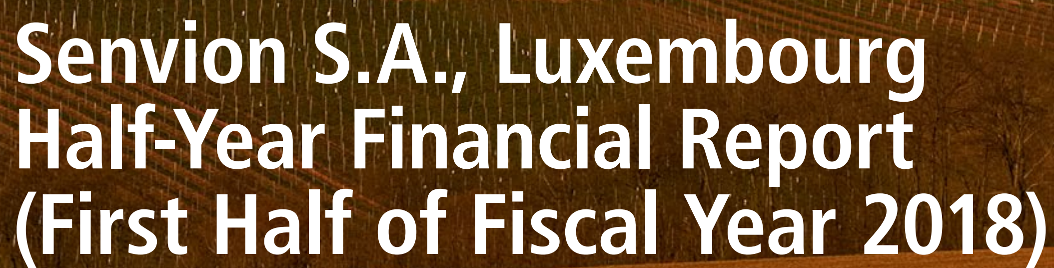


Senvion S.A., Luxembourg Half-Year Financial Report (First Half of Fiscal Year 2018)

(January 1 – June 30, 2018)

SENVION
wind energy solutions

Contents

Introduction 4

Interim Group Management Report

1. Financial and operational highlights 8
a. Corporate highlights 8
b. Business highlights 8

2. Corporate restructuring 10

3. Economic report 11
a. Economic and industry-related environment 11
b. Course of business 16
c. Research and development 20
d. Financial performance 21
e. Related parties´ disclosure 25
f. Summary of business position 26
g. Management control system 27

4. Corporate social responsibility 28

5. Report on risks and opportunities 29

6. Events after the reporting date 30

7. Outlook 31
a. Expected development of the overall economic environment 31
b. Industry development 31
c. Business outlook for the Company 32

Interim Condensed Consolidated Financial Statements

Interim Condensed Consolidated Financial Statements 38
Interim condensed consolidated income statement 38
Interim condensed consolidated statement of comprehensive income 39
Interim condensed consolidated statement of financial position 40
Interim condensed consolidated statement of cash flows 42
Interim condensed consolidated statement of changes in shareholder equity 44

Notes to the Interim Condensed Consolidated Financial Statements 46
1. Introduction 46
2. Information on segment reporting 54
3. Consolidated income statement 59
4. Consolidated statement of financial position 63
5. Contingent liabilities and other financial obligations 69
6. Financial instruments 70
7. Related parties´ disclosures 72
8. Events after the reporting date 73

Report on review of Interim Condensed Consolidated Financial Statements 74

Forward-looking statements 75

Responsibility statement 76

Dear Shareholders and Supporters of Wind Energy,

We firmly believe in the growth prospects of the wind industry, with annual demand for wind installations to almost double within the next decade as wind energy LCOE becomes one of the lowest forms of electricity production in many parts of the world. The major contributor to lower LCOE is turbine cost and performance, therefore the industry needs to adjust its cost base, impacting margins in the short term. At Senvion, we want to embrace this new reality and have initiated a second phase of transformation, since the transition to the new management team, focusing on creating a winning organization to safeguard growth and profitability in 2019, 2020, and beyond.

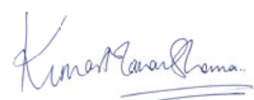
Update on 2018

We remain on track to meet our guidance of EUR 1.8–1.9 bn in revenues with 5–6.5% adjusted EBITDA margin, with 100% firm orders coverage at the lower end of the guidance. This year our installation schedule is heavily skewed towards the second half, resulting in a weaker performance in the first half of 2018. Going forward, we expect strong installations positively impacting our financials. Applicable to all project businesses, risks remain, but our team is deeply focused on maximizing our results.
During the first half, we recorded 26% growth in our onshore order intake, mainly driven by new markets like India and Australia. In addition, in early part of Q3, we have booked around 470 MW of conditional orders in Spain, Germany and got our first order for the 2.3M230 turbine in Chile. This is an important milestone as it showcases the potential of our newly launched 2 MW turbine outside of India.
We also continue to make solid progress with our new product introductions – four of our new turbines were recently ranked as leading turbines by a major research institute.

Status update on 2019

Thanks to having entered the right markets at the right point in time, we have been able to create significant visibility for 2019 revenues. For 2019 we can now report solid firm order coverage of EUR 1.3 bn and a mature order pipeline of an additional EUR 1.3 bn. Therefore we expect revenues to grow significantly between 20% to 40% in 2019. The limiting factor is capacity in our own factories and suppliers, as the demand continues to be fairly strong.
Looking back, we had decided to make India, South Cone, and Australia some of our key focus markets. We are happy to report that by 2019, we are likely to meet or even exceed our initially set targets.
You may remember, we had successfully launched 'Move Forward' in 2017 and achieved EUR 52 m annual savings. We now initiate the second wave. Our focus is on diversifying the supplier base, rigorous execution of cost outs, securing 2018 and 2019 project plans, cutting further operating costs and realigning our resources to changing global demand. We are happy to report early progress affecting 50+ white collar jobs within the first couple of months into the job and we believe that transitioning the company from a developed market based institution to one that is ready for emerging markets is the right focus.
Looking at margins, we intend to put additional focus to grow adjusted EBITDA in 2019, mainly driven by volumes and our efforts in supply chain transformation. Progress in those areas and improvements in execution capabilities in the next few months is key to secure and grow adjusted EBITDA levels in 2019. Going forward we intend to continue to keep an open dialogue with all our stakeholders and transparently inform you about the progress

Best wishes,



Kumar Manav Sharma (CEO/CFO)

David Jon Hardy (CSO)

Kumar Manav Sharma
Acting Chief Executive Officer (CEO) and Chief Financial Officer (CFO)

Manav Sharma is 37 years old and holds a bachelor's degree in Computer Engineering along with a post-graduate diploma in Management. He joined Senvion in 2011 and was appointed as CFO in July 2015 and acting CEO in May 2018. Previous to Senvion, he worked in various senior positions in Suzlon and further internationally leading companies in India.

David Jon Hardy
Chief Sales Officer (CSO) and Executive Director

David Hardy is 46 years old and holds a degree in Mechanical Engineering and an MBA in Finance & Management. He has been Chief Sales Officer of Senvion since June 2017. In May 2018 he became also the Executive Director of Senvion. Previous to Senvion, he held various senior positions at Vestas and General Electric where he worked 17 years in total.

Interim Group Management Report of Senvion S.A.

1. Financial and operational highlights

a. Corporate highlights

- Effective on May 23, 2018, Dr. Jürgen Geißinger, former Chief Executive Officer, stepped down with the Board's agreement. Over more than two years, he has led the company during a challenging time for the sector, successfully transitioning Senvion into a global company with a robust product portfolio and strong cost discipline. An orderly search for Jürgen Geißinger 's successor, led by Chairman Steven Holliday, is well underway. During the interim period, Kumar Manav Sharma – Chief Financial Officer of Senvion – has been appointed acting Chief Executive Officer and David Hardy – Chief Sales Officer – has been appointed as Executive Director of Senvion.
- Successful Annual General Meeting held in May 2018 with 72% of share capital present.

b. Business highlights

- Senvion unveiled its 4.2 MW platform for the North American market. The turbines 4.2M140 and 4.2M148 are based on the robust and proven 3.XM series and are best suited for low and medium wind sites.
- Senvion recorded firm onshore order intake of EUR 797 m in the first half, an increase of 26.0% year-on-year (yoy) mainly due to order intake in new markets such as India, Australia and Argentina. With total turbine order book of EUR 2,360 m, a conditional order book of EUR 612 m and an exclusivity pipeline of more than EUR 2.0 bn, Senvion has managed to secure high visibility for 2019 and 2020 revenues.
- H1 2018 revenues reached EUR 466.0 m[1] , a decline of 43.8% yoy primarily due to a skewed installation profile towards second half of the year and also due to delays in installations in a few key projects in new regions like Chile and Australia, shifting installations to the second half of 2018. The delays were mainly driven by bad weather, grid delays and some extraordinary events beyond Senvion's control and resulted into few months of delays in general. The installations are now recovering as we enter second half. But, as a result of this delays and in general skewed installation profile during the year, Senvion achieved adjusted EBITDA of EUR 13.3 m in H1 2018 with overall adjusted EBITDA margin of 2.9% compared to 7.4% (EUR 61.8 m) in corresponding period last year. Margins in the second quarter 2018 (Q2 2018) was at 5.8% (EUR 12.3 m) compared to 9.2% (EUR 40.4 m) in Q2 2017. The risks of delays and execution risks are usual for any project driven business and these risks do remain elevated for Senvion as we go into second half of the year with a heavy installation schedule.
- Opex and employee costs continued to remain at a low run rate despite ramping up for 2019 revenue growth.
- At the end of June 2018, net working capital amounted to 2.6%[2] (comparative period: 4.6%).

[1] The new Accounting Standard IFRS 15 "Revenue from Contracts with customers" tools effect as of January 1, 2018. Prior Year figures were not adjusted. For more information, please refer to section "1.1 New IFRS standards effective January 1, 2018" in the Interim Condensed Consolidated Financial Statements for the first half of the 2018 financial year.

[2] The new Accounting Standard IFRS 15 "Revenue from Contracts with customers" tools effect as of January 1, 2018. Prior Year figures were not adjusted. For more information, please refer to section "1.1 New IFRS standards effective January 1, 2018" in the Interim Condensed Consolidated Financial Statements for the first half of the 2018 financial year.

Onshore

- Senvion strengthened its position in new markets:
  - Conversion of the conditional 226 MW order for Murra Warra, Australia into a firm order. Installation is planned for mid-2019.
  - Awarding of six contracts totaling 32 MW in Belgium. The commissioning of these wind farms will be completed in the last quarter of this year.
  - Senvion managed to further increase its market footprint in Argentina with more than 74 MW of new contracted capacity. In total Senvion has entered into firm contracts of about 420 MW in South America since 2016.
  - Senvion expands its activities in Serbia and is on a good track for successful completion of the 42 MW wind farm Alibunar.
- Successful market entry into India:
  - Senvion won its first ever firm order of 101.2 MW from ReNew Power with full EPC scope. The client is one of India's largest renewable energy companies.
  - Senvion continued its momentum with 30 MW of order from our French client, Engie for the engineering, procurement and construction of 13 2.3M120 turbines and commissioning scheduled for Q1 2019.
  - During H1 2018, Senvion was also awarded the largest Indian order to date of 301.3 MW with full EPC (Engineering, Procurement and Construction) scope with Alfanar, one of Middle East's leading industrial companies.

Offshore

- Senvion successfully applied for a EU Research and Innovation programme "Horizon 2020" with the aim to develop a robust, reliable Next Generation 12 MW+ offshore wind turbine for clean, competitive electricity together with a team of 14 major stakeholders across the whole value chain (from suppliers to utilities and developers). Having started in May 2018, Senvion will lead the consortium for the next three and a half years until the installation of a pre-series array in a real offshore environment was completed.

Service

- Service continues to be the backbone of Senvion with an increase in revenues by 7.8% to EUR 163.2 m compared to EUR 151.4 m last year (H1 2018 compared to H1 2017).
- Gigawatts (GW) under service increased by 13.2% yoy to 13.7 GW compared to 12.1 GW in Q2 2017.
- Order book continued to increase to EUR 2.7 bn as of June 30, 2018 (EUR 2.5 bn as of June 30, 2017).

2. Corporate restructuring

In 2017 Senvion announced an extensive program to secure the company's long-term competitiveness. The initiative identified excess costs across the entire company, opportunities to reduce overcapacity in production, and invest in research and development, new technologies as well as the quality of Senvion's products and services. The measures included the closure of production sites in Germany, as well as consolidation and adjustment of organizational dimensioning in products and technology, project management, life cycle engineering among others and efficiency gains in Hamburg-based overhead functions.

The first phase has been completed in April 2018. As of June 30, 2018 Senvion has reduced 602 positions, of which 94% were in Germany and 6% in other locations. As the first phase of the measure was completed in April only 4 additional employees left the company in the context of Restructuring in the second quarter of 2018.

Currently a second phase at a smaller scale is ongoing and in consultation with employees' representatives. The Company is exploring ways to further save costs and lower employee costs and has already taken steps affecting net 50 job positions, including mid and senior management positions. As negotiations are ongoing this second phase has not yet resulted in an adjustment of number of employees. This is expected for the second half 2018/ beginning 2019 through collective and individual measures.

Restructuring expenses in the first half of the 2018 financial year amount to EUR 7.0 m and are almost entirely composed of employee termination benefits from the second phase of the restructuring.

The restructuring provision as of June 30, 2018 amounts to EUR 8.4 m and consists of EUR 7.2 m of employee termination benefits and EUR 1.2 m related to rent and services with regard to closed locations.

3. Economic report

a. Economic and industry-related environment

Economic development

The global economic upswing that began around mid-2016 has gained momentum. About half of the world's countries are experiencing an increase in growth. Global growth is expected to reach 3.9% in 2018 and 2019, which is above the expectations of the IMF set in October 2017. Drivers for this output acceleration is faster growth in the Euro area, Japan, China, and the United States. In the first half of 2018 the US Federal Reserve increased the fund rate twice by 25 points each to 2.0%.

