policy versus its member states' freedom to make decisions for their own energy mix was again the subject of discussion within the EU in 2015. While countries such as Germany and Poland are preparing for a tendering framework with further expansion of renewable energies, the UK is likely to initially cut subsidies following the first round of tendering. France, by contrast, is focusing more strongly on renewable energies. The European climate policy focusses on the development and expansion of the domestic energy market and a substantial $CO_2$-reduction. In addition Sefcovic plans a governance-structure to put the European climate and energy goals for 2030 on a statutory basis. The successful conclusion of the climate change conference of Paris in November/December 2015 supports the initiatives. Two essential goals of the Parisian climate change agreement are the limitation of global warming to well below 2°C or even 1,5°C and the „Intended Nationally Determined Contributions" (INDC) to limit greenhouse emissions to zero within the second half of the century. The member states are ought to implement the Parisian resolutions on a national level into climate protection plans to set the basis for a further stable expansion of renewable energy.

For Europe, MAKE is expecting newly a commissioned capacity of over 12 GW in 2016, a minor fall from the figure in 2015. Positive growth is primarily expected in Austria, Finland, Ireland, the Netherlands and Norway. Markets such as the UK and France will also maintain a high level of installed volume capacity. New installations (onshore and offshore) of around 4.3 GW are anticipated in the Group's core German market. Looking toward 2017 (launch of the auction process), MAKE does not believe that general political conditions will create much uncertainty with regard to capital expenditure. It should also be noted that forecasts differentiate between the generation of revenues and installed capacity:
the majority of revenues are already generated during project development and production. As the lead time until a wind turbine is constructed can last up to twelve months, revenues are transacted earlier than forecast market growth.

**Business outlook for the company and the Group**
As part of the Centerbridge acquisition process, the Group strengthened its footing internally, particularly in Service and Product Development, to ensure continued growth in these areas. Senvion will identify, implement and track improvement measures on an ongoing basis in order to streamline processes continually and reduce product costs. An appropriate project structure was therefore created to prepare the Group for the challenges of the market on a permanent basis. In so doing, the company is in particular countering the constantly increasing competitive pressure.

Due to the expected EEG amendment, a minor downturn in new orders is anticipated for the wind energy industry in Germany for the 2016 calendar year.
The Group expects to maintain a comparable monthly order intake level in the financial year 2016, under consideration of the fact that Senvion Group was only included in the consolidated financial statements of the Group on 29 April 2015 and that the next financial year will see an additional 4 months of Senvion Group's result being reflected in the consolidated financial statements of the Group.

Accounting for the guardedly positive economic environment and its improved position in a number of new markets, management is expecting a slight increase in revenues in the financial year 2016 compared to what revenues would have been in the financial year 2015 if Senvion Group had been included in the consolidated financial statements of the Group for the entire 12-months period ending 31 December 2015. The expected revenue is essentially due to be generated in Germany, the UK, Canada and the offshore sector. Under consideration of the fact that Senvion Group was only included in the consolidated financial statements of the Group on 29 April 2015 and that the next financial year will see an additional 4 months of Senvion Group's results being reflected in the consolidated financial statements of the Group, a modest relative year-on-year increase in results from operating activities, order intake, revenues, EBITDA, EBIT, net working capital and net result for the period is also expected for the financial year 2016. This also applies to adjusted EBIT and adjusted EBITDA.

Luxembourg, 12 February 2016

# Consolidated Financial Statements of Senvion S.à r.l.

# Consolidated statement of financial position

## Assets

| | Notes | 2015/12/31 k EUR |
|---|---|---|
| **Current assets** | | |
| Liquid funds | 4.1.1 | 419,401 |
| Gross amount due from customers for contract work as an asset | 4.1.2 | 49,372 |
| Trade accounts receivable | 4.1.3 | 230,751 |
| Inventories | 4.1.4 | 416,552 |
| Receivables from income taxes | | 2,664 |
| Other financial assets | 4.1.5 | 11,557 |
| Other miscellaneous assets | 4.1.5 | 94,453 |
| Total other current assets | 4.1.5 | 108,674 |
| **Total current assets** | | **1,224,750** |
| **Non-current assets** | | |
| Other intangible assets | 4.2.1 | 687,195 |
| Property, plant and equipment | 4.2.2 | 193,198 |
| Other financial investment | | 4,004 |
| Loans granted | | 354 |
| Total other non-current assets | | 16,692 |
| **Total non-current assets** | | **901,443** |
| **Total assets** | | **2,126,193** |

## Shareholders' equity and liabilities

| | Notes | 2015/12/31 k EUR |
|---|---|---|
| **Current liabilities** | | |
| Short-term loans and current portion of long-term loans | 7.2 | 5,982 |
| Trade accounts payable | | 382,035 |
| Advance payments received | 4.3.1 | 291,410 |
| Gross amounts due to customers for contract work as a liability | 4.1.2 | 71,847 |
| Provisions | 4.3.2 | 217,503 |
| Deferred income | 4.3.3 | 26,147 |
| Income tax liabilities | 4.3.4 | 62,375 |
| Other financial liabilities | 4.3.5 | 25,954 |
| Other miscellaneous liabilities | 4.3.5 | 46,483 |
| Total other current liabilities | 4.3.5 | 72,437 |
| **Total current liabilities** | | **1,129,736** |
| **Non-current liabilities** | | |
| Long-term loans | 4.4 | 10,503 |
| Shareholder loans | 4.5 | 468,819 |
| Other non-current financial liabilities | 4.6 | 391,405 |
| Deferred taxes | 4.2.3 | 195,087 |
| **Total non-current liabilities** | | **1,065,814** |
| **Equity** | | |
| Subscribed capital | 4.7 | 78 |
| Additional paid-in capital | 4.7 | 26,510 |
| Other reserves | | 6,500 |
| Currency translation | | -240 |
| Cash flow hedging reserve | | 6,740 |
| Retained earnings | | -102,616 |
| **Equity attributable to shareholders of the parent company** | | **-69,528** |
| Non-controlling interests | 4.7 | 171 |
| **Total equity** | | **-69,357** |
| **Total equity and liabilities** | | **2,126,193** |

# Consolidated income statement

| | Notes | 2015/01/01 – 2015/12/31 k EUR |
|---|---|---|
| Revenues | 5.1 | 1,560,613 |
| Changes in work in progress | | -38,295 |
| Work performed by the entity and capitalized | | 28,665 |
| **Total performance** | | **1,550,983** |
| | | |
| Other operating income | 5.2 | 40,107 |
| Cost of materials/cost of purchased services | | -1,216,639 |
| Personnel expenses | 5.3 | -154,670 |
| Depreciation of property, plant and equipment and amortization of intangible assets | | -106,623 |
| Other operating expenses | 5.4 | -171,788 |
| **Result from operating activities before reorganization expenses** | | **-58,630** |
| | | |
| Reorganization expenses | 5.5 | -8,010 |
| **Result from operating activities** | | **-66,640** |
| thereof impact arising from PPA -157,471 k EUR | 9 | |
| | | |
| Interest and similar financial income | 5.6 | 1,040 |
| Interest and similar financial expenses | 5.6 | -61,810 |
| **Result before income taxes** | | **-127,410** |
| | | |
| Income taxes | 4.2.3 | 20,848 |
| | | |
| **Net result for the period** | | **-106,562** |
| | | |
| Share of net result for the period attributable to non-controlling interests | | -3,964 |
| Share of net result for the period attributable to shareholders of the parent | | -102,598 |
| | | |
| Weighted average number of shares outstanding | 4.7 | 5,364,872 |
| Earnings per share (basic/diluted) - in EUR per share | 4.7 | -19.12 |

# Consolidated statement of comprehensive income

| | 2015/01/01 – 2015/12/31 k EUR |
|---|---|
| **Net result for the period** | **-106,562** |
| | |
| **Other comprehensive income to be reclassified to profit of loss in subsequent periods (net of tax)** | |
| Cash flow hedges | 9,546 |
| Income taxes relating to cash flow hedges | -2,806 |
| **Expenses/income of cash flow hedges after tax** | **6,740** |
| Currency translation | -88 |
| **Other comprehensive income** | **6,652** |
| **Total comprehensive income** | **-99,910** |
| | |
| Share of total comprehensive income for the period attributable to non-controlling interests from discontinued operations | -3,812 |
| | |
| Share of total comprehensive income for the period attributable to shareholders of the parent company | -96,098 |

# Consolidated statement of cash flows

| | Notes | 2015/01/01 – 2015/12/31 k EUR |
|---|---|---|
| **Cash flow from operating activities** | | |
| Result before income taxes | | -127,410 |
| **Adjustments for:** | | |
| Depreciation on property, plant and equipment, amortization of intangible assets | | 109,568 |
| Interest income | | -1,040 |
| Interest expenses | | 61,810 |
| Increase/decrease in provisions | | -16,547 |
| Profit/loss from sales of property, plant and equipment, intangible and other long-term assets | | 59 |
| Change in working capital | | 321,316 |
| Interest received | 6.6 | 1,040 |
| Interest paid | 6.6 | -27,650 |
| Income tax paid | | -3,094 |
| **Cash flow from operating activities** | **4.19** | **318,052** |
| | | |
| **Cash flow from investing activities** | | |
| Cash receipts from the sale of property, plant and equipment, intangible and other long-term assets | 5.2.2 | 764 |
| Cash payments for the purchase of intangible assets | 5.2.1 | -32,086 |
| Cash payments from purchase of property, plant and equipment and other long-term assets | 5.2.2 | -16,465 |
| Acquisition of subsidiary: Net of cash acquired | | -731,274 |
| **Cash flow from investing activities** | **4.19** | **-779,061** |
| | | |
| **Cash flow from financing activities** | | |
| Cash proceeds from capital increase | | 2,065 |
| Cash proceeds from borrowings | | 1,052,468 |
| Cash repayments of amounts borrowed | | -180,105 |
| **Cash flow from financing activities** | **4.19** | **874,428** |
| **Increase/decrease in cash and cash equivalents** | | **413,419** |
| Cash and cash equivalents at the beginning of the period | | 0 |
| **Cash and cash equivalents at the end of the period** | | **413,419** |
| Liquid funds | 5.1.1 | 419,401 |
| Short-term bank liabilities | 8.2 | -5,982 |
| **Cash and cash equivalents at the end of the period** | | **413,419** |

# Consolidated statements of changes in shareholders' equity

| Notes | Subscribed capital k EUR | Additional paid-in capital k EUR | | Currency translation k EUR | Cash flow hedging reserve k EUR | Retained earnings k EUR | Equity attributable to shareholders of the parent company k EUR | Non-controlling interests k EUR | Total equity k EUR |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 2015/01/01** | **13** | **0** | | **0** | **0** | **-19** | **-6** | **0** | **-6** |
| Net result for the period | | | | | | -102,598 | -102,598 | -3,964 | -106,562 |
| Cash flow hedges | | | | | 6,740 | | 6,740 | | 6,740 |
| Currency translation | | | | -240 | | | -240 | 152 | -88 |
| **Comprehensive Income** | | | | **-240** | **6,740** | **-102,598** | **-96,098** | **-3,812** | **-99,910** |
| Shareholder contribution | | 24,510 | | | | | 24,510 | | 24,510 |
| Capital increase | 65 | 2,000 | | | | | 2,065 | | 2,065 |
| Loss of control in subsidiary from change in ownership interest | | | | | | | | 90 | 90 |
| Sale of shares to non-controlling interests | | | | | | | 0 | 3,894 | 3,894 |
| **Balance at 2015/12/31** | **78** | **26,510** | | **-240** | **6,740** | **-102,616** | **-69,528** | **171** | **-69,357** |

# Notes to the consolidated financial statements

as of and for the financial year ended 31 December 2015

## 1 Introduction

Senvion S.à r.l., formerly Rapid Acquisition LuxCo S.à r.l., ("Senvion S.à r.l." or the "Company"), 25C, boulevard Royal, L-2449 Luxembourg, Grand Duchy of Luxembourg, and its subsidiaries ("Senvion" or the "Group"), operate in the area of manufacturing and selling wind energy turbines as well as developing and providing turnkey wind farms.

Senvion S.à r.l. was incorporated on 4 April 2014. The financial year corresponds to the calendar year from 1 January until 31 December. Senvion S.à r.l. was incorporated for the purpose of facilitating the acquisition of the entire share capital of Senvion SE, Hamburg, Germany, (which was transformed into Senvion AG on 25 June 2015 and into Senvion GmbH on 30 June 2015). The acquisition was completed on 29 April 2015. Prior to the acquisition of Senvion SE, Senvion S.à r.l. did not conduct any business operations. In the financial year 2014 Senvion S.à r.l. did not have any material assets or liabilities and income or expenses other than those incurred in connection with their respective incorporation leading to the following amounts:

k EUR

| **Statement of financial position information** | **2014/12/31** |
|---|---|
| Equity | -6 |
| Liabilities | 6 |
| **Income statement information** | **2014/04/04 – 2014/12/31** |
| Other operating expenses | -16 |
| Income tax expense | -3 |
| Loss | -19 |

Since these amounts are immaterial no comparative information for the previous year is disclosed in the statement of financial position, the income statement, the statement of comprehensive income, statement of cash flow and statement of changes in shareholders' equity.

Senvion S.à r.l. has an obligation to prepare consolidated financial statements for the financial year ended 31 December 2015 in accordance with Art. 309 of the Luxembourg law of 10 December 2010. The consolidated financial statements for the year ended 31 December 2015 were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted for use in the European Union.

The consolidated financial statements and together with the related Group management report for the respective period are published separately in the Trade and Companies Register (Registre de Commerce et des Sociétés - RCS).

These first-time IFRS consolidated financial statements as of 31 December 2015 were authorized for issue by the Directors on 11 February 2016. Under Luxembourg law the financial statements are approved by the shareholders at the annual general meeting.

The consolidated financial statements are prepared with the Euro as the presentation currency. The income statement is presented using the nature of expense method. Unless otherwise stated, all figures in the notes are accurate to the nearest thousand euro (k EUR) using commercial rounding. This may cause sums and subtotals to deviate from its arithmetical result by k EUR 1.

The consolidated financial statements are prepared on a historical cost basis, except for derivative financial instruments, which are measured at fair value as of the reporting date.

## 2 Consolidation

### 2.1 Principles of consolidation

These consolidated financial statements include Senvion S.à r.l. and its directly or indirectly controlled German and foreign subsidiaries.

Subsidiaries are consolidated from the date of acquisition on which Senvion S.à r.l. obtained control, and continue to be consolidated until the date when such control ceases. Control is achieved when Senvion S.à r.l. is exposed, or has rights, to variable returns from its involvement with investee and has the ability to affect those returns through its power over the investee. Specifically, Senvion S.à r.l. controls an investee if and only if Senvion S.à r.l. has:

- Power over the investee (i. e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

Senvion S.à r.l. re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-Group balances, transactions, unrealised gains and losses resulting from intra-Group transactions and dividends are eliminated in full. Profit or loss and each component of other comprehensive income (OCI) are attributed to the shareholders of the parent company of the Group and to the non-controlling interests.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

When Senvion S.à r.l. loses control over a subsidiary it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of cumulative currency translation differences and cash flow hedging reserves previously recognized in OCI to profit or loss.

**2.2 Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in other operating expenses.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability are within the scope of IAS 39 Financial Instruments and are measured initially and subsequently at fair value with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss within other operating income.

