

**Audit Report on Consolidated Financial Statements  
issued by an Independent Auditor**

**SIEMENS GAMESA RENEWABLE ENERGY, S.A. and Subsidiaries  
Consolidated Financial Statements and Management Report  
for the fiscal year ended  
September 30, 2018**

Translation of a report and consolidated financial statements originally issued in Spanish.  
In the event of discrepancy, the Spanish-language version prevails (See Note 37)

## AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

To the shareholders of SIEMENS GAMESA RENEWABLE ENERGY, S.A.:

### Report on the consolidated financial statements

#### Opinion

We have audited the consolidated financial statements of SIEMENS GAMESA RENEWABLE ENERGY, S.A. (hereinafter the parent company) and subsidiaries (hereinafter the Group), which comprise the consolidated balance sheet as at September 30, 2018, the consolidated statement of profit and loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, and the notes thereto for the fiscal year then ended.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the equity and financial position of the Group as at September 30, 2018 and of its financial performance and its cash flows, all of them consolidated, for the fiscal year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and other provisions in the regulatory framework applicable to the Group in Spain (identified in Note 2 to the accompanying consolidated financial statements) and, specifically, the accounting principles and criteria contained therein.

#### Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the consolidated financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

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

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

### MERGER OF THE SIEMENS WIND POWER BUSINESS WITH GAMESA

Reason for classification as a key audit matter:

On April 3, 2017, the merger of the Siemens wind power business with Gamesa Corporación Tecnológica S.A., (“Gamesa”) was completed. The Siemens Group holds 59% of the shares while Gamesa’s former shareholders hold 41% of the shares of the combined entity. This transaction has been accounted for in accordance with IFRS 3, *Business Combinations* and the purchase price allocation was completed during the measurement period of one year. For accounting purposes, this merger qualified as a reverse acquisition, by which the Siemens wind power business was considered as the accounting acquirer (legal acquiree) and GAMESA as the accounting acquiree (legal acquirer). This was because the Siemens Wind Power HoldCo shareholders as a group received the majority of the voting rights in the merged entity. Accordingly, the assets and liabilities of former GAMESA were measured in the Consolidated Financial Statements at their fair values as of the acquisition date.

Due to the complexity of the transaction and the associated significant risk of material misstatement, and considering the assumptions and estimates required to be made by management as part of the purchase price allocation, the accounting for this business combination was, in our professional judgment, a key audit matter.

Audit procedures:

Our audit procedures in relation to the final purchase price allocation included, in addition to assessing the consideration transferred by Siemens, the evaluation of the methodological approach of the external expert engaged by management with respect to the identification of assets acquired as well as the conceptual evaluation of valuation models considering the requirements of IFRS 3. With the assistance of our internal valuation specialists, we examined the valuation methods applied in terms of the requirements defined in IFRS 13, *Fair Value Measurements*. Furthermore, we analyzed whether the assumptions and estimates (such as growth rates, cost of capital, royalty rates or remaining useful lives) used in determining the fair value of identifiable assets acquired and liabilities assumed (including contingent liabilities) as of the acquisition date correspond to general and industry-specific market expectations. Additionally, we reperformed the calculations in the models and reconciled the expected future cash flows underlying the measurements with, inter alia, internal business plans. We inquired management about the key assumptions and obtained evidence for the explanations provided by comparing key assumptions to market data, underlying accounting records, past performance of the acquired business and the company’s forecasts.

Reference to the accompanying disclosures:

The Company's disclosures regarding the accounting treatment of the merger of the Siemens' wind power business with Gamesa are presented in the notes to the consolidated financial statements in note 1.B "Merger of Siemens wind power business with Gamesa" and note 1.D "Reverse acquisition". The Company's disclosures regarding the transaction as well as disclosures regarding the final purchase price allocation are presented in note 4 "Acquisitions, dispositions and discontinued operations".

## REVENUE RECOGNITION ON CONSTRUCTION CONTRACTS

Reason for classification as a key audit matter:

The Siemens Gamesa Renewable Energy Group conducts a significant portion of its business under construction contracts. Revenue recognition for such contracts is recognized in accordance with IFRS 15, *Revenue from Contracts with Customers*, generally by applying the percentage-of-completion ("PoC") method. We consider the accounting for construction contracts to be an area posing a significant risk of material misstatement (including the potential risk of management override of internal controls) and accordingly a key audit matter, because management's assessments significantly impact the determination of the extent of progress towards completion. These assessments include, in particular, the scope of deliveries and services required to fulfill contractually defined obligations, total estimated contract costs, remaining cost to complete the contract, total estimated contract revenues as well as contract risks, including technical, regulatory, political and legal risks.

Revenue, total contract costs and profit recognition may deviate significantly from original estimates based on new or additional information about cost overruns and changes in project scope over the term of a construction contract.

Furthermore, the first-time application of IFRS 15 in fiscal year 2018 was of particular significance for our audit as it required the group-wide assessment of contracts in relation to the new accounting criteria.

Revenue recognition according to the POC method requires SGRE management to make significant estimates regarding the planned revenues and costs, as well as the margin and the percentage of completion for each contract. Since revenues are recognized based on these estimates in each period, there is a high degree of management judgement involved. For this reason, we have considered this matter as a key audit matter for our audit.

Audit procedures:

As part of our audit, we obtained an understanding of the Group's internally established methods, processes and control mechanisms for project management in the bid and execution phases of construction contracts. We also assessed the design and operating effectiveness of the accounting-related internal controls by obtaining an understanding of business transactions specific to construction contracts from the initiation of the transaction through presentation in the consolidated financial statements, and testing controls over these processes.

As part of our substantive audit procedures, we evaluated management's estimates and assumptions based on a risk-based selection of a sample of contracts. Our sample particularly included projects that are subject to significant future uncertainties and risks, such as fixed-price or turnkey projects; projects with complex technical requirements or with a large portion of materials or services to be provided by suppliers, subcontractors, cross-border projects, and projects with changes in cost estimates, delays and/or low or negative margins.

Our audit procedures included, among others, review of the contracts and their terms and conditions including contractually agreed partial deliveries and services, termination rights, penalties for delay and breach of contract as well as liquidated damages. In order to evaluate whether revenues were recognized on an accrual basis for the selected projects, we analyzed billable revenue and corresponding cost of sales to be recognized in the consolidated statement of profit and loss in the reporting period considering the percentage of completion, and examined the accounting for the associated items in the consolidated balance sheet. Considering the requirements of IFRS 15, we also assessed the accounting for contract amendments or contractually agreed options. We further performed inquiries of project management (both commercial and technical project managers) with respect to the development of the projects, the reasons for deviations between planned and actual costs, the current estimated costs to complete the projects, and management's assessment on probabilities that contract risks will materialize.

In designing our audit procedures, we obtained evidence from third parties for selected projects (e.g., project acceptance documentation, contractual terms and conditions, and lawyers' confirmations regarding alleged breaches of contract and claims asserted) and inspected plant and project locations. To identify anomalies in the development of margins throughout the projects' execution, we also applied data analysis procedures.

Due to the large contract volume and risk profile, in particular with respect to the developments of the power generation markets, our audit procedures especially focused on large contracts for the construction of off- and onshore wind parks.

With respect to the first-time application of IFRS 15, we obtained an understanding of the processes implemented by the Company in response to the new standard. In assessing the contract analysis performed by management, we evaluated in particular whether the requirements to recognize revenue over a period of time have been met based on a sample of construction contracts. We also appraised the disclosures on the effects of the first-time application of IFRS 15 in the notes to the consolidated financial statements.

Reference to the accompanying disclosures:

The Company's disclosures regarding revenue recognition on construction contracts are presented in the notes to the consolidated financial statements under note 3.u "Accounting principles and policies and key judgments and estimates". The Company's disclosures regarding provisions for impending order related losses- and risks are presented under note 19 "Provisions".

## PROVISIONS

Reason for classification as a key audit matter:

In our professional judgment, the accounting for provisions for warranties as well as other legal and quality matters from or in connection with construction contracts was a key audit matter. These matters are particularly uncertain and require estimates that could significantly influence the recognition and measurement of respective provisions and thus, the financial position and results of operations. The uncertainties and judgmental estimates mainly concern the expected failure rates, expected repair costs, complexity of the necessary repair or replacement work, the expected period of cash outflows as well as the discount rates. As a consequence, there is significant judgment associated with the provisions to cover these risks.

Audit procedures:

Our audit procedures, amongst others, included reviewing the supporting documentation for the utilization of the provisions as of September 30, 2018, validating the consistency with the most updated internal technical reports, and when available, also with the external advisors conclusions for main technical issues. Additionally, we have compared the failure rate prediction and forecasting of the average cost per exchange to incurred actuals and assessed the related warranty provisions.

Considering the aforementioned uncertainties, our audit procedures related to provisions for warranties and other quality matters focused on the expected failure rates, expected repair costs and the expected period of cash outflows as well as the discount rates.

Our audit procedures contained, among other things, assessing the appropriateness as audit evidence of the report from the independent experts engaged by the legal representatives to support the calculation of the expected failure rates. In addition, we assessed the statistical methodologies applied for calculating the expected failure rates using the expertise of our valuation specialists taking into account the significant judgmental estimates in particular due to the long duration. Furthermore, we evaluated current fiscal year modifications regarding expected costs and failure rates and compared actual costs and failure rates to the prior fiscal year expectations. For expected repair costs, we inquired technical and commercial managers about the current cost estimates used for the calculation.

In the course of our audit of the accounting treatment of legal and regulatory proceedings, we have concerned ourselves with the processes implemented by the Group for identifying, assessing and accounting for legal and regulatory proceedings. To determine which potential significant pending legal proceedings or claims asserted are known and to assess estimates made by the legal representatives regarding the expected cash outflows, our audit procedures included inquiring of legal representatives and other persons within the group entrusted with these matters, obtaining written explanations from internal legal counsel addressing the measurement of the estimated cash outflow and the probability of occurrence, obtaining confirmations from external legal advisors as well as assessing written statements with respect to the accounting treatment in the consolidated financial statements. We also examined legal consulting expense accounts for any indications of legal matters not yet considered.



Reference to the accompanying disclosures:

The Company's disclosures regarding the accounting treatment of provisions are presented in the notes to the consolidated financial statements in note 3.k "Accounting principles and policies and key judgments and estimates". The Company's disclosures regarding provisions are presented in note 19 "Provisions".

## FAIR VALUE MEASUREMENTS

Reason for classification as a key audit matter:

In our professional judgment, the accounting treatment of fair value measurements was a key audit matter as the SGRE Group accounts for significant amount of goodwill, intangible assets and inventories. The measurement of these matters is particularly uncertain and requires estimates that could significantly influence the amounts accounted for and thus the financial position and results. The uncertainties and judgmental estimates particularly concern assessing the fair value of these assets according to IFRS 13. In addition, goodwill and intangible assets with an indefinite-life must be tested for impairment on an annual basis. This is done by determining the recoverable amount of these assets, being the higher of value-in-use and fair value less costs to dispose. This requires significant judgements on current market conditions such as future price expectation as well as expected growth rates, the timing of future cash flows and the most appropriate discount and long-term growth rates. As a consequence, there is significant judgement regarding the fair value measurement of these assets.

Audit procedures:

In relation to the impairment tests performed for goodwill and intangible assets, we validated the key assumptions as disclosed in note 13 of the consolidated financial statements where possible with external market data.

With the assistance of our valuation specialists, we verified the calculation methodologies applied with regard to the discounted cash flow model used in determining the recoverable amounts of the assets and the requirements according to IFRS 13. Furthermore, we analyzed whether the assumptions and judgmental estimates used in determining the future cash flows as well as the parameters used are in line with the accounting treatment.

We also inquired senior management and challenged the judgements made to assess the parameters used and the estimated cash flows. Additionally, we recalculated the models used to support the recoverable amount of the assets and reconciled expected future cash flows, among other, with internal business plans. We inquired management of the key assumptions and obtained evidence for the explanations provided by comparing key assumptions to market data, underlying accounting records, past performance of the entity and the company's forecasts.

We also tested management's sensitivity analyses around key assumptions i.e. average future growth rate, long-term average growth rate and discount rate applied for the segments and challenged management on the outcomes of the assessment. We also assessed the disclosures regarding the fair value measurements with regard to the requirements under IFRS 13.

As part of our audit, we verified that inventories are measured at the lower of cost or net realizable value. In case net realizable value was below the recognized costs of these inventories, we audited that the respective inventory item was re-measured. In addition, we evaluated whether quantity risks (e.g. slow-moving or surplus items), technical risks (e.g. technical obsolescence, impaired usability, inventories destined for scrapping) and price risks (e.g. caused by changes in the price level) were considered. We also inquired senior management and challenged the judgments made regarding future price estimates, the potential project pipeline related to these inventories and the assessment of technical obsolescence used to determine the realizable value.

Reference to the accompanying disclosures:

The Company's disclosures regarding the accounting treatment of fair value measurements are presented in the notes to the consolidated financial statements in note 3 "Accounting principles and policies and key judgments and estimates". The Company's disclosures regarding fair value measurements are presented in note 4 "Acquisitions, dispositions and discontinued operations".

#### **Other information: consolidated management report**

Other information refers exclusively to the 2018 consolidated management report, the preparation of which is the responsibility of the Parent Company's directors and is not an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. Our responsibility for the information contained in the consolidated management report is defined in prevailing audit regulations, which distinguish two levels of responsibility:

a) A specific level applicable to the non-financial information statement, as well as certain information included in the Corporate Governance Report, as defined in article 35.2 b) of Law 22/2015 on auditing, which solely requires that we verify whether said information has been included in the consolidated management report or where applicable, that the consolidated management report includes the corresponding reference to the separate non-financial report as stipulated by prevailing regulations and if not, disclose this fact.

b) A general level applicable to the remaining information included in the consolidated management report, which requires us to evaluate and report on the consistency of said information in the consolidated financial statements, based on knowledge of the Group obtained during the audit, excluding information not obtained from evidence. Moreover, we are required to evaluate and report on whether the content and presentation of this part of the consolidated management report are in conformity with applicable regulations. If, based on the work carried out, we conclude that there are material misstatements, we are required to disclose them.

Based on the work performed, as described above, we have verified that the information referred to in paragraph a) above is provided in the consolidated management report, and that the remaining information contained therein is consistent with the information provided in the 2018 consolidated financial statements and their content and presentation are in conformity with applicable regulations.



## **Responsibilities of the parent company directors and the audit, compliance and related party transactions committee for the consolidated financial statements**

The parent company directors are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the equity, financial position and consolidated results of the Group, in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the parent company directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit, compliance and related party transactions committee is responsible for overseeing the Group's financial reporting process.

## **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing audit regulations in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the parent company management.
- Conclude on the appropriateness of the parent company director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit, compliance and related party transactions committee of the parent company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit, compliance and related party transactions committee of the parent company with a statement that we have complied with relevant ethical requirements, including those related to independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit, compliance and related party transactions committee of the parent company, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

## **Report on other legal and regulatory requirements**

### **Additional report to the audit, compliance and related party transactions committee of the parent company**

The opinion expressed in this audit report is consistent with the additional report we issued to the audit, compliance and related party transactions committee of the parent company on November 23, 2018.

### **Term of engagement**

The ordinary general shareholders' meeting held on March 23, 2018 appointed us as Group auditors for one year, commencing on October 1, 2017.

Previously, we were appointed as auditors by the shareholders for four years and we have been carrying out the audit of the consolidated financial statements continuously since January 1, 2014.

ERNST & YOUNG, S.L.

Signed on the original in Spanish

November 23, 2018

**Siemens Gamesa Renewable Energy, S.A. and  
subsidiaries composing the SIEMENS  
GAMESA Group**

Consolidated Financial Statements and Management's  
Report for the year ended September 30, 2018

# Table of Contents

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2018:

1.	Formation of the Group and its activities.....	6
2.	Basis of presentation and consolidation of the Consolidated Financial Statements.....	9
3.	Accounting principles and policies and key judgments and estimates.....	19
4.	Acquisitions, disposals and discontinued operations.....	32
5.	Financial Risk Management policy.....	33
6.	Earnings allocation.....	36
7.	Cash and other cash equivalents.....	37
8.	Trade and other receivables.....	37
9.	Financial instruments by category.....	38
10.	Derivative financial instruments.....	39
11.	Customer contracts.....	42
12.	Inventories.....	43
13.	Goodwill.....	43
14.	Other intangible assets.....	45
15.	Property, plant and equipment.....	46
16.	Investments accounting for using the equity method.....	48
17.	Non – current financial assets.....	49
18.	Debt.....	51
19.	Provisions.....	53
20.	Other current assets and liabilities.....	54
21.	Post-employment benefits.....	55
22.	Other non-current liabilities.....	57
23.	Equity of the Parent Company.....	57
24.	Non – controlling interests.....	61
25.	Financial reporting by segment.....	61
26.	Income tax.....	63
27.	Deferred taxes.....	65
28.	Commitments, warranties to third parties and contingent liabilities.....	67
29.	Revenue and expense.....	67
30.	Related party balances and transactions.....	71
31.	Directors' remuneration.....	74
32.	Remuneration of Senior Management.....	77
33.	Earnings per share.....	77
34.	Information regarding the deferral of payments made to suppliers.....	78
35.	Fees for the services rendered by the auditors of the financial statements.....	78
36.	Subsequent events.....	79
37.	Explanation added for translation to English.....	79

APPENDIX

MANAGEMENT REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2018

Translation of Consolidated Financial Statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (Note 37)

**SIEMENS GAMESA RENEWABLE ENERGY, S.A. AND SUBSIDIARIES  
COMPOSING SIEMENS GAMESA GROUP**

CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 2018 AND 2017  
Thousands of euros

	Note	09.30.2018	09.30.2017 (*)
<b>Assets</b>			
Cash and cash equivalents	7	2,429,034	1,659,468
Trade and other receivables	8	1,113,918	1,081,139
Other current financial assets	9	171,036	175,669
Receivables from the Siemens group	30	28,486	62,010
Contract assets	11	1,572,188	1,240,915
Inventories	12	1,499,178	2,095,993
Current income tax assets		172,856	188,251
Other current assets	20	362,382	341,865
<b>Total current assets</b>		<b>7,349,078</b>	<b>6,845,310</b>
Goodwill	13	4,557,607	4,688,743
Other intangible assets	14	2,022,423	2,259,253
Property, plant and equipment	15	1,442,503	1,519,516
Investments accounting for using the equity method	16	73,036	73,609
Other financial assets	9 and 17	240,227	245,832
Deferred tax assets	27	366,957	580,279
Other assets		100,906	109,385
<b>Total non-current assets</b>		<b>8,803,659</b>	<b>9,476,617</b>
<b>Total assets</b>		<b>16,152,737</b>	<b>16,321,927</b>
<b>Liabilities and equity</b>			
Debt	9 and 18	990,538	797,018
Trade payables		2,416,394	2,264,989
Other current financial liabilities	9	103,772	96,267
Payables to the Siemens group	30	341,710	363,543
Contract liabilities	11	1,670,176	1,716,581
Current provisions	19	730,522	797,035
Current income tax liabilities		166,943	154,456
Other current liabilities	20	683,559	696,487
<b>Total current liabilities</b>		<b>7,103,614</b>	<b>6,886,376</b>
Debt	9 and 18	823,248	485,116
Post-employment benefits	21	12,635	12,617
Deferred tax liabilities	27	364,158	683,845
Provisions	19	1,702,108	1,951,123
Other financial liabilities	9	184,963	200,988
Other liabilities	22	31,060	17,015
<b>Total non-current liabilities</b>		<b>3,118,172</b>	<b>3,350,704</b>
Issued capital	23.A	115,794	115,794
Capital reserve	23.B	5,931,874	5,931,874
Unrealised asset and liability revaluation reserve	23.C	40,075	55,782
Retained earnings		583,832	493,745
Treasury shares, at cost	23.E	(20,343)	(21,505)
Currency translation differences		(722,507)	(493,657)
Non-controlling interest	24	2,226	2,814
<b>Total equity</b>		<b>5,930,951</b>	<b>6,084,847</b>
<b>Total liabilities and equity</b>		<b>16,152,737</b>	<b>16,321,927</b>

(\*) Adjusted figures at September 30, 2017 (see Note 2.E).

The accompanying Notes 1 to 37 are an integrated part of these Consolidated Financial Statements.



Translation of Consolidated Financial Statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (Note 37)

**SIEMENS GAMESA RENEWABLE ENERGY, S.A. AND SUBSIDIARIES  
COMPOSING SIEMENS GAMESA GROUP**

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR  
THE YEAR ENDED SEPTEMBER 30, 2018 AND 2017**

Thousands of euros

	Note	12 months period ended 09.30.2018	9-months period ended 09.30.2017 (*)
Revenue	25 and 29.A	9,122,272	6,538,198
Cost of sales		(8,167,776)	(5,956,764)
<b>Gross profit</b>		<b>954,496</b>	<b>581,434</b>
Research and development expenses	14	(165,594)	(140,957)
Selling and general administrative expenses		(567,495)	(414,198)
Other operating income		18,347	4,264
Other operating expenses		(28,885)	(30,546)
Income (loss) from investments accounted for using the equity method, net	16	(431)	410
Interest income	29.F	15,167	9,389
Interest expenses	29.G	(54,628)	(31,337)
Other financial income (expenses), net	29.H	(3,190)	(1,455)
<b>Income from continuing operations before income taxes</b>		<b>167,787</b>	<b>(22,996)</b>
Income tax	26	(97,857)	10,217
<b>Income from continuing operations</b>		<b>69,930</b>	<b>(12,779)</b>
Income from discontinued operations, net of income taxes		-	-
<b>Net income</b>		<b>69,930</b>	<b>(12,779)</b>
<b>Attributable to:</b>			
Non-controlling interests	24	(63)	2,428
Shareholders of Siemens Gamesa Renewable Energy, S.A.		69,993	(15,207)
<b>Earnings per share in euros (basic and diluted)</b>	33	0.10	(0.03)

(\*) The Consolidated Statement of Profit and Loss for the 9-month period ended September 30, 2017 is presented for comparative purposes only.

The accompanying Notes 1 to 37 are an integrated part of these Consolidated Financial Statements.

Translation of Consolidated Financial Statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (Note 37)

**SIEMENS GAMESA RENEWABLE ENERGY, S.A. AND SUBSIDIARIES  
COMPOSING SIEMENS GAMESA GROUP**

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR  
THE YEAR ENDED SEPTEMBER 30, 2018 AND 2017

Thousands of euros

	Note	12 months period ended 09.30.2018	9-months period ended 09.30.2017 (*)
<b>Net income</b>		<b>69,930</b>	<b>(12,779)</b>
<b>Items that may be subsequently reclassified into profit and loss</b>			
Currency translation differences		(228,850)	(486,726)
Remeasurements of defined benefit plans	21	321	(2,064)
Tax effect	27	(99)	(852)
Derivative financial instruments	23.C	(25,411)	51,013
Tax effect	23.C and 27	8,606	(14,992)
<b>Amounts transferred to profit and loss</b>			
Derivative financial instruments	23.C	22,321	(3,416)
Tax effect	23.C and 27	(5,865)	1,206
<b>Other comprehensive income, net of taxes</b>		<b>(228,977)</b>	<b>(455,831)</b>
<b>Total comprehensive income</b>		<b>(159,047)</b>	<b>(468,610)</b>
<b>Attributable to:</b>			
Non-controlling interests	24	(63)	2,428
Shareholders of Siemens Gamesa Renewable Energy, S.A.		(158,984)	(471,038)

(\*) Adjusted figures for the 9-month period ended September 30, 2017 (Note 2.E).

The accompanying Notes 1 to 37 are an integrated part of these Consolidated Financial Statements.

Translation of Consolidated Financial Statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (Note 37)

**SIEMENS GAMESA RENEWABLE ENERGY, S.A. AND SUBSIDIARIES**  
**COMPOSING SIEMENS GAMESA GROUP**  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR  
THE YEAR ENDED SEPTEMBER 30, 2018 AND 2017  
Thousands of euros

	Issued capital	Capital reserve	Unrealised asset and liability revaluation reserve	Retained earnings	Treasury shares at cost	Currency translation differences	Non-controlling interests	Total equity
<b>Balances as of December 31, 2016</b>	<b>68,319</b>	-	<b>21,971</b>	<b>502,682</b>	-	<b>(6,931)</b>	<b>66</b>	<b>586,107</b>
Total comprehensive income for the year ended September 30, 2017	-	-	-	(15,207)	-	-	2,428	(12,779)
Other comprehensive income, net of taxes	-	-	33,811	(2,916)	-	(486,726)	-	(455,831)
Share-based payments (Note 3.R)	-	-	-	10,668	-	-	-	10,668
Treasury shares transactions (Note 23.E)	-	-	-	(16,205)	15,905	-	-	(300)
Issuance of shares	47,475	6,192,337	-	-	(37,410)	-	448	6,202,850
Contribution	-	813,351	-	-	-	-	-	813,351
Extraordinary Dividend (Note 1.B)	-	(998,674)	-	-	-	-	-	(998,674)
Ordinary Dividend	-	(75,140)	-	-	-	-	-	(75,140)
Other changes in equity	-	-	-	14,723	-	-	(128)	14,595
<b>Balances as of September 30, 2017 (*)</b>	<b>115,794</b>	<b>5,931,874</b>	<b>55,782</b>	<b>493,745</b>	<b>(21,505)</b>	<b>(493,657)</b>	<b>2,814</b>	<b>6,084,847</b>
Total comprehensive income for the year ended September 30, 2018	-	-	-	69,993	-	-	(63)	69,930
Other comprehensive income, net of income taxes	-	-	(349)	222	-	(228,850)	-	(228,977)
Share-based payments (Note 3.R)	-	-	-	2,077	-	-	-	2,077
Treasury shares transactions (Note 23.E)	-	-	-	(1,184)	1,162	-	-	(22)
Other changes in equity	-	-	(15,358)	18,979	-	-	(525)	3,096
<b>Balances as of September 30, 2018</b>	<b>115,794</b>	<b>5,931,874</b>	<b>40,075</b>	<b>583,832</b>	<b>(20,343)</b>	<b>(722,507)</b>	<b>2,226</b>	<b>5,930,951</b>

(\*) Adjusted figures for the period ended September 30, 2017 (Note 2.E).  
The accompanying Notes 1 to 37 are an integrated part of these Consolidated Financial Statements.

Translation of Consolidated Financial Statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (Note 37)

**SIEMENS GAMESA RENEWABLE ENERGY, S.A. AND SUBSIDIARIES**  
**COMPOSING SIEMENS GAMESA GROUP**  
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED SEPTEMBER 30, 2018 AND 2017  
Thousands of euros

Note	12 months period ended 09.30.2018	9-months period ended 09.30.2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before taxes	167,787	(22,996)
<b>Adjustments to reconcile income before taxes to cash flows from operating activities</b>		
Interest (income) expenses, net	29.F, 29.G and 29.H 42,651	23,402
Amortization, depreciation and impairments	14 and 15 645,222	472,011
(Income) loss related to investing activities	(6,979)	3,467
Other non-cash (income) expenses	24,195	26,863
Change in operating net working capital		
Contract assets	(359,384)	(134,431)
Inventories	552,086	(531,925)
Trade and other receivables	(79,928)	318,623
Trade payables	164,990	(48,636)
Contract liabilities	(10,439)	(330,834)
Change in other assets and liabilities	(322,454)	(38,045)
Income taxes paid	(102,850)	(94,307)
Dividends received	302	2
Interest received	13,544	7,813
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>728,743</b>	<b>(348,993)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to intangible assets and property, plant and equipment	14 and 15 (415,076)	(411,865)
Acquisitions of businesses, net of cash acquired	4 -	9,150
Purchase of investments	(3,895)	(2,017)
Disposal of intangibles and property, plant and equipment	1,719	4,119
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(417,252)</b>	<b>(400,613)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash contributions from majority shareholder	1.B -	813,351
Change in short-term debt and other financing activities	552,758	261,263
Financing transactions with related parties	-	1,341,543
Dividends paid	(65)	(75,140)
Interest paid	(50,913)	(27,421)
Purchase / sales of treasury shares	(22)	(300)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>501,758</b>	<b>2,313,296</b>
<b>EFFECT OF FOREIGN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS</b>	<b>(43,683)</b>	<b>(52,445)</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>769,566</b>	<b>1,511,245</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>1,659,468</b>	<b>148,223</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>2,429,034</b>	<b>1,659,468</b>

(\*) Adjusted figures at September 30, 2017 (see Note 2.E).

The accompanying Notes 1 to 37 are an integrated part of these Consolidated Financial Statements.

# Siemens Gamesa Renewable Energy, S.A. and Subsidiaries composing the SIEMENS GAMESA Group

Notes to the Consolidated Financial Statements for the year  
ended September 30, 2018

## 1. Formation of the Group and its activities

### A. GENERAL INFORMATION

The Consolidated Financial Statements present the financial position and the results of operations of Siemens Gamesa Renewable Energy, S.A. (previously, Gamesa Corporación Tecnológica, S.A.) (hereinafter, “the Company” or “SIEMENS GAMESA”), whose corporate address is located at Parque Tecnológico de Bizkaia, Building 222, Zamudio (Bizkaia, Spain), and its subsidiaries (together referred to as “the Group” or “the SIEMENS GAMESA Group”).

The General Shareholders’ Meeting of the Company held on June 20, 2017 approved, among others, the change of the Company name from Gamesa Corporación Tecnológica, S.A. to Siemens Gamesa Renewable Energy, S.A., as well as the change of the year end closing date, from December 31 to September 30.

The SIEMENS GAMESA Group specialises in the development and construction of wind farms, as well as engineering solutions, design, production and sale of wind turbines. The corporate purpose of the Company is to promote and foster companies, and to do so it may carry out the following operations:

- a) The subscription and purchase of shares or stocks, or of securities that can be converted into these, or which grant preferential purchase rights of companies whose securities are listed or not in national or foreign stock exchanges;
- b) The subscription and purchase of fixed-income securities or any other securities issued by companies in which they hold a stake, as well as the granting of participatory loans or guarantees; and
- c) To directly provide advisory services and technical assistance to the companies in which it holds a stake, as well as other similar services related to the management, financial structure and production or marketing processes of those companies.

These activities will focus on the promotion, design, development, manufacture and supply of products, installations and technologically advanced services in the renewable energy sector.

All the activities comprising the aforementioned corporate purpose can be undertaken both in Spain and abroad, and can be carried out completely or partially, in an indirect manner, through the ownership of shares or stocks in companies with the same or similar purpose.

The Company will not undertake any activity for which the laws require specific conditions or legal limitations, unless these conditions or limitations are exactly fulfilled.

Its activities are divided into two business segments: Wind Turbines and Operation and Maintenance. The Wind Turbines segment offers wind turbines for various pitch and speed technologies, as well as provides development, construction and sale of wind farms. The Operation and Maintenance segment is responsible for the management, monitoring and maintenance of wind farms.

In addition to the operations carried out directly, SIEMENS GAMESA is the head of a group of subsidiaries that engage in various business activities and which compose, together with the Company, the SIEMENS GAMESA Group.

Therefore, in addition to its own separate Financial Statements, the Company is obliged to present Consolidated Financial Statements for the Group including its interests in joint ventures and investments in associates. The companies that are part of the Group are listed in the Appendix.

The SIEMENS GAMESA Group's Consolidated Financial Statements for the period ended September 30, 2018 have been issued for approval by the Directors in the Board of Directors held on November 23, 2018.

The Company's Bylaws and other public information of the Company can be consulted on the website [www.siemensgamesa.com](http://www.siemensgamesa.com) and at its corporate address.

The SIEMENS GAMESA Group prepares and reports its Consolidated Financial Statements in thousands of euros. Due to rounding, numbers presented may not add up precisely to the provided totals.

## **B. MERGER OF SIEMENS'S WIND POWER BUSINESS WITH GAMESA**

On June 17, 2016, Gamesa Corporación Tecnológica, S.A. (hereinafter, "GAMESA") and SIEMENS AG (hereinafter, "SIEMENS") signed a binding merger agreement whereby both parties agreed on the terms and conditions pursuant to which GAMESA and the SIEMENS's Wind Power Business (as defined in the agreement) would be combined by way of statutory merger by absorption of Siemens Wind HoldCo, S.L. (as absorbed entity) by and into GAMESA (as absorbing entity) (hereinafter, the "Merger"), with the dissolution without liquidation of the former and the en bloc transfer of all of its assets and liabilities to the latter, which would acquire by universal succession all of the rights and obligations of Siemens Wind HoldCo, S.L.

At the signing date of the Merger agreement, the SIEMENS's Wind Power Business was not held by a separate subgroup within the SIEMENS Group but by various entities within it. In order to allow the integration of the SIEMENS's Wind Power Business with GAMESA's business through the Merger, SIEMENS implemented an internal carve-out process, as a result of which the SIEMENS's Wind Power Business was held, directly or indirectly, by Siemens Wind HoldCo, S.L., Zamudio (Spain).

The carve-out was implemented through: (i) the execution of asset transfer agreements and/or (ii) the acquisition, transfer or contribution of shares. As a result of the foregoing, Siemens Wind HoldCo, S.L. became the direct or indirect owner of the SIEMENS's Wind Power Business.

In the context of the SIEMENS's Wind Power business carve-out, Siemens Wind HoldCo, S.L.'s shares were split and assigned a nominal value of EUR 0.17 per share and SIEMENS approved a share capital increase of Siemens Wind HoldCo, S.L. by contributions in kind, effective as of December 31, 2016. As a result, the share capital in Siemens Wind HoldCo, S.L. amounted to EUR 68,318,681.15, divided into 401,874,595 shares of EUR 0.17 nominal value each, fully subscribed and paid up. Siemens Wind HoldCo, S.L. ceased to have a sole shareholder, being its shareholders SIEMENS (holder of 51.06% of the share capital) and Siemens Beteiligungen Inland GmbH (holder of 48.94% of the share capital).

The Merger was approved by GAMESA's Extraordinary General Shareholders' Meeting on October 25, 2016 and by SIEMENS, as sole shareholder of Siemens Wind HoldCo, S.L. (hereinafter, "Siemens Wind Power Parent"), on October 26, 2016. As mentioned before, apart from SIEMENS, another company within the SIEMENS Group (Siemens Beteiligungen Inland GmbH) also became shareholder of Siemens Wind Power Parent and, consequently and pursuant to the Merger, also became SIEMENS GAMESA's shareholder. SIEMENS and Siemens Beteiligungen Inland GmbH, received according to the Merger exchange ratio, GAMESA's shares representing approximately 59% of the share capital (401,874,595 shares), while GAMESA's remaining shareholders held shares representing approximately the other 41% of the merged company.

The Merger exchange ratio for GAMESA and Siemens Wind HoldCo, S.L.'s shares, was determined based on the fair value of their assets and liabilities, which in the case of Siemens Wind HoldCo, S.L. were those held by the company upon completion of the carve-out process, and was agreed between the parties as one share of GAMESA, with a nominal value of EUR 0.17, for each share of Siemens Wind HoldCo, S.L.

