2018

NORDEX GROUP ANNUAL REPORT

NORDEX
acciona Windpower

KEY FIGURES AT A GLANCE

Key figures Nordex Group

		2017	2018	Change
Earnings				
Sales	EUR million	3,077.8	2,459.1	–20.1%
Gross revenue	EUR million	3,127.4	2,364.2	–24.4%
EBITDA	EUR million	200.7	101.7	–49.3%
EBIT	EUR million	43.4	–54.2	n/a
Free Cash flow	EUR million	–54.7	44.0	n/a
Capital expenditure	EUR million	144.3	112.9	–21.8%
Consolidated net profit for the year	EUR million	0.3	–83.9	n/a
Earnings per share [1]	EUR	0.00	–0.86	n/a
EBITDA margin	%	6.5	4.1	–2.4 pp
Working capital ratio	%	5.3	–3.8	–9.1 pp
Statement of financial position				
Total assets as at 31 Dec.	EUR million	2,807.6	3,058.5	8.9%
Equity as at 31 Dec.	EUR million	919.0	697.3	–24.1%
Equity ratio	%	32.7	22.8	–9.9%
Employees				
Employees as at 31 Dec.		5,260	5,676	7.9%
Staff costs	EUR million	359.2	325.9	–9.3%
Staff cost ratio	%	11.7	13.3	1.6 pp
Company-specific performance indicators				
Order intake segment projects	EUR million	2,216.1	3,637.3	64.1%
Installed capacity	MW	2,699	2,522	–6.6%

[1] Earnings per share = basic, based on average weighted shares for 2018: 96.982 million shares (2017: 96.982 million shares)

3 FIGURES
FOR THE FINANCIAL YEAR 2018

3.6
billion euros

ORDER INTAKE IN 2018
IN THE PROJECTS SEGMENT

7,545
wind turbines

IN
SERVICE

>25
gigawatts

INSTALLED CAPACITY
SINCE THE COMPANY WAS FOUNDED

FIND OUT MORE ONLINE
www.nordex-online.com/en

3 PATHS TO SUCCESS
THE NORDEX VALUE CHAIN

The Nordex Group is an integrated, global supplier of innovative, multi-megawatt onshore wind turbine systems. The core of its business is the development of complete systems, including control software and central components, as well as wind turbine-related services. The supply chain consists of a balanced mix of in-house production and sourcing from third parties. Nordex's relatively limited vertical integration allows it to ideally manage its capital commitments and react flexibly to new market trends.

1

SALES AND PRODUCTION

The heart of Nordex

Sales are conducted based on successful product development (R&D). Nordex assists and supports its customers (primarily wind farm developers and operators) with their planning from an early stage. Production begins once a contract has been awarded. In-house manufacturing focuses on the assembly of nacelles and hubs as well as the production of a significant part of the rotor blades. Supply parts are purchased via a global network.

Line production for turbine assembly, efficient processes in rotor blade production and an intensified common parts strategy ensure lean manufacturing.

2

SUPPLIER LOGISTICS

Sophisticated system integration concept

Nordex involves suppliers in product development at an early stage. Development partners supply the majority of wind turbine components (gearboxes, generators, converters). Independent blade producers supply additional rotor blades manufactured according to Nordex specifications to supplement in-house core production.

Optimizing the supply chain for new wind farms on all continents to fit the exact requirements of specific projects becomes increasingly important in a highly competitive environment.

3

MAINTENANCE AND PROJECT MANAGEMENT

Extensive services for customers

If requested and instructed to do so by the customer, Nordex manages and supports the entire project from planning and design and the coordination of all activities connected with assembly all the way to (turnkey) handover and commissioning of wind turbines. Yet this is far from the end of the process!

Nordex provides an extensive service with complete technical support for the ongoing operation of installed wind turbines. Service contracts are generally entered into over a period of several years and are an important factor in customer relationships.

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LETTER TO THE SHAREHOLDERS

JOSÉ LUIS BLANCO
Chief Executive Officer

Dear Shareholders and Business Partners,

Our main objective for 2018 was to make our company, the Nordex Group, fit for the future. The wind industry currently offers greater opportunities than ever before. However, only manufacturers who offer highly efficient products, focus on their customers' interests, and who are globally positioned and financially solid can benefit from these opportunities. For me, the high order volume we generated in 2018 is a clear indication that the Nordex Group already meets these requirements. We are continuing to work on enhancing our profile and thus enabling profitable growth.

The past 2018 financial year demonstrated how important it is to have a global presence. Our home market of Germany was dominated by both price competition and a decline in volumes that has not yet been offset by other markets. Despite this, however, our earnings were in line with our expectations. Consolidated sales and the EBITDA margin were both within their anticipated ranges at just under EUR 2.5 billion and 4.1 percent respectively. Investments were also in line with our forecast at just under EUR 113 million. The Company clearly exceeded its targets for the working capital ratio measured in relation to sales, improving this figure from 5.3 percent in the previous year to minus 3.8 percent in 2018. Stringent working capital management as well as prepayments received in the context of the strong order intake contributed to this result. We also successfully completed the structural cost reduction program and the refinancing of the Nordex Group by means of a bond placement.

One particularly important milestone came in late summer 2018, when we successfully installed the prototypes of our N149/4.0-4.5 and AW140/3000 turbines. This technology is very competitive and efficient and has received positive feedback from our customers. We have already recorded a number of orders, including the N149/4.0-4.5 order in Sweden (Project "Nysäter" with an output of 475 MW) and the AW140/3000 order in India (Project 'Mulanur' with 300 MW). Overall, we boosted our order intake by 73 percent compared to the previous year from 2.74 GW to 4.75 GW. We continue to see good demand for our new turbines and expect robust volume growth in all relevant markets.

We have set ourselves ambitious targets for 2019 in order to improve our profitability for the long term. Three key elements are involved here. The first important task is to process the high number of installations in our projects as efficiently as possible. The second element relates to our production. We will continue to steadily expand our supply chain in best cost countries and increase our production capacity, as it is particularly important for us to be able to react flexibly to fluctuations in demand. Thirdly, we will continue enhancing our product portfolio. We are planning to unveil the third turbine model in the Delta4000 series in early April this year. The new N149/5.X turbine will mark our entry into the 5 MW class.

We have laid the foundations for the positive development of our company and can look to the future with confidence. Nevertheless, 2019 will also be a year of transition for us. While we are launching a number of initiatives that will increase our earnings sustainably, we also need to wind up several existing projects with a less favorable cost structure.

We are initially forecasting a significant rise in installations and sales in the year ahead, while margins will remain at a similar level to the previous year. For the 2019 financial year, we anticipate consolidated sales of EUR 3.2 to 3.5 billion, and expect the EBITDA margin to come in between 3.0 and 5.0 percent. These expanded ranges take into account the significant increase in activity and the operational challenges this will bring. We also expect installations – and as a result sales – in the second half of the year to be well above the figure seen in the first six months. Accordingly, production will continue to grow during the year and will be close to full capacity utilization in the second half of the year. We will further maintain full focus on working capital management and cash flow generation and we are anticipating a working capital ratio relative to consolidated sales of below 2 percent at the end of the year. We will also invest primarily in our products and the supply chain during 2019, and are currently planning to commit EUR 120 million to these efforts. The ultimate level of capital expenditures will depend on the momentum of order intake for new products during the year.

Wind energy has established itself as the most cost-effective source of power in many markets. It is our highest priority to make our customers' projects a success and thus ensure a sustainable supply of clean energy in both industrialized countries and emerging economies. We continue to see robust demand for wind energy worldwide and are keen to profit from this in every respect. Our employees carry out their roles with dedication, passion and perseverance, respond flexibly to new situations, and focus their thinking on our customers and on achieving the lowest possible cost of energy. I would like to extend warm thanks to my colleagues for this commitment.

Our goal remains unchanged. We want to create a competitive global company with positive long-term prospects for the future. I would like to thank you, our shareholders and business partners, for your continued support on this journey.

Yours sincerely,

José Luis Blanco
Chief Executive Officer

Hamburg, March 2019

MANAGEMENT BOARD

Managers and wind experts – The top management of the Nordex Group is characterized by many years of international experience in the power industry. Their specialty: wind power know-how.

JOSÉ LUIS BLANCO

Chairman of the Management Board (CEO)

Mr Blanco was born in 1970. He began his professional career in 1993 at Industrias Ferri, later going on to join Gamesa, where he assumed various executive positions and roles within the Management Board from 1997 to 2002. Among these were the roles of Managing Director at Gamesa Eolica USA, COO at Gamesa USA, and Engineering Director, CEO and Gamesa Offshore Director at Gamesa Solar. In 2011, he was appointed to the position of Chief Customer Officer and member of the Management Board of Gamesa. José Luis Blanco joined the Management Board of Acciona Windpower in 2012. He has been a member of the Management Board of Nordex SE since the Company took over Acciona Windpower in April 2016, initially responsible for operations (COO). Subsequent to Lars Bondo Krogsgaard's withdrawal from the position, José Luis Blanco was appointed Chairman of the Management Board on 17 March 2017.

- PADE Senior Management Program, IESE Business School, Madrid, Spain
- Management Program in Strategy & Operations Management, Caixavigo Business School, Vigo, Spain
- Degree in Industrial Engineering (and an MSc in Mechanical Engineering), Vigo University, Spain

CHRISTOPH BURKHARD

Chief Financial Officer (CFO)

Mr Burkhard was born in 1964. He began his career as an analyst for the European Commission in Luxembourg before going on to join BHF Bank in Frankfurt. Later roles included positions with BHF Bank in the Czech Republic (Prague) and at the European Bank for Reconstruction and Development (EBRD) in Russia (Samara and Togliatti). In 1998, he relocated to Munich to take up a job at Siemens Financial Services, where he spent six years structuring and negotiating project and export financing for Siemens' operational units. In 2004 he took on an executive position within major project operations at what was then Siemens Mobile Networks, before later moving to Siemens' headquarters to work within corporate strategy. In 2008, he was appointed CFO for the EMEA region of Siemens Wind Power's onshore unit. In 2011, he became CFO of the offshore wind unit at Siemens AG, assuming global responsibility for this business area until his departure from the company to join Nordex on 1 September 2016.

– Master of Science, London School of Economics (LSE)
– Diplom-Kaufmann (equivalent to a Master's degree in Business Administration), Universität Tübingen

PATXI LANDA

Chief Sales Officer (CSO)

Patxi Landa was born in 1972. His career began with positions at engine manufacturer Guascor and technology group Azkoyen. In 2002, he joined the Acciona Group, where he served as Managing Director of Acciona Energy Australia and of Acciona Solar Power in the US. In 2007, he went on to become Business Development Director and member of the Management Board at Acciona Windpower. He has been a member of the Management Board of Nordex SE since April 2016, and in this capacity is responsible for sales.

– Degree in Economics and Business Sciences, University of Navarra, Spain
– Master of Business Administration (MBA), EOI Business School, Spain
– PDG, General Management Program, IESE Business School, Navarra University, Navarra, Spain

SUPERVISORY BOARD

DR WOLFGANG ZIEBART, STARNBERG / GERMANY

Chairman of the Supervisory Board, Chairman of the Executive Committee and member of the Strategy and Technology Committee

Dr Wolfgang Ziebart studied Mechanical Engineering, later completing a doctorate in the subject at the Technical University of Munich. He joined BMW AG in 1977, assuming numerous positions over the course of his career there, ultimately advancing to that of Management Board member responsible for development and procurement. In 2000, he was appointed to the Management Board of Continental AG, where he was initially responsible for the company's brake and electronics business and later advanced to become Deputy Chairman of the Management Board. Between 2004 and 2008, Dr Ziebart was Chief Executive Officer at Infineon AG, where his responsibilities included overseeing the spin-off of the company's memory chip business. He later moved to Jaguar Land Rover Automotive to assume the position of Director Group Engineering.

Dr Ziebart is Chairman of the Supervisory Board, Chairman of the Executive Committee and member of the Strategy and Technology Committee. He is also a member of the Supervisory Boards of ASML Holding N.V. in the Netherlands and of Veoneer, Inc. in Sweden.

JUAN MURO-LARA, MADRID / SPAIN

Deputy Chairman of the Supervisory Board, member of the Executive Committee and member of the Audit Committee; Chief Strategy & Corporate Development Officer of Acciona S.A.,

Juan Muro-Lara holds a degree in Business Administration & Management from the Colegio Universitario de Estudios Financieros (CUNEF) in Madrid, Spain. He began his career working in accounting for Banco de España. Between 1990 and 1992, he served as Assistant to the CFO of Afisa S.A. He then went on to join the investment bank UBS, working at its London and Madrid offices before being appointed to the role of Executive Director. In 2005, he assumed his current position at the Acciona Group.

Mr Muro-Lara is Deputy Chairman of the Supervisory Board and a member of both the Executive Committee and the Audit Committee. He is also a member of the Supervisory Boards of the following Spanish companies: Acciona Energía Internacional S.A., Hijos de Antonio Barceló S.A., Acciona Global Renewables S.A., Bestinver Pensiones Entidad Gestora de Fondos de Pensiones S.A. and Bestinver Sociedad de Valores S.A.

JAN KLATTEN, MUNICH / GERMANY

Member of the Executive Committee, Chairman of the Strategy and Technology Committee; Managing Shareholder of momentum Beteiligungsgesellschaft mbH

Jan Klatten studied Marine Engineering at the University of Hamburg and Business Administration at the MIT Sloan School of Management. He held management positions in the automotive industry over a period of 15 years before setting up his own business in 1991. Mr Klatten is Managing Director of momentum Beteiligungsgesellschaft mbH, momentum-capital Vermögensverwaltungsgesellschaft mbH, momentum infra2 GmbH, momentum infra 4 Verwaltungs GmbH and Ventus Fonds Verwaltungs GmbH.

He is Chairman of the Strategy and Technology Committee and a member of the Supervisory Board's Executive Committee. He was also Chairman of the Supervisory Board of asturia Automotive AG until September 2018.

CONNIE HEDEGAARD, COPENHAGEN / DENMARK

Member of the Audit Committee; Chairperson of the OECD Round Table on Sustainable Development

Connie Hedegaard holds a Master of Science degree in History and Literature. She was a member of the Danish Parliament between 1984 and 1990 and between 2005 and 2010, and also served as Danish Minister for the Environment (2004 – 2007) and Minister of Climate and Energy (2007 – 2009). From 2010 to 2014 she was the European Commissioner for Climate Action. She is currently Chairperson of the OECD Round Table on Sustainable Development and, since 2015, has also chaired the KR Foundation, an international environmental organization. Since fall 2016, she has been a member of the Volkswagen AG Sustainability Advisory Board. Since February 2017, she has also chaired the Management Board of Aarhus University, the Board of Berlingske Media A/S and the Administrative Council of CONCITO, a Copenhagen-based think tank working in the field of greenhouse gas reduction.

Ms Hedegaard is a member of the Supervisory Board's Audit Committee and a member of the Administrative Council of Danish company Danfoss A/S.

RAFAEL MATEO, TERUEL / SPAIN

Member of the Strategy and Technology Committee; CEO Acciona Energía S.A.U.

Rafael Mateo studied Industrial Engineering at the School of Industrial Engineering of the University of Zaragoza, Spain, gaining a degree with distinction in 1982. In 1987, he went on to additionally complete a General Management Program at the IESE Business School and, in 1995, a Management Program at the INSEAD Business School. He began his professional career in 1982 at the Spanish utility company Endesa, holding numerous management positions until his departure in 2009. Among these was the role of Managing Director of Endesa Chile, which he assumed in 2005, and that of CEO of Endesa Latinoamerica S.A, which he assumed subsequently and held until 2009. In 2010, he joined the Acciona Group and, in 2013, was appointed CEO of Acciona Energía S.A.U., a position he still holds today.

Mr Mateo is a member of the Supervisory Board's Strategy and Technology Committee. He is also Chairman of the Supervisory Board of Acciona Energía Internacional, Spain, and a member of several administrative bodies of other Acciona Group subsidiaries.

MARTIN REY, TRAUNSTEIN / GERMANY

Chairman of the Audit Committee; Lawyer and Managing Shareholder of Maroban GmbH and Babcock & Brown GmbH

Martin Rey studied Law in Bonn and Business Administration at the University of Hagen. He then joined Bayerische Vereinsbank AG, later Bayerische Hypo- und Vereinsbank AG, where he held numerous management positions, most recently that of member of the Group Executive Management Board. Thereafter, Mr Rey was appointed member of the Board of Directors, responsible for the European, Middle East and Africa region at Sydney-based global investment and consulting company Babcock & Brown. He was also a member of the board at Knight Infrastructure B.V. and the Chairman of Sword Infrastructure I B.V., the Netherlands, a Board member of Brisa AutoEstradas de Portugal S.A., the Chairman of Renerco Renewable Energy Concepts AG, a Board member of debis AirFinance B.V. and Deputy Chairman of the export credit agency AKA Ausfuhrkredit-Gesellschaft mbH.

Mr Rey works as an Industrial Advisor for the funds of EQT Partners, Sweden, and is a member of the Investment Committee at IST Investmentstiftung für Personalvorsorge, Switzerland.

Mr Rey is Chairman of the Supervisory Board's Audit Committee. He is also a member of the Board of Directors of BayWa r.e. LLC, USA, and a member of the Advisory Board of Groenleven B.V., the Netherlands. Finally, he is a member of the Supervisory Board, member of the Audit Committee and Chairman of the Credit Committee of the Supervisory Board of Kommunalkredit Austria AG, Austria.

NORDEX SHARES AND BOND

All of the world's major stock indexes posted significant losses in 2018. This was primarily due to uncertainty arising from political factors such as the trade dispute between the USA and China, the Italian budget crisis and the outcome of Brexit.

Having reached its annual high of 13,559 points as early as 23 January, the DAX entered a sustained downward trend in May that resulted in an annual low of 10,381 points on 27 December. The TecDAX technology index on which Nordex shares are listed, and which is an important benchmark for the Group, also experienced strong volatility. While the index started the year at 2,535 points and reached a high of 3,049 points in September, it subsequently relinquished all of these gains to end the year at 2,450 points.

Nordex stock recovers at start of 2019

Nordex shares began 2018 at a price of EUR 8.95 and performed well in the first few days of the year, reaching their annual high of EUR 11.69 on 16 January. However, the Nordex stock was unable to detach itself from the general trend in the capital markets over the following weeks and also suffered as a result of challenging conditions in the wind energy sector. The shares fell sharply towards the end of the year and, on the last trading day of the year (28 December 2018), closed at EUR 7.58 in XETRA trading. However, the Nordex stock gained considerable momentum again in the first few weeks of the new year, climbing to over EUR 11.00 by the start of March 2019.

As a result of the reorganization of the Deutsche Börse's indices and the associated expansion of the MDAX to 60 members and the SDAX to 70 members, Nordex shares were also admitted to the SDAX in September 2018.

Shareholder structure unchanged

Nordex SE's ownership structure continues to be dominated by a high percentage of shares in free float totaling 64%. In addition to the strategic anchor shareholder Acciona S.A., which holds an interest amounting to 29.9%, the SKion/momentum investor group continues to hold a 5.71% share in Nordex SE.

Dividend policy

Nordex SE's dividend policy is geared towards the strategic positioning of the Company, particularly with regard to ensuring its continued growth as well as the research and development activities required in order to consistently enhance its wind turbine systems. After setting aside funds to support both of these cornerstones, the Nordex Group aims to distribute an appropriate dividend that takes free cash flows into account.

Nordex bond successfully placed

At the end of January, Nordex successfully placed a five-year euro bond with a volume of EUR 275 million and a coupon of 6.5%. Proceeds from the placement were used to repay existing liabilities ahead of schedule (see also page 48 of the management report). The bond is rated by the Standard & Poor's and Moody's rating agencies. The latest ratings are "B – Outlook stable" from Standard & Poor's and "B3 – Outlook stable" from Moody's.

Intensive dialog with the capital markets

Nordex continued to expand its presence in the capital markets by participating in several investor conferences and organizing various roadshows in Germany and abroad during the year under review. The Management Board also held numerous one-on-one talks and regular conference calls in close cooperation with the Investor Relations team.

Maintaining a dialog with relevant target groups in the capital markets is a top priority for Nordex. During the year under review, the Investor Relations team provided comprehensive information about current business performance, the strategic direction of the Company, and developments in the wind energy sector.

As of March 2019, 15 German and international research firms actively monitor Nordex and regularly publish studies, brief reports and commentaries on the Company, including recommendations for the stock. Of the 15 equity analysts, three banks see the stock as a Buy, five recommend a Hold, and seven are currently issuing a Sell recommendation.

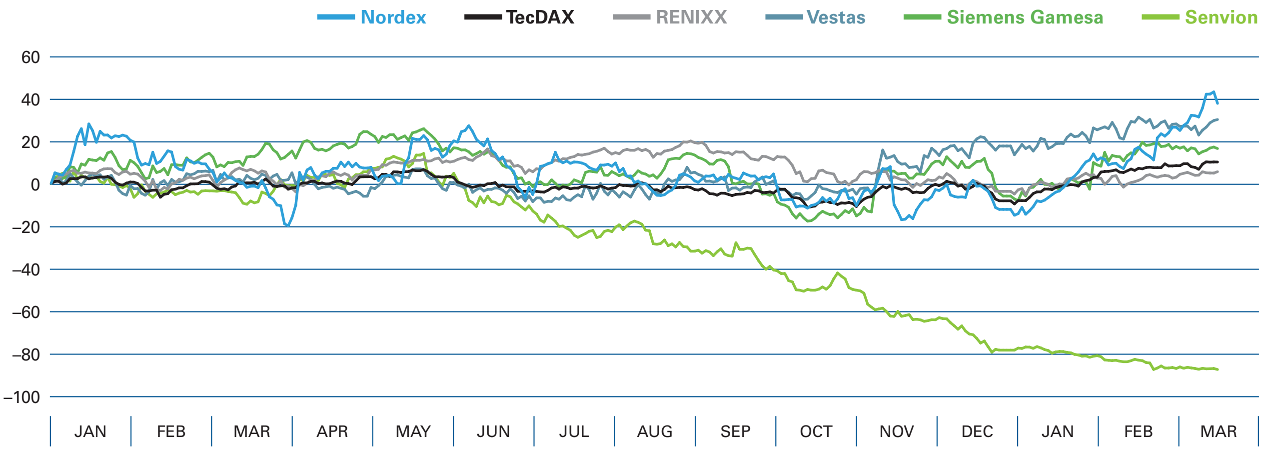
Nordex shares key data

Class of shares	No-par value ordinary bearer shares
Market segment	Prime Standard / Regulated Market
Trading venue	Frankfurt Stock Exchange
Indices	TecDAX, SDAX, ÖkoDAX, HASPAX, RENIXX
ISIN	DE000A0D6554
WKN (German securities identification number)	A0D655
Ticker symbol	NDX1

Nordex shares key figures

		2018	2017
Total number of shares as at 31 Dec.	Units	96,982,447	96,982,447
Share capital as at 31 Dec.	EUR	96,982,447.00	96,982,447.00
Opening price for the year	EUR	8.95	20.44
Year-end closing price	EUR	7.58	8.87
High	EUR	11.69	21.33
Low	EUR	6.86	7.18
Market capitalization as at 31 Dec.	EUR million	735.1	860.2
Earnings per share	EUR	–0.86	0.00

Nordex share price performance in percent (29.12.2017 – 15.03.2019)



REPORT OF THE SUPERVISORY BOARD

THE SUPERVISORY BOARD

From left to right

Rafael Mateo, Jan Klatten, Martin Rey, Juan Muro-Lara, Connie Hedegaard, Dr Wolfgang Ziebart

As in 2017, the past financial year was dominated by high levels of competition and price pressure worldwide. This has weighed on business performance, as expected. However, there were also encouraging developments to be noted in the reporting year. Wind energy is becoming established as the most cost-effective form of energy generation in many markets around the world. According to surveys conducted by the Fraunhofer Institute, renewable energy is responsible for an ever-greater part of Germany's electricity supply and accounted for more than 40 percent of the total supply for the first time during the year under review – an encouraging and forward-looking development for the sector as a whole. One important development for the Nordex Group itself was the positive customer feedback it received for the newly developed Delta4000 turbine, for which it was able to win the first major orders. The same is true with respect to the AW140 platform. Overall, the Nordex Group's global positioning is paying off. It has made the Company less dependent on developments in individual markets and enabled it to better offset weaker phases, such as that in Germany, with business in other markets. Order intake development in the reporting year was positive at 4.75 GW, with prices stabilizing at the end of the year.

The Supervisory Board of Nordex SE performed its duties in accordance with applicable law, the Articles of Incorporation and Rules of Procedure during the reporting period. As required by law, the Supervisory Board advised and monitored the Management Board in its management of the Company. The Supervisory Board was therefore directly involved in all decisions of fundamental importance for the Company and maintained an ongoing dialog with the Management Board. Supervisory Board members are provided with comprehensive written and oral reports about the condition and development of all significant business transactions of Nordex SE and its affiliated companies on a regular basis and in a timely manner.

CHANGES TO THE SUPERVISORY BOARD AND MANAGEMENT BOARD

The composition of the Supervisory Board and Management Board remained unchanged during the reporting year.

COMMITTEES

During the 2018 financial year, the Supervisory Board committees of Nordex SE continued to comprise the following members:

Executive Committee (Personnel and Nomination Committee):
Dr Ziebart (Chairman), Mr Klatten, Mr Muro-Lara

Audit Committee:
Mr Rey (Chairman), Ms Hedegaard, Mr Muro-Lara

Strategy and Technology Committee:
Mr Klatten (Chairman), Mr Mateo, Dr Ziebart

SUPERVISORY BOARD MEETINGS AND CONTENT

During the 2018 financial year, the Supervisory Board held a total of four face-to-face meetings and met four times in the Audit Committee and the Strategy and Technology Committee. One Supervisory Board meeting was held by conference call. The Executive Committee met regularly during the year under review as part of the regular Supervisory Board meetings. The regular face-to-face Supervisory Board meetings were held on 23 March 2018, 4 June 2018, 13 September 2018 and 22/23 November 2018. The conference call was held on 11 January 2018.

During the 2018 financial year, all Supervisory Board members participated in more than half of the meetings of the Supervisory Board and the committees to which they belong (Article 5.4.7 of the German Corporate Governance Code).

In addition to auditing the annual and consolidated financial statements of Nordex SE for the 2017 financial year at its financial statements approval meeting on 23 March 2018 and the budget and corporate planning for the 2019 financial year at the fourth ordinary Supervisory Board meeting on 22/23 November 2018, meetings focused on the following key issues during the year under review: (i) in an extraordinary meeting on 11 January 2018, a resolution concerning the placement of a five-year EUR bond; (ii) the completion of the "45-by-18" cost reduction program and the Company's cyber security measures; (iii) ongoing Management Board matters, particularly remuneration and target setting and attainment for Management Board members; (iv) ongoing quality, health, safety and environment issues, particularly the Company's efforts to improve employee safety and reporting on the associated targets set; and (v) ongoing compliance issues, key projects and important changes in personnel. Additional topics included proposed resolutions for the Annual General Meeting, reports from each of the committees, and at the ordinary meeting on 22/23 November 2018, the resolution concerning submission of the declaration of conformity with the German Corporate Governance Code.

CORPORATE GOVERNANCE

Potential conflicts of interest are also reported at this point in accordance with Article 5.5.2 and Article 5.5.3, sentence 1 of the German Corporate Governance Code. Supervisory Board members of Nordex SE should disclose conflicts of interest to the full Supervisory Board, particularly those that may arise due to an advisory or board role for customers, suppliers or lenders of Nordex SE.

There were no indications of conflicts of interest during the 2018 financial year.

In principle, the Supervisory Board follows the recommendations of the Government Commission on the German Corporate Governance Code published on 7 February 2017. The most recent declaration of conformity required in accordance with Section 161 of the German Stock Corporation Act (AktG) was submitted by the Supervisory Board and Management Board on 23 November 2018 (www.nordex-online.com/de/investor-relations/corporate-governance.html). Further details on this topic can be found in the corporate governance report that is part of the corporate governance declaration included in the management report.

ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS AND AUDIT

The annual financial statements of Nordex SE and consolidated financial statements as at 31 December 2018, as well as the combined management report of Nordex SE and the Group for the 2018 financial year, together with the accounting system, were audited and issued with an unqualified audit report by the auditing firm PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, appointed by the Annual General Meeting on 5 June 2018 and engaged by the Supervisory Board to audit the annual and consolidated financial statements.

The audit report to the annual financial statements confirmed that the Management Board took the early risk detection measures required in accordance with Section 91 (2) AktG and that the Company has an effective internal control system.