**2.3 Scope of consolidation**

**2.3.1 Fully consolidated companies**

The consolidated Group includes Senvion S.à r.l. as well as the following foreign subsidiaries:

| | 2015/12/31 |
|---|---|
| **Holding companies** | |
| Senvion TopCo GmbH, Hamburg, Germany | 96.00 |
| Senvion MidCo GmbH, Hamburg, Germany | 100.00 |
| Senvion Holding GmbH, Hamburg, Germany | 100.00 |
| **Project companies** | |
| Senvion Betriebs- und Beteiligungsgesellschaft mbH, Rendsburg, Germany | 100.00 |
| Yorke Peninsula Wind Farm Project Pty Ltd., Melbourne, Australia | 80.00 |
| **Production and services companies** | |
| Senvion GmbH, Hamburg, Germany | 100.00 |
| PowerBlades GmbH, Bremerhaven, Germany | 100.00 |
| Senvion Deutschland GmbH, Hamburg, Germany | 100.00 |
| PowerBlades S.A., Vagos, Portugal | 100.00 |
| Ventipower S.A., Oliveira de Frades, Portugal | 100.00 |
| RiaBlades S.A., Vagos, Portugal | 100.00 |
| Ventinveste Indústria, SGPS, S.A., Oliveira de Frades, Portugal | 100.00 |
| RETC Renewable Energy Technology Center GmbH, Hamburg, Germany | 100.00 |
| Senvion India Ltd., Pune, India | 100.00 |
| PowerBlades Industries Inc., Québec, Canada | 100.00 |

| | 2015/12/31 |
|---|---|
| **Sales companies** | |
| Senvion France S.A.S. , Courbevoie, France | 100.00 |
| Senvion Italia S.r.l., Milan, Italy | 100.00 |
| Senvion Holdings Pty Ltd., Melbourne, Australia | 100.00 |
| Senvion Australia Pty Ltd., Melbourne, Australia | 100.00 |
| Senvion (Beijing) Trading Co. Ltd., Beijing, PR China | 100.00 |
| Senvion USA Corp., Denver, U.S.A. | 100.00 |
| Senvion Canada Inc., Montreal, Canada | 100.00 |
| Senvion Benelux b.v.b.a., Ostend, Belgium | 100.00 |
| Senvion UK Ltd., Edinburgh, UK | 100.00 |
| Senvion Polska, Sp.z o.o., Warsaw, Poland | 100.00 |
| Senvion Portugal S.A., Porto, Portugal | 100.00 |
| Senvion Scandinavia AB, Västerås, Sweden | 100.00 |
| Senvion Romania SRL, Bucharest, Romania | 100.00 |
| Senvion Austria GmbH, Ernstbrunn, Austria | 100.00 |
| Senvion Netherlands B.V., Nijkerk, Netherlands | 100.00 |
| Senvion Turkey Rüzgar Türbinleri Limited Sirketi, Ankara, Turkey | 100.00 |
| Senvion (Shanghai) Trading Co. Ltd., Shanghai, PR China | 100.00 |
| **Shelf or shell companies** | |
| WEL Windenergie Logistik GmbH, Schloß Holte-Stukenbrock, Germany | 100.00 |

Senvion Deutschland GmbH and PowerBlades GmbH will be exempt from the preparation, audit and publication of its annual financial statements and management report for the short financial year 2015.

**2.3.2 Changes in the scope of consolidation**

As of 16 January 2015, Senvion S.à r.l. acquired 100% of the shares of Senvion TopCo GmbH, Hamburg (former Blitz 14-488 GmbH, Munich), 100% of the shares of Senvion MidCo GmbH, Hamburg (former Blitz 14-489 GmbH, Munich) and 100% of the shares of Senvion Holding GmbH (former Blitz 14-490 GmbH, Munich/Rapid Holding GmbH, Hamburg). These empty shell entities were acquired to facilitate the acquisition of Senvion GmbH and its subsidiaries ("Senvion Group").

Senvion Holding GmbH acquired, effective as of 29 April 2015 (date of acquisition), all shares and voting rights of Senvion GmbH and obtained control over the Senvion Group, which is a German headquartered developer and manufacturer of onshore and offshore wind turbines. This acquisition is accounted for under IFRS 3 "Business Combinations".

| Assets acquired and liabilities assumed | Fair values recognized on acquisition k EUR |
|---|---|
| Liquid funds | 275,825 |
| Gross amount due from customers for contract work as an asset | 59,054 |
| Trade receivables | 205,710 |
| Inventories/work-in-progress | 708,575 |
| Other current assets | 126,521 |
| Other intangible assets | 141,707 |
| Technology | 401,527 |
| Brand Name | 2,521 |
| Customer relationships and order backlog | 193,137 |
| Property plant and equipment | 203,101 |
| Deferred taxes | 11,831 |
| Other non-current assets | 2,782 |
| **Total current assets** | **2,332,291** |
| | |
| Short-term loans and current portion of long term loans | 7,099 |
| Trade accounts payable | 359,349 |
| Advance payments received | 273,990 |
| Gross amount due to customers for contract work as an liability | 70,024 |
| Provisions | 234,050 |
| Other current liabilities | 111,603 |
| Deferred taxes | 247,368 |
| Other non-current liabilities | 15,285 |
| **Total liabilities** | **1,318,768** |
| **Total identifiable net assets at fair value** | **1,013,523** |
| | |
| Non-controlling interests | -6,750 |
| Gain from bargain purchase arising on acquisition | -6,773 |
| **Purchase consideration transferred** | **1,000,000** |

| Analysis of cash flows on acquisition: | 2015/01/01 – 2015/12/31 k EUR |
|---|---|
| Liquid funds acquired with the subsidiary | 275,825 |
| Short term loans and current portion of long term loans acquired with the subsidiary | 7,099 |
| **Net cash acquired with the subsidiary (included in cash flows from investing activities)** | **268,726** |
| Cash paid | 1,000,000 |
| **Net cash flow on acquisition** | **-731,274** |

The fair value of trade receivables acquired amounted to 205,710 k EUR. The gross amount of trade receivables is 222,510 k EUR. The variance of 16,800 k EUR reflects future cash flows which are not expected to be collected as of acquisition date. The fair value of gross amounts due from customers for contract work as an asset as of acquisition date was 59,054 k EUR. The gross receivable was 61,640 k EUR including an amount of 2,586 k EUR which is not expected to be collected as of acquisition date.

The consideration transferred contains the purchase price in cash for the 100% shares of 1,000,000 k EUR. Additionally, contingent consideration of up to 50 m EUR (Earn Out Cap) is due to be paid if the Group disposes of Senvion GmbH (Exit Event) and a pre-defined target profit is met. The Group estimates the fair value of the contingent consideration at an amount of 0 EUR at the acquisition date as well as at 31 December 2015.

Non-controlling interest was measured at fair value on acquisition date. The fair value of the non-controlling interest in one of the subsidiaries of Senvion GmbH has been derived from a draft share transfer agreement, which was executed subsequent to the acquisition in December 2015. The subsidiary (REpower North (China) Ltd.) was deconsolidated subsequently on 30 November 2015 with no material impact on profit or loss.

The net result for the period attributable to the first time consolidation of Senvion Group was a loss of 32,402 k EUR. Revenues for the year include 1,560,613 k EUR in respect of Senvion Group. Had this business combination been effected at 1 January 2015, the revenues of the Group would have been 2,139,481 k EUR, and the net result for the year would have been a loss of 132,084 k EUR.

The purchase price allocation resulted in an excess of the net fair value of identifiable assets and liabilities over the consideration transferred (gain from bargain purchase). The transaction is a bargain purchase as the seller was under some financial pressure to sell Senvion Group.

The gain from bargain purchase of 6,773 k EUR was immediately recognized in profit and loss as other operating income.

Acquisition-related costs amounting to 21,800 k EUR were recognized as other operating expenses in profit or loss. In addition, 1,124 k EUR of interest expense was incurred in connection with a bridge loan facility provided for the purpose of financing the acquisition.

The following profit and loss impact arising from the purchase price allocation was recognized in the financial year 2015.

| | 2015/01/01 – 2015/12/31 k EUR |
|---|---|
| Gain from bargain purchase recognition in other operating income | 6,773 |
| Realization of step-up in inventories/work-in-progress | -94,947 |
| Amortization of intangible asset step-up | -69,297 |
| **Impact arising from purchase price allocation before income taxes** | **-157,471** |
| Deferred taxes | 48,720 |
| **Net impact arising from the purchase price allocation** | **-108,751** |

# 3 Accounting policies

### 3.1 Liquid funds

Cash and Cash equivalents include cash at bank and in hand and short-term deposits with an original maturity of three months or less. The cash equivalents are subject to an insignificant risk of changes in value.

### 3.2 Receivables and other financial assets

Trade receivables, receivables from related parties and other primary financial assets designated to the loans and receivables category are carried at fair value plus transaction costs on initial recognition. Subsequent measurement is at amortized cost using the effective interest rate method. Valuation allowances for impairments are determined on the basis of past experience and individual risk assessments. Valuation allowances on trade receivables are reported in an allowance account for impairments or in the form of a direct write-down of the carrying amount of the receivable. An impairment loss is recognized when the carrying amount of a financial asset is higher than the present value of the expected future cash flows.

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events have occurred since the initial recognition of the asset (an incurred 'loss event'), which have an impact on the estimated future cash flows of the financial asset or the group of financial assets. The following triggers, amongst other things, may provide objective evidence of impairment:

- Significant financial difficulty of the obligor;
- The lender granting a concession to the borrower for economic or legal reasons relating to the borrower's financial difficulty;
- Likely insolvency or need for restructuring on the part of the borrower;
- Loss of an active market for the financial asset due to financial difficulties.

### 3.3 Inventories

Inventories comprise raw materials and supplies and work in progress. Raw materials and supplies are carried at the lower of cost or net realizable value. Work in progress is measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories is calculated using the weighted average cost basis and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. In addition to material and production overheads, manufacturing costs comprise overheads attributable within the meaning of IAS 2.

### 3.4 Property, plant and equipment

Property, plant and equipment is stated at cost and depreciated on a straight-line basis over their useful life. Cost includes all expenses for purchasing the assets, insofar as these can be reliably calculated or estimated. The manufacturing costs of internally generated equipment comprise direct costs as well as attributable overheads.

The assessment of depreciation is based on the following estimated useful lives:

| | **Useful life** in years |
|---|---|
| Buildings | 25–50 |
| Technical equipment, plant and machinery | 5–12 |
| Office and operating equipment | 3–14 |

### 3.5 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset, and
- The ability to measure reliably the expenditure during development.

Capitalized development costs comprise all direct costs and overheads attributable to the development process. Development costs that account for customer specific production orders are recorded in capitalized orders.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. Amortization of the asset begins when development is complete and the asset is available for use.
For development costs, amortization is recognized on a straight-line basis from the start of production for the expected product lifetime of the developed models or technologies.

| | **Useful life** in years |
|---|---|
| Technology (incl. capitalized development costs) | 2,5–5 |
| Customer relationship | 11–19 |
| Licenses, software | 3 |

**3.6 Impairment of property, plant and equipment and intangible assets**

The Group assesses, at each reporting date, whether there is an indication that items of property, plant and equipment and intangible assets may be impaired. If any indication exists the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

**3.7 Provisions**

Provisions are recognized in accordance with IAS 37. These relate to legal or constructive obligations for which settlement is probable to result in an outflow of financial resources and whose amount can be reliably estimated.

**Warranty Provisions**

Warranty provisions are recognized both for individual risks from technical issues which affect individual wind turbine generators ("WTGs"), a specific series of WTGs or specific components across a number of different WTGs (specific warranty provisions) and for risks and defects of smaller nature which generally occur in every sold WTG during the warranty period (general warranty provisions). Warranty provisions are assurance type warranties which are recognized for the legal or contractual warranty period.

**– Specific warranty provisions**

Specific technical warranty risks can be individually quantified by comprehensive documentation and are taken into consideration in the form of individual provisions. The economic risk and the level of provisioning are evaluated on an ongoing basis in coordination with the technical departments, taking existing risks into account. Specific warranty provisions comprise issues falling within the legal warranty period of 2 years as well as issues for which warranty arises from contractual service agreements.

**– General warranty provisions**

Provisions are recognized for risks and defects of smaller nature which generally occur in every sold WTG on the basis of past experience. General warranty provisions are determined as follows: for turbines erected, provisions are recognized for the anticipated future costs per year for the entire legal warranty period of 2 years. The anticipated costs are determined on the basis of past experience and reviewed on an ongoing basis. Due to the uncertainty involved the estimated costs, and hence the amount of the provisions, may differ from actual costs.

**Restructuring Provisions**

Restructuring provisions are recognized only when the Group has a contractual or constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline, and the employees affected have been notified of the plan's main features.

**3.8 Trade Liabilities**

Trade accounts payable are measured at amortized cost using the effective interest rate method.

**3.9 Revenue recognition**

Revenues include all revenues from the sale of wind energy turbines, license revenues, electricity revenues and revenues from service and maintenance contracts.

**Wind Turbines**

Revenues from the sale of wind turbines include the production, delivery and installation of wind turbines. To a limited degree Senvion sells single components and spare parts of wind turbines.

The production, delivery and installation of wind turbines consist principally of fixed price contracts. If the outcome of such a contract can be reliably measured, in accordance with IAS 11, revenues associated with the construction contract are recognized by reference to the stage of completion of the contract activity at year end (the percentage of completion method). The outcome of a construction contract can be estimated reliably when:

- The total contract revenues can be measured reliably,
- It is probable that the economic benefits associated with the contract will flow to the entity,
- The costs to complete the contract and the stage of completion can be measured reliably, and
- The contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

When the outcome of a construction cannot be estimated reliably (generally during early stages of a contract), contract revenues are recognized only to the extent of costs incurred that are expected to be recoverable.

Contract revenues correspond to the initial amount of revenues agreed in the contract and any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenues, and they can be reliably measured.

The accounting policy for the recognition of revenues and the method to determine the stage of completion of the contract for the sale of wind turbines is as follows:

– **Onshore wind turbines**

In applying the percentage of completion method, revenues recognized correspond to the total contract revenues multiplied by the degree of completion measured based on achievement of defined milestones. Senvion identified the following individual milestones which are significant to the overall completion of the contract.

| Milestone | Description |
|---|---|
| Transit | Components are dispatched to site individually |
| Delivery on site | Components arrive at site and are complete |
| Installation | Wind energy turbine is erected and installation work performed. Wind energy turbine is connected to Grid |
| Commissioning | Test run period start, sign-off on full erection by the client |
| Final acceptance | All remaining work is completed |

Revenues recognized under this milestone-method correspond with the value created at this step in the process of an onshore wind farm project.

Cost incurred which relate to future activity or cost for projects which have not yet been dispatched to site are capitalized as inventories (work-in-progress).

– **Offshore wind turbines**

In applying the percentage of completion method, revenues recognized correspond to the total contract revenues multiplied by the actual completion rate based on the proportion of total contract costs incurred to date and the estimated total contract costs (cost-to-cost method). Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that relate directly to a specific contract comprise: site labor costs (including site supervision); costs of materials used in construction; costs of design, and technical assistance that is directly related to the contract.

As offshore wind turbine projects significantly differ from onshore wind turbine projects in terms of contractual arrangements, installation and progress risks, financing and term of production and construction, logistic and environmental risk, the cost-to-cost method most reliably reflects actual progress towards completion.

Projects are presented in the statement of financial position as gross amount due from or to customers for contract work as an asset. If the revenues recorded exceed the invoiced instalments, the contract will be presented as an asset. If the invoiced instalments exceed the revenues recorded, the contract will be presented as a liability.

**Single components and spare parts**

Revenues from single components and spare parts are recognized in accordance with IAS 18. They are regarded as sold when the significant risks and returns have been transferred to the buyer. For conditional exchanges, revenues are recognized only when all the significant conditions are satisfied.

**License, electricity and service and maintenance**

Revenues from licenses and electricity are also treated according to IAS 18. License revenues are generated from volume-based licenses. Revenues from service and maintenance contracts are recognized as the respective services are rendered; advance payments are deferred.