The exchange ratio was covered by newly-issued shares in GAMESA created as a consequence of a capital increase for a nominal amount of EUR 68,318,681.15 represented by 401,874,595 shares, each with a nominal value of EUR 0.17, in aggregate representing approximately 59% of GAMESA's share capital once the Merger was effective. All



Siemens Wind HoldCo, S.L.'s shares representing its entire share capital (i.e., 401,874,595 shares of EUR 0.17 nominal value each, amounting to a total of EUR 68,318,681.15) were part of the exchange.

The Merger exchange ratio was determined under certain assumptions with regard to the level of working capital and net debt of the GAMESA Group and the SIEMENS's Wind Power Business as at December 31, 2016. The deviation of the net debt and working capital of the GAMESA Group and the SIEMENS's Wind Power Business as at December 31, 2016 with respect to those assumptions was offset, and the net deviation was corrected by SIEMENS on the Merger effective date by extracting cash, for no consideration, out of Siemens Wind HoldCo, S.L. amounting to EUR 233,908 thousands, so that the exchange ratio agreed between the parties was not affected by the aforementioned deviation (the "Exchange Ratio Settlement"). For certain individual items in the calculation of the deviation, as agreed between the parties, the amounts were fixed, and for the majority of the items the amounts were those as of December 31, 2016.

The Merger was registered in the Mercantile Register on April 3, 2017 (hereinafter, "Merger Effective Date"), and the accounting effects of the Merger have been considered from then on. This merger has benefited from the special neutral fiscal regime foreseen in Directive 2009/133/CE, and included in Chapter VII of Title VI of the Regional Law 11/2013, of December 5, on Bizkaia's Income Tax (the "*Norma Foral del Impuesto sobre Sociedades*") and in Chapter VII of Title VII of the State Law 27/2014, of November 27.

As part of the Merger closing actions, GAMESA's Extraordinary General Shareholders' Meeting approved on October 25, 2016, an Extraordinary Merger Dividend in a gross amount of EUR 3.75 per share.

The shares issued by GAMESA for the exchange entitled the Siemens Wind HoldCo, S.L. shareholders, as from the Merger Effective Date, to participate in the earnings of GAMESA under the same terms and conditions as the other GAMESA's shares in trading at that date. However, the Siemens Wind HoldCo, S.L. shareholders were not entitled to receive the Extraordinary Merger Dividend. In this regard, the Extraordinary Merger Dividend was payable to a maximum of 279,268,787 shares and, consequently, amounted to a maximum of EUR 1,047,257,951.25. However, the gross amount of the Extraordinary Merger Dividend should be reduced by the ordinary dividend effectively paid by GAMESA to its shareholders pursuant to the distribution approved by GAMESA's General Shareholders' Meeting held on June 22, 2016, on second call, in a gross maximum amount of EUR 0.1524 per share (reduction of the initial gross amount to EUR 998.7 million). No additional ordinary dividend was effectively distributed by GAMESA to its shareholders before the Merger Effective Date.

### **C. ADWEN OFFSHORE, S.L.U.**

On January 5, 2017 Areva Energies Renouvelables SAS (hereinafter "AREVA") sold to GAMESA its 50% stake in Adwen Offshore, S.L.U.'s share capital (hereinafter, "ADWEN"), by exercising a put option granted to it on June 17, 2016. After this transaction, GAMESA became the 100% owner of ADWEN's share capital.

Even though GAMESA owned 100% of ADWEN's share capital since January 5, 2017, the full consolidation of ADWEN occurred for the first time at the Merger Effective Date. This was due to the SIEMENS GAMESA Merger Agreement, which prohibited GAMESA to carry out certain business actions without SIEMENS's approval. In the particular case of material decisions in ADWEN, such as the modification of contracts with specific clients, the approval from SIEMENS was needed. Thus, GAMESA did not held effective control until the Merger Effective Date, even though being the sole shareholder of ADWEN.

### **D. REVERSE ACQUISITION**

For accounting purposes, the Merger qualified as a reverse acquisition, by which SIEMENS's Wind Power Business was considered as accounting acquirer (legal acquiree) and GAMESA as accounting acquiree (legal acquirer). This was because the Siemens Wind Power HoldCo's shareholders, as a group, received the largest portion of the voting rights in the merged entity. Accordingly, GAMESA and ADWEN's assets and liabilities were included in the Consolidated Financial Statements at their acquisition-date fair values.

SIEMENS's Wind Power Business applied the predecessor accounting method considering the carve-out process as a reorganisation among entities under common control. This meant that SIEMENS's Wind Power Business' assets and liabilities were stated at the amounts historically disclosed in the SIEMENS Consolidated Financial Statements.

## **E. COMPOSITION OF THE CONSOLIDATED FINANCIAL STATEMENTS**

As a result, the Consolidated Financial Statements reflect the following structure of the SIEMENS GAMESA Group and of its initial measurement:

Prior fiscal year			Current fiscal year	
01.01.2017 – 04.02.2017	04.03.2017 – 09.30.2017		10.01.2017 – 09.30.2018	
SIEMENS's Wind Power Business	SIEMENS's Wind Power Business	GAMESA / ADWEN	SIEMENS's Wind Power Business	GAMESA / ADWEN
Historical Cost (predecessor's accounting)	Historical Cost (predecessor's accounting)	Fair value at acquisition date (IFRS 3), subsequent movement at historical cost	Historical Cost (predecessor's accounting)	Fair value at acquisition date (IFRS 3), subsequent movement at historical cost

All references to the year ended September 30, 2018 refer to the 12-months period ended on that date, whereas references to the period 2017 refer to the 9-months period ended September 30.

## **F. ENVIRONMENTAL INFORMATION**

In view of the business activities carried out by the SIEMENS GAMESA Group, it does not have any environmental responsibilities, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position and results. Therefore, the Directors do not include any specific disclosures relating to environmental matters in the accompanying Consolidated Financial Statements.

## **2. Basis of presentation and consolidation of the Consolidated Financial Statements**

### **A. BASIS OF PRESENTATION**

These Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (hereinafter, IFRS).

It should be noted that in these Consolidated Financial Statements any information or disclosure which has not been considered material due to the lack of relative importance, qualitative and quantitative, in accordance with the concept of Relative Importance (materiality) defined in the Conceptual Framework of IFRS, has been omitted.

### **B. BASIS OF CONSOLIDATION**

#### Subsidiaries

The Consolidated Financial Statements include the Financial Statements of SIEMENS GAMESA and its subsidiaries. Subsidiaries are all entities (including structured entities), which are controlled by SIEMENS GAMESA. The Group controls an entity when it is exposed, or has rights to variable returns from its involvement in the entity and has the capacity to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and they are out of the scope from the date that control ceases.

#### Associated companies

Associates are companies over which SIEMENS GAMESA has the capacity to exercise significant influence regarding operating and financial policies (generally through direct or indirect ownership of 20% to 50% of the voting rights). These are recorded in the Consolidated Financial Statements using the equity method and are initially recognised at cost. SIEMENS GAMESA's share of its associate's post-acquisition profits or losses is recognised in the Consolidated Statement of Profit and Loss, and its share of post-acquisition changes in equity that have not been recognised in the

associate's profit or loss is recognised directly in equity. The cumulative post-acquisition changes are adjusted against the carrying amount of the investment in the associate (Notes 2.C and 16).

Significant influence is deemed not to exist in specific case where, although SIEMENS GAMESA holds more than 20% of the shares, the absence of significant influence can be clearly demonstrated. Significant influence is deemed to exist when the SIEMENS GAMESA Group has the power to influence on the financial and operating policies of an investee.

#### Joint ventures

Joint ventures are entities over which SIEMENS GAMESA and one or more parties have joint control. Joint control requires unanimous consent of the parties sharing control in decision making on relevant activities. The Group records its stakes in joint ventures using the equity method.

In the Appendix of these Consolidated Financial Statements a list of SIEMENS GAMESA's subsidiaries, joint ventures and associates, together with the consolidation or measurement method used in preparing the accompanying Consolidated Financial Statements and other relevant information is disclosed.

#### Business combinations

The cost of an acquisition is measured at the fair value of the assets acquired and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities assumed in a business combination (including contingent liabilities) are initially measured at their fair values at the acquisition date, regardless of the extent of any non-controlling interest. Non-controlling interests are measured at the proportional fair value of assets acquired and liabilities assumed (partial Goodwill method). If there is no loss of control, transactions with non-controlling interests are accounted for as equity transactions not affecting profit and loss. At the date control is lost, any retained equity interest is remeasured to fair value. In case of a written put option on non-controlling interests the Company assesses whether the prerequisites for the transfer of present ownership interest are fulfilled at the Balance Sheet date. If the Company is not the beneficial owner of the shares underlying the put option, the exercise of the put option will be assumed at each balance sheet date and treated as equity transaction among shareholders with the recognition of a purchase liability at the respective exercise price. The non-controlling interests participate in profits and losses during the period.

#### Foreign currency translation

Assets and liabilities of foreign subsidiaries, where the functional currency is other than the euro, are translated using the spot exchange rate at the end of the period, while the Consolidated Statement of Profit and Loss is translated using the average exchange rate for the period. Differences arising from such translations are recognised within equity and reclassified to net income when the gain or loss on disposal of the foreign subsidiary is recognised.

### C. CHANGES IN THE SCOPE OF CONSOLIDATION

During the periods ended September 30, 2018 and 2017 the following changes in the consolidation scope have taken place:

- The following entities have been constituted or acquired:

Fiscal year 2018

Constituted / acquired company	Holding company of the investment	% of shareholding
Gamesa Wind Power Technologies S.A. (Iran)	Siemens Gamesa Renewable Energy A/S	99.98%
Siemens Gamesa Renewable Energy LLC (Russia)	Siemens Gamesa Renewable Energy Eólica, S.L.	99%
Siemens Gamesa Renewable Energy LLC (Russia)	Siemens Gamesa Renewable Energy Wind Farms, S.A.	1%
Siemens Gamesa Yenylenebylyr Energy yc ve dis Ticaret Ltd.STI (Turkey)	Siemens Gamesa Renewable Energy Eólica, S.L.	100%
Maski Renewable Energy Private Limited (India)	Siemens Gamesa Renewable Power Private Limited	100%
Gangavathi Renewable Private Limited (India)	Siemens Gamesa Renewable Power Private Limited	100%
Kanigiri Renewable Private Limited (India)	Siemens Gamesa Renewable Power Private Limited	100%
Kollapur Renewable Private Limited (India)	Siemens Gamesa Renewable Power Private Limited	100%
Jamkhandi Renewable Private Limited (India)	Siemens Gamesa Renewable Power Private Limited	100%
Rayachoty Renewable Private Limited (India)	Siemens Gamesa Renewable Power Private Limited	100%
Shivamogga Renewable Energy Private Limited (India)	Siemens Gamesa Renewable Power Private Limited	100%
Nandikeshwar Renewable Energy Private Limited (India)	Siemens Gamesa Renewable Power Private Limited	100%
Sindhanur Renewable Energy Private Limited (India)	Siemens Gamesa Renewable Power Private Limited	100%
Vempalli Renewable Energy Private Limited (India)	Siemens Gamesa Renewable Power Private Limited	100%
Siemens Gamesa Renewable Energy Sarl (New Caledonia)	Siemens Gamesa Renewable Energy Apac, S.L.	100%
Ganquan Chaiguanshan Wind Power Co. Ltd. (China)	International Wind Farm Development IV Limited	100%
Yongzhou Shuangpai Daguping Wind Power Co. Ltd. (China)	International Wind Farm Development VII Limited	100%
Tai'an Sanglin Wind Power Co. Ltd. (China)	International Wind Farm Development V Limited	100%
PT Siemens Gamesa Renewable Energy (Indonesia)	Siemens Gamesa Renewable Energy S.A.	95%

Fiscal year 2017

Constituted / acquired company	Holding company of the investment	% of shareholding
Poovani Wind Farms Pvt. Ltd.	Siemens Gamesa Renewable Power Private Limited	100%
Devarabanda Renewable Energy Pvt. Ltd.	Siemens Gamesa Renewable Power Private Limited	100%
Gagodar Renewable Energy Private Limited	Siemens Gamesa Renewable Power Private Limited	100%
Ghatpimprí Renewable Pvt. Ltd.	Siemens Gamesa Renewable Power Private Limited	100%
Kod Renewable Pvt. Ltd.	Siemens Gamesa Renewable Power Private Limited	100%
Viralipatti Renewable Private Limited	Siemens Gamesa Renewable Power Private Limited	100%
Tirupur Renewable Pvt Ltd	Siemens Gamesa Renewable Power Private Limited	100%
Thoothukudi Renewable Pvt Ltd	Siemens Gamesa Renewable Power Private Limited	100%
Sankanur Renewable Pvt Ltd	Siemens Gamesa Renewable Power Private Limited	100%
Rangareddy Renewable Pvt Ltd	Siemens Gamesa Renewable Power Private Limited	100%
Pugalur Renewable Pvt Ltd	Siemens Gamesa Renewable Power Private Limited	100%
Osmanabad Renewable Pvt Ltd	Siemens Gamesa Renewable Power Private Limited	100%
Nellore Renewable Pvt Ltd	Siemens Gamesa Renewable Power Private Limited	100%
Kutch Renewable Pvt Ltd	Siemens Gamesa Renewable Power Private Limited	100%
Koppal Renewable Pvt Ltd	Siemens Gamesa Renewable Power Private Limited	100%
Jodhpur Renewable Pvt Ltd	Siemens Gamesa Renewable Power Private Limited	100%
Jalore Wind Park Private Limited	Siemens Gamesa Renewable Power Private Limited	100%
Gadag Renewable Private Limited	Siemens Gamesa Renewable Power Private Limited	100%
Dhone Renewable Private Limited	Siemens Gamesa Renewable Power Private Limited	100%
Channapura Renewable Private Limited	Siemens Gamesa Renewable Power Private Limited	100%

Constituted / acquired company	Holding company of the investment	% of shareholding
Bidwal Renewable Private Limited	Siemens Gamesa Renewable Power Private Limited	100%
Beed Renewable Energy Private Limited	Siemens Gamesa Renewable Power Private Limited	100%
Latur Renewable Private Limited	Siemens Gamesa Renewable Power Private Limited	100%
Sanchoe Renewable Private Limited	Siemens Gamesa Renewable Power Private Limited	100%
Tuljapur Wind Farms Private Limited	Siemens Gamesa Renewable Power Private Limited	100%
Mathak Wind Farms Private Limited	Siemens Gamesa Renewable Power Private Limited	100%
Bhuj Renewable Private Limited	Siemens Gamesa Renewable Power Private Limited	100%
Bapuram Renewable Private Limited	Siemens Gamesa Renewable Power Private Limited	100%
Uppal Renewable Private Limited	Siemens Gamesa Renewable Power Private Limited	100%
Gudadanal Renewable Private Limited	Siemens Gamesa Renewable Power Private Limited	100%
Haveri Renewable Private Limited	Siemens Gamesa Renewable Power Private Limited	100%
Nirlooti Renewable Private Limited	Siemens Gamesa Renewable Power Private Limited	100%
Neelagund Renewable Private Limited	Siemens Gamesa Renewable Power Private Limited	100%
Hungund Renewable Private Limited	Siemens Gamesa Renewable Power Private Limited	100%
Saunshi Renewable Private Limited	Siemens Gamesa Renewable Power Private Limited	100%
Chikkodi Renewable Private Limited	Siemens Gamesa Renewable Power Private Limited	100%
Umrani Renewable Private Limited	Siemens Gamesa Renewable Power Private Limited	100%
Zalki Renewable Private Limited	Siemens Gamesa Renewable Power Private Limited	100%
Hattarwat Renewable Private Limited	Siemens Gamesa Renewable Power Private Limited	100%
International Wind Farm Development I Limited	Gamesa Wind (Tianjin) Co., Ltd.	100%
International Wind Farm Development II Limited	Gamesa Wind (Tianjin) Co., Ltd.	100%
International Wind Farm Development IV Limited	Gamesa Wind (Tianjin) Co., Ltd.	100%
International Wind Farm Development V Limited	Gamesa Wind (Tianjin) Co., Ltd.	100%
International Wind Farm Development VII Limited	Gamesa Wind (Tianjin) Co., Ltd.	100%
Siemens Gamesa Renewable Energy Installation & Maintenance, Compañía Limitada	Siemens Gamesa Renewable Energy Latam, S.L. / Siemens Gamesa Renewable Energy Innovation & Technology, S.L.	100%
Gesa Oax I Sociedad Anónima de Capital Variable	Gesa Energía S de RL de CV / Central Eólica de México I, SA de CV	100%
Gesa Oax III Sociedad Anónima de Capital Variable	Gesa Energía S de RL de CV / Central Eólica de México I, SA de CV	100%
Gesa Oax II Sociedad de Responsabilidad Limitada de Capital Variable	Gesa Energía S de RL de CV / Central Eólica de México I, SA de CV	100%
Siemens Gamesa Renewable Energy LLC	Siemens Gamesa Renewable Energy APAC, S.L.	100%
Gamesa Pakistan (Private) Limited	Siemens Gamesa Renewable Energy APAC, S.L.	100%

- The following entities have been dissolved:

Fiscal year 2018

Dissolved company	Holding company of the stake	% of shareholding
Convertidor Solar Trescientos Sesenta y Nueve, S.L.U. (Spain)	Siemens Gamesa Renewable Energy 9REN, S.L.	100%
Convertidor Solar Trescientos Sesenta y Ocho, S.L.U. (Spain)	Siemens Gamesa Renewable Energy 9REN, S.L.	100%
Convertidor Solar Trescientos Veinte, S.L.U. (Spain)	Siemens Gamesa Renewable Energy 9REN, S.L.	100%
Convertidor Solar G.F. Uno S.L.U., Madrid (Spain)	Siemens Gamesa Renewable Energy 9REN, S.L.	100%
Convertidor Solar Trescientos Setenta, S.L.U. (Spain)	Siemens Gamesa Renewable Energy 9REN, S.L.	100%
Convertidor Solar Uno, S.L.U. (Spain)	Siemens Gamesa Renewable Energy 9REN, S.L.	100%
Convertidor Solar G.F. Dos, S.L.U. (Spain)	Siemens Gamesa Renewable Energy 9REN, S.L.	100%
Convertidor Solar Doscientos Noventa y Nueve, S.L.U. (Spain)	Siemens Gamesa Renewable Energy 9REN, S.L.	100%
Convertidor Solar Doscientos Noventa y Siete, S.L.U. (Spain)	Siemens Gamesa Renewable Energy 9REN, S.L.	100%
Convertidor Solar Trescientos Sesenta y Siete, S.L.U. (Spain)	Siemens Gamesa Renewable Energy 9REN, S.L.	100%
9REN Services Italia S.r.l. (Italy)	Siemens Gamesa Renewable Energy 9REN, S.L.	100%
Convertidor Solar G.F. Tres, S.L.U. (Spain)	Siemens Gamesa Renewable Energy 9REN, S.L.	100%
Convertidor Solar Trescientos, S.L.U. (Spain)	Siemens Gamesa Renewable Energy 9REN, S.L.	100%

Dissolved company	Holding company of the stake	% of shareholding
Convertidor Solar Trescientos Diecinueve, S.L.U. (Spain)	Siemens Gamesa Renewable Energy 9REN, S.L.	100%
International Wind Farm Development V, S.L. (Spain)	Siemens Gamesa Renewable Energy Invest, S.A.	100%
International Wind Farm Development IV, S.L. (Spain)	Siemens Gamesa Renewable Energy Invest, S.A.	100%
International Wind Farm Development VI, S.L. (Spain)	Siemens Gamesa Renewable Energy Invest, S.A.	100%
International Wind Farm Development VII, S.L.(Spain)	Siemens Gamesa Renewable Energy Invest, S.A.	100%
Whitehall Wind, LLC (United States)	Navitas Energy Inc	100%
Navitas Energy Inc (United States)	Siemens Gamesa Renewable Energy Wind Farms, S.A.	94.63%
Navitas Energy Inc (United States)	Siemens Gamesa Renewable Energy USA, INC	2.48%
Convertidor Solar Trescientos Dieciocho, S.L.U. (Spain)	Siemens Gamesa Renewable Energy 9REN, S.L.	100%
Gamesa Puerto Rico, CRL (Puerto Rico)	Siemens Gamesa Renewable Energy Eólica, S.L.	100%
AD 8MW GmbH & Co.KG (Germany)	Adwen GmbH	100%
Adwen Verwaltungs GmbH (Germany)	Adwen GmbH	100%
Siemens Gamesa Renewable Energy USA, INC (United States)	Siemens Gamesa Renewable Energy S.A.	100%

#### Fiscal year 2017

Dissolved company	Holding company of the stake	% of shareholding
Mahantango Wind, LLC	Gamesa Wind US LLC	100%
Crescent Ridge 2, LLC	Gamesa Wind US LLC	100%
Muskegon Wind, LLC	Gamesa Wind US LLC	100%
Baileyville Wind Farm, LLC	Navitas Energy Inc.	100%
Gamesa Trading Tianjin Co, Ltd.	Gamesa Wind (Tianjin) Co, Ltd.	100%

- The following entities have been sold:

#### Fiscal year 2018

Sold company	Holding company of the stake	% of shareholding
Sistemas Energéticos Islas Canarias, S.L.U. (Spain)	Siemens Gamesa Renewable Energy Wind Farms, S.A.	100%
Sanchoe Renewable Private Limited (India)	Siemens Gamesa Renewable Power Private Limited	100%
Bidwal Renewable Private Limited (India)	Siemens Gamesa Renewable Power Private Limited	100%
Parques Eólicos del Caribe, S.A. (Dominican Republic)	Siemens Gamesa Renewable Energy Wind Farms, S.A.	57.01%
Latur Renewable Private Limited (India)	Siemens Gamesa Renewable Power Private Limited	100%
Pugalur Renewable Private Limited (India)	Siemens Gamesa Renewable Power Private Limited	100%
Jodhpur Wind Farms Private Limited (India)	Siemens Gamesa Renewable Power Private Limited	100%
Sistemas Energéticos Alto da Croa, S.A. Unipersonal (Spain)	Siemens Gamesa Renewable Energy Wind Farms, S.A.	100%
Sistemas Energéticos del Umia, S.A. Unipersonal (Spain)	Siemens Gamesa Renewable Energy Wind Farms, S.A.	100%
Sistemas Energéticos Edreira, S.A. Unipersonal (Spain)	Siemens Gamesa Renewable Energy Invest, S.A.	100%
Sistemas Energéticos Campoliva, S.A. Unipersonal (Spain)	Siemens Gamesa Renewable Energy Invest, S.A.	100%
Energiaki Arvanikou M.E.P.E (Greece)	Siemens Gamesa Renewable Energy Invest, S.A.	100%
SEPE de la Cote du Cerisat SAS (France)	Siemens Gamesa Renewable Energy Wind Farms, S.A.	100%



The exclusions from the scope of consolidation are mainly related to companies' dissolutions or to wind farms that were disposed of during the period ended September 30, 2018 and whose net assets were classified as inventories and, therefore, the sale, as indicated in Note 3.U, is recognised under the heading "Revenue" in the Consolidated Statement of Profit and Loss.

#### Fiscal year 2017

No additional company was excluded from the scope of consolidation during the fiscal year 2017 due to disposal or dissolution.

- **The name of the following entities has been modified:**

#### Fiscal year 2018

<b>Previous denomination</b>	<b>New denomination</b>
Gamesa Wind US, LLC (United States)	Siemens Gamesa Renewable Energy Wind, LLC (United States)
Gamesa Wind PA, LLC (United States)	Siemens Gamesa Renewable Energy PA, LLC (United States)
Siemens Wind Power Inc (United States)	Siemens Gamesa Renewable Energy Inc. (United States)
Gamesa Energía (Portugal), S.A. (Portugal)	Siemens Gamesa Renewable Energy, S.A. (Portugal)
Siemens Wind Power Limited, Hull (United Kingdom)	Siemens Gamesa Renewables Energy Limited, Hull (United Kingdom)
Gamesa Technology Corporation, INC (United States)	Siemens Gamesa Renewable Energy USA, INC (United States)
Siemens Gamesa Renewable Pty Ltd (Australia)	Siemens Gamesa Renewable Energy Pty Ltd (Australia)
Gamesa Singapore Private Limited (Singapore)	Siemens Gamesa Renewable Energy Singapore Private Limited (Singapore)
Siemens Wind Power, Inc. (Philippines)	Siemens Gamesa Renewable Energy, Inc. (Philippines)
Siemens Wind Power BVBA (Belgium)	Siemens Gamesa Renewable Energy BVBA (Belgium)
Siemens Wind Power B.V. (Netherlands)	Siemens Gamesa Renewable Energy, B.V. (Netherlands)
Siemens Gamesa Renewable Private Limited (India)	Siemens Gamesa Renewable Power Private Limited (India)
Gamesa Australia Pty. Ltd. (Australia)	Siemens Gamesa Renewable Energy Australia Pty Ltd (Australia)
Gamesa Wind Sweden AB (Sweden)	Siemens Gamesa Renewable Energy Sweden AB (Sweden)
Siemens Wind Power Sp. z o.o. (Poland)	Siemens Gamesa Renewable Energy Sp. z o.o. (Poland)
Siemens Wind Power AB (Sweden)	Siemens Gamesa Renewable Energy AB (Sweden)
Siemens Wind Power Kft. (Hungary)	Siemens Gamesa Renewable Energy Kft. (Hungary)
Siemens Wind Power S.r.l. (Italy)	Siemens Gamesa Renewable Energy Italia S.r.l. (Italy)
Siemens Wind Power Private Limited (India)	Siemens Gamesa Renewable Energy Engineering Centre Private Limited (India)
Gamesa Eólica France, S.A.R.L., Saint Priest (France)	Siemens Gamesa Renewable Energy Wind SARL (France)
Gamesa Wind Bulgaria, EOOD (Bulgaria)	Siemens Gamesa Renewable Energy, EOOD (Bulgaria)
Gamesa Israel, Ltd (Israel)	Siemens Gamesa Renewable Energy Ltd (Israel)
Gamesa (Thailand) Co. Ltd. (Thailand)	Siemens Gamesa Renewable Energy (Thailand) Co. Ltd. (Thailand)
Gamesa Canada ULC (Canada)	Siemens Gamesa Renewable Energy Canada ULC (Canada)
Gamesa Japan K.K. (Japan)	Siemens Gamesa Renewable Energy Japan K.K. (Japan)
Siemens Wind Power Rüzgar Enerjisi Anonim Sirketi (Turkey)	Siemens Gamesa Turkey Yenilenebilir Enerji Limited Sirketi (Turkey)
Siemens Wind Power, S.L. (Spain)	Siemens Gamesa Renewable Energy Iberica, S.L. (Spain)
Servicios Eólicos Globales S. de R.L. de C.V. (Mexico)	Siemens Gesa Renewables Energy Services S. de R.L. de C.V. (Mexico)
Gamesa Ukraine, LLC (Ukraine)	Siemens Gamesa Renewable Energy, LLC (Ukraine)
Gesa Eólica México, S.A. de C.V. (Mexico)	Siemens Gesa Renewable Energy, S.A. de C.V. (Mexico)
Gamesa Wind Romania, S.R.L. (Romania)	Siemens Gamesa Renewable Energy S.R.L. (Romania)
Gamesa Energy Romania, S.R.L. (Romania)	Siemens Gamesa Renewable Energy Wind Farms S.R.L. (Romania)
Gesa Energía, S. de R.L. de C.V. (Mexico)	Siemens Gesa Renewable Energy México, S. de R.L. de C.V. (Mexico)
Gamesa Energía Polska Sp. z o.o. (Poland)	Siemens Gamesa Renewable Energy Poland Sp. z o.o. (Poland)
Gamesa Chile SpA (Chile)	Siemens Gamesa Renewable Energy Chile SpA (Chile)

Previous denomination	New denomination
Siemens Wind Power LLC (Egypt)	Siemens Gamesa Renewable Energy Egypt LLC (Egypt)
Siemens Gamesa Renewable Energy S.R.L. (Romania)	Siemens Gamesa Renewable Energy Romania S.R.L. (Romania)
Gamesa Ireland Limited (Ireland)	Siemens Gamesa Renewable Energy Ireland Limited (Ireland)
Siemens Gamesa Turkey Renewable Energy Limited Company (Turkey)	Siemens Gamesa Turkey Yenilenebilir Enerji Limited Sirketi (Turkey)
Siemens Wind Power S.A.C (Peru)	Siemens Gamesa Renewable Energy S.A.C. (Peru)
Gamesa Pakistan Private Limited (Pakistan)	Siemens Gamesa Renewable Energy (Private) Limited (Pakistan)
Siemens Gamesa Renewables Energy Limited (United Kingdom)	Siemens Gamesa Renewable Energy Limited (United Kingdom)
Siemens Wind Power Limited (Republic of Korea)	Siemens Gamesa Renewable Energy Limited (Republic of Korea)
Siemens Wind Power Limited (Canada)	Siemens Gamesa Renewable Energy Limited (Canada)
Gamesa Wind Sweden AB (Sweden)	Siemens Gamesa Renewable Energy Sweden AB (Sweden)
Pocahontas Prairie Wind, LLC (United States)	Pocahontas Prairie Holdings, LLC (United States)
Pocahontas Wind, LLC (United States)	Pocahontas Prairie Wind, LLC (United States)
Gamesa Wind Power Technologies, S.A. (Iran)	Siemens Gamesa Energy Tajdidpazir SSK (Iran)
Siemens Wind Power Management GmbH (Germany)	Siemens Gamesa Renewable Energy Management GmbH (Germany)
Siemens Wind Power GmbH & Co. KG (Germany)	Siemens Gamesa Renewable Energy GmbH & Co. KG (Germany)
Gamesa Morocco, SARL (Morocco)	Siemens Gamesa Renewable Energy Morocco SARL (Morocco)
Gamesa Uruguay S.R.L. (Uruguay)	Siemens Gamesa Renewable Energy S.R.L. (Uruguay)
Tirupur Renewable Private Limited (India)	Tirupur Renewable Energy Private Limited (India)
Siemens Wind Power Blades (Shanghai) Co., Ltd (China)	Siemens Gamesa Renewable Energy (Shanghai) Co.,Ltd (China)
Siemens Wind Power Sp.z.o.o. (Poland)	Siemens Gamesa Renewable Energy Sp.z.o.o. (Poland)
Haveri Renewable Private Limited (India)	Haveri Renewable Power Private Limited (India)
Hungund Renewable Private Limited (India)	Hungund Renewable Energy Private Limited (India)
Saunshi Renewable Private Limited (India)	Saunshi Renewable Energy Private Limited (India)
Chikkodi Renewable Private Limited (India)	Chikkodi Renewable Power Private Limited (India)
Siemens Wind Energy, SARL (Morocco)	Siemens Gamesa Renewable Energy SARL (Morocco)
Sankanur Renewable Private Limited (India)	Sankanur Renewable Energy Private Limited (India)
Siemens Gamesa Yenilenebilir Enerji yc ve dis Ticaret LTD.STI (Turkey)	Siemens Gamesa Yenilenebilir Enerji IC VE Dis Ticaret Limited Sirketi (Turkey)
Siemens Gamesa Renewable Energy Belgium, SPRL (Belgium)	Siemens Gamesa Renewable Energy Belgium BVBA (Belgium)

#### Fiscal year 2017

Previous denomination	New denomination
Siemens Wind Power A/S	Siemens Gamesa Renewable Energy A/S
Siemens Wind Power Pty Ltd	Siemens Gamesa Renewable Pty Ltd
Siemens Wind Power S.A.S.	Siemens Gamesa Renewable Energy S.A.S.
Gamesa Financiación, S.A.	Siemens Gamesa Renewable Finance, S.A.
Gamesa Eólica, S.L. Unipersonal	Siemens Gamesa Renewable Energy Eólica, S.L.
Gamesa Europa, S.L.U.	Siemens Gamesa Renewable Energy Europa S.L.
Gamesa Energía, S.A. Unipersonal	Siemens Gamesa Renewable Energy Wind Farms, S.A.
Gamesa Wind UK Limited	Siemens Gamesa Renewable Energy Wind Limited
9Ren España S.L.	Siemens Gamesa Renewable Energy 9REN, S.L.
Gamesa Inversiones Energéticas Renovables, S.A.	Siemens Gamesa Renewable Energy Invest, S.A.
Gamesa Renewable Pvt Ltd, Chennai	Siemens Gamesa Renewable Power Private Limited
Gamesa Latam S.L.	Siemens Gamesa Renewable Energy Latam, S.L.
Gamesa Apac S.L.U.	Siemens Gamesa Renewable Energy Apac, S.L.
International Wind Farm Services, S.A.U.	Siemens Gamesa Renewable Energy International Wind Services, S.A.U.
Gamesa Energy UK Limited	Siemens Gamesa Renewable Energy UK Limited
Gamesa Energiaki Hellas S.A.	Siemens Gamesa Renewable Energy AE
Gamesa Energie France SAS	Siemens Gamesa Renewable Energy France SAS
Gamesa Innovation & Technology, S.L.U.	Siemens Gamesa Renewable Energy Innovation & Technology, S.L.

Previous denomination	New denomination
Gamesa Eólica Brasil, Ltda.	Siemens Gamesa Energia Renovável Ltda.
B9 Energy O&M Limited	Siemens Gamesa Renewable Energy B9 Limited
Gamesa Azerbaijan Limited Liability Company	Siemens Gamesa Renewable Energy Limited Liability Company
Gamesa Wind Hungary Wind Turbine Services Kft	Siemens Gamesa Megújuló Energia Hungary Kft
Gamesa Eólica Italia S.R.L.	Siemens Gamesa Renewable Energy Wind S.R.L.
Gamesa New Zealand Limited	Siemens Gamesa Renewable Energy New Zealand Limited
Gamesa Kenya Limited	Siemens Gamesa Renewable Energy Limited
Gamesa Finland Oy	Siemens Gamesa Renewable Energy Oy
Gamesa Belgium, SPRL	Siemens Gamesa Renewable Energy Belgium, SPRL
Gamesa Energia Italia S.P.A.	Siemens Gamesa Renewable Energy Italy, S.P.A.
Gamesa Lanka Pvt. Ltd.	Siemens Gamesa Renewable Energy Lanka Pvt. Ltd.
Gamesa Eólica Greece, E.P.E. (LLC)	Siemens Gamesa Renewable Energy Greece E.P.E.
Gamesa Mauritania, SARL	Siemens Gamesa Renewable Energy, SARL
Gamesa Cyprus Ltd.	Siemens Gamesa Renewable Energy Limited
Siemens Wind Power AS	Siemens Gamesa Renewable Energy AS
Gamesa Rüzgar Enerjisi Servis Limited Sirketi	Siemens Gamesa Turkey Renewable Energy Limited Company
Gamesa (Mauritius), Limited	Siemens Gamesa Renewable Energy, Ltd
Jodhpur Renewable Pvt. Ltd, Chennai	Jodhpur Wind Farms Private Limited, Chennai
Siemens Wind Power d.o.o.	Siemens Gamesa Renewable Limited

#### **D. ADOPTION OF NEW OR REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

D.1) New standard applied in the year ended September 30, 2018: first-time application of IFRS 15, Revenue from contracts with customers:

According to the new standard, revenue is recognised to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue is recognised when, or as, the customer obtains control of the goods or services. IFRS 15 also includes guidance on the presentation of contract balances, that is, assets and liabilities arising from contracts with customers, depending on the relationship between the entity's performance and the customer's payment. IFRS 15 supersedes IAS 11, Construction contracts, and IAS 18, Revenue, as well as related interpretations.