In addition to the statutory audit, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, also performed a limited assurance engagement with regard to the separate consolidated non-financial report of Nordex SE and the Nordex Group on behalf of the Supervisory Board and, on this basis, did not raise any objections to the non-financial reporting and compliance with the imposed statutory requirements. PricewaterhouseCoopers GmbH's report on the limited assurance engagement for the consolidated non-financial report is included in the Sustainability Report.

The annual financial statements, consolidated financial statements and combined management report for Nordex SE and the Group, the auditor's report, the consolidated non-financial report including PricewaterhouseCoopers GmbH's report on the consolidated non-financial report and the draft Supervisory Board report were handed out to all Supervisory Board members before the financial statements approval meeting. The Audit Committee and Supervisory Board discussed these documents in detail; the Audit Committee prepared the examination by the full Supervisory Board and reported on this preparation in the financial statements approval meeting on 22 March 2019 in the presence of the auditor, who was also available to answer questions. Following intensive discussions, the Supervisory Board and Audit Committee approved the conclusions of the audit conducted by the auditor.

In accordance with the final conclusions of this audit by the Audit Committee and its own audit, the Supervisory Board determined that there were no grounds for objections and approved the 2018 annual and consolidated financial statements prepared by the Management Board as at 31 December 2017 as well as the combined management report. The 2018 Annual Report of Nordex SE has therefore been adopted.

The Audit Committee and Supervisory Board also addressed the separate consolidated non-financial report (integrated in the sustainability report) prepared by the Management Board as at 31 December 2018. The Management Board and the representatives of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft explained the documents in detail in the meetings and answered additional questions from Supervisory Board members. The Supervisory Board had no objections after carrying out its audit.

SUPERVISORY BOARD ACKNOWLEDGMENTS

The Supervisory Board of Nordex SE would like to sincerely thank all Nordex Group employees worldwide, the employee representatives and the Management Board for their efforts and achievements in the 2018 financial year.

Hamburg, March 2019

Dr Wolfgang Ziebart
Chairman of the Supervisory Board

COMBINED GROUP MANAGEMENT REPORT

OF THE NORDEX GROUP AND MANAGEMENT REPORT OF NORDEX SE

COMBINED GROUP MANAGEMENT REPORT

OF THE NORDEX GROUP AND MANAGEMENT REPORT OF NORDEX SE

FUNDAMENTAL INFORMATION ABOUT THE GROUP

> **Global specialist in onshore wind turbines**
> **Focus on sustainably reducing the cost of energy**
> **Steadily growing service business**

OPERATING ACTIVITIES

Business model

The Nordex Group designs and builds efficient and innovative onshore wind turbines that are marketed and installed worldwide. A network of service units in all of the Company's key markets ensures the provision of comprehensive support for wind turbines over their entire lifespan. Services rendered by Nordex for a specific project range from the mere delivery of the wind turbines to turnkey construction of a complete project (turnkey contracts). In selected markets, particularly France, the Nordex Group also operates as a project developer for wind farms. Founded in 1985, Nordex has more than 30 years of industry experience. Its products regularly shape the technological development of the wind energy industry. Overall, the Group has installed turbines with a combined nominal output in excess of 25 GW in over 40 countries. At the end of 2018, the Nordex Group service organization was supporting over 7,500 wind turbines worldwide with a total nominal output of 18.5 GW on the basis of typically long-term maintenance agreements.

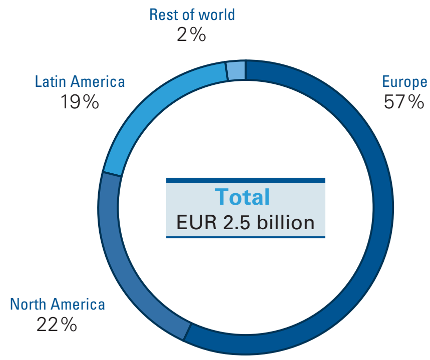
The current product portfolio comprises wind turbines for high-, medium- and low-wind locations, with output ranging up to 4.8 MW and with rotor diameters of up to 149 m. The Company's new Delta4000 series has made it one of the first suppliers of 4 MW onshore wind turbines. The Nordex Group designs wind turbines in their entirety, while its manufacturing work concentrates on nacelle and hub assembly, as well as the production of key components including a portion of the rotor blades. The Company operates its own production facilities in Brazil, Germany, India, and Spain. These factories, together with an efficient supplier network and supply chain, form the basis for the Group's ability to offer competitive wind turbines in all of its target markets. The Nordex Group works to continuously improve this infrastructure and adapt it flexibly to meet changing markets. From a technical perspective, the Nordex Group is focused on developing wind turbines for onshore sites that allow operators to produce environmentally friendly electricity at the lowest possible cost (Cost of Energy – COE) in their respective regions. (Further information can be found in the "Corporate Strategy" section.)

Despite its global structure, the Nordex Group has a company culture that has its roots in a mid-sized enterprise, with a particularly strong focus on customer orientation. By concentrating on the onshore segment, the Company not only serves more than 90% of the global market for wind power outside of China but simultaneously avoids the need to invest considerable sums in radically different offshore technology with the associated risks this would entail. With the exception of China, whose market is dominated by local providers, the Nordex Group is active in all key wind markets worldwide.

This strong global presence was further expanded by integrating Spanish manufacturer Acciona Windpower into the Group in 2016. Since then, the Company has increased non-European activities significantly, with the result that no less than 43% of Nordex Group sales were generated outside Europe in 2018.

Sales by region in 2018

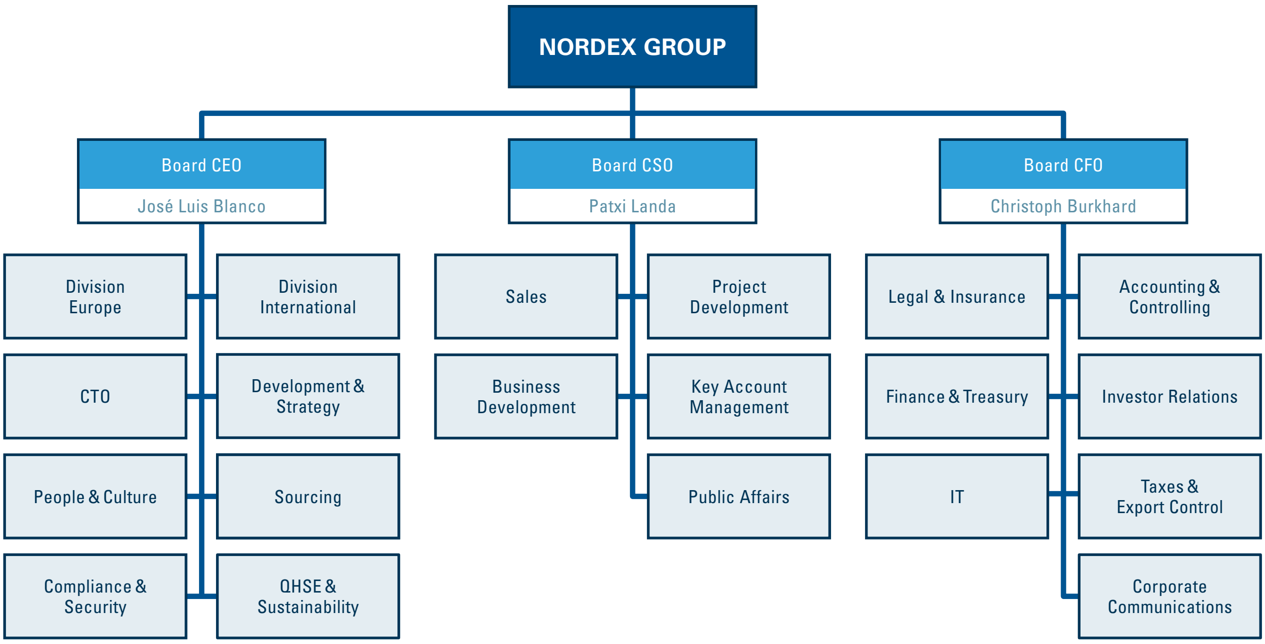
in %



Legal and organizational structure

Nordex SE is a listed European stock corporation. Its shares are admitted for trading on the Regulated Market of the Frankfurt Stock Exchange, Prime Standard segment, and quoted on the TecDAX® and SDax®. Together with its German and foreign subsidiaries, it forms the Nordex Group. The governing bodies of the Company are the Management Board, composed of three individuals, and the Supervisory Board, comprising six individuals. Nordex SE has its registered office in Rostock; its headquarters are located in Hamburg.

Organizational structure of the Nordex Group

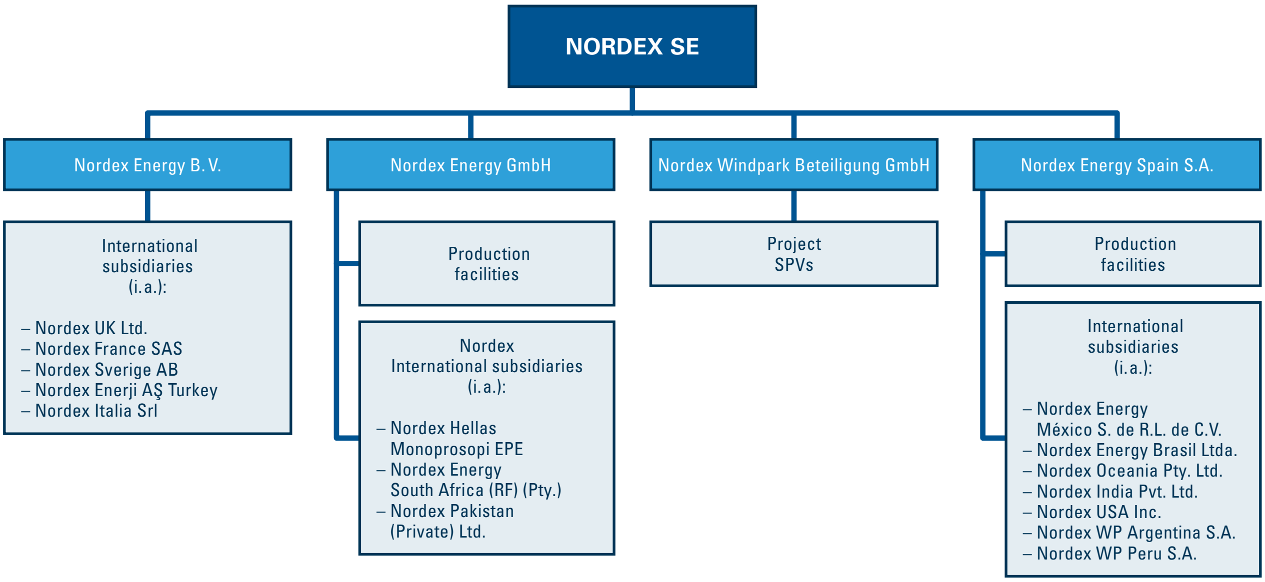


The Management Board manages the Group via Nordex SE as the strategic management holding company. Additional administrative services in the areas of accounting & controlling, finance, IT, investor relations, communications, human resources, legal matters and tax are also performed by Nordex SE. The Nordex Group's operating business comprises two divisions: International and Europe.

The chairman of the Management Board (Chief Executive Officer – CEO) is in charge of the divisions and staff functions. All customer-related functions are assigned to the Chief Sales Officer (CSO), as is project development. The Chief Financial Officer (CFO) is responsible for accounting & controlling, finance, IT, investor relations, communications, legal matters and tax.

The divisions manage the legally independent national companies. Specifically, they are responsible for customer relationship management, sales, project management and services, as well as project development in selected markets. Significant consolidated companies and their respective subsidiaries are Nordex Energy GmbH and Nordex Energy Spain, S.A. (formerly Acciona Windpower S.A.).

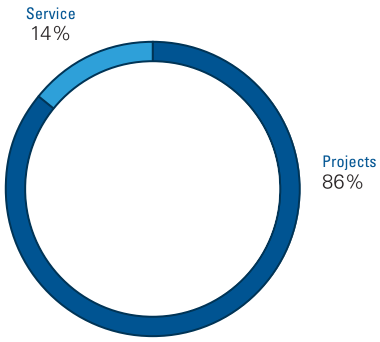
Legal structure of the Nordex Group (simplified presentation)



The Group manages its activities via the Projects and Service segments (see also the explanations in the "Segment performance" section). Projects include all activities associated with the development, production, assembly and commissioning of wind turbines, as well as the project development business. The Service segment encompasses services and products for existing turbines after their handover to customers. In particular, this includes technical services such as maintenance and remote monitoring of wind farms as well as repairs and technical enhancements for existing turbines.

Sales by segment in 2018

in %, before consolidation



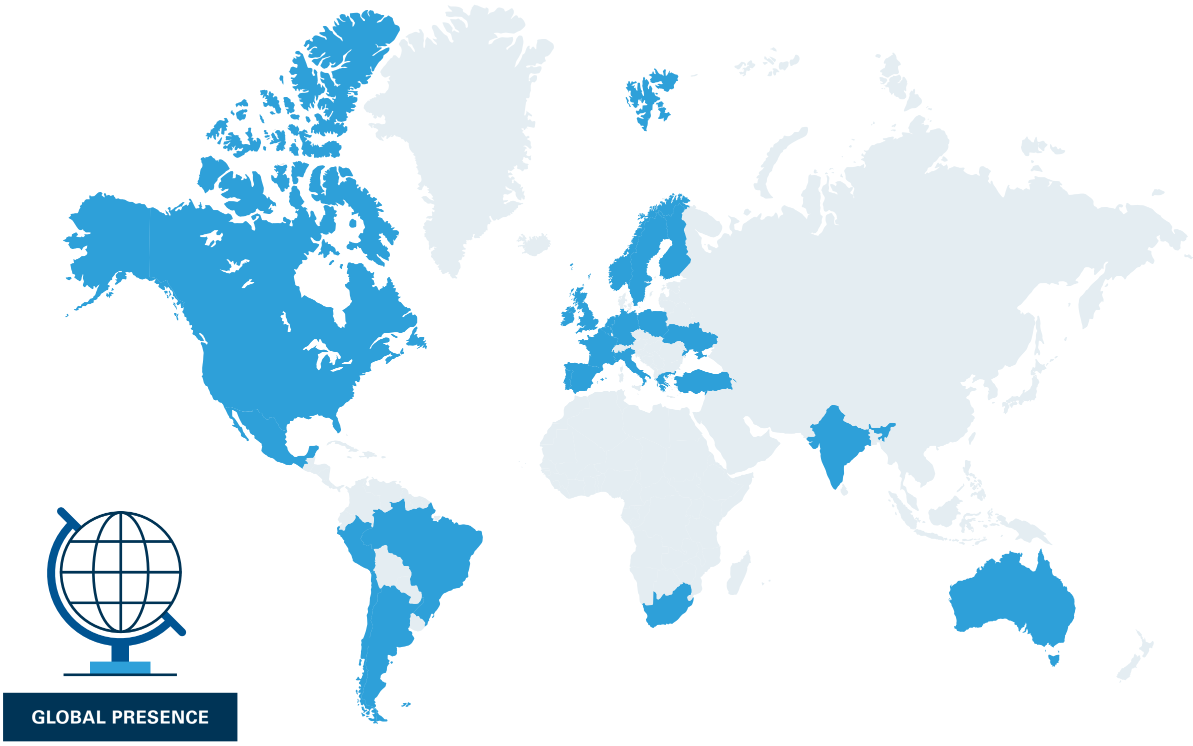
Sales markets and competition

Measures adopted to combat climate change with the aim of reducing CO_2 emissions continue to be a key driver for the use of renewable sources of energy and therefore for the sustained growth of wind power usage into the long term. As a result of the very low costs of electricity generation involved, especially in locations with strong winds, wind power is also economically competitive with conventional generating capacities. Growth in the wind energy sector is primarily fueled by the construction of new wind turbines and farms. Legacy turbines that have already reached the end of their life-cycle are also being replaced by more efficient products.

This so-called repowering is already playing an important role in onshore farms and will become increasingly significant, as more and more wind farms are being replaced and updated, starting with those in pioneering wind energy countries in Central and Northern Europe.

The Nordex Group has installed wind turbine systems in more than 40 countries and considers itself to be well positioned in the internationally most attractive wind markets. It maintains its own sales and service organizations in all core markets. These countries are mainly located in Europe and North and South America, but attractive markets such as India, Australia and South Africa are also included. The central sales organization continually reviews opportunities in new markets not yet served by the Nordex Group. For example, the Company recently entered the Ukrainian market.

Significant markets of the Nordex Group



On the supplier side, there has been a consolidation of wind turbine manufacturers over the last few years – and especially in the most important markets for the Nordex Group. Alongside large multinational corporations that serve both the onshore and offshore segments, mid-sized and regionally focused companies nonetheless remain active in the target markets. Among the most significant competitors in the overall market (excluding China) are Vestas, Siemens, Gamesa, General Electric and Enercon in particular. According to the Bloomberg New Energy Finance (BNEF) ranking, the Nordex Group in 2018 was again the world's fifth largest manufacturer outside China.

Aspects such as the cost-effectiveness of turbines measured in terms of cost of energy, an intelligent product strategy and strong customer relationships are the keys to market success. All of this is based on strong technical expertise and quality, efficient production structures and processes, a competitive supply chain and good services. The Nordex Group is focused squarely on efficient technology, low production costs and constant innovations to reduce COE. (Further information can be found in the "Research and Development" and "Corporate Strategy" sections.) In its strategically defined market (onshore, global excluding China), the Nordex Group achieved a market share of approximately 10% in 2018 measured in terms of installations (own calculation based on GWEC data). With a few exceptions, the Company has a double-digit market share in the core markets in which it consistently installs wind turbines. Nordex regularly carries out more than 10% of new installations in its key markets of Germany and France. In some countries, market share is as much as 30%.

Locations, products and services

The Nordex Group's product range offers customers worldwide technically and financially suitable multi-megawatt onshore wind turbines for every wind strength and climate zone. It enables the Group to provide solutions for markets with both limited grid availability, such as Latin America, and limited land availability, such as Central Europe. Customers are offered a comprehensive project management service which can include everything from assembling turbines and wind farms to providing turnkey solutions. The Group's services comprise a full range of turbine support services that include remote monitoring, routine maintenance and the completion of standard or customer-specific turbine repowering projects. The Nordex Group is also involved in upstream project development in selected markets. In support of the sales activities, the Nordex Group's finance department also advises customers in their efforts to raise project finance via national and international commercial banks. The Company is also positioned as an integrated full-service provider.

The Nordex Group's head office in Hamburg is where the Group's core functions, but also parts of development, procurement, project management, services and German sales are located.

Nacelles and rotor blades are developed and produced at the Group's site in Rostock. In Spain, the Group operates two factories for the assembly of nacelles (Barásoain and La Vall d'Uixó) and one for the production of rotor blades (Lumbier). In addition, nacelles are also produced in Brazil (Simoes Filho) and India (Chennai). Production facilities for rotor blades are now being built both in India (Chennai) and Mexico (Matamoros). These plants will be used to meet local demand while also exporting products. The Nordex Group is currently partnering with a local company to set up a wind turbine assembly line in Argentina with the aim of further improving its positioning in this growth market. Another assembly plant, which is currently inactive, is located in the United States (West Branch). The Company also constructed a wholly-owned concrete tower facility in northern Brazil (Piauí) in 2018. Subcontractors are also producing concrete towers in other countries.

Nordex wind turbine (example: N149/4.0-4.5)

The Gamma and Delta platform turbines (Delta3000 and Delta4000) have been designed to meet the requirements of markets with limited land availability. In their specific configurations, they offer a high degree of efficiency for light, moderate and strong wind speeds and ensure the turbines' eligibility for operating permits, even in densely populated areas. The acoustic power of these wind turbines are often best-in-class and, Depending on customer requirements, the manufacturer also offers Nordex's proprietary anti-icing system or air traffic warning lights as appropriate. These platforms are also increasingly used in repowering projects.

With its Delta4000 series, which was introduced in September 2017, the Nordex Group is one of the first suppliers of high-efficiency wind turbines in the 4 MW class. The first prototype of the N149/4.0-4.5 model, designed for low-wind areas, was erected in fall 2018. During the 2018 reporting year, the Company received confirmed orders for over 150 turbines of this type. In April 2018, Nordex also introduced the N133/4.8 as a high-performance turbine for the high-wind segment.

The AW3000 platform offers reliable, efficient turbines which have been optimized for markets with limited grid availability. The plants have been operating successfully for many years in numerous major projects of international energy companies. The AW132/3000 model has been engineered for medium-wind conditions and is one of the systems with the lowest cost of energy in its segment. The newest model in the AW3000 series, the 140 meter-rotor model AW140/3000 launched in October

2017, was first ordered for a 300 MW project in India in 2018. The prototype for this turbine was erected in Spain in August 2018.

The Nordex Group develops and tests the rotor blades of its wind turbines, has them certified and also produces some of them in its own plants – or has them produced by partners according to its specifications. The rotor blades are characterized by particularly low noise emissions across the entire range.

Nordex offers several tower variants (steel tube towers, hybrid towers from steel and concrete, or concrete towers) with hub heights of up to 164 meters to achieve optimum energy yields in the global wind markets.

Nordex Group product overview

Wind Class	AW3000	Gamma	Delta3000	Delta4000
IEC 1		N90/2500	N100/3300	N133/4.8
IEC 2	AW125/ 3000-3150	N100/2500		
	AW132/3000-3465		N117/3000	
			N117/3600	
IEC 3	AW140/3000	N117/2400	N131/3000	N149/4.0-4.5 (IEC S)
	AW148/3000		N131/3300	
			N131/3600	
			N131/3900	
Tower heights (hub heights), depending on system type	80 – 137.5 m [1]	65 – 141 m	75 – 164 m	105 – 164 m

IEC 1 = High wind; IEC 2 = Medium wind; IEC 3 = Low wind

[1] Different tower options for specific configurations

The system codes state the rotor diameter in meters before the forward slash followed by the nominal output in kilowatts (KW) or, for the Delta4000 system, in megawatts (MW).

A large portion of the components used in wind turbines, such as gearboxes, generators or converters, are supplied by development partners, many of whom the Nordex Group has been working with for many years. The Nordex Group pursues a system integration approach, incorporating the expertise of its vendors in its own internal processes at an early stage – particularly during product development. To ensure efficient production, the Nordex Group is committed to line production in turbine assembly and partial automation in rotor blade production as well as more extensive standardization of its products at individual factories as part of a common parts strategy.

In addition to efficient wind power systems, the Nordex Group also offers after-sales services for its products, operating around 280 service branches worldwide for this purpose. Services are rendered via this network of locations directly at the wind farms after they are installed and handed over to the customer. The corresponding service contracts secure and optimize the electricity production yields of Nordex customers by maximizing availability. Nordex offers customers a wide range of different services. These encompass all-in solutions include services such as 24/7 remote monitoring, preventive maintenance and customer training, and full modernization of wind power systems.

The Nordex Group offers standardized contract models with different levels of service which customers can enter into for a term that usually extends up to 20 years. Customers can select service contracts from three categories: The Premium service contract includes maintenance and repair services, remote monitoring and an availability warranty. The Premium Plus contract includes the Premium service entitlements, plus a production based availability warranty, while repair services for certain large wind turbine components and spare parts supply are subject to a separate fee in the Premium Light contract.

Customers and value chain

The Nordex Group has a broad customer base that comprises both large and medium-sized, and often international, utility companies and independent power producers (IPP) as well as medium-sized project developers, public utility companies and civic wind farms or energy cooperatives. The Group's customers also include an increasing number of industrial captive producers and financial investors such as insurance companies and pension funds. In terms of orders received in 2018, the ten largest single customers account for just over 60% of the order volume. These customers are some of the world's largest operators and project developers in the renewables sector, whose global importance has increased over the last few years. A key account manager is assigned to all major customers to ensure an optimum working relationship and the successful completion of these international projects. The remaining order volume is split among many of the various customer segments mentioned above and underlines the global positioning of the Nordex Group.

The value chain starts with product development (for further details, please see "Research and development"), which creates new, competitive products, further improves existing products, and works to continuously lower the cost of electricity generation. The sales unit is responsible for customer engagement. All over the world, new wind farm projects are almost all tendered out using an auction process, which means that wind farm projects with the lowest cost of energy and thus the lowest electricity subsidies offered have the best chances of successfully being awarded contracts. The Nordex Group provides its customers with support in the early stages of these auctions, developing individual solutions aimed at securing a successful bid for the customer.

The successful award is followed by in-house production, which generally consists of nacelle and hub assembly as well as the production of some of the rotor blades. The majority of rotor blades are manufactured by independent blade producers according to Nordex designs and specifications. The Nordex Group produces concrete towers in mobile production units, particularly for major projects in emerging countries. Offering logistical benefits, this system ensures high-quality, cost-effective towers and enables local added value and employment. Most turbine components, particularly gearboxes, converters and generators, are supplied and purchased via a global procurement network. It usually takes approximately nine to 12 months to construct a wind farm, depending of the size of the farm, its specific location and a multitude of other factors.

The coordination of all activities from assembly all the way to (turnkey) handover and commissioning of wind turbines is the next step in the value chain after production, with the Nordex Group taking care of the necessary project management.

As is customary in plant engineering due to the long period of time from the awarding of the contract to the handover of the turbine to the customer, the Nordex Group receives an advance payment when the contract is awarded. Additional payment flows are essentially based on milestones in the construction of the wind turbine system.

The final step in the value chain is service for installed wind turbines. The Group provides extensive technical support services for the ongoing operation of the turbines. Service contracts are generally entered into as long-term agreements and therefore play an important part in customer retention. In comparison with the project business, which tends to be more susceptible to fluctuations, service revenue streams are characteristically stable and regular. This added value is also supplemented by upstream project development, particularly in France at present. In this area, Nordex is developing its own portfolio of wind farm projects, including some from the first stage of development onwards ("greenfield development"). The projects are sold on to customers or investors. The project development pipeline currently has a volume of over 2 GW. This means that projects implemented exclusively with the Group's own turbines secure an additional sales channel.

Value chain of the Nordex Group

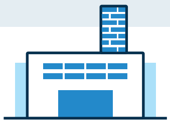
3 PATHS TO SUCCESS

1

SALES AND PRODUCTION

The heart of Nordex

Sales and production are conducted based on product development. In-house manufacturing focuses on the assembly of nacelles and hubs as well as the production of a significant part of the rotor blades.



2

SUPPLIER LOGISTICS

Sophisticated system integration concept

Development partners supply the majority of wind turbine components (gearboxes, generators, converters). Independent blade producers supply additional rotor blades manufactured according to Nordex specifications.

3

MAINTENANCE AND PROJECT MANAGEMENT

Extensive services for customers

Nordex manages and supports the entire project from planning and assembly all the way to commissioning and offers a comprehensive service for the ongoing operation of installed wind turbines.

A detailed presentation with summarized explanations of the Nordex value chain can be found on page 02 of this Annual Report.

CORPORATE STRATEGY AND MANAGEMENT

Vision and mission

The Nordex Group's key goal is to consolidate and expand its position as one of the world's leading manufacturers of wind turbines.

The Nordex Group is one of the pioneers in this sector and has decades of experience in the development, production, assembly and maintenance of wind turbines. As a result of its merger with Acciona Windpower (AWP) in particular, Nordex has become a provider with a broad international market presence. According to the industry information service BNEF, the Nordex Group currently ranks fifth worldwide (excluding China). Nordex will make continuous technological innovations to continue driving and shaping the development of wind energy in the future. By retaining the corporate culture of a medium-sized company and leveraging its flexibility, the Nordex Group seeks to use the opportunities created by its global positioning to further strengthen its market presence and grow profitably as an innovative provider of onshore wind turbines.

The Nordex Group focuses squarely on the onshore wind segment. Its main priorities in this area include operating in all significant volume and growth markets (excluding China), maintaining close customer relationships and, in particular, implementing comprehensive measures to sustainably reduce the cost of energy (COE). The Nordex Group serves the sustainable power production market with its products and services and is committed to fulfilling its corporate responsibility for the sustainable management and development of the Group.

Corporate strategy

In order to achieve the Nordex Group's primary goal of consolidating and expanding its position as one of the world's leading manufacturers of wind turbines, as well as achieving profitable growth, the Company has defined the following strategic goals and measures:

Strengthening its global market presence in existing markets

The Nordex Group is already represented in approximately 90% of global markets for onshore wind turbine systems excluding China. As a result, the Company has achieved one of its main strategic goals in recent years: Establishing itself as a global provider with a broad market presence. The Nordex Group's goal is to use this worldwide presence to further expand its business.