**Interest income**

Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability at initial recognition of the financial instrument.

### 3.10 Income tax expense

**Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

**Deferred tax**

Deferred taxes are recognized using the liability method. According to this method deferred taxes are generally recognized on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change.

### 3.11 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

The Group considers assets with a construction or production term beyond 12 months as qualifying assets. For the purpose of determining the amount of borrowing cost eligible for capitalization when funds are borrowed generally, the Group computes a weighted average of borrowing cost, which is then applied to qualifying assets as a capitalization rate. The weighted average of borrowing cost is determined for each subsidiary individually when this is appropriate.

### 3.12 Government grants (investment subsidies)

Government grants are recognized depending on the nature of the subsidized expenses. Insofar as subsidies relate to capitalized assets, the grants received serve to reduce the cost of the subsidized assets. Grants provided as an expenditure allowance are recognized in the consolidated income statement of the financial year in which the subsidized expenses are incurred.

### 3.13 Transactions in foreign currencies

The Group's financial statements are presented in Euros, which is also the parent company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

**Transactions and balances**

Transactions in foreign currencies are initially recorded by Senvion S.à r.l. and the subsidiaries at their respective functional currency spot rates prevailing at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

**Group companies**

On consolidation, the assets and liabilities of foreign operations are translated into Euro at the rate of exchange prevailing at the reporting date and their income statements are translated at the monthly average exchange rates. Fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date. The exchange differences arising on translation for consolidation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognized in profit or loss.

### 3.14 Reorganization expenses

Senvion discloses reorganization expenses separately by virtue of their nature, size or incidence to allow a better understanding of the underlying performance of the Group (refer to Note 5.5 Reorganization expenses).

### 3.15 Share-based payments

When participation rights are granted to employees of the Group by an entity outside the Group, Senvion accounts for these transactions as equity-settled-plans when

- The participation rights granted are its own equity instruments, or
- Senvion has no obligation to settle the share-based payment transaction.

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model (Black-Scholes Valuation). Expense is recognized based on the fair value so determined and the expectation of how many awards will ultimately vest. Reference is made to Note 10 Related parties

### 3.16 Financial instruments

A financial instrument is any contract that gives rise to a financial asset to one entity and a financial liability or equity instrument of another entity. Financial instruments are recognized as soon as a Senvion S.à r.l. company becomes a party to a financial instrument. Financial assets are recognized on delivery, i.e. the date of order fulfilment. Derivative financial instruments are recognized at the trade date. Financial assets and financial liabilities are generally reported separately; they are only offset if the reporting entity has a right to offset and the intention to settle on a net basis.

Financial instruments consist of cash and cash equivalents, receivables, equity instruments held in other companies (i.e. shares in project corporations) and other financial assets as well as financial liabilities and loans, insofar as these are based on contracts. The initial recognition of financial assets is at fair value plus directly attributable transaction costs, insofar as the financial assets are not recognized at fair value through profit and loss. Subsequent measurement is at fair value or amortized cost using the effective interest rate, depending on the designation of the individual financial instruments to the IAS 39 categories.

Financial liabilities are carried at fair value less transaction costs on initial recognition and at amortized cost using the effective interest rate method in subsequent measurement.

Financial assets are derecognized if the rights to the cash flows resulting from the assets have expired or substantially all of the risks have been transferred to a third party such that the criteria for derecognition are met. Financial liabilities are derecognized if the relevant obligations have expired or been cancelled.
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Derivative financial instruments used to hedge foreign exchange and interest rate risks. Derivative financial instruments are carried at fair value. The recognition of changes in the fair value of derivative financial instruments depends on whether these instruments are deployed as hedging instruments and the conditions for hedge accounting in accordance with IAS 39 are met.

If these conditions are not met despite the existence of a hedging relationship, the derivative financial instruments are allocated to the category "at fair value through profit and loss" and the changes in fair value are recognized directly in income.

The effective portion of the change in the fair value of a derivative financial instrument which was classified as a hedging instrument and which meets the definition of a cash flow hedge is recognized in other comprehensive income, net of tax. The ineffective portion is recognized in profit or loss. The effective portion is recognized in profit or loss when the hedged item is also recognized in profit or loss.

The Group measures financial instruments such as derivatives at fair value at each reporting date. Fair value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed, are summarized in the Notes 7.2 Information on the nature and extent of risks associated with financial instruments and 7.3 Information on significance of financial instruments for the consolidated financial statement.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### 3.17 Use of assumptions

The preparation of these consolidated financial statements requires the Group's management to make estimates and assumptions that form the basis for the value of assets and liabilities and income and expenses in the respective financial years. Key estimates and assumptions relate to warranty provisions (Refer to Note 4.4.2 Provisions), the realization of revenues according to the percentage of completion method (Refer to Note 4.1.2 Gross amount due from/ to customers for contract work as an asset/as a liability) and income taxes (Refer to Note 4.2.3 Income taxes) and are described below:

- **Warranty provisions**
  Specific warranty provisions include expenses for material and labor, which will be incurred to repair individual defects which fall within the respective warranty period. The amount of cost provided is subject to estimates, such as the population of affected turbines as well as the severance and complexity of technical defects.

  General warranty provisions are accounted for based on a historical 5 year average cost rate per turbine class. For more information, refer to Note 4.4.2 Provisions.

- **Revenues according to the percentage of completion method**
  The percentage of completion and the revenues to recognize are determined on the basis of a large number of estimates, such as estimated future cost to complete a project. Consequently, the Group has implemented an internal financial budgeting and reporting system to adequately measure incurred and future cost required to completion. The Group reviews monthly the estimates of contract revenues and contract costs as the contract progresses (Refer to Note 4.1.2 Gross amount due from/to customers for contract work as an asset/as a liability).

  Judgment has also been exercised in determining the percentage of completion allocated to each individual milestone. In determining the percentage of completion per milestone event, which is then applied to all projects, management has considered common technical risks arising during production, logistics, installation and construction as well as contractual arrangements with its customers.

- **Income taxes**
  Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Judgement is also exercised in the recognition of deferred tax assets for unused tax losses. This judgement relates to determining the probability of future taxable profit being available against which unused tax losses can be utilized (Refer to Note 4.2.3 Income taxes).

### 3.18 Information on the consolidated statement of cash flows

The cash and cash equivalents shown in the consolidated statement of cash flows contain cash and bank balances. Short-term bank liabilities are deducted.

The indirect method was used to calculate the cash flow from operating activity. The consolidated statement of cash flows start with result before income taxes. The cash outflows from interest and taxes were allocated to ongoing business activity and recognized separately there.

### 3.19 New accounting standards and their application

Financial reporting at Senvion S.à r.l. in accordance with the IFRS is based on the IASB accounting standards and interpretations adopted by the European Commission in the context of the endorsement process for the European Union, in accordance with Regulation (EC) no. 1606/2002. The new IFRSs and amendments to existing IFRSs published by the IASB are mandatory only following a corresponding resolution by the Commission as part of the endorsement process.

The following standards and interpretations 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:

| **Standards/interpretations** | | **Mandatory application** | **Endorsement by European Commission** | **Expected Effects** |
|---|---|---|---|---|
| **IFRS 9** | Financial Instruments | Expected: 1 January 2018 | No | Effects are still analyzed |
| **IFRS 11** | Amendment: Accounting for Acquisition of Interests in Joint Operations | 1 January 2016 | Yes | No effects |
| **IFRS 15** | Revenue from Contracts with Customers | Expected: 1 January 2018 | No | Effects are still being analyzed |
| **IFRS 16** | Leases | 1 January 2019 | No | Effects are still being analyzed |
| **IAS 1** | Disclosure Initiative | 1 January 2016 | Yes | No material effects |
| **IAS 12** | Recognition of Deferred Tax Assets for Unrealised Losses | 1 January 2017 | No | No material effects |
| **IAS 16 and IAS 38** | Property, Plant and Equipment and Intangible asstes | 1 January 2016 | Yes | No material effects |
| **Annual Improvements** | Improvements to IFRS (2012–2014) | 1 January 2016 | Yes | No material effects |

**IFRS 15** – will replace all existing IFRS guidance on revenue recognition, including IAS 11. It introduces a five-step approach to revenue recognition and specific new guidance on when revenues can be recognized in a way similar to the percentage of completion approach currently used by the Group. Hence, this new guidance is most relevant to the Group and needs to be analyzed in detail. Based on its preliminary assessment the Group expects that it will still be permitted to recognize revenues over time under the new standard.

**IFRS 16** – will replace current IAS 17. The new standard no longer distinguishes between finance and operating leases for lessees, but rather requires that most leases are recognized as assets and liabilities at inception, subject to some limited exceptions. Refer to Note 6 "Contingent liabilities and other financial obligations" on the Group's current exposure to operating leases that may need to be recognized in the balance sheet under the new standard.

**IFRS 9** –Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. The Group plans to adopt the new standard on the required effective date. All three aspects of IFRS 9 are still being analyzed by the Group, especially regarding the impairment requirements of IFRS 9. The Group expects changes from first adoption to its allowances and continues to perform a detailed assessment to determine the extent and impact of the revised requirements, although such is currently estimated not to materially affect profit & loss and equity.

# 4 Consolidated statement of financial position

## 4.1 Total current assets

### 4.1.1 Liquid funds

In the financial year presented there were no material restrictions on access to liquid funds.

### 4.1.2 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.

| | 2015/12/31<br>k EUR |
|---|---|
| Gross amount due from or to customers | 714,015 |
| Less advance payments received | –736,490 |
| | **–22,475** |

The net amount of -22,475 k EUR presented consists of gross amounts due from customers for contract work as an asset with an amount of 49,372 k EUR and due to customers as a liability with an amount of 71,847 k EUR as of 31 December 2015.

Bad debt allowances on gross amounts due developed as follows:

| Changes in bad debt allowances | 2015/12/31<br>k EUR |
|---|---|
| At the start of the financial year | 0 |
| Additions | 538 |
| **At the end of the financial year** | **538** |

The contract revenues for the respective financial year were as follows:

| | 2015/01/01<br>– 2015/12/31<br>k EUR |
|---|---|
| **Contract revenue for the period** | **1,397,866** |

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

| | 2015/12/31<br>k EUR |
|---|---|
| **Aggregated amount of costs incurred to date** | **581,326** |

### 4.1.3 Trade accounts receivable

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

| | 2015/12/31<br>k EUR |
|---|---|
| **Trade accounts receivable (after bad debt allowances)** | **230,751** |

Bad debt allowances on trade accounts receivable developed as follows:

| Changes in bad debt allowances | 2015/12/31<br>k EUR |
|---|---|
| At the start of the financial year | 0 |
| Additions | 954 |
| **At the end of the financial year** | **954** |

The maturity structure of trade accounts receivable was as follows:

| | | Not past due as of the end of the reporting period nor impaired | As of the end of the reporting period past due as follows | | |
|---|---|---|---|---|---|
| | | | Less than 30 days | Between 30 and 180 days | More than 180 days |
| **as of 2015/12/31** | k EUR | k EUR | k EUR | k EUR | k EUR |
| Trade accounts receivable before bad debt allowances | **231,705** | 183,487 | 10,127 | 18,517 | 19,574 |
| Thereof past due but not impaired | **45,669** | - | 10,127 | 18,247 | 17,295 |
| Thereof past due and impaired | **2,549** | - | 0 | 270 | 2,279 |
| Bad debt allowances | **954** | 0 | 0 | 135 | 819 |
| Trade Accounts receivable after bad debt allowances | **230,751** | 183,487 | 10,127 | 18,382 | 18,755 |

In the case of the trade accounts receivable that were neither impaired nor past due, there was no evidence of the debtors being unable to meet their payment obligations as of the reporting date. For further information on the treatment of financial risks see Note 7.2 Information on the nature and extent of risks associated with financial instruments.

The Group requires collateral from its customers depending on the outcome of credit checks. Collateral is generally requested after signature of the purchase contract in the form of bank guarantees or warranties for the purchase price less any advance payments made. Accordingly, the nominal value of the collateral received typically exceeds the current level of accounts receivable. As of 31 December 2015 the value of the collateral received was 2,845.25 m EUR.

There were no trade accounts receivables whose terms were renegotiated and that would otherwise have been overdue or impaired as of 31 December 2015.

### 4.1.4 Inventories

| | **2015/12/31** |
|---|---|
| | k EUR |
| Raw materials and supplies | 270,690 |
| Work in progress | 145,862 |
| | **416,552** |

Valuation allowances on inventories:

| | **2015/12/31** |
|---|---|
| | k EUR |
| Inventories before valuation allowances | 433,223 |
| Thereof not impaired | 411,323 |
| Thereof impaired | 21,900 |
| Valuation allowance | -16,671 |
| | **416,552** |

Expenses for raw materials and supplies amounted to 1,013,237 k EUR in financial year 2015.

### 4.1.5 Other current assets

This item is composed of as follows:

| | **2015/12/31** |
|---|---|
| | k EUR |
| **Other financial assets** | |
| Derivative financial instruments | 9,136 |
| Others | 2,421 |
| | **11,557** |
| **Other miscellaneous assets** | |
| Receivables from other taxes | 44,252 |
| Advance payments on inventories | 20,077 |
| Deferred financing fees for guarantees | 5,007 |
| Others | 25,117 |
| | **94,453** |

### 4.2 Total non-current assets

#### 4.2.1 Other intangible assets

In the financial year 2015 research and development costs amounted to 43,835 k EUR.

Of the development costs 28,665 k EUR were capitalized in the financial year 2015. Amortization of capitalized development costs amounted to 10,290 k EUR.

#### 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 own 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.

Land and buildings of the Group in the amount of 46,678 k EUR serve as collateral in the financial year presented (refer to Note 4.5 Long-term loans and Note 7.2 Information on the nature and extent of risks associated with financial instruments).