The price of Brent Crude increased slightly from 69.05 USD in January 2018 to 79.44 USD at the end of June 2018. In this time the price reached its highest level since November 2014. Donald Trump's decision to unilaterally exit the nuclear deal with Iran had a significant influence on the increase. It caused markets to price in the impact of Iranian crude exports falling. Moreover, the output cut of major oil-producing countries has an influence as well as the political and economic crises in Venezuela which is the oil-rich South American country.

In addition, raw material prices such as steel experienced an increase over the last 12 months. According to the SBB steel price index, steel prices in Germany rose 9% and steel exported from China 32%.

Developments in current markets

Germany

On a macroeconomic level the German economy continued to grow also at the beginning of the year, though at a slower pace. It is the 15th quarter-on-quarter growth in a row.

GDP (Gross Domestic Product) in the first quarter rose by 0.3%, after price, calendar and seasonal adjustments, compared to the fourth quarter of 2017. The growth especially results from the increase of fixed capital formation and the slightly increased household final consumption expenditure. In comparison to the first quarter of 2017 the GDP increased by 2.3%, after price and calendar adjustments.

Consumer prices increased sharply by 2.1% in June 2018 in comparison to June 2017. Compared to May 2018 the harmonized index of consumer prices (HCIP) rose slightly by 0.1%. The inflation rate – measured by the consumer price index –was higher than 2.0% for the second consecutive month. Main drivers for inflation are energy and food prices. Prices increased considerably by 6.4% from June 2017 to June 2018 and on average by 3.4% respectively.

The labor market has also been able to record a positive development. The German Federal Statistical Office estimates a working population of 44.7 million in May 2018. Compared to the previous year, the number of people in employment increased by 1.4%. The unemployment rate was at 3.4% in May 2018.

The ifo Business Climate deteriorated in June 2018. The index fell to 101.8 points from 102.3 points in May 2018. Companies were less satisfied with their current business situation. Their business expectations, by contrast, remained slightly optimistic. The index decreased in all sectors. Most affected was the trading sector. The climate fell markedly by 3.2 points from May to June 2018. In the manufacturing, service and construction sector the index decreased slightly in the same period.

United Kingdom

The United Kingdom (UK) economy grew at a faster rate than initially thought in the first three months of 2018, raising hopes for a pick-up in growth after the sluggish start to the year. UK's rolling three-month GDP from March to May 2018 increased slightly by 0.2% compared to the period from December 2017 to February 2018. GDP shows a mixed picture of the UK economy with modest growth driven by the services sector, partly offset by falling construction and industrial output.

Moreover, there have been increasingly strident warnings that businesses could relocate jobs and investment to the EU after Brexit, with growing uncertainty over the type of deal ministers want to secure with Brussels. The latest figures showed business investment fell by 0.4% in the first quarter.

The unemployment rate was 4.2%, down from 4.5% yoy and the lowest since 1975.

France

In the first quarter 2018, GDP (seasonally and working-day adjusted) did not rise as much as in the fourth quarter 2017.

It increased slightly by 0.2% in Q1 2018 compared to the previous period. In the fourth quarter 2017 it increased by 0.7%.

The Bank of France cut its gross domestic product forecast for 2018 after a sharper-than-expected slowdown in growth at the beginning of the year. France's central bank said it now expects GDP to expand 1.8% this year instead of the forecasted 2% three months ago.

Consumer price inflation in June 2018 was stable after an acceleration by 0.5% in May; year-on-year, it grew by 2.0%, similar to the previous month. The unemployment rate also increased by 0.2 points to 9.2% in Q1, after decreasing by 0.7 points in Q4 2017. Over a year, the unemployment rate fell by 0.4 points.

Canada

The Canadian economy continues to operate close to full capacity, and GDP is expected to increase continuously until 2020. The projected real GDP increased slightly by 1.3% in the first quarter 2018 year-on-year. In the first quarter of 2018, business investment and exports were more robust than anticipated. Real GDP growth is projected to average 2.0 per cent over 2018 to 2020.

The consumer price index rose slightly by 2.5% in June 2018 compared to June 2017. The unemployment rate also increased by 0.2 points to 6% in June 2018; compared with June 2017, employment increased by 1.2%.

Developments in new markets

India

GDP growth in India of 7.7% in the first quarter 2018 outperformed expectations (after moderate economic growth of 6.7% in 2017. For the fourth quarter 2018 a GDP increase of 7.4% is expected, reflecting positive effects from government reforms and policies having led to a recovery of industrial production and investment. Inflation rate is estimated to rise from 4.7% in 2017 to 5.2% in 2018. The unemployment rate increased sharply from 3.4% in July 2017 to 5.7% in June 2018.
The OECD projects economic growth to accelerate due to higher private investment, corporate and bank deleveraging as well as maturing infrastructure projects.

Argentina

According to INDEC economic activity in Q1 2018 remained strong at 3.6% GDP increased compared to previous period. Economic activity is expected to pick up again later in the year. Growth is projected at 2% in 2018 and 2.6% in 2019, supporting further declines in unemployment. Argentina's unemployment rate was 9.1% in the first quarter 2018, compared with 9.2% in the first quarter of 2017 and 7.2% in the fourth quarter of 2017. Yoy inflation rate is still high and slightly increased from May (26.4%) to June (29.5%).

In June 2018, IMF approved a three-year Stand-By Arrangement (SBA) for Argentina amounting to USD 50 bn. The Argentine authorities' economic plan backed by the SBA aims to strengthen the country's economy by restoring market confidence via a consistent macroeconomic program that lessens financing needs, puts Argentina's public debt on a firm downward trajectory, and strengthens the plan to reduce inflation by setting more realistic inflation targets and reinforcing the independence of the central bank.

Chile

Chile's economy started stronger into the year as expected, with GDP growing 4.2% yoy in the first quarter 2018 (Q4 2017 yoy increase of 3.3%). Inflation rate increased by 0.5 points to 2.5% in June 2018. It was the highest inflation rate since May 2017. On June 13, 2018, Central Bank of Chile unanimously voted to hold policy rate stable at 2.5% for the eleventh consecutive meeting. Furthermore, an increase of the unemployment rate can be recognized. Compared to April 2018, it increased by 0.3 points to 7.0% in May 2018.

OECD projects growth to accelerate to around 3.6% in the coming years supported by an improving external outlook and favorable financial conditions. Real wages will grow as salaried employment recovers, lifting private consumption and reducing income disparities. Increasing aggregate demand, a supportive monetary stance and a stable exchange rate will raise inflation.

Australia

Australia's economy grew by 3.1% between March 2017 and March 2018, compared to 2.4% yoy between Q4 2016 and Q4 2017. Bureau of Statistics figures show that the pace of growth in the first quarter was mostly driven by exports of mining commodities. Export growth accounts for half the increase in GDP, while government spending accounts for roughly a third. Economy will continue growing at a robust pace, around 3.0%, OECD projecting. Inflation rate, measured with consumer prices index, changed by 1.9% between Q1 2017 and Q1 2018. Unemployment rate in June 2018 did not change compared to May 2018, but it decreased slightly by 0.2 points to 5.4% compared to the period in the previous year.

Industry development

This section is based on the latest MAKE Consulting Reports in Q1 2018. There might be some deviations concerning historic figures compared to the annual report from December 31, 2017 as installation figures were not completely visible during the creation of the annual report and MAKE updates their historic figures as soon as they are final.

Onshore

The global onshore wind energy market decreased to an installed wind power capacity of around 40 GW in 2017, compared to 50 GW in 2016. Combined global onshore capacity of approximately 474 GW at the end of 2016 then reached 521 GW at the end of 2017. The lower installation rate in 2017 was mainly due to a shrinking Chinese market with a reduction of 4 GW compared to 2016, as well as more than 2 GW less installations in the U.S. With the Chinese market shrinking, the Asia-Pacific region has seen an overall reduction in commissioned capacity, with only 20 GW of new capacity connected by the end of 2017. Approximately 15 GW of this is being installed in China. India accounted for the second biggest share of the region with more than 4 GW. With its very high demand for energy, India is still considered as one of the world's most dynamic wind energy markets. With a national target of 60 GW by 2022, analysts are expecting a high volume of more than 5 GW in 2020.

Offshore

The market for offshore wind turbines in 2017 showed an increase of approximately 3.7 GW compared to the previous year's level of 2.3 GW. This development was due to multi-megawatt wind farms in the offshore sector, which causes installation rates to be cyclical. The core markets for offshore wind are located in Europe with over 3.1 GW of new installations in 2017. The biggest installations were made in the UK and Germany. Outside of Europe, only China saw larger offshore installations, as well as some minor projects South Korea.

Political environment in current markets

Europe

Following negotiations between the European Parliament, Council and Commission, the bloc in June 2018 has agreed a "binding" 32% by 2030 renewable energy target.
The new figure, is up from the previous 27% target and falls short of the 35% objective backed by the European Parliament and renewable energy trade bodies. There remains the possibility for upward revision in 2023. The Renewables directive sets out concrete measures to underpin the delivery of the target. The directive will provide rules on the design of support mechanisms aimed at providing investor certainty. Member States will be allowed to have technology-specific auctions and will have to provide at least five years visibility on public support, including the timing, volumes and budget for auctions. This revision could translate into c.55% target for renewables in the electricity mix.

Germany

In 2018, two auctions for onshore wind parks were executed (February 1, 2018 with 700 MW and May 1, with 700 MW). At February 1, 2018, 132 bids over 989 MW were awarded in a tendering volume of 700 MW. On May 1, 2018 only 111 bids over 604 MW were submitted for a potential volume of 670 MW. For the first time it was less tendered than advertised. In 2017 the average, quantity-weighted surcharge values decreased from 5.71 ct / kWh in the first round to 4.28 ct / kWh and to 3.82 ct / kWh in the second and third rounds. In 2018 the average volume-weighted value rose to 4.73 ct / kWh in the first and to 5.73 ct / kWh in the second round. It is on the same level like the tender of May 2017. The success of citizen energy companies in 2017 entails that a large part of the awarded projects are still in an early planning phase and so far no statements can be made to what extent and at what point in time the projects actually will be realized. In conjunction with around 24 months prolonged implementation period, the low level of progress at the time of the tendering endangers the continuity of the energy transition. It is expected that the essential part of the projects awarded in 2017, if they will obtain an authorization, will be executed in 2021/22. This

would have negative implications for the development of wind energy onshore power plants in 2019 and 2020 as well the achievement of the national climate change goal for 2020. An industrial policy break seems probable, the consequences for project developers, suppliers and manufacturers currently cannot be assessed conclusively.

The first two tender rounds for wind at sea (offshore wind parks) took place in April 2017 and April 2018 in the so-called transitional phase according to the wind energy-at-sea law. Eligible for participation were only advanced projects with a volume of around 6 GW to 7 GW in the North and Baltic Seas. The total tender volume was 3.1 GW. As a result of the high competition especially in first round of bidding was determined by high price pressure. In the first call for tenders four awards were granted with a volume of 1,490 MW. The average volume-weighted surcharge was 0,44 ct / kWh. The highest bid value was 6.00 ct / kWh. Accordingly three awards were given at 0 ct / kWh. Although these projects with 0 ct / kWh will not receive EEG funding, they will get access to a free grid connection for the project owner. The connection are financed through network charges. 2018 in the second auction six projects were awarded with a volume of 1,610 MW. The competition level was slightly lower than in the first round, because only projects were allowed to participate if still free grid capacities were available and if the projects had not been awarded in the first round. Furthermore the so-called "Baltic Sea quota" was valid, which defined 500 MW of projects with location in the Baltic Sea. The average quantity-weighted surcharge in the second round 2018 was 4.66 ct / kWh. The highest bid value still to be awarded was 9.83 ct / kWh. Two awards were at 0 ct / kWh. The average quantity weighted premium over both rounds is 2.3 ct / kWh.

Germany is currently not in a leading position in the field of renewable energies and climate protection. The country will not achieve both the EU 2020 energy efficiency goals and the renewable energy share of final energy consumption, as well as the German our own climate target of 40 percent CO2 reduction by 2020. Currently, the shifts of the special additional tenders for wind energy and photovoltaics (PV) defined in the coalition contract of the German government underlines the current German political direction.
In Germany, government finally decided to make permits mandatory in the 3rd and 4th auction 2018 and in 2019.

France

France has introduced auctions since December 2017, targeting a total of 3 GW by 2020. The second of six sales planned through 2020 requires bidders to be fully permitted, a change from the first round. Projects must again feature seven turbines with at least one of 3 MW.

Canada

Saskatchewan in Canada saw 200 MW auction organized in March 2018. Prices foreseen to be similar to Alberta auction at 37 CAD / MWh enabled by similar wind conditions. Next auction for 200 MW foreseen in 2019/2020. The state of Alberta has also announced two further auction rounds for a total of 700 MW to be held in 2018.

Italy

Italy will hold seven rounds of pay-as-bid auctions, beginning in November 2018. Winning projects will receive a 20-year contract for difference as in the UK whereby the generator pays back the difference when the market price is higher than the strike price. The tariffs for new renewables plants will decline from January 1, 2020 by 5% for onshore wind and PV projects, and by 2% for other technologies. Projects from other EU member states and neighboring countries will be eligible to participate in the auctions if the countries have a free trade agreement with Italy. In addition, the countries should physically export power to Italy.