Although the new standard is not mandatorily applicable before the annual reporting period beginning January 1, 2018, the SIEMENS GAMESA Group, making use of the option included in IFRS 15, has early applied the standard for the year beginning as of October 1, 2017 using the full retrospective approach; the comparable period is presented in accordance with IFRS 15 (Note 2.E) (using practical expedients).

As a result of this decision, the SIEMENS GAMESA Group has changed its accounting policies, has updated its internal processes and controls relating to revenue recognition (Note 3.U) and has included the disclosures required by the mentioned standard (Note 11).

The preparation of the comparable period as of September 30, 2017 has had the following effects in the Consolidated Balance Sheet for the SIEMENS GAMESA Group:

- Under IFRS 15, recognition of a provision for an onerous contract does not require an impairment of contract assets. As a result, a netting of contract assets according to IFRS 15 and a provision for an onerous contract according to the regulations for provisions (IAS 37) is not permitted. Due to this specific regulation, contract assets (previously included in the heading "Inventories") have increased by EUR 117 million together with an equivalent increase of provisions (under the heading "Current provisions") for onerous contracts (Note 2.E).
- Reclassifications of contract's receivable and payable amounts due to the specific newly introduced Balance Sheet heading "Contract assets" (amount reclassified mainly from "Inventories") and "Contract liabilities" (amount reclassified mainly from "Other current liabilities") amounting to EUR 1,461 million (considering the reclassification explained above) and EUR 1,954 million (considering the netting explained below), respectively (Note 2.E).

- The regulation of IFRS 15 specifies that for each contract only a contract asset or a contract liability balance can be presented. As a consequence of the application of this new standard, contract liabilities (previously included in the line item “Other current liabilities”) and contract assets (previously included in the line item “Inventories”) have decreased by EUR 218 million (Note 2.E).
- As a consequence of the IFRS 15 application, there have not been impacts in “Retained earnings” as of October 1, 2017.

D.2) New standards and amendments not applied in the year ended September 30, 2018 that will be applicable in future periods:

*IFRS 9 Financial Instruments*

IFRS 9 introduces a single approach for the classification and measurement of financial assets according to their cash flow characteristics and the business model they are managed in, and provides a new impairment model based on expected credit losses. IFRS 9 also includes new regulations regarding the application of hedge accounting to better reflect the entity’s risk management activities, especially regarding managing non-financial risks. The new standard is effective for annual reporting periods beginning on or after January 1, 2018. The Group will adopt IFRS 9 for the fiscal year beginning as of October 1, 2018 and will not adjust comparative figures for the preceding fiscal year, in accordance with IFRS 9 transitional provisions. The SIEMENS GAMESA Group assessed the effects of adopting the IFRS 9 and expects that the new impairment model of IFRS 9 will increase valuation allowances by EUR 6.4 million, which will be recorded by adjusting reserves by EUR 4.5 million, net of its corresponding tax effect. The Group will apply the simplified impairment model to recognise lifetime expected credit losses of trade receivables, contract assets and lease receivables. The SIEMENS GAMESA Group will adopt the IFRS 9 hedge accounting rules prospectively from October 1, 2018. Existing hedge accounting relationships will also meet the hedge accounting requirements under IFRS 9.

*IFRS 16 Leases*

In January 2016, the IASB issued IFRS 16, “Leases”. IFRS 16 eliminates the current classification model for lease contracts as either operating or finance leases and, instead, introduces a single lessee accounting model requiring lessees to recognise right-of-use assets and lease liabilities for leases with a term of more than twelve months. This brings the previous off-balance leases on the balance sheet in a manner largely comparable to current finance lease accounting. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The SIEMENS GAMESA Group will adopt the standard for the fiscal year beginning as of October 1, 2019, by applying the modified retrospective approach, i.e. comparative figures for the preceding year will not be adjusted. Currently, it is expected that the majority of the transition effect relates to real estate leased by the Group and long term vessels services. By applying IFRS 16, straight-line operating lease expense will be replaced by depreciation expense on right-of-use assets and interest expense on lease liabilities. This results in a deterioration in cash flows from financing activities and an improvement in cash flows from operating activities. The Group is currently assessing further impacts of adopting IFRS 16 on the Consolidated Financial Statements. It is intended to use most of the simplifications available under IFRS 16.

*Remaining standards, amendments and interpretations*

<b>Standards, amendments and interpretations</b>		<b>IASB effective Date</b>
Amendments to IAS 7	Statement of Cash Flows	January 1, 2017
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions	January 1, 2018
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	January 1, 2018
Amendments to IAS 40	Transfers of Investment Property	January 1, 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018
IFRIC 23	Uncertainty over income Tax treatments	January 1, 2019
IFRS 17	Insurance Contracts	January 1, 2021

The SIEMENS GAMESA Group is currently analysing the expected impact resulting from the remaining standards, amendments and interpretations mentioned above which have been published by the IASB, but are not effective yet. The Group does not expect a significant impact on the Consolidated Financial Statements resulting from these changes.

The amendments to IAS 7 are part of the IASB's Disclosure Initiative of Information to be revealed and require that entities shall disclose changes in liabilities arising from financing activities, including both, changes arising from cash flows and changes that do not involve cash flows (such as gains or losses arising from changes in foreign exchange rates). Entities do not need to provide comparative information when they first apply the amendments.

#### **E. COMPARATIVE INFORMATION OF PRIOR PERIOD**

As required by IAS 1, the Consolidated Financial Statements are shown together with comparative information in respect of the prior period for all amounts reported in the current period's Consolidated Financial Statements.

All references to the year ended September 30, 2018 refer to the 12-months period ended on that date, whereas references to the period 2017 refer to the 9-months period ended September 30.

The Consolidated Financial Statements for the year ended September 30, 2017 have been modified in order to reflect the application of IFRS 15 (Note 2.D) and the final accounting for the Business Combination (Notes 1.B and 4). The following table discloses the effect that these changes have had on the affected heading in the Consolidated Balance Sheet (only affected Consolidated Balance Sheet headings are shown below):

Thousands of euros	Financial Statements 09.30.2017	Transition to IFRS 15 (Note 2.D)	Business Combination adjustments (Note 4)	Currency translation differences (Note 4)	09.30.2017 after adjustments
<b>Assets</b>		<b>(100,753)</b>	<b>320,569</b>	<b>(365,019)</b>	
Contract assets	-	1,243,315	(2,400)	-	1,240,915
Inventories	3,455,098	(1,344,481)	(14,624)	-	2,095,993
Current income tax assets	188,394	-	(143)	-	188,251
Other current assets	341,456	409	-	-	341,865
<b>Within current assets</b>	<b>3,984,948</b>	<b>(100,757)</b>	<b>(17,167)</b>	-	<b>3,867,024</b>
Goodwill	4,660,212	-	393,550	(365,019)	4,688,743
Other intangible assets	2,302,857	-	(43,604)	-	2,259,253
Property, plant and equipment	1,537,357	-	(17,841)	-	1,519,516
Other financial assets	285,832	-	(40,000)	-	245,832
Deferred tax assets	534,644	4	45,631	-	580,279
<b>Within non-current assets</b>	<b>9,320,902</b>	<b>4</b>	<b>337,736</b>	<b>(365,019)</b>	<b>9,293,623</b>
<b>Liabilities &amp; Equity</b>		<b>(100,753)</b>	<b>320,569</b>	<b>(365,019)</b>	
Trade payables	2,231,589	-	33,400	-	2,264,989
Contract liabilities	-	1,736,461	(19,880)	-	1,716,581
Current provisions	603,487	114,257	79,291	-	797,035
Current income tax liabilities	154,546	-	(90)	-	154,456
Other current liabilities	2,644,758	(1,948,271)	-	-	696,487
<b>Within current liabilities</b>	<b>5,634,380</b>	<b>(97,553)</b>	<b>92,721</b>	-	<b>5,629,548</b>
Deferred tax liabilities	709,389	-	(25,544)	-	683,845
Provisions	1,701,640	(3,200)	252,683	-	1,951,123
Other liabilities	16,306	-	709	-	17,015
<b>Within non-current liabilities</b>	<b>2,427,335</b>	<b>(3,200)</b>	<b>227,848</b>	-	<b>2,651,983</b>
Currency translation differences	(128,638)	-	-	(365,019)	(493,657)
<b>Within Equity</b>	<b>(128,638)</b>	-	-	<b>(365,019)</b>	<b>(493,657)</b>

The Consolidated Statement of Cash Flows for the year ended September 30, 2017 has been modified in order to reflect the application of IFRS 15 (Note 2.D). The following table discloses the effect that these changes have had on the affected line items in the Consolidated Statement of Cash Flows (only affected Consolidated Statement of Cash Flows line items are shown below):

Thousands of euros	Financial Statements 09.30.2017	Transition to IFRS 15 (Note 2.D)	09.30.2017 after adjustments
<b>Cash flows from operating activities</b>			
Contract assets	-	(134,431)	(134,431)
Contract liabilities	-	(330,834)	(330,834)
Advanced payments received	(402,786)	402,786	-
Billings in excess of costs and estimated earnings on uncompleted contracts and related advances	(315,348)	315,348	-
Inventories	(544,414)	12,489	(531,925)
Changes in other assets and liabilities	227,313	(265,358)	(38,045)
<b>Subtotal</b>	<b>(1,035,235)</b>	<b>-</b>	<b>(1,035,235)</b>

## **F. FUNCTIONAL AND PRESENTATION CURRENCY**

These Consolidated Financial Statements are presented in euros, which is SIEMENS GAMESA's functional currency. All amounts have been rounded to the nearest thousands, unless otherwise indicated.

Transactions denominated in currencies other than the euro are recognised in accordance with the policies described in Note 3.C.

## **3. Accounting principles and policies and key judgments and estimates**

The preparation of the Consolidated Financial Statements requires management to make judgments and use estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from management's estimates. Although the estimates are done based on the best information available of the analysed facts as of September 30, 2018 and 2017, future events might make it necessary to modify them (upwards or downwards) in later years. Estimates and assumptions are reviewed on an ongoing basis and changes in estimates and assumptions are recognised in the period in which the changes occur and in future periods impacted by such changes, in accordance with the requirements of IAS 8, recognising the effects of the change in estimates in the related Consolidated Statement of Profit and Loss.

### **A. CONSOLIDATED STATEMENT OF CASH FLOWS**

The SIEMENS GAMESA Group presents the Consolidated Statement of Cash Flows using the indirect method, whereby net profit or loss is adjusted by the non-monetary transactions, by all deferred payments and accumulations (or accruals) that are caused by past or future collections and payments, as well as associated profit and loss accounts which have cash flows classified as investing or financing activities.

The following terms are used in the Consolidated Statement of Cash Flows with the meanings as specified below:

- **Cash flows:** Inflows and outflows of cash and cash equivalents.
- **Cash equivalents:** Short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to a not significant risk of changes in value.



- Operating activities: The Group's main revenue-producing activities and other activities that are not related to investing or financing activities.
- Investing activities: The acquisition, sale or disposal through other means of non-current assets and other investments not included in cash and cash equivalents.
- Financing activities: Activities that result in changes in the size and composition of the contributed equity and of borrowings of the Group.

## **B. FINANCIAL INSTRUMENTS**

A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity. Based on their nature, financial instruments are classified as financial assets and financial liabilities measured at cost or amortized cost and financial assets and financial liabilities measured at fair value. Regular way purchases or sales of financial assets are accounted for at the trade date. Initially, financial instruments are recognised at their fair value. Transaction costs are only included in determining the carrying amount, if the financial instruments are not measured at fair value through profit or loss. After its recognition, financial assets and liabilities are measured according to the category to which they are assigned:

- cash and cash equivalents,
- available-for-sale financial assets,
- loans and receivables,
- financial liabilities measured at amortized cost, and
- financial assets and liabilities classified as held for trading.

### Cash and cash equivalents

The SIEMENS GAMESA Group considers all highly liquid investments with less than three months maturity from the date of acquisition to be "Cash and cash equivalents". Cash and cash equivalents are measured at cost (Note 7).

### Available-for-sale financial assets

Investments in equity instruments, debt instruments and fund shares are measured at fair value, if they are reliably measurable. Unrealised gains and losses, net of applicable deferred taxes, are recognised under line item Other components of equity. If that fair value cannot be reliably determined, the SIEMENS GAMESA Group measures available-for-sale financial assets at cost. This applies to equity instruments that do not have a quoted market price in an active market, and for which decisive parameters cannot be reliably estimated in order to be used in valuation models for the determination of fair value. Due to the latter, all the available-for-sale financial assets of the SIEMENS GAMESA Group are measured at cost as of September 30, 2018 and 2017 (Note 17.A).

### Loans and receivables

Financial assets classified as loans and receivables are measured at amortized cost using the effective interest method less any impairment losses. Impairment losses on trade and other receivables are recognised using separate allowance accounts. Such allowance involves significant management judgements and the review of receivables based on customer's creditworthiness, current economic trends and the analysis of historical bad debts on the portfolio (Note 8).

## Financial Liabilities

The SIEMENS GAMESA Group measures financial liabilities, except for derivative financial instruments, at amortized cost using the effective interest method.

- “Debt”:

Loans, bonds and similar interest-bearing items are initially recognised at the amount received, net of direct issuance costs, under the “Debt” heading of the Consolidated Balance Sheet. Borrowing costs are recognised on an accrual basis in the Consolidated Statement of Profit and Loss at their amortized cost using the effective interest method and they are aggregated to the carrying amount of the financial instrument to the extent that they are not settled in the year in which they arise. Moreover, obligations under finance leases are recognised at the present value of the lease payments under this Consolidated Balance Sheet heading (Note 18).

- “Trade Payables”:

Trade payables are initially recognised at fair value and are subsequently measured at amortized cost using the effective interest method.

## Derivative financial instruments and hedge accounting

Derivative financial instruments, such as foreign currency exchange contracts and interest rate swap contracts are measured at fair value and classified as held for trading unless they are designated as hedging instruments, for which hedge accounting is applied. Changes in the fair value of derivative financial instruments are recognised either in net income or, in the case of a cash flow hedge, under line item “Other comprehensive income, net of income taxes”. Certain embedded derivative instruments in host contracts are also accounted separately as derivatives.

The hedge effectiveness is measured by testing that the differences arising from changes in the value of the hedged item and the corresponding hedging instrument remain within a range of 80% to 125% over the remaining term to maturity, and comply with forecasts established at the related contract dates.

- Fair value hedges:

The carrying amount of the hedged item is adjusted by the gain or loss attributable to the hedged risk. Where an unrecognised firm commitment is designated as hedged item, the subsequent cumulative change in its fair value is recognised as a separate financial asset or liability with the corresponding gain or loss recognised in net income. For hedged items carried at amortized cost, the adjustment is amortized until maturity of the hedged item. For hedged firm commitments the hedged carrying amount of the assets or liabilities that results from the firm commitments are adjusted to include the cumulative changes in the fair value that were previously recognised as separate financial assets or liabilities.

- Cash flow hedges:

The effective portion of changes in the fair value of derivative instruments designated as cash flow hedges are recognised under the heading “Other comprehensive income, net of income taxes”, and any ineffective portion is recognised immediately in net income. Amounts accumulated in equity are reclassified into the Consolidated Statement of Profit and Loss in the same periods in which the hedged item affects net income.

### Category of financial assets at fair value

The different categories of financial instruments are grouped in categories from 1 to 3, depending on the fair value measurement system (Note 10):

- Category 1: the fair value is obtained from the directly observable quoted prices in active markets for identical assets and liabilities.
- Category 2: the fair value is determined using observable market inputs other than the quoted prices included in category 1, that are observable for the assets or liabilities, either directly (as prices) or indirectly (derived from prices).
- Category 3: the fair value is determined using measurement techniques that include inputs for the assets and liabilities that are not directly observable in the market.

Derivative financial instruments consist of forward exchange rate contracts, interest rate swaps and raw material swaps (electricity):

- Forward exchange rate contracts:

The fair value is determined using quoted forward exchange rates at the reporting date and present value calculations based on high credit quality yield curves in the respective currencies.

- Interest rate swaps:

The fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, future prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Group and of the counterparty; this is calculated based on credit spreads derived from current credit default swap or bond prices.

- Raw material swaps (electricity):

Raw material swaps are measured at fair value using the prices and interests from observable yield curves.

The fair value of raw material swap contracts is calculated by discounting the estimated cash flows using the future prices at the closing date.

The effects of discounting have not been significant for category 2 financial instruments.

There have not been transfers between the asset categories at fair value during the year ended September 30, 2018 and 2017.

### Impairment of financial assets

Except for the financial assets classified at fair value through the Consolidated Statement of Profit and Loss, the financial assets are analysed by the SIEMENS GAMESA Group in order to test them periodically, and at least at the end of each reporting period, for a potential impairment. Financial assets are impaired if there is an objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

The SIEMENS GAMESA Group considers that a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is an objective evidence of impairment.

For the rest of financial assets, the Group considers the following as objective indicators of impairment:

- significant financial difficulty of the issuer or counterparty;
- default or delay in interest or principal settlements; or
- probability of the borrower entering bankruptcy or financial restructuring.

#### Derecognition of financial instruments

The SIEMENS GAMESA Group only derecognises financial assets when the contractual rights on the cash flows from the assets expire, or when the financial asset and substantially all the risks and rewards inherent to its ownership are transferred to another entity.

In cases where risks and rewards associated with accounts receivable are contractually transferred to a factor and the factor also assumes the related insolvency risk, the Group derecognises these financial assets.

An exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or of a part of it (whether or not attributable to the financial difficulty of the debtor) shall be accounted for as an extinguishment of its original financial liability and the recognition of a new financial liability.

### **C. TRANSACTIONS IN FOREIGN CURRENCY**

#### Group companies

The functional currency of a significant part of the companies of the SIEMENS GAMESA Group is the euro.

For all of the SIEMENS GAMESA Group companies with a functional currency other than the euro, the functional currency is the same as the local currency. Therefore, there are no functional currencies which are different from the local currencies in which each individual company pays the corresponding income tax. Consequently, changes in exchange rates do not give rise to any temporary differences which might lead to the recognition of a deferred tax asset or liability.

#### Transactions and balances

Transactions that are denominated in a currency other than the functional currency of an entity, are recorded at that functional currency applying the spot exchange rate at the date when the underlying transactions are initially recognised. At the end of each reporting period, foreign currency-denominated monetary assets and liabilities are re-valued to the functional currency applying the spot exchange rate prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the historical exchange rate at the date of the transaction.

Moreover, foreign currency fixed-income securities, receivables and payables are translated to the functional currency at the exchange rates prevailing at the Consolidated Balance Sheet date.

Exchange differences arising on a monetary item that is part of the net investment in a company's foreign operation is recognised in the Statement of Profit and Loss in the separate Financial Statements for the reporting company, or in the Individual Financial Statements for the foreign operation, as appropriate. In the Consolidated Financial Statements that include the foreign operation and the reporting company, those exchange differences are initially recognised in "Other comprehensive income, net of taxes" and are reclassified from equity to profit or loss when the foreign business is disposed or the investment is recovered fully or partially by other means.

The hedge instruments that the SIEMENS GAMESA Group uses to reduce foreign currency risks are described in Note 10.

The equivalent euro value of the monetary assets and liabilities denominated in currencies other than euro held by the SIEMENS GAMESA Group as of September 30, 2018 and 2017 is as follows:

Currency	Equivalent value in thousands of euros			
	09.30.2018		09.30.2017	
	Assets	Liabilities	Assets	Liabilities
Indian rupee	138,683	315,471	164,228	472,294
US dollar	814,702	391,495	562,066	369,421
Chinese yuan	147,994	269,384	184,679	136,135
Mexican peso	18,984	37,044	32,214	49,271
Danish krone	192,666	228,898	124,186	227,137
Canadian dollar	47,108	7,157	44,915	22,536
Sterling pound	144,452	60,984	122,299	64,064
Moroccan dirham	22,273	14,957	12,916	20,045
Swedish krona	32,864	1,705	13,899	9,090
Australian dollar	24,552	11,195	26,947	8,325
Turkish lira	258	8,008	7,047	527
Brazilian real	131,680	27,289	146,522	45,653
Norwegian krone	1,828	519	21,782	3,371
South African rand	7,942	2,479	20,438	4,549
Croatian kuna	657	224	35,701	7,271
Egyptian pound	14,082	6,057	12,854	4,684
Other currencies	49,202	33,753	45,401	45,741
<b>Total</b>	<b>1,789,927</b>	<b>1,416,619</b>	<b>1,578,094</b>	<b>1,490,114</b>

The equivalent euro value of the main balances denominated in currencies other than euro, based on the nature of the items concerned, is as follows:

Nature of the balances	Equivalent value in thousands of euros			
	09.30.2018		09.30.2017	
	Assets	Liabilities	Assets	Liabilities
Cash and cash equivalents (Note 7)	1,203,655	-	909,618	-
Trade receivables (Note 8)	586,272	-	668,476	-
Debt (Note 18)	-	215,762	-	242,338
Trade payables	-	1,200,857	-	1,247,776
<b>Total</b>	<b>1,789,927</b>	<b>1,416,619</b>	<b>1,578,094</b>	<b>1,490,114</b>

#### **D. CONTRACT ASSETS, CONTRACT LIABILITIES, RECEIVABLES**

When either party to a contract with customers has performed, the SIEMENS GAMESA Group presents a “Contract asset”, a “Contract liability” or a “Trade and other receivables” depending on the relationship between the SIEMENS GAMESA Group’s performance and the customer’s payment. Contract assets and liabilities are presented net as current since incurred in the operating cycle. Receivables are recognised when the right to consideration becomes unconditional. Valuation allowances for credit risks are set up for “Contract assets” and receivables according to the accounting policy for loans and receivables.

#### **E. INVENTORIES**

“Inventories” are valued at the lower of their acquisition or production costs and their net realizable value, and costs are generally determined on an average basis or a first-in, first-out method. In determining the net realizable value of inventories, write-downs based on expected inventory usefulness or marketability are taken into account. The criteria for inventory usefulness or marketability cover quantity, technical and price risks.

#### **F. BUSINESS COMBINATIONS**

In a business combination the acquirer shall measure the identifiable acquired assets and the assumed liabilities (including contingent liabilities) at their acquisition-date fair values (Note 2.B). The estimates of the acquisition-date fair values are based on judgements and are determined by using certain measurement techniques, which are also supported by independent third-party appraisers. Additionally, the measurement period, which is the later period to the

acquisition date in which the acquirer can adjust the provisional amounts booked for the business combination, has been finalised during year ended as of September 30, 2018 for the Merger of GAMESA and Siemens Wind HoldCo, S.L. This measurement period provides to the acquirer a reasonable period of time to obtain the necessary information to identify and measure, at the acquisition-date as required by IFRS 3, among others, the identifiable acquired assets, the assumed liabilities, the consideration given or the arising goodwill (Note 4).

## **G. GOODWILL**

The “Goodwill” arising on acquisitions represents the excess of the cost of acquisition over the Group’s interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary, joint operation, joint venture or associate at the date of acquisition. The “Goodwill” is recognised as an asset and is tested for impairment annually, or whenever events or changes in circumstances indicate that it might be impaired. The “Goodwill” is carried at cost less accumulated impairment losses.

Once an impairment loss is recognised for goodwill, it is not reversed in subsequent periods.

## **H. OTHER INTANGIBLE ASSETS**

The “Other intangible assets” are recognised initially at acquisition or production cost and are subsequently measured at cost less any accumulated amortization and any accumulated impairment losses. The “Other intangible assets” with finite useful lives are amortized on a straight-line basis over their respective estimated useful lives to their estimated residual values. Intangible assets which are determined to have indefinite useful lives, as well as intangible assets not yet available for use, are not amortized but instead tested for impairment at least annually.

The “Other intangible assets” consist of software, patents, licenses and similar rights. Estimated useful lives generally range from 3 to 10 years, except for intangible assets with finite useful lives acquired in business combinations. Intangible assets acquired in business combinations mainly consist of customer relationships, order backlog and technology.

The SIEMENS GAMESA Group determines the estimated useful lives and the relevant amortization charges for its intangible assets. The Group will increase the amortization charge where useful lives are shorter than previously estimated, and write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

## **I. PROPERTY, PLANT AND EQUIPMENT**

The “Property, plant and equipment” is valued at acquisition cost less any accumulated depreciation and any recognised impairment losses. In addition to the purchase price, acquisition costs include non-recoverable indirect taxes and any other costs directly attributable to transportation of the asset and conditioning for its intended use (including borrowing costs incurred during the construction period).

Subsequent costs, i.e. the ones related to the expansion, modernisation or improvement of an asset, are recognised in the carrying amount of the concerned asset when it is probable that the costs incurred will result in future economic benefits to the SIEMENS GAMESA Group. All other costs incurred for ordinary repairs and maintenance are recognised in the Consolidated Statement of Profit and Loss as incurred.

The SIEMENS GAMESA Group determines the estimated useful lives and the relevant depreciation charges for its property, plant and equipment. The Group will increase the depreciation charge where useful lives are shorter than previously estimated, and write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Depreciation expense is recognised using the straight-line method. The following useful lives are assumed:

	Average estimated useful life
Factory and office buildings	20 – 50
Other buildings	5 – 10
Technical machinery & equipment	5 – 10
Other property, plant and equipment	3 – 10

Assets under construction are not depreciated.

## **J. IMPAIRMENT OF ASSETS**

The “Property, plant and equipment” and the “Other intangible assets” are reviewed for impairment at segment level whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In addition, intangible assets not yet available for use are subject to an annual impairment test.

The impairment tests require the estimation of the future development of the businesses and the most appropriate discount rate in each case. The SIEMENS GAMESA Group considers that its estimates in this area are adequate and coherent with the current economic environment and they reflect its investment plans and the best estimates available regarding its future revenues and income, and it considers that its discount rates adequately reflect the risks relating to each cash generating unit.

Whenever “Other intangible assets” and “Property, plant and equipment” have to be subject to the impairment test, the determination of the recoverable amount of the assets involves the use of estimates chosen by the Management, what may have a substantial impact on the respective values and, ultimately, on the impairment amount.

## **K. PROVISIONS**

A distinction is drawn between:

- **Provision:** a present obligation (legal or constructive) as a consequence of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.
- **Contingent liability:** a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events beyond the control of the entity; or possible obligations, whose occurrence is unlikely or whose amount cannot be reliably estimated.

The Consolidated Financial Statements include all material provisions for which it is considered likely, that the obligation will have to be settled and whose amount can be measured reliably. Contingent liabilities are disclosed, but not recognised in the Consolidated Financial Statements, except for those which arise from business combinations (Note 2.B).

Provisions are recognised based on the best estimate of the expenditure that will be required to settle the present obligation at the end of the reporting period. Provisions are fully or partially reversed when the obligations cease to exist or are reduced.

Provisions are recognised when the obligation arises, with a charge to the relevant heading in the Consolidated Statement of Profit and Loss based on the nature of the obligation.

Provisions for warranty costs are recognised at the time when the significant risks and rewards of a product are transferred to the customer. The provisions are recognised individually at the best estimate of the expenditure required by the SIEMENS GAMESA Group to settle the underlying obligation (Note 19). Warranty provisions related to wind turbines are generally calculated using estimates regarding the number of component failures (failure rate estimate)

and their rectification costs. In the case of new products, expert opinions and industry data are also taken into consideration in estimating product warranty provisions.

Expected losses from onerous contracts are recognised when the best estimate of total contract costs exceeds foreseen contract revenue.

Provisions are discounted to reflect the present value of the expected expenditure, when the effect of the time value of money is material.

As of September 30, 2018 and 2017, certain litigation and claims against the consolidated companies arising from the ordinary course of their operations were in progress. The Group's legal advisors and its Directors consider that the provisions recognised for this purpose are sufficient and that the outcome of these proceedings and claims will not have a material effect on the Consolidated Financial Statements for the years in which they would be settled (Note 19).

As of September 30, 2018 and 2017, there are no significant contingent liabilities or provisions that had not been recognised or disclosed in these Consolidated Financial Statements.

#### **L. POST-EMPLOYMENT BENEFITS**

The SIEMENS GAMESA Group measures the entitlements to post-employment benefits by applying the projected unit credit method. This approach reflects an actuarially calculated net present value of the future benefit entitlement for services already rendered. In determining the net present value of the future benefit entitlement for service already rendered (hereinafter, Defined Benefit Obligation), the expected rates of future salary increase and expected rates of future pension increase are considered. The assumptions used for the calculation of the Defined Benefit Obligation as of the period-end of the preceding year are used to determine the calculation of service cost and interest income and expense of the following year. The net interest income or expense for the year will be based on the discount rate for the respective year multiplied by the net liability at the preceding year's period-end date.

Current and past service cost for post-employment benefits and administration costs unrelated to the management of plan assets are allocated among functional costs. Past service cost and settlement gains (losses) are recognised immediately in the Consolidated Statement of Profit and Loss. For unfunded plans, the amount of the heading "Post-employment benefits" equals the Defined Benefit Obligation. For funded plans, the SIEMENS GAMESA Group offsets the fair value of the plan assets with the Defined Benefit Obligation. The Group recognises the net amount, after adjustments for effects relating to any asset ceiling.

Remeasurements comprise actuarial gains and losses as well as the difference between the return on plan assets and the amounts included in net interests on the defined benefit liabilities (asset). These are recognised in "Other comprehensive income, net of income taxes".

Actuarial valuations are based on assumptions including discount rates, expected compensation increases, rate of pension increase and mortality rates. The used discount rate is determined by reference to yields on high-quality corporate bonds of appropriate duration at the end of the period. In case such yields are not available, discount rates are based on government bonds yields. Due to changing market, economic and social conditions the underlying assumptions may differ from real developments.

#### **M. TERMINATION BENEFITS**

Termination benefits are recognised in the period they are incurred, and when the amount can be reasonably estimated. Termination benefits arise as a result of an entity's offer made in order to encourage voluntary redundancy before the normal retirement date, or from an entity's decision to terminate the employment contract. Termination benefits in accordance with IAS 19, Employee Benefits, are recognised as a liability when the entity can no longer withdraw the offer of those benefits.



## **N. CLASSIFICATION OF CURRENT AND NON-CURRENT LIABILITIES**

Liabilities are classified as current or non-current on the basis of the projected period to maturity, disposal or settlement. Non-current liabilities are amounts due to be settled within more than twelve months from the date of the Consolidated Balance Sheet, except for the cases explained below.

Long term loans and credit facilities assigned to wind farms held for sale, which are legally structured in individual public or private limited liability companies, are classified as current or non-current depending on the foreseeable and expected sale date of these wind farms, because the sale of the shares in these individual companies leads to an exclusion of all assets and liabilities of the wind farm from the scope of consolidation.

Accordingly, regardless of the repayment schedule contractually established for these borrowings, the total amount of borrowings assigned to the wind farms that will foreseeably be sold within twelve months from the reporting date of the Consolidated Financial Statements is classified under current liabilities.

## **O. GOVERNMENT GRANTS**

Government grants are recognised when there is reasonable assurance that the conditions attached to the grants are complied with and the grants will be received. Grants awarded for the purchase or the production of fixed assets (grants related to assets) are generally offset against the acquisition or production costs of the respective assets reducing its future depreciations accordingly.

Government grants for future expenses are recorded as deferred income and allocated to income in the Consolidated Statement of Profit and Loss in the year in which the related expenses are incurred. In this context, government grants included in the Consolidated Statement of Profit and Loss amount to EUR 7.2 million (3.5 million as of 30 September, 2017).

## **P. TREASURY SHARES, AT COST**

The treasury shares held by SIEMENS GAMESA as the Parent company of the SIEMENS GAMESA Group as of September 30, 2018 and 2017 are recognised at acquisition cost with a charge to "Equity - Treasury Shares, at cost" in the Consolidated Balance Sheet (Note 23.E).

The gains and losses derived from the purchase, sale, issue or cancellation of treasury shares are recognised directly in "Equity".

## **Q. DIVIDENDS**

Any interim dividends approved by the Board of Directors are deducted from "Equity" in the Consolidated Balance Sheet. However, the complementary dividends proposed by the Board of Directors of SIEMENS GAMESA to the shareholders at the General Shareholders' Meeting are not deducted from equity until they have been approved by the latter.

During the years ended September 30, 2018 and 2017 no interim dividends have been distributed.

## **R. SHARE-BASED PAYMENTS**

Equity-settled share-based payments are measured at the fair value of the equity instruments granted. This fair value is expensed on a straight-line basis over the vesting period, based on the SIEMENS GAMESA Group's estimate of the shares that will ultimately be delivered, and credited to "Equity" (Note 23.E).

Fair value is measured using the market prices available on the measurement date, taking into account the terms and conditions upon which those equity instruments were granted.

If a grant of equity instruments is cancelled or settled during the vesting period (for a reason other than a grant cancelled by forfeiture when the vesting conditions are not met), the SIEMENS GAMESA Group accounts for the cancellation or settlement as an acceleration of the vesting and therefore recognises immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period.

For cash-settled share-based payments, a liability equal to their current fair value determined at the end of each reporting period is recognised.

The SIEMENS GAMESA Group has made certain assumptions in order to calculate the liability arising from the obligations with employees. The fair value of those financial instruments granted as share-based payments (Note 23.E) that are not traded in an active market is determined by using measurement techniques. The Group uses judgments to select a series of methods and to make assumptions, that are mainly based on the market conditions existing at each Consolidated Balance Sheet date. Changes in these assumptions would not have a significant impact on these Consolidated Financial Statements.

## **S. FINANCIAL REPORTING BY SEGMENT**

The reporting on operating segments is presented in accordance with the internal information that is provided to the chief operating decision maker. The Board of Directors has been identified as the main chief operating decision maker, as it is responsible for assigning resources and evaluating the performance of the operating segments, as well as it is in charge of taking strategic decisions.

## **T. INCOME TAX**

Both current and deferred tax income or expense are recognised in the Consolidated Statement of Profit and Loss, except when they are the result of a transaction whose results are recorded directly in "Equity", in which case the corresponding tax is also recorded in "Equity".

The current tax is the amount that the Company settles as a result of the tax filings of the income tax relating to a fiscal year. The deductions and other tax benefits in the tax liability, excluding the withholdings and payments on account, as well as the tax loss carryforwards from previous years, give rise to a lower amount of current tax.