## Consolidated statements of changes in intangible assets and property, plant and equipment

**Acquisitions and production costs**

| | Balance 2015/01/01 k EUR | Additions k EUR | Additions from first consolidation k EUR | Reclassifications k EUR | Disposals k EUR | Exchange differences k EUR | Balance 2015/12/31 k EUR |
|---|---|---|---|---|---|---|---|
| **I. Intangible Assets** | | | | | | | |
| 1. Other licences | 0 | 1,613 | 14,817 | 2,870 | -17 | -46 | 19,237 |
| 2. Brand Name | 0 | 0 | 2,521 | 0 | 0 | 0 | 2,521 |
| 3. Customer Relationship | 0 | 0 | 193,137 | 0 | 0 | 0 | 193,137 |
| 4. Technology (incl. capitalized development costs) | 0 | 28,665 | 525,205 | 0 | 0 | 0 | 553,870 |
| 5. Advance payments | 0 | 1,843 | 3,213 | -2,870 | 0 | 0 | 2,186 |
| **Total intangible assets** | **0** | **32,121** | **738,893** | **0** | **-17** | **-46** | **770,951** |
| **II. Property, plant and equipment** | | | | | | | |
| 1. Land, leasehold rights and buildings on non-owned land | 0 | 771 | 109,514 | 1,092 | -48 | -584 | 110,745 |
| 2. Technical equipment, plant and machinery | 0 | 6,043 | 51,292 | 2,940 | -1,409 | -325 | 58,541 |
| 3.Other equipment, fixtures, fittings and equipment | 0 | 7,799 | 23,517 | 65 | -1,075 | -158 | 30,148 |
| 4. Advance payments and plant and machinery in process of construction | 0 | 2,512 | 18,778 | -4,097 | -100 | -12 | 17,081 |
| **Total property, plant and equipment** | **0** | **17,125** | **203,101** | **0** | **-2,632** | **-1,079** | **216,515** |
| **Total** | **0** | **49,246** | **941,994** | **0** | **-2,649** | **-1,125** | **987,466** |

**Depreciation and amortization** / **Book values**

| | Balance 2015/01/01 k EUR | Additions k EUR | Restructuring Expenses k EUR | Reclassifications k EUR | Disposals k EUR | Exchange differences k EUR | Balance 2015/12/31 k EUR | Book values 2015/12/31 |
|---|---|---|---|---|---|---|---|---|
| **I. Intangible Assets** | | | | | | | | |
| 1. Other licences | 0 | 4,127 | 0 | 0 | -9 | -12 | 4,106 | 15,131 |
| 2. Brand Name | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,521 |
| 3. Customer Relationship | 0 | 8,692 | 0 | 0 | 0 | 0 | 8,692 | 184,445 |
| 4. Technology (incl. capitalized development costs) | 0 | 70,896 | 0 | 0 | 0 | 0 | 70,896 | 482,974 |
| 5. Advance payments | 0 | 62 | 0 | 0 | 0 | 0 | 62 | 2,124 |
| **Total intangible assets** | **0** | **83,777** | **0** | **0** | **-9** | **-12** | **83,756** | **687,195** |
| **II. Property, plant and equipment** | | | | | | | | |
| 1. Land, leasehold rights and buildings on non-owned land | 0 | 3,461 | 2,421 | 0 | -4 | -175 | 5,703 | 105,042 |
| 2. Technical equipment, plant and machinery | 0 | 13,513 | 524 | 0 | -1,058 | -127 | 12,852 | 45,689 |
| 3.Other equipment, fixtures, fittings and equipment | 0 | 5,872 | 0 | 0 | -992 | -118 | 4,762 | 25,386 |
| 4. Advance payments and plant and machinery in process of construction | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 17,081 |
| **Total property, plant and equipment** | **0** | **22,846** | **2,945** | **0** | **-2,054** | **-420** | **23,317** | **193,198** |
| **Total** | **0** | **106,623** | **2,945** | **0** | **-2,063** | **-432** | **107,073** | **880,393** |

### 4.2.3 Income taxes

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

| | 2015/01/01 – 2015/12/31 k EUR |
|---|---|
| **Deferred taxes** | **56,260** |
| thereof temporary differences | 52,308 |
| thereof tax loss carryforwards and tax credits | 3,952 |
| Current income taxes | -23,986 |
| Current income taxes for previous years | -11,426 |
| **Income taxes** | **20,848** |

A significant portion of the Group's operations are located in Germany and are 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 29.395% in the financial year 2015.

With regard to minimum taxation, the utilization of tax loss carry forwards in Germany is restricted. There are no restrictions for a positive basis of assessment of up to 1 m EUR. No more than 60% of any amounts exceeding this level may be reduced by offsetting against existing tax loss carry forwards in the period. Unused tax loss carry forwards are carried forward to the next period. There are also 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 effects of different tax rates in Germany and abroad compared with the tax rate of the Group are presented under tax rate differences in the following reconciliations:

| | 2015/01/01 – 2015/12/31 k EUR |
|---|---|
| **IFRS result profit before income taxes** | **-127,410** |
| Expected income taxes | 37,452 |
| Income taxes for previous year | -368 |
| Non-deductible operating expenses | -767 |
| Additions to/reductions in trade income tax | -1,801 |
| Changes in tax rates | -314 |
| Different foreign tax rates | 262 |
| Unrecorded deferred taxes on tax loss carryforwards | -11,720 |
| Other tax effects | -1,896 |
| **Actual income taxes** | **20,848** |

The non-deductible operating expenses primarily result from special features of the tax regulations of the country of residence foreign subsidiaries.

The effect of income taxes for previous years of 368 k EUR relates to current income tax expense in the amount of 11,426 k EUR and deferred tax income of 11,058 k EUR. The current income tax expenses mainly relate to the tax audit of Senvion GmbH in Germany for fiscal periods 2008 to 2012. As a result of the tax audit, the tax base of assets and liabilities was adjusted for previous years. A deferred tax asset was recorded on the temporary differences arising from the revision of tax bases for previous years with a corresponding deferred tax income being recorded.

Unrecorded deferred taxes on tax loss carryforwards mainly relate to interest carryforwards (interest barrier regulation) of 11,471 k EUR. A total of 44,115 k EUR interest expense was not deductible in the period ended 31 December 2015. No deferred tax asset was recorded as the Group estimates the interest carryforward will not be utilized against taxable profit within the next years.

Deferred tax assets and deferred tax liabilities are composed as follows as of the respective reporting dates:

| | 2015/01/01 – 2015/12/31 k EUR |
|---|---|
| **Deferred tax assets** | |
| Tax loss carryforwards and tax credits | 10,001 |
| Provisions | 31,215 |
| Property, plant and equipment | 25 |
| Other | 9,342 |
| **Total deferred tax assets** | **50,583** |
| Offsetting | -50,583 |
| **Deferred tax assets after offsetting** | **0** |
| **Deferred tax liabilities** | |
| Gross amounts due from customers for contract work | 26,126 |
| Technology (incl. capitalized development costs) | 198,589 |
| Property, plant and equipment | 576 |
| Shareholder loans | 10,117 |
| Other | 10,262 |
| **Total deferred tax liabilities** | **245,670** |
| Offsetting | -50,583 |
| **Deferred tax liabilities after offsetting** | **195,087** |

Deferred taxes include deferred tax liabilities of 10,117 k EUR from shareholder contributions recorded directly in equity (see note 4.5 Shareholder Loan). Additional deferred tax liabilities of 2,806 k EUR for temporary differences were recognized and recorded in other comprehensive income.

Due to the purchase price allocation of Senvion Holding GmbH as of 29 April 2015, 207,904 k EUR deferred tax liabilities have been created without recognizing tax expenses.

Deferred taxes on tax loss carry forwards are recognized in the amount of the expected utilizable tax losses of the German and international Group companies. The key factor for determining the value of deferred tax assets is the estimated reversal of the measurement differences and the usability of the tax loss carry forwards which led to deferred tax assets. This depends on the occurrence of future taxable profit during the periods in which tax measurement differences are reversed and tax loss carry forwards can be utilized and on the reversal of temporary differences. According to the current status, tax loss carry forwards, for which deferred tax assets were recognized, can be carried forward without restriction in subsequent years in all countries where tax loss carry forwards exist.

No deferred tax assets were recognized on corporation tax losses totaling 4,335 k EUR as well as trade tax losses of 39 k EUR in financial year 2015 due to the lack of prospects for offsetting in the near future.

## 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 in the financial year 2015.

| | As of 2015/01/01 k EUR | Addition of consolidation k EUR | Addition k EUR | Utilization k EUR | Reversal k EUR | As of 2015/12/31 k EUR |
|---|---|---|---|---|---|---|
| Specific warranty provisions | 0 | 198,027 | 16,781 | -47,622 | 0 | 167,186 |
| General warranty provisions | 0 | 33,308 | 27,999 | -17,915 | -3,821 | 39,571 |
| **Warranty provisions** | **0** | **231,335** | **44,780** | **-65,537** | **-3,821** | **206,757** |
| Other provisions | 0 | 2,715 | 9,563 | -1,379 | -153 | 10,746 |
| **Total provisions** | **0** | **234,050** | **54,343** | **-66,916** | **-3,974** | **217,503** |

Specific warranty provisions as of 31 December 2015 mainly contain expected cost for technical issues with regard to offshore blades for the 6XM WTG series. The development of general warranty provisions reflects the increase in the number of WTGs sold and falling within the legal 2-year warranty period. Due to the restructuring and closure of the blade factory in Ontario, Canada, a restructuring provision amounting to 3,103 k EUR was recognized according to IAS 37 within other provisions (Refer to Note 5.5 Reorganization expenses).

### 4.3.3 Deferred income

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

### 4.3.4 Income tax liabilities

Income tax liabilities primarily relate to current taxes for the financial year.

### 4.3.5 Other current liabilities

Other current liabilities are composed as follows:

| | 2015/12/31<br>k EUR |
|---|---|
| **Other financial liabilities** | |
| Liabilities to employees | 20,561 |
| Derivative financial instruments | 800 |
| Other | 4,593 |
| | **25,954** |
| **Miscellaneous other liabilities** | |
| Liabilities from other taxes | 34,732 |
| Social security liabilities | 1,853 |
| Other | 9,898 |
| | **46,483** |

### 4.4 Long-term loans

Long-term loans totaling 10,503 k EUR as of 31 December 2015 relate to liabilities to banks. The interest rate for bank loans remained unchanged between 3.64% and 5.5% per annum.

Effective 29 April 2015 the Group acceded a syndicated line of credit for 950,000 k EUR. 825,000 k EUR of this syndicated credit line can be utilized in the form of guarantees and 125,000 k EUR as a cash loan until 31 March 2020. As of 31 December 2015 short term deferred financing fees amounted to 5,007 k EUR and long term deferred financing fees amounted to 16,692 k EUR. The syndicated line of credit was secured by way of rights from registered patents and patent applications of Senvion GmbH as well as a pledge of the liquid funds of Senvion GmbH. The banking syndicate received a blanket assignment of outstanding receivables of Senvion GmbH as well as an assignment of finished goods, work in progress as well as raw materials and supplies by way of additional security. Furthermore, the line of credit agreement contains rights of termination for the lender that become effective as soon as specific events of defaults occur. These breaches of contract may include the conclusion of control and profit transfer agreements, failure to comply with certain financial covenants, or a change of control. Moreover, dividend payments are permitted only to a limited extent.

For details regarding the utilization of the line of credit see Note 7.2 Liquidity risk.

### 4.5 Shareholder Loan

| | Number of shares | Nominal value (EUR) | Nominal amount (EUR) | 2015/04/27 k EUR | 2015/12/31 k EUR |
|---|---|---|---|---|---|
| Series 1 IBPEC's* | 36,456,772,800 | 0,01 | 364,567,728.00 | 364,568 | 383,836 |
| Series 2 IFPEC's** | 11,562,323,255 | 0,01 | 115,623,232.55 | 80,995 | 84,983 |
| **Total PEC's** | **48,019,096,055** | **0,01** | **480,190,960.55** | **445,563** | **468,819** |

* Interest Bearing Preferred Equity Certificates
** Interest Free Preferred Equity Certificates

Series 1 IBPEC's represent interest bearing whereas series 2 IFPEC's represent interest free financial instruments. Series 1 IBPEC's were initially granted by CCP III Acquisition Luxco S.à r.l., Luxembourg, Series 2 IFPEC's were initially granted by CCP II Acquisition Luxco S.à r.l., Luxembourg, both are holding together 96% of the shares of Senvion S.à r.l.

The interest bearing PEC's have a yield of 7.8%. Both PEC instruments have a contractual term of 29 years and can be retired earlier. Management estimates that both PEC's will be repaid after 5 years. For both PEC instruments, Senvion S.à r.l. is entitled at any time at its election to redeem any or all PEC's on a certain date at a call price equal to the par Value. Both long-term shareholder loans are classified as a financial liability as the Group has no unconditional right to avoid delivering cash to settle the obligation under the PEC's.

The initial fair value of the PEC's have been estimated as the present value of all future cash payments discounted using a weighted average interest rate of 7.6% being the estimated prevailing market rate of interest for instruments that are similar as to currency, term, type of credit risk and other factors.

As of 27 April, 2015, a total of 24,510 k EUR was recorded in equity (additional paid-in capital), this being the difference between the fair value and the nominal amount of the instruments of 34,627 k EUR net of deferred taxes of 10,117 k EUR.

Total interest of 23,255 k EUR was recorded for the PEC's for the period 27 April to 31 December, 2015 (Refer to Note 5.6 Financial result).

**4.6 Other non-current financial liabilities**

In order to refinance the acquisition the Group has issued a high yield bond with a nominal value of 400 m EUR with a term ending 15 November 2020. Transaction cost of 9,549 k EUR directly attributable to that transaction were recognized as part of the effective interest method. This bond bears interest at a (nominal) fixed rate of 6.625% p.a. (effective rate 7.14% p.a.). The book value as of 31 December 2015 amounts to 391,405 k EUR.

The related interest expense amounted to 18,617 k EUR in the current financial year.

**4.7 Total equity capital**

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

**Subscribed capital**

The share capital comprised 12,500 shares with a nominal value of 1 EUR as of 31 December 2014.

The share capital was increased by EUR 65,625 as of 27 April 2015 and the existing shares were split to shares with a nominal value of 0.01 EUR each. Following this capital increase the total authorized and issued number of shares comprises 7,812,500 (thereof 7,500,000 ordinary shares and 312,500 preference shares for class A-D) with a nominal value of 0.01 EUR each. The main condition of the preference shares contain the holders right to be entitled receiving a 0.7% Preference Dividend amount.

| | Number of shares | Nominal value (EUR) | 2015/12/31 EUR |
|---|---|---|---|
| Class A shares | 1,328,125 | 0,01 | 13,281.25 |
| Class B shares | 1,328,125 | 0,01 | 13,281.25 |
| Class C shares | 1,328,125 | 0,01 | 13,281.25 |
| Class D shares | 1,328,125 | 0,01 | 13,281.25 |
| Class E shares | 1,250,000 | 0,01 | 12,500.00 |
| Class F shares | 1,250,000 | 0,01 | 12,500.00 |
| **Total share capital** | **7,812,500** | **0,01** | **78,125.00** |

**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.

**Additional paid-in capital**

The additional paid-in capital comprises 2,000 k EUR from the capital increase in the current financial year.
An additional amount of 24,510 k EUR was recorded, representing the difference in fair value and carrying amount after deferred tax of shareholder loans granted (Refer to Note 4.5 Shareholder Loan).

**Non-controlling interests**

Non-controlling interests related to the shares held by third parties in subsidiaries of the Group. These included shares of the shareholder, Rapid Management L.P., Cayman Islands, in Senvion TopCo GmbH, Hamburg.

# 5 Consolidated income statement

**5.1 Revenues**

In the financial year 2015 the operations of companies of Senvion Group related almost exclusively to the development and manufacturing of wind turbines and wind turbine projects.

| | 2015/01/01 – 2015/12/31 k EUR |
|---|---|
| Revenue from sale of onshore wind turbines | 1,328,204 |
| Revenue from sale of offshore wind turbines | 69,662 |
| Services | 160,356 |
| Other | 2,391 |
| **Revenues** | **1,560,613** |

Revenues from sale of onshore wind turbines analyzed by geographies are as follows:

| | 2015/01/01 – 2015/12/31 k EUR |
|---|---|
| Germany | 517,745 |
| Canada | 237,758 |
| United Kingdom | 179,514 |
| France | 105,427 |
| Australia | 25,825 |
| USA | 326 |
| Rest of the world | 261,609 |
| **Revenues from sale of onshore wind turbines** | **1,328,204** |

Senvion has a multi-MW product portfolio, which ranges from 2 to 6.15 MW wind turbines optimized for different wind speeds and locations:

- The MM82 model has a nominal power output of 2.05 MW, the hub heights range between 58.5 and 80 meters and it has a rotor diameter of 82 meters
- The MM92 model has a nominal power output of 2.05 MW, the hub height ranges from 68 to 100 meters and it has large rotor diameter of 92.5 meters
- The MM100 model has a nominal power output of 1.8 MW (60 Hz) or 2.0 MW (50 Hz), hub heights of 78 to 100 meters and a rotor diameter of 100 meters
- The 3.0M model has a nominal power output of 3 MW, a hub height of 100 metres (60 Hz) or 136 to 139 meters (50 Hz) and a rotor diameter of 122 meters

- The 3.2M has a nominal power output of 3.2 MW, hub heights ranging from 136 to 139 meters and a rotor diameter of 122 meters
- The 3.4M model has a nominal power output of 3.4 MW, hub heights ranging from 78 meters to 143 meters and a rotor diameter between 104 and 140 meters
- Our offshore portfolio consists of 5M models with 5MW output and the 6.XM series that consists of the Senvion 6.2M126 and the Senvion 6.2M152 with 6.15 MW output

Revenues from the sale of wind turbines analyzed by turbine type are as follows:

| | **2015/01/01 – 2015/12/31** k EUR |
|---|---|
| MM92 | 488,430 |
| 3.2M | 391,778 |
| MM100 | 162,067 |
| 3.4M | 154,853 |
| MM82 | 101,811 |
| 6M | 52,922 |
| 3.0M | 29,265 |
| 6M+ | 9,233 |
| 5M | 7,507 |
| **Revenues from sale of wind turbines** | **1,397,866** |

## 5.2 Other operating income

Other operating income is composed as follows:

| | **2015/01/01 – 2015/12/31** k EUR |
|---|---|
| Currency translation gains | 20,917 |
| Gain from bargain purchase | 6,773 |
| Insurance payments/compensations | 2,552 |
| Income from hedging transactions | 2,467 |
| Investment subsidies, research and development subsidies | 1,773 |
| Income from reversal of bad debt allowances | 890 |
| Income from reversal of provisions | 290 |
| Other | 4,445 |
| | **40,107** |

Refer to Note 5.4 for currency translation losses.