Political environmental in new markets

India

India tenders 2.5 GW of ISTS-Connected Wind and Solar Hybrid Project. The Gujarat government has announced a new solar plus wind hybrid power policy in a bid to promote the simultaneous production of wind and solar power in the state. India also tenders 2 GW of wind projects under tranche V. This latest tender comes at a time when wind tariffs have been gradually declining. In the recently concluded wind auction (February 2018) for 2 GW (tranche IV), the lowest tariff quoted by the bidders stood at $0.0386 / kWh.

Argentina

The Macri government has, among other things, sought to cut subsidies and liberalize energy markets to spur conventional and renewable project build underwritten with foreign capital. The country has also set an unconditional long-term target to limit its emissions to 405 MtCO2 by 2030, excluding land use and forestry.
In round 2 auctions at the end of the year 2017, a total of 66 projects were selected, including 8 wind projects, representing 665.8 MW of capacity at an average price of USD 41.23 / MWh. Argentina contracted a further 327.8 MW of wind projects in the second stage of the round 2 renewable energy tender known as round 2.5. Wind projects were contracted at an average price of USD 40.27 / MWh. The government has already said it is planning a round 3 tender scheduled for Q3 2018.

It is not a coincidence that Argentina issued the country's first private sector green bond as the government is implementing one of the aggressive renewable energy programme. Behind the issue is a World Bank strategy to open up the way for more private financing for renewable energy and other sustainable projects. On March 23, 2018 it also concluded a USD100m, seven-year green bond placement that was fully subscribed by the World Bank's private sector financing arm, the International Finance Corporation (IFC). The money raised will be used by the bank to finance renewable energy, power efficiency and sustainable constructions projects. Because it was a private placement, the bond's coupons were not made public, but the bond has a 2.5-year grace period and this could be used to lend money in Argentina at rates of 6% to 8% a year.
The Inter-American Development Bank (IDB) has approved a R$500m investment facility for the Argentine government to guarantee infrastructure projects in the country, a significant amount of which will go towards renewables projects under the country's RenovAr programme.

Chile

Chile's new energy minister, Susana Jiménez, has pledged to modernize the country's energy legislation to promote technology neutral contracting, modernize the power distribution system – to include new smart-grid technologies and distributed generation – and to prepare a plan to decarbonize the country's economy. Jiménez said that she will also lead a discussion to improve current power contracting regulations to incorporate other criteria in tenders apart from the lowest price. Carlos Finat, the Chilean Association of Renewable Energy (ACERA)'s executive secretary announced that in 2018 another 900 MW of solar, wind and other non-large hydro capacity will be added, a 17% increase from current renewable installed capacity of 5.4 GW (out of 23 GW) and that renewable power supply should reach around 18%, close to the 2020 target of 20%.

It is important to note that energy tendering in Chile is done on a technology-neutral basis, and wind and PV have out-bid conventional coal, gas, and hydro projects, reducing the price of energy from USD 101 to USD 32.5 in the past 3 years, breaking the monopoly deadlock that had traditionally led to high energy prices in the country.

Australia

Australia's Victoria state government opened a competitive reverse auction that will deliver up to 650 MW of large-scale renewable energy. This has drawn in 3.5 GW worth of bids, according to reports in the local media. The winning bids will be announced later this year. The state of Queensland has announced a reverse auction comprising 300 MW of renewables from large-scale wind, solar and pumped-hydro throughout the state.

Serbia

Serbia, a signatory of the Paris Accord, aims to secure about a quarter of its power needs from renewable sources by 2020, reducing its dependence on coal. The government in Belgrade seeks to boost renewable energy capacity to 500 MW to reach this target.

Saudi Arabia

Saudi Arabia will announce the winners of its first renewable energy auction for 400 MW in Q3 2018. This will be followed by up another 400 MW to be auctioned by the end of this year.

Turkey

The second YEKA Tender in Turkey is to be released in Q3-Q4/2018. The package size may be in the order of 500 MW to 2000 MW.

b. Course of business

The reconciliation of the segment reporting is composed as follows:

Segment reporting for the first half of the financial year 2018	Onshore EUR m	Offshore EUR m	Services and maintenance EUR m	Segment totals 01/01/2018 – 30/06/2018 EUR m	Reconciliation 01/01/2018 – 30/06/2018 EUR m	Group 01/01/2018 – 30/06/2018 EUR m
Revenues	**286.4**	**1.0**	**178.9**	**466.3**	**–0.3**	**466.0**
> Thereof external revenues	286.4	1.0	163.2	450.6	15.4	
> Thereof intersegment revenues	0.0	0.0	15.7	15.7	–15.7	
Cost of materials/cost of purchased services	–219.3	10.7	–58.6	–267.2		
Personnel expenses	–5.6	0.0	–29.2	–34.8		
Other operating expenses	–9.5	0.0	–10.8	–20.3		
Contribution margin I	**52.0**	**11.7**	**80.3**	**144.0**		
Intersegment elimination and unallocated revenues				–0.3		
Unallocated changes in work in progress and cost of materials/cost of purchased services				–16.7		
Work performed by the entity and capitalized				28.6		
Other operating income				9.2		
Unallocated personnel expenses				–92.3		
Unallocated other operating expenses				–59.2		
Adjusted EBITDA				**13.3**		
Depreciation and amortization				–37.1		
Adjusted EBIT				**–23.8**		
Reorganization expenses				–7.0		
Effects from purchase price allocation				–20.0		
Result from operating activities (EBIT)				**–50.8**		**–50.8**
Interest result				–16.3		
Result before income taxes (EBT)				**–67.1**		**–67.1**

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

The Group successfully stood its ground in the market environment, generating revenues of EUR 466.0 m in the first half of financial year 2018 (comparative period: EUR 829.6 m).

The Group's cost of material/cost of purchased services amounts to EUR 509.7 m (comparative period: EUR 699.8 m) resulting in a cost of material ratio (cost of materials/ cost of purchased services in relation to total performance) of 70.8% (comparative period: 72.8%).

Onshore

The main revenues from the sale of Onshore wind turbines were generated in Germany (EUR 75.7 m), France (EUR 42.9 m) and the United Kingdom (EUR 42.5 m). As of June 30, 2018 the contribution margin I ratio of Onshore wind turbines of 18.2% decreased slightly compared to the period ended June 30, 2017 (19.3%). Due to the implementation of IFRS 15 penalties are reclassified from material expenses/cost of purchased services to revenues, adjusted for this effect the contribution margin I ration for the first half of the 2018 financial year would be at 17.8% reflecting a change in product mix and competitive pressure in the industry.

Offshore

Offshore revenues in the first half of 2018 relate to the project Nordsee One. The contribution margin I relate to a release of project provision due to risk mitigation.

Service

The main service revenues were generated in Germany (EUR 39.0 m), France (EUR 17.7 m), UK (EUR 16.0 m) and for Offshore projects (EUR 40.4 m). The MW covered under operating & maintenance (O&M) contracts increased by 7.4% from 12,680 MW as of June 30, 2017 to 13,699 MW as of June 30, 2018. The contribution margin I ratio of service increased from 37.8% (January 1, 2017 to June 30, 2017) to 44.9% (January 1, 2018 to June 30, 2018) partly due to a reclassification of penalties from material expenses/cost of purchased services to revenues as a result of the IFRS 15 implementation. Without that reclassification the contribution margin I of the service business for the first half of the 2018 financial year would be at 43.6% mainly due to lower exchanges of main components as well as a good performance of the offshore sector.

Order situation and installed capacity

Onshore

In the period from January 1, 2018 to June 30, 2018, Senvion received orders for contracts in the onshore segment with a total capacity of 1,063 MW, worth around EUR 797 m. This data on the order backlog and order intake considers only effective contracts and does not include contracts under conditions precedent (CP). Countries with the largest share in onshore order intake were India (34%), Australia (23%) and Argentina (9%).

Senvion Group's order backlog in the onshore segment, including work in progress, stood at 2,411 MW as of the balance sheet date, with India and Australia (17% each) and the UK (13%) contributing the largest shares.

In the period from January 1, 2018 to June 30, 2018, Senvion Group erected onshore wind turbines with a combined capacity of 288 MW. Two thirds containing MM series and the rest relates to the 3.XM series.

For an analysis of revenues from the sale of wind turbines analyzed by geographies and turbine type, please refer to section 3.1 "Revenues" of the Interim Condensed Consolidated Financial Statements for the first half of the 2018 financial year.

Offshore

The order backlog in the offshore sector stands at 203 MW, which represents 8% of the total order backlog.

Service

In the period from January 1, 2018 to June 30, 2018 the total order intake in the service segment amounted to EUR 255.9 m. This is the result of new contracts (EUR 184.8 m), contract renewals (EUR 67.4 m) and spare parts and services (EUR 3.7 m).

The intake is split into the onshore sector (100%) and offshore sector (0%). In the onshore sector, APAC (43%), Central Europe (16%), EU South West (15%) and EU North (10%) are the largest part of the order entry.

As of June 30, 2018, the order book for services was EUR 2,719.0 m. This is composed of onshore (80%) and offshore (20%). In the onshore sector Italy, Germany and France form the largest part of the order book.

Significant order intakes

Onshore

Senvion seals its second and third project in Argentina with an order intake of 74.2 MW in the first half year, bringing its total firm contracted capacity to over 120 MW.

The first half of 2018 showed several important order intakes on the growing renewable energy market in India. Senvion won 101.2 MW EPC project, being the first of many to come in the country and containing 44 Senvion 2.3M120 turbines at a height of 120 m. Senvion continued to win deals in its new market, the second being the 301.3 MW EPC project in South India. The project will comprise 131 Senvion 2.3M120 turbines at 120 m height.

Further, Senvion signed a contract for a wind farm in Victoria, Australia, - the eleventh wind farm covered by Senvion's turbines - and a total generating capacity of 226 MW, produced by 61 of Senvion's 3.7M144 turbines.

Service

A significant contract renewal was achieved in Canada, Germany and UK, where contracts for wind farms Lac Alfred & Massif du Sud as well project Buettel and for two EDF wind farms (Burnfoot Hill & Rhodders) were extended. These have a value of EUR 40.4 m.

Furthermore, Netherlands managed to extend one project with a value of EUR 5.3 m.

In the new market segment, service contracts for one Iranian wind farm (Orientwind) and another Chilean project (El Arrebol) were signed with a cumulated value of EUR 23.5 m.

In terms of new contracts, Senvion secured significant service contracts for the Australian Murra Warra project (EUR 110.1 m/stage1), the French Voltalia Echauffour wind farm (EUR 10.3 m) and the Italian Portella Pero wind farm (EUR 9.5 m), together with turbine sales agreements.

c. Research and development

Senvion's development activities cover all wind turbine and rotor blade types that the company itself manufactures. In the first six months of the year 2018, research and development expenses of the Group amounted to EUR 40.5 m (Onshore: EUR 38.2 m; Offshore: EUR 2.3 m). Of the total expenses on research and development, EUR 25.6 m (Onshore: EUR 24.1 m; Offshore: EUR 1.5 m) were capitalized in the same period; EUR 11.2 m (Onshore: EUR 11.0 m; Offshore: EUR 0.2 m) concerned third-party services, e.g. for temporary workers, consulting services or certification costs. This represents a total ratio of 63.1% of development costs capitalized over total development costs incurred.

Onshore

Within the first half of the year 2018 the main focus was on the further development of the 2XM platform and the upgrade of the 3.XM platform to bigger rotor diameters including power upgrades. Additional specific emphasize was put into efficiency increase during development, modularization, project specific optimization (e.g. project specific towers, optimizing projects on a wind farm basis) and getting the validation and testing of the 3.XM prototypes, which were installed in 2017, finalized.

In the 2.XM platform new project specific towers for the 2.4M120 were developed to fulfill the market needs for the projects in India and additional cost-out measures were implemented. Final validation measurements will take place in the second half of 2018 to ensure that all certificates are up to date. For the serial released turbines of the MM series several cost-out measures were executed and special options developed to compete in niche markets such as Hot Climate Option and a Sand & Dust option.

The main development activities in the 2.XM platform were focused on the upgrade of the 2.XM platform to a bigger rotor diameter and increased power output to enable a specific low wind turbine. During the first half several technology decisions were taken and respective designs were finalized according the project plan.

In the 3.XM platform the prototype validation of 3.6M140 and 3.4M140 were executed according plan and final certification expected beginning of the second half 2018 (H2 2018). Additionally the 3.XM platform was adapted to Australian Standards and to US and Canada requirements to enable installations in these countries. To increase competitiveness and secure production capacity several second source activities were started and expected to be serial ready mid/end of 2019.

To optimize the product portfolio in high wind applications the 3.6M114 was equipped with a root extender (beginning of 2018) to reach 118 m diameter and increase AEP accordingly. The test are running according plan and the serial release of the turbine is already ongoing.

Main activity to increase the competitiveness of the product portfolio is the power upgrade increase of the 3.XM portfolio to 4.XM. The upgrade is developed according plan and prototypes for respective machines will be installed in H2 2018 to secure serial delivery in 2019.