The deferred tax expense or income corresponds to the cancellation and recognition of deferred tax assets and liabilities. These include the temporary differences that are identified as those amounts that are expected to be payable or recoverable derived from the differences between the carrying amounts of the assets and liabilities and their tax value, as well as the tax loss carryforwards pending to be compensated and the tax credits not applied. These amounts are recorded at the expected tax rate from the moment it is probable they are going to be recovered or settled.

Under the liability method, temporary differences that arise from assets or liabilities are the difference between the tax base of an asset or liability and its carrying amount in the Consolidated Balance Sheet. The tax base of an asset or liability is the amount attributed to the asset or liability for tax purposes.

"Deferred tax liabilities" will be recognised for all taxable temporary differences, except those derived from the initial recognition of goodwill or other assets and liabilities in a transaction that affects neither the tax base nor the accounting result and is not a business combination.

The Group is subject to income taxes in numerous jurisdictions. A significant level of judgment is required to determine the worldwide provision for income tax expenses. There are many transactions and calculations with respect to which the ultimate calculation of the tax is uncertain in the ordinary course of business. The tax calculation is made based on the best estimates of the Management according to the current tax regulations and taking into account the foreseeable development of the same in the different jurisdictions in which the Group operates. The Group recognises liabilities for potential tax claims based on an estimation of whether additional taxes will be necessary. When the final tax result differs from the amounts which were initially recognised, such differences will have an effect on "Income tax" and the provisions for deferred taxes in the year in which they are deemed to arise (Notes 26 and 27).

The SIEMENS GAMESA Group recognises a deferred tax liability for all taxable temporary differences related to investments in subsidiaries, branches and associates, except to the extent where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

On the other hand, deferred tax assets are only recognised to the extent that it is considered probable that the Company and / or the Tax Group to which it belongs will have future taxable profits against which to make them effective. The recoverability of deferred tax assets is assessed based on projected future taxable profits. According to the level of historical taxable income and projections of future taxable income in the periods in which deferred tax assets are deductible, it is assessed whether it is probable that the SIEMENS GAMESA Group will realise the benefits of these deductible differences (Note 27). At each legal closing, the recorded deferred tax assets are analysed, making the appropriate corrections to them to the extent that doubts exist about their future recovery. In addition, deferred tax assets not recorded in the Consolidated Balance Sheet are assessed at each closing and these are recognised when their recovery with future tax benefits becomes probable.

The income or expense for income tax and taxes of a similar nature applicable to consolidated foreign entities is the amount, which for this concept, accrues in the year and includes both, current and deferred income or expense.

## **U. REVENUE RECOGNITION**

The SIEMENS GAMESA Group recognises revenue, when or as control over distinct goods or services is transferred to a customer; i.e. when the customer is able to control the use of the transferred goods or services and obtains substantially all of the remaining benefits, provided that a contract with enforceable rights and obligations exists and amongst others collectability of consideration is probable taking into account our customer's creditworthiness. Revenue is the transaction price the Group expects to be entitled to. If the consideration is variable, the estimated amount will be included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The amount of variable consideration is calculated by using either the expected value or the most likely amount depending on which is expected to better predict the amount of variable consideration. The consideration is adjusted for the time value of money if the period between the transfer of goods or services and the receipt of payment exceeds twelve months and there is a significant financing benefit either to the customer or the SIEMENS GAMESA Group. If a contract contains more than one distinct good or service, the transaction price is allocated to each performance obligation based on relative stand-alone selling prices. If stand-alone selling prices are not observable, the Company reasonably estimates those. Revenue is recognised for each performance obligation either at a point in time or over time.

Sales from construction-type contracts: A construction-type contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Revenues are recognised over time under the percentage-of-completion method, based on the percentage of costs incurred to date compared to total estimated costs. An expected loss on the contract is recognised as an expense immediately. Payment terms for the customer are usually and in average 30 days from the date of issue of the invoice always according to the contract terms.

The percentage-of-completion method places considerable importance on accurate estimates of the extent of progress towards completion, and may involve estimates on the scope of deliveries and services required for fulfilling the contractually defined obligations. These significant estimates include total estimated costs, total estimated revenues, contract risks, including technical, political and regulatory risks, and other judgments. Under the percentage-of-completion method, changes in estimates may lead to an increase or decrease of revenue. In addition, the SIEMENS GAMESA Group needs to assess whether the contract is expected to continue or to be terminated. In determining whether the continuation or termination of a contract is expected to be the most likely scenario, all relevant facts and circumstances relating to the contract are considered on an individual basis.

In the case that separate legal entities are set-up for the development and sale of wind farms, the non-current assets (basically wind turbines, fixtures and civil engineering work) of the wind farms adopting the legal structure of a public or private limited liability company whose shares are fully consolidated in the accompanying Consolidated Financial Statements (see Appendix), are classified as "Inventories" and are measured in the same way as other inventories and are included in the percentage-of-completion calculations in the Consolidated Financial Statements when the requirements therefore are fulfilled.

Revenues from services: revenues are recognised over time on a straight-line basis or, if the performance pattern is other than straight-line, as services are provided, i.e. under the percentage-of-completion method as described above. Payment terms for customer are usually and in average 30 days from the date of issue of the invoice, always according to the contract terms.

Sale of goods: revenues are recognised at the point in time when control of the goods passes to the buyer, usually upon delivery of the goods. Invoices are issued at that point in time and are usually receivable within 30 days as an average.

## **V. LEASES**

The SIEMENS GAMESA Group classifies leases as finance leases whenever all the risks and rewards incidental to the ownership of the asset are substantially transferred to the lessee. All other leases are classified as operating leases.

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

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

## **W. FUNCTIONAL COSTS**

In general, operating expenses by type are assigned to the functions depending on the functional area of the corresponding profit and cost centres. The amortization, depreciation and impairment of "Other intangible assets" and "Property, plant and equipment" are included in functional costs depending on the use of the assets.

## **X. RESEARCH AND DEVELOPMENT EXPENSES**

Expenses of research activities are recognised as incurred. Expenses of development activities are capitalised when the recognition criteria in IAS 38 are met. Capitalised development expenses are stated at cost less accumulated amortization and impairment losses.

The amortization of development expenses begins when the projects are in the conditions necessary for them to be capable of operating in the manner initially intended by the SIEMENS GAMESA Group. The expenditure is amortized generally on a straight-line basis over the estimated period of time that the new product will generate economic benefits, in a maximum of 5 years.

## **Y. INTEREST EXPENSES**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualified asset are part of the cost of that asset. A qualified asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Financial income obtained on the temporary investment of specific loans until their usage on qualified assets is deducted from the interest expense that may be capitalised.

All other borrowing costs are recognised as a cost in the period in which they are incurred.

## **Z. EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing the net profit or loss for the reporting period by the weighted average number of ordinary shares outstanding during the period.

In the case of the reverse acquisition as a result of the Merger (Notes 1.B and 1.D), the equity structure in the Consolidated Financial Statements reflects the equity structure of the legal acquirer (the accounting acquirer), including the equity interests issued by the legal acquirer to execute the business combination.

For the calculation of the weighted average number of ordinary shares outstanding (the denominator of the earnings per share calculation) for the year ended September 30, 2017:

- a) The number of ordinary shares outstanding from the beginning of fiscal year 2017 until the Merger Effective Date has been computed on the basis of the weighted average number of ordinary shares of Siemens Wind HoldCo, S.L. (accounting acquirer) outstanding during that period, calculated as the number of ordinary shares outstanding at the Merger Effective Date multiplied by the Merger exchange ratio; and
- b) The number of ordinary shares outstanding from the Merger Effective Date until September 30, 2017 was the actual number of ordinary shares of SIEMENS GAMESA outstanding during that period.

Diluted earnings per share are calculated by dividing the net income for the year by the weighted average number of ordinary shares outstanding in the year, adjusted by the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. For such purposes, dilutive potential ordinary shares are deemed to have been converted into ordinary shares at the beginning of the reporting period or, if later, at the date of the issuance of the potential ordinary shares.

Basic earnings per share in the years ended September 30, 2018 and 2017 coincide with diluted earnings per share, since there were no potential shares outstanding in those periods (Note 33).

## **4. Acquisitions, disposals and discontinued operations**

As described in Note 1.D, the Merger qualified for accounting purposes as a reverse acquisition, by which SIEMENS's Wind Power Business is considered as accounting acquirer and GAMESA as accounting acquiree. SIEMENS acquired 59% of GAMESA in exchange for 41% of its Wind Power Business and an Extraordinary Merger Dividend of EUR 998.7 million. As SIEMENS and GAMESA only exchanged equity interests, GAMESA's market share price at the Merger Effective Date was the best indicator of the consideration paid for GAMESA's assets and liabilities, which was EUR 22.345 per share (relevant share price as of April 3, 2017). Accordingly, the consideration transferred amounted to EUR 6,203 million.

GAMESA's assets and liabilities as accounting acquiree, including ADWEN's assets and liabilities were included in the Consolidated Financial Statements at their acquisition-date fair values. The following figures result from the final purchase price allocation as of the acquisition date (Note 2.E): Other intangible assets EUR 2,490 million, Property, plant and equipment EUR 610 million, Trade and other receivables EUR 1,073 million, Inventories EUR 1,099 million, Other financial assets EUR 373 million (current and non-current), Cash and cash equivalents EUR 1,003 million, Other current assets EUR 206 million, Current income tax assets EUR 179 million, Deferred tax assets EUR 478 million, Debt including outstanding financial debt EUR 1,019 million (short term and long term), Trade payables EUR 1,779 million, Other current liabilities EUR 640 million, Other financial liabilities EUR 286 million (current and non-current), Provisions EUR 1,561 million (current and non-current), Current income tax liabilities EUR 117 million and Deferred tax liabilities

EUR 798 million. Intangible assets mainly relate to technology of EUR 1,147 million, customer relationships of EUR 958 million and order backlog of EUR 385 million.

Goodwill amounted at acquisition date to EUR 4,831 million and comprises intangible assets that are not separable such as employee know-how and expected synergy effects.

The acquired business contributed revenues of EUR 1,659 million and a negative net income of EUR 209 million (including Purchase Price Allocation charges) to SIEMENS GAMESA for the period from the acquisition date to September 30, 2017. The revenue and profit of the combined entity for the current reporting period as though the acquisition date had been as of the beginning of the annual reporting period (January 1, 2017) amounts to EUR 8,200 million and EUR 35 million (including Purchase Price Allocation charges).

The heading "Acquisition of businesses net of cash acquired" in the Consolidated Statement of Cash Flows for the year ended September 30, 2017 includes the extraordinary Merger dividend amounting to EUR 998.7 million net of the cash of the former GAMESA Group at the date of acquisition.

Transaction costs of EUR 20 million were expensed in the Consolidated Statement of Profit and Loss of the year ended September 30, 2017 as administrative expenses.

During the second quarter of fiscal year 2018 the allocation of the goodwill to the different countries and currencies has been performed, based on an external expert report. Due to the significant change in the exchange rate of several currencies since April 3, 2017, especially the Indian Rupee, the calculation of negative currency translation differences up to March 31, 2018 amounted to EUR 397 million (EUR 365 million negative as of September 30, 2017) (Note 2.E).

The accounting for this business combination has been finalised by the date of preparation of these Consolidated Financial Statements for the year ended September 30, 2018. All adjustments have been done in order to reflect the valuation of the acquired assets and liabilities and within 12 months from the acquisition of GAMESA as required by IFRS 3 "Business Combination" (Note 3.F).

## **5. Financial Risk Management policy**

Due to the nature of its activities, the SIEMENS GAMESA Group is exposed to a variety of financial risks: (i) market risks, in particular foreign exchange, market price risk and interest rate risk, (ii) liquidity risk and (iii) credit risk. The aim of the Financial Risk Management is to identify, measure, monitor and mitigate those risks and their potential adverse effects on the Group's operational and financial performance. The general conditions for compliance with the Group's Financial Risk Management process are set out through policies approved by the Executive Management. The identification, assessment and hedging of financial risks lies in the responsibility of each business unit.

### **A. MARKET RISK**

#### **a) Foreign exchange risk**

The SIEMENS GAMESA Group conducts transactions with international counterparties in the ordinary course of its business, leading to income generation in currencies different from the euro, and to future cash flow generated by the SIEMENS GAMESA Group's companies that are denominated in a currency other than their functional currencies, and is therefore exposed to risks from changes in foreign currency exchange rates.

Foreign currency exchange rate exposure is partially balanced by purchasing of goods, commodities and services in the local markets' currencies where the business is being conducted, as well as by locating the production activities and other contributions along the value chain in those local markets. Furthermore, to the extent possible, exchange rates are fixed by currency clauses integrated into contracts with third parties to avoid the consequences from unfavourable foreign currency developments.

In the cases where it is not possible to apply the measures described above, the SIEMENS GAMESA Group uses financial instruments to hedge the remaining risk exposure, since its objective is to generate profits only through its ordinary business, and not by speculating with the exchange rate fluctuations (Note 10). For this purpose, the Group analyses the foreign currency exposure of its confirmed order book as well as of the planned and highly probable foreign currency transactions. In addition, risk exposure limits are established and updated each year, aimed at managing the remaining risk levels, and could be updated for a time period of less than one year in case that the Group needs to adapt quickly to changing market trends.

Due to the international set-up of the Group, cash flows are generated in numerous different currencies. The majority of foreign currency transactions are denominated in US Dollar, Canadian Dollar, Danish Krone, Chinese Yuan, Indian Rupee, Brazilian Real and Mexican Peso. According to the SIEMENS GAMESA Group's general Foreign Exchange risk management framework, foreign currency risk has to be hedged within a band of at least 75% up to a maximum of 100%. The financial instruments used to hedge this risk are primarily foreign currency exchange forward contracts and foreign currency swaps (Note 10).

The following table shows the translation impact on profit and loss and equity as a result of changes in exchange rates as of September 30, 2018 and 2017 for the Group's most significant currencies, by simulating a 5% devaluation and appreciation of the euro against the respective currency:

Thousands of euros	Exchange rate at 09.30.2018	Debit / (Credit) (*)			
		Devaluation 5% of euro		Appreciation 5% of euro	
		Impact on income before taxes	Impact on equity before taxes	Impact on income before taxes	Impact on equity before taxes
<b>Currency</b>					
US dollar	1.1576	5,105	(58,236)	(5,105)	58,236
Canadian dollar	1.5064	(1,002)	(1,333)	1,002	1,333
Danish krone (**)	7.4564	(4,941)	(11,321)	5,631	11,872
Chinese yuan	7.9662	(1,029)	(33,139)	1,029	33,139
Indian rupee	83.9160	1,554	(70,225)	(1,554)	70,225
Brazilian real	4.6535	1,069	(6,426)	(1,069)	6,426
Sterling pound	0.8873	(2,840)	(3,093)	2,840	3,093
Mexican peso	21.7800	1,145	(11,054)	(1,145)	11,054

(\*) Income and "Equity" increase in negative and expenses and "Equity" decrease in positive.

(\*\*) To calculate the sensitivity of the change of the Danish Krone's exchange rate, the fluctuation bend fixed by the European Central Bank and the Danish Bank is used (2.25% over the 7.4604 DKK/EUR fixed rate).

Thousands of euros	Exchange rate at 09.30.2017	Debit / (Credit) (*)			
		Devaluation 5% of euro		Appreciation 5% of euro	
		Impact on income before taxes	Impact on equity before taxes	Impact on income before taxes	Impact on equity before taxes
<b>Currency</b>					
US dollar	1.1806	(200)	(25,693)	200	25,693
Canadian dollar	1.4687	(532)	(2,198)	532	2,198
Danish krone (**)	7.4423	(1,775)	(6,839)	2,347	8,494
Chinese yuan	7.8534	(862)	(9,345)	862	9,345
Indian rupee	77.0690	2,350	(17,943)	(2,350)	17,943
Brazilian real	3.7635	(1,408)	(6,489)	1,408	6,489
Sterling pound	0.8818	(426)	441	426	(441)
Mexican peso	21.4614	39	(2,817)	(39)	2,817

(\*) Income and "Equity" increase in negative and expenses and "Equity" decrease in positive.

(\*\*) To calculate the sensitivity of the change of the Danish Krone's exchange rate, the fluctuation bend fixed by the European Central Bank and the Danish Bank is used (2.25% over the 7.4604 DKK/EUR fixed rate).

#### b) Market price risk

The SIEMENS GAMESA Group is exposed to risks relating to fluctuations in the prices of the commodities, as well as import tariffs for certain products in some countries that may affect the costs of the supply chain. These risks are mainly managed in the procurement process. Only in some cases, the SIEMENS GAMESA Group uses derivatives instrument to mitigate these market price risks.

The exit of the United Kingdom from the European Union triggers an extended period of uncertainty, which adversely impacts future investments in the United Kingdom's energy market and also increases the uncertainty in the business development of the SIEMENS GAMESA Group in the United Kingdom. The SIEMENS GAMESA Group currently estimates that it will be able to cover these uncertainties through several risk mitigation measures and sees therefore no immediate risk for the Consolidated Financial Statements, e.g. on the recoverability of assets resulting from past investments in the United Kingdom (the Group's investment in net assets in the United Kingdom represents less than 1.5% of the total consolidated assets as of September 30, 2018).

c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The SIEMENS GAMESA Group uses external sources to finance parts of its operations. Loans at variable rates expose the Group to interest rate risks, while loans at fixed rates expose the Group to fair value interest rate risk. The variable rates are mainly linked to the LIBOR or the EURIBOR. The SIEMENS GAMESA Group continuously analyses the split of external financing at variable and fixed rates to optimise the interest rate exposure.

The Group uses derivative financial instruments to mitigate the interest rate risk. These interest rate hedges are assigned specifically to debt instruments and are matching their maturity as well as the nominal amount (Note 10).

As of September 30, 2018 and 2017, the split of the borrowings into fixed and variable rate is as follows:

Thousands of euros	09.30.2018 (*)		09.30.2017	
	Excluding hedges (Note 18)	Including hedges	Excluding hedges (Note 18)	Including hedges
Fixed Rate	720,000	720,000	25,000	242,257
Variable Rate	1,093,786	1,093,786	1,257,134	1,039,877
<b>Total</b>	<b>1,813,786</b>	<b>1,813,786</b>	<b>1,282,134</b>	<b>1,282,134</b>

(\*) During fiscal year 2018 all the previous interest rate hedges have been cancelled.

Based on instruments bearing interests at fixed and variable rates and financial instruments hedging interest rate risk which the SIEMENS GAMESA Group holds, a hypothetical change in the interest rates applicable to the respective instruments would have had the following effects:

Thousands of euros	Debit / (Credit) (*)			
	Variation in interest -0.25%		Variation in interest +0.25%	
	Impact on income before taxes	Impact on equity	Impact on income before taxes	Impact on equity
09.30.2018	(3,742)	-	3,742	-
09.30.2017	(2,627)	5	2,627	(5)

(\*) Income and "Equity" increase in negative and expenses and "Equity" decrease in positive.

## B. LIQUIDITY RISK

Liquidity risk is the risk that the SIEMENS GAMESA Group is unable to meet its existing or future obligations due to insufficient availability of cash or cash equivalents. The Group mitigates the liquidity risk by the implementation of an effective working capital and cash management as well as with arranged credit facilities with highly rated financial institutions. As of September 30, 2018, the SIEMENS GAMESA Group has unused credit facilities amounting to EUR 2,143 million, which represents 54% of total credit facilities (EUR 1,377 million as of September 30, 2017, representing 52% of total credit facilities).

Furthermore, the Group attempts to maintain a financial debt structure that is in line with the maturity of the assets to be financed. Therefore, non-current assets are financed with long-term debt or equity, whereas working capital is mainly financed with current borrowings.

## C. CREDIT RISK

The credit risk is the risk that exists when a counterparty or customer does not meet its contractual payment obligations, and this leads to a loss for the SIEMENS GAMESA Group.



The Group deals generally with customers that have an appropriate credit history and rating. The customers mainly usually are companies within the energy sector where the steady cash-inflows from the sale of electricity leads to an above average credit rating. Nevertheless, in cases of customers with a below average rating or credit history, the SIEMENS GAMESA Group uses a variety of mitigation measures, such as irrevocable letters of credit or export insurances to cover the increased credit risk. Furthermore, the customer contract is individually analysed, including specific conditions according to the credit risk exposure to safeguard the Group from an insolvency of the counterparty.

The analysis of the overdue trade receivables, which cover the majority of the financial assets, which have not been impaired, and without considering the average credit rating as of September 30, 2018 and 2017, is as follows:

Thousands of euros	09.30.2018	09.30.2017
Less than 90 days	298,750	223,644
90 - 180 days	67,259	66,481
More than 180 days	85,921	123,215
<b>Total trade and other receivables – overdue</b>	<b>451,930</b>	<b>413,340</b>

The credit risk exposure of cash and other cash equivalents can be anticipated with the credit rating of the corresponding financial institutions. The overview below discloses the cash and cash equivalents as of September 30, 2018 and 2017, by financial institutions with the following ratings (Note 7):

Thousands of euros	09.30.2018	09.30.2017
AA-	13,766	25,305
A+	276,988	222,314
A	710,609	442,757
A-	323,112	128,333
BBB+	953,392	302,489
BBB	34,349	387,986
BBB-	26,374	43,353
BB+ or lower	90,444	106,931
<b>Total</b>	<b>2,429,034</b>	<b>1,659,468</b>

## 6. Earnings allocation

At the date of preparation of these Consolidated Financial Statements, the SIEMENS GAMESA Group's Board of Directors, estimates that it will propose to the General Shareholders' Meeting for its approval, the following allocation of results for the year ended September 30, 2018 as shown below, determined according to Spanish accounting regulations applicable to the Statutory Financial Statements of the Company:

Thousands of euros	09.30.2018
<b>Basis of distribution</b>	
Result for the year	49,852
<b>Total</b>	<b>49,852</b>
<b>Distribution</b>	
Legal reserve	4,985
Other reserves	27,382
Dividend	17,485
<b>Total</b>	<b>49,852</b>

## 7. Cash and other cash equivalents

The breakdown of “Cash and cash equivalents” as of September 30, 2018 and 2017 is as follows:

Thousands of euros	09.30.2018	09.30.2017
Cash in euros	1,225,379	749,850
Cash in foreign currency (Note 3.C)	827,170	585,609
Liquid assets (Note 3.C)	376,485	324,009
<b>Total</b>	<b>2,429,034</b>	<b>1,659,468</b>

The heading “Cash and cash equivalents” includes mainly the Group's cash and short-term bank deposits with an initial maturity of three months or less. Cash and cash equivalents accrue market interest rates. There are no restrictions on the use of these balances.

The liquid assets maturing in less than three months are denominated in foreign currency (Note 3.C).

## 8. Trade and other receivables

The detail of “Trade and other receivables” in the Consolidated Balance Sheets as of September 30, 2018 and 2017 is as follows:

Thousands of euros	09.30.2018	09.30.2017
Trade and other receivables from third party	1,111,063	1,061,337
Trade and other receivables from related parties (Note 30)	57,188	92,838
Impairment due to uncollectible receivables	(54,333)	(73,036)
<b>Total</b>	<b>1,113,918</b>	<b>1,081,139</b>

All the aforementioned balances mature in less than twelve months and are non-interest-bearing.

The account impairment due to uncollectible receivables includes the allowances for doubtful accounts based on a recoverability analysis performed by the SIEMENS GAMESA Group for uncollected due amounts and for potential problems relating to the collection of non-matured items.

The carrying amount of the “Trade and other receivables” denominated in foreign currency as of September 30, 2018 and 2017 is as follows (Note 3.C):

Currency	Equivalent value in thousands of euros	
	09.30.2018	09.30.2017
Canadian dollar	5,715	12,184
US dollar	260,271	146,546
Sterling pound	44,880	41,262
Chinese yuan	82,529	77,956
Danish krone	22,526	78,621
Swedish krona	15,723	12,395
Brazilian real	8,122	50,432
Turkish lira	-	2,716
Australian dollar	14,250	22,292
Croatian kuna	428	32,941
Egyptian pound	14,017	10,449
Indian rupee	102,965	153,641
Other currencies	14,846	27,041
<b>Total</b>	<b>586,272</b>	<b>668,476</b>

Movements in the provision for the impairment of trade and other receivables were as follows:

Thousands of euros	
<b>Balance at 10.01.2017</b>	<b>73,036</b>
Reversal of unused amounts (Note 29.E)	(38,965)
Creation of provisions (Note 29.E)	22,292
Usage due to uncollectability	(222)
Exchange differences	(1,808)
<b>Balance at 09.30.2018</b>	<b>54,333</b>

Thousands of euros	
<b>Balance at 01.01.2017</b>	<b>6,589</b>
Reversal of unused amounts (Note 29.E)	(3,717)
Creation of provisions (Note 29.E)	11,374
Usage due to uncollectability	(1,662)
Additions due to first-time consolidation	62,827
Exchange differences	(2,375)
<b>Balance at 09.30.2017</b>	<b>73,036</b>

## 9. Financial instruments by category

### A. COMPOSITION AND BREAKDOWN OF FINANCIAL ASSETS

The breakdown of the SIEMENS GAMESA Group's financial assets as of September 30, 2018 and 2017, presented by nature and category for measurement purposes, is the following:

Thousands of euros	09.30.2018			
Financial assets: Nature / Category	Available-for-sale financial assets	Credits and Receivables	Derivatives	Total
Derivatives (Note 10)	-	-	82,529	82,529
Other financial assets	-	88,507	-	88,507
<b>Short-term / current</b>	<b>-</b>	<b>88,507</b>	<b>82,529</b>	<b>171,036</b>
Derivatives (Notes 10 and 17)	-	-	103,800	103,800
Other financial assets (Note 17)	28,158	108,269	-	136,427
<b>Long-term / non-current</b>	<b>28,158</b>	<b>108,269</b>	<b>103,800</b>	<b>240,227</b>
<b>Total</b>	<b>28,158</b>	<b>196,776</b>	<b>186,329</b>	<b>411,263</b>

Thousands of euros	09.30.2017			
Financial assets: Nature / Category	Available-for-sale financial assets	Credits and Receivables (Note 2.E)	Derivatives	Total (Note 2.E)
Derivatives (Note 10)	-	-	78,677	78,677
Other financial assets	-	96,992	-	96,992
<b>Short-term / current</b>	<b>-</b>	<b>96,992</b>	<b>78,677</b>	<b>175,669</b>
Derivatives (Notes 10 and 17)	-	-	80,172	80,172
Other financial assets (Note 17)	26,935	138,725	-	165,660
<b>Long-term / non-current</b>	<b>26,935</b>	<b>138,725</b>	<b>80,172</b>	<b>245,832</b>
<b>Total</b>	<b>26,935</b>	<b>235,717</b>	<b>158,849</b>	<b>421,501</b>

As of September 30, 2018 and 2017, there are no Other financial assets at fair value through profit and loss nor Held-to-maturity investments.

## B. COMPOSITION AND BREAKDOWN OF FINANCIAL LIABILITIES

The breakdown of the Group's financial liabilities as of September 30, 2018 and 2017, presented by nature and category for measurement purposes, is the following:

Thousands of euros	09.30.2018		
Financial liabilities: Nature / Category	Payable financial liabilities	Derivatives	Total
Financial debt (Note 18)	990,538	-	990,538
Derivatives (Note 10)	-	89,079	89,079
Other financial liabilities	14,693	-	14,693
<b>Short-term / current</b>	<b>1,005,231</b>	<b>89,079</b>	<b>1,094,310</b>
Financial debt (Note 18)	823,248	-	823,248
Derivatives (Note 10)	-	37,025	37,025
Other financial liabilities	147,938	-	147,938
<b>Long-term / non-current</b>	<b>971,186</b>	<b>37,025</b>	<b>1,008,211</b>
<b>Total</b>	<b>1,976,417</b>	<b>126,104</b>	<b>2,102,521</b>

Thousands of euros	09.30.2017		
Financial liabilities: Nature / Category	Payable financial liabilities	Derivatives	Total
Financial debt (Note 18)	797,018	-	797,018
Derivatives (Note 10)	-	82,913	82,913
Other financial liabilities	13,354	-	13,354
<b>Short-term / Current</b>	<b>810,372</b>	<b>82,913</b>	<b>893,285</b>
Financial debt (Note 18)	485,116	-	485,116
Derivatives (Note 10)	-	15,297	15,297
Other financial liabilities	185,691	-	185,691
<b>Long-term / non-current</b>	<b>670,807</b>	<b>15,297</b>	<b>686,104</b>
<b>Total</b>	<b>1,481,179</b>	<b>98,210</b>	<b>1,579,389</b>

As of September 30, 2018 and 2017 there are no Other financial liabilities at fair value through profit and loss.

### 10. Derivative financial instruments

The SIEMENS GAMESA Group uses derivative financial instruments to hedge the risks to which its activities, transactions and future cash flows are exposed, mainly foreign currency and interest rate risk. The detail of the balances that represent the valuation of derivatives in the Consolidated Balance Sheets as of September 30, 2018 and 2017 is as follows:

Thousands of euros	09.30.2018			
	Current		Non-current	
	Assets (Note 9)	Liabilities (Note 9)	Assets (Notes 9 and 17)	Liabilities (Note 9)
<b>Interest rate hedges</b>				
Cash-flow hedges	-	-	-	-
<b>Electric prices hedges</b>				
Cash-flow hedges	-	-	-	1,691
<b>Foreign currency hedges</b>				
Cash-flow hedges	27,046	39,982	44,882	5,853
Fair value hedges	-	-	-	-
<b>Other derivatives</b>				
Foreign currency derivatives	44,217	39,997	19,327	27,951
Embedded derivatives	11,233	8,843	39,591	1,530
Other derivatives	33	257	-	-
<b>Total</b>	<b>82,529</b>	<b>89,079</b>	<b>103,800</b>	<b>37,025</b>

Thousands of euros	09.30.2017			
	Current		Non-current	
	Assets (Note 9)	Liabilities (Note 9)	Assets (Notes 9 and 17)	Liabilities (Note 9)
<b>Interest rate hedges</b>				
Cash-flow hedges	29	-	281	2,300
<b>Electric prices hedges</b>				
Cash-flow hedges	-	-	-	711
<b>Foreign currency hedges</b>				
Cash-flow hedges	26,264	26,168	58,552	2,158
Fair value hedges	-	61	-	-
<b>Other derivatives</b>				
Foreign currency derivatives	35,770	37,800	6,037	4,003
Embedded derivatives	16,435	18,883	15,302	6,125
Other derivatives	179	1	-	-
<b>Total</b>	<b>78,677</b>	<b>82,913</b>	<b>80,172</b>	<b>15,297</b>

The detail of the financial instruments which are measured at fair value after their initial recognition as of September 30, 2018 and 2017 is as follows (Note 3.B):

Thousands of euros	Fair value at 09.30.2018			
	Category 1	Category 2	Category 3	Total
<b>Current Financial Assets</b>				
Derivatives	-	82,529	-	82,529
<b>Non-current Financial Assets</b>				
Derivatives	-	103,800	-	103,800
<b>Current Liabilities</b>				
Derivatives	-	(89,079)	-	(89,079)
<b>Non-current Liabilities</b>				
Derivatives	-	(37,025)	-	(37,025)
<b>Total</b>	<b>-</b>	<b>60,225</b>	<b>-</b>	<b>60,225</b>

Thousands of euros	Fair value at 09.30.2017			
	Category 1	Category 2	Category 3	Total
<b>Current Financial Assets</b>				
Derivatives	-	78,677	-	78,677
<b>Non-current Financial Assets</b>				
Derivatives	-	80,172	-	80,172
<b>Current Liabilities</b>				
Derivatives	-	(82,913)	-	(82,913)
<b>Non-current Liabilities</b>				
Derivatives	-	(15,297)	-	(15,297)
<b>Total</b>	<b>-</b>	<b>60,639</b>	<b>-</b>	<b>60,639</b>

In the year ended September 30, 2018, the SIEMENS GAMESA Group has recognised an expense of EUR 1,944 thousands (EUR 754 thousands in the year ended September 30, 2017) under "Interest expenses" and an expense of EUR 20,377 thousands (an income of EUR 4,197 thousands in the year ended September 30, 2017) under the heading "Cost of sales" of the Consolidated Statement of Profit and Loss. These amounts have been reclassified from "Equity - Unrealised asset and liability revaluation reserve" (Note 23.C), under which they had been previously booked.

The SIEMENS GAMESA Group uses foreign currency hedge derivatives to mitigate the possible volatility effect of exchange rate fluctuations on future cash flows from transactions and loans in currencies other than the functional currency of the company concerned. In addition, the SIEMENS GAMESA Group designates hedges for the exchange rate risk deriving from certain intragroup monetary transactions carried out by companies with different functional currencies. As of September 30, 2018 and 2017 the total nominal value hedged by exchange rate hedges is as follows:

Currency	Thousands of euros	
	09.30.2018	09.30.2017
Danish krone	1,256,617	3,862,446
Sterling pound	504,635	524,591
US dollar	327,479	153,381
South African rand	111,922	8,038
Chinese yuan	103,912	140,859
Indian rupee	91,617	115,867
Australian dollar	11,108	31,737
Japanese yen	69,183	42,721
Canadian dollar	1,454	58,144
Brazilian real	31,179	14,795
Turkish lira	16,481	20,710
Moroccan dirham	1,637	19,219
Norwegian krone	234,808	59,553
Mexican peso	24,161	12,381
Swedish krona	76,189	52,891
Romanian leu	13,640	11,406
Other currencies	31,466	56,113
<b>Total</b>	<b>2,907,488</b>	<b>5,184,852</b>

In addition, at 2017 year end, the SIEMENS GAMESA Group had interest rate hedges arranged in order to mitigate the effect of interest rate fluctuations on future cash flows from loans tied to variable interest rates. As of September 30 2017, the nominal value of the liabilities hedged by interest rate hedges amounted to EUR 217,260 thousands,.

The main characteristics of the interest rate hedges are as follows:

09.30.2017	Estimated hedge maturity (nominal value in thousands of euros)	
	2018	2019 and subsequent
Interest rate hedges	1,120	216,140

09.30.2017	Estimated cash-flows in the period (thousands of euros)	
	2018	2019 and subsequent
Interest rate hedges	(1,301)	(686)

These derivatives hedged the interest rate risk of a loan that, due to the Group's refinancing during fiscal year 2018 (Note 18) has been cancelled on May 30, 2018, which has led to the cancelation of the said derivatives.

No significant ineffectiveness has been detected in the hedges designated by the SIEMENS GAMESA Group as of September 30, 2018 and 2017.