## 5.3 Personnel expenses

| | **2015/01/01 – 2015/12/31** k EUR |
|---|---|
| Wages and salaries | 130,279 |
| Social security contributions | 24,391 |
| | **154,670** |

The average number of employees of the financial year 2015 was 3,843. Thereof the average number of administration staff was 1,925 and 1,918 were industrial employees. The average number of employees was computed under consideration of employees of Senvion Group starting on acquisition date, 29 April 2015.

The amount paid by the company as contribution to national pension schemes amounts to 6.6 m EUR in the financial year 2015.

## 5.4 Other operating expenses

Other operating expenses are composed as follows:

| | **2015/01/01 – 2015/12/31** k EUR |
|---|---|
| Legal and consulting costs | 52,774 |
| Purchased services | 28,605 |
| Currency translation losses | 15,457 |
| Office and land costs | 10,726 |
| IT & telecommunication costs | 9,300 |
| Travel expenses | 7,893 |
| Cost of training and appointing staff | 6,655 |
| Compensation for loss of production | 6,300 |
| Vehicle costs | 5,078 |
| Write-offs/write-downs of receivables | 4,213 |
| Expense from hedging transactions | 2,830 |
| Other | 21,957 |
| | **171,788** |

### 5.5 Reorganization expenses

On 22 October 2015 the Group decided to restructure its subsidiary PowerBlades Inc., Ontario, Canada. The closure of the factory resulted in restructuring costs to of 8,010 k EUR and was caused by low order intake volume whereby the factory could not establish a cost-covering production. The restructuring costs are composed of employee termination benefits 1,960 k EUR, cost of sales 1,236 k EUR, impairments 2,945 k EUR and other operating expenses amounting to 1,869 k EUR.

### 5.6 Financial result

Financial result is composed as follows:

| | Notes | 2015/01/01 – 2015/12/31 k EUR |
|---|---|---|
| **Interest and similar financial income** | | |
| Other interests and similar income | | 1,040 |
| | | |
| **Interest and similar financial expenses** | | |
| Preferred Equity Certificates | 4.5 | -23,255 |
| High Yield Bond | 4.6 | -18,695 |
| Deferred financing fees for guarantees | 4.4 | -2,958 |
| Guarantee commission | | -7,629 |
| Other | | -9,273 |
| | | **-61,810** |
| **Financial result** | | **-60,770** |

## 6 Contingent liabilities and other financial obligations

| | 2015/12/31 k EUR |
|---|---|
| **Other financial obligations** | |
| Obligations from leases and rental contracts | |
| Due within one year | 22,168 |
| Due within 1 and 5 years | 28,356 |
| Due in more than 5 years | 37,811 |
| | **88,335** |
| | |
| **Purchase commitments** | **595,004** |
| thereof for purchase of inventories | 588,739 |
| thereof for purchase of property, plant and equipment | 6,265 |

All leases at Senvion S.à r.l. and the companies included in the scope of consolidation are operating leases. Lease payments are recognized directly in income on a straight-line basis over the term of the lease.

Obligations from leases and rental contracts relate primarily to obligations for the rental of office and warehouse space. Expenses amounting to 14,343 k EUR were recognized for leases and rental contracts in the financial year 2015.

# 7 Financial risks and financial instruments

### 7.1 Principles of risk management

With regard to its assets, financial liabilities and planned transactions, Senvion is subject to risks arising from changes in raw materials and purchase prices, exchange rates, interest rates and share prices. The aim of financial risk management is to limit these market risks through ongoing operating and financially oriented activities. To this end, specific hedging instruments are employed depending on the assessment of the respective risk. Risks are only hedged if they affect the Group's cash flow. Derivative financial instruments are only employed to hedge exchange rate risks, particularly those relating to larger customer or purchasing contracts in foreign currency, and are not used for trading or other speculative purposes.

The principles of financial policy were agreed on an annual basis by the Executive Board of Senvion GmbH and monitored by the Advisory Board. The implementation of financial policy and ongoing risk management is the responsibility of the Group's treasury department with the involvement of the Group's controlling department. Certain transactions require the prior consent of the Executive Board of Senvion GmbH, which is also regularly informed of the scope and amount of the current risk exposure. The treasury department considers the effective management of financial instruments and market risks as one of its main functions. In order to assess the effects of the different events on the market, simulation calculations are performed using various worst-case and market scenarios.

### 7.2 Information on the nature and extent of risks associated with financial instruments

Credit and default risk is constantly monitored. Before entering into purchase and delivery contracts, the Group checks the customer's credit rating using a standardized credit check process including the evaluation of information from external rating agencies and credit agencies and the analysis of financial information. The Group requires collateral depending upon the rating´s results and materiality considerations. The result of the credit check process is documented for each customer.

The credit and default risk of financial assets is limited to a maximum of the amounts reported on the asset side of the consolidated statement of financial position.

Exchange rate risks only exist insofar as deliveries are made to countries outside the Euro zone or cross-border deliveries are made from such countries. Risks within the meaning of IFRS 7 arise from financial instruments that are denominated in a currency other than the functional currency and that are of a monetary nature; exchange rate differences arising from the translation of financial statements into the Group currency are not included.

IFRS 7 requires a currency sensitivity analysis showing the effects of hypothetical changes in relevant risk variables on earnings and shareholders' equity. Foreign currency sensitivity is calculated for primary monetary financial instruments (cash and cash equivalents, trade receivables and payables, other assets and other liabilities) by simulating a 10% increase or decrease in the value of all foreign currencies against the functional currency.

The simulated appreciation or devaluation of the relevant currencies would have impacted the financial statements as of 31 December 2015 as follows:

**Currency risk**

The following table presents the impact from changes in foreign currency exchange rates on the Group's net profit for all material foreign currencies.

| 2015/12/31 | USD | AUD | CAD | GBP |
|---|---|---|---|---|
| Sensitivity analysis – Total | Profit impact in k EUR | | | |
| Exchange rate + 10% | –549 | –1,033 | –2,606 | –2,251 |
| Exchange rate – 10% | 671 | 1,263 | 2,417 | 2,752 |

A change in foreign currency exchange rates would have no impact on the Group's net profit for financial instruments designated as hedges. The following table presents the impact on the Group's equity/other comprehensive income from changes in the fair value of derivative financial instruments.

| 2015/12/31 | Fair value of derivative financial instruments designated as cash flow hedges |
|---|---|
| Sensitivity analysis – Total | Impact on equity in k EUR |
| Exchange rate + 10% | 15,370 |
| Exchange rate – 10% | –18,785 |

At Senvion Group, exchange rate risk primarily arises from operating activities when contracts are concluded in a currency other than the EUR. The primary risks are in connection with foreign currencies presented in the table above. The treasury department centrally identifies and monitors potential exchange rate risks from transactions and payments in foreign currency. Regarding transactions in foreign currency, subsidiaries and other departments report directly to the treasury department. The Group hedges individual transactions and payments in foreign currency against potential risks from a change in exchange rates. Cash outflows and inflows in the same foreign currency are offset and the net exposure is calculated and separately monitored for each foreign currency.

The risk position per currency measured in this manner is monitored and managed by the treasury department. Hedges are concluded to limit this risk. Exchange rate risks in the Company's operating activities are hedged using forward exchange contracts, currency swaps, currency options and structured derivatives.

Transacting or holding such contracts for trading or speculation purposes is not permitted. Derivative financial instruments that do not meet the conditions for hedge accounting are placed in the "held for trading" category.

**Liquidity risk**
Liquidity risk is monitored as part of rolling liquidity planning. Financing is provided mainly through advance payments for projects from customers. Payments made and received are monitored continuously as part of liquidity planning. The utilization regarding the syndicated line of credit and other guarantees as of 31 December 2015 is as follows:

| 2015/12/31 | Credit facility total<br>m EUR | Utilized<br>m EUR | Remaining<br>m EUR |
|---|---|---|---|
| Syndicated line of credit | 950.0 | 479.0 | 471.0 |
| Guarantees | 825.0 | 479.0 | 346.0 |
| Cash loan | 125.0 | 0.0 | 125.0 |
| Guarantees other | 42.3 | 32,6* | 9.7 |
| **Total** | **992.3** | **511.6** | **480.7** |

* thereof 1.7 m EUR from rental guarantees

For further details to the credit facilities please see Note 4.4 Long-term loans, Note 4.5 Shareholder loans and Note 4.6 Other non-current financial liabilities.

The following table shows the contractually agreed, undiscounted interest and principal payments for the Senvion Group's primary financial liabilities and derivative financial instruments with a negative fair value. Derivatives with positive fair values constitute assets, and hence are not included.

**Maturity of financial liabilities**

| | Carrying amount as of 2015/12/31<br>k EUR | Cash flows up to 1 year<br>k EUR | Cash flows between 1 and 5 years<br>k EUR | Cash flows more than 5 years<br>k EUR |
|---|---|---|---|---|
| Short-term loans and current portion of long-term loans | 5,982 | 6,634 | 0 | 0 |
| thereof redemption payments | | 5,982 | 0 | 0 |
| thereof interest payments | | 652 | 0 | 0 |
| Trade accounts payable | 382,035 | 382,035 | 0 | 0 |
| Liabilities to related parties | 0 | 0 | 0 | 0 |
| Derivatives | 800 | 800 | | |
| Long-term loans | 10,503 | 0 | 11,209 | 0 |
| thereof redemption payments | | 0 | 10,503 | 0 |
| thereof interest payments | | 0 | 706 | 0 |
| Shareholder Loan | 468,819 | 28,436 | 113,512 | 1,185,045 |
| thereof redemption payments | | | | 503,973 |
| thereof interest payments | | 28,436 | 113,512 | 681,072 |
| Other non-current financial liabilities | 391,405 | 26,500 | 507,104 | 0 |
| thereof redemption payments | | | 400,000 | 0 |
| thereof interest payments | | 26,500 | 107,104 | 0 |
| Other financial liabilities | 25,154 | 25,154 | 0 | 0 |
| **Total** | **1,284,698** | **469,559** | **631,825** | **1,185,045** |

The amounts in regard of shareholder loans have been computed based on the contractual term of 29 years. The Group expects to retire these loans in 5 years (Refer to Note 4.5 Shareholder Loan).

This table contains those financial instruments held as of 31 December 2015 for which the Group had entered into contractual payment obligations. Foreign currency amounts are converted using the respective closing rates.

Outstanding receivables of the Group as well as an assignment of finished goods, work in progress and raw materials and supplies were pledged as collateral as of 31 December 2015 for the syndicated revolving credit facility. In addition, shares of certain subsidiaries of the group and financial assets and patents were pledged as collateral to the holders of the notes from the high-yield-bond (Refer to Note 4.6 Other non-current financial liabilities).

As of 31 December 2015 no other financial assets were pledged as collateral.

**Interest rate risk**
The Company does not have any material assets or liabilities that are sensitive to interest rates as all loans have fixed interest rates.

The recording, measurement and monitoring of potential interest rate risks from external financing is performed centrally by the treasury department. Hedges may be concluded to limit interest rate risks. Interest rate risks are hedged using interest rate swaps, interest rate caps and derivatives if deemed material. Transacting or holding such contracts for trading or speculation purposes is not permitted.

**Financial derivatives**
The following table shows the carrying amounts and nominal volumes of financial derivatives as of 31 December 2015:

| | 2015/12/31 | |
|---|---|---|
| | Carrying amount<br>k EUR | Nominal value<br>k EUR |
| **Assets** | | |
| **Forward exchange contracts** | | |
| not used in hedges | 387 | 4,351 |
| used in cashflow hedges | 8,749 | 172,329 |
| **Liabilities** | | |
| **Forward exchange contracts** | | |
| not used in hedges | 733 | 9,969 |
| used in cashflow hedges | 67 | 6,510 |

The effective portion of the changes in the fair value of financial derivatives used in cash flow hedging recognized in other comprehensive income, net of taxes, amounted to 6,740 k EUR.

As of 31 December 2015 there were no ineffective portions of the change in the fair value of hedging instruments used in cash flow hedging.

The following table shows when the book values of the derivatives used for cash flow hedging are expected to be recognized in profit or loss:

| Occurence and recognition in profit and loss | Carrying amount<br>k EUR | up to 1 year<br>k EUR | between 1 and 5 years<br>k EUR | more than 5 years<br>k EUR |
|---|---|---|---|---|
| **2015/12/31** | | | | |
| **Forward exchange contracts** | | | | |
| Assets | 8,749 | 8,749 | 0 | 0 |
| Liabilities | 67 | 67 | 0 | 0 |

**7.3 Information on the significance of financial instruments for the consolidated financial statements**
Based on the relevant consolidated statement of financial position items, the relationships between the classification of financial instruments in accordance with IFRS 7 and the carrying amounts of the financial instruments including Liquid funds not allocated to any IAS 39 category are shown in the following tables:

| | Category* | 2015/12/31 | |
|---|---|---|---|
| | | Carrying amount<br>k EUR | Fair value<br>k EUR |
| Liquid funds | n.a. | 419,401 | 419,401 |
| Gross amount due from customers for contract work as an asset | L+R | 49,372 | 49,372 |
| Trade accounts receivable | L+R | 230,751 | 230,751 |
| Loans granted | L+R | 354 | 342 |
| Other financial assets – miscellaneous | L+R | 296 | 296 |
| Other financial assets – loans | L+R | 2,125 | 2,125 |
| Other financial investments | Afs | 4,004 | 4,004 |
| **Total L+R** | **L+R** | **706,303** | – |
| Other financial assets – financial derivatives held for trading | HfT | 387 | 387 |
| Other financial assets – financial derivatives classified as hedge instruments | n.a. | 8,749 | 8,749 |

* L+R: loans and receivables
HfT: held for trading
Afs: available-for-sale

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 12 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.

Financial liabilities are shown in the following table:

| | Category* | 2015/12/31 | |
|---|---|---|---|
| | | Carrying amount | Fair Value |
| | | k EUR | k EUR |
| Trade accounts payable | OL | 382,035 | 382,035 |
| Liabilities to related parties | OL | 1 | 1 |
| Long-term loans | OL | 10,503 | 10,503 |
| Shareholder Loan | OL | 468,819 | 472,065 |
| Other non-current financial liabilities | OL | 391,405 | 394,564 |
| Short-term loans and current portion of long-term loans | OL | 5,982 | 5,982 |
| Other current financial liabilities | OL | 25,154 | 25,154 |
| **Total OL** | **OL** | **1,283,899** | **–** |
| Other financial liabilities – financial derivatives held for trading | HFT | 733 | 733 |
| Other financial liabilities – financial derivatives classified as hedge instruments | n.a. | 67 | 67 |

* OL: other liabilities

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.