Strategic partnerships with international customers, particularly in growth markets, are a key factor in using this strong global presence to grow the business profitably. These major customers prefer to collaborate with similar international turbine manufacturers. In order to further strengthen its business with these customers, the Nordex Group is expanding its key account management efforts. The Nordex Group's ability to provide these customers with skilled support in all of their regional markets is an advantage. They also benefit from economies of scale and a low cost of energy.

Working closely and openly with customers at the auction stage is another important factor of success in this area. Auctions now play a crucial role internationally in the awarding of wind projects. In these processes, it is fundamentally important to be able to submit the bid with the lowest COE and the best service. As a result, the Nordex Group strives to create an open, collaborative and integrated partnership with its customers at an early stage in the auction process. An extensive and timely exchange of knowledge helps to generate the lowest possible cost of energy. In addition, offering optimum service solutions supports the reduction of COE while at the same time safeguarding customer relationships over the lifetime of the respective project. By retaining the corporate culture of a medium-sized company, the Nordex Group is renowned for its particularly open, constructive and close collaboration with its customers.

The Company's in-house project development activities are another cornerstone in strengthening the business. These skills give the Nordex Group an additional sales channel in selected markets. The Nordex Group develops projects across all stages of development and strives to use its existing project development portfolio, which is particularly well established in France, to increase sales of wind turbine systems in other countries.

Further developing a COE-optimized product portfolio

The Nordex Group aims to serve its customers around the world with suitable COE-optimized products. Nordex took a major step towards achieving this goal by introducing the new N149/4.0-4.5 turbine from the Delta4000 series to the market. This new model was named Turbine of the Year 2018 in its segment (onshore turbines 3MW-plus) by trade journal Windpower Monthly. The publication's main reasons for presenting Nordex with this award were the numerous innovative features that enable the turbine to be optimally deployed in different operating environments, as well as the low cost of energy.

Cost of energy (COE) is the most important factor for customers when selecting a wind turbine system. As a result, continually reducing COE and being able to offer customers a COE-optimized wind energy solution is one of the Company's most important strategic goals. The Nordex Group lowered its COE by around 10% during the year under review. Nordex has set itself the goal of reducing COE in the high single-digit percentage range each year in the future. A key driver of these further reductions in COE will be additional technological improvements in the Nordex Group's product portfolio. As a result, Nordex will invest consistently and efficiently in research and development going forward.

The Nordex Group's decades of experience, in-depth technical and customer-focused expertise, and constant development of new products enable it to enhance its existing product portfolio, as demonstrated by the N149/4.0-4.5 and AW140/3000 turbine types. On this basis, further product portfolio improvements will be developed and introduced into the market over the coming years.

Nordex also strengthens its core expertise in the field of blade design and innovative tower solutions (e.g. concrete towers) to differentiate itself from its competitors. Moreover, Nordex is currently researching new growth areas, such as improved grid integration and battery energy storage systems.

Optimizing the supply chain to consistently lower costs

The Nordex Group's aim is to take advantage of and expand its global supply chain by optimizing its existing supply chain. The Nordex supply chain consists of a strategic balance of in-house production and sourcing from third parties. Its limited vertical integration permits the Company to efficiently manage its capital commitments and respond flexibly to market changes. The Company is pursuing several strategic initiatives to enhance its supply chain.

Firstly, the global production network is being further optimized. To do this, the aim is to set up production sites to make use of low-cost locations and enable cost-effective supplies in all core markets. In designing its production network, Nordex is essentially taking an asset-light approach. The number of sites and the capital commitments required are being carefully optimized. In 2019, the Company will step up these efforts by managing and optimizing its global supply chain more consistently, particularly for rotor blades, nacelles and towers.

As part of the optimization of its production network, the Nordex Group is strengthening its presence in low-cost countries to further reduce the COE of its wind turbines. After commissioning a plant in India, the Company is establishing a new rotor blade plant in Mexico in 2019. In doing so, Nordex has complete control over business-critical components, quality and processes.

To ensure an optimal combination of low costs and high quality, the Nordex Group is taking a new approach to the management of its production network. The Company will take an asset-light approach when investing in the development of production sites, such as the new rotor blade plant in Mexico. This enables Nordex to have complete control over production while at the same time keeping costs low by transferring certain activities to specialized service providers. This will help to enhance the profitability of the Nordex Group and will reduce its dependency on external rotor blade suppliers.

To further improve its competitive positioning, the Nordex Group is increasing the proportion of components purchased from low-cost countries, thus lowering the cost of Nordex wind turbines. Nordex is also pursuing a "smart logistics" strategy, which aims to source completed sub-modules such as drive trains at the lowest cost while maintaining a high level of quality. This will simplify procurement and logistics in the global supply chain, reduce transport times and thus result in lower material and assembly costs.

Enhancing project expertise

The Nordex Group aims to continually serve its customers with COE-optimized solutions. To do this, Nordex is enhancing its project expertise in two critical areas.

Firstly, the Nordex Group is now rolling out its existing major project skills globally across the Group. The Company already has extensive experience gained from numerous major projects in emerging markets. The ability to address a customer's individual needs and the particular features of each project are essential in successfully offering a COE-optimized solution for a specific site. Nordex has also seen a trend towards major projects in Europe in recent years. In light of this, the Company will use its tried and tested processes and tools in Europe and thus for all major projects worldwide in 2019.

A second area in which the Nordex Group is expanding its project expertise is in the turnkey construction of entire wind farms (turnkey projects). While Nordex already offers its customers turnkey wind farms, it will increase and systematically expand its commitment in this area in the future. Nordex is enlarging its own vertical integration on these projects, which is expected to improve their profitability.

Driving growth in the service business
The Nordex Group generates stable, predictable and recurring cash flows in its service business. Due to its limited capital expenditure and R&D costs, the service business is characterized by high cash inflows with an impact on liquidity and attractive margins. Nordex offers services to onshore wind turbine operators in more than 40 countries around the globe. The aim is to continually expand the service business, thus improving sales, profitability and capital allocation for the Nordex Group. The support provided by key account management also plays an important role, particularly for major energy suppliers, independent power producers (IPPs) and financial investors.

The service business is continuously enhancing the services it offers. Among the activities carried out in 2018, the Company developed new concepts to reduce downtimes and shutdowns. These concepts include a self-assembling crane that can significantly reduce the mobilization time required in the event of damage, and a "Predict to Prevent" program for predictive and condition-based maintenance. A digital customer portal was also developed in 2018 to make communication and documentation processes simpler, more efficient and paperless. This portal will be gradually expanded in the future. As a manufacturer ("OEM"), the Nordex Group also offers a wide range of service products for the wind turbines it installs. For example, these include replacement parts, yield-boosting upgrades and training sessions. As an OEM, Nordex has the expertise required to solve even the most technical challenges.

The aim is to further expand the Nordex Group's service segment and offer customers attractive services under favorable conditions well into the future. This should ensure both a high level of quality and the consistent implementation of efficiency improvement measures.

The Nordex Group is confident of being able to lower costs for customers with the help of targeted service and sales measures.

Strategy control and implementation
After successfully implementing the "45-by-18" cost reduction program at the end of 2017, the Management Board focused on adapting its corporate strategy to reflect changing market conditions during 2018. As part of this process, strategic goals and initiatives were reviewed and readjusted. The Management Board worked with other managers to produce a strategy that should strengthen the Nordex Group's global positioning. The revised corporate strategy focuses on improving profitability. In order to achieve this, several existing initiatives were confirmed, redefined and launched. These primarily included supply chain optimization projects and specific profitability improvement measures.

The various strategic initiatives are managed by different teams, each led by a member of the Management Board. Steering committees meet regularly to check the progress of these initiatives and ensure that the Group achieves its strategic goals.

All strategic measures are aimed at successfully developing the Nordex Group, i.e. further consolidating the Company's global competitive positioning and thus sustainably enhancing its value. The success of this development is measured using certain financial and non-financial key performance indicators, which in turn are taken into account when offering incentive-based remuneration to management. By doing this, the Company ensures that its strategy is successfully implemented over the long term.

Financial strategy
The aims of the Nordex Group's financial management are to secure liquidity and ensure access to necessary funding. Working capital is a key parameter in this regard. The Company aims to use operating cash flow to finance its ongoing investments in property, plant and equipment. At the end of 2018, the Nordex Group had cash and cash equivalents of EUR 610 million.

The Group also has access to a syndicated loan ("multicurrency guarantee facility") provided by international financial institutions totaling EUR 1.2 billion. This is primarily used to provide bank guarantees in the ordinary course of business in each of the Company's key currencies.

The Nordex Group's long-term financing requirements are currently ensured via a promissory note, an investment loan from the European Investment Bank (EIB), and a fixed-interest bond issued in early 2018. Both the promissory note and the bond are certified as "green" financial instruments by the Climate Bonds Initiative.

The Nordex Group has notably high liquidity and a robust equity ratio of around 23%. This, combined with the secured short-, medium- and long-term financing, ensures that the Group can operate in a challenging market environment.

Internal management system

The Nordex Group manages the entire Group and its operating units based on financial and non-financial key performance indicators. All performance indicators jointly form the basis of reporting to management, the Management Board, the Supervisory Board and the shareholders. They are also used for incentive-based remuneration. At Group level, the most important key performance indicators are as follows:

– Sales
– EBITDA margin
– Working capital ratio
– Capital expenditure

Some of these performance indicators are only recorded for the Group as a whole and not for the segments because they cannot always be allocated, separate reporting is not appropriate or the comparability of the performance indicators is not relevant. Together, they enable a thorough assessment of the current and future performance of the Group and provide a comprehensive overview of its capital requirements.

The Company also uses specific financial key figures that evaluate its order development, net assets and results of operations. Specific non-financial key performance indicators are used in production (turbine and rotor blade production output), project management (installed capacity) and service (turbine availability). These performance indicators help the Management Board and other senior managers to manage the Company and provide information about its current performance. Although they do not form part of the externally published guidance, they are generally included in quarterly reporting.

Additional financial and non-financial key performance indicators

Group	Transaction
Cost of materials ratio	Production output turbines
Consolidated net profit	Production output rotor blades
Free cash flow	Installed capacity
Net debt/liquidity	Turbine availability
Equity ratio	Order intake/order book, projects
	Order intake/order book, services

Management is responsible for leading and developing the Company in a sustainable manner. The relevant targets and key performance indicators are set out in the current sustainability strategy. The Nordex Group reports on its economic, environmental and social performance in an independent sustainability report, which was prepared in compliance with the core option of the GRI guidelines issued by the Global Reporting Initiative (GRI) and published at the same time as this Annual Report. The separate consolidated non-financial report integrated in the sustainability report was reviewed as part of an assurance engagement conducted by auditing firm PricewaterhouseCoopers (PwC). As a result, the following "Corporate responsibility" section does not constitute a comprehensive non-financial declaration but instead supplements the management report on selected aspects of the Group's corporate culture, sustainability strategy and employee structure.

The separate consolidated non-financial report pursuant to Section 315b (3) of the German Commercial Code (HGB), which is not part of the management report, can be downloaded as part of the sustainability report from Nordex SE's website at ir.nordex-online.com.

CORPORATE RESPONSIBILITY

Corporate culture and rules

The Nordex Group is committed to the ecologically and economically responsible use of resources and respectful treatment of all people employed by Nordex or with whom the Company works as customers, suppliers, service providers or shareholders, as well as with its neighbors and local communities. In 2015, the Nordex Group set up the Sustainability Management unit with the aim of ensuring the targeted management of sustainability measures and meeting a growing need for information on the part of stakeholders. The unit is responsible for the strategic development of sustainability issues and communicates regularly with all of the other company departments. In the same year, the Management Board adopted its 2015–2018 Sustainability Strategy, which sets out specific action areas, targets and key figures. The 2018 Sustainability Report provides details of the achievement of these targets. In the reporting year, the new 2019–2021 Sustainability Strategy was drafted, and forms the framework of reference for responsible business throughout the Group. To develop this new strategy, a comprehensive materiality analysis was performed with the involvement of both internal and external stakeholders. This strategy embodies the systematic, Group-wide continuation of the pursuit of sustainability topics and targets, and is also explained in the 2018 Sustainability Report.

The Nordex Group's corporate culture is based on the values, principles and standards of conduct set out in the general Nordex guidelines, sector and subject-specific company guidelines and, in particular, the Nordex Group Code of Conduct. This is binding for the entire Nordex Group and must be signed by every employee in the form of a declaration of consent. In accordance with the Code of Conduct, the ethical guidelines of the UN Global Compact and the OECD guide all of the Company's activities. Furthermore, all decisions at the Nordex Group are subject to respect for international human rights. Global compliance, measures for tackling corruption and discrimination and promoting diversity are firmly enshrined within the Company.

Aspects of responsibility

With its new 2019–2021 Sustainability Strategy, the Nordex Group has applied a materiality analysis to prioritize the following five action areas for sustainability management:

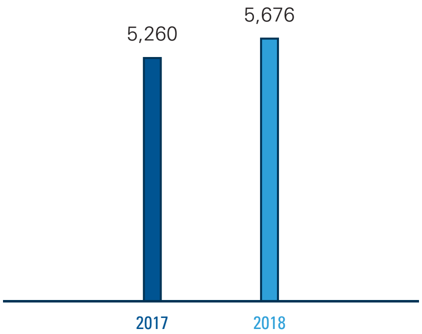
- Product responsibility
  (cost of energy, customer satisfaction)
- Employee responsibility
  (occupational safety, leadership culture)
- Responsibility along the value chain
  (collaboration standards)
- Environmental management
  and resource efficiency
  (waste, hazardous substances,
  energy and greenhouse gases, LCA)
- Social responsibility
  (educational grants)

Employee structure

At the end of the 2018 reporting year, the Nordex Group had a total of 5,676 employees (2017: 5,260 employees). A total of 182 temporary employees were also working for the Company on the reporting date (2017: 156). The average number of full-time employees was 5,385 (2017: 5,221). While the "45-by-18" cost reduction program saw downsizing in the administrative units at German sites in Hamburg and Rostock in particular, job growth focused on the production units in Brazil as well as in services.

Employee figures

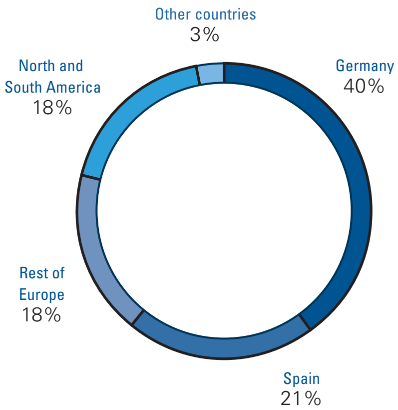
as at 31 Dec.



As a result of the measures described above, the proportion of employees working for the Nordex Group in Germany decreased to 40% at the end of 2018 (2017: 47%). Spain accounted for 21% (2017: 20%) of the workforce, with 18% employed in the rest of Europe (2017: 19%). Due to the high business volume, the proportion of employees in North and South America rose to 18% (2017: 10%). Africa, Asia and Australia accounted for 3% (2017: 4%) of the workforce.

Distribution of employees by region in 2018

in %



A total of 39% of employees worked in the production and purchasing units for blades, nacelles and towers in 2018 (2017: 37%), and 33% in the service and sales units combined (2017: 31%). Research and development (engineering, project management) accounted for a total of 15% of employees in 2018 (2017: 17%). The proportion of employees working in administration fell to 11% (2017: 16%). This distribution across functions shows the Company's strong focus on technology and close customer relationships, particularly in the service business.

Women accounted for 16% of the total workforce at the end of 2018 (2017: 17%); their share in administration was 45% (2017: 36%). A total of 95% of permanent employees were employed on a full-time basis in 2018 (2017: 94%). 88% of employees had an unlimited employment contract (2017: 90%).

Employee structure (selected figures)

	31.12.2018	31.12.2017
Total workforce	**5,676**	**5,260**
By gender		
Male	84%	83%
Female	16%	17%
By age		
Under 30 years of age	20%	29%
Between 30 and 50 years of age	69%	61%
Over 50 years of age	11%	10%
By working hour model		
Full-time	95%	94%
Part-time	5%	6%
By type of contract		
Permanent staff	88%	90%
Temporary staff	12%	10%

RESEARCH AND DEVELOPMENT

Efficient wind turbines that enable cost-effective power production for their entire operational lifecycle allow the Nordex Group to maintain its competitive strength. Product development therefore focuses on the systematic and comprehensive reduction of the cost of energy of wind turbines for all wind classes and target markets. Development activities also play an important part in continuously monitoring and ensuring the market viability of the products in terms of their eligibility for operating permits and grid connections in the Group's target markets. In addition to series production, project specific solutions and adjustments are developed in some cases. The Group's R&D activities also include innovations in the production and logistics process. Nordex is also involved in projects concerning the grid integration of renewable energies.

ORGANIZATION AND KEY R&D INDICATORS

At the end of 2018, the Nordex Group had a global headcount of 599 employees in engineering (2017: 578 employees). The platforms for markets with limited space, such as those in Europe (Gamma, Delta3000 and Delta4000), are developed and supported in the Europe division, primarily at the Rostock and Hamburg sites. The International division, headquartered in Pamplona, Spain, is responsible for enhancing the AW platform. In addition, the Nordex Blade Technology Centre in Kirkeby (Denmark) is concerned with innovations in the field of rotor blades and related manufacturing technologies. The teams responsible for the various product platforms maintain a very close dialog in order to maximize technological synergies. Due to the platform strategy, developments in areas such as control electronics can be transferred between and within turbines of both the Delta3000 and Delta4000 platforms as well as Gamma. The same applies within the AW3000 platform. All activities aimed at reducing cost of energy (COE) are combined in centrally managed COE programs for the two platforms Delta and AW3000. A total of around 300 team members from different parts of the Group are currently working on these programs. The aim is to reduce the cost of energy of wind turbines Group-wide by a high single-digit percentage annually.

As at the 2018 reporting date, development expenses of EUR 206.5 million (2017: EUR 220.0 million) were recognized. In the financial year 2018, development expenses of EUR 36.4 million were capitalized (2017: EUR 48.2 million). Additions comprise in particular the development of the new Delta4000 series wind turbines and the enhancement of the AW 3000 platform. They comprise borrowing costs of EUR 2.5 million (2017: EUR 0.9 million) at a funding rate of 3.96% (2017: 1.89%). Other development expenses incurred during the 2018 financial year amounting to EUR 20.2 million (2017: EUR 29.4 million) do not meet the criteria for capitalization and were therefore expensed. The capitalization ratio therefore amounts to 64.28% (2017: 61.42%). In the reporting period, amortization of capitalized development expenses was recognized in the amount of EUR 55.2 million (2017: EUR 47.9 million).

PRODUCT DEVELOPMENT

The Nordex Group continued to enhance its product portfolio in 2018. The Delta4000 series was extended to include the high-wind N133/4.8 turbine launched in April 2018, which means Nordex now offers an efficient 4 MW turbine for all wind classes. September 2018 saw construction of the first N149/4.0-4.5 prototype, a system designed for low to medium wind speeds. Nordex also received international IEC type certification for this model in September. In August 2018, an AW140/3000 prototype was installed. Based on the AW3000 platform, this low-wind turbine is designed to meet the needs of the Indian market in particular. The Nordex Group is also already working on the next generation of wind turbines and will be launching new turbine types in the market step-by-step over the next few years.

REPORT ON ECONOMIC POSITION

- > **Nordex completes financial year 2018 in line with its guidance**
- > **Installed capacity totals 2.5 GW**
- > **Order intake rises to 4.8 GW**

MACROECONOMIC AND SECTOR-SPECIFIC ENVIRONMENT

Macroeconomic environment: Global economy stalls in 2018

According to the International Monetary Fund (IMF), the global economy grew by 3.7% in 2018 compared to 3.8% in the previous year. The upturn lost considerable momentum from late summer onwards. The USA's escalating trade dispute with China caused uncertainty across the globe. China also recorded noticeably slower growth due to the initial negative effects of this conflict. The lack of clarity surrounding the process of the United Kingdom leaving the European Union (Brexit) and Italy's budget row with the EU also weighed on the global economy. According to IMF figures, industrialized countries grew by 2.3% in 2018 after 2.4% in the previous year. Private consumption continued to provide economic support in advanced economies. By contrast, industrial activity deteriorated over the course of the year. In emerging and developing countries, the rate of expansion remained relatively high at 4.6% compared to 4.7% in 2017.

While overall economic development remained positive in the Nordex Group's core markets in 2018, these markets were also impacted by a loss of momentum as well as the risks and uncertainties in the last few months of the year.

Economic growth in Germany weakened to just 1.5% in 2018. Factors including automotive production downtime caused by the switch to the new certification test procedure had an adverse impact on this result. Strong private consumption and buoyant equipment and construction investments in the domestic economy provided an important boost to the economy. The upturn in Europe was more subdued in 2018 (eurozone: +1.8%, EU: +1.9%) than in the previous year, with the rate of expansion flattening off in countries such as France, Italy and Spain. With Brexit having an increasingly adverse impact, the UK economy recorded more moderate growth than in 2017.

In the USA, the upturn intensified significantly in 2018 as a result of substantial tax cuts and higher government spending. While Canada's economy remains buoyant, it did not grow as strongly as it did in the previous year. India returned to dynamic expansion in 2018 after suffering reform-related losses a year earlier. After a strong first half of 2018, the Turkish economy slid into a crisis as a result of currency devaluation, rampant inflation and significantly higher interest rates. Although Brazil continued its moderate economic recovery, development in Latin America was adversely impacted by deep recessions in Argentina and Venezuela.

The US Federal Reserve (Fed) raised key interest rates from 2.25% to 2.50% in four successive steps in 2018. By contrast, the European Central Bank (ECB) continued its zero interest rate policy but ended its bond purchases at the end of 2018 as announced. In light of these developments, the US dollar appreciated against the euro. Based on the 2018 year-end exchange rate of USD 1.1452, the depreciation of the euro totaled 4.6% during the reporting year.

Commodities overall became more expensive in 2018 as the global economy grew. According to the IMF, non-oil commodity prices rose by an average of 1.9% (2017: +6.4%). The prices of key raw materials required for the construction of wind turbines did not develop consistently over the course of the year, in some cases with considerable fluctuations. On a US dollar basis, prices for aluminum fell by 17.7% and copper by 20.3% while steel prices (hot rolled coils) rose by 9.1% in 2018. In each case, Nordex secures the price for the necessary commodities immediately following the signing of a contract, meaning that fluctuations in commodity prices have a minor impact on its profit margins.

The prices of fossil fuels and the electricity prices specific to each country may, in general, have an impact on investment decisions regarding new wind farms or on the shape that any national framework conditions might take. The significant rise in oil prices that began in the previous year continued in 2018 due to production caps introduced by OPEC and other producers. According to the IMF, the price of oil increased by approximately 30% to USD 68.58 on average for the year in 2018 (UK Brent, Dubai Fateh, WTI). At the end of 2018, the price of a barrel of reference Brent crude was USD 52.20 (end of 2017: 66.87). In the Central European electricity market, wholesale prices for base load electricity in 2018 continued their strong upward trend from the previous year. At the end of 2018, the Phelix-Baseload index for base load electricity in Germany and Austria was 51.44 EUR/MWh. On the first trading day of the year, the index was 37.04 EUR/MWh.

Political, legal and regulatory environment: Transition to auction process largely complete

The Nordex Group's business is subject to political conditions whose climate protection goals, specific national regulations and expansion plans differ depending on region and country. These conditions provide the framework for the expansion of renewable energy power stations. Government stimulus, whether in the form of subsidies, tax breaks or legal specifications for the use of renewable energy production and the reduction of harmful emissions caused by the use of fossil fuels, has substantially promoted the use of wind energy in recent years. As of 2014, more than 140 countries had installed such systems. One milestone in promoting renewable energy production was the Paris Climate Change Conference in December 2015. For the first time, almost 200 countries signed a legally binding agreement and set themselves an action plan for limiting the temperature increase to a maximum of 2°C above preindustrial levels. The agreement became effective on 4 November 2016, and 172 countries have officially ratified it. In December 2018, another climate summit took place in Katowice (Poland), attended by representatives of more than 190 countries who agreed on decisions to advance the implementation of the Paris Climate Agreement.

The generation of onshore wind energy is based on established technology for sustainable power production. Wind energy has already achieved or is on the verge of achieving grid parity in many markets as the cost of energy is comparable with that of fossil power stations. The prospects vary depending on the specific energy policies and political and financial frameworks in the various sales regions. In 2018, Germany adapted its legislation from the previous year to ensure that all participants in an auction must once again produce a building permit and that projects are realized within two-and-a-half years. Unused volumes will automatically be put out to tender again three years later. In 2018, there were four rounds of tenders with a total output of approximately 2.7 GW. The average price awarded in each round rose steadily from 4.73 ct/kWh, 5.73 ct/kWh and 6.16 ct/kWh to 6.26 ct/kWh most recently, although only 363 MW of the total quantity was awarded in the fourth round of tenders. Industry associations believe that this lackluster tendering is primarily due to a challenging approval process that is in need of improvement.

In most international markets, auction processes in their different forms have become standard practice and have replaced fixed feed-in tariffs. The Nordex Group strategically and operationally focuses on consistently lowering the cost of energy (COE), as a low cost of energy is a prerequisite for successful auction bids among its customers. According to data from Bloomberg New Energy Finance (BNEF), 181 GW of cumulative renewable energy capacity had already been allocated via auction processes worldwide by the end of 2018, including 40.5 GW in the reporting period alone. Latin America and Asia are the regions pioneering this trend.

Industry-specific environment: Slight decline in new installations worldwide

In the previous year, the increasing switch from project awards to auction systems, particularly in Germany, led to significant delays in new orders for wind energy projects. This trend continued during the year under review. However, the market is gradually adapting to these new regulations. The number of new planned and awarded projects in the market recovered from the previous year's slump. As facilities are installed over a period of several months after an order is awarded, 2018 was another year of transition for the wind energy sector in terms of capacity added. As a result, new installations halved, particularly in Germany. This was primarily due to the high proportion of surcharges for the pre-approval projects that dominated tenders in 2017 and have not yet been realized due to a lack of legal certainty. Other countries performed better. According to Global Wind Energy Council (GWEC) data, new installations worldwide for the full year 2018 reached a level of 51.3 GW, down 3.6% from the 53.2 GW recorded in the previous year. As a result, total capacity installed worldwide increased to 591 GW in 2018 (+9.6%). When looking at cumulative installed capacity, China, USA and Germany are by far the most dominant. These markets continue to boast the majority of worldwide growth, accounting for 65% of all new installations in 2018. When evaluating this data, it should be noted that gains in the offshore sector (+0.5%) have partially offset the trend seen in the onshore sector (–3.9%).

International development of the wind power market (onshore and offshore)

Newly installed capacity in MW

Region / Country	2018	2017	Change in %
Globally	**51,300**	**53,200**	**–3.6**
Top 5 markets			
China	23,000	19,660	17.0
USA	7,588	7,017	8.1
Germany	3,371	6,581	–48.8
India	2,191	4,148	–47.2
United Kingdom	1,901	4,270	–55.5

Source: GWEC as of 26.02.2019 (2017: GWEC Global Wind Report 2017)

SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

SUCCESSFUL BOND PLACEMENT

At the end of January, the Nordex Group placed a "green" euro bond with a volume of EUR 275 million. The bond has a five-year term and carries a 6.5% coupon. Proceeds from the placement were used to repay existing liabilities ahead of schedule. As a result, Nordex was able to significantly extend the maturity profile of its borrowings. This measure marks another milestone in preparing the Nordex Group for the current period of upheaval in the sector also from a financial perspective.

NEW TOWER PRODUCTION FACILITY OPENS IN BRAZIL

In April, the Nordex Group inaugurated a new facility in Piaui in northern Brazil to manufacture concrete towers. The plant based on mobile concrete tower technology had previously been used in the south of the country. The production facility marks one of the wind industry's first major investments in the region. This step will enable Nordex to optimize the construction costs of the "Lagoa do Barro" wind farm and implement this project in as environmentally friendly a way as possible.

N133/4.8 REPRESENTS A LEAP IN EFFICIENCY FOR HIGH-WIND SITES

In April, Nordex expanded the Delta4000 product range to include a turbine specially designed for high-wind sites. The N133/4.8 is particularly suitable for use in windy regions such as the United Kingdom and Norway as well as locations with high wind speeds in Turkey, Australia and Central and South America. The Nordex Group is setting new standards in the high-wind segment with a turbine that boasts a rotor diameter of 133 meters and a maximum output of 4.8 MW. Series production of the N133/4.8 is scheduled to start in 2019.