The blade development for 4.XM and 2.XM progressed according plan and additional optimization potentials were identified and implemented. To increase the competitiveness in future several technology projects to optimize blade cost and increase AEP (Annual Energy Production) were kicked-off and first prototypes are expected end of 2019.

The project specific tower design, which was started in 2017, was pushed further due to increased modularity and optimization of tools to design the towers more efficient during the development process. For 2.XM and 4.XM platform several new tower concepts were analyzed (especially for high towers) and prototypes will be installed during of 2019 to increase competitiveness of both platforms.

Wind farm optimization & service product optimization was another focus area in the first half of 2018 and several projects were started to increase AEP on wind farm basis and upgrades for existing wind farms. Some of these products will be released for sales in H2/2018, but the majority will be developed till mid of 2019.

Offshore

In Offshore the project specific adaptation of the 6.3M152 was finalized and adaption of the tooling for the installation is ongoing. The adaption of the 3.XM platform for floating Offshore is pushed forward according the customer project need and the first adaptation will be finalized in H2 2018 including country specific adaptions. The adaptation of the floating turbines concept to customer project started end of H1 2018.

The development of the new turbine generation was started and will be executed with a global team consisting of 16 partners in the Horizon 2020 program from the European Commission.

d. Financial performance

The new Accounting Standard IFRS 15 "Revenue from Contracts with customers" became effective January 1, 2018. Prior year figures were not adjusted. For more information, please refer to section "1.1 New IFRS standards effective January 1, 2018" in the Interim Condensed Consolidated Financial Statements for the first half of the 2018 financial year.

Other income and expense items

Other operating income in the first six months of financial year 2018 amounted to EUR 9.2 m (comparative period: EUR 23.3 m). It primarily includes income from foreign currency gains (EUR 5.1 m; comparative period: EUR 9.0 m) and insurance compensation payments or damages (EUR 1.0 m; comparative period: EUR 9.2 m).

Personnel expenses amounted to EUR 126.9 m (comparative period: EUR 137.2 m). In relation to the total performance the personnel expenses ratio was at 17.6% (comparative period: 14.3%).

Depreciation on property, plant and equipment and intangible assets amount to EUR 57.1 m in total (comparative period: EUR 83.1 m), whereof EUR 20.0 m (comparative period: EUR 51.3 m) relate to the amortization of intangible asset step-ups.

Other operating expenses totaling to EUR 79.0 m (comparative period: EUR 85.5 m) include legal and consulting fees amounting to EUR 15.7 m (comparative period: EUR 14.8 m). Furthermore, purchased services (EUR 10.1 m; comparative period: EUR 9.3 m), IT & telecommunication costs (EUR 9.6 m; comparative period: EUR 9.1 m), office and land costs (EUR 8.7 m; comparative period: EUR 9.4 m) and foreign currency losses (EUR 7.7 m; comparative period: EUR 10.3 m) are disclosed in this item.

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

In addition, amortization of intangibles assets arising from the fair value measurement of assets and liabilities from the acquisition of Senvion Group (purchase price allocation and reorganization expenses) are adjusted so as to arrive at adjusted EBIT/EBITDA performance indicators which the Group monitors.

The measures adjusted EBIT and EBITDA compute as follows:

	01/01/2018 – 30/06/2018 EUR m	01/01/2017 – 30/06/2017 EUR m
Result from operating activities	**–50.8**	**–73.4**
Reorganization expenses	7.0	52.0
Result from operating activities before reorganization expenses	**–43.8**	**–21.4**
Impact arising from purchase price allocation	20.0	51.3
Adjusted EBIT	**–23.8**	**29.9**
Amortization and depreciation (excluding PPA effects)	37.1	31.9
Adjusted EBITDA	**13.3**	**61.8**

The financial result amounts to EUR –16.3 m (comparative period: EUR –41.3 m). The deviation mainly results from interest expenses from the refinancing of the high-yield bond in May 2017. For further details refer to Note 3.6 "Financial result" in the Interim Condensed Consolidated Financial Statements for the first half of the 2018 financial year.

Income taxes for the financial year amounted to EUR 17.1 m (previous period: EUR 22.8 m) leading to a relative tax rate of 25.4% (comparative period: 19.9%) and results into a negative net result for the period of EUR 50.1 m (comparative period: EUR 91.9 m).

The net result of the Group for this period, a loss of EUR 50.1 m (comparative period: EUR –91.9 m), was mainly driven by less restructuring expenses in the first half of the 2018 financial year. For further details refer to section 2 "Corporate restructuring" in this interim Group Management Report.

Asset and capital structure

Current assets primarily consist of inventories (EUR 770.7 m; previous year end: EUR 490.4 m), trade account receivables (EUR 181.5 m; previous year end: EUR 198.8 m), liquid funds (EUR 132.8 m; previous year end: EUR 235.2 m), gross amount due from customers for contract work as an asset (EUR 5.3 m; previous year end: EUR 6.8 m), and other current assets (EUR 70.5 m; previous year end: EUR 50.9 m).

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 IFRS 15. Advance payments on the contracts recognized are deducted directly from gross amounts due.

The trade accounts receivable primarily relate to receivables from customers for the delivery of wind turbines and from service and maintenance contracts. The change from EUR 198.8 m as of December 31, 2017 to EUR 181.5 m as of June 30, 2018 results mainly from lower volume of unconditional receivables.

The inventories of EUR 770.7 m (previous year end: EUR 490.4 m) contain EUR 244.8 m raw materials and supplies (previous year end: EUR 405.7 m) and EUR 525.9 m work in progress (previous year end: EUR 84.7 m). The increase in inventories primarily reflects a delay in installations in the first half of 2018 and production and sourcing for upcoming installation in the following half year and respective revenue recognition.

For the split-up of other current assets, reference is made to Note 4.1.4 "Other current assets" in the Interim Condensed Consolidated Financial Statements for the first half of the 2018 financial year.

The non-current assets of EUR 782.0 m (previous year end: EUR 794.0 m) consist mainly of intangible assets (EUR 514.5 m; previous year end: EUR 527.4 m) and property, plant and equipment (EUR 229.9 m; previous year end: EUR 223.7 m). Intangible assets include other licenses, brand names, customer relationships, technology and advance payments. Technology mainly relates to our individual turbine types as well as service solutions. For details on additions and spending in the interim financial period 2018 refer to section 3 c. "Research and development" in this Interim Group Management Report. The decrease in intangible assets results mainly from additional depreciation and amortization of EUR 39.3 m and, in contrary, additional acquisition and production costs of EUR 27.3 m.

The current liabilities of EUR 1,279.5 m (previous year end: EUR 1,032.7 m) mainly consist of advance payments received (EUR 517.4 m; previous year end: EUR 118.5 m), trade accounts payable (EUR 393.1 m; previous year end: EUR 339.8 m), provisions (EUR 257.2 m; previous year end: EUR 300.4 m), deferred income (EUR 48.7 m; previous year end: EUR 40.5 m), gross amount due to customers for contract work as a liability (EUR 11.6 m; previous year end: EUR 138.8 m), income tax liabilities (EUR 3.6 m; previous year end: EUR 6.5 m) and other current liabilities (EUR 43.4 m; previous year end: EUR 83.7 m).

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

Specific warranty provisions as of June 30, 2018 mainly contain expected cost for technical issues with regard to offshore blades for the 6.XM WTG series. The development of general warranty provisions reflects the decrease in the number of wind turbines sold and falling within the legal two-year warranty period. For further details of the development please refer to Note 4.3.2 "Provisions" in the Interim Condensed Consolidated Financial Statements for the first half of the 2018 financial year.

Income tax liabilities primarily relate to taxes for prior years.

The non-current liabilities of EUR 522.6 m (previous year end: EUR 545.3 m) primarily relate to other non-current financial liabilities including the high-yield bond (EUR 393.2 m; previous year-end: EUR 392.5 m) and deferred taxes (EUR 129.2 m; previous year end: EUR 150.3 m).

The retained earnings of EUR –314.3 m (previous year end: EUR –259.8 m) represent the share of accumulated net results attributable to the owners of the parent.

The consolidated statement of financial position shows total equity of EUR 175.4 m (previous year end: EUR 230.1 m), mainly due to the net result for the period of EUR -50.1 m.

For further details please refer to section 2. "Corporate changes" of Senvion's Consolidated Management Report for the year ended December 31, 2017 and to Note 4.5 "Total equity capital" in the Interim Condensed Consolidated Financial Statements for the first half of the 2018 financial year.

The equity ratio is computed as follows:

	30/06/2018	31/12/2017
	EUR k	EUR k
Shareholder equity	175.4	230.1
Total assets	1,977.5	1,808.1
Equity ratio in %	**8.9**	**12.7**

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

	30/06/2018	31/12/2017
	EUR k	EUR k
Total current assets	1,190.9	1,009.5
Adjustments to current assets	–132.8	–235.2
Total current liabilities	–1,279.5	–1,032.7
Adjustments to current liabilities	261.6	304.9
Net working capital	**40.2**	**46.5**

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. If we had not applied IFRS 15 in the first half of the 2018 financial year, we would have reported EUR 46.9 m net working capital. For more information, please refer to section "1.1 New IFRS standards effective January 1, 2018" in the Interim Condensed Consolidated Financial Statements for the first half of the 2018 financial year.

Financial summary

The Group reports a financial position with an equity amounting to EUR 175.4 m as of June 30, 2018 (previous year end: EUR 230.1 m). Liquid funds in the amount of EUR 132.8 m decreased compared to the period ended December 31, 2017 (EUR 235.2 m). In the first half of financial year 2018, the Group was able to meet all payment obligations at all times.

As of the reporting date, available credit lines amounted to EUR 954.7 m (previous year end: EUR 959.9 m), EUR 129.2 m (previous year end: EUR 130.3 m) from cash credit lines and EUR 825.5 m (previous year end: EUR 829.5 m) from guarantee lines. The latter includes an amount of EUR 0.5 m (previous year end: EUR 4.5 m) for guarantee lines, jointly backed by other lenders. The main part of the available credit lines in the amount of EUR 950.0 m was provided as part of the syndicated credit facility which was amended and restated on May 5, 2017. Thereof EUR 825.0 m can be utilized in the form of guarantee and EUR 125.0 m as working capital facility. Both facilities have a final maturity in April 2022.

In May 2017 Senvion issued a new high-yield bond with a nominal value of EUR 400 m with a term ending October 2022. Transaction cost of EUR 8.4 m directly attributable to that transaction were recognized as part of the effective interest method. This bond bears interest at a (nominal) fixed rate of 3.875% p.a. (effective rate 4.306% p.a.). The book value as of June 30, 2018 amounts to EUR 393.2 m (previous year end: EUR 392.5 m).

For the first half of the 2018 financial year, the Group reports a cash flow from operating activities of EUR –49.9 m (comparative period: EUR –219.3 m). The improvement in the operating cash flow mainly results from the change in working capital (H1 2018: EUR 9.1 m; H1 2017: EUR –187.6 m) with the main divers being the increase in advanced payments and trade payables partly compensated by the increase in inventories. In addition, interests paid decreased by EUR 29.4 m due to the refinancing of high yield bonds in May 2017.

The cash flow from investing activities amounts to EUR –50.4 m (comparative period: EUR –62.0 m). The cash outflow mainly consist of cash payments for intangible assets, primarily consisting of capitalized development costs, as well as payments for plant, machinery and office equipment.

The cash flow from financing activities of EUR –2.1 m (comparative period: EUR –7.6 m) is driven by less repayments and no acquisition of treasury shares.

e. Related parties' disclosures

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

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

In addition to members of the Management Board and the Supervisory Board the following related parties were identified for the period ending June 30, 2018:

- 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)
- SILA Fünf GmbH & Co. KG, Neustadt

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.

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

Transactions between Senvion S.A. and	Expenses from services/ Interests	Expenses from services/ Interests	Income from services/ Interests	Income from services/ Interests	Receivables	Receivables	Liabilities	Liabilities
	01/01/2018 – 30/06/2018	01/01/2017 – 30/06/2017	01/01/2018 – 30/06/2018	01/01/2017 – 30/06/2017	30/06/2018	30/06/2017	30/06/2018	30/06/2017
	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
Steven Holliday, Twickenham	126*	0	0	0	0	0	0	0
Matthias Schubert, Hamburg	76*	113	0	0	0	0	38	40
Carl Friedrich Arp Ole Freiherr von Beust, Hamburg	50*	0	0	0	0	0	25	0
Alberto Terol Esteban, Madrid	54*	0	0	0	0	0	28	0
Prof. Dr. Martin Skiba, Hamburg	0	75	0	0	0	0	0	0

* These are remuneration to individual Supervisory Board members.