The following table provides a breakdown of the fair value hierarchy of financial assets and financial liabilities carried at fair value at the respective reporting date. This implies a differentiation between instruments which fair values are directly observable on active markets (level 1), which fair values are based on observable material input data (level 2) and which fair values are based non-observable material input data (level 3):

| | Carrying amount | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **2015/12/31** | k EUR | k EUR | k EUR | k EUR |
| **Assets carried at fair value** | | | | |
| Held for Trading (HfT) | 387 | 0 | 387 | 0 |
| Available-for-Sale (Afs)* | 4,004 | 0 | 0 | 4,004 |
| Derivative financial instruments classified as hedge instruments | 8,749 | 0 | 8,749 | 0 |
| **Total assets** | **13,140** | **0** | **9,136** | **4,004** |
| **Liabilities** | | | | |
| Held for Trading (HfT) | 733 | 0 | 733 | 0 |
| Derivative financial instruments classified as hedge instruments | 67 | 0 | 67 | 0 |
| **Total liabilities** | **800** | **0** | **800** | **0** |

* Refer to Note 4.3 "Non-current assets held for sale and discontinued operations" on how fair value was determined

There have been no transfers between any levels during the financial year 2015. The following methods and assumptions were used to estimate the fair values of instruments for which the fair value is disclosed and those which are recognized at fair value:

- Long-term receivables are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project (Level 3 measurement). Based on this evaluation, allowances are taken into account for the expected losses of these receivables. The fair values of such receivables, net of allowances, were not materially different from their carrying values

- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly foreign exchange forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties and foreign exchange spot and forward rates. The marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk.

- Fair values of the Group's borrowings and loans and other financial liabilities are determined by using DCF method using a discount rate that reflects the issuer's borrowing rate as of the end of the reporting period (Level 3 measurement). The own non-performance risk as of 31 December 2015 was assessed to be insignificant.

Net gains and losses on loans and receivables consist primarily of results from bad debt allowances and reversals thereof. With regard to bad debt allowances, please see the Notes on trade accounts receivable (4.1.3) and other current assets (4.1.6). The net results of bad debt allowances and reversals thereof are primarily reported in other operating expenses.

The following table shows the net gains and losses for each valuation category:

| | Net gain/loss |
|---|---|
| | 2015/01/01 – 2015/12/31 |
| | k EUR |
| Loans and Receivables (L+R) | 954 |
| Financial instruments Held for Trading (HfT) | -224 |
| **Total** | **730** |

The Group has received collateral amounting to 2,845.25 m EUR as of 31 December 2015; this represents the fair value of the collateral, which primarily relates to standard industry guarantees from third parties for obligations of customers and suppliers for which Senvion has carried out preliminary work or made advance payments. For further information please see Note 4.1.3 Trade accounts receivable.

## 8 Capital management

The aim of the Group's capital management is to ensure that it maintains a good equity ratio and a high credit rating in order to support its business activities and maximize shareholder value. This is especially significant in the context of growth targets.

The consolidated statement of financial position shows negative total equity of 69,357 k EUR, mainly owing to the net result for the period of -106,562 k EUR. The main drivers of negative net result were higher cost of materials/cost of purchased services and amortization expenses from the fair value measurement of work-in-progress and intangible assets on the acquisition of Senvion GmbH (Purchase Price Allocation) of -157,471 k EUR. These impacts arising from the purchase price allocation were non-cash transactions.

Shareholder loans (Refer to Note 4.5 Shareholder loans) were provided to Senvion S.à r.l. amounting to 468,818,533 EUR with a contractual maturity of 29 years. For the Group's short- and medium term equity ratio, these loans are included to arrive at an adjusted equity ratio, which is computed as follows:

| | **2015/12/31**<br>k EUR |
|---|---|
| Shareholders' equity | -69,528 |
| Total assets | 2,126,193 |
| **Equity Ratio in %** | **-3.3** |
| Shareholders' equity | -69,528 |
| Adjusted for IFPECs and IBPECs | 468,819 |
| Adjusted shareholders' equity | 399,291 |
| **Adjusted Equity Ratio in %** | **18.8** |

Another figure used in capital management is net working capital or the net working capital ratio. Net working capital is calculated as follows: total current assets (adjusted for liquid funds) minus total current liabilities (adjusted for provisions and short-term loans and current portion of long-term loans). To calculate the net working capital ratio, this net figure is compared with the total operating performance for the last 12 months.

| | **2015/12/31**<br>k EUR |
|---|---|
| Current assets | 1,224,750 |
| Adjustments to current assets | -419,401 |
| Total current liabilities | -1,129,736 |
| Adjustments to current liabilities | 223,485 |
| **Net working capital** | **-100,902** |
| Total operating performance | 1,550,983 |
| **Net working capital ratio in %** | **-6.5** |

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.

## 9 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").

The chief operating decision-maker (CODM) at Senvion Group is defined as the Strategic Investment Committee (SIC) including the board of directors of Senvion GmbH, a committee of the advisory board. Both, annual decisions about corporate planning and budgeting and individual decisions taken during the year regarding capital expenditure and additional budget allocations are made by SIC during their meetings. These decisions are made taking into account the assessed segment performance on the basis
of regular reports.

Senvion Group is organized in a matrix structure. Information is reported to the CODM both, based on consolidated functional areas and along geographical lines (individual countries or groups of countries).
On the other hand consolidated information is reported for individual products and services. However, the key CODM focus of the Group is not geographical, but rather a strategic segmentation based on the various product and services offered by the Group with a view to maintaining and improving in those areas.
In accordance with the criteria of IFRS 8, three business segments have been identified: The Onshore segment, the Offshore segment and the Service and Maintenance segment.

The key measure of segment profit or loss used by the Group is the "contribution margin I" (CM I).
This selected key measure is independent of regional income taxation or different financing structures and therefore provides the CODM with an objective basis for decision-making. CM I consists of revenues minus cost of goods sold, which include production and material costs as well as costs of logistics, construction site costs and commissioning costs. It also includes any expense related to general warranty obligations.

The segment data presented is prepared in accordance with IFRS but primarily derived from internal cost accounting. Especially the profit measure CM I is a non-GAAP measure, which cannot be directly derived from the IFRS Group financial statements.

Segment assets and liabilities are not presented, as these amounts are not regularly provided to the CODM and are not used for decision-making.

| Segment Onshore | 2015/01/01 – 2015/12/31 m EUR |
|---|---|
| **Revenues** | |
| External customers | 1,328.2 |
| **Segment profit** | |
| Contribution margin (CM) I | 270.1 |

The **Onshore** segment contains the domestic and international business resulting from the sale, production, project management and installation of onshore wind turbines. The generated revenues originate mainly from the MM series as well as the 3.XM turbine business. Revenues include construction contracts in progress according to IAS 11.

| Segment Offshore | 2015/01/01 – 2015/12/31 m EUR |
|---|---|
| **Revenues** | |
| External customers | 69.6 |
| **Segment profit** | |
| Contribution margin (CM) I | 14.3 |

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

| Segment Service and Maintenance | 2015/01/01 – 2015/12/31 m EUR |
|---|---|
| **Revenues** | |
| External customers | 160.4 |
| Internal Services | 52.9 |
| **Total revenue** | **213.3** |
| **Segment profit** | |
| Contribution margin (CM) I | 94.6 |

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 and the technical commissioning of turbines. 24/7 remote monitoring allows the performance and availability of the turbines to be permanently monitored and controlled and any faults to be located and addressed in both the Onshore and Offshore segment.

The intersegment revenues of this segment result from commissioning services rendered to both the Onshore and Offshore segments. The intersegment-revenues are 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 sales contracts. The general warranty provisions, which were originally debited to the Onshore and Offshore segments, are used to provide an intersegment reimbursement to the service and maintenance segment and are included in the "internal services" revenues of the segment Service and Maintenance.

**Reconciliation**

In addition to CM I on segment level, the CODM and the Group monitor performance based on EBIT and EBITDA on a group-wide level, which is adjusted for reorganization expenses, 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), cost related to the acquisition of Senvion Group (other operating expense) as well as other transaction cost incurred in connection with the change in shareholder. In addition, reported figures are adjusted for releases of general warranty provisions, specific warranty provision additions for technical issues related to 6XM WTG series offshore blades (refer to Note 4.3.2 Provisions) and reorganization expenses. General warranty provisions releases relate to the yearly update of the amount of the general warranty provisions based on the latest statistical data. The adjustment is then also applied to all WTGs that are still under warranty and the amounts of provisions are adjusted accordingly.

| (m EUR) | Onshore | Offshore | Service and Maintenance | Segments total 2015/01/01 – 2015/12/31 | Reconciliation 2015/01/01 – 2015/12/31 | Senvion Group IFRS group financials 2015/01/01 – 2015/12/31 |
|---|---|---|---|---|---|---|
| **Revenues** | **1,328.2** | **69.7** | **213.3** | **1,611.2** | **-50.6** | **1,560.6** |
| Cost of materials/cost of purchased services | -998.8 | -52.3 | -73.0 | -1,124,1 | | |
| Personnel expenses | -23.3 | -1.2 | -34.0 | -58.5 | | |
| Other operating expenses | -36.0 | -1.9 | -11.7 | -49.6 | | |
| **Contribution Margin I** | **270.1** | **14.3** | **94.6** | **379.0** | | |
| Intersegment elimination and unallocated other revenues | | | | -50.6 | | |
| Unallocated Changes in work in progress & cost of materials/cost of purchased services | | | | -26.1 | | |
| Work performed by the entity and capitalized | | | | 28.7 | | |
| Other operating income | | | | 33.3 | | |
| Unallocated personnel expenses | | | | -96.2 | | |
| Unallocated other operating expenses | | | | -94.4 | | |
| **adjusted EBITDA** | | | | **173.7** | | |
| Depreciation and amortization | | | | -37.3 | | |
| **adjusted EBIT** | | | | **136.4** | | |
| Acquisition related cost | | | | -21.8 | | |
| Other transaction costs | | | | -5.9 | | |
| Specific provision related to 6XM WTG series | | | | -13.5 | | |
| General Warranty provision | | | | 3.7 | | |
| Impact arising from purchase price allocation | | | | -157.5 | | |
| Reorganization expense | | | | -8.0 | | |
| **Result from operating activities (EBIT)** | | | | **-66.6** | | **-66.6** |
| Interest result | | | | -60.8 | | |
| **Results before income taxes (EBT** | | | | **-127.4** | | **-127.4** |

The unallocated revenues presented in the reconciliation primarily relate to income from licenses as well as own power revenues of 2,391 k EUR.

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 the 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.

| | **2015/01/01 – 2015/12/31** m EUR |
|---|---|
| Germany | 591.6 |
| United Kingdom | 194.9 |
| Canada | 246.6 |
| France | 125.7 |
| Rest of the world | 401.8 |
| **Revenues** | **1,560.6** |

In the year under review, revenues of more than 10% of the Group's total revenues were achieved with 1 individual customer (254.1 m EUR).

The high amount of revenues with one customer was due to completion of multiple contract orders in the Onshore segment in the current financial year.

The Group holds no material non-current assets as defined by IFRS 8.33 (b) in the company's country of domicile, Luxembourg. Nearly all such non-current assets are located in foreign countries (880.4 m EUR), with the majority located in Germany (823.0 m EUR).

## 10 Related parties disclosures

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

In addition, the members of the Board of Directors and the Advisory 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. In addition, the Group considers the managing directors of Senvion GmbH to be key management personnel. Close family member of these related parties are also considered as related parties.

The composition and remuneration of the Executive Board and Advisory Board are described in Notes 12 "Information on the corporate bodies of Senvion S.à r.l." and Note 13 "Remuneration for the corporate bodies of Senvion S.à r.l." respectively.

In addition to members of the Advisory Board and Board of Directors the following related parties were identified in the current financial year:

- 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 Capital Private Limited, Mumbai
- Centerbridge Partners Europe LLP, London

Arpwood Capital Private limited and Centerbridge Partners Europe LLP are considered related parties as individuals who are members of the Advisory Board of Senvion S.à r.l. also hold key management positions in these entities.

In addition to business relationships with the subsidiaries eliminated in the consolidated financial statements by means of full consolidation, there were the following business relationships with related parties.

**10.1 Transactions with related parties in financial year 2015**

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.à r.l. and | Expenses from services/Interest 2015/01/01 – 2015/12/31 k EUR | Income from services/Interest 2015/01/01 – 2015/12/31 k EUR | Receivables 2015/12/31 k EUR | Liabilities 2015/12/31 k EUR |
|---|---|---|---|---|
| CCP II Acquisition Luxco S.à r.l., Luxembourg | 3,987 | 0 | 0 | 84,983 |
| CCP III Acquisition Luxco S.à r.l., Luxembourg | 19,268 | 0 | 0 | 383,836 |
| Arpwood Capital Private Limited, Mumbai | 2,500 | 0 | 0 | 0 |
| Centerbridge Partners Europe L.P., London | 1,897 | 0 | 0 | 858 |

Refer to Note 4.5 Shareholder Loan for details on the interest expenses incurred.

| Transactions between subsidiaries of Senvion S.à r.l. and | Expenses from services/Interest 2015/01/01 –2015/12/31 k EUR | Income from services/Interest 2015/01/01 –2015/12/31 k EUR | Receivables 2015/12/31 k EUR | Liabilities 2015/12/31 k EUR |
|---|---|---|---|---|
| Rapid Management L.P., Cayman Islands | 0 | 0 | 60 | 0 |

Following the acquisition of Senvion by Centerbridge Partners, L.P., New York, USA, on 29 April 2015, certain managers and board members of the Group ("Managers") were given the opportunity to invest in an investment vehicle, Rapid Management L.P., which indirectly owns interests in Senvion Group. The subscription price for the partnership interests subscribed by the Managers in Rapid Management L.P. corresponded to their fair value at grant date. A total of approximately 2% of the Partnership's interest were subscribed by the Managers. Rapid Management L.P. in turn acquired a total of 1,000 Class C Shares in Senvion TopCo GmbH (4% of the voting rights) and subscribed for 3,125 Preference Shares in Senvion S.à r.l. (4% of the voting rights). The acquisition by the Managers of interests in the partnership qualifies as an equity-settled share-based payment arrangement in the consolidated financial statements of Senvion Group. The share-based payment arrangement vests over a period of 3 years. The participation rights in form of partnership interest were acquired from an entity outside the Group and the Group has no obligation to make any payments on the partnership interests to the Managers. As the partnership interests were acquired at fair value, no expense will be recognized as a result of this transaction.

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.

## 11 Information on the corporate bodies of Senvion S.à r.l.

The following are or were appointed as members of the Advisory Board:

- Todd Morgan (since 28 May 2015)
- Stefan Kowski (since 28 May 2015)
- Steven Silver (since 28 May 2015)
- Amol Jain (since 28 May 2015)
- Matthias Schubert (since 27 May 2015)
- Prof. Dr. Martin Skiba (since 27 May 2015)

The following are or were appointed to the Executive Board of Senvion GmbH:

- Kim Terjanian, Class A Director, USA (since 4 April 2014)
- Anita Lyse, Class B Director; Luxembourg (since 4 April 2014)
- Keith Greally, Class B Director; Luxembourg (since 13 May 2015)
- Ian Boyland, Class B Director; Luxembourg (since 20 August 2015)
- Kevin Fusco Class A Director, USA (until 6 July 2015)
- Yasemin Bulut Class B Director; Luxembourg (until 25 June 2015)
- Lai May Lee, Class A Director, USA (since 6 July 2015)
- Olufunke Audu, Class B Director (until 5 May 2015)

## 12 Remuneration for the corporate bodies of Senvion S.à r.l.

For the financial year 2015, remuneration of 8 k EUR was paid to the Supervisory Board.