PROTOTYPE OF THE DELTA4000 PRODUCT SERIES ERECTED

The first of two N149/4.0-4.5 turbines, each with a nominal output of 4.5 MW, was erected at the Wennerstorf II wind farm near Hamburg on 21 August 2018. It is the largest wind turbine the Company has ever erected. Manufactured in-house by Nordex from carbon and fiberglass, the one-piece rotor blade for the N149/4.0-4.5 turbine measures almost 73 meters in length. The 149-meter rotor diameter is crucial to the turbine's exceptionally low power generation costs and high yield. Nordex plans to start series production of the low- and medium-wind turbine N149/4.0-4.5 in 2019.

MAJOR ORDER FROM SWEDEN MARKS HISTORIC MILESTONE FOR DELTA4000

At the start of December, the Nordex Group received its biggest order to date in the Delta4000 series for the N149/4.0-4.5. A total of 114 turbines have been ordered from Nordex for the "Nysäter" project in Sweden, including 104 N149/4.0-4.5 and ten N131/3900 turbines. Both turbine models will be installed at different tower heights. Nordex will also be responsible for servicing the turbines for two years. This is the Company's largest-ever order, with the Nordex Group being responsible not only for delivering and erecting the turbines but also for infrastructure work.

NORDEX BEGINS PARTNERSHIP FOR LOCAL PRODUCTION CAPACITY IN ARGENTINA

In December, the Nordex Group entered into a partnership to establish a local turbine assembly line in Argentina with the aim of improving the Company's competitive positioning and growth trajectory in this market. Production facilities for nacelles and hubs for AW3000 turbines are being installed at the Córdoba site and will become operational in 2019. The assembly hall is designed to handle an annual capacity of up to 150 3 MW turbines, equivalent to a potential output of 500 MW. As Nordex is also planning two local concrete tower production facilities in Argentina, the proportion of value added by locally produced and installed Nordex Group turbines will rise to as much as 36%.

OVERVIEW OF THE FINANCIAL YEAR

PRODUCTION

The Nordex Group began the 2018 financial year with a significantly lower order book compared to the start of 2017. As a result, the production of nacelles (wind turbines) fell sharply in both Germany and Spain. Rotor blade production increased slightly. As the manufacture of Gamma and Delta3000 platform turbines in Germany declined, production of the AW3000 platform in Spain increased.

The Nordex Group produced 727 turbines (2017: 1,057 turbines) with a combined nominal output of 2,278.4 MW (2017: 3,152.0 MW) during the year under review. Of these, 368 were Gamma, Delta3000 and Delta4000 turbines, and 355 were AW3000 turbines. An additional four AW1500 turbines were also produced.

During 2018, the Rostock rotor blade plant produced 207 blades (2017: 353 blades), with production primarily switched to the new NR74.5 blade type for the N149/4.0-4.5 turbine over the course of the year. At the Lumbier plant in Spain, rotor blade production increased to 600 blades (2017: 436 blades).

Production output

Production	Turbines (MW)		Rotor blades (units)	
	2018	2017	2018	2017
Germany	1,169.5	1,469.3	207	353
Spain	940.4	1,547.7	600	436
Brazil	111.0	105.0	–	–
India	57.6	30.0	–	–
Total	**2,278.4**	**3,152.0**	**807**	**789**

INSTALLATIONS

In 2018, the Nordex Group installed a total of 828 wind turbines in 17 countries (2017: 932 turbines in 16 countries) with a combined nominal output of 2,522.0 MW (2017: 2,699.1 MW). For the first time, more than half of the turbines were installed outside Europe, which nevertheless remains the most important region with a share of 43%. The USA (North America reporting segment) accounted for 34% of installations, while a further 18% was attributable to Latin America. Another 5% of the turbines were erected in Australia ("Rest of the World" reporting segment).

During the year under review, the USA was once again the most important individual market for the Nordex Group with 863.4 MW of installed capacity, ahead of France and Turkey. In Germany, the Nordex Group's installation volume fell significantly from 724.0 MW in 2017 to 227.8 MW a year later. According to the German Wind Energy Association (BWE), the overall market also declined considerably with 2.4 GW of installations (2017: 5.3 GW).

Installations

Country	Installed capacity (MW)	
	2018	2017
USA	863.4	770.3
France	371.7	170.2
Turkey	238.7	226.4
Germany	227.8	724.0
Argentina	152.0	0.0
Australia	138.6	6.0
Brazil	132.0	180.0
Mexico	100.8	90.0
Peru	56.7	75.6
Spain	54.9	0.0
Italy	46.8	0.0
Norway	39.6	0.0
Greece	38.7	31.4
United Kingdom	29.8	65.0
Ireland	14.9	139.8
Portugal	12.0	2.5
Netherlands	3.6	9.0
India	0.0	75.0
Finland	0.0	101.4
South Africa	0.0	32.5
Total	**2,522.0**	**2,699.1**

This means that the Nordex Group performed well as regards its global market share in 2018, reaching a market share of 10.0% in terms of onshore wind energy installations outside China, after 9.0% in 2017 (source: internal calculations based on GWEC and WindEurope statistics). In the USA, the Company's most important market, the Nordex Group had a market share of 11%, as in the previous year, making it the third-largest provider according to BNEF. In France, the second most important market, the Nordex Group expanded its market share to 24% (2017: 10%), while in the German domestic market its share was just over 9% (2017: 14%).

ORDER INTAKE AND ORDER BOOK

The Projects segment of the Nordex Group recorded very positive order intake growth during the year under review. The Company received wind turbine orders from 18 countries with a total volume of EUR 3,637.3 million (2017: EUR 2,216.1 million), equivalent to a year-on-year increase of 64%. Major projects for local and international utility companies, particularly in Brazil, Sweden, and South Africa, contributed significantly to this rise. As in the previous year, Europe accounted for 51% of orders during the 2018 financial year. Of the total order intake, 11% came from North America (2017: 30%), 21% from Latin America (2017: 17%) and 16% from South Africa and India from the "Rest of the World" region (2017: 2%).

The combined nominal output of the turbines ordered in 2018 reached 4,754.3 MW (2017: 2,741.3 MW), a record high for the Nordex Group and a year-on-year increase of 73%. The average turbine price per megawatt was EUR 0.77 million/MW (2017: to EUR 0.81 million/MW) and reflects regional order distribution, price competition and the higher average nominal output of the turbines sold.

The book-to-bill ratio in the Projects segment (order intake to sales ratio excluding the service business) in 2018 rose significantly to 1.71 year-on-year (2017: 0.80), thus indicating future growth.

Order intake and order book in the Projects segment in 2018

Region	Order intake		Order book[1]	
EUR million	**2018**	**2017**	**2018**	**2017**
Europe	1,871.9	1,120.0	1,798.9	835.0
North America	415.5	670.3	414.0	405.7
Latin America	758.4	387.4	974.0	366.5
Rest of world	591.5	38.4	682.2	63.0
Total	**3,637.3**	**2,216.1**	**3,869.1**	**1,670.2**

[1] As at 31 December

As at the reporting date of 31 December 2018, the Projects segment had a confirmed order book of EUR 3,869.1 million, up 132% on the previous year (31 December 2017: EUR 1,670.2 million). The order book reflects the global positioning of the Nordex Group, with Europe accounting for 46% (2017: 50%), North America for 11% (2017: 24%), Latin America for 25% (2017: 22%) and South Africa and India, i.e. the Rest of the World, for 18% (2017: 4%).

In the Service segment, the Nordex Group achieved an order intake of EUR 543.1 million in the 2018 financial year (2017: EUR 556.8 million). This order intake figure includes both service contracts for new turbines and extensions for expired contracts. As at 31 December 2018, the order book for this segment totaled EUR 2,217.7 million (31 December 2017: EUR 1,979.6 million). This figure includes contracts for turbines that were active at the end of the year. Contracts taking effect after this point are not yet included in this performance indicator.

At the end of 2018, the Nordex Group supported 7,545 wind turbines in the Service segment with a total nominal output of 18.5 GW (31 December 2017: 6,858 turbines and 16.4 GW respectively). The average system availability for the wind turbines managed by the Nordex Group via service agreements across all platforms was 97.7% in 2018 (2017: 97.8%). As a result, unscheduled downtimes of the turbines under management were very low.

SEGMENT PERFORMANCE

Segment reporting was adjusted in the 2018 financial year in order to improve its informative value and enhance comparability with peers in the industry.

Sales, income and expenses that cannot be clearly allocated to the "Projects" or "Service" segments are reported separately as "Not allocated." The prior-year figures were adjusted to reflect the new presentation. The complete segment reporting can be found in the notes to the financial statements.

The Projects segment, which comprises the new wind turbine business and wind farm development as part of the Nordex Development business, generated sales of EUR 2,123.2 million in 2018 (2017: EUR 2,774.0 million), while Service segment sales amounted to EUR 342.6 million (2017: EUR 314.8 million). This means that during the year under review, the Projects segment accounted for 86% and the Service segment for 14% of sales (before unallocated sales and consolidation).

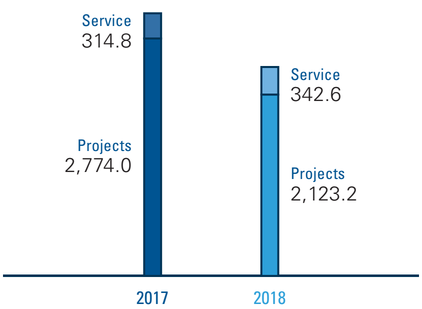
Segment performance key data

	Projects		Service		Group	
EUR million	2018	2017	2018	2017	2018	2017
Order intake	3,637.3	2,216.1	543.1	556.8	4,180.4	2,772.9
Order book	3,869.1	1,670.2	2,217.7	1,979.6	6,086.8	3,649.8
Sales	2,123.2	2,774.0	342.6	314.8	2,459.1 [1]	3,077.8 [1]
EBIT	167.0	297.3	55.1	47.4	–54.2 [2]	43.4 [2]

[1] After unallocated sales and intrasegment consolidation
[2] After unallocated income and expenses and intrasegment consolidation

Sales by segment

EUR million



COMPARISON OF ACTUAL AND FORECAST BUSINESS PERFORMANCE

On 27 March 2018, the Nordex Group published its forecast for the 2018 financial year. The Management Board envisaged consolidated sales of EUR 2.4 billion to EUR 2.6 billion. This anticipated year-on-year decline in sales was primarily attributable to low order intake in Germany. An EBITDA margin of 4.0% to 5.0% was forecast in view of the high level of price pressure that arose from the transition from feed-in tariffs to auction systems. According to the forecast, the expected steady reduction in the cost of energy would only partially compensate for this price pressure.

The Company also anticipated a working capital ratio of less than 5.0% and investments totaling around EUR 110 million. Furthermore, the Nordex Group successfully concluded its cost reduction program according to schedule and improved its structural cost base on a sustained basis.

The Management Board updated its sales forecast in November of 2018. In doing so, the Company assumed that it would generate sales and an EBITDA margin at the lower end of its original target range due to several project delays (particularly in Spain), and confirmed the other parameters.

The Nordex Group's audited figures for 2018 are fully in line with its guidance. With sales of EUR 2,459.1 million, the Company achieved an EBITDA margin of 4.1%. The working capital ratio was –3.8% as at 31 December 2018, significantly below the Group's target of 5.0%. Capital expenditures totaled EUR 112.9 million as expected.

Overview of forecast and actual business performance in 2018

Key figure	March 2018 guidance	November 2018 guidance update	2018 actual
Sales in EUR billion	2.4 – 2.6	Lower end of the range	2.459
EBITDA margin in %	4.0 – 5.0	Lower end of the range	4.1
Working capital ratio in %	Under 5.0	Under 5.0	–3.8
Capital expenditure in EUR million	approx. 110	approx. 110	112.9

MANAGEMENT ASSESSMENT OF THE COMPANY'S ECONOMIC PERFORMANCE

The Nordex Group once again performed well in an intensely competitive and international market environment. During the year under review, the Company recorded an order intake of 4.75 GW, 73% up on the previous year's figure. In the process, Nordex accepted major orders for the new Delta4000 and AW140/3000 turbines. Installed capacity was down 6.6% on the previous year at 2,522.0 GW due to the low order intake from 2017 and several project delays in Spain. As a result, sales also declined to EUR 2,459.1 million during the past financial year, coming in within the expected range. In addition, price pressure impacted the EBITDA margin in line with expectations, resulting in a margin of 4.1% for 2018 after 6.5% in 2017.

The merger with Acciona Windpower in 2016 is having an increasingly positive impact and has made the Nordex Group a global player. Nordex is benefiting more and more from the complementary strengths with regard to markets, customer groups, products and technologies. The Group's broad positioning in numerous high volume and growth markets enables it to withstand and offset all or some of the market upheaval such as that currently seen in Germany.

Overall, the Nordex Group's Management Board considers 2018 to have been a satisfactory year and believes the Company is well equipped to meet its anticipated challenges in the current 2019 financial year.

RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

RESULTS OF OPERATIONS

Sales

In the financial year 2018, the Nordex Group generated sales of EUR 2,459.1 million, a year-on-year decrease of 20.1% (2017: EUR 3,077.8 million). The key reason for the decline in sales, which was expected at the beginning of 2018 and included in the forecast for the year, was the German market, which was very weak overall and for the Nordex Group as well due to a sharp drop in installations. As a result, the United States with sales of EUR 547.8 million (2017: EUR 610.5 million) and France at EUR 512.9 million (2017: EUR 305.0 million) replaced Germany as the countries with the strongest sales. In 2018, only EUR 342.1 million (2017: EUR 910.2 million) in sales were generated here. As in the previous year, other major markets in terms of sales were Turkey at EUR 192.5 million (2017: EUR 200.0 million) and Brazil at EUR 164.6 million (2017: EUR 176.9 million).

The new IFRS 15 financial reporting standard on revenue recognition was applied for the first time in the 2018 financial year. Under IAS 11, the standard that was still applicable for the 2017 financial year, sales would have totaled EUR 2,259.4 million. Further information can be found in the notes in the section entitled "Notes to the Income Statement".

Earnings

The Nordex Group's gross revenue in the reporting period amounted to EUR 2,364.2 million, down 24.4% from the previous year (2017: EUR 3,127.4 million). Material costs decreased at a faster rate than gross revenue and therefore further reduced the cost of materials ratio to 72.3% (2017: 73.4%). This was mainly due to successful measures to lower the cost of energy (COE) and the lack of disruptions during completion of most projects. Gross profit (gross revenue less cost of materials) decreased by 21.4% to EUR 654.1 million (2017: EUR 832.5 million).

In addition to the lower business volume, the successful implementation of the "45-by-18" cost reduction program initiated in 2017 led to a 12.6% drop in structural costs before depreciation and amortization to EUR 552.4 million (EUR 631.8 million). Staff costs were down 9.3% to EUR 325.9 million, and net other operating expenses/income declined by 16.9% to EUR 226.5 million.

Structural costs before depreciation and amortization

EUR million	2018	2017
Staff costs	325.9	359.2
Other operating expenses less other operating income	226.5	272.6
Total	**552.4**	**631.8**

Other operating income totaled EUR 60.4 million in 2018 (2017: EUR 45.6 million). At EUR 49.7 million, a large portion of this amount is attributable to currency translation gains, while EUR 3.1 million is due to insurance compensation and damages.

Other operating expenses decreased to EUR 286.9 million (2017: EUR 318.2 million), with currency translation losses being the largest item at EUR 54.2 million. Rental and lease expenses totaled EUR 27.3 million. Travel expenses were the third largest cost item at EUR 25.2 million. A detailed breakdown of other operating income and expenses can be found in the Notes.

Earnings before interest, taxes, depreciation and amortization (EBITDA) fell 49.3% year-on-year to EUR 101.7 million (2017: EUR 200.7 million). This resulted in an EBITDA margin of 4.1% (2017: 6.5%, or 7.9% adjusted for non-recurring expenses connected with the "45-by-18" cost reduction program), which falls within the forecast range of 4% to 5%.

In 2018, depreciation, amortization and impairment losses stood at EUR 155.8 million, remaining close to the prior-year level (2017: EUR 157.3 million). Of this total, EUR 62.6 million (2017: EUR 61.0 million) can be traced back to the purchase price allocation (PPA) in connection with the acquisition of Acciona Windpower.

This resulted in earnings before interest and taxes (EBIT) of EUR –54.2 million, which corresponds to an EBIT margin of –2.2%. Excluding the PPA impairment losses, this resulted in an EBIT margin of 0.3%.

The financial result totaled EUR –38.4 million in the year under review (2017: –30.9 million). The refinancing undertaken in early 2018 in conjunction with the issue of a EUR 275 million bond was the main factor here. In 2018, interest expenses (interest and similar expenses) amounted to EUR 43.2 million after EUR 33.7 million in the previous year.

Net profit/loss from ordinary activities (EBT) stood at EUR –92.6 million in the 2018 financial year (2017: EUR 12.5 million). The income tax result was positive, totaling EUR 8.7 million for a consolidated loss of EUR 83.9 million (2017: consolidated profit of EUR 0.3 million). Earnings per share decreased to EUR –0.86 compared to EUR 0.00 in the previous year.

FINANCIAL POSITION AND NET ASSETS

Capital structure

The Nordex Group's total assets increased by 8.9% to EUR 3,058.5 million as of 31 December 2018 (31 December 2017: EUR 2,807.6 million). This was primarily due to the effects of the first-time application of the IFRS 15 financial reporting standard. On the liabilities side, other current non-financial liabilities especially grew as a result, rising 119.2% to EUR 787.2 million (31 December 2017: EUR 359.1 million). The issue of the bond and the partial repayment of the promissory note in the first half of 2018 increased other non-current financial liabilities, whereas non-current liabilities to banks declined. All told, current liabilities rose by 39.3% to EUR 1,538.3 million (31 December 2017: EUR 1,104.1 million) and non-current liabilities were up 4.9% to EUR 822.9 million (31 December 2017: EUR 784.5 million).

The medium- and long-term debt financing of the Nordex Group comprises a promissory note, an investment loan from the European Investment Bank (EIB) and a fixed-interest bond. Approximately half of the promissory note for original EUR 550 million issued in 2016 with terms of three, five, seven and ten years was placed with national and international investors. Depending on the tranche, the interest rate at the time of issue was between 1.5% and 3.0%. As the first "green promissory note", this financial instrument could also be taken up by investors emphasizing binding environmental and social standards. The EUR 275 million bond placed in early 2018 with a term of five years and a coupon of 6.5% enabled the Company to repay the variable promissory note tranches due in 2019 ahead of schedule and the proportional repayment of the tranche due in 2021 in order to improve the Company's maturity profile. These repayments were made in February and April 2018. Like the promissory note, the bond was also certified as "green" by the Climate Bonds Initiative. Nordex also took up a loan from the EIB with an original volume of EUR 100 million that is amortized annually.

The Nordex Group also has access to a syndicated loan ("multicurrency guarantee facility") provided by international commercial banks totaling EUR 1.2 billion, which is primarily used for the provision of bank guarantees in the ordinary course of business.

Net liabilities, meaning cash and fixed-term deposits less interest-bearing liabilities, were reduced to EUR 32.5 million (31 December 2017: EUR 60.1 million). Further disclosures on trade payables, liabilities to banks and other financial liabilities can be found in the notes to the consolidated financial statements.

Liabilities to banks (including future interest payments) of the Nordex Group

EUR thousand	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
31.12.2018	**22,574**	**55,623**	**295,576**	**10,238**	**384,011**
31.12.2017	59,299	16,666	596,516	42,593	715,074

Other financial liabilities (including interest due in the future, excluding forward exchange transactions)

EUR thousand	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
31.12.2018	**14,462**	**10,181**	**331,702**	**435**	**356,780**
31.12.2017	48,786	750	1,933	664	52,133

The change in equity in the 2018 financial year was mainly driven by the effects of the first-time application of the IFRS 15 financial reporting standard. These effects and the consolidated loss in particular led to a decrease in equity of 24.1% to EUR 697.3 million as of 31 December 2018 (31 December 2017: EUR 919.0 million). The lower equity figure and higher total assets resulted in a decline in the equity ratio to 22.8% in 2018 as of the reporting date (31 December 2017: 32.7%). Capital reserves again amounted to EUR 597.6 million (31 December 2017: EUR 597.6 million).

Other disclosures regarding changes to the individual equity items can be found in the consolidated statement of changes in equity and in the notes to the consolidated financial statements.

Asset structure

Despite lower sales and the consolidated loss for the period, the Nordex Group's cash and cash equivalents at EUR 609.8 million hovered at the prior-year level as of the reporting date (31 December 2017: EUR 623.2 million). These also include fixed-term deposits, i.e. sight deposits, with notice periods of up to twelve months. Effective working management and higher prepayments due to the robust order intake were the main positive factors.

Trade receivables and contract assets from projects declined by 57.3% to EUR 253.4 million (31 December 2017: EUR 593.3 million). In addition to the transition effects from the application of IFRS 15, successful management of receivables as part of working capital management was evident in this development, among other factors. The increase in inventories by 290.2% to EUR 763.2 million (31 December 2017: EUR 195.6 million) was largely the result of the first-time application of IFRS 15. Overall, current assets rose by 15.4% to EUR 1,781.0 million (31 December 2017: EUR 1,543.1 million).

Non-current assets increased only slightly by 1.0% to EUR 1,277.6 million (31 December 2017: EUR 1,264.5 million). Goodwill remained stable at EUR 547.8 million (31 December 2017: EUR 547.8 million). Capitalized development expenses saw a slight decrease of 6.1% to EUR 206.5 million (31 December 2017: EUR 220.0 million). Other intangible assets were 65.9% lower at EUR 24.6 million (31 December 2017: EUR 72.2 million). This figure was affected by PPA amortization. Deferred tax assets saw 71.6% growth to EUR 173.1 million (31 December 2017: EUR 100.9 million).

Financial position and liquidity

Operating cash flow was up 36.7% to EUR 124.9 million in financial year 2018 (2017: EUR 91.4 million). This was due to the cash flow from changes in working capital, which rose sharply from EUR –16.5 million in 2017 to EUR 156.3 million in 2018.

Accordingly, the working capital ratio also saw a highly positive change: At –3.8% (31 December 2017: 5.3%), this figure was well within the target range in the forecast for the year (below 5%). The keys here were the successful measures implemented as part of the program to optimize working capital and the significantly higher customer prepayments resulting from the high order intake level in 2018.

Cash flow from investing activities amounted to EUR –80.9 million in 2018 (2017: EUR –146.1 million). Factors in this change were the year-on-year decrease in investments in property, plant and equipment and research and development as well as the net cash from sale-and-leaseback transactions for the new office building in Hamburg.

The Nordex Group therefore generated positive free cash flow of EUR 44.0 million in the financial year 2018 (2017: EUR –54.7 million).

Cash flow from financing activities amounted to EUR –46.4 million (2017: EUR 43.9 million) and reflects the repayment of loans, particularly the partial repayment of the promissory note, which exceeded the proceeds from the bond issue. The net change in cash and cash equivalents stood at EUR –2.4 million (2017: EUR –10.8 million). Overall, cash and cash equivalents at the end of the period fell slightly by 2.1% to EUR 609.8 million (31 December 2017: EUR 623.2 million), thus remaining at a high level. The Nordex Group was able to satisfy its payment obligations at all times in the period under review.

Capital expenditure

As projected in the forecast for the 2018 financial year, capital expenditure was lower than in 2017. It totaled EUR 112.9 million, down 21.8% year-on-year (2017: EUR 144.3 million). Of this, intangible assets accounted for EUR 41.3 million or 36.5% (2017: EUR 53.3 million). At EUR 36.4 million, capitalized development expenses accounted for the majority of this figure (2017: EUR 46.8 million).

Investments in property, plant and equipment totaled EUR 71.5 million in 2018 (2017: EUR 91.0 million). Within property, plant and equipment, technical equipment and machinery accounted for the largest share (EUR 37.9 million; 2017: EUR 56.6 million), followed by prepayments made and assets under construction (EUR 17.7 million; 2017: EUR 11.8 million), other fixtures and fittings, tools and equipment (EUR 11.8 million; 2017: EUR 15.7 million) and land and buildings (EUR 4.2 million; 2017: EUR 6.9 million). Capital expenditure focused on the rotor blade plant under construction in Mexico, the conversion of blade production in Europe to NR74.5 rotor blades, and expanding production activities in India.

Capital expenditure

EUR million	2018	2017
Property, plant and equipment	71.5	91.0
Intangible assets	41.3	53.3
Total	**112.9**	**144.3**

OPPORTUNITIES AND RISK REPORT

GENERAL INFORMATION ON THE RISK MANAGEMENT SYSTEM

Accounting

Nordex's internal control system comprises a component that is integrated into its business processes as well as a process-independent component. Guidelines and instructions are issued and internal controls implemented to handle and manage risks and to ensure compliance with formal criteria. The necessary instruments are mostly defined and applied by the specialist functions. In addition, internal auditing tracks risk independently of processes. It examines the existing rules applicable to processes and ensures that they are complied with in practice. In addition, internal auditing reports on risks arising from discernible deviations and issues recommendations concerning the adjustments to be made. Nordex's existing risk management system also undergoes regular external auditing in the interests of continuous improvement.

Nordex takes a number of precautions to ensure proper accounting for the purposes of the annual and consolidated financial statements. Thus, for example, the Group has a central accounting and financial statements structure which is implemented on the basis of uniform accounting rules and instructions. This ensures that Group accounting is reliable and orderly and that transactions are recorded in full and on a timely basis in accordance with the statutory requirements and the provisions of the company's Articles of Incorporation. In addition, accounting rules and instructions are issued to ensure that stock-taking is completed correctly and assets and liabilities are recognized, measured and reported free of any errors or omissions in the consolidated financial statements. Controlling activities include analyses of facts and trends on the basis of performance indicators.

Transactions are recorded in the separate financial statements of the Group companies. For this purpose, a uniform chart of accounts is used throughout the Group. The consolidated financial statements of Nordex SE and its subsidiaries are prepared in accordance with Section 315e of the German Commercial Code (HGB) on the basis of the International Financial Reporting Standards (IFRSs). A structured process as well as a schedule are used in the preparation of the consolidated financial statements. If any non-accounting information is required to prepare the consolidated financial statements, it undergoes careful analysis and plausibility checks prior to being used. The financial statements are consolidated at the level of Nordex SE.

Various controls, such as the separation of functions, the double sign-off principle and approval and release processes are applied to both payments and contracts.

Goals, organization and function of the risk management system

As a company with international business activities, Nordex is exposed to various risks as a result of its operations. For this reason, the Group has implemented a comprehensive risk management system designed to detect potential negative deviations (risks) at an early stage so that suitable precautions can be taken to avert any harm to Nordex and to avoid any impairment of its going-concern status. Positive deviations in the form of opportunities are not included in this system as other structures and processes are available for tracking them (e.g. the "Cost of Energy" program). In addition, risk management seeks to provide adequate assurance that the Nordex Group's operating and strategic goals in particular can be achieved as planned. The risk management system includes numerous control mechanisms and forms an important element of the corporate decision-making process. Accordingly, it is implemented as an integral part of corporate governance throughout the entire Nordex Group. A uniform Group-wide management approach has been implemented for reporting corporate risks to safeguard the efficacy of risk management, to permit the aggregation of risks and to ensure transparent reporting.

The Nordex Group's risk management system addresses all strategic, operating, legal and financial risks along the value chain with the aim of ensuring that they are detected at an early stage, monitored and managed in accordance with the targeted risk profile. This process is supported by risk management software.

The risk management policy adopted by the Management Board governs the approach to be taken to addressing risks within the Nordex Group and defines a uniform methodology applicable to all parts of the Group. This sets out responsibilities for the execution of risk management tasks as well as reporting and monitoring functions. Group risk management holds central methodological and system responsibility for the separate Group-wide standardized risk management system and related reporting structures. It is responsible for regularly updating and implementing the risk management policy. In addition, it is in charge of Group-wide standardized risk reporting to the Management Board.

Risk owners are appointed across the entire Nordex Group (on a national, regional, divisional and Group level). Accordingly, risk management is implemented consistently on all levels and across all departments. Risks arising from operating business are monitored and tracked continuously. The risk owners are responsible for identifying and evaluating risks arising from all main business activities on at least a quarterly basis by applying a consistent methodological approach and for documenting the results in a central risk database. This is followed by a decision on the specific response (e.g. risk mitigation). The resulting plan of action (including the costs of implementation) is evaluated, recorded, implemented and continuously monitored. All steps are repeated in recurring intervals and adjusted in the light of current trends and decisions.