#### A. CREDIT RISK

The risk breakdown, by geographical area and counterparty, indicating the book value thereof at the relevant dates, is as follows:

	09.30.2018		09.30.2017	
	Thousands of euros	%	Thousands of euros	%
<b>By geographical area</b>				
Germany	114,822	62%	97,399	62%
Spain	3,141	2%	12,833	8%
Other European Union countries	63,688	33%	27,379	17%
Rest of the world	4,678	3%	21,238	13%
<b>Total</b>	<b>186,329</b>	<b>100%</b>	<b>158,849</b>	<b>100%</b>
<b>By counterparty</b>				
Financial institutions	21,082	11%	25,350	16%
Related parties	114,422	62%	101,704	64%
Other institutions	50,825	27%	31,795	20%
<b>Total</b>	<b>186,329</b>	<b>100%</b>	<b>158,849</b>	<b>100%</b>

The breakdown of the derivatives according to the credit ratings assigned by external credit rating agencies is as follows:

	09.30.2018		09.30.2017	
	Thousands of euros	%	Thousands of euros	%
Risks rated A+ or A-	120,676	65%	121,253	76%
Risks rated BBB+	3,739	2%	7,771	5%
Risks rated BBB	852	0%	6,170	4%
Risks rated BBB- or less	61,062	33%	23,655	15%
<b>Total</b>	<b>186,329</b>	<b>100%</b>	<b>158,849</b>	<b>100%</b>

## B. MARKET RISK

The sensitivity of the market value of the hedging derivatives arranged by the SIEMENS GAMESA Group to interest rate and exchange rate changes is as follows:

Thousands of euros	Percentage change in interest rate			
	2018		2017	
	+5%	-5%	+5%	-5%
Change in the value of the hedge	-	-	100	(100)

Thousands of euros	Percentage change in exchange rate			
	2018		2017	
	+5%	-5%	+5%	-5%
Change in the value of the hedge	3,011	(3,011)	3,032	(3,032)

## C. MATURITY OF DERIVATIVE LIABILITIES

The maturities of derivative liabilities are as follows:

Thousands of euros	09.30.2018			
	< 1 year	1-2 years	2-3 years	> 3 years
Interest rate hedges	-	-	-	-
Electric prices hedges	-	506	189	996
Foreign currency hedges	39,982	4,427	517	909
Other derivatives	49,097	8,530	1,793	19,158
<b>Total</b>	<b>89,079</b>	<b>13,463</b>	<b>2,499</b>	<b>21,063</b>

Thousands of euros	09.30.2017			
	< 1 year	1-2 years	2-3 years	> 3 years
Interest rate hedges	-	2,168	66	66
Electric prices hedges	-	-	210	501
Foreign currency hedges	26,229	1,280	643	235
Other derivatives	56,684	5,943	3,203	982
<b>Total</b>	<b>82,913</b>	<b>9,391</b>	<b>4,122</b>	<b>1,784</b>

## 11. Customer contracts

The breakdown of the balances of the Consolidated Balance Sheet related to contracts with customers as of September 30, 2018 and 2017, is the following:

Thousands of euros	09. 30.2018	09. 30.2017 (Note 2.E)
Contract assets	1,572,188	1,240,915
Contract liabilities	(1,670,176)	(1,716,581)

As of September 30, 2018, and 2017, amounts expected to be settled after twelve months are EUR 127,306 thousands and EUR 169,000 thousands for “Contract assets” and EUR 320,030 thousands and EUR 271,000 thousands, respectively, for “Contract liabilities”.

In fiscal year 2018 and 2017, revenue includes EUR 951,396 thousands and EUR 1,563,325 thousands, respectively, which was included in contract liabilities at the beginning of the fiscal year.

As of September 30, 2018, order backlog totalled EUR 22,801 million, of which EUR 12,020 million correspond to the Wind Turbines segment and EUR 10,781 million to the Operation and Maintenance segment. The orders are determined mainly as the estimated revenue of accepted purchase orders for which enforceable rights and obligations exist, as well as subsequent order value changes and adjustments, excluding letters of intent. To determine orders, the SIEMENS GAMESA Group considers termination rights and customer’s creditworthiness. During fiscal year 2018 order intake totalled EUR 11,872 million, EUR 9,477 million for the Wind Turbines segment and EUR 2,395 million for the Operation and Maintenance segment. Out of the total order backlog as of September 30, 2018, the Group expects to recognise as revenue in the next years, EUR 8,408 million in the fiscal year 2019 and EUR 14,393 million in the fiscal year 2020 and onwards.

## 12. Inventories

The breakdown of “Inventories” as of September 30, 2018 and 2017 is as follows:

Thousands of euros	09.30.2018	09.30.2017 (Note 2.E)
Raw materials and supplies	708,115	765,158
Work in progress and finished goods	815,914	1,489,573
Advances to suppliers	124,143	125,735
Inventory write-downs	(148,994)	(284,473)
<b>Total</b>	<b>1,499,178</b>	<b>2,095,993</b>

Cost of sales include inventories recognised as expense amounting to EUR 4,875 million and EUR 3,009 million in the years ended September 30, 2018 and 2017, respectively.

Market conditions and pricing pressure, during the year 2017, resulted in write-down of inventories amounting to EUR 134 million, mainly in the United States and South Africa, in order to mark those inventories down to their estimated realizable value. Out of this amount, approximately EUR 40 million have been reversed during 2018 mainly due to South African market’s reactivation, and EUR 94 million have been applied to their purpose.

As of September 30, 2018 and 2017, there were no inventories pledged as security for liabilities.

## 13. Goodwill

The carrying amount of “Goodwill” is as follows:

Thousands of euros	Balance at 10.01.2017	Translation differences	Balance at 09.30.2018
Cost	4,721,100	(131,290)	4,589,810
Accumulated impairment losses	(32,357)	154	(32,203)
<b>Total Goodwill</b>	<b>4,688,743</b>	<b>(131,136)</b>	<b>4,557,607</b>

Thousands of euros	Balance at 01.01.2017	Translation differences (Note 2.E)	Acquisition and purchase adjustments (Notes 1, 2.E and 4)	Balance at 09.30.2017
Cost	198,026	(308,458)	4,831,532	4,721,100
Accumulated impairment losses	(33,178)	821	-	(32,357)
<b>Total Goodwill</b>	<b>164,848</b>	<b>(307,637)</b>	<b>4,831,532</b>	<b>4,688,743</b>



The goodwill impairment test is performed at the segment level, Wind Turbines and Operation and Maintenance, since they are the smallest identifiable groups of assets that the Group's Directors monitor, and that are consistent with the segments identified in Note 25.

For the purpose of estimating the fair value less costs to sell of the segments, cash flows for the next five years have been projected based on past experience, actual operating results and Management's best estimate about future developments, as well as market assumptions.

The fair value less costs to sell is mainly driven by the terminal value which is particularly sensitive to changes in the assumptions on the terminal value growth rate and discount rate. Both assumptions are individually determined for each segment group. Discount rates are based on the weighted average cost of capital (WACC) for the segments and are calculated based on a risk-free rate of interest and a market risk premium. In addition, the discount rates reflect the current market assessment of the specific risks of each segment by taking into account specific peer group information on factors, leverage and cost of debt. The parameters for calculating the discount rates are based on external sources of information. The peer group is subject to an annual review and adjusted, if necessary. Terminal value growth rates take into consideration external macroeconomic sources of data and industry specific trends.

The following table presents the key assumptions used to determine the fair value less costs to sell for impairment test purposes for the segments to which a significant amount of goodwill is allocated:

Thousands of euros	09.30.2018		
	Goodwill allocation	Terminal value growth rate	After-Tax discount rate
Wind Turbines segment	1,805,830	1.40%	8.50%
Operation and Maintenance segment	2,751,777	1.40%	8.50%
<b>Total</b>	<b>4,557,607</b>		

Thousands of euros	09.30.2017		
	Goodwill allocation	Terminal value growth rate	After-Tax discount rate
Wind Turbines segment	1,855,112	1.70%	8.50%
Operation and Maintenance segment	2,833,631	1.70%	8.50%
<b>Total (Note 2.E)</b>	<b>4,688,743</b>		

Additionally, for the Wind Turbines segment a sales volume above EUR 9,000 million has been considered for 2019 (above EUR 8,000 million for 2018 as of September 30, 2017) with a 3.4% profit margin pre-PPA (considering the restructuring costs) for 2019 (5.3% for 2018 as of September 30, 2017), and for subsequent years a gradual increase has been considered due to the synergies and the capacity adjustment measures adopted. The terminal value obtained through the generally accepted methodology for business valuations (discounted cash flows), represents 79.65% of the total recoverable value in 2018 (87.80% in 2017).

On the other hand, for the Operation and Maintenance segment a sales volume above EUR 1,000 million has been considered for 2019 (above EUR 1,000 million for 2018 as of September 30, 2017) with a 23.6% profit margin pre-PPA (considering the restructuring costs) for 2019 (15.6% for 2018 as of September 30, 2017), and for subsequent years a gradual increase has been considered due to the synergies and the capacity adjustment measures adopted. The terminal value obtained through the generally accepted methodology for business valuations (discounted cash flows), represents 77.12% of the total recoverable value in 2018 (84.59% in 2017).

The sensitivity analysis for the group of segments has been based on a reduction in after-tax future cash flows by 10% or an increase in after-tax discount rates by one percentage point or a reduction in the terminal value growth rate by one percentage point or a 10% in terminal value margin. The SIEMENS GAMESA Group concluded that no impairment loss would need to be recognised on "Goodwill" in any of the two segments. The "Goodwill" amount as well as its allocation are definitive, since as of September 30, 2018 the one-year period subsequent to the Merger as of April 3, 2017 period has elapsed (Note 4).

Therefore, the recoverable amounts estimated for the annual impairment test for 2018 for the SIEMENS GAMESA Group's segments are higher than their carrying amounts.

#### 14. Other intangible assets

The development in the heading "Other Intangible Assets" in the Consolidated Balance Sheet in 2018 and 2017 is as follows:

Thousands of euros	Balance at 10.01.2017	Additions	Disposals	Exchange differences	Transfers	Balance at 09.30.2018
<b>Cost</b>						
Internally generated technology	120,795	129,084	(828)	(419)	718	249,350
Acquired technology including patents, licenses and similar rights	1,245,686	12	-	(367)	-	1,245,331
Customer relationships and order backlog	1,250,995	-	-	(52,821)	-	1,198,174
Advance payments for intangible assets	718	-	-	-	(718)	-
	<b>2,618,194</b>	<b>129,096</b>	<b>(828)</b>	<b>(53,607)</b>	<b>-</b>	<b>2,692,855</b>
<b>Amortization and impairment</b>						
Internally generated technology	(35,890)	(17,452)	822	83	-	(52,437)
Acquired technology including patents, licenses and similar rights	(173,217)	(172,715)	-	348	-	(345,584)
Customer relationships and order backlog	(149,834)	(132,900)	-	10,323	-	(272,411)
	<b>(358,941)</b>	<b>(323,067)</b>	<b>822</b>	<b>10,754</b>	<b>-</b>	<b>(670,432)</b>
<b>Total other intangible assets</b>	<b>2,259,253</b>	<b>(193,971)</b>	<b>(6)</b>	<b>(42,853)</b>	<b>-</b>	<b>2,022,423</b>

Thousands of euros	Balance at 01.01.2017	Additions through the Merger (Note 4)	Additions	Disposals	Exchange differences	Transfers	Balance at 09.30.17 (Note 2.E)
<b>Cost</b>							
Internally generated technology	47,260	-	73,647	(9)	(103)	-	120,795
Acquired technology including patents, licenses and similar rights	98,971	1,146,945	25	(3)	(252)	-	1,245,686
Customer relationships and order backlog	2,139	1,342,765	-	-	(93,909)	-	1,250,995
Advance payments for intangible assets	-	-	718	-	-	-	718
	<b>148,370</b>	<b>2,489,710</b>	<b>74,390</b>	<b>(12)</b>	<b>(94,264)</b>	<b>-</b>	<b>2,618,194</b>
<b>Amortization and impairment</b>							
Internally generated technology	(25,239)	-	(10,704)	5	48	-	(35,890)
Acquired technology including patents, licenses and similar rights	(82,151)	-	(91,135)	3	66	-	(173,217)
Customer relationships and order backlog	(2,139)	-	(147,697)	-	2	-	(149,834)
	<b>(109,529)</b>	<b>-</b>	<b>(249,536)</b>	<b>8</b>	<b>116</b>	<b>-</b>	<b>(358,941)</b>
<b>Total other intangible assets</b>	<b>38,841</b>	<b>2,489,710</b>	<b>(175,146)</b>	<b>(4)</b>	<b>(94,148)</b>	<b>-</b>	<b>2,259,253</b>

#### A. **MOVEMENTS FOR THE YEAR**

During 2018 and 2017, the main increase in the capitalised development costs is due to the development of new wind turbine models, software and the optimization of the components' performance for an amount of EUR 129,084 thousands in 2018 (EUR 73,647 thousands in 2017) mainly in Denmark amounting to EUR 103,989 thousands during 2018 (EUR 46,570 thousands during 2017) and in Spain amounting to EUR 23,196 thousands during 2018 (EUR 19,571 thousands during 2017).

Not capitalised research and development expenses as of September 30, 2018 amounted to EUR 166 million (EUR 141 million in the fiscal year 2017).

## **B. ACQUIRED TECHNOLOGY, CUSTOMER RELATIONSHIPS AND ORDER BACKLOG**

Acquired technology includes technologies identified in the SIEMENS GAMESA Merger valued on a platform basis in an amount of EUR 899 million as of September 30, 2018 (EUR 1,060 million as of September 30, 2017). The fair value of the identified technology at the Merger effective date amounted to EUR 1,147 million. The remaining useful life for these intangible assets, depending on the different platform types, is between 3.5 and 18.5 years (in average 7.01 years).

The fair value of customer relationships identified in the SIEMENS GAMESA Merger amounted to EUR 958 million at the Merger effective date. The remaining useful life depends on the business segment for which the customer relationship has been identified: 4.5 years for the Wind Turbines segment and 18.41 years for the Operation and Maintenance segment.

Furthermore, an order backlog amounting to EUR 385 million was identified at the Merger effective date (Note 2.E). The remaining useful life depends on the individual contracts and is between 2.25 and 18.25 years (15.48 years in average) for the Operation and Maintenance segment (the ones that refer to the Wind Turbines segment are fully amortized as of September 30, 2018).

The carrying amount of customer relationships and order backlog as of September 30, 2018 is EUR 926 million (EUR 1,101 million as of September 30, 2017, Note 2.E).

## **C. FULLY AMORTIZED ASSETS**

Fully amortized intangible assets in use as of September 30, 2018 and 2017 amount to EUR 40,592 thousands and EUR 7,276 thousands, respectively.

## **D. COMMITMENTS FOR THE ACQUISITION OF ASSETS**

As of September 30, 2018 and 2017, the SIEMENS GAMESA Group had no significant contractual commitments for the acquisition of intangible assets.

## **15. Property, plant and equipment**

The development in "Property, Plant and Equipment" in the Consolidated Balance Sheet in 2018 and 2017 is as follows:

<b>Thousands of euros</b>	<b>Balance at 10.01.2017</b>	<b>Additions</b>	<b>Disposals</b>	<b>Exchange differences</b>	<b>Transfers</b>	<b>Balance at 09.30.2018</b>
<b>Cost</b>						
Land and buildings	789,781	24,783	(18,113)	(725)	97,944	893,670
Technical facilities and machinery	613,067	115,901	(52,327)	(3,973)	8,928	681,596
Other property, plant and equipment	835,198	75,266	(105,756)	(9,640)	26,288	821,356
Property, plant and equipment under construction	187,563	70,030	(2,353)	(521)	(133,160)	121,559
	<b>2,425,609</b>	<b>285,980</b>	<b>(178,549)</b>	<b>(14,859)</b>	-	<b>2,518,181</b>
<b>Depreciation</b>						
Buildings	(171,872)	(31,653)	16,495	528	-	(186,502)
Technical facilities and machinery	(172,631)	(136,920)	38,215	342	-	(270,994)
Other property, plant and equipment	(525,709)	(147,106)	96,193	797	-	(575,825)
	<b>(870,212)</b>	<b>(315,679)</b>	<b>150,903</b>	<b>1,667</b>	-	<b>(1,033,321)</b>
<b>Impairment</b>						
Land and buildings	(9,915)	(22)	-	-	-	(9,937)
Technical facilities and machinery	(20,971)	(5,817)	-	-	-	(26,788)
Other property, plant and equipment	(4,995)	(637)	-	-	-	(5,632)
	<b>(35,881)</b>	<b>(6,476)</b>	-	-	-	<b>(42,357)</b>
<b>Total tangible assets</b>	<b>1,519,516</b>	<b>(36,175)</b>	<b>(27,646)</b>	<b>(13,192)</b>	-	<b>1,442,503</b>

Thousands of euros	Balance at 01.01.2017	Additions through the Merger (Note 4)	Additions	Disposals	Exchange differences	Transfers	Balance at 09.30.2017 (Note 2.E)
<b>Cost</b>							
Land and buildings	537,607	171,164	21,280	(6,778)	(27,270)	93,778	789,781
Technical facilities and machinery	250,360	312,902	86,575	(8,279)	(38,060)	9,569	613,067
Other property, plant and equipment	658,967	100,878	95,791	(43,947)	(18,796)	42,305	835,198
Property, plant and equipment under construction	182,077	25,523	133,829	(236)	(7,978)	(145,652)	187,563
	<b>1,629,011</b>	<b>610,467</b>	<b>337,475</b>	<b>(59,240)</b>	<b>(92,104)</b>	-	<b>2,425,609</b>
<b>Depreciation</b>							
Buildings	(151,293)	-	(29,431)	4,831	4,021	-	(171,872)
Technical facilities and machinery	(138,568)	-	(55,712)	5,948	15,130	571	(172,631)
Other property, plant and equipment	(468,036)	-	(103,625)	36,890	9,633	(571)	(525,709)
	<b>(757,897)</b>	-	<b>(188,768)</b>	<b>47,669</b>	<b>28,784</b>	-	<b>(870,212)</b>
<b>Impairment</b>							
Land and buildings	(169)	-	(9,746)	-	-	-	(9,915)
Technical facilities and machinery	(1,697)	-	(19,274)	-	-	-	(20,971)
Other property, plant and equipment	(308)	-	(4,687)	-	-	-	(4,995)
	<b>(2,174)</b>	-	<b>(33,707)</b>	-	-	-	<b>(35,881)</b>
<b>Total tangible assets</b>	<b>868,940</b>	<b>610,467</b>	<b>115,000</b>	<b>(11,571)</b>	<b>(63,320)</b>	-	<b>1,519,516</b>

#### A. MOVEMENTS FOR THE YEAR

The main acquisitions for the year ended September 30, 2018 are related to the finalization of the Cuxhaven plant in Germany, the improvements of prototypes in Denmark and the renovation or increase of Spanish equipment's capacity, as well as, to the normal maintenance capital expenditure in Denmark, Spain and Germany. The acquisitions in 2017 were mainly related to the investments in new manufacturing plants in Germany (Cuxhaven) and Morocco (Tangier), as well as the normal maintenance capital expenditure in India, Denmark and the United States.

The main impairment losses and disposals of the year ended September 30, 2018 are related to the closure of a production line in Morocco, as well as the impairment and disposals of production tooling in various localizations, mainly México, Brazil, China and Spain. The impairment losses of 2017, are related to the closure of Engesvang (Denmark), a production line in Aalborg (Denmark) and the blade manufacturing plant in Tillsonburg (Canada).

#### B. LEASING CONTRACTS

As of September 30, 2018 and 2017, the SIEMENS GAMESA Group has no significant financial leases (Note 18).

#### C. FULLY DEPRECIATED ASSETS

The amounts of fully depreciated operating tangible assets as of September 30, 2018 and 2017 amounted EUR 488,936 thousands and EUR 448,889 thousands, respectively. As of September 30, 2018 and 2017, most of these assets correspond to tools and test equipment.

#### D. COMMITMENTS FOR THE ACQUISITION OF ASSETS

As of September 30, 2018, the SIEMENS GAMESA Group companies had property, plant and equipment purchase commitments amounting to approximately EUR 71.9 million (EUR 76.5 million as of September 30, 2017), which are mainly related to production facilities and new developed wind facilities and its components.

## E. INSURANCE COVERAGE

The SIEMENS GAMESA Group arranges insurance policies to adequately cover its property, plant and equipment. Also, the SIEMENS GAMESA Group has entered into insurance policies to cover the wind turbines generators while they are being assembled.

### 16. Investments accounting for using the equity method

The breakdown of the investments in associates of the SIEMENS GAMESA Group as of September 30, 2018 and 2017 is as follows:

Company	Shareholding %	Thousands of euros	
		09.30.2018	09.30.2017
Windar Renovables, S.L.	32%	64,525	64,900
Nuevas Estrategias de Mantenimiento, S.L.	50%	3,645	4,638
Other	-	4,866	4,071
<b>Total</b>		<b>73,036</b>	<b>73,609</b>

The changes occurred in 2018 and 2017 under this heading in the Consolidated Balance Sheet were as follows:

Thousands of euros	
<b>Balance at 10.01.2017</b>	<b>73,609</b>
Profit for the year	(431)
Other	(142)
<b>Balance at 09.30.2018</b>	<b>73,036</b>

Thousands of euros	
<b>Balance at 01.01.2017</b>	<b>-</b>
First time consolidation of GAMESA on April 3, 2017	74,340
Profit for the year	410
Other	(1,141)
<b>Balance at 09.30.2017</b>	<b>73,609</b>

The breakdown of consolidated assets, liabilities, revenues and expenses of companies recognised using the equity method as of September 30, 2018 and 2017 is as follows:

## A. FINANCIAL INFORMATION RELATED TO JOINT VENTURES

Summarised financial information as of September 30, 2018 and 2017 (at 100% and before intercompany eliminations) related to the most significant joint ventures booked using the equity method is as follows:

Nuevas Estrategias de Mantenimiento, S.L.	Thousands of euros	
	09.30.2018	09.30.2017
Total current assets	4,721	4,973
Total non-current assets	799	894
<b>Total Assets</b>	<b>5,520</b>	<b>5,867</b>
Total current liabilities	808	535
Total non-current liabilities	563	608
Total equity	4,149	4,724
<b>Total Liabilities and Equity</b>	<b>5,520</b>	<b>5,867</b>

Nuevas Estrategias de Mantenimiento, S.L.	Thousands of euros	
	09.30.2018	09.30.2017 (*)
<b>Profit and Loss information</b>		
Income from ordinary activities	4,484	2,756
Depreciation and amortization	(115)	(26)
Interest income	3	-
Interest expenses	(11)	(2)
Net profit from continued operations	(574)	64
<b>Balance sheet information</b>		
Cash and cash equivalents	2,426	2,298
Current financial liabilities	615	353
Non-current financial liabilities	563	608

(\*) The comparative figures of the year ended September 30, 2017 refer to the period between April 3, 2017 and September 30, 2017 (Note 1.E).

No dividends have been received from this company neither during 2018 nor between April 3, 2017 and September 30, 2017.

## B. FINANCIAL INFORMATION RELATED TO ASSOCIATED COMPANIES

Summarised financial information as of September 30, 2018 and 2017 (at 100% and before the intercompany eliminations) related to the most significant associated companies booked using the equity method is as follows:

Windar Renovables, S.L. and subsidiaries	Thousands of euros	
	09.30.2018	09.30.2017
Total current assets	174,099	158,727
Total non-current assets	72,836	77,321
<b>Total Assets</b>	<b>246,935</b>	<b>236,048</b>
Total current liabilities	138,801	122,483
Total non-current liabilities	18,673	22,934
Total equity	89,461	90,631
<b>Total Equity and Liabilities</b>	<b>246,935</b>	<b>236,048</b>

Windar Renovables, S.L. and subsidiaries	Thousands of euros	
	09.30.2018	09.30.2017 (*)
<b>Profit and Loss information</b>		
Income from ordinary activities	239,611	93,855
Net profit from continued operations	1,731	2,307

(\*) The comparative figures of the year ended September 30, 2017 refer to the period between April 3, 2017 and September 30, 2017 (Note 1.E).

No dividends have been received from this company neither during 2018 nor between April 3, 2017 and September 30, 2017.

The book value of the investment in Windar Renovables, S.L. as of September 30, 2018 and 2017 amounts EUR 65 million and it includes the capital gain which arose at the moment of the acquisition of the investment in the associate (approximately EUR 35 million, representing the difference between the price paid and the share of the entity's book value at the date of the acquisition as of April 3, 2017).

### 17. Non – current financial assets

The breakdown of non-current “Other financial assets” of the Consolidated Balance Sheet as of September 30, 2018 and 2017 is as follows:

Thousands of euros	09.30.2018	09.30.2017
Derivatives (Note 9)	103,800	80,172
Available-for-sale financial assets (Note 9)	28,158	26,935
Other non-current financial assets (Notes 2.E and 9)	108,269	138,725
<b>Total (Note 2.E)</b>	<b>240,227</b>	<b>245,832</b>

## A. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The detail of the cost of acquisition of the most representative long-term available-for-sale financial assets as of September 30, 2018 and 2017 is as follows:

Company	09.30.2018		09.30.2017	
	Thousands of euros	% of shareholding	Thousands of euros	% of shareholding
Wendeng Zhangjiachan Wind Power Co., Ltd.	7,651	40%	7,651	40%
CGN Anqiu Wind Power Co., Ltd.	5,114	25%	5,187	25%
Jianping Shiyngzi Wind Power Co., Ltd.	4,438	25%	4,438	25%
Beipiao CGN Changgao Wind Power Co., Ltd.	4,318	25%	4,318	25%
Beipiao Yangshugou Wind Power Co., Ltd.	2,349	25%	2,349	25%
Datang (Jianping) New Energy Co., Ltd.	1,812	25%	1,812	25%
Jinan Wohushan Wind Power Co., Ltd.	1,164	25%	-	-
Other	1,312	Several	1,180	Several
<b>Total</b>	<b>28,158</b>		<b>26,935</b>	

As of September 30, 2018 and 2017, the SIEMENS GAMESA Group holds investments in various Chinese companies (wind farms) with ownership interests generally from 25% to 40%. Despite holding ownership interests are above 20%, the SIEMENS GAMESA Group's management considers that there is no significant influence in these companies since there is no power to participate in the decision making process regarding the financial and operating policies of these companies. In general, SIEMENS GAMESA Group takes part in the capital of these companies with the sole objective of favouring the granting of the relevant permits for the development of the plants and the construction and sale of wind turbines for those windfarms.

With the goal of determining that the recoverable value of these investments is not lower than the book value at which they are recorded, the SIEMENS GAMESA Group requests that the results and the financial position (equity) are reviewed by an external auditor. These reviews take place annually and no significant impairments have been identified in the book value of the aforementioned interests.

During the year 2018 and the period between April 3, 2017 and September 30, 2017, there has been no significant dividend income from these investments or gains from their sale.

## B. OTHER NON-CURRENT FINANCIAL ASSETS

The amount of other non-current financial assets as of September 30, 2018 and 2017 is mainly related to the long-term portion of an indemnification that will be received from the former ADWEN shareholder, Areva.

## 18. Debt

The "Debt" in the Consolidated Balance Sheet as of September 30, 2018 and 2017 as well as the maturity dates are as follows:

Thousands of euros	Debt at 09.30.2018 maturing at:							
	Book value	Current						Total Non-current
		09.30.2018	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	
Loans from banks	1,591,428	775,540	52,253	538,231	18,075	202,523	4,806	815,888
Finance leases	6,596	732	782	839	550	3,693	-	5,864
<b>In euros</b>	<b>1,598,024</b>	<b>776,272</b>	<b>53,035</b>	<b>539,070</b>	<b>18,625</b>	<b>206,216</b>	<b>4,806</b>	<b>821,752</b>
Indian Rupee	139,911	139,911	-	-	-	-	-	-
Chinese Yuan	37,400	37,400	-	-	-	-	-	-
Swedish Krona	-	-	-	-	-	-	-	-
US Dollar	34,605	34,605	-	-	-	-	-	-
Other	3,846	2,350	149	150	150	150	897	1,496
<b>In foreign currency (Note 3.C)</b>	<b>215,762</b>	<b>214,266</b>	<b>149</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>897</b>	<b>1,496</b>
<b>Total of loans and credit facilities</b>	<b>1,813,786</b>	<b>990,538</b>	<b>53,184</b>	<b>539,220</b>	<b>18,775</b>	<b>206,366</b>	<b>5,703</b>	<b>823,248</b>

Thousands of euros	Debt at 09.30.2017 maturing at:							
	Book value	Current						Total Non-current
		09.30.2017	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	
Loans from banks	1,033,866	561,628	341,124	63,791	39,049	19,151	9,123	472,238
Finance leases	5,930	727	731	783	839	550	2,300	5,203
<b>In euros</b>	<b>1,039,796</b>	<b>562,355</b>	<b>341,855</b>	<b>64,574</b>	<b>39,888</b>	<b>19,701</b>	<b>11,423</b>	<b>477,441</b>
Indian Rupee	210,603	208,603	2,000	-	-	-	-	2,000
Chinese Yuan	19,100	19,100	-	-	-	-	-	-
Swedish Krona	4,437	364	385	407	431	455	2,395	4,073
US Dollar	4,733	4,733	-	-	-	-	-	-
Other	3,465	1,863	104	112	123	133	1,130	1,602
<b>In foreign currency (Note 3.C)</b>	<b>242,338</b>	<b>234,663</b>	<b>2,489</b>	<b>519</b>	<b>554</b>	<b>588</b>	<b>3,525</b>	<b>7,675</b>
<b>Total of loans and credit facilities</b>	<b>1,282,134</b>	<b>797,018</b>	<b>344,344</b>	<b>65,093</b>	<b>40,442</b>	<b>20,289</b>	<b>14,948</b>	<b>485,116</b>

In order to provide information about the historical cash and cash equivalents' flows according to IAS 7, changes in liabilities arising from financing activities are as follows:

Thousands of euros	09.30.2017	Cash flows	Foreign exchange movements	Other	09.30.2018
Current loans and credits (excluding the bellow mentioned)	796,176	154,393	(21,099)	60,233	989,703
Current obligations arising from financial leases and purchase contracts	842	(822)	-	815	835
<b>Current financial debt</b>	<b>797,018</b>	<b>153,571</b>	<b>(21,099)</b>	<b>61,048</b>	<b>990,538</b>
Non-current loans and credits (excluding the bellow mentioned)	478,331	397,790	-	(60,233)	815,888
Non-current obligations arising from financial leases and purchase contracts	6,785	1,397	(7)	(815)	7,360
<b>Non-current financial debt</b>	<b>485,116</b>	<b>399,187</b>	<b>(7)</b>	<b>(61,048)</b>	<b>823,248</b>
<b>Total of liabilities arising from financing activities</b>	<b>1,282,134</b>	<b>552,758</b>	<b>(21,106)</b>	<b>-</b>	<b>1,813,786</b>



The debt in the Consolidated Balance Sheet as of September 30, 2018 and 2017 relates to historical financing agreements of GAMESA and new financing agreements of SIEMENS GAMESA:

- On December 19, 2008, Siemens Gamesa Renewable Energy Eólica, S.L.U. (former Gamesa Eólica, S.L.U.) entered into a financing agreement with the European Investment Bank for a maximum amount of EUR 200 million, divided into two parts: EUR 140 million and EUR 60 million, respectively. The terms of this credit established maturity in 2018 and 2019 and an interest rate indexed to Euribor plus a market spread. This loan was fully drawn at December 31, 2014. On March 31, 2015, Siemens Gamesa Renewable Energy Eólica, S.L.U. amortized partially and in advance EUR 40 million of this loan, amounting the rest of the loan drawn as of September 30, 2017 to EUR 160 million, which were subject to financial covenants, all of which were complied with.
- At November 29, 2012, Siemens Gamesa Renewable Energy Eólica, S.L.U. obtained a EUR 260 million loan from the European Investment Bank to finance innovation, research and development projects relating to the improvement processes of existing wind turbines, and the development of new products. The terms of this loan established its maturity date in 2019 and it accrued an interest rate referenced to the Euribor rate plus a market spread and was subject to financial covenants all of which were complied with.

These two European Investment Bank loans have been fully redeemed in fiscal year 2018.

- At June 3, 2014, GAMESA signed a novation of a syndicated credit line contract ("revolving") amounting to EUR 350 million maturing in June 2018. The terms of the credit line established an interest rate indexed to Euribor plus a market spread. At December 11, 2014, GAMESA signed a novation of this syndicated credit line, increasing the limit to EUR 750 million maturing in December 2019. Additionally, on December 17, 2015, GAMESA signed a new novation of that credit line, maintaining on EUR 750 million limit and extending its maturity to 2021. On December 14, 2016, GAMESA signed an extension of this maturity until 2022. This unused multi-currency syndicated credit facility of EUR 750 million has been cancelled following the signing of a new facility in fiscal year 2018.
- At May 30, 2018, SIEMENS GAMESA signed a multi-currency revolving credit facility and a loan amounting both to a total of EUR 2,500 million, replacing the EUR 750 million credit facility from 2017. The facility includes a fully drawn term loan tranche of EUR 500 million maturing in 2021 and a revolving credit line tranche of EUR 2,000 million maturing in 2023 with two one-year extension options. As of September 30, 2018, EUR 700 million have been drawn. It may be used for general corporate purposes and to refinance outstanding debt.

The cancellation of the loans from the European Investment Bank and the abovementioned credit facility has resulted in the transfer to income of the accrued formalization expenses, which amounted to EUR 2.5 million in the fiscal year 2018 (EUR 0 in fiscal year 2017).

As of September 30, 2018, the SIEMENS GAMESA Group companies had been granted loans and had drawn from credit facilities that accounted for 46% of the total financing granted to them maturing between 2018 and 2026 (48% as of September 30, 2017 maturing between 2017 and 2026), bearing a weighted average interest at Euribor plus a market spread. The outstanding loans as of September 30, 2018 bore annual weighted average interest at approximately 2.51% (2.21% as of September 30, 2017).

As of September 30, 2018 and 2017 the heading "Debt" (current and non-current) also includes EUR 32,266 thousands and EUR 32,389 thousands, respectively, of interest-free advances provided to Siemens Gamesa Renewable Energy Innovation & Technology, S.L.U. (former Gamesa Innovation and Technology, S.L.U.), Gamesa Energy Transmission, S.A.U. and Gamesa Electric, S.A.U. by the Ministry of Science and Technology and other public agencies for financing R&D projects, and which are refundable in 7 or 10 years, after a three-year grace period.

As of September 30, 2017, the companies of the Group were using loan agreements amounting to EUR 424 million with certain obligations, as the compliance with financial ratios throughout the life of the agreement relating to the capacity to generate resources in the operations, to the debt level and financial duties. Also, these arrangements established certain limits to the arrangement of additional borrowings and to the distribution of dividends, as well as other additional conditions. Not meeting these contractual conditions would enable the banks to demand early repayment of the related amounts. As of September 30, 2017, the established financial ratios were met. As of September 30, 2018, these conditions do not longer apply.

The fair value, taking into consideration the counterparty credit risk, of bank borrowings as of September 30, 2018 and 2017 is similar to the book value since the debt is either subject to variable interest rates and market spreads or subject to fix rates that are at a market level (Note 3.B).