Transactions between Senvion S.A. and	Expenses from services/ Interests	Expenses from services/ Interests	Income from services/ Interests	Income from services/ Interests	Receivables	Receivables	Liabilities	Liabilities
	01/01/2018 – 30/06/2018	01/01/2017 – 30/06/2017	01/01/2018 – 30/06/2018	01/01/2017 – 30/06/2017	30/06/2018	30/06/2017	30/06/2018	30/06/2017
	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
Rapid Management L.P., Cayman Islands	0	0	2	2	71	66	0	0
SILA Fünf GmbH & Co. KG, Neustadt	0	0	500	6,622	14	22,718	33	1,091

f. Summary of business position

Overall, the Group assesses its business performance as well as its assets, finances and earnings as positive despite the current loss in the first half of financial year 2018. In the current period and in the past financial year, Senvion Group held up well in the wind energy market, with order backlog at a consistently high level and order intake consistently improving over last year. Information relating to the expected future development is included in section 7. "Outlook" of this Interim Group Management Report.

g. Management control system

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

Financial performance indicators

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

Non-financial performance indicators

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

In the first half of the year 2018, negotiations between Senvion and works council started on the entered objections that employees had regarding ERA tariff classification within Senvion GmbH and Senvion Holding GmbH. The processing of all contradictions is expected to continue beyond the 2018 financial year.

The Senvion internal IT system "Senvion Learning Services" for our training administration was rolled out in UK as first international entity. With Senvion Learning Services all global trainings being offered will be made available to the employees online in the training catalog on a basis of a more efficient training process. Further international subsidiaries will follow in the second half of 2018.

In the field of vocational training 35 employees were undertaking dual vocational training as of June 30, 2018.

The Senvion recruitment process was further improved by the introduction of standardized selection procedures and pre-defined role descriptions. Furthermore, the Senvion internal Assessment Center, which is based on Senvion core competences, was carried out for the first time in the first half of 2018.

Using standardized PMI trainings has led to a further increase in standards and quality within the global project management training.

The Group had 4,160 employees worldwide as of June 30, 2018 (178 employees less in comparison to December 31, 2017), with an average number of 4,130 employees during the first six months of the 2018 financial year. The personnel numbers were reduced mainly in Germany, while an increase occurred in Portugal, Poland and India.

4. Corporate social responsibility

The description for Business model, Environmental protection, social and employee matters, human rights, anti-corruption and -bribery and anti-trust provisions and insider trading in Senvion's consolidated Management Report for the year ended 31 December 2017 on pages 64 to 67 remain unchanged.

5. Report on risks and opportunities

The risks and opportunities described in Senvion's consolidated Management Report for the year ended December 31, 2017 on pages 68 to 73 remain unchanged except for the following paragraphs. At present no risks have been identified that either individually or in combination could endanger Senvion as a going concern.

Strategic and economic risks and opportunities

Senvion successfully entered several new markets with various significant projects in Argentina und India. Negotiations for some projects in other promising new markets are at an advanced stage. With the first projects currently being erected in Chile, Senvion is successfully expanding its global footprint.

With three major projects in India won, the production facility in India will enable Senvion to reap the benefits of a globalized Supply Chain, but may also experience delays.

Financial risks and opportunities

With growing sales success comes also the risk of being able to stem the financial requirements of that growth organically. More projects put a strain on the bonds at the company's disposal to ensure that customers' security concerns are properly addressed. This may affect Senvion's sales prospects negatively.

Technological risks and opportunities

Not only has Senvion introduced cutting-edge technology with its latest turbine developments, but has also successfully partnered the EU commission in its Horizon 2020 program for cleaner energy in its commitment of developing a 12 MW+ turbine and to reaffirm Senvion's technological leadership in the industry.

Nevertheless, the numerous ongoing product developments and introduction of new products puts a strain on the company's ability in case of delays in the development process which may in turn lead to the delay of projects.

6. Events after the reporting date

Senvion is building a Windfarm in Argentina (Los Hercules) since last year. The inflation in Argentina has been high for a number of years. The current released initial inflation figures shows that the inflation exceeded 100% on a cumulative three year period. These indicator indicates that the Argentinian economy is hyperinflationary and therefore IAS 29 "Financial Reporting in Hyperinflationary Economies" shall be applied. Therefore, the group will monitor for the upcoming financial statements if the inflation in Argentina will meet the requirements in IAS 29.

7. Outlook

a. Expected development of the overall economic environment

Future growth prospects look challenging indeed for advanced economies and many commodity exporters. IMF projects that advanced economies as a group will continue to expand above their potential growth rates this year and next year before decelerating, while growth in emerging markets and developing economies will rise before leveling off. For 2018 and 2019, IMF expects global growth of 3.9%. The Bank of Canada expects the global economy will grow by about 3.8% in 2018 before settling at around 3.5% in 2019. The OECD projects a real GDP growth of 3.8% in 2018 and 3.9% in 2019 compared to previous year.

For India, World Bank has forecasted a growth rate of 7.3% this year and 7.5% for the next two years. This makes India the fastest growing country among major emerging economies and the fastest-growing G20 economy.

Nevertheless, for most countries, current favorable growth rates will not last. In advanced economies, aging populations and lower projected advances in total factor productivity will make it hard to return to the precrisis pace for the average household's income growth. Substantially raising middle and lower incomes looks even tougher. Moreover, growth rates will inevitably bend toward their weaker longer-term levels. Furthermore, escalating trade tensions pose considerable risks to the global outlook. The projection incorporates actions taken since April by the United States to end exemptions on steel and aluminum tariffs for some of its largest trading partners and to implement previously announced tariffs on China.

b. Industry development

In terms of developments in the wind industry, the transition to an auction system world is continuing. Global auctions will boost the wind market outlook as attention on cost-out intensifies. LCoE (Levelized Cost of Electricity) reductions are imperative to realizing average capacity of 62 GW/year from 2018 till 2020. Germany's latest auction results came up with an average price of 57.3 EUR/MWh which was higher than previous results due to changes in regulation for citizen wind parks. Undersubscription happened as on the one hand, many projects are currently in re-permission phase and on the other hand, the general rate of permissioned projects decreased. India also had more auctions with latest results showing lowest bid of 2,510 Rs/MWh (~38.6$/MWh), which is a marginal increase compared to previous rounds (~38.1$/MWh). Both the countries will hold more auctions later this year. MAKE consulting expects the Indian wind energy market to grow 13.5 GW in the next two years. The price in Spain for the third technology neutral tender in July 2017 put forward a 100% discount on the subsidy offered against wind plant investment costs. The energy ministry has confirmed 22 developers with 3GW of wind capacity allocated in the May 2017 power auction – the second of Spain's three renewable auctions – have now registered project names, location and capacity. Volumes in France are driven by 3 kinds of auctions and recent auction bids in the YEKA tender in Turkey were at 34.8$/MWh. Latin America is spear-headed by Chile with a weighted average price of wind (1,128 GWh auctioned in Nov. 2017) at 36 $/MWh.

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

c. Business outlook for the Company

In the first half of the 2018 financial year, the Group continued to make progress on preparing the company for growth in 2019 by strengthening its footprint in new markets, continuously optimizing and further developing its product platform to deliver the best possible LCoE to customers and by focusing on variable cost reduction. The wind market continues to face pricing and margin pressures and Senvion has been focusing on material cost outs aggressively.

In the second half of 2018, Senvion will focus on completing a high level of installations in time in various geographies, which is important to meet the financial guidance for 2018.

Senvion will further focus on rigorous and prompt material cost outs via LCC sourcing and supplier renegotiations to mitigate heavy pricing and margin pressures in 2019

Revenues
For the 2018 fiscal year, the Company continues to expect Group revenues between EUR 1.8 bn and 1.9 bn. The lower end of this guidance range is 100% covered by firm orders and installation schedules. Our teams are fully set up for the busy installation schedules and confident to achieve the targets. However, it is important to be cognizant of the inherent execution risks in the business. Based on our order intake in 2017 and early 2018, we expect volumes from new markets to continue to increase in 2018, mainly driven by Chile, Argentina and Australia. Thanks to the adoption of the Renewable Energy Act in Germany in June 2018, making permits mandatory for second HY 2018 and 2019, we expect an upturn in installations in Germany in 2019 and 2020. We also continue to expect double digit growth in our service revenues, adding stability to the total revenue levels.

EBITDA margin
Based on the strong installation schedule for second half, the Company continues to expect to achieve adjusted EBITDA margin (consolidated earnings before interest, tax and depreciation adjusted for PPA effects and other one-off/exceptional items) between 5.0% to 6.5% in 2018. However, due to the project driven nature of the business, Company continues to run usual risks of installation delays in case of bad weather conditions or any other unexpected events impacting installation schedules, similar to weather issues faced by the Senvion team in Chile in the first half of 2018.

Other KPIs
Senvion maintained positive net working capital ratio by end of June 2018 mainly driven by inventory buildup, which is likely to be liquidated in the second half of the year. The Company expects that the net working capital ratio will normalize by end of the year as inventories convert into installations and prepayments from clients accelerate on the back of higher expected order intake.

Going forward, with an increasing number of orders from new markets, the Group expects continued volatility in net working capital in the short to medium term.

Luxembourg, August 13, 2018

Senvion S.A., Luxembourg Interim Condensed Consolidated Financial Statements

Senvion S.A.

Interim condensed consolidated income statement

	Section	01/01/2018 –30/06/2018 EUR k	01/01/2017 –30/06/2017 EUR k	01/04/2018 –30/06/2018 EUR k	01/04/2017 –30/06/2017 EUR k
Revenue	3.1	466,031	829,618	210,429	437,356
Changes in work in progress		225,137	108,620	139,389	–925
Work performed by the entity and capitalized		28,635	22,693	14,565	9,701
Total performance		**719,803**	**960,931**	**364,383**	**446,132**
Other operating income	3.2	9,203	23,252	5,193	9,853
Cost of materials / cost of purchased services		–509,693	–699,771	–254,607	–308,367
Personnel expenses	3.3	–126,917	–137,249	–64,291	–66,247
Depreciation of property, plant, and equipment and amortization of intangible assets		–57,095	–83,142	–30,039	–40,980
Other operating expenses	3.4	–79,032	–85,465	–38,068	–41,052
Result from operating activities before reorganization expenses		**–43,731**	**–21,444**	**–17,429**	**–661**
Reorganization expenses	3.5	–7,046	–51,961	–6,223	–19,183
Result from operating activities		**–50,777**	**–73,405**	**–23,652**	**–19,844**
Thereof impact arising from PPA effects		*–19,962*	*–51,250*	*–9,981*	*–25,625*
Share of result from associates and joint ventures		0	–8	0	–8
Interest and similar financial income	3.6	2,013	1,167	748	523
Interest and similar financial expenses	3.6	–18,359	–42,417	–9,438	–30,205
Result before income taxes		**–67,123**	**–114,663**	**–32,342**	**–49,534**
Income taxes	4.2.3	17,063	22,775	10,675	6,994
Net result for the period		**–50,060**	**–91,888**	**–21,667**	**–42,540**
Share of net result for the period attributable to shareholders of the parent		–50,060	–91,888	–21,667	–42,540
Weighted average number of shares outstanding	4.5	**63,884,264**	**64,203,306**	**63,884,264**	**64,107,066**
Earnings per share (basic/diluted) – in EUR per share	4.5	**–0.78**	**–1.43**	**–0.34**	**–0.66**

Interim condensed consolidated statement of comprehensive income

	01/01/2018 –30/06/2018 EUR k	01/01/2017 –30/06/2017 EUR k	01/04/2018 –30/06/2018 EUR k	01/04/2017 –30/06/2017 EUR k
Net result for the period	**–50,060**	**–91,888**	**–21,667**	**–42,540**
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax)				
Cash flow hedges	–2,281	–2,355	–4,614	–63
Income taxes relating to cash flow hedges	679	700	1,373	19
Expenses/income of cash flow hedges after tax	**–1,602**	**–1,655**	**–3,241**	**–44**
Currency translation	–152	–4,368	–575	–3,429
Other comprehensive income	**–1,754**	**–6,023**	**–3,816**	**–3,473**
Total comprehensive income	**–51,814**	**–97,911**	**–25,483**	**–46,013**
Share of net result for the period attributable to shareholders of the parent	–51,814	–97,911	–25,483	–46,013

Interim condensed consolidated statement of financial position

Assets	Section	30/06/2018 EUR k	31/12/2017 EUR k
Current assets			
Liquid funds		132,796	235,211
Gross amount due from customers for contract work as an asset	4.1.1	5,298	6,822
Trade accounts receivable	4.1.2	181,491	198,801
Inventories	4.1.3	770,657	490,439
Receivables from income taxes		20,155	15,080
Other financial assets	4.1.4	9,924	12,187
Other miscellaneous assets	4.1.4	70,542	50,919
Total current assets		**1,190,863**	**1,009,459**
Assets classified as held for sale	4.1.5	**4,619**	**4,619**
Non-current assets			
Intangible assets	4.2.1	514,453	527,440
Property, plant, and equipment		229,923	223,705
Other financial investment		225	66
Loans granted		13,377	15,303
Deferred taxes	4.2.3	11,403	12,692
Total other non-current assets		12,604	14,801
Total non-current assets		**781,985**	**794,007**
Total assets		**1,977,467**	**1,808,085**