Any risk potential identified is analyzed and assessed using quantitative parameters. Substantial risks to the company's status as a going concern are reported on an immediate risk escalation basis. Risk management findings are regularly incorporated in planning and control analyses as well as the forecast for future business performance. The statutory auditor reviews the processes and procedures implemented for this as well as the appropriateness of the documentation on an annual basis. Nordex is willing to take entrepreneurial risks (risk appetite) but only in so far this business activities and the out of it resulting additional income opportunities can be expected to make a reasonable contribution towards increasing the shareholder value of the Nordex Group.

Updating of risk documentation
Assessments of overall risk potential are updated on the basis of the risk owners' input and documented in a central database. The period under review consists of the remaining current year as well as the following two years. Group risk management coordinates the quarterly updating of risk and counter-action documentation.

Risk evaluation
Risks are classified as potential negative target deviations (downsides) which are measured according to their estimated probability of occurrence and impact to determine which ones are most likely to pose a danger to the Nordex Group's going-concern status and are recorded as a gross figure (prior to risk counter-actions). The risk counter-actions are evaluated and recorded separately. The scales for measuring these two risk value criteria are set out in the following tables:

Risk classification – probability

Probability	Brief description
0–5%	Very unlikely
6–25%	Possible
26–50%	Conceivable
51–100%	Likely

On the basis of this scale, Nordex defines a very unlikely risk as one, which would arise only under extraordinary circumstances and a likely risk as one, which is probable to occur within a defined period of time.

Extent of the risk – impact

Impact	Quantification	Brief description
Minor negative impact on activities as well as on financial and earnings situation	EUR 0.5–3m	Low
Appreciable negative impact on activities as well as on financial and earnings situation	EUR 3–10m	Medium
Strong negative impact on activities as well as on financial and earnings situation	EUR 10–25m	High
Critical negative impact on activities as well as on financial and earnings situation	> EUR 25m	Critical

Nordex classifies risks as "low", "medium", "high" or "critical" in accordance with their estimated probability and impact. This produces the following risk matrix:

Risk matrix

Impact	Risk			
Critical	C	C	C	C
High	M	H	H	C
Medium	M	M	H	H
Low	L	L	M	M
Probability	0–5% Very unlikely	6–25% Possible	26–50% Conceivable	51–100% Likely

C = Critical Risk H = High Risk M = Medium Risk
L = Low Risk

Risk response and monitoring

Risks can be either mitigated by means of active precautions or – under certain circumstances – accepted. Necessary precautions are immediately taken and their expected risk reduction effect evaluated and recorded. The core risks, in particular, the risks from the market (e.g. fluctuations in demand) and the development of new products are borne by Nordex itself. Nordex intends to transfer to third parties all risks that are not part of the core activities (e.g. currency and property damage risks). The company uses selected derivative hedge instruments to reduce its exposure to financial market risks. In addition, insurance is taken out to cover risks where this is economically viable and possible.

The risk owners are responsible for continuously monitoring risks and the efficacy of the precautions taken and are supported by their supervisors and managers. In addition, risks are monitored by the appropriate bodies at the various corporate levels comprising management staff from various parts of the company including the Management Board and the Supervisory Board. The responsible employees at the country, regional, divisional and Group level have permanent access to the details of the risks and precautions documented in the central database. Risk owners at divisional and Corporate Group level regularly discuss risks and precautions together with the Management Board and monitor the effects of the risk-mitigation efforts. In addition, the Management Board receives a quarterly report on individual risks, which are classified as “high” or “critical” on the basis of a risk analysis. Substantial risks to the company’s status as a going concern are reported to the Management Board immediately on an immediate risk escalation basis.

This report takes the form of a general description of the risks together with a quantitative evaluation and their effect on the profit and loss account. All commercial risk information (expected risk values, counter-action effects and costs, provisions and contingencies) are consolidated in an expected net risk forecast. This makes transparent to which extent the risks are covered by already reserved amounts and still to be implemented risk counter-actions. In addition, the Management Board notifies the Supervisory Board on a quarterly basis of any new or existing risks classified as “high” or “critical”.

Continuous monitoring and refinement

Internal auditing satisfies itself of the proper functioning and efficacy of the risk management system in regular intervals. Risk reports are checked on a sample basis for their plausibility and appropriateness via interviews conducted by Internal Audit with the units and companies concerned.

The risk management system undergoes constant optimization as part of the continuous monitoring and improvement process. In this context, equal allowance is made for internal and external requirements. The purpose of the monitoring activities and improvements is to safeguard the efficacy of the risk management system.

The statutory auditor assessed the efficacy of the risk early detection system on the basis of this data and is satisfied that the risk identified has been appropriately described. Accordingly, the risk early detection system complies with the statutory requirements and is consistent with the German Corporate Governance Code.

Description of the main areas of risk and individual risks

Unless otherwise stated, the following descriptions and evaluation of individual risks apply to 2019 until 2021. The risks identified and possible effects resulting from such risks on the financial performance are calculated as a net risk figure. This includes risk counter-actions which have been completely implemented and those which still need to be implemented. This relates only to those counter actions which have been decided upon, are in the implementation phase or established as continuous actions.

Macroeconomic risks

Nordex is exposed to macroeconomic and geo-political risks, particularly a general decline in global economic growth or a slowdown or recession in individual focus markets. Nordex ability to operate and expand into international markets could be harmed also by foreign exchange restrictions, economic, political and social instability, the invention of protective duties and trade barriers, compliance risks, among several other market related risks. As a result of the merger with Acciona Windpower and the considerably higher business volume in the emerging and developing countries, the risk of unforeseen developments in the macroeconomic situation of such countries has become more relevant.

Sector-specific risks

Sector-specific risks comprise general market risks, price risks and legislative risks.

General market risks – particularly the loss of market potential and planned projects – may arise as a result of political or economic factors or changes in the energy industry.

Changes in government policies constitute a general risk. During the past years the changes in support policies affected the wind industry in particular in European markets. Governments were shifting their financial incentive schemes for renewable sources, including wind energy from primarily preferential tariffs or regulated feed-in tariffs on power generated to auction based schemes. This change has resulted in decreasing energy tariffs leading to reduced margins and returns for wind energy investors. Further, this change has led to uncertainty in many markets and disruptions of demand. Moreover, mal-policy-designs lead in some countries to steep degreases in demand: One leading example is the German market, which installed only 2.402 MW in 2018 compared with 5.333 MW in 2017.

Nordex has addressed the sector-specific risks by means of strong sales diversification and as a consequence the Group is currently operating in more than 50 different markets across Europe, America, Asia, Africa and Australia. In addition, an agile process has been implemented to evaluate and address potential markets quickly. The price pressure of the last years has partly been compensated by an inhouse program, which aimed at achieving a continuous reduction in the Cost of Energy produced by its wind turbines.

In 2017 the Group has implemented a cost saving program to reduce structural cost as a reaction to face the decline of the market volume in Europe due to the ongoing conversion to the auction systems.

With almost all markets having transitioned to auction based systems the main sector-specific risks remaining are uncertainties about building permits, disruptive regulatory changes and rising commodity prices affecting the supply chain and further consolidation on the supply side.

The Nordex Group is addressing these risks by engaging through industry associations and direct dialogue with policy makers and public stakeholders, advocating wind energy and by supporting developers in their efforts on getting building permits and diversifying the supply chain.

Aside from factors already known, the probability of sector-specific risks is currently considered to be conceivable. They would still have a high impact on the order intake planned for 2019 and for subsequent years, but also on the financial position in 2019.

Product development risks

As the wind turbine manufacturing industry is highly innovative and competitive, the ability to stay in the market depends strongly on designing, developing and marketing new and more cost efficient wind turbine systems. However, the development of new more efficient and higher-yielding turbine models as well as product modifications involves considerable investments in some cases. These capital expenditures must be recouped via successful sales across the entire product life cycle.

Key determinants for successful turbine engineering particularly comprise the availability of time and financial resources, the secure transition from the prototype phase to series production, the issuing of the necessary operating certificates and permits and the date of market launch. Development risks arise if one or more of these factors are unexpectedly jeopardized and R&D expense is higher than expected.

Nordex addresses these factors during development, prototyping and series production by means of simultaneous engineering and a Group-wide product development process. Development of a new turbine is preceded by a market analysis and preparations in close consultation between sales, product marketing and engineering. In addition, the platform strategy ensures that proven technology is used and specifically enhanced up until certification and the ensuing series production.

The wind power systems assembled by Nordex must comply with the applicable local grid codes. Considerable resources are required to implement the growing number of national grid codes. If grid codes are not observed in a given market, this expense cannot be recouped nor can market potential be tapped. Nordex addresses this risk with organizational structures and a corresponding engineering focus. In addition, internal overarching workgroups have been established. This is supplemented with Nordex's activities in external bodies aimed at achieving maximum international grid-code harmonization.

The probability of development risks is perceived as possible with a medium impact in the results planned.

Project development risks
In the project development business, the Group develops and sells wind farm projects. The project development activities include conducting feasibility studies, securing permits and land rights and power purchase agreements and arranging financing for the intended project.

The wide scope of project development is associated with several risks. For example, not receiving a building permit or not being successful in auctions, not receiving Power Purchase Agreements for a project can lead to cancellation and write off of the project.

The probability of project development risks is classed as conceivable with a medium impact in the results of the Group in case of occurrence.

Sourcing and purchasing risks
The main purchasing risks include supply shortages on the part of suppliers, supplier default as a result of insolvency, unexpectedly high inventories, price, timely delivery and quality risks and minimum local manufacturing content requirements.

Unexpected project delays may result in temporarily increased stockpiling at Nordex, thus impairing its liquidity. Nordex therefore endeavors to keep inventories as low as possible by means of just-in-time deliveries without sacrificing schedule compliance. If order intake falls substantially short of expectations this year, suppliers, some of whom have spent heavily on extending their capacity or have had a change of owner, could be lost for economic reasons, reducing the number of potential suppliers.

A surplus of demand could result in supply shortages for some components – particularly for the newer platforms that are being ramped up – leading to delays in the completion of projects. Nordex addresses the risk of supplier default by several ways. On one side, by timely booking the supplier capacity with due agreements, and on the other side, by qualifying further suppliers in order to reduce the single-sourcing risk. Moreover, this risk is partially covered by insurance. Nordex purchases components worldwide that are largely subject to price fluctuations in the commodities as well as the foreign exchange markets. As it offers its customers turbines at prices fixed for specific projects, components are hedged and sourced as quickly as possible after the order intake, thus reducing the risk of price fluctuations on the purchasing side.

Nordex guarantees the quality of its turbines and also certain performance and availability parameters. In order to avoid any penalties for failure to meet these performance guarantees, all components and the complete system undergo thorough certification during the design phase, as well as testing and quality inspections under the quality management system. Even so, it is not possible to completely exclude the risk of faulty components, e.g. externally sourced components, and this risk cannot be fully passed on to suppliers and sub-suppliers.

Local manufacturing content requirements are growing in importance in new markets in the emerging and developing countries. Failure to furnish proof of the company’s ability to meet these requirements may have an adverse effect on project finance and execution. Nordex addresses this risk by searching for local contractors at an early stage and by working closely with customers and authorities in the countries concerned.

The probability of sourcing and purchasing risks is classed as possible and may have a critical impact on the company's margins.

Production risks

Over the last few years, Nordex has revised its production system, adopting line production for turbine assembly and partially automated processes for rotor blade production. Accordingly, the main production risk is a standstill in the production facilities. Standstills may arise when deliveries by upstream suppliers are delayed or fail to meet the agreed quality, the commencement of volume production of new types of turbines is delayed or key production resources such as cranes, assembly line systems or molds fail.

A further specific risk refers to the ramp-up phases for new products and components, particularly new blade types or blade types, which are produced by external contractors and in new locations. In addition to training new employees in this field, it is necessary to ensure the necessary quality of the carbon-fiber-reinforced blades to avoid any unplanned cost overruns.

Nordex has established a global supply chain, and is sourcing systems, components and parts from different regions worldwide. There is a risk that supply chains get delayed or stopped due to political events, custom tariff changes and a changing regulative environment, with potentially negative effect on production output. To manage the risk, Nordex has dedicated, local and global resources in place.

Nordex addresses production risks by means of quality management and has implemented processes as well as supply chain management, which covers the interfaces linking procurement, production and project management.

The probability of production risks is classed as conceivable and may have a high impact on performance indicators.

Project and assembly risks

The locations at which Nordex assembles wind turbines and wind farms each exhibit unique topographic, climatic and regional characteristics. A technical evaluation and commercial appraisal is conducted prior to project execution. Deviations from the predefined process chain may be caused by weather risks, which may lead to delays in the assembly and commissioning schedules. Nordex addresses these risks by including risk-sharing provisions in the relevant contracts between manufacturer and customer and by means of active deviation management. Even so, the possibility of cost overruns, e.g. for cranes and assembly work, as well as transportation and logistics, cannot be completely ruled out. Further possible risks include insufficient component availability due to delays on the part of suppliers or capacity bottlenecks in external resources (e.g. crane services and special transporters) and internal resources. This risk may arise if, for example, it is necessary to delay original schedules.

One material area of risk within project management concerns quality and technology. Despite prior quality management measures, technical errors or quality shortfalls in individual components may only become evident at the site, making remedial activity or replacements necessary. In addition to the aforementioned delays, this may result in failure of acceptance by the customer or – after the completion of remedial work – delayed acceptance, resulting in delayed payment by the customer. In individual cases, there is a risk of compensation payments or a reduction in the purchase price being demanded.

Project and assembly risks may cause unplanned cost overruns, resulting in a reduction in the budgeted margin contribution for the project. The probability of these risks is classified as conceivable with a medium impact on the financial position.

Technical risks

Wind turbines are complex machines comprised of a number of sophisticated systems, modules and individual components that need to operate in sync and largely autonomously in very diverse environments in order to perform reliably. As such, our wind turbines are subject to various technical risks over their life cycle, the exposure to which varies with the materials and technologies employed to manufacture these components and is highly dependent on the components meeting the required design and quality standards of the product. Deviations from these standards may limit the use of wind turbines or may render them inoperable and may require repairs, replacements or full reinstatement, which, in turn, could result in considerable additional expenses for us. These expenses are particularly high in cases of recurring defects affecting a sizeable number of products. The warranties in the sales contracts for new wind turbines customarily have a duration of two to five years, with any replaced spare parts or components benefiting from up to a further two years of warranty cover from the date of repair or replacement within the warranty or defects notification period. In addition, Nordex typically undertakes to provide operation and maintenance services for its wind turbines for extended terms of up to 20 years or more post sale which often includes an unlimited or at least extensive replace or repair obligation for components failing for reasons other than force majeure or owner intervention. Accordingly, for many wind turbines the responsibility for remedial action in case of wind turbine failure often extends beyond the warranty period. Additionally, Nordex typically warrants certain performance criteria of its wind turbines such as noise (emission) levels and power curve during the warranty period and, usually in connection with the service contract, the availability of the wind turbines for operation or some other measure of the wind turbines' ability to produce. In case of failing to meet these performance criteria the Group would have to compensate its customers for the diminished use of their wind turbines or lost production, which in turn may cause to incur extremely high unplanned expenses.

To deal with technical risks, in addition to the insurance coverage and supplier recourse available, the Group has recorded provisions to cover potential costs and customer claims related to technical issues.

Technical risks are classed as possible but with a high impact on the financial position. Nordex has set aside appropriate provisions for existing risks.

Financial risks

With respect to financial risks, the Nordex Group is exposed to foreign currency risks, interest risks, credit risks, unplanned depreciation and amortization expense, liquidity risks and the risk of limited possibilities to carry unused tax losses forward.

The Group's business is exposed to fluctuations in exchange rates as a result of its international orientation as not all transactions are executed on a euro basis. The currency translation risk appears when the results of operations and the financial position in foreign subsidiaries are translated into euros at the applicable exchange rates for inclusion in the consolidated financial statements. These exchange rates may fluctuate significantly affecting the comparability of the results between periods. The currency transaction risks occurs when the Group enters into projects with a mismatch of outflow and inflow currencies. To avoid this risk, Nordex tries to create a natural hedge by entering into contracts with customers that match the currency of the contracts with suppliers. In addition, Nordex also enters into derivative hedge instruments to reduce any remaining foreign currency risk.

The Group is exposed to interest risks from the promissory note (Schuldschein) issued in 2016, part of which is subject to variable interest rates. Following the issuance of a “Green Bond” at the beginning of 2018 Nordex Group used the proceeds of such instrument to repay the three-year and partially repay the five-year variable interest Schuldschein tranches. With that refinancing instrument floating interest risk exposure has been reduced significantly.

To minimize credit risks, the Nordex Group enters into business with third parties whose creditworthiness is regularly monitored. All main new customers wishing to enter into business on credit terms undergo a credit check. As a matter of principle, credit risks or the risk of counterparties failing to comply with their payment obligations are addressed ahead of acceptance of the order by means of a standardized approval procedure. In particular, the order is not accepted unless the project finance is guaranteed by a bank and/or a bank guarantee or a parent company guarantee has been issued in Nordex favor. In addition, the contracts provide for pre-payments to be made when certain milestones are reached. In addition, receivables are monitored on an ongoing basis to avert all material credit risks.

Impairment losses constitute a further financial risk, which may affect obsolete inventories and spare parts as well as the recoverability of receivables (bad debts) and intangible assets arising from research and development or project development. Nordex addresses this risk by increasingly adopting “just-in-time” sourcing and via regular reassessment of its intangible assets. There is no pronounced clustering of credit risks within the Group. Receivables from construction contracts and trade receivables are additionally secured by means of sureties, guarantees, stand-by letters of credit or retained ownership rights.

The liquidity risk is the risk of not being able to meet current or future payment obligations due to a lack of funds. Treasury therefore monitors and coordinates Group liquidity on an ongoing basis. To this end, it tracks payments made and received in the light of the settlement periods of the financial investments and assets as well as expected payment flows from operating activities. The Group seeks to achieve a balance between current incoming and outgoing payments. In some cases, Nordex uses cash pooling or other inhouse financing mechanisms to enhance the efficiency of liquidity management within the Group. Any surplus liquidity is invested cautiously with domestic and non-domestic commercial banks. For this purpose, limits and counterparty risks are monitored permanently. Additionally, the Nordex Group is financed by advance project payments made by customers. With all projects, the payments are invoiced in line with the progress of work on the basis of the agreed contractual schedule. The Group’s external funding is mainly based on a guarantee facility from a banking syndicate, a promissory note, a “Green Bond” and a loan from the European Investment Bank.

Overall, the probability of financial risks is considered to be possible with a medium impact in the results of the Group in case of occurrence. Nordex has set aside appropriate provisions for existing risks.

Legal risks

As described in the above sections, the Nordex Group's operating business is exposed to various risks. Legal risks primarily cover liability risks arising from possible warranty or compensation claims under delivery and service contracts. In addition, liability risks may have a legislative basis, e.g. product liability, infringements of patents or industrial property rights, requirements under tax law – particularly at an international level – and failure to fully observe certification requirements or other statutory stipulations. Among other things, there is a rule in all EU member states stipulating that all technical equipment must comply with the Machinery Directive.

Although Nordex has established appropriate organizational structures to ensure compliance with the relevant contractual and statutory obligations in the performance of its business activities, such liability risks as well as litigation risks can never be excluded. Internal precautions are taken and processes implemented across the entire value chain to avert legal risks.

The probability of these risks is classed as possible; the impact on the financial performance indicators is considered medium. Nordex has set aside appropriate provisions for existing risks.

Human resource risks

In the development and implementation of business strategies, Nordex is strongly dependent on its ability to recruit, retain and train highly qualified employees, particularly in those areas that demand a solid technical background and knowledge of the particulars of wind turbine manufacturing. However, the main Human Resource risks are related with the shortages of skilled or management staff, inappropriate or insufficient qualifications, as well as staff and management fluctuation in key positions.

In order to reduce risks arising from a shortage of skilled or management staff, Nordex improved its recruitment processes and realigned the related activities in the period under review. Similarly, the courses offered by the Group's own training facility, the Nordex Academy, have been extended to ensure that staff receive the qualifications required on an ongoing basis. In an effort to limit fluctuation, particularly in key positions, Nordex is continuing to improve internal career development prospects, identify young potentials at an early stage and prepare corresponding replacements, e.g. via the "Upwind" young potentials development program.

Overall, the probability of human resource risks is considered to be very unlikely and their impact is considered to be low.

IT risks
As a turbine manufacturer, we attach top priority to matters pertaining to cyber security and information security management, and in doing so, we observe all statutory requirements. Our information security policies, procedures and systems are aligned with ISO27001 and common best practices for IT security.

IT-based business processes are fundamentally exposed to the risks arising from electronic information processing, particularly system failures, compromised data security and data loss. Accordingly, Nordex permanently updates and monitors the security of the information technology, which it uses to safeguard information confidentiality, availability and integrity. This is done by training staff as well as by means of regular internal and external auditing of the IT system landscapes used. The systems are kept up to date in accordance with vendor specifications and general security recommendations (e.g. BSI, CERT).

The IT systems could be subject to breaches of security. Such breaches of security may be caused by hackers using programs able to uncover remote monitoring login data or by carrying out denial-of-service or ransomware attacks. While such breaches of security may not immediately affect the structural integrity and/or operational safety of our wind turbines, they may cause temporary suspensions in our ability to remotely monitor wind turbines, which is a key part of the services offering.

Nordex has taken a series of precautions to minimize the risk of system failures and to protect its business data. For this purpose, modern data encryption technology, access restrictions and controls as well as firewall systems, virus protection programs and monitoring systems are implemented. Confidential technical information is shared with customers and suppliers in specially protected data rooms. In addition, Nordex's data is secured through the use of fail-proof high-availability central server systems. For this purpose, all Nordex IT systems are operated by external partners at certified state-of-the-art data centers. When using cloud based technologies, Nordex has special security recommendations, which are already considered during service implementations and are checked regularly.

Personal data is processed strictly in accordance with the German Federal Data Protection Act (BDSG) and European General Data Protection Regulation (GDPR). This is monitored and overseen jointly by IT management and the data privacy officer. Systematic IT processes ensure the necessary sustainability of all the aforementioned measures.

After the merger with Acciona Windpower, Nordex keeps on working on the integration of the IT systems in all the Group subsidiaries in order to streamline and unify processes and improve the flow of information within the Group. This includes as well the migration to SAP.

Overall, the probability of IT risks is considered to be possible with a medium impact on results.

Other risks
Beyond the risks described above, there are factors or events such as citizens' protests and initiatives against wind power, epidemics, natural catastrophes, terror attacks and acts of war, which cannot be foreseen and are therefore difficult to control. Any such events would be liable to adversely affect Nordex's business performance.

Overall risk
The Management Board regularly reviews the risks to which the Nordex Group is exposed. In the assessment of the Management Board, there are currently no significant individual risks that are liable to compromise the Nordex Group's going-concern status. The same is also true with respect to an overall consideration of all risks.

OPPORTUNITIES

Opportunities offered by political decision-making
Decisions taken by government and energy sector actors offer chances to expand the role of renewables, and could prove to be a key driver in the market. This not only applies to countries with developed markets who wish to promote the expansion of renewable energy sources but also to those countries whose reliance on renewables has been non-existent or very minimal to date. Such decision-making creates planning reliability and a positive investor environment. The Nordex Group includes detailed market observation and trend tracking as part of its sales activities, to ensure openings can be moved into quickly following a thorough evaluation. Germany can be cited here as an example of a developed market. Following lengthy discussions, the government has approved volumes of 1.0 GW for 2019, 1.4 GW for 2020 and 1.6 GW for 2021, which will be honored in addition to the regular invitations to tender. This offers solid sales potential for Nordex with the new N149/4.0-4.5 turbine.

Opportunities arising from research and development
The primary focus of research and development work in the Nordex Group is the enhancement of its products to ensure that it is able to offer its customers an efficient and competitive product portfolio and level of service at all times. One key aspect of these activities is a continuous reduction in the cost of energy, whether by reducing costs directly or improving the performance capabilities of its turbines. This not only improves the Group's position in relation to the competition (also including conventional electricity generation technologies) but also makes it increasingly independent of national subsidy mechanisms. The newly introduced turbines N149/4.0-4.5 and AW140/3000 certainly represent an important milestone in this context. Please also see the "Research and Development" section.

Opportunities in sales and distribution
Careful maintenance of the customer base and core markets creates growth potential – especially by the focused development of new markets and customer segments. Our sales and services units continuously analyze new and established markets alike to evaluate opportunities and risks, potential project pipelines and opportunities for expansion. These evaluations are then used to ensure that markets are developed with maximum efficiency and minimal risk. This approach has ensured sales successes for Nordex in countries such as Australia, Poland and Ukraine. Latin America and Southeast Asia are also considered to be key potential markets. For any market entry, it is important to secure contracts for large project volumes (ideally also including services) to ensure a rapid ROI on the costs of providing service and project management units local to customers. Global electricity producers play a key role for developing new customer segments. The aim here is to become a strategic provider and so be among those selected for major projects. There is also an increasing trend for businesses from a wide range of industries to invest in wind farms using the corporate PPA approach. Nordex Group's global structure is an essential precondition to being able to provide support to its various customers in their respective markets in oder to implement local projects and guarantee the service required for the plants.

Opportunities offered by project development and services
In certain markets, the Nordex Group has extended its value chain to include the project development activities lying upstream of project management work. To do so, the Company utilizes wind farm projects developed internally in selected markets such as France and India, as well as the marketing of turnkey wind farms. These projects are targeted at financial investors in particular. This approach offers opportunities to generate additional potential earnings and margins. Service business is characterized by high margins. Opportunities here result from maximizing the term of service agreements, extending service agreements and creating a comprehensive portfolio of services that is developed continuously – also in terms of the diversity of its deliverables. Key concepts here include optimum

usage and maintenance of turbines with a service life of 25 years, predictive maintenance, enhancing turbine output and reducing the costs of electricity generation. Services also establish proximity to the customer and form the basis for new projects.

Operational strategy implementation and successful operational excellence measures
The Company's medium-term strategy includes several far-reaching opportunities already outlined. As one example, the expansion of the value chain should have a positive impact on electricity generation costs (lower material costs, better logistics and improved working capital). Beyond the corporate strategy itself, significant roles are played by quality and operational excellence. High quality keeps subsequent costs low and therefore works to preserve margins. The project development process offers ongoing opportunities to optimize margins, whether by improving process flows or by reducing product costs.

Overall assessment of opportunities
Exploiting opportunities where they arise is a key element of the Nordex Group corporate strategy. Opportunities and potential are reviewed in all company departments, and by senior management and the Management Board. The current conditions in the markets, together with business development plans and expected installations, offer the Nordex Group a corresponding set of opportunities.

REPORT ON POST-BALANCE SHEET DATE EVENTS

No events of particular significance occurred after the end of the financial year.

REPORT ON EXPECTED DEVELOPMENTS

> **Strong sales growth forecast in 2019, results of operations remain impacted by lower-margin projects in the order book**
> **Primary focus on managing projects and efficiently reorganizing the supply chain**
> **Measures aimed at improving profitability creating long-term earnings opportunities**

FUTURE ENVIRONMENT

Anticipated macroeconomic environment: Global economy expected to be weaker and more vulnerable to disruption in 2019
In January, the International Monetary Fund (IMF) once again lowered its forecast for the future development of the global economy after first revising its estimates last fall. The IMF currently believes that the global economy will grow by 3.5% in 2019, a slower rate than in recent years. In industrialized nations, the upturn will weaken to 2.0% in 2019. China's expansion is also noticeably losing momentum, partly as a result of the effects of the country's trade dispute with the USA. Overall, developing and emerging countries are expected to grow by 4.5% in 2019, only slightly slower than in the previous year. The global economy is particularly prone to disruption in 2019 as a result of significantly higher risks and political strains. The largest risks to the global economy are rising nationalism and new sanctions. The USA's trade conflict with China and potentially also with Europe in the future is the biggest threat to growth. Additional risks that could have a particularly damaging impact on Europe are Brexit, Italy's structural problems and high levels of debt, and discord among member states on key EU and eurozone issues. The IMF also sees risks in the event of massive valuation adjustments on the financial markets.

Expected GDP growth in 2019 (selected countries and regions)

in %	Sources	2018	2019e
World	**a**	**3.7**	**3.5**
Industrialized countries	**a**	**2.3**	**2.0**
USA	a	2.9	2.5
Canada	a	2.1	1.9
Eurozone	b, a	1.8	1.6
Germany	c, a	1.5	1.3
France	a	1.5	1.5
Spain	a	2.5	2.2
Italy	a	1.0	0.6
United Kingdom	a	1.4	1.5
Developing / emerging countries	**a**	**4.6**	**4.5**
India	a	7.3	7.5
Turkey	d	3.5	1.6
Latin America	a	1.1	2.0
Brazil	a	1.3	2.5

Sources: a) IWF, b) Eurostat, c) Destatis, d) World Bank

Provided that these risks do not escalate, the economic outlook is relatively positive for the Nordex Group's core markets in 2019. However, the overall economic outlook is becoming increasingly gloomy almost everywhere after years of strong growth.