The directors of Senvion S.à r.l. were not entitled to any remuneration in the financial year 2015.

The total remuneration of current and former directors of Senvion GmbH, which are considered key management personal of the Group, for period from 29 April to 31 December 2015 was as follows:

| | **2015/01/01 – 2015/12/31** k EUR |
|---|---|
| Current salaries | 647 |
| Retirement benefits | 1 |
| Termination benefits | 2,213 |
| Other benefits | 310 |
| | **3,171** |

## 13 Information on the remuneration paid to the auditor

The following table contains expenses recorded for services rendered by the Group auditor, Ernst & Young S.A., Luxembourg, and any of its network firms.

| | **2015/01/01 – 2015/12/31** k EUR |
|---|---|
| Audit fees (consolidated financial statements and annual financial statements) | 1,813 |
| Fees for other assurance services | 895 |
| Fees for tax advisory services | 1,747 |
| Fees for other services | 2,489 |
| | **6,944** |

## 14 Events after the reporting date

No material events after the reporting period occurred.

Luxembourg, 12 February 2016

**Responsibility statement**

To the best of our knowledge, and in accordance with the applicable reporting principles as per the time of the preparation on 12 February 2016, the consolidated financial statements of give a true and fair view of the assets, liabilities, financial position and profit or loss of the Senvion Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Senvion Group.

Senvion S.A. (formerly: Senvion S.à r.l)

Luxembourg, 18 April 2016

Dr. Jürgen M. Geißinger
Chairman of the Management Board

Kumar Manav Sharma
Member of the Management Board

Dr. Christoph Seyfarth
Member of the Management Board



**Independent Auditor's Report**

To the Board of Managers of
Senvion S.à r.l.
(former Rapid Acquisition Luxco S.à r.l.)
25C, boulevard Royal
L-2449 Luxembourg

**Report on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of Senvion S.à r.l., which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity, the consolidated statement of cash flow for the year then ended, and the notes to the consolidated financial statements.

Board of Managers' responsibility for the consolidated financial statements

The Board of Managers is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as Board of Managers determines is necessary to enable the preparation and presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the "réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Managers, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Senvion S.à r.l. as of 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

**Report on other legal and regulatory requirements**

The management report, which is the responsibility of the Board Managers, is consistent with the consolidated financial statements.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Luxembourg, 12 February 2016

# Annual Accounts

## for the year ended 31 December 2015 of Senvion S.à r.l.

# Financial Statements of Senvion S.à r.l.

# Senvion S.à r.l.
# Financial statements

| Assets | Notes | 2015/12/31 EUR | 2014/12/2014 EUR |
|---|---|---|---|
| **A. Subscribed capital unpaid** | | | |
| **B. Formation expenses** | | | |
| **C. Fixed assets** | | | |
| I. Intangible fixed assets | | | |
| II. Tangible fixed assets | | | |
| III. Financial fixed assets | 2.2.1,3 | 482,238,966.95 | |
| 1. Shares in affiliated undertakings | 3.1 | 117,703,484.15 | |
| 2. Amounts owed by affiliated undertakings | 3.2 | 364,535,482.80 | |
| **D. Current assets** | | | |
| I. Inventories | | | |
| II. Debtors | 2.2.2,4 | 19,117,020.48 | |
| 1. Trade receivables | | | |
| 2. Amounts owed by affiliated undertakings | 4.1 | 19,113,810.48 | |
| a) becoming due and payable within one year | 4.1.1 | 19,113,810.48 | |
| 3. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests | | | |
| 4. Other receivables | | 3,210.00 | |
| a) becoming due and payable within one year | | 3,210.00 | |
| III. Transferable securities and other financial instruments | | | |
| IV. Cash at bank, cash in postal cheque accounts, cheques and cash in hand | | 275,574.14 | 193.61 |
| **E. Prepayments** | 2.2.5 | 17,850.00 | |
| **Total assets** | | **501,649,411.57** | **193.61** |

| Shareholders` equity and liabilities | Notes | 2015/12/31 EUR | 2014/12/31 EUR |
|---|---|---|---|
| **A. Capital and reserves** | 5 | | |
| I. Subscribed capital | 5.1 | 78,125.00 | 12,500.00 |
| II. Share premium and similar premiums | 5.2 | 2,048,006.40 | |
| III. Revaluation reserves | | | |
| IV. Reserves | | | |
| V. Profit or loss brought forward | | -18,930.94 | |
| VI. Profit or loss for the financial year | | -1,260,047.25 | -18,930.94 |
| VII. Interim dividends | | | |
| VIII. Capital investment subsidies | | | |
| IX. Temporarily not taxable capital gains | | | |
| **B. Subordinated debts** | | | |
| 1. Convertible loans | | | |
| 2. Non convertible loans | | | |
| **C. Provisions** | | | |
| 1. Provisions for pensions and similar obligations | | | |
| 2. Provisions for taxation | | | |
| 3. Other provisions | | | |
| **D. Non subordinated debts** | 2.2.6,6 | 500,802,258.36 | 6,624.55 |
| 1. Debenture loans | | 499,459,261.45 | |
| a) Convertible loans | | | |
| b) Non convertible loans | 6.1 | 499,459,261.45 | |
| i) becoming due and payable within one year | | 19,268,300.90 | |
| ii) becoming due and payable after more than one year | | 480,190,960.55 | |
| 2. Amounts owed to credit institutions | | | |
| 3. Payments received on account of orders as far as they are not deducted distinctly from inventories | | | |
| 4. Trade creditors | 6.2 | 665,117.88 | 2,519.55 |
| a) becoming due and payable within one year | 6.2.1 | 665,117.88 | 2,519.55 |
| 5. Bills of exchange payable | | | |
| 6. Amounts owed to affiliated undertakings | 6.3 | 674,669.03 | 2,500.00 |
| a) becoming due and payable within one year | 6.3.1 | 9,669.03 | 2,500.00 |
| b) becoming due and payable after more than one year | 6.3.2 | 665,000.00 | |
| 7. Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests | | | |
| 8. Tax and social security debts | | 3,210.00 | 1,605.00 |
| a) Tax debts | 2.2.7,13 | 3,210.00 | 1,605.00 |
| **E. Deferred income** | | | |
| **Total equity and liabilities** | | **501,649,411.57** | **193.61** |

# Senvion S.à r.l.
# Profit and loss account

| A. Charges | Notes | 2015/01/01-2015/12/31 EUR | 2014/01/01-2014/12/31 EUR |
|---|---|---|---|
| 1. Use of merchandise, raw materials and consumable materials | | | |
| 2. Other external charges | 7 | 1,085,797.84 | 15,720.94 |
| 3. Staff costs | | | |
| 4. Value adjustments | | | |
| 5. Other operating charges | 8 | 9,000.00 | |
| 6. Value adjustments and fair value adjustments on financial fixed assets | | | |
| 7. Value adjustments and fair value adjustments on financial current assets. Loss on disposal of transferable securities | | | |
| 8. Interest and other financial charges | 9 | 19,278,204.54 | |
| a) concerning affiliated undertakings | 9.1 | 19,277,469.93 | |
| b) other interest and similar financial charges | | 734.61 | |
| 9. Share of losses of undertakings accounted for under the equity method | | | |
| 10. Extraordinary charges | 10 | 57.60 | |
| 11. Income tax | 13 | 3,210.00 | 3,210.00 |
| 12. Other taxes not included in the previous caption | 13 | 25.00 | |
| 13. Profit for the financial year | | | |
| **Total charges** | | **20,376,294.98** | **18,930.94** |

| B. Income | Notes | 2015/01/01-2015/12/31 EUR | 2014/01/01-2014/12/31 EUR |
|---|---|---|---|
| 1. Net turnover | | | |
| 2. Change in inventories of finished goods and of work and contracts in progress | | | |
| 3. Fixed assets under development | | | |
| 4. Reversal of value adjustments | | | |
| 5. Other operating income | | | |
| 6. Income from financial fixed assets | 11 | 19,113,810.48 | |
| a) derived from affiliated undertakings | 11.1 | 19,113,810.48 | |
| 7. Income from financial current assets | | | |
| 8. Other interest and other financial income | | 2,427.65 | |
| a) derived from affiliated undertakings | | | |
| b) other interest and similar financial income | | 2,427.65 | |
| 9. Share of profits of undertakings accounted for under the equity method | | | |
| 10. Extraordinary income | 12 | 9.60 | |
| 11. Loss for the financial year | | 1,260,047.25 | 18,930.94 |
| **Total income** | | **20,376,294.98** | **18,930.94** |

# Senvion S.à r.l., Luxembourg
# Notes to the annual accounts
for the financial year ended 31 December 2015

## 1 General information

Senvion S.à r.l. (hereafter the "Company", formerly Rapid Acquisition Luxco S.à r.l.) was incorporated on 4 April 2014 and is organized under the laws of Luxembourg as a Société à Responsabilité Limitée for an unlimited period. On 5 February 2016, the shareholders resolved to change the name of Rapid Acquisition Luxco S.à r.l. into Senvion S.à r.l..

The registered office of the Company is established at 25C Boulevard Royal, L-2449 Luxembourg.

The Company's financial year starts on January 1st and ends on 31 December of each year, with the exception of the first year which started on 4 April 2014 and ended on 31 December 2014.

The main activity of the Company is the acquisition, holding and disposal of interests in Luxembourg and/or in foreign companies and undertakings, as well as the administration, development and management of such interests. The Company may provide loans and financing in any other kind or form or grant guarantees or security in any other kind or for, in favour of the companies and undertakings forming part of the group of which the Company is a member. The Company may also invest in real estate, in intellectual property rights or any other movable or immovable assets in any kind or form. The Company may borrow in any kind or form and privately issue bonds, notes or any other debt instruments as well as warrants or other share subscription rights. In a general fashion, the Company may carry out any commercial, industrial or financial operation, which it may deem useful in the accomplishment and development of its purposes.

The Company also prepares consolidated accounts, which are subject to publication as prescribed by the Luxembourg law.

## 2 Principles, rules and valuation methods

**2.1 General principles**

The annual accounts are prepared in conformity with the Luxembourg legal and regulatory requirements and according to generally accepted accounting principles applicable in Luxembourg under the historical cost convention. The accounting policies and valuation principles are, apart from those enforced by the law, determined and implemented by the Management.

The preparation of annual accounts requires the use of certain critical accounting estimates. It also requires the Management to exercise its judgement in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the period in which the assumptions changed. Management believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and results fairly.

**2.1 Significant rules and valuation methods**

The significant valuation rules of the Company can be summarized as follows:

**2.2.1 Financial fixed assets**

Financial fixed assets such as shares in affiliated undertakings, participating interests, investments held as fixed assets are valued at their historical acquisition cost. Loans granted to affiliated undertakings or other companies and defined as financial fixed assets are valued at their nominal value.

If the Management determines that a durable impairment has occurred in the value of a financial fixed asset, a value adjustment is made in order to reflect that loss. These value adjustments are not continued if the reasons for which they were made have ceased to apply.

**2.2.2 Debtors**

Debtors are recorded at their nominal value. A value adjustment is made when their recovery is partly or completely in doubt. These value adjustments are not continued if the reasons for which they were made have ceased to apply.

**2.2.3 Foreign currency translation**

Financial fixed assets such as shares in affiliated undertakings, participating interests, in-vestments held as fixed assets are valued at their historical acquisition cost. Loans granted to affiliated undertakings or other companies and defined as financial fixed assets are valued at their nominal value.

The Company maintains its books and records in EUR.

All transactions expressed in currency other than EUR are translated into EUR at the exchange rate prevailing at the date of the transaction.

The formation expenses and the fixed assets other than the long-term loans classified as financial fixed assets and expressed in another currency than EUR are translated in EUR at the exchange rate prevailing at the date of their acquisition. At the balance sheet date, these fixed assets are maintained at their historical exchange rate.

Cash is translated at the exchange rate prevailing at the balance sheet date. Exchange gains and losses resulting from this conversion are accounted for in the profit and loss account for the year.

Other assets and liabilities are translated separately respectively at the lower (assets) or at the higher (liabilities) of the value converted at the historical exchange rate or the value determined on the basis of the exchange rates effective at the balance sheet date. The unrealized exchange losses are recorded in the profit and loss account. The realized exchange gains and losses are recorded in the profit and loss account at the moment of their realization.

In the case there is an economic link between an asset and a liability, they are translated in total and only the unrealized net exchange losses are accounted for in the profit and loss account.

**2.2.4 Provisions**

The provisions for liabilities and charges are intended to cover losses or debts the nature of which is clearly defined and which at the balance sheet date are either likely to be incurred or certain to be incurred but uncertain as to their amount or the date on which they will arise.

**2.2.5 Prepayments**

This item includes charges incurred during the financial year but attributable to a subsequent financial year.

**2.2.6 Debts**

Debts are recorded at their repayment value.

**2.2.7 Tax**

The tax liability estimated by the Company for the financial years for which the Company has not been assessed yet, is recorded under the caption "Tax debts". The advance payments are disclosed in the assets of the balance sheet under "Other receivables".

## 3 Financial fixed assets

### 3.1 Shares in affiliated undertakings

The shares in affiliated undertakings are as follows:

| Name of the company | Registered office | Percentage of ownership | Closing date of last financial period | Share-holders equity (EUR) | Results of last financial period (EUR) | Net Investment amount (EUR) |
|---|---|---|---|---|---|---|
| Rapid TopCo GmbH | Munich | 96% | 31.12.2014 | 11,503.20 | (996.80) | 117,703,484.15 |
| **Total** | | | | | | **117,703,484.15** |

The figures mentioned in the Shareholder's equity and the Result of the last financial year are based on the last annual accounts available.

On 27 January 2015, the Company acquired shares in Rapid Topco GmbH (the "Subsidiary") for an amount of EUR 86,000.00.

On 27 April 2015, the Company subscribed to a capital contribution in the Subsidiary for an amount of EUR 121,511,827.60.

On 28 April 2015, the Company sold 1,000 shares held in the Subsidiary to Rapid Management L.P., for an amount of EUR 3,894,343.45.

Management considered the valuation of the Subsidiary and decided that no value adjustment is required.

### 3.2 Amounts owed by affiliated undertakings

The long term loan can be summarized in the following table:

| Nature | Issuer | Maturity date | Interest Rate | Nominal Value (EUR) | Nominal Value 31.12.2014 (EUR) | Loan / (Reimburse-ment) (EUR) | Nominal Value 31.12.2015 (EUR) | Interest income (EUR) | Accrued interests (EUR) |
|---|---|---|---|---|---|---|---|---|---|
| Intra-group loan agreement | Rapid TopCo GmbH | 29/04/2025 | 7.8% | 364,535,482.80 | 0.00 | 364,535,482.80 | 364,535,482.80 | 19,113,810.48 | 19,113,810.48 |
| **Total** | | | | | **0.00** | **364,535,482.80** | **364,535,482.80** | **19,113,810.48** | **19,113,810.48** |

On 29 April 2015, the Company entered into an intra-group loan agreement (the "Intra-group loan") with the Subsidiary, for an amount of EUR 364,535,482.80.
The Management considered the valuation of the loan and therefore decided that no value adjustment is recorded on this financial asset in the accounts of the Company.

# 4 Debtors

### 4.1 Amounts owed by affiliated undertakings

#### 4.1.1 Becoming due and payable within one year

This item is composed of accrued interest on the Intra-group loan granted to the Subsidiary, for an amount of EUR 19,113,810.48 (see note 3.2).