Shareholder equity and liabilities	Section	30/06/2018 EUR k	31/12/2017 EUR k
Current liabilities			
Short-term loans and current portion of long-term loans		4,460	4,555
Trade accounts payable		393,139	339,824
Advance payments received	4.3.1	517,367	118,540
Gross amounts due to customers for contract work as a liability	4.1.1	11,612	138,789
Provisions	4.3.2	257,177	300,362
Deferred income	4.3.3	48,704	40,450
Income tax liabilities	4.3.4	3,628	6,460
Other financial liabilities	4.3.5	8,808	8,512
Other miscellaneous liabilities	4.3.5	34,597	75,175
Total current liabilities		**1,279,492**	**1,032,667**
Non-current liabilities			
Long-term loans		258	2,559
Deferred taxes	4.2.3	129,160	150,282
Other non-current financial liabilities	4.4	393,190	392,483
Total non-current liabilities		**522,608**	**545,324**
Equity			
Subscribed capital	4.5	639	639
Additional paid-in capital	4.5	496,927	495,335
Other reserves		–7,862	–6,108
Currency translation		–8,328	–8,176
Cash flow hedging reserve		466	2,068
Retained earnings		–314,337	–259,772
Total equity		**175,367**	**230,094**
Total equity and liabilities		**1,977,467**	**1,808,085**

Interim condensed consolidated statement of cash flows

	Section	01/01/2018 – 30/06/2018 EUR k	01/01/2017 – 30/06/2017 EUR k
Cash flow from operating activities			
Result before income taxes		–67,123	–114,663
Adjustments for:			
Depreciation on property, plant, and equipment, amortization of intangible assets		57,095	83,142
Profit/loss from associates and joint ventures		0	8
Interest income		–2,013	–1,167
Interest expenses		18,359	42,417
Increase/decrease in provisions		–43,185	7,787
Profit/loss from sales of property, plant and equipment, intangible and other long-term assets		487	141
Change in working capital		9,130	–187,588
Interest received	3.6	2,013	1,167
Interest paid	3.6	–15,444	–44,836
Income tax paid		–9,213	–5,741
Cash flow from operating activities		**–49,894**	**–219,333**
Cash flow from investing activities			
Cash receipts from the sale of property, plant, and equipment, intangible and other long-term assets	4.2	4,513	2,946
Cash payments for the purchase of intangible assets	4.2	–27,327	–23,152
Cash payments from purchase of property, plant, and equipment and other long-term assets		–27,547	–41,799
Cash flow from investing activities		**–50,361**	**–62,005**
Cash flow from financing activities			
Acquisition of treasury shares		0	–6,050
Cash proceeds from borrowings		0	400,000
Cash repayments of amounts borrowed		–2,065	–401,594
Cash flow from financing activities		**–2,065**	**–7,644**
Increase/decrease in cash and cash equivalents		**–102,320**	**–288,982**
Cash and cash equivalents at the beginning of the period		230,656	433,512
Cash and cash equivalents at the end of the period		**128,336**	**144,530**
Liquid funds		132,796	150,070
Short-term bank liabilities		–4,460	–5,540
Cash and cash equivalents at the end of the period		**128,336**	**144,530**

Interim condensed consolidated statement of changes in shareholder equity

Section	Subscribed capital		Additional paid-in capital	Currency translation	Cash flow hedging reserve	Retained earnings	Equity attributable to shareholders of the parent	Total equity
	EUR k		EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
Section	4.5		4.5					
Balance at 01/01/2017	**645**		**503,120**	**–5,430**	**2,266**	**–166,849**	**333,751**	**333,751**
Net result for the period						–92,923	–92,923	–92,923
Cash flow hedges					–198		–198	–198
Currency translation				–2,746			–2,746	–2,746
Comprehensive income	**0**		**0**	**–2,746**	**–198**	**–92,923**	**–95,867**	**–95,867**
Share-based payments			142				142	142
Acquisition of treasury shares	–6		–7,926				–7,932	–7,932
Balance at 31/12/2017	**639**		**495,336**	**–8,176**	**2,068**	**–259,772**	**230,094**	**230,094**
Balance at 01/01/2018	**639**		**495,336**	**–8,176**	**2,068**	**–259,772**	**230,094**	**230,094**
IFRS 15 adjustments 1.1						–4,505	–4,505	–4,505
Balance at 01/01/2018	**639**		**495,336**	**–8,176**	**2,068**	**–264,277**	**225,589**	**225,589**
Net result for the period						–50,060	–50,060	–50,060
Cash flow hedges					–1,602		–1,602	–1,602
Currency translation				–152			–152	–152
Comprehensive income	**0**		**0**	**–152**	**–1,602**	**–50,060**	**–51,814**	**–51,814**
Share-based payments			1,592				1,592	1,592
Balance at 30/06/2018	**639**		**496,927**	**–8,328**	**466**	**–314,337**	**175,368**	**175,368**

Notes to the interim condensed consolidated financial statements as of and for the first half ending June 30, 2018

1 Introduction

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

These unaudited Interim Condensed Consolidated Financial Statements as of June 30, 2018 have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting as adopted by the EU. As a condensed interim report, it does not contain all the information required by IFRS for annual consolidated financial statements. These interim consolidated financial statements are unaudited, but they were subject to an auditor´s review.

The Interim Condensed Consolidated Financial Statements disclose all material transactions within the first six months of the 2018 financial year and do not include all information required in the annual consolidated financial statements. Hence the interim statements should be read in conjunction with the consolidated financial statements for the financial year ending December 31, 2017.

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

The accounting policies adopted in the preparation of the Interim Condensed Consolidated Financial Statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ending December 31, 2017, except for the calculation of income taxes, please refer to section "4.2.3 Income taxes", and except for the adoption of new standards effective as of January 1, 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

1.1 New IFRS standards effective January 1, 2018

The Group applies, for the first time, IFRS 15 Revenue from Contracts with Customers. As required by IAS 34, the nature and effect of these changes are disclosed within the Interim Condensed Consolidated Financial Statements of the Group.

As of January 1, 2018 the group implemented the new accounting standard IFRS 15 "Revenue from Contracts with Customers". Regarding revenues from onshore wind turbines the group continues to apply an output-based method (milestones). However, the previously used milestones "transit" and "delivery on site" are not used any longer. For further information on the selected milestones and their description, reference is made to section 3.21 in the annual financial report 2017. The change in the applied revenue recognition under IFRS 15 will be reflected retrospectively, with the cumulative effect of initially applying the standard to be adjusted in the opening balance of retained earnings as of 1 January 2018, only for existing contracts that still require performance by the entity in 2018. The cumulative effect (after tax) of this change was a decrease of retained earnings of EUR 4.505 k. Regarding revenues from offshore wind turbines and revenues from service and maintenance no major change in the accounting was necessary. Comparative 2017 numbers are reported according to IAS 11/18 and will not be restated to reflect the numbers according to IFRS 15, hence only a limited comparison can be made between the financial figures for the interim period ended 30/06/2017 with the period ended 30/06/2018.

For more information please refer to the Annual Financial Report 2017 Notes to the Consolidated Financial Statements, section 3.21 "New accounting standards not yet applied".

A reconciliation between the ending balance and the opening balance which shows each financial statement line that has been adjusted is stated below:

	Ending Balance IAS 11/18 31/12/2017	Adjustments IFRS 15	Opening Balance IFRS 15 01/01/2018
	EUR k	EUR k	EUR k
Assets			
Current assets			
Gross amount due from customers for contract work as an asset	6,822	–1,064	5,758
Inventories	490,439	64,305	554,744
Total current assets	**1,009,459**	**63,241**	**1,072,700**
Total assets	**1,808,085**	**63,241**	**1,871,326**

	Ending Balance IAS 11/18 31/12/2017 EUR k	Adjustments IFRS 15 EUR k	Opening Balance IFRS 15 01/01/2018 EUR k
Shareholder equity and liabilities			
Current liabilities			
Advance payments received	118,540	202,986	321,526
Gross amounts due to customers for contract work as a liability	138,789	–133,331	5,458
Total current liabilities	**1,032,667**	**69,655**	**1,102,322**
Non-current liabilities			
Deferred taxes	150,282	–1,909	148,373
Total non-current liabilities	**545,324**	**–1,909**	**543,415**
Equity			
Retained earnings	–259,772	–4,505	–264,277
Total equity	**230,094**	**–4,505**	**225,589**
Total equity and liabilities	**1,808,085**	**63,241**	**1,871,326**

The adjustments are related to projects for which the milestones "installation" had not been performed as of December 31, 2017 and therefore no revenue is recognized. Hence, the cost for components and material which will be used in projects is recognized as work in progress within inventories until components and material are installed on-site, which is when control of the asset starts to transfer to the customer. This also leads to fewer amounts due from customers as a contract asset and liability as well as higher advanced payments received.

Furthermore, in accordance with IFRS 15.C8 the group provides the amount by which each financial statement line is affected in the current reporting period by the application of IFRS 15 as compared to IAS 11/18 as well as an explanation of the reasons for significant changes. The table below shows the amounts within the income statement and the condensed balance sheet as well as the effects as a result of applying IFRS 15 as compared to IAS 11/18.

	IAS 11/18 01/01/2018 – 30/06/2018 EUR k	Adjustments IFRS 15 EUR k	Reclassification IFRS 15 EUR k	IFRS 15 01/01/2018 – 30/06/2018 EUR k
Income statement				
Revenue	503,311	–26,943	–10,337	466,031
Changes in work in progress	198,451	26,686	0	225,137
Total performance	**730,397**	**–257**	**–10,337**	**719,803**
Cost of materials / cost of purchased services	–520,030	0	10,337	–509,693
Result from operating activities	**–50,520**	**–257**	**0**	**–50,777**
Result before income taxes	**–66,866**	**–257**	**0**	**–67,123**
Income taxes	16,990	73	0	17,063
Net result for the period	**–49,876**	**–184**	**0**	**–50,060**

Without the effect of IFRS 15, revenue would have amounted to EUR 503,311 k, EUR 37,280 k higher than reported. This effect is mainly attributable to the changed revenue recognition for onshore wind turbine projects, as under IFRS 15 the revenue recognition for onshore projects start with the achievement of the milestone "installation" which leads to a deferral of revenues until control starts to transfer to the customer. The reclassification from cost of materials/costs of purchased services to revenue relates to penalties for delayed delivery out of onshore/offshore contracts and service contract which are recorded as a reduction of revenues under IFRS 15.

The changed revenue recognition for onshore projects also results in a reduction of changes in work in progress. Adjusted for the effects of IFRS 15 the changes in work in progress would be lower by EUR 26,686 k.

	IAS 11/18 30/06/2018	Adjustments IFRS 15	IFRS 15 30/06/2018
	EUR k	EUR k	EUR k
Assets			
Current assets			
Gross amount due from customers for contract work as an asset	6,080	–782	5,298
Inventories	679,666	90,991	770,657
Total current assets	**1,100,654**	**90,209**	**1,190,863**
Total assets	**1,887,258**	**90,209**	**1,977,467**

	IAS 11/18 30/06/2018	Adjustments IFRS 15	IFRS 15 30/06/2018
	EUR k	EUR k	EUR k
Shareholder equity and liabilities			
Current liabilities			
Advance payments received	243,532	273,835	517,367
Gross amounts due to customers for contract work as a liability	188,567	–176,955	11,612
Total current liabilities	**1,182,612**	**96,880**	**1,279,492**
Non–current liabilities			
Deferred taxes	131,142	–1,982	129,160
Total non–current liabilities	**524,590**	**–1,982**	**522,608**
Equity			
Retained earnings	–309,648	–4,689	–314,337
Total equity	**180,056**	**–4,689**	**175,367**
Total equity and liabilities	**1,887,258**	**90,209**	**1,977,467**

The adjustments in the consolidated statement of financial position due to the transition to IFRS 15 only relate to the changed revenue recognition for onshore wind turbine projects. The change in milestones applicable under IFRS 15 leads to an increase of inventories as for onshore wind turbine projects the revenue recognition only starts with achievement of the milestone “installation” and until then cost for components and material are reported under work in progress within inventories. Furthermore, amounts due from customers as a contract asset and liability and advanced payments received are affected by this change.

As of January 1, 2018 the group applies IFRS 9 “Financial Instruments” for the first time by applying the modified retrospective method which did not have a material effect on the profit and loss or equity. For more information please refer to section 6 “Financial instruments”.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the Interim Condensed Consolidated Financial Statements of the Group.

1.2 New IFRS standards not yet applied

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

Standards/interpretations		Mandatory application	Endorsement by European Commission	Expected effects
IFRS 16	Leases	January 1, 2019	Yes	See below
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	January 1, 2019	No	No material effects
Amendments to IFRS 9	Prepayments Features with Negative Compensation - Amendments	January 1, 2019	No	No effects
IFRIC Interpretation 23	Uncertainty over Income Tax Treatments	January 1, 2019	No	Effects are still being analyzed
Annual Improvements	Improvements to IFRS (2015-2017)			
of IFRS 3	Business Combinations – Previously held interest in a joint operation	January 1, 2019	No	Effects are still being analyzed
of IAS 23	Borrowing costs – Borrowing costs eligible for capitalization	January 1, 2019	No	Effects are still being analyzed
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement	January 1, 2019	No	Effects are still being analyzed
Amendments to IAS 40	Transfer of Investment Property	January 1, 2018	No	Effects are still being analyzed

Expected effects based on IFRS 16

IFRS 16 – "Leases" was issued in January 2016 and replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives, and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation, and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of "low-value" assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.
IFRS 16 – also requires lessees and lessors to make more extensive disclosures than under IAS 17.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is in the process of preparing for the implementation of IFRS 16, which becomes effective January 1, 2019, but expects that under the new model, most of its operating lease arrangements disclosed under other financial obligations in Note 5 "Contingent liabilities and other financial obligations" to be accounted for on balance under IFRS 16.