Germany is expected to record moderate growth in 2019. The country's main economic drivers are private consumption, with higher wages and fiscal policy providing a boost in this area, as well as the construction industry. Deutsche Bundesbank anticipates growth of 1.6%, with the automotive industry expected to recover from last year's dent in production. The IMF believes the German economy will expand by 1.3%.

Economic momentum in the eurozone is lower than in previous years. While France will continue to grow at a moderate pace in 2019 according to IMF estimates, expansion is slowing in Spain while Italy is hardly expected to record any growth.

The USA will grow at a slower yet still robust rate in 2019 as the one-off impact of tax reforms wanes and as a result of higher interest rates and the negative effects of the trade dispute with China. The UK continues to be adversely impacted by Brexit. India's economy will continue to grow strongly in 2019. The outlook for the Turkish economy remains very gloomy. Despite the crises in Argentina and Venezuela, the overall economy in Brazil and Latin America is expected to recover.

The Fed is generally expected to continue moderately increasing key interest rates, albeit not to the same extent as in the previous year, while a pause in rate hikes is not out of the question. When it ended its bond purchasing program at the end of 2018, the ECB announced that it would maintain its zero interest rate policy until at least the summer of 2019 or longer if necessary.

In light of this, fundamentals are improving further in favor of the US dollar as a result of the growth differential, and potentially also due to differences in interest rates. However, the resulting US dollar appreciation against the euro and other currencies could be overshadowed or distorted by changes in currency movements (many emerging markets have debt in US dollars) or political effects triggered by crises and turbulence. Most of the agreements with customers and suppliers entered into by the Nordex Group companies are denominated in either euro or US dollar. Split agreements are common, in which the currency is based on the relevant section of the project value chain or supply chain. Remaining transaction currency risks are, for the most part, minimized via hedging. Further information can be found in the notes in the section entitled "Financial risk management".

On the commodity markets, the IMF expects prices to fall in 2019. It anticipates a slight decline in non-oil commodity prices on average (–2.7% compared to +1.9% the previous year). This trend will likely also be reflected in aluminum, copper and steel prices, which are pivotal to wind turbine construction. While the IMF expects oil prices to fall by around 14%, this will only offset part of the previous year's sharp price increase. According to the IMF, the price of a barrel of oil (average price for UK Brent, Dubai Fateh, WTI) is expected to drop to USD 58.95 on average in 2019 (2017 average: USD 68.58). In light of this, natural gas prices are not expected to rise.

Political, legal and regulatory environment: international targets remain ambitious

Political support for renewable energy remains important even in a market that is largely driven by economics. From a global perspective, the agreements signed at UN climate summits – crucially the Kyoto Protocol of 1997, the 2015 Paris Agreement and, most recently, the Katowice Climate Package of 2018 – provide the framework for achieving the targets set for reduction of greenhouse gas emissions. The transition to electricity generated from renewable sources is therefore an enduring trend in most regions of the world, though it is taking place under very different regulatory requirements. After the Paris Agreement was signed, Sweden, for instance, made a legally binding commitment in 2017 to become carbon neutral by 2045. Norway, Finland and Denmark are pursuing similar plans.

At European Union level, a renewable energy target of at least 32% for 2030 has been set in the Clean Energy for All Europeans package. The European Parliament approved the target at the end of 2018. Formal approval of the regulations is expected to be finalized in the early months of 2019. Each member state is now required to present integrated national energy and climate plans outlining how they will achieve their respective targets. These plans should provide much greater transparency in relation to the development of wind energy in Europe in the medium term.

The volume of the wind energy tenders in Germany will rise in 2019 due to the extra capacity that will be tendered in addition to the regular auctions. Increasing wind energy capacity is one of a set of measures with which the federal government hopes to achieve its internationally binding emissions reduction targets. There will be an additional volume of 1 GW in 2019, 1.4 GW in 2020 and 1.6 GW in 2021. One obstacle in the implementation of this measure is the number of wind projects being approved in Germany, which remains low. The slow-moving issue of permits affects the signing of tenders, as recently seen in February 2019. Strategies for changing the approval situation are being discussed in the political arena and in the wind industry.

In the United States, the regulatory landscape is proving stable at a national level thanks to the system of tax credits in place (PTC). For projects commenced in 2019, the tax rate that has now been reduced to 40% of the initial value can be safeguarded for the last time as planned (safe harbor). The expansion of wind energy will now be pushed at a state level, particularly within the framework of the renewable portfolio standards.

In Latin America, the change in government in Brazil and Mexico and the forthcoming elections in Argentina initially created some uncertainty as regards the further expansion of wind energy. Following numerous auctions in 2017, in 2018 successful auctions were essentially only conducted in Brazil. An auction scheduled to be held in Mexico was initially postponed at the end of 2018 and later canceled. The new government intends to take more time to evaluate and determine the direction of Mexico's energy policy. On the whole, demand for new renewable energy production capacity is enjoying an increasingly broader base in Latin America. At the beginning of 2019, Colombia held its first technology-neutral auction focused heavily on renewable energy.

In India, onshore wind projects with a volume of 6.8 GW were auctioned in 2018 that will ensure a well-filled project pipeline for the industry. The government still plans to hold auctions for a total of 140 GW in the area of wind energy alone up to 2028. In Australia, the high growth in wind energy capacity is attributable among other things to the auctions conducted at a state level in 2018.

Industry-specific environment: Steady growth for new installations worldwide

As an established and efficient technology for generating renewably produced electricity, wind energy accounts for the majority of renewable energy production. However, the market has been concentrated in relatively few countries up to now. The Top 10 represents 85% of cumulative new capacity, with China, the USA and Germany leading the way, followed by India, Spain and the UK. In addition to high levels of investment in new onshore wind farms, repowering (replacement of old turbines) is also becoming gradually more significant. This will continue to drive the market for onshore wind turbine systems in the medium and long term.

Based on the previous medium-term outlook issued by the Global Wind Energy Council (GWEC), cumulative global wind energy capacity is expected to grow further by an average of at least 9% per year to 841 GW by 2022. This means the absolute volume of new installations will grow steadily from more than 50 GW in 2017 and 2018 to around 66 GW in 2022. The previous GWEC forecast for global new installations in 2019 was 57.5 GW.

In its Q4 2018 Onshore Market Outlook, market research firm Wood Mackenzie (formerly MAKE Consulting) expects global installations of onshore wind turbines to rise considerably by 27% to 59.7 GW in 2019. This growth will be supported by every region of the world to varying degrees. Within Europe, the sharp decline predicted for Germany will be more than offset by positive developments in Southern, Northern and Eastern Europe in particular. Market researchers expect global market volume excluding China to climb by 35% to 39.4 GW in 2019 and remain largely stable in subsequent years.

Wind power onshore market outlook for the top 12 countries by expected new installations in 2019 and 2020

in MW	2018	2019e	2020e
China	21,200	20,240	20,590
USA	7,588	11,300	12,000
India	2,191	4,520	6,520
Spain	n/a	2,440	760
Australia	n/a	2,117	1,937
Brazil	1,939	1,625	500
Sweden	717	1,500	1,900
Mexico	929	1,420	1,225
Norway	n/a	1,320	1,098
France	1,563	1,310	1,500
Canada	566	1,120	450
Germany	2,402	1,017	2,150

Source: 2018 actual: GWEC Global Wind; forecasts for 2019/2020: Wood Mackenzie Q4/2018 Onshore Market Outlook

GUIDANCE OF THE NORDEX GROUP FOR 2019

The year-end order book provides an important basis for company guidance. In the Projects segment, this figure totaled EUR 3,869.1 million as at 31 December 2018, more than double the prior year amount (31 December 2017: EUR 1,670.2 million). This rise is mainly attributable to the positive order intake trend during the year under review. Sweden, the USA and Brazil were the strongest individual markets.

The transition in the wind industry from feed-in tariffs guaranteed by the state to auction systems with market prices is largely complete. Despite this, the market environment remains dynamic with intense competition in many markets worldwide. This intense competition and the resulting price pressure has helped to establish wind energy as a competitive alternative form of power production that has already reached grid parity in many markets. From the Company's perspective, market conditions will remain challenging in 2019 as the number of installations is high, some projects have low margins and the supply chain is being expanded in lower-cost countries.

Compared to the last year, the Nordex Group's key markets look significantly more benign for 2019. In Germany, the auction system has now stabilized, which means all participants must produce a valid building permit in accordance with the Federal Pollution Control Act (BImSchG). Furthermore, additional volumes were approved outside of the regular auctions, namely 1 GW for 2019, 1.4 GW for 2020 and 1.6 GW for 2021. This should help to ensure that installation volumes increase once again after their recent decline. France and Ireland are also expected to continue developing positively. The Nordic markets, i.e. Finland and especially Sweden, play a significant role and are also likely to experience positive development. In addition, Nordex should continue to perform well in the Spanish market.

The USA will also remain an important market for the Nordex Group, one that is characterized by large volumes and a strong increase in installations in 2019 and 2020, but also by fierce competition. Nordex is also anticipating positive performance in the Latin American market in countries such as Mexico, Brazil, and Colombia, where the first auction is likely to take place in 2019. The Company is expected to record good incoming orders in these markets in 2019.

In India, the market has transitioned from feed-in tariffs to auction systems. This market is characterized by both fierce competition and significant potential as a long-term volume market, prompting the Nordex Group to expand its production in this area. In 2018, the backlog of projects in South Africa was resolved after the change of government in February. As a result, the Company was able to launch three projects representing around 400 MW and record them as incoming orders. As South Africa also has potential, a fifth round of auctions is expected in 2019.

To succeed in this challenging market environment, the Management Board of the Nordex Group is focusing on three key initiatives.

First, the Nordex Group is expending its supply chain in so-called 'best-cost countries' to enable more international and flexible production and procurement. The Management Board will also forge ahead with the expansion of production sites operated with cooperation partners. The Company has introduced appropriate organizational measures to achieve this.

The second strategic initiative involves consistently enhancing the product platform. With the Delta4000, the Nordex Group has a highly efficient and sustainable platform that has prompted plenty of positive customer feedback and is reflected in the initial orders. The goal now is to further combine and dovetail the Company's high level of technical expertise in order to meet various market requirements.

In the past, a high degree of project expertise has been a hallmark of the Nordex Group. The number of turnkey projects has been steadily rising since then, particularly for transnational customers. In light of this trend, the Company is planning to further optimize its project management processes across divisions and further expand the proportion of EPC projects it takes on.

The Management Board of Nordex SE expects to generate consolidated sales of EUR 3.2 to EUR 3.5 billion and an EBITDA margin of between 3.0% and 5.0% in the 2019 financial year. These ranges are broader than in the previous year and thus take into account the significant increase in activity and the operational challenges this will bring. Overall, the Company considers itself to be well equipped to efficiently handle the high number of pending installations and has already made appropriate arrangements for a series of projects. The Company also expects installations – and as a result sales – in the second half of the year to be well above the figure seen in the first six months. Accordingly, production will continue to grow during the year and will be close to full capacity utilization in the second half of the year.

The development of working capital in 2019 depends on both order intake and, increasingly, high activity levels. In light of this, the Management Board will strive to keep working capital as low as possible and anticipates a working capital ratio of below 2% at the year end relative to consolidated sales. In addition, capital expenditures totaling around EUR 120 million are planned based on today's knowledge although the ultimate level of capital expenditures will depend on the momentum of order intake for new products during the year.

OVERALL ASSESSMENT OF EXPECTED DEVELOPMENTS BY THE MANAGEMENT BOARD

The Nordex Group successfully implemented its strategic measures by accelerating product launches, lowering structural costs, placing the EUR 275 million bond and optimizing working capital. This has enabled Nordex to consolidate its market position and ensure that it is well prepared for the transitional year of 2019. During the year ahead, the Company will focus more intensively on operational challenges and has also made appropriate internal adjustments to its organization. One important task is to continue developing the supply chain to ensure more international, cost efficient and flexible production at both its own production sites and those operated by third parties. This includes further optimization of the global procurement process. There will also be a particular focus on enhancing and optimizing the new Delta4000 platform for worldwide marketing. The Nordex Group will systematically continue its efforts to reduce the cost of energy, boost its competitive strength and widen future profit margins. In light of the strong order book and the high number of installations expected, it will be vitally important to process projects smoothly and efficiently.

The service business is characterized by a high degree of planning reliability and stable cash flows, and is expected to grow further by around 10% in 2019, with profit margins considerably higher than those of the Group as a whole. Further enhancing the service and maintenance plans should help to stabilize margins at a high level. The Management Board also expects project development to bolster business performance, particularly in France, India and Sweden. Project pipeline processing will also be expanded further in selected markets.

During the transitional year of 2019, the Nordex Group will be focusing on successfully processing the strong order and on efficiency improvements that are expected to generate significantly improved earnings over the next few years.

BUSINESS PERFORMANCE OF THE PARENT COMPANY NORDEX SE

In its function as the Group parent, Nordex SE is the holding company for the Nordex Group. One of Nordex SE's key tasks is to finance the Group companies by providing loans and guarantees. In addition to this, Nordex SE provides management services for various subsidiaries in the areas of controlling, finance, IT, investor relations, communications, Group strategy, people & culture, legal matters and insurance. There are profit and loss transfer agreements in force between Nordex SE and its consolidated domestic subsidiaries with the exception of Nordex Employee Holding GmbH, Nordex Forum II GmbH & Co. KG, Nordex Forum II Verwaltungs GmbH, Nordex Offshore GmbH and NPV Dritte Windpark GmbH & Co. KG with a corresponding effect on the Group's tax situation, whereas there are no profit and loss transfer agreements in force between Corporación Nordex Energy Spain S.L. (formerly: Corporación Acciona Windpower S.L.) and the consolidated Spanish subsidiaries of Acciona Windpower. Further, no profit and loss transfer agreement is in place between Nordex SE and Corporación Nordex Energy Spain S.L.

Sales of Nordex SE in the 2018 financial year totaled EUR 44.4 million, down 16.9% year-on-year (2017: EUR 53.4 million). Staff costs fell by 20.6% to EUR 16.2 million (2017: EUR 20.3 million). Operating income net of operating expenses came to EUR –38.6 million (2017: EUR –13.4 million). Earnings before taxes amounted to EUR –78.3 million (2017: EUR 94.8 million). In financial year 2018, Nordex SE posted a net loss of EUR 77.9 million in accordance with the German Commercial Code (2017: net income of EUR 78.3 million). The net loss of the Group's parent company is thus significantly affected by expenses from loss absorption as well as by lower other operating income and higher interest and similar expenses compared to the previous year. Nordex SE's net loss for financial year 2018 determined in accordance with the German Commercial Code totaling EUR 77.9 million was compensated by a withdrawal from other retained earnings in the full amount. Of Nordex SE's net profit for the 2017 financial year determined in accordance with the German Commercial Code totaling EUR 78.3 million an amount of EUR 13.8 million was allocated to other retained earnings when the 2017 annual financial statements were prepared. The remaining amount of EUR 64.5 million was also allocated to retained earnings for the 2017 financial year in accordance with a resolution adopted by the Annual General Meeting on 5 June 2018.

Equity decreased by 9.2% to EUR 765.2 million (31 December 2017: EUR 843.1 million) as a result of the withdrawal from other retained earnings. Total assets increased by 3.0% to EUR 1,799.8 million (31 December 2017: EUR 1,747.9 million), resulting in an equity ratio of 42.5% (31 December 2017: 48.2%).

TAKEOVER-RELATED DISCLOSURES

DISCLOSURES IN ACCORDANCE WITH SECTIONS 289A (1), 315A (1) OF THE GERMAN COMMERCIAL CODE (HGB) AND EXPLANATORY NOTES IN ACCORDANCE WITH SECTION 176 (1) SENTENCE 1 PART 2 OF THE GERMAN STOCK CORPORATION ACT (AKTG)

The following disclosures are required in the management report pursuant to Sections 289a (1) and 315a (1) of the German Commercial Code:

Composition of subscribed capital

The Company's subscribed capital stood at EUR 96,982,447.00 as at the reporting date and is divided into 96,982,447 no-par-value bearer shares. One share equals EUR 1.00 of the Company's share capital. There are no restrictions on the exercise of voting rights or the transfer of shares. The same rights attach to all shares except for treasury shares for which no voting rights may be exercised. Each share equals one vote and, possibly with the exception of recently issued shares which are not dividend-entitled, represents the same share in the dividend distribution approved by the shareholders at the Annual General Meeting. The rights and obligations arising from the shares are governed by the applicable statutory provisions, particularly Sections 12, 53a ff, 118 ff and 186 of the German Stock Corporation Act (AktG). Nordex did not hold any treasury shares as at 31 December 2018.

Restrictions on the exercise of voting rights or the transfer of shares

No rights accrue to the Company from treasury shares. In the cases provided for in Section 136 of the AktG, voting rights on treasury shares are excluded. The terms of the Performance Share Unit Plan require members of the Management Board to use 33% of the net payment amount after taxes received as part of their performance-related remuneration component with a long-term incentive for investment in Nordex shares with a holding period of two years.

Direct or indirect shares in capital of more than 10% of the voting rights

As at the 2018 reporting date, the following companies directly or indirectly held more than 10% of the voting rights with respect to Nordex SE: Acciona S.A. Madrid (Spain) held 28,997,752 shares and, hence, more than 29.90% of the voting rights.

Statutory provisions and provisions of the Articles of Incorporation on the appointment and dismissal of members of the Management Board and amendments to the Articles of Incorporation

The appointment and dismissal of members of the Management Board is governed by Sections 84 and 85 of the German Stock Corporation Act (AktG) and Article 46 of the Council Regulation on the Statute for a European company (SE). Under Article 7 of the Company's Articles of Incorporation, the Management Board has at least two members, who are appointed by the Supervisory Board, which also determines the number of members. Under Article 7 (3) of the Company's Articles of Incorporation, the members of the Management Board are appointed for a maximum period of five years.

In accordance with Section 179 of the German Stock Corporation Act (AktG), the Company's Articles of Incorporation may only be amended with a resolution passed at the Annual General Meeting. In accordance with Article 20 (4) Sentence 2 of the Articles of Incorporation in conjunction with Article 59 (1) and (2) of the Council Regulation on the Statute for a European company (SE), amendments to the Articles of Incorporation require a majority of two-thirds of the votes cast or, if half of the share capital is represented, a simple majority of the votes cast. In cases in which the German Stock Corporation Act (AktG) or the German Transformation Act (UmwG) stipulates a majority of three quarters of the votes cast, this also applies to Nordex SE in accordance with the reservation in Article 59 of Council Regulation on the Statute for a European company (SE). However, this is not based on the capital represented but on the number of votes cast. Article 26 of the Articles of Incorporation of Nordex SE in conjunction with Section 179 (1) sentence 2 of the AktG authorize the Supervisory Board to change the Articles of Incorporation.

Authorization of the Management Board to issue or buy back shares

The following specific authorization has been granted:

Authorized Capital I

As at 31 December 2018 and as in the previous year, the Company had Authorized Capital I of EUR 19,376,489.00 equivalent to 19,376,489 shares and Contingent Capital I of EUR 19,376,489.00, equivalent to 19,376,489 shares, each with a notional value of EUR 1.00 per share. In accordance with a resolution passed at the Annual General Meeting on 10 May 2016, the Management Board is authorized subject to the Supervisory Board's approval to utilize Authorized Capital I to increase the Company's share capital once or repeatedly on or before 9 May 2021. The Management Board is additionally authorized with the Supervisory Board's approval to exclude the shareholders' subscription rights.

Contingent Capital I

Until 9 May 2021, Contingent Capital I serves on one or more occasions, once or repeatedly, as a whole or in tranches or simultaneously in several tranches, to issue both bearer bonds with conversion rights and/or conversion obligations (convertible bonds) and bonds with warrants (together and individually "bonds") and to grant conversion/option rights for the Company's bearer shares to the holders or creditors of bonds in line with the resolution passed by the shareholders at the Annual General Meeting held on 10 May 2016. To date, no conversion or option rights have been issued.

Material agreements subject to a change-of-control provision

The Company AG has entered into the following material agreements that contain clauses relating to a change of control which could occur as a result of a takeover offer:

– Syndicated guarantee facility for EUR 1,210 million

The guarantee facility contains a provision that entitles the lenders to terminate the facility in the event that a person acquires more than 50% of the share capital or voting rights of Nordex SE.

– EIB loan for EUR 100 million

The loan granted by the European Investment bank, which has been drawn down, contains a provision that entitles the bank to terminate the loan in the event that a person acquires more than 50% of the share capital or voting rights of Nordex SE.

– Promissory note for EUR 284 million

The promissory note contains a provision that entitles the lenders to terminate the loan in the event that a person or a group of persons acting in concert gain direct or indirect control over more than 50% of the issued shares or voting rights of Nordex SE and/or Nordex Energy GmbH.

– EUR bond (Green Bond) for EUR 275 million

The EUR bond includes an obligation on the part of Nordex SE to submit an offer to repurchase the bonds issued in the event of a change of control. Such a change of control would occur, for example, if a third party were to acquire direct or indirect control over more than 50% of the voting shares in Nordex SE.

CORPORATE GOVERNANCE REPORT

INCLUDING THE CORPORATE GOVERNANCE DECLARATION OF NORDEX SE

The corporate governance declaration to be published in accordance with Section 289f and 315d of the German Commercial Code (HGB) (including the corporate governance report in accordance with Article 3.10 of the German Corporate Governance Code) is a component of the combined management report. In accordance with Section 317 (2) sentence 6 HGB, the auditor’s review of the disclosures made in accordance with Section 289f (2) and (5) and Section 315d HGB is restricted to the question of whether the disclosures have been made.

CORPORATE GOVERNANCE DECLARATION BY NORDEX SE PURSUANT TO SECTION 289F AND SECTION 315D HGB

1. Declaration of conformity by the Management Board and the Supervisory Board pursuant to Section 161 of the German Stock Corporation Act (AktG)

Under Section 161 of the German Stock Corporation Act, the Management Board and Supervisory Board of Nordex SE as a listed company are required to issue a declaration once a year confirming conformity with the recommendations of the Government Commission on the German Corporate Governance Code issued by the German Federal Ministry of Justice (BMJV) and published in the official part of the Federal Gazette (Bundesanzeiger) and stating which recommendations have not been implemented in the past and are currently not being implemented. This declaration must be made permanently available to the shareholders. The Company has published its declarations of conformity for the past few years online at www.nordex-online.com/en/investor-relations. The current declaration of conformity from 23 November 2018 reads as follows:

Since the last declaration of compliance dated 24 November 2017, the Management Board and the Supervisory Board of Nordex SE (the "Company") have complied with the recommendations of the Government Commission on the German Corporate Governance Code (Deutscher Corporate Governance Kodex - "DCGK") published in the official part of the Federal Law Gazette (Bundesanzeiger) in the version as of 7 February 2017, save for the deviations described hereinafter. It is the management's stated intention to continue to do so going forward, save for and to extent not otherwise set out below.

3.8 D&O Insurance
Since 2009, Section 93 (2) Sentence 3 of the German Stock Corporation Act stipulates a mandatory minimum deductible for members of the Management Board for contracting D&O insurance cover. The Management Board of Nordex SE has complied with this statutory obligation when taking out and/or renewing any existing D&O policy since 1 July 2010. However, with respect to the members of the Supervisory Board the Management Board of Nordex SE has not followed the recommendation of the DCGK to also determine deductibles for members of the Supervisory Board.

The Management Board and the Supervisory Board of the Company are convinced that the members of the Supervisory Board are doing everything to avert potential harm to the Company. Responsibility towards the Company and a sense of motivation are not encouraged by imposing a deductible under the D&O cover maintained by the Company. Moreover, providing for a reasonable deductible would not have any effect on the insurance premium.

4.1.3 Whistleblower System
During the period under review the Company did not yet have available a digital safe channel affording employees the opportunity to report anonymously suspected breaches of the law within the Company. However, the installation of a whistleblower system in line with the DCGK's recommendation is currently being prepared and will be completed by yearend 2018.

4.1.5 Appointments to Management Positions – Diversity
The Management Board does not comply with the recommendation in Article 4.1.5 because appointments to management positions in the Company are made regardless of gender and are exclusively guided by the qualifications of the individuals available. For this reason, the target share of women at management level 1 and 2 to the Management Board determined by the Management Board of Nordex SE does currently and until further notice only amount to percentage below the 30%-threshold desired by the law.

5.1.2 and 5.4.1 Profile of Skill and Expertise, Maximum Term and Fixed Age Limits
The Supervisory Board of Nordex SE has not determined fixed age limits for the membership of the Management Board and the Supervisory Board. Irrespective of the target share of female members of the Management Board determined by the Supervisory Board, the Supervisory Board will consider the underrepresented gender in any of its appointments in case of equal qualification.

The Supervisory Board has neither prepared a profile of skills and expertise for the entire Board nor has a maximum time limit for membership in the Supervisory Board been defined. Neither age nor the term of membership in the Management Board or the Supervisory Board are in themselves decisive for the capabilities, suitability and independence of a current or potential member of the Company's corporate bodies. Therefore, the Supervisory Board of Nordex SE does not consider rigid restrictions on age, term or skill and expertise profiles to be a sensible measure given that these would also limit the Company's flexibility in making personnel decisions and the number of possible candidates.

Hamburg, 23 November 2018
Nordex SE

2. Disclosures on corporate governance practices

Corporate Compliance

The Corporate Compliance department supports the Nordex Group's departments, supervisors and employees in complying with their relevant duties and requirements, particularly those aimed at preventing corruption and violations of competition and antitrust regulations. It does this through a compliance management, which is designed to promote risk awareness and integrity, and to detect, stop and prevent possible legal violations. The Nordex Group Code of Conduct for employees introduced globally in 2011 and the Code of Conduct for Contractors and Suppliers are key elements in this area. During the reporting period, a whistleblowing system for legal violations and misconduct was was introduced that is available to all employees in the Nordex Group and those of our business partners. Other key activities included training on the prevention of corruption and on other compliance issues, as well as the launch of a compliance management evaluation that will determine focus areas for subsequent years.

Sustainability

As a company, Nordex SE is committed to the ecologically and economically responsible use of resources and respectful treatment of all people employed by Nordex or with whom we work as customers, suppliers, service providers or shareholders. Detailed information on the underlying sustainability strategy of Nordex SE can be found in the 2018 Sustainability Report published in March 2019.

3. Disclosures on work procedures of the Management Board, the Supervisory Board and the Committees

Working practices of the Management Board

The Management Board manages the Company – a strategic holding company, which also performs administrative service functions – at its own discretion with the aim of achieving sustained improvements in enterprise value and of attaining the agreed targets. It conducts the Company's business in accordance with statutory provisions and the provisions of the Company's Articles of Incorporation and Rules of Procedure for the Management Board. In addition, it works in a spirit of trust with the Company's other governing bodies.

The Management Board defines the long-term goals and strategies for the entire Nordex Group and determines the principles for the corporate policy derived from these. It coordinates and supervises all significant activities. It determines the range of products, develops and deploys executive staff, allocates resources and makes decisions on financial management and Group reporting.

The members of the Management Board are jointly responsible for the entire management of the Company. Notwithstanding this joint responsibility, the individual members of the Management Board manage the business areas assigned to them at their own discretion in accordance with the resolutions passed.

The allocation of duties to the members of the Management Board is recorded in a schedule of responsibilities, which is approved by the Supervisory Board.

The Management Board makes decisions on all matters of fundamental and material importance as well as in the cases prescribed by law or elsewhere.

Shared responsibility
Meetings of the Management Board are held regularly. They are convened by the Chief Executive Officer. In addition, each member of the Management Board may request that a meeting be convened. Resolutions of the Management Board are passed with a simple majority of votes cast except where a unanimous vote is prescribed by law. In the event of an even vote, the chairman has the casting vote.

No material changes were made to the organization of the Management Board during the 2018 reporting year. Operating activities are represented by the Europe and International divisions, which are oriented on their respective markets. The former North America division was integrated into the International division in the reporting year.

In accordance with the Management Board's Rules of Procedure, the Chairman (Chief Executive Officer; CEO) is responsible for coordinating all of the Management Board's activities, reporting to the Supervisory Board and representing the Company and the Group vis-à-vis third parties. In his capacity as a member of the Management Board, he is operationally responsible for the International and Europe divisions as well as for the corporate areas of People & Culture, Development & Strategy, Global Sourcing, Quality, Health, Safety & Environment (QHSE), and Compliance & Security.