As of September 30, 2018 and 2017, the sensitivity of the market value of bank borrowings in relation to interest rate changes is as follows:

Thousands of euros	Interest rate change			
	09.30.2018		09.30.2017	
	+0.25%	-0.25%	+0.25%	-0.25%
Change in the value of the debt (*)	3,742	(3,742)	2,626	(2,626)

(\*) Income and equity increase in negative and expenses and equity decrease in positive

As of September 30, 2018 and 2017, the sensitivity of the market value of foreign currency bank borrowings in relation to exchange rate and interest rate changes is as follows:

Thousands of euros	09.30.2018				09.30.2017			
	Change in the interest rate		Change in Exchange rate (EUR/foreign currency)		Change in the interest rate		Change in Exchange rate (EUR/foreign currency)	
	+0.25%	-0.25%	+5%	-5%	+0.25%	-0.25%	+5%	-5%
Change in the value of the debt (*)								
Indian Rupee	543	(543)	6,996	(6,996)	363	(363)	10,029	(11,084)
Chinese Yuan	67	(67)	1,870	(1,870)	43	(43)	910	(1,005)
Swedish Krona	-	-	-	-	3	(3)	211	(234)
Danish Krone (**)	3	(3)	37	(35)	4	(4)	81	(89)
US Dollar	5	(5)	1,730	(1,730)	2	(2)	225	(249)
Philippine Peso	2	(2)	35	(35)	1	(1)	63	(69)
Others	1	(1)	77	(77)	-	-	-	-

(\*) Income and equity increase in negative and expenses and equity decrease in positive.

(\*\*) To calculate the sensitivity of the change of the Danish Krone's exchange rate, the fluctuation band fixed by the European Central Bank and the Danish Bank is used (2.25% over the 7.4604 DKK/EUR fixed rate).

Previous to the financial restructuring, the SIEMENS GAMESA Group hedged part of the risk associated with the volatility of cash flows relating to the interest payments on borrowings tied to floating interest rates through derivative financial instruments (Notes 5.A and 10). As explained in Note 10, as this type of loans have been cancelled, the related derivatives have also been cancelled.

The balance of unmatured receivables assigned to non-recourse factoring transactions as of September 30, 2018, amounts to EUR 183 million (EUR 288 million as of September 30, 2017). The average amount of factored receivables during the year ended September 30, 2018 has been EUR 89 million (EUR 229 million in 2017).

## 19. Provisions

The breakdown of current and non-current provisions as of September 30, 2018 and 2017 is as follows:

Thousands of euros	Balance at 10.01.2017	Charges			Other changes	Balance at 09.30.2018	Thereof non-current
		(Note 29.E)	Provisions applied	Exchange differences			
Warranties	2,111,198	252,707	(461,738)	(7,219)	129,656	2,024,604	1,437,981
Order related losses and risks	570,014	3,030	(103,103)	736	(124,093)	346,584	237,708
Other	66,946	11,114	(8,011)	(3,044)	(5,563)	61,442	26,419
<b>Total</b>	<b>2,748,158</b>	<b>266,851</b>	<b>(572,852)</b>	<b>(9,527)</b>	<b>-</b>	<b>2,432,630</b>	<b>1,702,108</b>

Thousands of euros	Balance at 01.01.2017	Additions due to first-time consolidation (Note 2.E)	Charges (Note 29.E)	Provisions applied	Exchange differences	Other changes	Balance at 09.30.2017 (Note 2.E)	Thereof non-current
Warranties	1,195,593	1,087,525	299,391	(428,732)	(42,579)	-	2,111,198	1,543,545
Order related losses and risks	35,351	527,147	28,836	(18,115)	(3,206)	-	570,014	372,276
Other	16,497	55,835	4,123	(6,926)	(2,582)	-	66,946	35,302
<b>Total</b>	<b>1,247,441</b>	<b>1,670,507</b>	<b>332,350</b>	<b>(453,773)</b>	<b>(48,367)</b>	<b>-</b>	<b>2,748,158</b>	<b>1,951,123</b>

Provisions are recognised whenever the SIEMENS GAMESA Group has a present legal or constructive obligation as a result of past events, which will lead to a probable outflow in the future of resources embodying economic benefits and a reliable estimate can be made of the amount of the obligation. Provisions are recognised at the present value of the expenditure required to settle the present obligation. The majority of the provisions of the Group are generally expected to result in cash outflows during the next 1 to 10 years, but exceptional technical issues could reach beyond that time frame.

#### Warranties

Warranty provisions are related to repair and replacement costs resulting from component defects or functional errors, which are covered by the SIEMENS GAMESA Group during the warranty period. In addition to this, non-recurring provisions are recorded derived from various factors, such as customer complaints and quality issues that, in general, relate to situations in which the expected failure rates are above normal levels.

The change in these provisions during 2018 is fundamentally the result of recurring re-estimation of warranty provisions due to the normal course of the business, as well as the application of the provisions for its intended purpose.

#### Order related losses and risks and others

The SIEMENS GAMESA Group recognises provisions for order related losses and risks when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. In this regard, in relation to loss incurring contracts, the amount as of September 30, 2018 and 2017 includes, fundamentally, expected losses of onerous contracts signed in previous years by a SIEMENS GAMESA Group subsidiary (ADWEN) for the construction of an offshore wind farm in northern Europe.

Other provisions include, among others, provisions for legal proceedings or personnel-related provisions.

## **20. Other current assets and liabilities**

The detail of other current assets and liabilities as of September 30, 2018 and 2017 is as follows:

Thousands of euros	09.30.2018	09.30.2017 (Note 2.E)
<b>Other current tax assets</b>		
Other tax receivables	307,493	289,091
<b>Non-tax related current assets</b>		
Prepaid expenses	40,061	45,238
Other current assets (Note 2.E)	14,828	7,536
<b>Total</b>	<b>362,382</b>	<b>341,865</b>

Thousands of euros	09.30.2018	09.30.2017 (Note 2.E)
<b>Other current tax liabilities</b>		
Other tax liabilities	148,550	169,890
<b>Non-tax related current liabilities</b>		
Current liabilities to personnel	255,481	275,808
Other current liabilities (Note 2.E)	279,528	250,789
<b>Total</b>	<b>683,559</b>	<b>696,487</b>

## 21. Post-employment benefits

The Group provides post-employment defined benefit plans or defined contribution plans to certain Group employees.

The amount recognised as expense for defined contribution plans amounts to EUR 52 million in fiscal year 2018 (EUR 44 million in fiscal year 2017).

The Group provides post-employment defined benefit plans to almost all of the Group's employees in Germany. Outside Germany predominantly service gratuities and severance indemnities from legislative requirements or industry arrangements are provided by a limited number of entities in several jurisdictions.

The Group's major plans are funded with assets in segregated entities. In accordance with local laws and bilateral agreements with benefit trusts (trust agreement), those plans are managed in the interest of the beneficiaries.

The defined benefit plans cover about 2,800 participants for the fiscal year 2018 (3,000 participants for fiscal year 2017), virtually completely constituted by active employees only.

In Germany, the Group provides pension benefits through the plan "Beitragsorientierte Siemens Altersversorgung" (hereinafter, BSAV), frozen legacy plans and deferred compensation plans. The majority of the Group's active employees in Germany participate in the BSAV. Those benefits are predominantly based on contributions made by the Group and returns earned on such contributions, subject to a minimum return guaranteed by the Group. In connection with the implementation of the BSAV, benefits provided under the frozen legacy plans were modified to substantially eliminate the effects of compensation increases. However, these frozen plans still expose the Group to investment risk, interest rate risk and longevity risk. No legal or regulatory minimum funding requirements apply. Instead, the pension plans are funded via contractual trust arrangements (CTA).

## A. DEVELOPMENT OF THE DEFINED BENEFIT PLANS

Thousands of euros	Defined benefit obligation (DBO) (*)		Fair value of plan assets		Net defined benefit liability	
	(I)	(II)	(I)	(II)	(I)-(II)	(I)-(II)
	2018	2017	2018	2017	2018	2017
<b>Balance at the beginning of fiscal year</b>	<b>36,091</b>	<b>30,227</b>	<b>23,473</b>	<b>23,145</b>	<b>12,617</b>	<b>7,082</b>
Current service cost	4,893	3,433	-	-	4,893	3,433
Interest expense	741	266	-	-	741	266
Interest income	-	-	528	125	(528)	(125)
<b>Components of defined benefit recognised in the Consolidated Statement of Profit and Loss</b>	<b>5,634</b>	<b>3,699</b>	<b>528</b>	<b>125</b>	<b>5,106</b>	<b>3,574</b>
Return on plan assets excluding amounts included in interest income and interest expenses	-	-	(417)	144	417	(144)
Actuarial (gains) losses	(737)	2,209	-	-	(737)	2,209
<b>Remeasurements recognised in the Consolidated Statement of Other Comprehensive Income</b>	<b>(737)</b>	<b>2,209</b>	<b>(417)</b>	<b>144</b>	<b>(321)</b>	<b>2,064</b>
Employer contributions	-	-	4,669	59	(4,669)	(59)
Benefits paid	(107)	(24)	(7)	-	(100)	(24)
Plan participants' contributions	495	-	495	-	-	-
Foreign currency translation effects	(78)	(20)	-	-	(78)	(21)
Other changes	85	-	7	-	78	-
	<b>395</b>	<b>(44)</b>	<b>5,164</b>	<b>59</b>	<b>(4,768)</b>	<b>(106)</b>
<b>Balance at fiscal year end</b>	<b>41,383</b>	<b>36,091</b>	<b>28,748</b>	<b>23,473</b>	<b>12,635</b>	<b>12,617</b>
thereof:						
Germany	38,672	33,653	27,562	22,412	11,110	11,241

(\*) Defined benefit obligation (hereinafter, DBO).

The net interest expenses related to provisions for pensions and similar obligations amount to EUR 212 thousands at the fiscal year ended September 30, 2018 (EUR 141 thousands at the fiscal year ended September 30, 2017).

The remeasurement comprises actuarial gains/losses resulting from:

Thousands of euros	2018	2017
Changes in demographic assumptions	143	19
Changes in financial assumptions	(77)	(812)
Experience (gains) losses	(804)	3,002
<b>Total</b>	<b>(737)</b>	<b>2,209</b>

## B. ACTUARIAL ASSUMPTIONS

The weighted-average discount rate used for the actuarial valuation of the DBO of the German plans has been 1.90% (2.00% in 2017). For Germany, the specific tables with mortality trends based on "Heubeck Richttafeln 2005G" have applied. The pension progression rate has been 1.50% in Germany (same as prior year).

## C. SENSITIVITY ANALYSIS

A one-half-percentage-point variation of the above assumptions would result in the following increase (decrease) of the German DBO:

Thousands of euros	Effect on DBO (Germany) due to one-half percentage-point			
	Increase	Decrease	Increase	Decrease
	2018	2018	2017	2017
Discount rate	(2,052)	2,319	(1,894)	2,136
Rate of pension progressions	605	(547)	577	(522)

The DBO effect of a 10% reduction in mortality rates for all beneficiaries would be an increase of EUR 472 thousands in 2018 (EUR 461 thousands in 2017).

#### **D. DISAGGREGATION OF PLAN ASSETS**

	Thousands of euros	
	2018	2017
Equity securities	4,296	3,618
Fixed income securities	8,690	7,872
<i>Thereof:</i>		
Government bonds	1,789	852
Corporate bonds	6,901	7,020
Alternative investments	783	703
Multi-strategy funds	13,794	10,116
Cash and cash equivalents	7	-
Derivatives	-	103
Other assets	1,178	1,061
<b>Total</b>	<b>28,748</b>	<b>23,473</b>

Virtually all equity securities had quoted prices in active markets. The fair value of fixed income securities was based on prices provided by price service agencies. The fixed income securities were traded in highly liquid markets and almost all fixed income securities were investment grade. Alternative investments mostly include real estate investments. Multi strategy funds mainly comprise absolute return funds and diversified growth funds that invest in various asset classes within a single fund and aim to stabilise return and reduce volatility.

#### **E. FUTURE CASH FLOWS**

Employer contributions expected to be paid to the German defined benefit plans in fiscal year 2019 amount to approximately EUR 4 million (approximately EUR 4 million expected in year 2018 at the end of 2017). Over the next 10 fiscal years, average annual benefit payments of approximately EUR 0.8 million are expected as of September 30, 2018 (EUR 0.7 million as of September 30, 2017). The weighted average duration of the German DBO is 11.8 years as of September 30, 2018 (12.5 years as of September 30, 2017).

#### **22. Other non-current liabilities**

The breakdown of "Other non-current liabilities" of the accompanying Consolidated Balance Sheet is as follows:

Thousands of euros	09.30.2018	09.30.2017 (Note 2.E)
Long-term accruals	18,185	6,236
Deferred income	8,204	8,168
Other non-current liabilities (Note 2.E)	4,671	2,611
<b>Total</b>	<b>31,060</b>	<b>17,015</b>

#### **23. Equity of the Parent Company**

##### **A. ISSUED CAPITAL**

The SIEMENS GAMESA Group's issued capital as of September 30, 2018 and 2017 amounts to EUR 115,794 thousands being composed of 681,143,382 ordinary shares of EUR 0.17 of nominal value each, represented by means of annotations into account, fully subscribed and disbursed.

According to information of the company, the shareholder structure of SIEMENS GAMESA as of September 30, 2018 and 2017 is as follows:

Shareholders	% shareholding	
	09.30.2018	09.30.2017
SIEMENS AG (*)	59.000%	59.000%
Iberdrola, S.A.	8.071%	8.071%
Other (**)	32.929%	32.929%
<b>Total</b>	<b>100%</b>	<b>100%</b>

(\*) 28.877% by Siemens Beteiligungen Inland GmbH.

(\*\*) Includes all shareholders with an ownership stake of less than 3%, who are not considered as significant shareholders according to the article 32 of the Royal Decree 1362/2007 of October 19 on shareholders required to notify their stake due to the residence in a tax haven or in a country of 0 taxation or with no effective exchange of tax information.

SIEMENS GAMESA's shares are listed in the IBEX 35 through the Automated Quotation System (*Mercado Continuo*) at the Bilbao, Madrid, Barcelona and Valencia Stock Exchanges.

The main objectives of SIEMENS GAMESA Group share capital management are to ensure short and long term financial stability, the positive market performance of the shares of SIEMENS GAMESA, the adequate financing of its investments and maintaining levels of the Group's external financing in line with the development of the business, so to ensure that the SIEMENS GAMESA Group maintains its financial strengths and the soundness of its financial ratios, supporting its business and maximizing its value for the shareholders.

As of September 30, 2018, the SIEMENS GAMESA Group was within the parameters set by management for the purpose of managing this risk, as the ratio of debt (net of cash) to equity attributable to the Parent company is -10.38% (-6.20% as of September 30, 2017).

The ratios of debt (net of cash) to equity attributable to the Parent company that are reflected throughout this note are as follows:

Thousands of euros	09.30.2018	09.30.2017
<b>Current liabilities</b>		
Financial debt (Note 18)	990,538	797,018
<b>Non-current liabilities</b>		
Financial debt (Note 18)	823,248	485,116
<b>Total financial debt</b>	<b>1,813,786</b>	<b>1,282,134</b>
<b>Cash and other cash equivalents (Note 7)</b>	<b>(2,429,034)</b>	<b>(1,659,468)</b>
<b>Financial debt net of cash</b>	<b>(615,248)</b>	<b>(377,334)</b>
<b>Total equity of the Parent Company (Note 2.E)</b>	<b>5,928,725</b>	<b>6,082,033</b>
<b>Proportion of debt (net of cash) and equity attributable to the Parent company</b>	<b>(10.38%)</b>	<b>(6.20%)</b>

## B. CAPITAL RESERVE

The Spanish Companies Act allows the use of the capital reserve to increase share capital and there is no specific restrictions for it.

### C. UNREALISED ASSET AND LIABILITY REVALUATION RESERVE

The changes in this reserve in 2018 and 2017 were as follows:

Thousands of euros	09.30.2017	Movement between reserves	Change in fair value and/or other movements	Allocated Profit and Loss	09.30.2018
<b>Cash-flow hedges</b>					
Interest rate swaps	381	-	(2,325)	1,944	-
Securities of electricity price hedge	(521)	-	(1,172)	-	(1,693)
Currency forwards	75,663	(20,941)	(21,914)	20,377	53,185
	<b>75,523</b>	<b>(20,941)</b>	<b>(25,411)</b>	<b>22,321</b>	<b>51,492</b>
<b>Deferred taxes due to the remeasurement of unrealised assets and liabilities</b>	<b>(19,741)</b>	<b>5,583</b>	<b>8,606</b>	<b>(5,865)</b>	<b>(11,417)</b>
<b>Total</b>	<b>55,782</b>	<b>(15,358)</b>	<b>(16,805)</b>	<b>16,456</b>	<b>40,075</b>

Thousands of euros	12.31.2016	Movement between reserves	Change in fair value and/or other movements	Allocated to Profit and Loss	09.30.2017
<b>Cash-flow hedges</b>					
Interest rate swaps	-	-	(373)	754	381
Securities of electricity price hedge	-	-	(548)	27	(521)
Currency forwards	27,926	-	51,934	(4,197)	75,663
	<b>27,926</b>	<b>-</b>	<b>51,013</b>	<b>(3,416)</b>	<b>75,523</b>
<b>Deferred taxes due to the remeasurement of unrealised assets and liabilities</b>	<b>(5,955)</b>	<b>-</b>	<b>(14,992)</b>	<b>1,206</b>	<b>(19,741)</b>
<b>Total</b>	<b>21,971</b>	<b>-</b>	<b>36,021</b>	<b>(2,210)</b>	<b>55,782</b>

### D. LEGAL RESERVE

Under the Spanish Companies Act, the parent company must transfer the 10% of net profit for each year to the Legal Reserve until the balance of this reserve reaches at least 20% of the share capital.

The Legal Reserve can be used to increase capital, provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that other reserves are not available for this purpose.

As of September 30, 2018 and 2017 this reserve is not fully set up.

### E. TREASURY SHARES, AT COST

The change in treasury shares held, as well as of the item "Treasury shares, at cost" of "Total Equity" as a consequence of the transactions during 2018 and 2017, is as follows:

	Number of shares	Thousands of euros	Average price
<b>Balance at 10.01.2017</b>	<b>1,707,508</b>	<b>(21,505)</b>	<b>12.594</b>
Acquisitions	22,995,111	(281,552)	12.244
Disposals	(23,003,889)	282,714	12.290
<b>Balance at 09.30.2018</b>	<b>1,698,730</b>	<b>(20,343)</b>	<b>11.975</b>



	Number of shares	Thousands of euros	Average price
<b>Balance at 01.01.2017</b>	-	-	-
First time consolidation at April 3, 2017	1,674,209	(37,410)	22.345
Acquisitions	9,433,101	(156,624)	16.604
Disposals	(9,399,802)	172,529	18.355
<b>Balance at 09.30.2017</b>	<b>1,707,508</b>	<b>(21,505)</b>	<b>12.594</b>

The nominal value of the treasury shares acquired directly or indirectly by SIEMENS GAMESA, together with those already held by the SIEMENS GAMESA Group and its subsidiaries does not exceed 10% of issued capital neither in 2018 nor in 2017.

On October 30, 2012 the SIEMENS GAMESA Group signed a liquidity agreement with Santander Investment Bolsa, which was reported to the National Security Market Commission (CNMV) through the Significant Event of October 31, 2012. Within the framework of this agreement, during the period ranging from April to June 2017, the SIEMENS GAMESA Group acquired 4,562,229 own shares at the average price of EUR 20.00 per share, and sold 4,600,909 own shares at an average price of EUR 20.90 per share.

On July 10, 2017, the SIEMENS GAMESA Group entered into a new liquidity contract with Santander Investment Bolsa, which was communicated to the CNMV through a notice of a Significant Event on the same date. During the months of July, August, and September of 2017, the Group acquired 4,870,872 own shares at the average price of EUR 13.43 per share, and sold 4,798,893 own shares at an average price of EUR 15.92 per share. During the period between October 2017 and July 2018 the SIEMENS GAMESA Group has acquired 22,995,111 own shares at the average price of EUR 12.24 per share, and has sold 23,003,889 own shares at an average price of EUR 12.29 per share.

The EUR 22 thousands difference between the cost and sales price was recognised under "Retained Earnings" as of September 30, 2018 (EUR 300 thousands as of September 30, 2017).

#### Long Term Incentive

The General Shareholders' Meeting held on March 23, 2018 approved a Long Term Incentive Plan for the period between 2018 and 2020, which includes the delivery of shares of the Company linked to the achievement of certain strategic objectives after measurement periods of three years. This Long Term Incentive Plan is addressed to the Chief Executive Officer, Senior Executives, certain Directors and employees of the Company and, where appropriate, of subsidiaries of the SIEMENS GAMESA Group.

The plan has a duration of 5 years divided into three independent cycles with a measurement period of three years each.

According to the IFRS the company must recognise services when they are received. The SIEMENS GAMESA Group has recorded the rendering of services from the beneficiaries relating to the incentive payable in shares as personnel expenses on an accrual basis, accruing the estimate of the fair value of the equity instruments assigned over the term of the plan (between October 1, 2017 and October 1, 2020), which have given rise to a debit amounting EUR 1.2 million in Personnel expenses in the Consolidated Income Statement by nature for 2018 (Note 29.C), crediting the heading "Other reserves" under Equity in the accompanying Consolidated Balance Sheet as of September 30, 2018.

The settlement period of the Plan will fall within fiscal years 2021, 2022 and 2023. The shares will be delivered, as appropriate, within sixty (60) calendar days from the date on which the Company's Board of Directors prepares the financial statements for the relevant period, in order to determine the degree of achievement of the objectives for each cycle ("Delivery Date"). The Plan will end on the Delivery Date for cycle FY2020 (i.e. following the preparation of the 2022 financial statements).

To value this programme, the SIEMENS GAMESA Group used the futures pricing formula and the Monte Carlo method simulation based on the assumptions of the Black Scholes pricing model, which is widely used in financial practice to measure options, in order to include the effect of market conditions on the value of the transferred equity instruments. The main market parameters used in the measurement have been as follows:

- The risk-free rate is -0.05%.

- The share price volatility is 43.6% which corresponds to the average value of the historic share price variations since January 2010.
- Estimate of the degree of achievement of the strategic objectives from the first cycle: 55%.

The Plan is addressed to a maximum of 300 beneficiaries, and the designation of an individual as a beneficiary of a Plan cycle will not necessarily entitle the participation in other Plan cycles. The number of employees entitled to the plan's first cycle amounts to 174.

The Plan may not exceed, as a maximum, the delivery of a total of 5,600,000 shares. This total limit, which represents a 0.82% of SIEMENS GAMESA's capital, calculated taking into account the potential inclusion of additional beneficiaries. The Company will allocate Shares of treasury stock to cover the Plan or otherwise meet the commitments derived from the Plan with a financial instrument that provides adequate coverage.

## 24. Non – controlling interests

The development of the non-controlling interests from non-wholly owned subsidiaries in 2018 and 2017 is as follows:

Thousands of euros	
<b>Balance at 10.01.2017</b>	<b>2,814</b>
Profit for the year	(63)
Other movements	(525)
<b>Balance at 09.30.2018</b>	<b>2,226</b>

Thousands of euros	
<b>Balance at 01.01.2017</b>	<b>66</b>
Additions due to SIEMENS GAMESA Merger	448
Profit for the year	2,428
Other movements	(128)
<b>Balance at 09.30.2017</b>	<b>2,814</b>

These non-controlling interests are not material over the assets, liabilities, profit and cash-flows of the Consolidated Financial Statements of the SIEMENS GAMESA Group as of September 30, 2018 and 2017.

## 25. Financial reporting by segment

The reportable segments of the SIEMENS GAMESA Group are adapted to the operating configuration of the business units and to the financial and management information used by the executive boards of the Group, being the following in 2018, and also for comparative purposes in 2017:

- Wind Turbines (\*)
- Operation and Maintenance

(\*) Wind Turbines segment includes the manufacturing of wind turbine generators and the development, construction and sale of wind farms (onshore and offshore).

The segments taken into account are the business units, since the SIEMENS GAMESA Group is organisationally structured in this manner, and the internal information generated for the Board of Directors is also presented in this way.

## A. INFORMATION BY BUSINESS UNITS

### Revenue

The breakdown, by segment, of the revenue for the years ended September 30, 2018 and 2017 is as follows:

Thousands of euros	09.30.2018	09.30.2017 (9-month period)
Wind Turbines	7,847,191	5,763,818
Operation and Maintenance	1,275,081	774,380
<b>Revenue</b>	<b>9,122,272</b>	<b>6,538,198</b>

The performance obligations related to Wind Turbines and Operation and Maintenance are generally satisfied over time.

### Net Income

The breakdown, by segment, of the contribution to the net income after tax for the years ended September 30, 2018 and 2017 is as follows:

Thousands of euros	09.30.2018	09.30.2017 (9-month period)
<b>Continuing Operations</b>		
Wind Turbines	(10,318)	(112,548)
Operation and Maintenance	221,188	112,545
<b>Total results of operations by segment</b>	<b>210,870</b>	<b>(3)</b>
Unassigned results (*)	(43,020)	(25,421)
Income tax expenses	(97,857)	10,217
<b>Net income attributable to the Parent Company</b>	<b>69,993</b>	<b>(15,207)</b>

(\*) This item includes financial results, results attributable to non-controlling interests and income (loss) from investments accounted for using the equity method.

Structure costs supporting both business units, whose amount is subject to allocation among both segments, are allocated to the business units according mainly to each business unit's contribution to the amount of the Group's consolidated turnover.

Financial expenses and income, the results attributable to non-controlling interests and the results from investments accounted for using the equity method and Income tax expense have not been assigned to the operating segments because those concepts are jointly managed by the Group.

## B. GEOGRAPHICAL INFORMATION

In addition, the SIEMENS GAMESA Group currently operates in several geographical markets. The main areas are EMEA (including Spain), AMERICA and APAC. The main countries included in each of those areas are the following:

- EMEA: Denmark, Germany and Great Britain
- AMERICA: USA, Brazil and Mexico
- APAC: India, China and Australia

In this sense, the most significant figures detailed by geographical area are the following:

## Revenue

The breakdown, by geographical segment, of the “Revenue” for the years ended September 30, 2018 and 2017 is as follows:

Geographical area	09.30.2018		09.30.2017 (9-month period)	
	Thousands of euros	%	Thousands of euros	%
Spain	400,193	4.4%	165,179	2.5%
EMEA	4,774,839	52.3%	4,005,553	61.3%
AMERICA	2,235,461	24.5%	1,719,221	26.3%
APAC	1,711,779	18.8%	648,245	9.9%
<b>Total</b>	<b>9,122,272</b>	<b>100%</b>	<b>6,538,198</b>	<b>100%</b>

## Total assets

The breakdown, by geographical segment, of the total assets as of September 30, 2018 and 2017 is as follows:

Geographical area	09.30.2018		09.30.2017 (Note 2.E)	
	Thousands of euros	%	Thousands of euros	%
Spain	5,215,776	32.3%	4,829,702	29.6%
EMEA	4,226,197	26.2%	4,083,820	25.0%
AMERICA	2,672,949	16.5%	2,985,071	18.3%
APAC	4,037,815	25.0%	4,423,334	27.1%
<b>Total</b>	<b>16,152,737</b>	<b>100%</b>	<b>16,321,927</b>	<b>100%</b>

The disclosure above includes the amount corresponding to the Goodwill resulting from the Merger (Note 13).

## Investment in assets

The breakdown, by geographical segment, of the investments in “Other intangible assets” (Note 14) and “Property, plant and equipment” (Note 15) for the years ended September 30, 2018 and 2017 is as follows:

Geographical area	09.30.2018		09.30.2017	
	Thousands of euros	%	Thousands of euros	%
Spain	80,378	19.4%	47,022	11.4%
EMEA	258,618	62.3%	290,697	70.6%
AMERICA	39,111	9.4%	26,909	6.5%
APAC	36,969	8.9%	47,237	11.5%
<b>Total</b>	<b>415,076</b>	<b>100%</b>	<b>411,865</b>	<b>100%</b>

## **26. Income tax**

Since 2002 SIEMENS GAMESA and some of its subsidiaries located in the Basque Country, subject to the Bizkaia’s corporate tax regulations, are taxed under the Special Consolidated Tax Regime, being SIEMENS GAMESA the Parent company of this Tax Group. This regime is now regulated under the chapter VI of the title VI of the *Norma Foral 11/2013* (Local Income Tax regulation), of December 5, and *Norma Foral 2/2018, of March 21*, of the Bizkaia Historical Territory.

Moreover, since 2009, SIEMENS GAMESA and its subsidiaries which meet the requirements are resolved to be under the Group’s Special Regime of Value Added Tax included in chapter IX of the *Norma Foral 7/1994* of November 9 of Bizkaia which regulates this tax at its basic level, being SIEMENS GAMESA the Parent Company of the Tax Group.

The companies that integrate the Consolidated Tax Group under the Regional Regulations of Bizkaia for the purposes of Income tax for the fiscal year 2018 are the following:

Siemens Gamesa Renewable Energy, S.A. (Parent company)	Sistemas Energéticos Sierra de Valdefuentes, S.L.U.
Siemens Gamesa Renewable Energy Europa, S.L.	Sistemas Energéticos Fonseca, S.A.U.
Siemens Gamesa Renewable Energy Wind Farms, S.A.	Sistemas Energéticos Serra de Lourenza, S.A.U.
Siemens Gamesa Renewable Energy International Wind Services, S.A.	Sistemas Energéticos Balazote, S.A.U.
Siemens Gamesa Renewable Energy Invest, S.A.	Sistemas Energéticos Sierra del Carazo, S.L.U.
International Wind Farm Developments II, S.L.	Adwen Offshore, S.L.
Sistemas Energéticos Tablero Tabordo, S.L.	Sistemas Energéticos Argañoso, S.L.U.
Sistemas Energéticos Tarifa, S.L.U.	Sistemas Energéticos Carril, S.L.U.
Siemens Gamesa Renewable Finance, S.A.	Sistemas Energéticos Jaralón, S.A.U.
Parque Eólico Dos Picos, S.L.U.	Sistemas Energéticos Loma del Reposo, S.L.U.
Sistemas Energéticos Loma del Viento, S.A.U.	Sistemas Energéticos Cabezo Negro, S.A.U.
Sistemas Energéticos Sierra de Las Estancias, S.A.U.	International Wind Farm Developments IV, S.L.
International Wind Farm Developments V, S.L.	International Wind Farm Developments VI, S.L.
International Wind Farm Developments VII, S.L.	International Wind Farm Developments IX, S.L.
Sistemas Energéticos Cuntis, S.A.U.	Sistemas Energéticos Cuerda Gitana, S.A.U.
Sistemas Energéticos Alcohujate, S.A.U.	Sistemas Energéticos Tomillo, S.A.U.
Sistemas Energéticos La Cámara, S.L.	Sistemas Energéticos Ladera Negra, S.A.U.
Sistemas Energéticos Barandón, S.A.	Sistemas Energéticos Cabanelas, S.A.U.
Sistemas Energéticos La Plana, S.A.	

The following companies are subject to the aforementioned Group's Special Regime of Value Added Tax in the year 2018:

Siemens Gamesa Renewable Energy, S.A. (Parent company)	Siemens Gamesa Renewable Energy Wind Farms, S.A.
Adwen Offshore, S.L.	Sistemas Energéticos La Cámara, S.L.
Sistemas Energéticos La Plana S.A.	Sistemas Energéticos Cabezo Negro S.A.

Also, since 2010 the subsidiaries located in the Autonomous Community of Navarre Siemens Gamesa Renewable Energy Eólica, S.L. Unipersonal, Siemens Gamesa Renewable Energy Innovation & Technology, S.L. Unipersonal and Estructuras Metálicas Singulares, S.A. Unipersonal have filed consolidated tax returns pursuant to Navarra Corporation Tax Regulation 26/2016 of December 28, (*Ley Foral 26/2016, de 28 de diciembre, del impuesto de sociedades*). Three more companies were incorporated to this Group in 2016, Siemens Gamesa Renewable Energy Latam, S.L., Siemens Gamesa Renewable Energy Apac, S.L.U. and Sistemas Energéticos El Valle, S.L.

Since 2005, Siemens Gamesa Renewable Energy USA, INC and its subsidiaries are taxed by the Federal Income Tax under the Consolidated Tax of the United States, being Siemens Gamesa Renewable Energy USA, INC the parent company of the Tax Group. Siemens Gamesa Renewable Energy, Inc. will become the parent company of such fiscal group during the next fiscal year after merging with Siemens Gamesa Renewable Energy USA, INC.

Since 2005, Siemens Gamesa Renewable Energy A/S is part of the Danish national joint taxation Group, with Siemens A/S nominated as the administration company.

The rest of the Group's companies are taxed on an individual return basis in accordance with the legislation in force in their respective jurisdictions.

The breakdown of income tax between current and deferred taxes is as follows:

Thousands of euros	2018	2017
Current tax	(194,670)	(140,156)
Deferred tax	96,813	150,373
<b>Income tax</b>	<b>(97,857)</b>	<b>10,217</b>

The current income tax benefit/(expense) in the years ended September 30, 2018 and 2017 includes adjustments recognised for current tax of prior years amounting to EUR 10,745 thousands and EUR 337 thousands, respectively. The deferred tax benefit/(expense) in the year ended September 30, 2018 and 2017 includes tax effects of the creation and reversal of temporary differences amounting to EUR 67,926 thousands and EUR 142,614 thousands, respectively.

Income tax expense (current and deferred) differs from the amounts computed by applying the tax rate corresponding to the parent company, of 28%, as follows:

Thousands of euros	2018	2017
<b>Income before taxes</b>	<b>167,787</b>	<b>(22,996)</b>
Expected income tax expense / (income)	(46,980)	6,439
(Increase)/decrease resulting from		
- Non-deductible losses and expenses	(48,508)	(14,999)
- Tax-free income	34,338	18,558
- Taxes from prior years	6,860	(1,283)
- Changes in realizability of deferred tax assets and tax credits	(36,708)	(18,706)
- Changes in tax rates	(40,545)	220
- Foreign tax rate differential	33,533	18,252
- Other, net	153	1,736
<b>Income tax</b>	<b>(97,857)</b>	<b>10,217</b>

## 27. Deferred taxes

The balances recognised under “Deferred tax assets” and “Deferred tax liabilities” of the Consolidated Balance Sheet as of September 30, 2018 and 2017 arose as a result of the following circumstances:

- The different accounting and tax methods for recognising certain provisions.
- Temporary differences deriving from the limit for deductions of financial expenses for tax purposes.
- The Purchase Price Allocation (PPA) effect.