1.3 Scope of consolidation

Changes in the scope of consolidation

Senvion S.A. established its 100% subsidiary Senvion Holding S.á.r.l., Luxembourg, effective February 2, 2018. Furthermore, Netra Wind Private Limited, incorporated as of January 9, 2018, is held by Senvion Wind Technology Private Ltd., India.

Additionally, Senvion Holding S.á.r.l. incorporated as of April 10, 2018 its subsidiaries Senvion Ventures Group B.V., Senvion Ventures Holdings B.V. as well as Senvion Ventures SPV B.V., which are all located in Nijkerk, Netherland.

2 Information on segment reporting

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

Segment reporting for the first half of the 2018 financial year

	Onshore	Offshore	Services and maintenance	Segment totals	Reconciliation	Group
				01/01/2018 – 30/06/2018	01/01/2018 – 30/06/2018	01/01/2018 – 30/06/2018
	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m
Revenues	**286.4**	**1.0**	**178.9**	**466.3**	**–0.3**	**466.0**
> Thereof external revenues	286.4	1.0	163.2	450.6	15.4	
> Thereof intersegment revenues	0.0	0.0	15.7	15.7	–15.7	
Cost of materials / cost of purchased services	–219.3	10.7	–58.6	–267.2		
Personnel expenses	–5.6	0.0	–29.2	–34.8		
Other operating expenses	–9.5	0.0	–10.8	–20.3		
Contribution margin I	**52.0**	**11.7**	**80.3**	**144.0**		
Intersegment elimination and unallocated other revenues				–0.3		
Unallocated changes in work in progress & cost of materials / cost of purchased services				–16.7		
Work performed by the entity and capitalized				28.6		
Other operating income				9.2		
Unallocated personnel expenses				–92.3		
Unallocated other operating expenses				–59.2		
Adjusted EBITDA				**13.3**		
Depreciation and amortization				–37.1		
Adjusted EBIT				**–23.8**		
Reorganization expenses				–7.0		
Effects from purchase price allocation				–20.0		
Result from operating activities (EBIT)				**–50.8**		**–50.8**
Interest result				–16.3		
Result before income taxes (EBT)				**–67.1**		**–67.1**

Segment reporting for the first half of the 2017 financial year

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

The **Onshore** segment consists of domestic and international business resulting from the sale, production, project management and installation of onshore wind turbines. The revenue is generated mainly from the MM series as well as the 3.XM turbine business. Revenue includes turbine supply agreements accounted for under IFRS 15 (previous year: IAS 11).

The **Offshore** segment includes all domestic and international business activities in the area of offshore wind farms. The Group´s offshore product portfolio consists primarily of the 6.XM series. Specialist expertise is required for the marketing, production and project management as well as the installation of wind turbines in the open sea, particularly since the market environment is completely different from the onshore segment. Revenue includes turbine supply agreements accounted for under IFRS 15 (previous year: IAS 11).

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

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

The unallocated revenue presented in the reconciliation primarily relates to fees for the termination of an onshore turbine supply agreement as well as revenues from the sale of components EUR 15,380 k (comparative period: EUR 3,137 k).

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

Reconciliation

In addition to CM I on a segment level, the CODM and the Group monitor performance based on adjusted EBIT and adjusted EBITDA on a group-wide level. The adjustments include amortization of intangibles assets arising from the fair value measurement of assets and liabilities from the acquisition of Senvion GmbH Group (Purchase Price Allocation) and reorganization expenses.

3 Consolidated income statement

3.1 Revenue

In the first half of the 2018 financial year, the operations of the Group companies related almost exclusively to the development and manufacturing of wind turbines and wind turbine projects as well as service and maintenance of wind turbines.

	01/01/2018 – 30/06/2018	01/01/2017 – 30/06/2017	01/04/2018 – 30/06/2018	01/04/2017 – 30/06/2017
	EUR k	EUR k	EUR k	EUR k
Revenue from the sale of onshore wind turbines	286,454	490,764	125,385	263,461
Revenue from the sale of offshore wind turbines	971	184,304	971	93,705
Services	163,226	151,413	78,009	78,851
Other	15,380	3,137	6,064	1,339
Revenue	**466,031**	**829,618**	**210,429**	**437,356**

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

	01/01/2018 – 30/06/2018	01/01/2017 – 30/06/2017	01/04/2018 – 30/06/2018	01/04/2017 – 30/06/2017
	EUR k	EUR k	EUR k	EUR k
Germany	75,687	192,766	14,049	118,728
France	42,856	66,756	5,738	42,016
United Kingdom	42,534	89,763	19,788	19,828
Serbia	32,951	0	17,268	0
Belgium	30,136	9,564	16,094	6,171
Japan	17,969	0	17,969	0
Portugal	16,902	11,349	14,521	1,492
Australia	13,010	0	1,650	0
Norway	75	32,984	0	27,859
Italy	24	40,413	0	21,943
Canada	–41	16,353	373	6,572
Rest of the world	14,351	30,816	17,935	18,852
Revenue from the sale of onshore wind turbines	**286,454**	**490,764**	**125,385**	**263,461**

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

	01/01/2018 – 30/06/2018	01/01/2017 – 30/06/2017	01/04/2018 – 30/06/2018	01/04/2017 – 30/06/2017
	EUR k	EUR k	EUR k	EUR k
MM92	98,447	111,937	38,184	45,895
MM100	72,301	92,254	29,350	60,443
3.4M	70,506	187,774	33,624	107,197
3.2M	40,477	52,707	23,557	30,971
3.6M	3,560	0	46	0
6M	971	184,304	1,242	93,705
MM82	650	23,192	114	4,824
3.0M	513	22,900	239	14,131
Revenue from the sale of wind turbines	**287,425**	**675,068**	**126,356**	**357,166**

3.2 Other operating income

Other operating income is composed as follows:

	01/01/2018 – 30/06/2018	01/01/2017 – 30/06/2017	01/04/2018 – 30/06/2018	01/04/2017 – 30/06/2017
	EUR k	EUR k	EUR k	EUR k
Currency translation gains	5,052	9,035	2,545	4,289
Insurance payments/Compensations	1,018	9,209	456	2,457
Investment subsidies, research and development subsidies	945	1,197	523	901
Other	2,188	3,811	1,669	2,206
	9,203	**23,252**	**5,193**	**9,853**

3.3 Personnel expenses

	01/01/2018 – 30/06/2018	01/01/2017 – 30/06/2017	01/04/2018 – 30/06/2018	01/04/2017 – 30/06/2017
	EUR k	EUR k	EUR k	EUR k
Wages and salaries	104,992	114,423	53,401	55,406
Social security contributions	21,925	22,826	10,890	10,841
	126,917	**137,249**	**64,291**	**66,247**

The average number of employees in the first half of the 2018 financial year was 4,130 (comparative period: 4,689).

3.4 Other operating expenses

Other operating expenses are composed as follows:

	01/01/2018 – 30/06/2018	01/01/2017 – 30/06/2017	01/04/2018 – 30/06/2018	01/04/2017 – 30/06/2017
	EUR k	EUR k	EUR k	EUR k
Legal and consulting costs	15,718	14,802	6,949	9,123
Purchased services	10,113	9,311	6,123	2,071
IT & telecommunication costs	9,598	9,112	5,369	6,443
Office and land costs	8,656	9,375	4,242	4,683
Currency translation losses	7,749	10,314	2,911	5,778
Travel expenses	7,007	7,555	3,719	3,732
Vehicle costs	4,588	5,241	2,444	2,500
Maintenance & Repairs	3,704	3,570	1,681	1,080
Cost of training and appointing staff	3,576	4,060	1,887	1,091
Other	8,323	12,125	2,743	4,551
	79,032	**85,465**	**38,068**	**41,052**

3.5 Reorganization expenses

In 2017 Senvion announced an extensive program to secure the company's long-term competitiveness. The initiative identified excess costs across the entire company, opportunities to reduce overcapacity in production, and invest in research and development, new technologies as well as the quality of Senvion's products and services. The measures included the closure of production sites in Germany, as well as consolidation and adjustment of organizational structure in products and technology, project management, life cycle engineering among others and efficiency gains in Hamburg-based overhead functions.

The first phase has been completed in April 2018. As of June 30, 2018 Senvion has reduced 602 positions, of which 94% were in Germany and 6% in other locations. As the first phase of the measure was completed in April only 4 additional employees left the company in the con-text of Restructuring in the second quarter of 2018.

Currently a second phase at a smaller scale is ongoing and in consultation with employees' representatives. The Company is exploring ways to further save costs and lower employee costs and has already taken steps affecting net 50 job positions, including mid and senior management positions. As negotiations are ongoing this second phase has not yet resulted in an adjustment of number of employees. This is expected for the second half 2018/beginning 2019 through collective and individual measures.

Restructuring expenses in the first half of the 2018 financial year amount to EUR 7,046 k and are almost entirely composed of employee termination benefits from the second phase of the restructuring.

The restructuring provision as of June 30, 2018 amounts to EUR 8,389 k and consists of EUR 7,186 k of employee termination benefits and EUR 1,203 k related to rent and services with regard to closed locations.

3.6 Financial result

Financial result is composed as follows:

	Section	01/01/2018 – 30/06/2018 EUR k	01/01/2017 – 30/06/2017 EUR k	01/04/2018 – 30/06/2018 EUR k	01/04/2017 – 30/06/2017 EUR k
Share of result from associates and joint ventures		**0**	**–8**	**0**	**–8**
Interest and similar financial income					
Other interests and similar income		2,013	1,167	748	523
Interest and similar financial expense					
High–yield bond	6	–8,457	–32,714	–4,230	–25,694
Guarantee commission		–5,019	–5,237	–2,699	–2,375
Deferred financing fees for guarantees		–2,208	–2,424	–1,104	–1,141
Other		–2,675	–2,042	–1,405	–995
		–18,359	**–42,417**	**–9,438**	**–30,205**
Financial result		**–16,346**	**–41,258**	**–8,690**	**–29,690**

The decrease in interest and similar financial expenses mainly results from the refinancing of the high–yield bond in May 2017. For further information reference is made to section 6.6 in the annual financial report 2017.

4 Consolidated statement of financial position

4.1 Total current assets

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

This item is used to report work in progress which is recognized using an output-based method (milestones) in accordance with IFRS 15 (previous year: IAS 11). Advance payments on the contracts recognized are deducted directly from gross amounts due.

	30/06/2018 EUR k	31/12/2017 EUR k
Gross amount due from or to customers	339,678	377,617
Less advance payments received	–345,992	–509,584
	–6,314	**–131,967**

The net amount of EUR –6,314 k (previous year end: EUR –131,967 k) consists of gross amounts due from customers for contract work as an asset with an amount of EUR 5,298 k (previous year end: EUR 6,822 k) and to customers as a liability with an amount of EUR 11,612 k (previous year end: EUR 138,789 k) as of June 30, 2018.

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

The contract revenue for the respective period were as follows:

	01/01/2018 – 30/06/2018 EUR k	01/01/2017 – 30/06/2017 EUR k	01/04/2018 – 30/06/2018 EUR k	01/04/2017 – 30/06/2017 EUR k
Contract revenue for the period	287,425	675,068	126,356	357,166

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

	30/06/2018 EUR k	31/12/2017 EUR k
Aggregated amount of costs incurred to date	272,390	529,590

4.1.2 Trade accounts receivable

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

	30/06/2018 EUR k	31/12/2017 EUR k
Trade accounts receivable (after bad debt allowances)	181,491	198,801

4.1.3 Inventories

	30/06/2018	31/12/2017
	EUR k	EUR k
Raw materials and supplies	244,802	405,690
Work in progress	525,855	84,749
	770,657	**490,439**

The current period change in work in progress is partially impacted by the first time application of IFRS 15 “Revenue from Contracts with Customers”, whereby a total amount of EUR 151,664 k of cost incurred for projects which do not qualify for revenue recognition under IFRS 15 were accounted for as work in progress following the adoption of the new standard as of January 1, 2018. The respective inventories were previously accounted for under raw materials and supplies. This reclassification has been recorded without impacting the interim condensed consolidated income statement for the period ended June 30, 2018.

Valuation allowances on inventories:

	30/06/2018	31/12/2017
	EUR k	EUR k
Inventories before valuation allowances	802,199	521,155
Thereof not impaired	758,052	482,717
Thereof impaired	44,147	38,438
Valuation allowance	–31,542	–30,716
	770,657	**490,439**

4.1.4 Other current assets

This item is composed of as follows:

	30/06/2018	31/12/2017
	EUR k	EUR k
Other financial assets		
Derivative financial instruments	0	2,075
Others	9,924	10,112
	9,924	**12,187**
Other miscellaneous assets		
Receivables from other taxes	40,599	24,222
Advance payments on inventories	8,939	5,862
Deferred financing fees for guarantees	4,314	7,113
Others	16,690	13,722
	70,542	**50,919**

4.1.5 Assets classified held for sale

In 2017, with regard to the announced reorganization program (please refer to section 3.5 ‘Reorganization expenses’) the Management decided to sell its land and buildings after cessation of operations in Husum and Trampe. The Management considered the land and buildings to meet the criteria to be classified as held for sale as of June 30, 2018 for the following reasons:

The land and buildings in Husum and Trampe are available for immediate sale and can be sold to the buyer in its current condition.

The actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification which was December 31, 2017.

The carrying amount of in total EUR 4,619 k comprises EUR 3,400 k of land and buildings in Husum and EUR 1,219 k in Trampe. All land and buildings belong to the segment onshore.

4.2 Total non-current assets

4.2.1 Other intangible assets

Research and development costs amounted to EUR 40,526 k in the first half year, out of which EUR 22,697 k were spent in the second quarter 2018 (first half of financial year 2017 and Q2 2017: EUR 35,716 k and EUR 16,675 k).

Of the development costs EUR 25,553 k were capitalized in the first half of the 2018 financial year and EUR 14,759 k in the second quarter 2018 (in the first half of the 2017 financial year and Q2 2017: EUR 22,452 k and EUR 9,623 k). Amortization of capitalized development costs amounted to EUR 14,472 k the first half of the 2018 financial year and EUR 7,963 k in the second quarter of the 2018 financial year (in the first half of the 2017 financial year and Q2 2017: EUR 9,898 k and EUR 4,530 k), thereof impairment losses in the amount of EUR 1,513 k were recognized in the first half of financial year 2018.

Technology that was acquired by Senvion S.A. through the acquisition of Senvion GmbH was amortized to the amount of EUR 14,166 k the first half of the 2018 financial year and EUR 7,083 k in the second quarter of the 2018 financial year (in the first half of the 2017 financial year and Q2 2017: EUR 45,454 k and EUR 22,727 k). As the useful life of the technology assets varies from 2.5 – 5 years the decrease in amortization relates to separate technology assets for which the end of useful life was achieved at the end of the previous financial year 2017. Amortization of customer relationship amounted to EUR 5,796 k the first half of the 2018 financial year and EUR 2,898 k in the second quarter of the 2018 financial year (in the first half of the 2017 financial year and Q2 2017: EUR 5,796 k and EUR 2,898 k).

In addition amortization of other intangible assets amounted to EUR 4,866 k in the first half of the 2018 financial year and EUR 3,125 k in the second quarter of the 2018 financial year (in the first half of the 2017 financial year and Q2 2017: EUR 3,481 k and EUR 1,923 k), thereof impairment losses on prepayments in the amount of EUR 2,078 k were recognized in the first half of the 2018 financial year.

4.2.2 Government grants

The group entered an agreement as of April 30, 2018 with the European Commission called "Next Generation 12+MW Rated, Robust, Reliable and Large Offshore Wind Energy Converters for Clean, Low Cost and Competitive Electricity". The agreement is about the development a high performance 12+ MW offshore wind turbine for the next 42 months along. The maximum grant with regard to the group is EUR 11,988 k.

As of June 30, 2018, the group received a pre–financing in the amount of EUR 5,794 k in advance to start to develop the new offshore 12+ MW WEC in a competitive environment. The development costs are being recognized as intangible asset and the grants are deducted from the recognized intangible asset (off–set method) over the period of the project. As of June 30, 2018 grants in the amounted EUR 421k were off–setted with the development costs incurred for the project. The remaining grants of EUR 5,373 k are shown under deferred income.

4.2.3 Income taxes

The Group calculates the period income taxes using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax revenue in the interim condensed consolidated statement of profit or loss are:

	01/01/2018 – 30/06/2018	01/01/2017 – 30/06/2017	01/04/2018 – 30/06/2018	01/04/2017 – 30/06/2017
	EUR k	EUR k	EUR k	EUR k
Deferred taxes	**17,978**	**25,017**	**10,492**	**7,398**
Current income taxes	–1,265	–2,084	–215	–427
Current income taxes for previous years	350	–158	398	23
Income taxes	**17,063**	**22,775**	**10,675**	**6,994**

4.3 Total current liabilities

4.3.1 Advance payments received

Advance payments from customers for orders which do not quality for revenue recognition under IFRS 15 yet are reported as advance payments received.

4.3.2 Provisions

Provisions developed as follows:

	As of 01/01/2018	Addition	Utilization	Reversal	Transferal	As of 30/06/2018
	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
Specific warranty provisions	180,787	28,187	–46,039	–15,336	0	147,599
General warranty provisions	68,894	2,933	–10,810	0	0	61,017
Warranty provisions	**249,681**	**31,120**	**–56,849**	**–15,336**	**0**	**208,616**
Other provisions	50,681	17,925	–13,025	–8,759	1,739	48,561
Total provisions	**300,362**	**49,045**	**–69,874**	**–24,095**	**1,739**	**257,177**

Specific warranty provisions as of June 30, 2018 mainly contain expected costs for technical issues with regards to onshore blades and electricals issues. The decrease of other provisions relates to restructuring provisions in the amount of EUR 8,389 k and consists of EUR 7,186 k of employee termination benefits and EUR 1,203 k related to rent and services with regard to closed locations.

4.3.3 Deferred income

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

4.3.4 Income tax liabilities

Income tax liabilities primarily relate to current taxes for prior financial years.

4.3.5 Other current liabilities

Other current liabilities are composed as follows:

	30/06/2018	31/12/2017
	EUR k	EUR k
Other financial liabilities		
Derivative financial instruments	137	0
Other	8,671	8,512
	8,808	**8,512**
Other miscellaneous liabilities		
Liabilities to employees*	23,534	35,110
Liabilities from other taxes	6,850	38,651
Social security liabilities	1,625	1,728
Other	2,588	–314
	34,597	**75,175**

4.4 Other non-current financial liabilities

Other non-current-financial liabilities relate to a high-yield bond with a nominal value of EUR 400 m with a term ending October 2022. This bond bears interest at a (nominal) fixed rate of 3.875% p.a. and an effective rate of: 4.31% p.a. The book value as of June 30, 2018 is EUR 393,190 k (previous year: EUR 392,483 k).

4.5 Total equity capital

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

Subscribed capital

The share capital consisted unchanged to December 31, 2017 of 65,000,000 shares with a nominal value of 0.01 EUR as of June 30, 2018.

Additional paid-in capital

The increase in additional paid-in capital of EUR 1,592 k results from share-based payments.

Authority to acquire shares (treasury shares)

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

Pursuant to the share buyback program, the Company repurchased 635,374 common shares for a total consideration of EUR 7.9 m during the 2017 financial year. Since the start of the share buyback program a total of 1,115,736 common shares for a total consideration of 15 EUR m were repurchased.

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.

Share-based payments

Senvion introduced a Long-term Incentive Program in 2017 for selected employees and executives (LTIP Staff). The program runs over three years. Also, Senvion introduced a Long-term Incentive Program in 2017 for executives (LTIP Management). The program runs over four years.

The total number of initial performance shares issued under the plan to participants is 427,770 shares and 422,324 shares. The value of one conditionally granted initial performance share ranges from EUR 14.04 to EUR 14.10 (LTIP Staff) and EUR 15.05 to EUR 15.11 (LTIP Management).

The total personnel expense recognized for the year arising from equity compensation plans was as follows:

	01/01/2018 – 30/06/2018	01/01/2017 – 30/06/2017	01/04/2018 – 30/06/2018	01/04/2017 – 30/06/2017
	EUR k	EUR k	EUR k	EUR k
LTIP Staff	937	0	468	0
LTIP Management	655	0	328	0
	1,592	**0**	**796**	**0**

5 Contingent liabilities and other financial obligations

	30/06/2018	31/12/2017
	EUR k	EUR k
Other financial obligations		
Obligations from leases and rental contracts		
Due within 1 year	20,182	19,613
Due within 1 and 5 years	32,224	28,350
Due in more than 5 years	38,530	39,853
	90,936	**87,816**
Purchase commitments		
of which for purchase of inventories	498,396	388,156
of for purchase of property, plant and equipment	5,795	38,528
	504,191	**426,684**

6 Financial instruments

IFRS 9 “Financial Instruments” replaces IAS 39 “Financial Instruments: Recognition and Measurement” for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The required changes due to the implementation of IFRS 9 did not have a material effect on the profit and loss or equity. The group elected not to apply IFRS 9 retrospectively and not to adjust comparative periods.

For trade receivables, the Group has applied the standard’s simplified approach and has calculated individually expected credit losses. The Group considers a trade receivable in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a trade receivable to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The accounting for derivatives embedded in financial assets and has not changed from that required by IAS 39.

Based on the relevant consolidated statement of financial position items, the relationships between the classification of financial instruments in accordance with IFRS 9 and the carrying amounts of financial instruments are shown in the following tables:

		30/06/2018			31/12/2017	
		Carrying amount	Fair value	Category IAS 39**	Carrying amount	Fair value
	Category IFRS 9*	EUR k	EUR k	EUR k	EUR k	EUR k
Liquid funds	AC	132,796	132,796	n.a.	235,211	235,211
Gross amount due from customers for contract work as an asset	AC	5,298	5,298	L+R	6,822	6,822
Trade accounts receivable	AC	181,491	181,491	L+R	198,801	198,801
Loans granted	AC	13,377	13,377	L+R	15,303	15,303
Other financial assets - miscellaneous	AC	6,177	6,177	L+R	10,403	10,403
Other financial assets - loans	AC	3,747	3,747	L+R	1,784	1,784
Other financial investments	FVTPL	225	225	Afs	66	66
Total		**343,111**	**-**		**468,390**	**-**
Other financial assets - financial derivatives at fair value through other comprehensive income (former: classified as hedge instruments)	FVOCI	0	0	n.a.	2,075	2,075

*AC: Amortized cost
FVTPL: Fair value through profit or loss
FVOCI: Fair value through other comprehensive income

** L+R: loans and receivables
Afs: Available-for-sale

Liquid funds, the gross amount due from customers for contract work as an asset, trade accounts receivables, 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:

		30/06/2018			31/12/2017	
		Carrying amount	Fair value	Category IAS 39**	Carrying amount	Fair value
	Category IFRS 9*	EUR k	EUR k	EUR k	EUR k	EUR k
Trade accounts payable	AC	393,139	393,139	OL	339,824	339,824
Long-term loans	AC	258	258	OL	2,559	2,559
Other non-current financial liabilities	AC	393,190	343,220	OL	392,483	376,520
Other current financial liabilities	AC	8,808	8,808	OL	8,512	8,512
Total		**795,395**	**-**		**743,378**	**-**
Other financial liabilities - financial derivatives at fair value through other comprehensive income (former: classified as hedge instruments)	FVOCI	137	137	n.a.	0	0

* AC: Amortized cost
FVOCI: Fair value through other comprehensive income

** OL: other liabilities

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

7 Related parties’ disclosures

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

8 Events after the reporting date

Senvion is building a Windfarm in Argentina (Los Hercules) since last year. The inflation in Argentina has been high for a number of years. The current released initial inflation figures shows that the inflation exceeded 100% on a cumulative three year period. These indicator indicates that the Argentinian economy is hyperinflationary and therefore IAS 29 ”Financial Reporting in Hyperinflationary Economies” shall be applied. Therefore, the group will monitor for the upcoming financial statements if the inflation in Argentina will meet the requirements in IAS 29.

Kumar Manav Sharma
(CEO/CFO)

David Jon Hardy
(CSO)

Report on review of Interim Condensed Consolidated Financial Statements

To the shareholders of
Senvion S.A.
46a, Avenue John F. Kennedy
L-1855 Luxembourg

Introduction

We have reviewed the accompanying Interim Condensed Consolidated Financial Statements of Senvion S.A. as of 30 June 2018, which comprise the interim condensed consolidated statement of financial position as at 30 June 2018 and the related interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity, the interim condensed consolidated cash flow statement and explanatory notes. The Management Board is responsible for the preparation and fair presentation of these Interim Condensed Consolidated Financial Statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting as adopted by the European Union ("IAS 34"). Our responsibility is to express a conclusion on these Interim Condensed Consolidated Financial Statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Condensed Consolidated Financial Statements are not prepared, in all material respects, in accordance with IAS 34.

Other information

The interim consolidated Management Report, which is the responsibility of the Management Board, is consistent with the Interim Condensed Consolidated Financial Statements.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Jeannot Weyer

Luxembourg, August 13, 2018

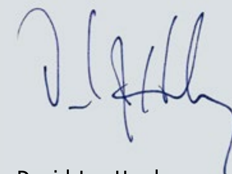
Forward-looking statements

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

Responsibility statement

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

Senvion S.A.
Luxembourg, August 13, 2018



Kumar Manav Sharma
(CEO/CFO)

David Jon Hardy
(CSO)

BR/2017/EN/AR

Senvion S.A.

46a, Avenue John F. Kennedy
L-1855 Luxembourg
T + 352 26 00 52 85
F + 352 26 00 53 01
info@senvion.com
www.senvion.com

© 2018 Senvion S.A. All rights reserved.

Legal reference
This Half-Year Financial Report for the first half of fiscal year 2018 contains statements oriented to future developments which are based on our current assumptions and prognoses. As a result of known as well as unknown risks, uncertainty and influences, the actual results, financial situation or development may deviate from the assumptions presented in this document. We shall not assume any obligation to update any statements tuned to future developments.