The Chief Financial Officer (CFO) is responsible for Accounting & Controlling, Investor Relations, IT, Legal & Insurance, Finance & Treasury, Taxes & Export Control and Communication.

The Chief Sales Officer (CSO) is responsible for the customer-oriented areas of Sales, Project Development, Key Account Management, Business Development and Public Affairs.

The Management Board has not established any committees.

Supervisory Board: Monitoring and control activities
The Supervisory Board is responsible for monitoring and advising the Management Board. In accordance with the Articles of Incorporation, it comprises six members who are elected by the shareholders at the Annual General Meeting. The Supervisory Board is directly involved in all decisions of fundamental significance for the Company; it also consults with the Management Board on the Company's strategic orientation and regularly discusses with it the progress being made on implementing business strategy.

The Chairman of the Supervisory Board coordinates the Board activities and presides over the meetings. The Supervisory Board is kept informed of the Company's business policy, corporate planning and strategy at all times via regular meetings with the Management Board. The Supervisory Board approves the budget and the annual financial statements of Nordex SE and the Nordex Group as well as the combined management report in the light of the statutory auditor's report.

Supervisory Board committees
The Supervisory Board currently has the following committees: the Executive Committee, the Audit Committee and the Strategy and Technology Committee.

Executive Committee:
This Supervisory Board committee has three members. It is chaired by Dr Wolfgang Ziebart, the other two members are Jan Klatten and Juan Muro-Lara. The Executive Committee has the function of a permanent personnel committee. In addition, it is responsible for passing urgent resolutions on decisions made by the Management Board which require the Supervisory Board's approval in accordance with the German Stock Corporation Act (AktG), the provisions of the Company's Articles of Incorporation or the Rules of Procedure, unless a resolution passed by the entire Supervisory Board is required. In addition, it performs the task of a nomination committee and submits recommendations for suitable candidates to the Supervisory Board with respect to voting proposals for the Annual General Meeting.

Audit Committee:
The Audit Committee comprises three members; in the year under review, it was chaired by Martin Rey, while the other two members were Connie Hedegaard and Juan Muro-Lara. All three members satisfy the statutory requirements imposed on members of a Supervisory Board and an audit committee with respect to expertise in the areas of accounting and auditing. As the other members of the Supervisory Board, all of them are familiar with the sector in which the Company is active. The Audit Committee is responsible for matters relating to accounting and risk management, the necessary independence of the statutory auditor, the mandating of the statutory auditor, the determination of the main aspects of the audit and the fee agreement with the statutory auditor. In addition, it addresses matters relating to controlling and contracting and particularly also for decisions made by the Management Board which require the Supervisory Board's approval in accordance with the German Stock Corporation Act (AktG), the provisions of the Company's Articles of Incorporation or the Rules of Procedure. The Audit Committee is also responsible for monitoring the financial reporting process, the efficacy of the internal control system and corporate compliance, the risk management system and the internal auditing system.

Strategy and Technology Committee:
This Supervisory Board committee comprises Jan Klatten (chairman), Dr Wolfgang Ziebart and Rafael Mateo. It is responsible for technical and strategic matters of relevance for the Nordex Group.

4. Disclosures on the definition of the proportion of women

The targets of 0% for the Management Board and 16.67% for the Supervisory Board set in 2016 with respect to the proportion of women to be achieved by 31 December 2020 in accordance with Section 111 (5) of the German Stock Corporation Act (AktG) were confirmed by the Supervisory Board and again met in the year under review. In accordance with Section 76 (4) of the German Stock Corporation Act (AktG), the Management Board in 2016 set a target for the proportion of women on the first two management levels below the Management Board of Nordex SE and Nordex Energy GmbH at 21% (previously 15%) to be achieved by 31 December 2020.

As a result of changes to management structures in the reporting year, the basis for the figures stated for the proportion of women in previous years (19% in 2017, 21% in 2016) in the context of this report and the achievement of the target set by the Management Board no longer applies. According to the new structure, the proportion of women at the two most senior management levels in the German companies was 10% in the reporting year (2017: 12%, when applying the new structure). The proportion of women in management positions in 2018 was influenced by two key factors. First, a wide-ranging restructuring program took place, resulting in a reduction of staff of approx. 400 to 500 jobs; this program also involved streamlining management structures. Second, all management roles have now been evaluated according to a new grading method. This has resulted in an increase in the absolute number of management roles and, as a secondary effect, has also caused the proportion of women to decrease. To achieve improvements in this area, women are preferentially considered for promotion programs. External recruitment agencies are now also required to present at least one suitable female candidate for all vacant management positions.

5. Description of the diversity concept for the Management Board and Supervisory Board

The Supervisory Board, together with the Management Board as required, addresses long-term succession planning by appointing to the Management Board internal or external candidates who are best suited in terms of their qualification and personality. Selecting the most suitable internal candidates is based on the systematic human resources development of internal managers that comprises the following elements:

- Identifying suitable candidates with different specialties, nationalities and genders at an early stage of the search process.
- Systematically developing internal managers by enabling them to take on roles with increasing responsibility, preferably in different business areas, regions and functions. In this context, managers are fostered particularly through personalized measures such as coaching or systematic human resources development programmes.
- Training of internal managers with regard to material company values to ensure that they act as a role model when upholding and implementing them.

This should enable the Supervisory Board to ensure sufficient diversity in terms of professional background and experience, cultural context, internationality, gender and age when appointing Management Board members. Irrespective of these individual criteria, the Supervisory Board is confident that only an all-encompassing assessment of individual candidates can ultimately determine appointments to the Management Board of Nordex SE. Overall, this is intended to ensure that the Management Board as a whole currently has the following basic desirable profile in terms of the diversity concept:

- Extensive management experience in technical and commercial areas of work
- International experience based on origin and/or professional activity
- Balanced age structure to ensure the continuity of the Management Board's work and enable smooth succession planning

Irrespective of the target set by the Supervisory Board for the proportion of women on the Management Board (0%), the Supervisory Board will take the underrepresented gender into account when making each of its appointments if multiple candidates have the same qualifications.

The Supervisory Board of Nordex SE also strives to ensure sufficient diversity in terms of character, gender, internationality, professional background, expertise and experience as well as age distribution when appointing its own members. Specifically, the Supervisory Board has met the following criteria:

- 16.67% of its members are female
- More than 30% of members have international experience due to their origin or professional activity
- More than 50% of members have different training and professional experience
- Two members are under 60 years old.

Generally speaking, additional diversity targets include ensuring the personal reliability and integrity of every Supervisory Board member as well as their availability; in accordance with the recommendations of the German Corporate Governance Code, every Supervisory Board member must ensure that they can dedicate the time required to properly fulfill their mandate. Statutory restrictions and the recommendations of the German Corporate Governance Code must be observed when taking on additional mandates. However, the Supervisory Board has refrained from setting a fixed age limit for membership of the Management Board and Supervisory Board and a regular limit for the term of membership of the Supervisory Board.

During the 2018 financial year, the Management Board and Supervisory Board fulfilled the diversity concept outlined here.

Further corporate governance report
The total number of shares held by all members of the Management Board and the Supervisory Board of the Company exceeds 1% of the shares issued by Nordex. No stock option plans are in place.

Details on the remuneration for the Management Board and the Supervisory Board can be found in the remuneration report of Nordex SE.

Directors' Dealings
Members of the Management Board and the Supervisory Board and parties related to them in accordance with Section 19 Market Abuse Regulation must disclose any and all transactions involving shares in Nordex SE or related financial instruments ("directors' dealings") to the German Federal Financial Supervisory Authority (BaFin) and Nordex SE. The following notifications on directors' dealings in accordance with Section 19 Market Abuse Regulation were received by the Company in financial year 2018:

Directors' Dealings

Date	Person Position	Number of units Transaction	ISIN Stock Exchange	Price per share Total volume
28.03.2018	momentum-capital Vermögensverwaltungsgesellschaft mbH Legal entity closely associated with a Supervisory Board member (Jan Klatten)	70,500 Purchase	DE000A0D6554 Xetra	EUR 7.1263 EUR 502,405.88
20.11.2018	José Luis Blanco Diéguez Chief Executive Officer	3,000 Purchase	DE000A0D6554 OTC	EUR 7.2460 EUR 21,738.00
20.11.2018	momentum-capital Vermögensverwaltungsgesellschaft mbH Legal entity closely associated with a Supervisory Board member (Jan Klatten)	12,312 Purchase	DE000A0D6554 Xetra	EUR 7.20 EUR 88,646.40

Detailed reporting

To achieve the greatest possible transparency, Nordex SE keeps shareholders, financial analysts, shareholder groups, the media and the public at large regularly informed on a timely basis of the Company's position and main changes in its business. The Company's reporting is therefore in line with the principles of the German Corporate Governance Code: the Company informs its shareholders four times a year of its business performance, net assets, financial position and results of operations as well as its risk exposure.

In accordance with the statutory requirements, the members of the Company's Management Board confirm to the best of their knowledge that the annual financial statements, consolidated financial statements and combined management report provide a true and fair view of the Company's position.

The annual financial statements of Nordex SE, the Nordex Group's consolidated financial statements and the combined management report are published within three months of the end of the year to which they relate. During the year, shareholders and third parties are informed of the Company's performance in the half-yearly report and, in the first and third quarters, in quarterly management statements.

In addition, the Company publishes information at press and analyst conferences. It particularly also uses the Internet as a publication platform. The Group's website sets out the main financial dates such as the dates of publication of the annual report, the half-yearly report and the interim management statements and the date of the Annual General Meeting.

Any material new information is made available to the general public without delay.

In addition to regular reporting, Nordex SE discloses relevant inside information pursuant to Section 17 Market Abuse Regulation in the form of ad hoc releases.

Nordex SE, Rostock, 22 March 2019

José Luis Blanco, Chairman of the Management Board

Christoph Burkhard, Member of the Management Board

Patxi Landa, Member of the Management Board


NORDEX

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 2018 FINANCIAL YEAR

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF 31 DECEMBER 2018

Assets

EUR thousand	Note	31.12.2018	31.12.2017
Cash and cash equivalents	1	609,805	623,179
Trade receivables and contract assets from projects	2	253,437	593,260
Inventories	3	763,233	195,578
Income tax receivables	4	10,903	8,517
Other current financial assets	5	16,204	14,674
Other current non-financial assets	6	127,385	107,872
Current assets		**1,780,967**	**1,543,080**
Property, plant and equipment	7	266,111	283,367
Goodwill	8	547,758	547,758
Capitalized development expenses	9	206,538	220,042
Other intangible assets	10	24,616	72,205
Financial assets	11	4,467	4,799
Investments in associates	12	1,221	5,165
Other non-current financial assets	13	17,165	17,149
Other non-current non-financial assets	14	36,589	13,166
Deferred tax assets	15	173,104	100,858
Non-current assets		**1,277,569**	**1,264,509**
Assets		**3,058,536**	**2,807,589**

Equity and liabilities

EUR thousand	Note	31.12.2018	31.12.2017
Current liabilities to banks	16	74,413	68,667
Trade payables	17	500,812	446,567
Income tax payables	4	10,595	28,556
Other current provisions	18	148,784	151,350
Other current financial liabilities	19	16,527	49,827
Other current non-financial liabilities	20	787,216	359,131
Current liabilities		**1,538,347**	**1,104,098**
Non-current liabilities to banks	16	293,168	614,638
Pensions and similar obligations	21	2,081	2,035
Other non-current provisions	18	60,191	55,540
Other non-current financial liabilities	22	270,093	2,597
Other non-current non-financial liabilities	23	118,664	11,163
Deferred tax liabilities	15	78,702	98,528
Non-current liabilities		**822,899**	**784,501**
Subscribed capital		96,982	96,982
Capital reserves		597,626	597,626
Other retained earnings		24,193	37,501
Cash flow hedges		–1,776	991
Foreign currency adjustment item		–17,182	–10,482
Consolidated net profit carried forward		–2,553	196,372
Consolidated net profit		0	0
Share in equity attributable to parent company's shareholders		697,290	918,990
Equity	**24**	**697,290**	**918,990**
Equity and liabilities		**3,058,536**	**2,807,589**

CONSOLIDATED INCOME STATEMENT

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2018

Consolidated income statement

EUR thousand	Note	01.01.2018–31.12.2018	01.01.2017–31.12.2017
Sales	26	2,459,124	3,077,788
Changes in inventories and other own work capitalized	27	–94,882	49,617
Gross revenue		**2,364,242**	**3,127,405**
Other operating income	28	60,350	45,622
Cost of materials	29	–1,710,187	–2,294,925
Staff costs	30	–325,867	–359,235
Depreciation / amortization	31	–155,843	–157,300
Other operating expenses	32	–286,876	–318,210
Earnings before interest and taxes		**–54,181**	**43,357**
Income from investments		0	660
Profit / loss from equity-accounting method		–929	–1,524
Impairment of financial assets		–399	–2,472
Other interest and similar income		6,094	6,194
Interest and similar expenses		–43,161	–33,715
Financial result	33	**–38,395**	**–30,857**
Net profit / loss from ordinary activities		**–92,576**	**12,500**
Income tax	34	8,723	–12,171
Consolidated net profit / loss		**–83,853**	**329**
Of which attributable to			
shareholders of the parent		–83,853	329
Earnings per share (in EUR)	35		
Basic[1]		–0.86	0.00
Diluted[2]		–0.86	0.00

[1] Based on a weighted average of 96.982 million shares (previous year: 96.982 million shares)
[2] Based on a weighted average of 96.982 million shares (previous year: 96.982 million shares)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2018

Consolidated statement of comprehensive income

EUR thousand	01.01.2018–31.12.2018	01.01.2017–31.12.2017
Consolidated net profit / loss	**–83,853**	**329**
Other comprehensive income		
Items that may be reclassified to profit or loss		
Foreign currency translation difference	–6,690	–20,168
Cash flow hedges	–4,070	–1,764
Deferred taxes	1,303	568
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit plans	28	22
Deferred taxes	–8	–8
Consolidated comprehensive income	**–93,290**	**–21,021**
Of which attributable to		
Shareholders of the parent	–93,290	–21,021

CONSOLIDATED CASH FLOW STATEMENT

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2018

Consolidated cash flow statement

	EUR thousand	01.01.2018 – 31.12.2018	01.01.2017 – 31.12.2017
	Operating activities		
	Consolidated net profit/loss	–83,853	329
+	Depreciation/amortization of non-current assets	156,242	159,771
=	**Consolidated net profit / loss plus depreciation / amortization**	**72,389**	**160,100**
+	Decrease in inventories	15,822	1,900
+	Decrease in trade receivables and contract assets from projects	68,023	106,167
+	Increase in trade payables	31,526	69,244
+/–	Increase/decrease in prepayments received	40,941	–193,843
=	**Payments received/made from changes in working capital**	**156,312**	**–16,532**
–/+	Increase/decrease in other assets not attributed to investing or financing activities	–41,252	39,208
+	Increase in pensions and similar obligations	46	169
+	increase in other provisions	260	81
–	Decrease in other liabilities not attributed to investing or financing activities	–50,865	–110,817
+	Loss from the disposal of non-current assets	897	484
–	Other interest and similar income	–6,094	–6,194
+	Interest received	4,521	5,133
+	Interest and similar expenses	43,161	33,715
–	Interest paid	–35,561	–32,386
–/+	Income tax	–8,723	12,171
–	Taxes paid	–22,433	-9,176
+	Other non-cash expenses	12,269	15,449
=	**Payments made for other operating activities**	**–103,774**	**–52,163**
=	**Cash flow from operating activities**	**124,927**	**91,405**

	Investing activities		
+	Payments received from the disposal of property, plant and equipment / intangible assets	32,225	2,691
–	Payments made for investments in property, plant and equipment / intangible assets	–113,683	–151,097
+	Payments received from the disposal of long-term financial assets	4,283	2,173
–	Payments made for investments in long-term financial assets	–4,568	–2,954
+	Payments received from investment grants	830	3,057
=	**Cash flow from investing activities**	**–80,913**	**–146,130**
	Financing activities		
+	Bank loans received	0	56,389
–	Bank loans repaid	–311,926	–12,500
+	Payments received from the issue of bonds	265,488	0
=	**Cash flow from financing activities**	**–46,438**	**43,889**
	Net change in cash and cash equivalents	**–2,424**	**–10,836**
+	Cash and cash equivalents at the beginning of the period	623,179	649,464
–	Exchange rate-induced change in cash and cash equivalents	–10,950	–15,449
=	**Cash and cash equivalents at the end of the period (Cash and cash equivalents as shown in the consolidated statement of financial position)**	**609,805**	**623,179**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2018

Consolidated statement of changes in equity 2018

EUR thousand	Subscribed capital	Capital reserves	Other retained earnings
31.12.2017	**96,982**	**597,626**	**37,501**
Transition from IAS 11 to IFRS 15	0	0	0
01.01.2018	**96,982**	**597,626**	**37,501**
Consolidated comprehensive income	0	0	0
Consolidated net loss	0	0	
Other comprehensive income			
Items that may be reclassified to profit or loss			
Foreign currency translation difference	0	0	0
Cash flow hedges	0	0	0
Deferred taxes	0	0	0
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit plans	0	0	28
Deferred taxes	0	0	–8
Appropriation of profit and consolidated net profit / loss carried forward	0	0	–13,328
31.12.2018	**96,982**	**597,626**	**24,193**

	Cash flow hedges	Foreign currency adjustment item	Consolidated net profit / loss carried forward	Consolidated net profit / loss	Share in equity attributable to shareholders of the parent	Total
	991	**−10,482**	**196,372**	**0**	**918,990**	**918,990**
	0	−10	−128,400	0	−128,410	−128,410
	991	**−10,492**	**67,972**	**0**	**790,580**	**790,580**
	−2,767	−6,690	0	−83,853	−93,290	−93,290
	0	0	0	−83,853	−83,853	−83,853
	0	−6,690	0	0	−6,690	−6,690
	−4,070	0	0	0	−4,070	−4,070
	1,303	0	0	0	1,303	1,303
	0	0	0	0	28	28
	0	0	0	0	−8	−8
	0	0	−70,525	83,853	0	0
	−1,776	**−17,182**	**−2,553**	**0**	**697,290**	**697,290**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2017

Consolidated statement of changes in equity 2017

EUR thousand	Subscribed capital	Capital reserves	Other retained earnings
01.01.2017	**96,982**	**597,626**	**23,694**
Consolidated comprehensive income	0	0	14
Consolidated net profit	0	0	0
Other comprehensive income			
Items that may be reclassified to profit or loss			
Foreign currency translation difference	0	0	0
Cash flow hedges	0	0	0
Deferred taxes	0	0	0
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit plans	0	0	22
Deferred taxes	0	0	–8
Appropriation of profit and consolidated net profit/loss carried forward	0	0	13,793
31.12.2017	**96,982**	**597,626**	**37,501**

	Cash flow hedges	Foreign currency adjustment item	Consolidated net profit / loss carried forward	Consolidated net profit / loss	Share in equity attributable to shareholders of the parent	Total
	2,187	**9,686**	**209,836**	**0**	**940,011**	**940,011**
	–1,196	–20,168	0	329	–21,021	–21,021
	0	0	0	329	329	329
	0	–20,168	0	0	–20,168	–20,168
	–1,764	0	0	0	–1,764	–1,764
	568	0	0	0	568	568
	0	0	0	0	22	22
	0	0	0	0	–8	–8
	0	0	–13,464	–329	0	0
	991	**–10,482**	**196,372**	**0**	**918,990**	**918,990**

NOTES

TO THE 2018 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR FROM 1 JANUARY UNTIL 31 DECEMBER 2018

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR FROM 1 JANUARY UNTIL 31 DECEMBER 2018

GENERAL INFORMATION

Nordex SE, a listed Societas Europaea, and its subsidiaries in Germany and in other countries develop, manufacture and distribute wind power systems, particularly large multi-megawatt-class turbines. Nordex SE is domiciled in Rostock, Germany. However, the Company's head office is located at Langenhorner Chaussee 600,22419 Hamburg, Germany.

The shares of Nordex SE are admitted to regulated trading subject to the advanced admission obligations stipulated by Deutsche Börse; they are listed in the SDAX and TecDAX. Its nominal capital as at 31 December 2018 stands at EUR 96,982,447 (2017: EUR 96,982,447) and is divided into 96,982,447 (2017: 96,982,447) fully paid-up no-par value shares, each with a notional share in capital of EUR 1.

Nordex SE's consolidated financial statements for 2018 were approved for publication in a resolution passed by the Management Board on 26 February 2019 and subsequent submittal to the Supervisory Board.

ACCOUNTING POLICIES

BASIS OF PREPARATION

The general significant accounting policies applied in preparing the consolidated financial statements are described below, whilst, for reasons of clarity, the accounting policies relating to a concrete element of the financial statements are explained in the corresponding section. In order to apply the accounting policies, management sometimes has to make assumptions and estimates or evaluations, especially in connection with the items contract assets from projects, inventories, contract assets from services, goodwill, capitalized development expenses, deferred tax liabilities and deferred tax assets and other provisions. Unless otherwise stated, these policies have been consistently applied to all the accounting periods presented.

The consolidated financial statements were prepared in accordance with Section 315e of the German Commercial Code (HGB) using the International Financial Reporting Standards (IFRS) as they are to be applied in the European Union. Therefore, all International Financial Reporting Standards and interpretations of the International Financial Reporting Interpretation Committee (IFRIC) binding for the 2018 reporting year were applied.

With the exception of Nordex India Private Limited, whose financial year ends on 31 March, the financial year of Nordex SE and all of its subsidiaries included in the consolidated financial statements generally corresponds to the calendar year. However, the calendar year is used Group-wide as the basis for preparing the consolidated financial statements.

The current/non-current classification of liabilities and assets provided for in IAS 1 is applied.

The consolidated financial statements are prepared in thousands of euros.

EFFECTS OF NEW FINANCIAL REPORTING STANDARDS

The new and revised standards to be applied in 2018 as a result of endorsement by the European Union

Standard / Interpretation		Published by the IASB	Mandatory application stipulated by the IASB
IAS 40[1]	Investment Property	08.12.2016	01.01.2018
IFRS 2[1]	Share-based Payment	20.06.2014	01.01.2018
IFRS 9	Financial Instruments	24.07.2014	01.01.2018
IFRS 15	Revenue from Contracts with Customers	28.05.2014/11.09.2015	01.01.2018
IFRIC 22[1]	Foreign Currency Transactions and Advance Consideration	08.12.2016	01.01.2018
Annual IFRS improvements cycle 2014–2016, amendments to IAS 28 and IFRS 1[1]		08.12.2016	01.01.2018

[1] The application does not have any material effect on the consolidated financial statements.

The amendments that are of importance for the Group concern the following standards:

IFRS 9 Financial Instruments combines the provisions previously issued and the new provisions governing the identification and recognition of impairments of receivables and the changes to the classification and measurement of financial assets. In addition, the treatment of hedging relationships has been changed to improve the presentation of operational risk management. In 2018, Nordex continues to account for hedges pursuant to IAS 39 in accordance with the exemption rule in IFRS 9, but will provide the respective disclosures in the notes to the consolidated financial statements according to both IAS 39 and IFRS 9. The classification of financial assets and liabilities in accordance with IAS 39 is reconciled to IFRS 9 as follows:

Classification of financial assets and liabilities in accordance with IAS 39

	01.01.2018 Category IFRS 9	31.12.2017 Category IAS 39
Cash and cash equivalents	Financial assets measured at amortized cost	Loans and Receivables
Trade receivables and contract assets from projects[1]	Financial assets measured at amortized cost	Loans and Receivables
Other financial assets (receivables)	Financial assets measured at amortized cost	Loans and Receivables
Forward exchange transactions in the scope of hedge accounting (cash flow hedges)	Effective hedging instruments measured at fair value through other comprehensive income	n/a
Other forward exchange transactions	Financial assets measured at fair value through profit or loss	Financial Assets Held for Trading
Financial assets	Financial assets measured at fair value through other comprehensive income	Available for Sale Financial Assets
Liabilities to banks	Financial liabilities measured at amortized cost	Financial Liabilities at Amortised Costs
Trade payables	Financial liabilities measured at amortized cost	Financial Liabilities at Amortised Costs
Other financial liabilities (liabilities)	Financial liabilities measured at amortized cost	Financial Liabilities at Amortised Costs
Other forward exchange transactions	Financial liabilities	Financial Liabilities Held for Trading

[1] Contract assets from projects are not subject to the provisions of IFRS 9.

The first-time application of the impairment model did not result in any measurement differences. For reasons of materiality, the impairments of trade receivables in the amount of EUR 597 thousand resulting from the first-time application of the impairment model as of 1 January 2018 have not been recognized through other comprehensive income on 1 January 2018 but instead have been recognized through profit or loss during the 2018 financial year using the simplified approach. For impairments on trade receivables, please refer to the disclosures provided in the section on trade receivables and contract assets from projects.

IFRS 15 Revenue from Contracts with Customers regulates the timing and the amount of revenue recognition from contracts with customers across all industries. Under the new guidance, the amount of revenue recognized in many cases no longer matches the amount invoiced to the customer particularly in connection with multi-component transactions involving several different contractual services. As a result, changes may arise with respect to the timing and amount of revenue recognition among other things. This particularly refers to project and service contracts, which were previously accounted for independently. In the case of contracts for projects, the percentage of completion is no longer measured over time on the basis of the ratio of actual to planned cost but instead usually based on construction milestones, which shifts the timing of revenue recognition; revenue from projects that have not yet reached defined milestones when the standard is adopted will be adjusted. In this case, costs are recognized in inventories until the milestones are reached. Going forward, the revenue generated from service contracts will be recognized over time and distributed across the years covered by the contract in line with a distribution of costs typical of the contract (schedule). The schedule for determining the degree of completion of individual service contracts is based on historical data. A contract asset (liability) for service contracts is recognized to the extent the degree of completion exceeds (falls below) the amount billed. In addition, a review is conducted to determine whether the prices for the project and service portion conform to market conditions. If the price is lower than a defined minimum margin, portions of the revenue will be transferred accordingly.

The transition from IAS 39 to IFRS 9 and from IAS 11 to IFRS 15 (modified retrospective approach) has the following effects[1]:

The transition from IAS 39 to IFRS 9 and from IAS 11 to IFRS 15

EUR thousand	31.12.2018 IFRS 9 IFRS 15	Transition from IAS 11 to IFRS 15	Transition from IAS 39 to IFRS 9	31.12.2018 IAS 39 IAS 11	01.01.2018 IFRS 15[1]	31.12.2017 IAS 39 IAS 11
Trade receivables and contract assets from projects	253,437	173,816	1,062	428,315	321,460	593,260
Inventories	763,233	–423,170	0	340,063	779,055	195,578
Other non-current non-financial assets	127,385	–4,779	0	122,606	111,537	107,872
Other current non-financial assets	36,589	–19,967	0	16,622	30,116	13,166
Deferred tax assets	173,104	–2,196	0	170,908	148,960	100,858
Trade payables	500,812	–60,824	0	439,988	468,624	446,567
Other current provisions	148,784	0	0	148,784	151,344	151,350
Other current non-financial liabilities	787,216	–271,861	0	515,355	787,539	359,131
Other non-current non-financial liabilities	118,664	–113,875	0	4,789	69,509	11,163
Equity	697,290	170,264	1,062	868,616	790,580	918,990

[1] For reasons of materiality, the impairments of trade receivables in the amount of EUR 597 thousand resulting from the first-time application of the impairment model as of 1 January 2018 have not been recognized through other comprehensive income on 1 January 2018 but instead have been recognized through profit or loss during the 2018 financial year using the simplified approach. For impairments on trade receivables, please refer to the disclosures provided in the section on trade receivables and contract assets from projects.