The breakdown of “Deferred tax assets” and “Deferred tax liabilities” on a gross basis in the accompanying Consolidated Balance Sheet as of September 30, 2018 and 2017 is as follows:

Thousands of euros	09.30.2018	09.30.2017 (Note 2.E)
<b>Assets</b>		
Non-current and current assets	307,833	196,875
Liabilities	414,492	367,430
Other	553	993
Tax loss carryforwards	208,637	165,252
Tax credit carryforwards	71,381	78,962
<b>Deferred tax assets</b>	<b>1,002,896</b>	<b>809,512</b>
<b>Liabilities</b>		
Non-current and current assets	(836,851)	(834,204)
Liabilities	(161,942)	(73,059)
Other	(1,304)	(5,815)
<b>Deferred tax liabilities</b>	<b>(1,000,097)</b>	<b>(913,078)</b>
<b>Total deferred tax assets (liabilities), net</b>	<b>2,799</b>	<b>(103,566)</b>

The Tax Cuts and Jobs Act, signed into law on December 22, 2017, effective from January 1, 2018, established a flat federal corporate income tax rate of 21% to replace previous rates that ranged from 15% to 35%. A blended rate for the fiscal year ended September 30, 2018 of 24.53% is applicable for the Group subsidiaries in the United States. The blended rate of 24.53% is based upon a weighted average of the ratio of days in the 2018 fiscal year prior to and after enactment of the new law.

In addition, the corporate Alternative Minimum Tax (AMT) was repealed. AMT credit carryovers can be used to offset regular tax liabilities corresponding to future periods. In addition, the AMT credit is refundable in fiscal years beginning after 2017 and before 2022.

The deferred tax assets and liabilities of the Group's US subsidiaries have been measured after the entry into effect of the new legislation, and, as a consequence of that, the income tax expense as of September 30, 2018 includes a negative impact, without effect in the cash-flows in the current period, amounting to EUR 38 million.

The SIEMENS GAMESA Group recognises deferred tax assets, tax loss carryforwards and unused tax credits and tax relief only to the extent that their future realisation or utilisation is sufficiently assured.

Deferred tax assets have not been recognised with respect of the following items (gross and net amounts):

Thousands of euros	09.30.2018	09.30.2017
Deductible temporary differences	903,681	375,425
Tax loss carryforwards	1,933,857	1,630,549
<b>Total (gross amounts)</b>	<b>2,837,538</b>	<b>2,005,974</b>

  

Thousands of euros	09.30.2018	09.30.2017
Tax credit carryforwards, net	191,239	184,304
<b>Total (net amounts)</b>	<b>191,239</b>	<b>184,304</b>

As of September 30, 2018, EUR 446,548 thousands of the unrecognised tax loss carry-forwards expire over the following periods until 2028 (EUR 644,875 thousands as of September 30, 2017 over the periods to 2034).

Similarly, out of the unrecognised tax credits EUR 191,233 thousands and EUR 180,028 thousands, respectively, will expire over the following periods until 2028 and 2027.

The SIEMENS GAMESA Group has not recognised deferred tax liabilities for income taxes or foreign withholding taxes on the cumulative earnings of subsidiaries of EUR 715,150 thousands and EUR 802,447 thousands, respectively in fiscal years 2018 and 2017, because the earnings are intended to be permanently reinvested in the subsidiaries.

Including items charged or credited directly to equity and the benefit/(expense) from continuing and discontinued operations, the income tax benefit/(expense) consists of the following:

Thousands of euros	09.30.2018	09.30.2017
Continuing operations	(97,857)	10,217
Income/(expenses) recognised directly in equity	2,642	(14,638)
<b>Total</b>	<b>(95,215)</b>	<b>(4,421)</b>

## **28. Commitments, warranties to third parties and contingent liabilities**

As of September 30, 2018 and 2017, the SIEMENS GAMESA Group had provided warranties to third parties amounting to EUR 128,328 thousands and EUR 90,632 thousands, respectively. The breakdown by type of warranties provided by the SIEMENS GAMESA Group is as follows:

<b>Thousands of euros</b>	<b>09.30.2018</b>	<b>09.30.2017</b>
Financing warranties	94,612	75,118
Warranties provided to public entities	33,716	15,514
<b>Total</b>	<b>128,328</b>	<b>90,632</b>

The SIEMENS GAMESA Group considers that liabilities, if any, which might arise from the obligations and warranties shown in the table above in addition to those for which provisions had been recognised as of September 30, 2018 and 2017 would not be significant.

In addition, the SIEMENS GAMESA Group provides credit warranties which cover the financial obligations of third parties generally in cases where the SIEMENS GAMESA Group is the vendor and (or) contractual partner or the SIEMENS GAMESA Group is liable for obligations of associate companies accounted for using the equity method. As of September 30, 2018, there are no outstanding credit warranties (EUR 307 thousands as of September 30, 2017).

Furthermore, the SIEMENS GAMESA Group issues warranties of third-party performance for project partners. In the event of non-fulfilment of contractual obligations by the partner, the SIEMENS GAMESA Group will be required to pay up to an agreed-upon maximum amount. The total amount of warranties of third-party performance as of September 30, 2018 is EUR 3,298 thousands (EUR 1,500 thousands as of September 30, 2017).

Additionally, in line with widespread industry practice, the Group grants warranties and compensation commitments to cover obligations arising from the ordinary course of its business, coming from the sale of assets and from potential risks of its activities. As at the date of these Consolidated Financial Statements, the probability of a breach that would trigger a liability for these commitments to any material extent is remote.

## **29. Revenue and expense**

### **A. REVENUE**

The detail of this heading of the Consolidated Statement of Profit and Loss for the year ended September 30, 2018 and 2017 is as follows:

<b>Thousands of euros</b>	<b>2018</b>	<b>2017 (9-month period)</b>
Wind Turbines	7,847,191	5,763,818
Operation and Maintenance	1,275,081	774,380
<b>Total revenue</b>	<b>9,122,272</b>	<b>6,538,198</b>

### **B. PROCUREMENTS**

The detail of "Procurements" of the Consolidated Statement of Profit and Loss by nature for the year ended September 30, 2018 and 2017 is as follows:

<b>Thousands of euros</b>	<b>2018</b>	<b>2017 (9-month period)</b>
Acquisitions of raw materials and other supplies	5,129,977	4,499,391
Changes in inventories	673,659	(406,548)
<b>Total procurements</b>	<b>5,803,636</b>	<b>4,092,843</b>



### C. STAFF COSTS

The breakdown of "Staff cost" of the Consolidated Statement of Profit and Loss by nature for the year ended September 30, 2018 and 2017 is as follows:

Thousands of euros	2018	2017 (9-month period)
Wages and salaries	1,360,625	1,020,413
Social welfare contributions	161,511	103,411
Expenses related to pension plans and other social benefits	59,961	48,126
<b>Total staff costs</b>	<b>1,582,097</b>	<b>1,171,950</b>

Linked to the achievement of strategic medium and long-term objectives, the Board of SIEMENS GAMESA approved in 2016 a 2016-2017 incentive of which the key personnel are beneficiaries (100 employees approximately), linked to achieving an operating result (EBIT) for the period beginning January 1, 2016, up to the Effective Date of the Merger. This incentive plan includes a period of permanence of two years for its full payment. Based on this agreement, the Group has recognised a cost amounting to EUR 5.06 million and EUR 2.52 million for the fiscal years 2018 and 2017, respectively.

On November 6, 2017, SIEMENS GAMESA Group announced a global restructuring plan affecting up to 6,000 workforce positions in 31 countries in order to prepare the company to lead the future of the global Wind Power business. To achieve this, the SIEMENS GAMESA Group has needed to take appropriate measures to enhance competitiveness, be better equipped for the changing demands of the customers and to establish a lean and agile set-up, driven by the integration of legacy structures.

During 2018, the SIEMENS GAMESA Group has recognised personnel restructuring costs amounting to EUR 86 million related, among others, to the execution of its voluntary redundancy scheme in Spain, as well as the closure of the plant of Miranda de Ebro (Burgos) in total amount of EUR 46 million for both. Likewise, in April 2018, the SIEMENS GAMESA Group signed a restructuring agreement that mainly affects the Hamburg and Bremen locations. In relation to this agreement, the Group has recognised an approximate cost of EUR 17 million for the year ended September 30, 2018. Along with Spain, Denmark, United States and United Kingdom are the main countries affected by the restructuring plan.

The average number of employees in 2018 and 2017, by professional category, is as follows:

Average number of employees	2018			2017 (*)		
	Male	Female	Total	Male	Female	Total
Board Members	7	6	13	5	4	9
Executive / Senior management	257	29	286	217	23	240
Managers	2,582	535	3,117	2,017	499	2,516
Employees	16,552	3,831	20,383	16,100	3,567	19,667
<b>Total</b>	<b>19,398</b>	<b>4,401</b>	<b>23,799</b>	<b>18,339</b>	<b>4,093</b>	<b>22,432</b>

(\*) For the comparative figures of 2017 it has to be taken into account that the average is weighted by 9 months for the employees coming from the former SIEMENS's Wind Power business and 6 months for the employees coming from the former GAMESA business (Note 1.E).

The distribution of employees by gender in September 30, 2018 and 2017 is as follows:

Number of employees	09.30.2018			09.30.2017		
	Male	Female	Total	Male	Female	Total
Board Members	7	6	13	6	6	12
Executive / Senior management	248	30	278	260	29	289
Managers	2,574	568	3,142	2,395	592	2,987
Employees	15,858	3,756	19,614	18,175	4,026	22,201
<b>Total</b>	<b>18,687</b>	<b>4,360</b>	<b>23,047</b>	<b>20,836</b>	<b>4,653</b>	<b>25,489</b>

The Executive Management is formed by 7 members as of September 30, 2018 and 2017, all of them male.

The average number of employees of the SIEMENS GAMESA Group in 2018 and 2017, with a disability equal to or greater than 33%, by category, is as follows:

Categories	2018	2017
Managers	13	1
Employees	20	17
<b>Total</b>	<b>33</b>	<b>18</b>

This average number of employees with a disability equal to or greater than 33% is referred to the employees of the Spanish companies of the consolidated scope.

#### **D. OTHER OPERATING EXPENSES**

The breakdown of “Other operating expenses” of the Consolidated Statement of Profit and Loss by nature for the year ended September 30, 2018 and 2017 is as follows:

Thousands of euros	2018	2017 (9-month period)
Rent and royalties	379,265	340,151
Professional services	217,247	154,147
Insurance	49,747	38,223
Communications, security and advertising	41,381	61,328
Utilities	33,824	22,998
Travel expenses	110,340	85,129
Training and staff development	21,936	16,686
Other services	182,889	123,646
Taxes and other	14,633	39,535
<b>Total other operating expenses</b>	<b>1,051,262</b>	<b>881,843</b>

As of September 30, 2018 and 2017, the future minimum lease payments under non-cancellable operating leases arranged by the SIEMENS GAMESA Group amount approximately to EUR 620 million and EUR 659 million, respectively. By fiscal years, the due dates of payments for the operating lease instalments that cannot be cancelled are as follows:

Thousands of euros			
09.30.2018	2019	2020-2023	2024 onwards
Operating lease instalments that cannot be cancelled	122,519	164,072	333,009

Thousands of euros			
09.30.2017	2018	2019-2022	2023 onwards
Operating lease instalments that cannot be cancelled	91,411	218,913	349,097

The most significant leasing agreements are related with different offices, in Spain as well as in the differences places where the Company develops its activity, in addition to industrial units for the production of components such as nacelles or rotors and for several warehouses.

#### **E. DEPRECIATION AND AMORTIZATION CHARGE AND PROVISIONS CHARGE**

The breakdown of "Depreciation and amortization charge" and provisions charge of the Consolidated Statement of Profit and Loss by nature for the year ended September 30, 2018 and 2017 is as follows:

<b>Thousands of euros</b>	<b>2018</b>	<b>2017 (9-month period)</b>
Intangible asset amortization charge (Note 14)	323,067	249,536
Property, plant and equipment depreciation charge (Note 15)	315,679	188,768
<b>Amortization and depreciation charge</b>	<b>638,746</b>	<b>438,304</b>
Change in other trade provisions (Note 8)	(16,673)	7,657
Change in write-downs of inventories (*)	(124,279)	98,996
Change in operating provisions for warranties and others (Note 19) (*)	266,851	332,350
<b>Provisions charge</b>	<b>125,899</b>	<b>439,003</b>
<b>Amortization/depreciation and provisions</b>	<b>764,645</b>	<b>877,307</b>

(\*) Mainly included under the caption "Procurements".

#### **F. INTEREST INCOME**

The breakdown of "Interest income" of the Consolidated Statement of Profit and Loss by nature for the year ended September 30, 2018 and 2017 is as follows:

<b>Thousands of euros</b>	<b>2018</b>	<b>2017 (9-month period)</b>
Interest income from cash in banks and receivables from third parties	12,832	4,880
Other interest income	2,335	4,509
<b>Total interest income</b>	<b>15,167</b>	<b>9,389</b>

#### **G. INTEREST EXPENSES**

The "Interest expenses" breakdown of the Consolidated Statement of Profit and Loss by nature for the year ended September 30, 2018 and 2017 is as follows:

<b>Thousands of euros</b>	<b>2018</b>	<b>2017 (9-month period)</b>
Interest expenses from liabilities to third parties	43,391	20,599
Other interest expenses	11,237	10,738
<b>Total interest expenses</b>	<b>54,628</b>	<b>31,337</b>

#### **H. OTHER FINANCIAL INCOME (EXPENSES), NET**

The "Other financial income (expenses), net" breakdown of the Consolidated Statement of Profit and Loss by nature for the year ended September 30, 2018 and 2017 is as follows:

<b>Thousands of euros</b>	<b>2018</b>	<b>2017 (9-month period)</b>
Income (expenses) from available-for-sale assets	(287)	12
Other financial and similar income / (loss)	(2,903)	(1,467)
<b>Total other financial income (expenses), net</b>	<b>(3,190)</b>	<b>(1,455)</b>

### 30. Related party balances and transactions

All the balances between the consolidated companies and the effect of the transactions between them during the year are eliminated in the consolidation process. The breakdown of the balances with related parties which are not eliminated in consolidation in 2018 and 2017 is as follows:

Thousands of euros	09.30.2018					
	Contract Assets	Receivables	Other financial assets	Payables	Other financial liabilities	Contract liabilities
SIEMENS AG	-	28,161	-	249,426	-	-
Other SIEMENS Group entities	-	325	-	92,284	-	-
<b>Group SIEMENS</b>	-	<b>28,486</b>	-	<b>341,710</b>	-	-
Group Iberdrola	35,812	48,676	-	2,371	-	5,925
Windar Renovables	-	706	-	50,837	-	-
VejaMate Offshore Project GmbH	25,806	500	-	-	-	11,659
Galloper Wind Farm Limited	29,206	3,152	-	-	-	4,209
ZeeEnergie C.V. Amsterdam	-	-	-	-	-	16,036
Buitengaats C.V. Amsterdam	-	-	-	-	-	16,036
OWP Butendiek GmbH & Co. KG	1,681	-	-	-	-	42,010
Others	22,247	4,154	1,485	-	-	26,984
<b>Total</b>	<b>114,752</b>	<b>85,674</b>	<b>1,485</b>	<b>394,918</b>	-	<b>122,859</b>

Thousands of euros	09.30.2017					
	Contract Assets	Receivables	Other financial assets	Payables	Other financial liabilities	Contract liabilities
SIEMENS AG	-	31,919	-	286,456	-	-
Other SIEMENS Group entities	-	30,091	-	77,087	-	-
<b>SIEMENS Group</b>	-	<b>62,010</b>	-	<b>363,543</b>	-	-
Iberdrola Group	104,256	92,722	-	2,032	-	128,253
Windar Renovables	-	28	-	44,072	-	-
VejaMate Offshore Project GmbH	30,291	-	-	-	-	5,883
Galloper Wind Farm Limited	11,271	-	-	182	-	31,061
ZeeEnergie C.V., Amsterdam	-	-	-	-	-	9,848
Buitengaats C.V., Amsterdam	-	-	-	-	-	9,848
OWP Butendiek GmbH & Co. KG	1,825	63	-	-	-	30,767
Others	1,022	25	9,264	2,489	105	7,330
<b>Total</b>	<b>148,665</b>	<b>154,848</b>	<b>9,264</b>	<b>412,318</b>	<b>105</b>	<b>222,990</b>

The breakdown of the transactions with related parties which are not eliminated in consolidation in 2018 and 2017 is as follows:

Thousands of euros	2018		2017 (9 month period)	
	Sales and services rendered	Purchases and services received	Sales and services rendered	Purchases and services received
SIEMENS AG	1,270	254,830	57	388,205
Other SIEMENS Group entities	1,704	240,806	2,166	318,683
<b>Group SIEMENS</b>	<b>2,974</b>	<b>495,636</b>	<b>2,223</b>	<b>706,888</b>
Group Iberdrola	374,820	8,165	392,183	2,842
Windar Renovables	780	88,983	69	51,463
VejaMate Offshore Project GmbH	70,727	-	859,993	-
Galloper Wind Farm Limited	293,686	486	802,941	-
ZeeEnergie C.V. Amsterdam	15,254	-	30,409	-
Buitengaats C.V. Amsterdam	15,254	-	30,409	-
OWP Butendiek GmbH & Co. KG	35,788	-	31,059	-
Others	41,600	(4,003)	-	10,654
<b>Total</b>	<b>850,883</b>	<b>589,267</b>	<b>2,149,286</b>	<b>771,847</b>

All transactions with related parties have been carried out under market conditions.

## **A. TRANSACTIONS WITH THE SIEMENS GROUP**

### Goods and services purchased

On June 17, 2016, SIEMENS GAMESA (previous, "Gamesa Corporación Tecnológica, S.A.") and Siemens Aktiengesellschaft (SIEMENS) signed a strategic alliance agreement, featuring a strategic supply contract by virtue of which SIEMENS became the strategic SIEMENS GAMESA supplier of gears, segments, and other products and services offered by the SIEMENS Group. The abovementioned alliance will continue in force during the period in which SIEMENS: (a) directly or indirectly holds more than 50.01% of SIEMENS GAMESA's share capital, or (b) holds representative shares of at least 40% of share capital, as long as it holds the majority of Board of Director voting rights, with no shareholders which individually or jointly hold less than 15% of share capital. Therefore, in cases of change of control, the parties are entitled to terminate the strategic alliance, although the strategic supply contract will have a minimum duration of at least three (3) years (i.e., until April 3, 2020). The award system ensures that the supplies will be carried out under market conditions, as well as the involvement of and access to other suppliers.

On March 31, 2017, SIEMENS GAMESA and Siemens Aktiengesellschaft entered into a licensing agreement by virtue of which SIEMENS GAMESA is entitled to use the SIEMENS brand during the period in which SIEMENS: (a) directly or indirectly holds more than 50.01% of SIEMENS GAMESA's share capital, or (b) holds representative shares of at least 40% of share capital, as long as it holds the majority of Board of Director voting rights, with no shareholders which individually or jointly hold at least 15% of share capital. Accordingly, in the event of change of control, license would expire subject to certain transition period to discontinue the use of the SIEMENS name and trademark.

Dated on April 28, 2017 SIEMENS GAMESA and Siemens Aktiengesellschaft signed a framework agreement over certain information rights and obligations and related matters concerning the relationship between the parties and certain principles applicable to the rendering of services between the SIEMENS GAMESA Group and the SIEMENS Group, as the main shareholder of SIEMENS GAMESA.

By virtue of certain agreements reached as a result of the Merger between SIEMENS GAMESA and Siemens Wind HoldCo, S.L. (sole shareholder company), the SIEMENS Group will have and grant certain warranties with regard to the business combination. The above agreements may be terminated and their applicable terms granted amended in case of change of control.

On April 10, 2018, SIEMENS GAMESA, through its subsidiary Siemens Gamesa Renewable Energy GmbH & Co. KG and SIEMENS entered into a contractual agreement by which both parties cooperate in the development and deployment of thermal energy storage systems. The project is co-funded by the Federal Ministry of Economic Affairs and Energy of Germany.

On August 1, 2018, SIEMENS GAMESA and SIEMENS entered into a service agreement by which SIEMENS provides procurement services enabling the SIEMENS GAMESA Group to benefit from collective bargaining power. The initial term of the agreement is one year for operational procurement services while the initial term for other procurement services is two years from effective date, both extendable for two additional years. For the approval of this related party transaction, the Audit, Compliance and Related Party Transactions Committee was advised by an independent expert.

On September 3, 2018, SIEMENS GAMESA, through its subsidiary Siemens Gamesa Renewable Energy LLC, and SIEMENS, through its subsidiary OOO Siemens Gas Turbines Technologies, entered into a contract manufacturing agreement for the assembly of wind turbines for the Russian market. The initial term is set to three years.

During the current year, the SIEMENS GAMESA Group has purchased supplies for the Wind Turbines construction from SIEMENS Group, mainly from the SIEMENS divisions "Process Industries and Drives" and "Energy Management". In addition, SIEMENS Group has provided services to SIEMENS GAMESA Group based on transitional service agreements such as tax services, selling support, human resources, legal and treasury services, among others.

Finally, as it is usual for large electricity supply infrastructure projects, there are contracts with clients which regulate a supposed change in control, providing each part reciprocal power to terminate the contract if such situation arises, especially in cases in which the new controlling party is the other party's competitor.

### Guarantees provided by the SIEMENS Group

As of September 30, 2018, the SIEMENS Group has provided guarantees to third parties for the performance of the SIEMENS GAMESA Group amounting to EUR 20,839 million (EUR 20,850 million as of September 30, 2017).

### Share-based payments

Certain employees of the SIEMENS GAMESA Group that have transferred from other SIEMENS Group entities participate in share-based payment awards implemented by SIEMENS. SIEMENS delivers the respective shares on behalf of SIEMENS GAMESA. Due to the limited extent of participation in the share-based programs, the effect on the Consolidated Financial Statements is not significant in the periods presented.

### Hedging

The Group's hedging activities are partially performed via SIEMENS and Siemens Capital Company LLC on an arm's length basis. The consideration is based on the market rates. The related receivables and payables are disclosed in the lines "Other financial assets and liabilities".

### Insurance program

At the end of September 2017, SIEMENS GAMESA, as a company member of the SIEMENS Group, adhered, with an effective date from October 1, 2017, to a global stand-alone insurance program including all-risk property damages insurance policies, civil liability insurance policies, transport, chartering of ships and all-risk construction insurance policies. Siemens Financial Services acts as insurance broker and service provider for the Global Insurance Program.

## ***B. AGREEMENTS WITH THE IBERDROLA GROUP RELATED TO THE WIND TURBINES AND OPERATIONS AND MAINTENANCE SEGMENTS***

The SIEMENS GAMESA Group, through its subsidiary Siemens Gamesa Renewable Energy Eólica, S.L. Unipersonal (former Gamesa Eólica, S.L. Unipersonal) and Iberdrola, S.A., concluded on December 21, 2011 a framework agreement relating to the supply and maintenance of wind turbines. Under that framework agreement, the SIEMENS GAMESA Group and Iberdrola, S.A assumed the following commitments:

- Iberdrola, S.A. shall acquire from the SIEMENS GAMESA Group a quota of megawatts equivalent to 50% of the total on-shore wind turbine fleet that Iberdrola, S.A. acquires for its Renewables Business Unit during the term of the framework agreement.

This commitment will be in force between January 1, 2013 and December 31, 2022 or the date on which the number of megawatts acquired by the Iberdrola Group from the SIEMENS GAMESA Group totals 3,800 MW, whichever occurs first.

During this fiscal year, several sales have been made in the framework of the abovementioned contract amounting to 512 MW.

- SIEMENS GAMESA and Iberdrola, S.A. will closely collaborate with new opportunities relating to the offshore wind business.
- SIEMENS GAMESA and Iberdrola, S.A. will collaborate within the area of maintenance services so that Siemens Gamesa Renewable Energy Eólica, S.L. Unipersonal will become a company of reference with respect to wind farm maintenance throughout the Iberdrola Group's business.
- Likewise, during the period different minor components have been delivered, mainly spare parts.

In April 2018 SIEMENS GAMESA, through its subsidiary Siemens Gamesa Renewable Energy Eólica S.L. Unipersonal (former Gamesa Eólica, S.L. Unipersonal), closed an agreement with the Iberdrola Group for the maintenance of wind farms in the Iberian Peninsula of about 1,265 MW for a period of two years plus another optional year.

Currently, the total of MW under maintenance in the Iberdrola Group's wind farms approximately amounts to 4,000 MW.

In addition, in October 2015, the SIEMENS GAMESA Group and the Iberdrola Group reached an agreement to implement the product Energy Thrust, aimed to increase the efficiency of the turbines and their production ratios, for a total of 1,602 MW.

At December 2016, a later addendum to the previous contract was signed extending it by additional 612 MW for the 2 MW platform. Moreover, for different companies in the Iberdrola Group an additional 795 MW was negotiated.

In July of the current period, an agreement has been reached with the Iberdrola Group for the installation and activation of the Energy Thrust product in 941 Wind Turbines of the Avangrid Fleet, and in August of this same period, for the installation and activation of the same product in part of the Scottish Power's fleet.

### **C. AGREEMENTS BETWEEN THE SIEMENS GAMESA GROUP AND WINDAR RENOVABLES, S.L.**

On June 25, 2007 the SIEMENS GAMESA Group (through its subsidiary Siemens Gamesa Renewable Energy Eólica, S.L. Unipersonal) subscribed a tower supply agreement with Windar Renovables, S.L. The conditions for transactions with associates are equivalent to those carried out with independent parties.

### **D. AGREEMENTS BETWEEN THE SIEMENS GAMESA GROUP AND SCHAEFFLER TECHNOLOGIES AG&CO. KG**

On September 28, 2018, the SIEMENS GAMESA Group reached a settlement agreement with Schaeffler Technologies AG&Co. KG regarding a previous supply contract. This agreement consists mainly in a payment to the SIEMENS GAMESA Group in amount of EUR 4,000 thousands.

## **31. Directors' remuneration**

In 2018 and 2017, the Directors of SIEMENS GAMESA Board earned fixed and variable salaries, attendance allowances, and other items amounting to approximately EUR 3,563 thousands and EUR 5,378 thousands, respectively. The compensation for the Directors for 2017 covers the period from the Merger Effective Date April 3, 2017 until September 30, 2017. The breakdown is as follows:

<b>Thousands of euros</b>	<b>2018</b>	<b>2017 (*)</b>
<b>Members of the Board of Directors</b>		
<b>Type of remuneration</b>		
Fixed compensation	2,559	1,065
Annual variable compensation	349	1,078
Attendance allowances	423	240
Pension contributions	167	-
	<b>3,498</b>	<b>2,383</b>
<b>Others</b>	<b>65</b>	<b>2,995</b>
<b>Total</b>	<b>3,563</b>	<b>5,378</b>

(\*) Siemens Wind HoldCo, S.L. did not have a Board of Directors equivalent or a different management structure previous to the merger with GAMESA (April 3, 2017).

The concept of Others as of September 30, 2018 and 2017 corresponds to (i) the amount of the premiums paid for the coverage of death and disability insurances amounting to EUR 23 thousands and EUR 10 thousands, respectively; (ii) the allocation of the civil liability collective insurance for executives, directors and other employees in an amount of EUR 42 thousands and EUR 20 thousands, respectively. Additionally, in the fiscal year 2017 this concept included contract termination costs amounting to EUR 2,965 thousands.

No advances or loans were given to current or prior Board members, and there are no pension obligations with them. Only the CEO receives contributions for pensions.

Likewise, derived from its previous relationship with the SIEMENS Group and, therefore, without cost for SIEMENS GAMESA (SIEMENS takes care of these concepts), the CEO has recognised rights on shares of SIEMENS and has received this year the last payment of a complementary incentive amounting to EUR 284 thousands that was recognised prior to the Merger.

Also, the remunerations to the Chief Executive Officer do not include the provision recorded for the long-term incentive plan 2018-2020 in the amount of EUR 60 thousands, which will be effective once the period of measurement of the plan is completed and whose settlement (when applicable) will depend on the degree of effective fulfilment of the objectives to which it is subject in the year 2020.

Finally, the current CEO has a contractual agreement to receive financial compensation in the event of termination for reasons attributable to the Company. The financial compensation agreed for such termination consists of the payment of a compensation up to a maximum of his annual fixed cash compensation according to the new Board members remuneration policy approved in the General Shareholders meeting of June 20, 2017.

At the end of 2018 the members of the Board of Directors of SIEMENS GAMESA and certain persons related to them as defined in the Spanish Companies Act held ownership interests in the following companies engaging in an activity that is identical, similar or complementary to the activity that constitutes the Company's purpose. Also, following is a breakdown of the positions held and functions discharged at those companies:

Owner	Investee company	Line of Business	Number of Shares	Functions
Tacke, Markus	SIEMENS AG	Industrial, Health, Power & Utilities and Infrastructure Sectors	10,195	-
Sen, Michael	SIEMENS AG	Industrial, Health, Power & Utilities and Infrastructure Sectors	12,904	Member of the Managing Board and Chair of the Supervisory Board of Siemens Healthineers AG
Von Schumann, Mariel	SIEMENS AG	Industrial, Health, Power & Utilities and Infrastructure Sectors	11,652	Chief of Staff Governance and Head of Governance and Markets Department and member of the Board of Directors of Siemens Ltd. India
Rubio Reinoso, Sonsoles	Iberdrola S.A.	Power & Utilities	47,828	Internal Audit Director
García García, Rosa María	SIEMENS AG	Industrial, Health, Power & Utilities and Infrastructure Sectors	5,451	President and CEO of Siemens, S.A. and President of Siemens Holding, S.L.U.
Thomas, Ralf	SIEMENS AG	Industrial, Health, Power & Utilities and Infrastructure Sectors	16,241	Member of the Managing Board and CFO and member of the Supervisory Board of Siemens Healthineers AG
Rosenfeld, Klaus	Schaeffler AG	Automotive and Industrial Sector	-	CEO
Davis, Lisa	SIEMENS AG	Industrial, Health, Power & Utilities and Infrastructure Sectors	-	Member of the Managing Board and Chairwoman and CEO of Siemens Corporation, USA

On the other hand, the members of the Board of Directors were affected by the following conflicts of interest during 2018:

Sen, Michael. According to the procedure established in article 31 of the Board of Directors Regulations of SIEMENS GAMESA, in the meetings of such body on which agreements related to transactions with Siemens Aktiengesellschaft and/or companies of its group were discussed or, if the case, approved, he left the meeting and did not participate in the deliberations, voting, decision-making and execution of such agreement. It happened in the meetings of the Board of Directors of October 20, 2017, January 29, 2018, March 23, 2018, April 17, 2018, May 18, 2018, June 13, 2018 and July 26, 2018.



Von Schumann, Mariel. According to the procedure established in article 31 of the Board of Directors Regulations of SIEMENS GAMESA, in the meetings of such body on which agreements related to transactions with Siemens Aktiengesellschaft and/or companies of its group were discussed or, if the case, approved, she left the meeting and did not participate in the deliberations, voting, decision-making and execution of such agreement. It happened in the meetings of the Board of Directors of October 20, 2017, January 29, 2018, March 23, 2018, April 17, 2018, May 18, 2018 and June 13, 2018, and it happened also in the meeting of the Board of Directors of July 26, 2018 where she was represented by a proxy and her proxy left the meeting and did not participate in the deliberations, voting, decision-making and execution of such agreement.

Rubio Reinoso, Sonsoles. According to the procedure established in article 31 of the Board of Directors Regulations of SIEMENS GAMESA, in the meetings of such body on which agreements related to transactions with Iberdrola, S.A. and/or companies of its group were discussed or, if the case, approved, she left the meeting and did not participate in the deliberations, voting, decision-making and execution of such agreement. It happened in the meetings of the Board of Directors of October 20, 2017, November 30, 2017, December 19, 2017, January 29, 2018, February 13, 2018, February 26, 2018, March 23, 2018, April 17, 2018, May 3, 2018, June 13, 2018 and July 26, 2018.

García García, Rosa María. According to the procedure established in article 31 of the Board of Directors Regulations of SIEMENS GAMESA, in the meetings of such body on which agreements related to transactions with Siemens Aktiengesellschaft and/or companies of its group were discussed or, if the case, approved, she left the meeting and did not participate in the deliberations, voting, decision-making and execution of such agreement. It happened in the meetings of the Board of Directors of October 20, 2017, January 29, 2018, March 23, 2018, April 17, 2018, May 18, 2018, June 13, 2018 and July 26, 2018.

Thomas, Ralf. According to the procedure established in article 31 of the Board of Directors Regulations of SIEMENS GAMESA, in the meetings of such body on which agreements related to transactions with Siemens Aktiengesellschaft and/or companies of its group were discussed or, if the case, approved, he left the meeting and did not participate in the deliberations, voting, decision-making and execution of such agreement. It happened in the meetings of the Board of Directors of October 20, 2017, March 23, 2018 and April 17, 2018, and it happened also in the meetings of the Board of Directors of January 29, 2018 May 18, 2018, June 13, 2018 and July 26, 2018 where he was represented by a proxy and his proxy left the meeting and did not participate in the deliberations, voting, decision-making and execution of such agreement.

Rosenfeld, Klaus. According to the procedure established in article 31 of the Board of Directors Regulations of SIEMENS GAMESA, in the meetings of such body on which agreements related to transactions including Schaeffler AG, where he holds the post as CEO, were discussed or, if the case, approved, he left the meeting and did not participate in the deliberations, voting, decision-making and execution of such agreement. It happened in the meetings of the Board of Directors of December 19, 2017 and June 13, 2018.

Davis, Lisa. According to the procedure established in article 31 of the Regulations of the Board of Directors of SIEMENS GAMESA, in the meetings of such body on which agreements related to transactions with Siemens Aktiengesellschaft and/or companies of its group were discussed or, if the case, approved, she left the meeting and did not participate in the deliberations, voting, decision-making and execution of such agreement. It happened in the meetings of the Board of Directors of October 20, 2017, March 23, 2018, April 17, 2018, May 18, 2018 and July 26, 2018, and it happened also in the meetings of the Board of Directors of January 29 and June 13, 2018 where she was represented by a proxy and her proxy left the meeting and did not participate in the deliberations, voting, decision-making and execution of such agreement.

Hernández García, Gloria. According to the procedure established in article 31 of the Regulations of the Board of Directors of SIEMENS GAMESA, in the meetings of such body on which agreements related to transactions including Bankinter and/or companies of its group were discussed or, if the case, approved, she left the meeting and did not participate in the deliberations, voting, decision-making and execution of such agreement. It happened in the meeting of the Board of Directors of May 18, 2018.

### 32. Remuneration of Senior Management

Excluding those who are simultaneously members of the Board of Directors (whose remuneration is detailed in the Note 31), the compensation for the year, paid or payable, to members of Senior Management for employment services rendered before the closing of 2018 and 2017 is disclosed in the following table:

Thousands of euros	2018	2017 (*)
Salaries and other short-term compensation	7,547	4,959
<b>Total</b>	<b>7,547</b>	<b>4,959</b>

(\*) Siemens Wind HoldCo, S.L. did not have a Board of Directors equivalent or a different management structure previous to the merger with GAMESA (April 3, 2017).