# 5 Capital and reserves

### 5.1 Subscribed capital

The subscribed capital, amounting to EUR 78,125.00, is represented by

- 1,250,000 class A ordinary shares with a nominal value of EUR 0.01 each
- 1,250,000 class B ordinary shares with a nominal value of EUR 0.01 each
- 1,250,000 class C ordinary shares with a nominal value of EUR 0.01 each
- 1,250,000 class D ordinary shares with a nominal value of EUR 0.01 each
- 1,250,000 class E ordinary shares with a nominal value of EUR 0.01 each
- 1,250,000 class F ordinary shares with a nominal value of EUR 0.01 each
- 78,125 class A preference shares with a nominal value of EUR 0.01 each
- 78,125 class B preference shares with a nominal value of EUR 0.01 each
- 78,125 class C preference shares with a nominal value of EUR 0.01 each
- 78,125 class D preference shares with a nominal value of EUR 0.01 each, fully paid.

### 5.2 Share premium and similar premiums

On April 29, 2015, CCP II Acquisition S.à r.l., CCP III Acquisition S.à r.l. and Rapid Management L.P. contributed to the special reserve account of the Company for an amount of EUR 532,542.52, EUR 364,925.93 and EUR 1,102,531.55, respectively.

### 5.3 Legal reserve

In accordance with Luxembourg company law, the Company is required to transfer a minimum of 5% of its net profit for each financial year to a legal reserve. This requirement ceases to be necessary once the balance on the legal reserve reaches 10% of the issued share capital. The legal reserve is not available for distribution to the shareholders.

# 6 Non subordinated debts

## 6.1 Non-convertible loans

The non-convertible debenture loans can be summarized in the following table:

| Nature | Subscriber | Maturity date | Interest Rate | Nominal Value (EUR) | Nominal Value 31.12.2014 (EUR) | Borrowing / (Reimbursement) (EUR) | Transfer | Nominal Value 31.12.2015 (EUR) | Interest expenses (EUR) | Accrued interest (EUR) |
|---|---|---|---|---|---|---|---|---|---|---|
| IFPECs Series 2 | CCP II Acquisition Luxco S.à r.l. | 27/04/2044 | 0% | 68,608,860.60 | 0.00 | 68,608,860.60 | - | 68,608,860.60 | 0.00 | 0.00 |
| IBPECs Series 1 | CCP II Acquisition Luxco S.à r.l. | 27/04/2044 | 7.8% | 216,328,292.14 | 0.00 | 216,328,292.14 | - | 216,328,292.14 | 11,433,482.19 | 11,433,482.19 |
| IFPECs Series 2 | CCP III Acquisition Luxco S.à r.l. | 27/04/2044 | 0% | 47,014,371.95 | 0.00 | 47,014,371.95 | (23,782,546.47) | 23,231,825.48 | 0.00 | 0.00 |
| IBPECs Series 1 | CCP III Acquisition Luxco S.à r.l. | 27/04/2044 | 7.8% | 148,239,435.86 | 0.00 | 148,239,435.86 | (74,987,947.85) | 73,251,488.01 | 3,999,369.57 | 3,999,369.57 |
| IBPECs Series 1 | Rapid Partners L.P. | 27/04/2044 | 7.8% | 74,987,947.85 | 0.00 | - | 74,987,947.85 | 74,987,947.85 | 3,835,449.14 | 3,835,449.14 |
| IFPECs Series 2 | Rapid Partners L.P. | 27/04/2044 | 0% | 23,782,546.47 | 0.00 | - | 23,782,546.47 | 23,782,546.47 | 0.00 | 0.00 |
| **Total** | | | | | **0.00** | **480,190,960.55** | **0.00** | **480,190,960.55** | **19,268,300.90** | **19,268,300.90** |

Effective 27 April 2015, 21,632,829,214 interest bearing preferred equity certificates (“IBPECs”) with a nominal value of EUR 0.01 each and 14,823,943,586 IBPECs with a nominal value of EUR 0.01 each, were issued by the Company and subscribed by CCP II Acquisition S.à r.l. and CCP III Acquisition S.à r.l., respectively.

On the same date, 6,860,886,060 interest-free preferred equity certificates (“IFPECs”) with a nominal value of EUR 0.01 and 4,701,437,195 IFPECs with a nominal value of EUR 0.01 each, were issued by the Company and subscribed by CCP II Acquisition S.à r.l. and CCP III Acquisition S.à r.l., respectively.

On 6 May 2015, the Company transferred 7,478,794,785 IBPECs subscribed by CCP III Acquisition S.à r.l. and 2,378,254,647 IFPECs subscribed by CCP III Acquisition S.à r.l., to Rapid Partners LP.

**6.2 Trade creditors**

**6.2.1 Becoming due and payable within one year**

This item is composed of:

- suppliers payable for an amount of EUR 113,362.88
- invoices not yet received for a total amount of EUR 551,755.00

**6.3 Amounts owed to affiliated undertakings**

**6.3.1 Becoming due and payable within one year**

This item is composed of:

- accrued interest on the upstream loan granted by Senvion GmbH for an amount of EUR 9,169.03 (see note 6.3.2)
- a debt towards BPA Holdings S.à r.l. for an amount of EUR 500.00

**6.3.2 Becoming due and payable after more than one year**

The long term loan can be summarized in the following table:

| Nature | Issuer | Maturity date | Interest Rate | Nominal Value (EUR) | Nominal Value 31.12.2014 (EUR) | Borrowing/ (Reimbursement) (EUR) Nominal Value | Nominal Value 31.12.2015 (EUR) | Interest expenses (EUR) | Accrued interests (EUR) |
|---|---|---|---|---|---|---|---|---|---|
| Upstream loan | Senvion GmbH | 29/04/2025 | 7% | 665,000.00 | 0.00 | 665,000.00 | 665,000.00 | 9,169.03 | 9,169.03 |
| **Total** | | | | | **0.00** | **665,000.00** | **665,000.00** | **9,169.03** | **9,169.03** |

On 23 July 2015, the Company entered into an upstream loan agreement (the "Upstream loan") with Senvion GmbH, for a maximum amount of EUR 4,000,000.00.

During the year, three drawdowns have been done for an amount of EUR 165,000.00, EUR 250,000.00 and EUR 250,000.00 respectively.

## 7 Other external charges

This item is composed of bank, legal, accounting, audit, tax, travel, consulting and Chamber of Commerce fees, for a total amount of EUR 1,085,797.84.

## 8 Other operating charges

This item is composed of director's fees and the related withholding taxes.

## 9 Interest and other financial charges

**9.1 Concerning affiliated undertakings**

This item is composed of :

- interest on the Upstream loan for an amount of EUR 9,169.03 (see note 6.3.1)
- interest on the IBPECs for a total amount of EUR 19,268,300.90 (see note 6.1)

## 10 Extraordinary charges

This item is composed of a penalty on the 2014 corporate income taxes, for an amount of EUR 57.60.

## 11 Income from financial fixed assets

**11.1 Derived from affiliated undertakings**

This item is composed of interest on the Intra-group loan granted to the Subsidiary for an amount of EUR 19,113,810.48 (see note 3.2).

## 12 Extraordinary income

This item is composed of a tax penalty reimbursement from the Luxembourg tax administration, for an amount of EUR 9.60.

## 13 Tax status

The Company is subject in Luxembourg to the applicable general tax regulations.

## 14 Subsequent events

There is no subsequent events to disclose.

Luxembourg, 12 February 2016

# Senvion S.à r.l., Luxembourg
# Management report of the Board of Managers

## for the financial year ended 31 December 2015

The Board of Managers of Senvion S.A. (formerly Senvion S.à r.l. and hereinafter "the Company") submits the annual report and the financial statements of the Company for the year ended 31 December 2015.

**The foundation of the Company**
The Company was incorporated on 4 April 2014 and is a public limited liability company (Société Anonyme) incorporated in the Grand Duchy of Luxembourg whose having its registered office at 25C, boulevard Royal, L-2449 Luxembourg, registered with the Luxembourg Trade and Companies register under number B 186.599, incorporated as BPA Acquisition Luxco S.à r.l. pursuant to a deed of Maître Marc Loesch, notary residing in Luxembourg, on 4 April 2014, published in the Mémorial C, Recueil des Sociétés et Associations, on 3 July 2014 under number 1719 and whose articles of association have been amended for the last time pursuant to a deed of the undersigned notary, dated 30 June 2015 published in the Mémorial C, Recueil des Sociétés et Associations, on 24 September 2015 under number 2611. As per 31 December 2015 the company had the following shareholders:

- CCP II Acquisition S.à r.l., Luxembourg
- CCP III Acquisition S.à r.l., Luxembourg
- Rapid Management L.P., Cayman Islands
- Rapid Partners L.P., Cayman Islands

**Principal activities and business review**
The principal activities of the Company consist of financing group entities within the Senvion S.A. Group. The object of the Company is the acquisition, holding and disposal of interests in Luxembourg and/or in foreign companies and undertakings, as well as the administration, development and management of such interests.

The Company may provide loans and financing in any other kind or form or grant guarantees or security in any other kind or form, in favour of the companies and undertakings forming part of the group of which the Company is member.

The Company may also invest in real estate, in intellectual property rights or any another movable or immovable assets in any kind or form.

The Company may borrow in any kind or form and privately issue bonds, notes or any other debt instruments as well as warrants or other share subscription rights.

In a general fashion, the Company may carry out any commercial, industrial or financial operation, which it may deem useful in the accomplishment and development of its purposes.

Its wholly-owned direct subsidiary Senvion TopCo GmbH ("TopCo") as well as TopCo's wholly-owned direct subsidiary Senvion MidCo GmbH ("MidCo") were incorporated on 9 December 2014 and MidCo's wholly-owned direct subsidiary Senvion Holding GmbH ("Holding") was incorporated on 8 December 2014. Senvion S.à r.l., TopCo, MidCo and Holding were acquired by CCP II Acquisition Luxco S.à r.l., Luxembourg, CCP III Acquisition Luxco S.à r.l., Luxembourg, Rapid Management L.P., Cayman Islands (together with any of its affiliates "Centerbridge") for the purpose of facilitating the acquisition of the entire share capital of Senvion SE which was transformed into Senvion AG on 25 June 2015 and into Senvion GmbH on 30 June 2015 from affiliates of Suzlon Energy Limited. The Acquisition was completed on 29 April 2015.

**Results**
During the year ended 31 December 2015, the Company recorded a loss of 1,3 mEUR mainly resulting out of other external charges like consulting costs.

**Financial risks and liquidity**
The structure and organisation of the Company are such that risks to the Company are limited. The lending business of the Company is entirely to group companies. As such, a credit risk exists in respect of lending to these companies.

**Human Resource Management**
As per 31 December 2015 the Company has no employees.

**Review of Operations**
A review of the Company's operations during the financial year, and the results of those operations, is as follows:

The Company has no activities in research and development, has not bought its own shares during the fiscal year and has not created any branches.

The Company's operations during the financial year performed as expected in the opinion of the Managers. For the future the Board of Managers expect the business development similar to the reporting year. For this reason the Board of Managers deemed it appropriate to utilize the going concern assumption in its preparation.

**Organization and Management**
The Board of Managers consists of three Managers.

**Events after the closing date**
The following events in the Company's state of affairs occurred after the closing date:

In March 2016:
- Dr. Jürgen M. Geißinger (Chairman), Manav Kumar Sharma and Dr. Christoph L. Seyfarth were appointed as Board Managers.
- The Company changed its legal form from a société à responsabilité limitée into a société anonyme.
- The shareholder decided to increase the share capital from 78 kEUR to 650 kEUR.
- A share transfer between Rapid Management L.P. and Senvion S.A. was agreed, transferring 1,000 shares at a nominal amount of 1,00 EUR each from TopCo into Senvion S.A. (contribution in kind).
- The Company decided to convert the IBPEC's and IBPEC's into the share premium account.
- The Company did a private placement on the regulated market segment of the Frankfurt Stock Exchange (Prime Standard).
- The Company made a contribution to the capital reserve of TopCo of 383,6 mEUR.

**Senvion S.A.** (formerly Senvion S.à r.l.)
Luxembourg, 18 April 2016

**Responsibility Statement**

To the best of our knowledge, and in accordance with the applicable reporting principles as per the respective date of each preparation, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Senvion S.A. (formerly: Senvion S.à r.l.)
Luxembourg, 18 April 2016

Dr. Jürgen M. Geißinger
Chairman of the Management Board

Kumar Manav Sharma
Member of the Management Board

Dr. Christoph Seyfarth
Member of the Management Board

**Independent Auditor's Report**

To the Board of Managers of
Senvion S.à r.l.
(former Rapid Acquisition Luxco S.à r.l.)
25C, boulevard Royal
L-2449 Luxembourg

Following our appointment by the Board of Managers dated January 18, 2016, we have audited the accompanying annual accounts of Senvion S.à r.l., which comprise the balance sheet as at December 31, 2015 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Board of Managers' responsibility for the annual accounts**
The Board of Managers is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts and for such internal control as the Board of Managers determines is necessary to enable the preparation and presentation of annual accounts that are free from material misstatement, whether due to fraud or error.

**Responsibility of the "réviseur d'entreprises agréé"**
Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

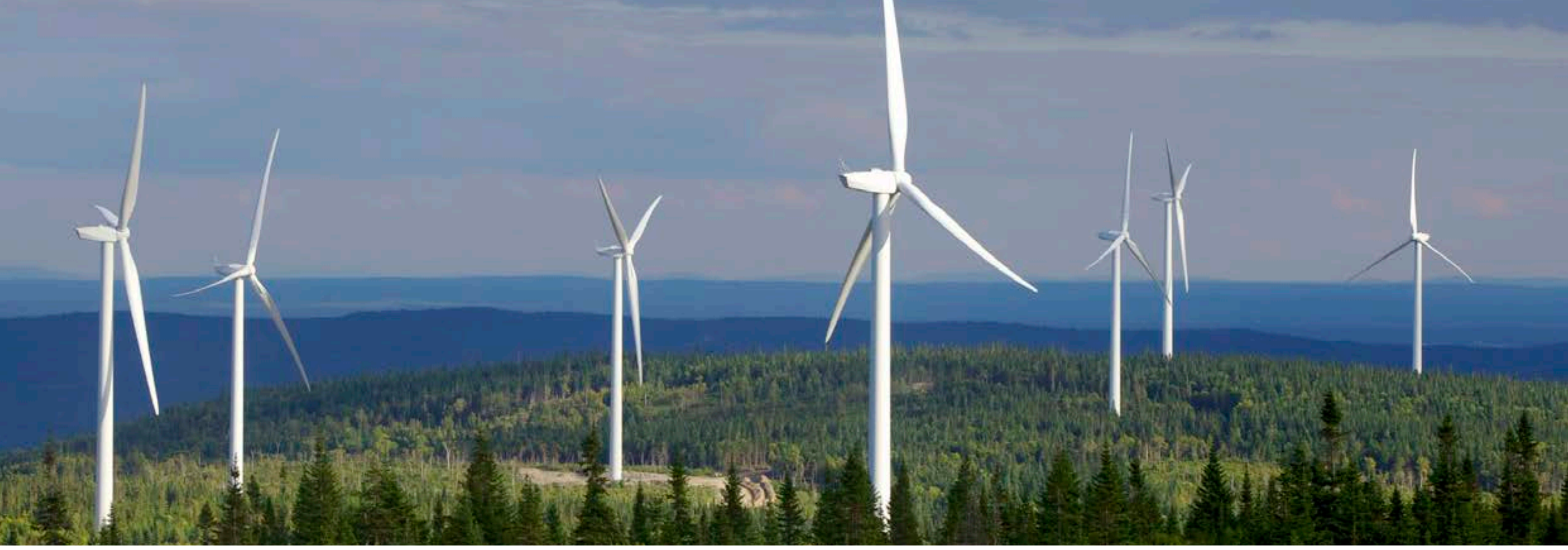
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgment of the "réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Managers, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**
In our opinion, the annual accounts give a true and fair view of the financial position of Senvion S.àr.l. as of December 31, 2015, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Werner Weynand



For our international contacts, please visit:
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