The Senior Management remuneration includes the 50% payment of the incentive for 2016-2017, whose beneficiaries are members of the Senior Management. Charges during 2018 and 2017 amount to EUR 228 thousands and EUR 214 thousands, respectively. The remaining 50% will be effective in February 2019 as provided in the plan's rules.

Likewise, deriving from its previous relationship with the SIEMENS Group and, therefore, without cost for SIEMENS GAMESA (SIEMENS takes care of these concepts), certain members of the management have recognised rights on shares of SIEMENS and have received this year the last payment of a complementary incentive that was recognised before the Merger.

Pension contributions have been made in the amount of EUR 273 thousands and are included as remuneration in the table above.

Equally, the remunerations to the top management, do not include the provision recorded for the long-term incentive plan 2018-2020 in the amount of EUR 185 thousands, which will be effective once the period of measurement of the plan is completed and whose settlement (when applicable) will depend on the degree of effective fulfilment of the objectives to which it is subject in the year 2020.

Dismissal indemnities paid to top management include the payment of a maximum one year fixed remuneration at the date of termination, without prejudice to any pre-existing situations, as well as the amount which might be higher due to the application of prevailing legislation.

During 2018 and 2017, no transactions were performed with management apart from those carried out as part of the normal course of business.

### 33. Earnings per share

As of September 30, 2018, the average number of ordinary shares used for the calculation of earnings per share is 679,489,769 (584,901,456 average number of ordinary shares as of September 30, 2017), given that SIEMENS GAMESA has held a weighted average of 1,653,613 treasury shares (1,106,405 as of September 30, 2017).

The number of ordinary shares until the Merger effective date in April 3, 2017 was 401,874,595 shares. The calculation was based on the ordinary shares of the acquirer multiplied by the exchange ratio of 59% established in the Merger agreement. From April 3, 2017 onwards, the number of shares is 681,143,382 (Note 23.A).

The basic earnings per share from continuing operations attributable to the Parent company as of September 30, 2018 and 2017 were as follows:

	09.30.2018	09.30.2017
Net profit from continuing operations attributable to the Parent Company (thousands of euros)	69,993	(15,207)
Average number of outstanding shares	679,489,769	584,901,456
<b>Total basic earnings per share (euros)</b>	<b>0.10</b>	<b>(0.03)</b>

As of September 30, 2018 and 2017, SIEMENS GAMESA, the Parent company of the SIEMENS GAMESA Group, had not issued financial instruments or other contracts that entitle the holder thereof to receive ordinary shares of the Company. Consequently, diluted earnings per share coincide with basic earnings per share.

### **34. Information regarding the deferral of payments made to suppliers**

In accordance with the requirement of the Resolution of January 29, 2016, of the Accounting and Audit Institute in Spain, about the information to include in the notes to the Financial Statements related to the deferral of payments made to suppliers in commercial operations.

The average payment period to suppliers in the year 2018 and 2017 is the following:

<b>Days</b>	<b>2017</b>	
	<b>2018</b>	<b>(9-month period)</b>
Average payment period	49	46
Settled operations ratio	46	44
Pending operations ratio	77	58
<b>Thousands of euros</b>	<b>2017</b>	
	<b>2018</b>	<b>(9-month period)</b>
Total settled payments	1,362,229	534,246
Total pending payments	145,147	75,139

This average payment period is referred to the suppliers of the Spanish companies of the consolidated scope that by its nature are trade payables for the supply of goods and services, so that it is included in the figures related to "Trade payables" and "Payables to the Siemens group" in the current liabilities of the accompanying Consolidated Balance Sheet.

The Group has put measures in place to continue adjusting the average payment period to those established in the current legislation.

### **35. Fees for the services rendered by the auditors of the financial statements**

During the years ended September 30, 2018 and 2017 the fees for the financial audit and other services provided by the auditor of the Group's Consolidated Financial Statements and the fees billed by the auditors of the separate Statutory Financial Statements of the companies included in the consolidation, and by companies related to these auditors as a result of a relationship of control, common ownership or common management, were as follows:

<b>Thousands of euros</b>	<b>2018</b>	
	<b>Services rendered by EY</b>	<b>Services provided by other audit firms</b>
Audit services	4,216	16
Other attest services	344	-
<b>Total audit and related services</b>	<b>4,560</b>	<b>16</b>
Tax advisory services	-	-
Other services	-	-
<b>Total services other companies in the network</b>	<b>-</b>	<b>-</b>
<b>Total professional services</b>	<b>4,560</b>	<b>16</b>

Thousands of euros	2017	
	Services rendered by EY	Services provided by other audit firms
Audit services	4,498	14
Other attest services	1,290	-
<b>Total audit and related services</b>	<b>5,788</b>	<b>14</b>
Tax advisory services	-	-
Other services	-	-
<b>Total services other companies in the network</b>	<b>-</b>	<b>-</b>
<b>Total professional services</b>	<b>5,788</b>	<b>14</b>

The table above for the year 2017 does not include those services provided to the former GAMESA Group from the period of January 1, 2017 to April 3, 2017 for an amount of EUR 301 thousands (EUR 290 thousands related to audit services and EUR 11 thousands related to tax services) of which EUR 290 thousands relate to the audit services of the holding company.

Out of the amount relating to the services rendered by the main auditor, EUR 731 thousands relate to audit services provided to SIEMENS GAMESA (EUR 1,220 thousands in 2017). Likewise, taking into account the corresponding amount related to other attest services provided by the main auditor, EUR 191 thousands correspond to SIEMENS GAMESA (EUR 8 thousands in 2017).

### **36. Subsequent events**

There are no significant subsequent events, except for the agreement signed with the workers council related to the ADWEN entities in Germany on October 15, 2018, which will affect approximately 166 employees and under which the service operation of Adwen GmbH in Bremerhaven will remain in place, while the production and repair plant will be shut down and the plants in Bremen and Emden will be closed. A provision of EUR 16 million will be recorded for this concept in the first quarter 2019. This topic is reported as a subsequent event that does not affect the Consolidated Balance Sheet as of September 30, 2018.

### **37. Explanation added for translation to English**

These Financial Consolidated Statements are presented on the basis of IFRS, as adopted by the European Union. Certain accounting practices applied by the Group that conform to IFRS may not conform to other generally accepted accounting principles in other countries. Translation from the original issued in Spanish. In the event of discrepancy, the Spanish-language version prevails.

COMPANIES	BUSINESS LINE	LOCATION	% OF DIRECT OR INDIRECT OWNERSHIP
<b>A) FULLY CONSOLIDATED COMPANIES</b>			
Jalore Wind Park Private Limited	Other	India	100%
Mathak Wind Farms Private Limited	Other	India	100%
Tirupur Renewable Energy Private Limited	Other	India	100%
Siemens Gamesa Renewable Energy Canada ULC	Service company	Canada	100%
Beed Renewable Energy Private Limited	Other	India	100%
Tuljapur Wind Farms Private Limited	Other	India	100%
Rangareddy Renewable Private Limited	Other	India	100%
Nellore Renewable Private Limited	Other	India	100%
Gamesa Wind GmbH	Holding company	Germany	100%
Gadag Renewable Private Limited	Other	India	100%
EBV Holding Verwaltung GmbH	Project company	Germany	100%
Channapura Renewable Private Limited	Other	India	100%
Windfarm Groß Haßlow GmbH	Project company	Germany	100%
Kutch Renewable Private Limited	Other	India	100%
Gamesa Energie Deutschland GmbH	Project company	Germany	100%
Windfarm Ringstedt II GmbH	Project company	Germany	100%
Windfarm 35 GmbH	Project company	Germany	100%
Siemens Wind Power SpA	Service and distribution company	Chile	100%
Adwen Blades GmbH	Production and distribution company	Germany	100% <sup>(1)</sup>
Siemens Gamesa Renewable Energy Pty Ltd	Service and distribution company	Australia	100%
Windfarm 40 GmbH	Project company	Germany	100%
Siemens Gamesa Renewable Energy d.o.o.	Service and distribution company	Croatia	100%
Uppal Renewable Private Limited	Other	India	100%
Windfarm Ganderkesee-Lemwerder GmbH	Project company	Germany	100%
Siemens Wind Power GmbH	Service and distribution company	Austria	100%
International Wind Farm Development IV Limited	Holding company	Hong Kong	100%
Adwen GmbH	Holding company	Germany	100% <sup>(1)</sup>
Siemens Gamesa Renewable Energy Wind, LLC	Holding company	United States	100%
International Wind Farm Development V Limited	Holding company	Hong Kong	100%
Siemens Gamesa Renewable Energy Eólica, S.L.	Holding company	Spain	100%
Windfarm 33 GmbH	Project company	Germany	100%
Siemens Gamesa Renewable Energy Limited	Service and distribution company	Canada	100%
Siemens Gamesa Renewable Energy Japan K.K.	Service company	Japan	100%
International Wind Farm Development I Limited	Holding company	Hong Kong	100%
Siemens Wind Power Energía Eólica Ltda.	Service and distribution company	Brazil	100%
Sistemas Energéticos Sierra de Valdefuentes, S.L.U.	Project company	Spain	100%
International Wind Farm Development II Limited	Holding company	Hong Kong	100%
Windfarm 41 GmbH	Project company	Germany	100%
Siemens Gamesa Renewable Energy PA, LLC	Other	United States	100%
International Wind Farm Development VII Limited	Holding company	Hong Kong	100%
Siemens Gamesa Renewable Energy Singapore Private Limited	Service company	Singapore	100%
Siemens Gamesa Renewable Energy (Shanghai) Co., Ltd.	Production and distribution company	China	100%
Siemens Gamesa Renewable Energy Limited	Service and distribution company	Thailand	100%
Sistemas Energéticos de Tarifa, S.L. Unipersonal	Project company	Spain	100%
Sistemas Energéticos La Cámara, S.L.	Project company	Spain	100%
Siemens Gamesa Renewable Energy Sp.z.o.o.	Production and distribution company	Poland	100%
Estructuras Metalicas Singulares, S.A. Unipersonal	Production and distribution company	Spain	100%
SIEMENS WIND POWER (PTY) LTD	Production and distribution company	South Africa	70%
Siemens Gamesa Renewable Energy Limited	Service and distribution company	Korea, Republic of	100%
Siemens Wind Power Ruzgar Enerjisi Anonim Sirketi	Production and distribution company	Turkey	100%
Sistemas Energéticos Finca San Juan, S.L.U.	Project company	Spain	100%
Siemens Gamesa Renewable Energy Iberica S.L.	Production and distribution company	Spain	100%
Siemens Gamesa Renewable Energy, Inc.	Production and distribution company	Philippines	100%
Siemens Gamesa Renewable Energy S.A.S.	Service and distribution company	France	100%
Siemens Gamesa Renewable Energy BVBA	Service and distribution company	Belgium	100%
Siemens Gamesa Renewable Energy B.V.	Production and distribution company	Netherlands	100%
Gamesa Energy Transmission, S.A. Unipersonal	Production company	Spain	100%
Siemens Gamesa Renewable Energy S.A.C.	Production and distribution company	Peru	100%
SIEMENS GAMESA RENEWABLE ENERGY INSTALLATION & MAINTENANCE COMPAÑIA LIMITADA	Service and distribution company	Guatemala	100%
Siemens Gamesa Renewable Energy AB	Production and distribution company	Sweden	100%
Societe d'Exploitation du Parc Eolien de Mantoche SARL	Project company	France	100%
Gudadanal Renewable Private Limited	Other	India	100%
Sistemas Energéticos La Plana, S.A.	Project company	Spain	90%
Haveri Renewable Power Private Limited	Other	India	100%
Siemens Gamesa Renewable Energy Limited	Production and distribution company	United Kingdom	100%
Nirfooti Renewable Private Limited	Other	India	100%
Gerr Grupo Energético XXI, S.A. Unipersonal	Holding company	Spain	100%
Neelagund Renewable Private Limited	Other	India	100%
Siemens Gamesa Renewable Energy Kft.	Production and distribution company	Hungary	100%
Hungund Renewable Energy Private Limited	Other	India	100%
Siemens Gamesa Renewable Energy Limited	Service and distribution company	Ireland	100%
Sistemas Energéticos del Sur S.A.	Project company	Spain	70%
Saunshi Renewable Energy Private Limited	Other	India	100%
Siemens Gamesa Renewable Energy Italia S.r.l.	Production and distribution company	Italy	100%
Societe d'Exploitation du Parc Eolien de Pouilly-sur-Vingeanne SARL	Project company	France	100%

COMPANIES	BUSINESS LINE	LOCATION	% OF DIRECT OR INDIRECT OWNERSHIP
Chikkodi Renewable Power Private Limited	Other	India	100%
Siemens Gamesa Renewable Finance, S.A.	Finance company	Spain	100%
Umrani Renewable Private Limited	Other	India	100%
SIEMENS GAMESA RENEWABLE ENERGY AS	Production and distribution company	Norway	100%
Siemens Gesa Renewables Energy Services S. de R.L. de C.V.	Service company	Mexico	100%
Zalki Renewable Private Limited	Other	India	100%
Sistemas Energéticos Monte Genaro, S.L.U.	Project company	Spain	100%
Hattarwat Renewable Private Limited	Other	India	100%
Siemens Gamesa Renewable Energy, Inc.	Production and distribution company	United States	100%
Sistemas Energéticos Cabanelas, S.A. Unipersonal	Project company	Spain	100%
Siemens Gamesa Renewable Energy Europa S.L.	Holding company	Spain	100%
Siemens Gamesa Renewable Energy LLC	Service company	Ukraine	100%
Sistemas Energéticos Loma del Viento, S.A. Unipersonal	Project company	Spain	100%
Cedar Cap Wind, LLC	Project company	United States	100%
Societe d'Exploitation du Parc Eolien de Vernierfontaine SARL	Project company	France	100%
Societe d'Exploitation du Parc Eolien de Songy SARL	Project company	France	100%
Eoliki Peloponnisou Lakka Energiaki S.A.	Project company	Greece	86%
Gesa Oax I Sociedad Anonima de Capital Variable	Project company	Mexico	100%
Siemens Gamesa Renewable Energy Engineering Centre Private Limited	Production and distribution company	India	100%
Societe d'Exploitation du Parc Eolien de Sommesous SARL	Project company	France	100%
Gesa Oax III Sociedad Anonima de Capital Variable	Project company	Mexico	100%
Siemens Gamesa Energy Tajdidpazir SSK	Service and distribution company	Iran, Islamic Republic of	100%
Sistemas Energéticos Cuerda Gitana, S.A. Unipersonal	Project company	Spain	100%
Gesa Oax II Sociedad de Responsabilidad Limitada de Capital Variable	Project company	Mexico	100%
Sistemas Energéticos Loma del Reposo, S.L. Unipersonal	Project company	Spain	100%
Societe d'Exploitation du Parc Eolien de Cernon SARL	Project company	France	100%
Societe d'Exploitation du Parc Eolien de Broys SARL	Project company	France	100%
Siemens Gamesa Renewable Energy SARL	Production and distribution company	Morocco	100%
Sistemas Energéticos Sierra de Las Estancias, S.A. Unipersonal	Project company	Spain	100%
Siemens Gamesa Renewable Energy LLC	Service and distribution company	Viet Nam	100%
Sistemas Energéticos Cuntis, S.A. Unipersonal	Project company	Spain	100%
Sistemas Energéticos Tomillo, S.A. Unipersonal	Project company	Spain	100%
Siemens Gamesa Renewable Energy (Private) Limited	Other	Pakistan	100%
Societe d'Exploitation du Parc Eolien de Saint Bon SARL	Project company	France	100%
Sistemas Energéticos Tablero Taborado, S.L.	Project company	Spain	100%
Sistemas Energéticos Carril, S.L. Unipersonal	Project company	Spain	100%
Sistemas Energéticos Fonseca, S.A. Unipersonal	Project company	Spain	100%
Sistemas Energéticos Argañoso, S.L. Unipersonal	Project company	Spain	100%
Pocahontas Prairie Holdings, LLC	Project company	United States	100%
Siemens Gamesa Renewable Energy A/S	Production and distribution company	Denmark	100%
Diversified Energy Transmissions, LLC	Development and distribution company	United States	100%
Siemens Gamesa Renewable Energy Wind Farms, S.A.	Holding company	Spain	100%
Societe d'Exploitation du Parc Eolien de Champsevraine, SARL	Project company	France	100%
Siemens Gamesa Renewable Energy International Wind Services, S.A.	Other	Spain	100%
International Wind Farm Developments IX, S.L.	Project company	Spain	100%
Siemens Gamesa Renewable Energy Innovation & Technology, S.L.	Research and development company	Spain	100%
Lindom Vindenergi AB	Project company	Sweden	100%
Siemens Gamesa Renewable Energy Wind Limited	Holding company	United Kingdom	100%
Sistemas Energéticos Serra de Lourenza, S.A. Unipersonal	Project company	Spain	100%
Siemens Gamesa Renewable Energy UK Limited	Project company	United Kingdom	100%
Gamesa Eólica Costa Rica, S.R.L.	Service company	Costa Rica	100%
Societe d'Exploitation du Parc Eolien de Margny SARL	Project company	France	100%
Bargrennan Renewable Energy Park Limited	Project company	United Kingdom	100%
Siemens Gamesa Renewable Energy AE	Project company	Greece	100%
GESA Eólica Honduras, S.A.	Service company	Honduras	100%
Sistemas Energéticos Mansilla, S.L.	Project company	Spain	78%
Adwen Offshore, S.L.	Holding company	Spain	100%
Parque Eólico Dos Picos, S.L.U.	Project company	Spain	100%
Siemens Gamesa Renewable Energy Egypt LLC	Service and distribution company	Egypt	100%
Siemens Gamesa Renewable Energy B9 Limited	Service company	United Kingdom	100%
Sistemas Energéticos Sierra del Carazo, S.L.U.	Project company	Spain	100%
Siemens Gamesa Renewable Energy 9REN, S.L.	Holding company	Spain	100%
Sistemas Energéticos Cabezo Negro, S.A. Unipersonal	Project company	Spain	100%
Siemens Gamesa Renewable Energy Invest, S.A.	Holding company	Spain	100%
Wind Portfolio Memberco, LLC	Project company	United States	100%
Societe d'Exploitation du Parc Eolien de Romigny SARL	Project company	France	100%
Glenouther Renewables Energy Park Limited	Project company	United Kingdom	100%
International Wind Farm Developments II, S.L.	Project company	Spain	100%
Siemens Gesa Renewable Energy, S.A. de C.V.	Project company	Mexico	100%
Siemens Gamesa Renewable Energy LLC	Service and distribution company	Russian Federation	100%
Siemens Gamesa Renewable Energy Limited Liability Company	Service company	Azerbaijan	100%
Sistemas Energéticos Barandon, S.A.	Project company	Spain	100%
Siemens Gamesa Renewable Energy Wind SARL	Project company	France	100%
Sistemas Energéticos Balazote, S.A. Unipersonal	Project company	Spain	100%
Siemens Gamesa Renewable Energy EOOD	Service company	Bulgaria	100%
Sistemas Energéticos Jaralón, S.A. Unipersonal	Project company	Spain	100%
Siemens Gamesa Megújuló Energia Hungary Kft	Service company	Hungary	100%
EcoHarmony West Wind, LLC	Project company	United States	100%
GER Baneasa, S.R.L.	Service company	Romania	100%
Sellafirth Renewable Energy Park Limited	Project company	United Kingdom	100%
Sistemas Energéticos Ladera Negra, S.A. Unipersonal	Project company	Spain	100%

COMPANIES	BUSINESS LINE	LOCATION	% OF DIRECT OR INDIRECT OWNERSHIP
Siemens Gamesa Renewable Energy Romania S.R.L.	Service company	Romania	100%
Siemens Gamesa Renewable Power Private Limited	Holding company	India	100%
Adwen France SAS	Production and distribution company	France	100%
Societe d'Exploitation du Parc Eolien de Saint-Lumier en Champagne SARL	Project company	France	100%
Gamesa Dominicana, S.A.S.	Service company	Dominican Republic	100%
Societe d'Exploitation du Parc Eolien de Saint Amand SARL	Project company	France	100%
Siemens Gamesa Renewable Energy Wind Farms S.R.L.	Service company	Romania	100%
Siemens Gamesa Renewable Energy Australia Pty Ltd	Social company	Australia	100%
Societe d'Exploitation du Parc Eolien de Landresse SARL	Project company	France	100%
GER Independenta, S.R.L.	Service company	Romania	100%
Gesacisa Desarrolladora, S.A. de C.V.	Project company	Mexico	100%
Societe d'Exploitation du Parc Eolien de Clamanges SARL	Project company	France	100%
Gamesa Eólica VE, C.A.	Service company	Venezuela, Bolivarian Republic of	100%
Sistemas Energéticos Arinaga, S.A. Unipersonal	Project company	Spain	100%
Societe d'Exploitation du Parc Eolien de Mailly-le-Camp SARL	Project company	France	100%
Smardzewo Windfarm Sp. z o.o.	Project company	Poland	100%
Osiek Sp. z o.o. w Likwidacji	Project company	Poland	100%
Sistemas Energéticos Alcohujaite, S.A. Unipersonal	Project company	Spain	100%
Adwen UK Limited	Project company	United Kingdom	100%
Sistemas Energéticos El Valle, S.L.	Project company	Spain	100%
Societe d'Exploitation du Parc Eolien de la Brie des Etangs SARL	Project company	France	100%
Sistemas Energéticos Fuerteventura, S.A. Unipersonal	Project company	Spain	100%
Siemens Gamesa Renewable Energy Ireland Limited	Service company	Ireland	100%
Sistemas Energéticos Boyal, S.L.	Project company	Spain	60%
Siemens Gamesa Renewable Energy Wind S.R.L.	Service company	Italy	100%
GER Baraganu, S.R.L.	Service company	Romania	100%
Siemens Gamesa Energia Renovável Ltda.	Distribution and service company	Brazil	100%
GM Navarra Wind Energy Private Limited	Development and distribution company	India	100%
Lingbo SPW AB	Project company	Sweden	100%
Kadapa Wind Farms Private Limited	Development and distribution company	India	100%
Lichnowy Windfarm Sp. z o.o.	Project company	Poland	100%
Elliniki Eoliki Attikis Energiaki S.A.	Project company	Greece	86%
Gamesa Eólica Nicaragua S.A.	Service company	Nicaragua	100%
Kurnool Wind Farms Private Limited	Development and distribution company	India	100%
Siemens Gesa Renewable Energy México, S. de R.L. de C.V.	Project company	Mexico	100%
Societe d'Exploitation du Parc Eolien de Souvans SARL	Project company	France	100%
Siemens Gamesa Renewable Energy Ltd	Service company	Israel	100%
RSR Power Private Limited	Development and distribution company	India	100%
Rajgarh Windpark Private Limited	Development and distribution company	India	99%
SIEMENS GAMESA YENILENEBILIR ENERJİ IC VE DIS TICARET LIMITED SIRKETI	Service and distribution company	Turkey	100%
Societe d'Exploitation du Parc Eolien de Plancy l'Abbaye SARL	Project company	France	100%
Ujazd Sp. z o.o.	Project company	Poland	100%
Societe d'Exploitation du Parc Eolien de Pringy SARL	Project company	France	100%
Maski Renewable Energy Private Limited	Other	India	100%
Siemens Gamesa Renewable Energy New Zealand Limited	Service company	New Zealand	100%
Elliniki Eoliki Kseropousi S.A.	Project company	Greece	86%
Gangavathi Renewable Private Limited	Other	India	100%
Siemens Gamesa Turkey Yenilenebilir Enerji Limited Sirketi	Other	Turkey	100%
Elliniki Eoliki Likourdi S.A.	Other	Greece	86%
Kanigiri Renewable Private Limited	Other	India	100%
Siemens Gamesa Renewable Energy France SAS	Other	France	100%
Elliniki Eoliki Kopriseza S.A.	Other	Greece	86%
Kollapur Renewable Private Limited	Other	India	100%
Gesan I S.A.P.I de C.V.	Other	Mexico	100%
Societe d'Exploitation du Parc Eolien de Chainrix Bierges SARL	Other	France	100%
Jamkhandi Renewable Private Limited	Other	India	100%
Siemens Gamesa Renewable Energy Morocco SARL	Other	Morocco	100%
Societe d'Exploitation du Parc Eolien de Soude SARL	Other	France	100%
Rayachoty Renewable Private Limited	Other	India	100%
SIEMENS GAMESA RENEWABLE ENERGY SWEDEN AB	Other	Sweden	100%
Elliniki Eoliki Energiaki Pírgos S.A.	Other	Greece	86%
Shivamogga Renewable Energy Private Limited	Other	India	100%
Siemens Gamesa Renewable Energy Limited	Other	Kenya	100%
Societe d'Exploitation du Parc Eolien de Bouclans SARL	Other	France	100%
Nandikeshwar Renewable Energy Private Limited	Other	India	100%
Siemens Gamesa Renewable Energy (Thailand) Co., Ltd.	Other	Thailand	100%
Sindhanur Renewable Energy Private Limited	Other	India	100%
Siemens Gamesa Renewable Energy Latam, S.L.	Other	Spain	100%
Pocahontas Prairie Wind, LLC	Other	United States	100%
Vempalli Renewable Energy Private Limited	Other	India	100%
Societe d'Exploitation du Parc Eolien de Savoisy SARL	Project company	France	100%
Siemens Gamesa Renewable Energy Oy	Service company	Finland	100%
Anantapur Wind Farms Private Limited	Development and distribution company	India	100%
9REN Israel Ltd.	Service company	Israel	100%
Societe d'Exploitation du Parc Eolien de Longueville sur Aube SARL	Project company	France	100%
Siemens Gamesa Renewable Energy Belgium BVBA	Service company	Belgium	100%
Societe d'Exploitation du Parc Eolien de Coupetz SARL	Project company	France	100%
Siemens Gamesa Renewable Energy Poland Sp. z o.o.	Project company	Poland	100%
Societe d'Exploitation du Parc Eolien de la Loye SARL	Project company	France	100%
Gamesa Wind South Africa (Proprietary) Limited	Service company	South Africa	100%
Societe d'Exploitation du Parc Eolien de Trepot SARL	Project company	France	100%
Siemens Gamesa Renewable Energy Apac, S.L.	Holding company	Spain	100%
Gamesa Wind (Tianjin) Co., Ltd.	Development and distribution company	China	100%

COMPANIES	BUSINESS LINE	LOCATION	% OF DIRECT OR INDIRECT OWNERSHIP
Central Eólica de México S.A. de C.V.	Project company	Mexico	100%
Societe d'Exploitation du Parc Eolien de Sambourg SARL	Project company	France	100%
Siemens Gamesa Renewable Energy, S.A.	Project company	Portugal	100%
Gamesa (Beijing) Wind Energy System Development Co, Ltd	Development and distribution company	China	100%
SIEMENS GAMESA RENEWABLE ENERGY SARL	Service and distribution company	New Caledonia	100%
Gamesa Electric, S.A. Unipersonal	Production company	Spain	100%
Societe d'Exploitation du Parc Eolien de Sceaux SARL	Project company	France	100%
Siemens Gamesa Renewable Energy, Ltd	Service company	Mauritius	100%
Societe d'Exploitation du Parc Eolien de Guerfand SARL	Project company	France	100%
Societe d'Exploitation du Parc Eolien de Vaudrey SARL	Project company	France	100%
Societe d'Exploitation du Parc Eolien d'Orchamps SARL	Project company	France	100%
Convertidor Solar Trescientos Diecisiete, S.L.U.	Project company	Spain	100%
Societe d'Exploitation du Parc Eolien du Vireaux SAS	Project company	France	100%
Societe d'Exploitation du Parc Eolien de Dampierre Prudemanche SAS	Project company	France	100%
Societe d'Exploitation du Parc Eolien de Orge et Ormain SARL	Project company	France	100%
Ganquan Chaiguanshan Wind Power Co., Ltd.	Other	China	100%
Parco Eolico Manca Vennarda S.r.l.	Project company	Italy	100%
Yongzhou Shuangpai Daguping Wind Power Co., Ltd.	Other	China	100%
Societe d'Exploitation du Parc Eolien de Germainville SAS	Project company	France	100%
Tai'an Sanglin Wind Power Co. Ltd.	Other	China	100%
Societe d'Exploitation du Parc Eolien de Moulins du Puits SAS	Project company	France	100%
Parco Eolico Banzy S.r.l.	Project company	Italy	100%
Gamesa Blade (Tianjin) Co., Ltd.	Development and distribution company	China	100%
Convertidor Solar Ciento Veintisiete, S.L.U.	Project company	Spain	100%
Shuangpai Majiang Wuxingling Wind Power Co., Ltd	Project company	China	100%
Siemens Gamesa Renewable Energy Italy, S.P.A.	Service company	Italy	100%
Siemens Gamesa Renewable Energy Lanka (Private) Limited	Service company	Sri Lanka	100%
Siemens Gamesa Renewable Energy Chile SpA	Service company	Chile	100%
Jilin Gamesa Wind Co., Ltd.	Development and distribution company	China	100%
Inner Mongolia Gamesa Wind Co., Ltd.	Development and distribution company	China	100%
Societe d'Exploitation du Parc Eolien de Bonbolon SARL	Project company	France	100%
Societe d'Exploitation du Parc Eolien de Saint Loup de Saintonge SAS	Project company	France	100%
SIEMENS GAMESA RENEWABLE ENERGY S.R.L.	Service company	Uruguay	100%
Societe d'Exploitation du Parc Eolien de Source de Seves SARL	Other	France	100%
Siemens Gamesa Renewable Energy Greece E.P.E.	Service company	Greece	100%
Siemens Gamesa Renewable Energy, SARL	Service company	Mauritania	100%
Sistema Eléctrico de Conexión Montes Orientales, S.L.	Project company	Spain	83%
Aljaraque Solar, S.L.	Project company	Spain	100%
Societe d'Exploitation du Parc Eolien de la Tete des Boucs SARL	Project company	France	100%
Societe d'Exploitation du Parc Eolien de Chepriers SARL	Project company	France	100%
Kintech Santalpur Windpark Private Limited	Other	India	99%
Siemens Gamesa Renewable Energy Limited	Service company	Cyprus	100%
Fanbyn2 Vindenergi AB	Project company	Sweden	100%
Devarabanda Renewable Energy Private Limited	Other	India	100%
Ghatpimri Renewable Private Limited	Other	India	100%
Siemens Gamesa Renewable Energy Management GmbH	Other	Germany	100%
Poovani Wind Farms Private Limited	Other	India	100%
Kod Renewable Private Limited	Other	India	100%
Viralipatti Renewable Private Limited	Other	India	100%
PT Siemens Gamesa Renewable Energy	Service and distribution company	Indonesia	95%
Siemens Gamesa Renewable Energy Blades, SARL AU	Production and distribution company	Morocco	100%
Gagodar Renewable Energy Private Limited	Other	India	100%
Thoothukudi Renewable Energy Private Limited	Other	India	100%
Sankanur Renewable Energy Private Limited	Other	India	100%
Osmanabad Renewable Private Limited	Other	India	100%
Dhone Renewable Private Limited	Other	India	100%
Siemens Gamesa Renewable Energy GmbH & Co. KG	Production and distribution company	Germany	100%
Bhuj Renewable Private Limited	Other	India	100%
Bapuram Renewable Private Limited	Other	India	100%
Koppal Renewable Private Limited	Other	India	100%
<b>B) COMPANIES ACCOUNTED BY EQUITY METHOD</b>			
Windar Renovables, S.L.	Production and distribution company	Spain	32%
Energia Eólica de Mexico S.A. de C.V.	Project company	Mexico	50%
Windkraft Trinwillershagen Entwicklungsgesellschaft mbH	Project company	Germany	50%
Sistemas Electricos Espluga, S.A.	Project company	Spain	50%
Energias Renovables San Adrián de Juarros, S.A.	Project company	Spain	45%
Generación Eólica Extremeña, S.L.	Project company	Spain	30%
Nuevas Estrategias de Mantenimiento, S.L.	Service company	Spain	50%
Baja Wind US LLC	Venture Capital Investment	United States	50%
Energia Renovable del Istmo S.A. de C.V.	Operation of wind farms	Mexico	50%

<sup>(1)</sup> Exemption pursuant to Section 264 (3) German Commercial Law



CARLOS RODRIGUEZ-QUIROGA MENÉNDEZ, WITH NATIONAL IDENTITY CARD NUMBER 276302 A, SECRETARY OF THE BOARD OF DIRECTORS OF "SIEMENS GAMESA RENEWABLE ENERGY, S.A." WITH REGISTERED OFFICE IN ZAMUDIO (VIZCAYA), AT PARQUE TECNOLÓGICO DE BIZKAIA, BUILDING 222 WITH EMPLOYER IDENTIFICATION NUMBER A-01011253.

HEREBY CERTIFY:

That the text of the consolidated annual accounts for 2018 of SIEMENS GAMESA RENEWABLE ENERGY, S.A., authorised for issue by the Board of Directors at its meeting held on November 23, 2018, is the content of the preceding 83 sheets of unstamped paper, on the obverse only, and for authentication purposes, bear the signature of the President and the Secretary of the Board of Directors on its first sheet and the stamp of the Company in the total remaining sheets.

The directors listed below hereby so ratify by signing below, in conformity with Article 253 of the Spanish Limited Liability Companies Law.

---

Rosa María García García  
Chairwoman

---

Markus Tacke  
CEO

---

Carlos Rodríguez-Quiroga Menéndez  
Secretary of the Board of Directors

---

Lisa Davis  
Member of the Board of Directors

---

Swantje Conrad  
Member of the Board of Directors

---

Klaus Rosenfeld  
Member of the Board of Directors

---

Sonsoles Rubio Reinoso  
Member of the Board of Directors

---

Ralf Thomas  
Member of the Board of Directors

---

Mariel von Schumann  
Member of the Board of Directors

---

Gloria Hernández García  
Member of the Board of Directors

---

Michael Sen  
Member of the Board of Directors

---

Andoni Cendoya Aranzamendi  
Member of the Board of Directors

---

Alberto Alonso Ureba  
Member of the Board of Directors

Statement by the Secretary of the Board of Directors to let the record reflect that: (i) Mr. Michael Sen does not sign this document as he hasn't physically attended the meeting of the Board of Directors due to force majeure; that (ii) he has delegated his representation and vote for the items included in the agenda to the director Mr. Ralf Thomas, and that (iii) Mr. Ralf Thomas, who holds an express authorization conferred for these purposes by Mr. Michael Sen, has signed this document on his behalf. It is also stated that Ms. Gloria Hernández García and Ms. Lisa Davis attend the meeting by telematic means and therefore they do not sign this document and that (i) Mr. Andoni Cendoya Aranzamendi has signed this document on behalf of Ms. Gloria Hernández García in virtue of an express authorization conferred for these purposes by her; and that (ii) Mr. Ralf Thomas has signed this document on behalf of Ms. Lisa Davis in virtue of an express authorization conferred for these purposes by her.

Zamudio, November 23, 2018. In witness whereof

Approval of the Chairwoman

---

Rosa María García García  
Chairwoman

---

Carlos Rodríguez-Quiroga Menéndez  
Secretary of the Board of Directors