EUR thousand	31.12.2018 IFRS 9 IFRS 15	Transition from IAS 11 to IFRS 15	Transition from IAS 39 to IFRS 9	31.12.2018 IAS 39 IAS 11	31.12.2017 IAS 39 IAS 11
Sales	2,459,124	–199,691	0	2,259,433	3,077,788
Changes in inventories and other own work capitalized	–94,882	156,444	0	61,562	49,617
Cost of materials	–1,710,187	38,518	0	–1,671,669	–2,294,925
Other operating expenses	–286,876	0	1,062	–285,814	–318,210
Income tax	8,723	–2,196	0	6,527	–12,171
Consolidated net loss	–83,853	–6,925	1,062	–89,716	329

New and revised standards and interpretations which were not yet mandatory in 2018 and have not been adopted early by the Group

Standard / Interpretation		Published by the IASB	Mandatory application stipulated by the IASB
IAS 19[1]	Employee benefits	07.02.2018	01.01.2019
IAS 28[1]	Investments in Associates and Joint Ventures	12.10.2017	01.01.2019
IFRS 9[1]	Financial Instruments	12.10.2017	01.01.2019
IFRS 16	Leases	13.01.2016	01.01.2019
IFRS 17[1]	Insurance Contracts	18.05.2017	01.01.2021
IFRIC 23[1]	Uncertainty over income tax treatments	07.06.2017	01.01.2019
Annual IFRS improvements cycle 2015–2017, amendments to IAS 12, IAS 23, IFRS 3 and IFRS 11[1]		12.12.2017	01.01.2019

[1] The application is not expected to have any material effect on the consolidated financial statements.

The future amendments that are of importance for the Group concern the following standard:

In January 2016, the IASB published IFRS 16 – Leases. On the part of the lessee, IFRS 16 eliminates the former classification of leases as either operating leases or finance leases. Instead, IFRS 16 introduces a single lessee accounting model according to which the lessee is obliged to recognize assets for the right-of-use under lease contracts in the amount of the lease liability plus costs that are initially directly attributable, and liabilities in the amount of the present value of future lease payments. The right of use is amortized during the term of the lease contract and the lease liability is depreciated using the actuarial method. The standard simplifies accounting for short-term leases with a term of up to twelve months, low value assets and portfolios of leases. As a result, leases previously not recognized in the statement of financial position are in the future recognized in a manner similar to finance leases pursuant to IAS 17 today. In contrast, there are no significant changes to the regulations governing accounting of lessors. This standard is mandatory for periods starting on or after 1 January 2019. Nordex has started implementing IFRS 16. As of the reporting date, there are operating leases relating to real estate and to property, plant and equipment. This is expected to increase total assets/total equity and liabilities by EUR 70 million to EUR 120 million as of 1 January 2019. IFRS 16 is also expected to lead to an increase in earnings before interest, taxes, depreciation and amortization by EUR 15 million to EUR 20 million in financial year 2019, as certain leasing expenses will have to be shown under depreciation and amortization and in the interest result going forward.

COMPANIES CONSOLIDATED

Subsidiaries are defined as all entities which are controlled by the Group. The Group controls an investee if it has rights to variable returns from its involvement with the investee and if it has the ability to use its power over the investee to affect the amount of the investee's returns. An investee is consolidated from the day on which the investor gains control of it and ends when the investor loses control over it. Acquired subsidiaries are accounted for using the acquisition method. Upon initial consolidation, identifiable assets, liabilities and contingent liabilities are measured at their fair values at the acquisition date.

The companies consolidated comprise the following nine (2017: nine) domestic and 45 (2017: 45) non-domestic companies:

Companies consolidated (continued on page 101)

Name	Share in capital / voting rights 31.12.2018 in %	Share in capital / voting rights 31.12.2017 in %
Nordex SE, Rostock (Group parent)	–	–
Alfresco Renewable Energy Private Limited, Bangalore / India	100.0	100.0
Corporacion Nordex Energy Spain S.L., Barasoain / Spain [1]	100.0	100.0
Eolicos R4E S.A. de C.V., Tegucigalpa / Honduras	100.0	100.0
Industria Toledana de Energias Renovables S.L., Barasoain / Spain	100.0	100.0
Nordex (Beijing) Wind Power Engineering & Technology Co. Ltd., Beijing / PR China	100.0	100.0
Nordex Blade Technology Centre ApS, Kirkeby / Denmark	100.0	100.0
Nordex Blades Spain S.A., Barasoain / Spain [2]	100.0	100.0
Nordex (Chile) SpA, Santiago / Chile	100.0	100.0
Nordex (Dongying) Wind Power Equipment Manufacturing Co. Ltd., Dongying / PR China	100.0	100.0
Nordex Education Trust, Cape Town / South Africa	100.0	100.0
Nordex Electrane d.o.o., Split / Croatia [3]	100.0	100.0
Nordex Employee Holding GmbH, Hamburg	100.0	100.0
NordexEnergy Uruguay S.A., Montevideo / Uruguay	100.0	100.0
Nordex Energy Brasil - Comercio e Industria de Equipamentos Ltda., Sao Paulo/Brazil [4]	100.0	100.0
Nordex Energy B.V., Rotterdam / Netherlands	100.0	100.0
Nordex Energy Chile S.A., Santiago / Chile [5]	100.0	100.0
Nordex Energy GmbH, Hamburg	100.0	100.0
Nordex Energy Iberica S.A., Barcelona / Spain	100.0	100.0
Nordex Energy Internacional S.L., Barasoain / Spain [6]	100.0	100.0
Nordex Energy Ireland Ltd., Dublin / Ireland	100.0	100.0
Nordex Energy Romania S.r.l., Bucharest / Romania	100.0	100.0
Nordex Energy South Africa RF (Pty.) Ltd., Johannesburg / South Africa	100.0	100.0
Nordex Energy Spain S.A., Barasoain / Spain [7]	100.0	100.0

Companies consolidated (continued on page 102)

Name	Share in capital / voting rights 31.12.2018 in %	Share in capital / voting rights 31.12.2017 in %
Nordex Enerji A.S., Istanbul / Turkey	100.0	100.0
Nordex Forum II GmbH & Co. KG, Hamburg	100.0	100.0
Nordex Forum II Verwaltungs GmbH, Hamburg	100.0	100.0
Nordex France S.A.S., Paris / France	100.0	100.0
Nordex Grundstücksverwaltung GmbH, Hamburg	100.0	100.0
Nordex Hellas Monoprosopi EPE, Athens / Greece	100.0	100.0
Nordex India Private Limited, Bangalore / India [8]	100.0	100.0
Nordex Italia S.r.l., Rome / Italy	100.0	100.0
Nordex Oceania Pty. Ltd., Melbourne / Australia [9]	100.0	100.0
Nordex Offshore GmbH, Hamburg	100.0	100.0
Nordex Pakistan (Private) Ltd., Islamabad / Pakistan	100.0	100.0
Nordex Polska Sp. z o.o., Warsaw / Poland	100.0	100.0
Nordex Singapore Equipment Private Ltd., Singapore / Singapore	100.0	100.0
Nordex Singapore Service Private Ltd., Singapore / Singapore	100.0	100.0
Nordex Sverige AB, Uppsala / Sweden	100.0	100.0
Nordex Towers Spain S.L., Barasoain / Spain [10]	100.0	100.0
Nordex UK Ltd., Manchester / United Kingdom	100.0	100.0
Nordex USA Inc., Chicago / United States	100.0	100.0
Nordex USA Management LLC, Chicago / United States	100.0	100.0
Nordex Windpark Beteiligung GmbH, Hamburg	100.0	100.0
Nordex Windpower Peru S.A., Lima / Peru	100.0	100.0
Nordex Windpower Rüzgar Enerjisi Sistemleri Anonim Sirketi, Istanbul / Turkey [11]	100.0	100.0
Nordex Windpower S.A., Buenos Aires / Argentina	100.0	100.0
Nordex Windpower South Africa (Pty.) Ltd., Cape Town / South Africa [12]	100.0	100.0
Nordex (Yinchuan) Wind Power Equipment Manufacturing Co. Ltd., Ningxia / PR China	100.0	100.0
NPV Dritte Windpark GmbH & Co. KG, Hamburg	100.0	100.0

Companies consolidated (continued from page 101)

Name	Share in capital / voting rights 31.12.2018 in %	Share in capital / voting rights 31.12.2017 in %
NX Energy Mexico S. de R.L. de C.V., Mexico City / Mexico [13]	100.0	100.0
Parque Eolico Llay-Llay SpA, Santiago / Chile	100.0	100.0
Shanghai Nordex Windpower Co. Ltd., Shanghai / PR China [14]	100.0	100.0
Way Wind, LLC, Delaware / United States	100.0	100.0

[1] Formerly Corporación Acciona Windpower S.L., Barasoain / Spain
[2] Formerly Acciona Blades S.A., Barasoain / Spain
[3] Formerly Acciona - Vjetroelektrane d.o.o., Split / Croatia
[4] Formerly Acciona Windpower Brasil - Comercio, Industria, Exportacao e Importacao de Equipamentos para Geracao de Energia Eolica Ltda., Sao Paulo / Brazil
[5] Formerly Acciona Windpower Chile S.A., Santiago / Chile
[6] Formerly Acciona Windpower Internacional S.L., Barasoain / Spain
[7] Formerly Acciona Windpower S.A., Barasoain / Spain
[8] Formerly Acciona Windpower India Private Limited, Bangalore / India
[9] Formerly Acciona Windpower Oceania Pty. Ltd., Melbourne / Australia
[10] Formerly Acciona Towers S.L., Barasoain / Spain
[11] Formerly Acciona Windpower Rüzgar Enerjisi Sistemleri Anonim Şirketi, Istanbul / Turkey
[12] Formerly Acciona Windpower South Africa (Pty.) Ltd., Cape Town / South Africa
[13] Formerly Acciona Windpower Mexico S. de R.L. de C.V., Mexico City / Mexico
[14] Formerly Shanghai Acciona Windpower Technical Service Co. Ltd., Shanghai / PR China

No companies were consolidated for the first time or deconsolidated in financial year 2018.

Consolidated companies do not include investees that are insignificant both in view of the quantitative criteria net profit/loss, equity, total assets and employees as well as in view of the qualitative criteria concerning the type of business activities.

For the purposes of liability consolidation, all receivables and liabilities from internal Group transactions between consolidated companies of EUR 2,246,840 thousand (2017: EUR 2,382,010 thousand) have been offset against each other.

In connection with the consolidation of expenses and income, internal Group deliveries of services and goods, expenses and income arising from transfer transactions and profit and loss from internal Group transactions of EUR 880,934 thousand (2017: EUR 921,695 thousand) were eliminated.

Tax-effective profit and loss transfer agreements are in place between Nordex SE and Nordex Energy GmbH, Nordex Grundstücksverwaltung GmbH and Nordex Windpark Beteiligung GmbH, while there are no profit and loss transfer agreements in place between Corporacion Nordex Energy Spain S.L. and the consolidated Spanish subsidiaries of Acciona Windpower. Further, no profit and loss transfer agreement is in place between Nordex SE and Nordex Energy Spain S.L.

Corporate tax and trade tax groups have been established between Nordex SE and Nordex Energy GmbH, Nordex Grundstücksverwaltung GmbH as well as Nordex Windpark Beteiligung GmbH. A VAT tax group has been established between Nordex SE and Nordex Energy GmbH, Nordex Forum II Verwaltungs GmbH, Nordex Grundstücksverwaltung GmbH and Nordex Windpark Beteiligung GmbH. Moreover, a corporate tax group has been established between Corporacion Nordex Energy Spain S.L. and the consolidated Spanish subsidiaries of Acciona Windpower and between Nordex USA Inc. and Nordex USA Management LLC and Way Wind, LLC.

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

All financial instruments are initially recognized at fair value. Transaction costs increase or decrease the initial carrying amount if the financial instrument is not recognized at fair value though profit or loss.

For subsequent measurement, all financial assets are allocated to one of the following categories:

- Measured at amortized cost
- Measured at fair value through other comprehensive income
- Measured at fair value through profit or loss

By contrast, all financial liabilities are divided into the following categories:

- Measured at amortized cost
- Measured at fair value through profit or loss

Information on the categorization in the Nordex Group is provided in the sections on the relevant items in the statement of financial position. The Group does not apply the fair value option. There was no reclassification in the financial year ended.

Regular way purchase or sale of financial assets can be recognized or derecognized as at the day of trading or as at the date of settlement method. The method applied must be applied consistently for all purchases and sales of financial assets that belong to the same category. The Nordex Group uses settlement date accounting.

According to the impairment model in IFRS 9, an expected credit loss must be recognized for all financial instruments within the scope of this standard on initial recognition of the financial instrument.

At Nordex, this impairment model is mainly applicable to the following financial instruments:

- Trade receivables
- Contract assets from projects
- Contract assets from services

The expected credit loss is calculated based on a general impairment model with three stages (general approach) used to determine the loss allowances:

Stage 1:
Upon initial recognition, all financial instruments are classified in Stage 1. The loss allowance here is equal to the credit loss expected from possible default events in the twelve months following the reporting date (twelve-month expected credit loss).

Stage 2:
In cases where there is a significant increase in credit risk since initial recognition, financial instruments are transferred to Stage 2. The loss allowance equals the loss that could arise from possible default events during the remaining term of the financial instrument (lifetime expected credit loss).

Stage 3:
If there is objective evidence of impairment in accordance with IAS 39, financial instruments are moved to Stage 3. The loss allowance is equal to the incurred loss.

As a rule, the Company is free to determine the transfer criteria. However, IFRS 9 includes simplified assumptions constituting rebuttable presumptions about when a significant increase in credit risk exists. If transfer criteria are no longer met, financial instruments may be returned to another stage. Increases or decreases in loss allowances are recognized in profit or loss.

A simplified approach may also be applied as part of the general impairment model.

The Nordex Group uses both the general approach and the simplified approach.

Derivatives in turn must always be recognized at fair value. Changes in fair value are recognized in the profit or loss for the period, unless the company has decided to designate the derivative as a hedge in accordance with hedge accounting after all requirements for hedge accounting are met. Hedge accounting is applied to all cash flow hedges for project and procurement transactions at the Nordex Group. In contrast, hedge accounting is not applied to the hedging of changes in the fair value of Nordex SE's receivables, since these generally comprise intra-Group financing in foreign currencies.

Financial assets and liabilities that are designated as hedged items or hedge instruments are therefore subject to measurement under hedge accounting. In 2018, Nordex continues to account for hedges pursuant to IAS 39 in accordance with the exemption rule in IFRS 9, but will provide the respective disclosures in the notes to the consolidated financial statements according to both IAS 39 and IFRS 9.

These stipulate that hedge accounting is possible only if the clear hedging relationship between the hedged item and the hedge is documented and its efficacy is proved. Effectiveness is determined on the basis of the dollar offset method using a full fair value approach.

Cash flow hedges are recognized to hedge cash flows that are highly probable to occur as per the budget or planning of individual customer specific projects. The hedging rate for customer-specific projects is 100%. Any changes in the fair value of the effective part of the cash flow hedges are initially recognized in the cash flow hedge reserve and only reclassified to profit or loss when the hedged item is realized or does not come to pass; the ineffective part of the cash flow hedge is taken to profit or loss immediately. The ineffective part of cash flow hedges comprises income and expense arising from any changes in the fair value of the forward exchange transactions exceeding the changes in the fair value of the hedged items for which, however, efficacy within the permissible range of between 80% and 125% has been determined overall. Ineffective portions of hedges can arise when hedges are extended due to shifts in project-specific exposures.

Gains and losses on hedged project contracts are reported in the income statement under other operating income or other operating expenses as the case may be, whereas gains and losses on hedged procurement contracts are reported within cost of materials.

Forward exchange transactions that do not satisfy the strict criteria for the application of hedge accounting are classified as financial assets measured at fair value through profit or loss.

LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made relating to an operating lease are recognized in the income statement under other operating expenses.

Leases in which the Group holds the material risks and rewards from ownership of the leased assets are classified as finance leases. Assets under a finance lease are capitalized under property, plant and equipment and depreciated. A lease liability of the same amount is recognized within non-current liabilities. The interest component of the lease payment is recognized within the interest result in the income statement and spread evenly over the term of the lease.

FOREIGN CURRENCY TRANSLATION

The consolidated financial statements are presented in euros, which is Nordex SE's functional and reporting currency.

Foreign-currency transactions are translated into the functional currency using the relevant exchange rates prevailing on the date of the transaction. Gains and losses resulting from the transaction-date translation are recognized through profit or loss.

Assets and liabilities of all Group companies with a functional currency other than euro are translated to euro on each reporting date using the exchange rate on such date, while income and expenses in each of the income statements are translated to euro using the monthly average exchange rate. If the use of the monthly average exchange rate does not result in a reasonable approximation of the cumulative effects that would have arisen had the exchange rate applicable on the dates of the individual transactions been applied, income and expenses are translated at the rates prevailing on the transaction dates. Any exchange differences are recognized as a separate item in other reserves in equity (foreign currency adjustment item).

The following table sets out the exchange rates against the euro of the Group's most important foreign currencies:

The most important exchange rates for the Group

Exchange rate EUR 1.00 equals	Average exchange rates for the financial year		Year-end exchange rate as at 31.12.	
	2018	2017	2018	2017
ARS	31.3638	18.7071	43.2077	22.9840
AUD	1.5802	1.4742	1.6230	1.5340
BRL	4.2929	3.6093	4.4501	3.9695
CLP	754.9036	733.9019	795.7349	736.8111
GBP	0.8854	0.8743	0.8968	0.8873
HRK	7.4195	7.4591	7.4100	7.4340
INR	80.3306	73.2989	79.8002	76.0000
MXN	22.6681	21.3181	22.5300	23.5900
NOK	9.6197	9.3297	9.9450	9.8150
PEN	3.8789	3.6769	3.8749	3.8814
SEK	10.2678	9.6306	10.2425	9.8250
TRY	5.4915	4.0928	6.0724	4.5380
USD	1.1805	1.1286	1.1457	1.1990
ZAR	15.4797	15.0118	16.4663	14.7493

FINANCIAL RISK MANAGEMENT

FINANCIAL RISK MANAGEMENT – PURPOSES AND METHODS

As an enterprise acting on an international level, the Nordex Group is exposed to financial risks in its operating business and financial transactions. These are primarily market, credit and liquidity risks. The purpose of financial risk management is to limit these risks by means of ongoing operating and finance-oriented activities. The Treasury department is responsible for implementing the financial strategy and for ongoing risk management.

MARKET RISK

Foreign currency risk

The Group's business is exposed to fluctuations in exchange rates as a result of its international orientation. The main risks are associated with the US dollar. Foreign currency risks arise from expected future transactions and from assets and liabilities recognized in the statement of financial position. Currency risks arise as a result of financial instruments denominated in a currency other than the Group's functional currency and of a monetary nature; exchange rate-related differences from the translation of financial statements into the Group currency (translation risks) are ignored.

Foreign currency risks are mostly avoided by concluding contracts with customers that match the currencies of the corresponding project-related contracts with suppliers (natural hedge).

In order to hedge the remaining foreign currency risk, derivative hedge instruments are used, specifically forward exchange transactions. Derivative financial instruments are used solely for hedging purposes and are not utilized for trading or speculative purposes. These transactions are executed on a central basis by Nordex SE as the parent company. Contracts for derivative financial instruments are taken out only with domestic and foreign banks whose ratings are permanently monitored. Nordex also mitigates risk by diversifying its trading partners. All transactions with derivative financial instruments are executed, monitored and audited in accordance with the applicable provisions of the European Market Infrastructure Regulation (EMIR). Moreover, certain transactions require the prior approval of the Management Board, which is additionally kept regularly informed of the extent of the risk exposure resulting from the project business. As at 31 December 2018, most forward exchange transactions were denominated in US dollar. The notional repayment amounts for outstanding forward exchange transactions stand at EUR 175,821 thousand (2017: EUR 196,876 thousand); non-euro denominated forward exchange contracts are measured in euros and opposing currency flows cancel each other out.

The derivative hedging instruments included in hedge accounting are as follows:

Derivative hedging instruments included in hedge accounting

	BRL thousand	CNY thousand	INR thousand	USD thousand
Nominal value due in 2019	147,529	0	3,958,000	0
Nominal value due in 2020	0	46,520	8,500	149,669
Nominal value due in 2021	0	0	0	42,815
Total	**147,529**	**46,520**	**3,966,500**	**192,484**
Base currency	EUR	EUR	USD	EUR
Average hedging rate	**4.5552**	**8.4233**	**70.9505**	**1.1855**

The ineffective part of the cash flow hedges directly recognized in the income statement in other operating income in accordance with IAS 39 amounts to a gain of EUR 23 thousand (2017: EUR 0 thousand).

The following results from the effectiveness test in accordance with IFRS 9:

The following results from the effectiveness test in accordance with IFRS 9

	Derivative assets			Derivative liabilities	
2018	**EUR / CNY EUR thousand**	**USD / INR EUR thousand**	**EUR / USD EUR thousand**	**EUR / BRL EUR thousand**	**EUR / USD EUR thousand**
Nominal amount	TCNY 46,520	TINR 3,966,500	TUSD 28,485	TBRL 147,529	TUSD 164,000
Market value / carrying amount	222	321	237	–207	–2,410
Change in the value of the hedge to determine ineffectivenes	222	321	237	–207	–2,410
Change in the value of the hedged item to determine ineffectiveness	–225	–320	–256	145	2,274
Amount of cash flow hedge reserve for active cash flow hedges	222	320	237	–145	–2,274
Amount of cash flow hedge reserve for completed cash flow hedges	0	0	0	0	0

The ineffective part of the cash flow hedges directly recognized in the income statement in other operating expenses amounts to a loss of EUR 198 thousand in accordance with IFRS 9.

Thanks to this, the Nordex Group's operating activities were not exposed to any material foreign currency risks as at the reporting date.

For the purpose of describing foreign currency risks, a currency sensitivity analysis is performed to determine the effects of hypothetical changes in relevant risk variables on the Company's net profit (after income tax) and equity. The relevant risk variables comprise all nonfunctional currencies in which the Nordex Group transacts financial instruments.

In the event of 10% appreciation/depreciation in the respective foreign currency against the reporting currency, the measurement of the primary monetary financial instruments (cash and cash equivalents, trade receivables and payables, contract assets from projects, liabilities to banks and prepayments received) would result in the following effects on post-tax profit:

Non-derivative monetary financial instruments

2018	+10% EUR thousand	–10% EUR thousand
EUR/USD	–9,579	7,838

2017	+10% EUR thousand	–10% EUR thousand
EUR/USD	2,904	–2,376

In the event of 10% appreciation/depreciation in the respective foreign currency against the reporting currency, the measurement of the forward exchange transactions entered into for hedging purpose but not included in hedge accounting would result in the following effects on post-tax profit:

Forward exchange transactions (affecting net profit / loss after income tax)

2018	+10% EUR thousand	–10% EUR thousand
EUR/USD	–7,665	6,344

2017	+10% EUR thousand	–10% EUR thousand
EUR/USD	–4,137	3,388

According to IFRS 9, the measurement of the forward exchange transactions entered into for hedging purpose but not included in hedge accounting would result in the following effects on post-tax profit and fair value:

2018	+10% EUR thousand	–10% EUR thousand
EUR/AUD		
Net profit/loss after income tax	–572	572
Fair value	–572	572
EUR/SEK		
Net profit/loss after income tax	1,153	–1,153
Fair value	1,153	–1,153
EUR/USD		
Net profit/loss after income tax	–10,186	10,186
Fair value	–10,186	10,186

In the event of 10% appreciation/depreciation in the respective foreign currency against the reporting currency, the measurement of the forward exchange transactions entered into for hedging purpose and included in hedge accounting would result in the following effects on the post-tax profit and hedge accounting reserve within equity:

Forward exchange transactions (affecting net profit / loss after income tax and the hedge accounting reserve in equity)

2018 EUR / USD	+10% EUR thousand	–10% EUR thousand
Net profit/loss after income tax	138	–62
Hedge accounting reserve within equity	–13,906	6,401

2017 EUR / USD	+10% EUR thousand	–10% EUR thousand
Net profit/loss after income tax	14	–6
Hedge accounting reserve within equity	–15,677	7,091

According to IFRS 9, the measurement of the forward exchange transactions entered into for hedging purpose and included in hedge accounting would result in the following effects on post-tax profit, fair value and the pre-tax and post-tax hedging reserve within equity:

2018	+10% EUR thousand	–10% EUR thousand
EUR / BRL		
Net profit/loss after income tax	0	0
Fair value	–3,233	3,233
Hedge accounting reserve within equity, pre-tax	–3,233	3,233
Hedge accounting reserve within equity, post-tax	–2,199	2,199
EUR / CNY		
Net profit/loss after income tax	0	0
Fair value	576	–576
Hedge accounting reserve within equity, pre-tax	576	–576
Hedge accounting reserve within equity, post-tax	392	–392
EUR / INR		
Net profit/loss after income tax	0	0
Fair value	32	–32
Hedge accounting reserve within equity, pre-tax	32	–32
Hedge accounting reserve within equity, post-tax	22	–22
EUR / USD		
Net profit/loss after income tax	0	0
Fair value	–10,063	10,063
Hedge accounting reserve within equity, pre-tax	–10,063	10,063
Hedge accounting reserve within equity, post-tax	–6,843	6,843

Interest risk

Nordex SE has issued a promissory note that is also subject to variable interest. However, due to an early repayment of some of the floating-rate promissory note tranches and refinancing via the bond with a fixed coupon, existing interest rate hedges (interest rate caps) were terminated in the 2018 financial year.

A 1 percentage point increase of the 6M-Euribor would increase cumulative interest expense until maturity of the remaining floating-rate promissory note tranches by EUR 2,370 thousand (2017: EUR 6,521 thousand), while a decrease in 6M-Euribor would not reduce interest expense because of the contractually agreed interest floor.

The Group has no assets subject to variable interest rates entailing a material interest rate risk exposure.

Credit risk

The Group enters into business solely with investment-grade rated third parties. All main new customers wishing to enter into business with the Group on credit terms undergo a credit check. As a matter of principle, a standardized approval procedure is carried out to address any credit risks before the order is accepted. In particular, the order is not accepted unless the project finance is guaranteed by a bank and/or a bank guarantee or group bond has been issued. In addition, the contracts provide for prepayments to be made when certain milestones are reached. In addition, receivables are monitored on an ongoing basis to avert all material credit risks. There is no pronounced clustering of credit risks within the Group. The maximum credit risk is limited to the carrying amount in question. Trade receivables and contract assets from projects are additionally secured by means of guarantees, sureties and standby letters of credit of EUR 5,268,681 thousand gross (2017: EUR 3,812,661 thousand) or by means of retained ownership rights of EUR 45,179 thousand (2017: EUR 205,658 thousand).

Liquidity risk

The aim of the Group is to achieve a balance between incoming and outgoing payments. To this end, it tracks payments made and received in the light of the maturities of the financial investments and assets as well as expected payment flows from operating activities and permanently manages Group liquidity.

As a matter of principle, the Nordex Group finances projects via prepayments made by customers. With all projects, the payments are invoiced in line with the progress of work on the basis of the agreed contractual schedule.

In some cases, Nordex uses cross-border cash pooling mechanisms or other in-house banking instruments to enhance the efficiency of liquidity management within the Group. Group Treasury invests remaining liquidity positions conservatively with domestic and non-domestic banks. For this purpose, limits and counterparty risks are permanently monitored.

DEBT INSTRUMENTS

Promissory note

On 6 April 2016, Nordex SE placed a promissory note with a volume of EUR 550,000 thousand for which Nordex Energy GmbH is jointly and severally liable with national and international investors. The promissory note has terms of three, five, seven and ten years, each subject to fixed or variable interest. Depending on the tranche, the interest rate is between 1.5% and 3.0%. Utilization as at 31 December 2018 under the loan agreement including accrued interest amounted to EUR 285,953 thousand (2017: EUR 552,514 thousand). Of the funds generated by the bond, EUR 266,000 thousand were used to repay the three-year, and in part the five-year, floating-rate promissory note tranches.

Research and development loan

In addition, Nordex has been granted a long-term research and development facility of up to EUR 100,000 thousand by the European Investment Bank. Nordex intends to use this loan to finance the development of increasingly more efficient technical solutions to additionally extend its competitive lead. The loan has a term of eight years from the date on which it is drawn and is repaid in installments. The borrower is Nordex Energy GmbH, with the main Nordex Group companies holding joint and several liability. Utilization as at 31 December 2018 under the loan agreement including accrued interest amounted to EUR 66,099 thousand (2017: EUR 78,686 thousand).

Syndicated multi-currency guarantee facility

Nordex SE also has a syndicated multi-currency guarantee facility with a volume of EUR 1,210,000 thousand in which the main Nordex Group companies hold joint and several liability. The facility was renewed on 15 December 2015 for another five years until 15 December 2020 and was increased by EUR 260,000 thousand on 1 April 2016. As at 31 December 2018, EUR 767,857 thousand (2017: EUR 487,152 thousand) of the multi-currency guarantee facility had been drawn down in the form of guarantees. Ancillary credit facilities have also been set up under the multi-currency guarantee facility for Nordex Energy Brasil – Comercio e Industria de Equipamentos Ltda. and Nordex India Private Limited. As of 31 December 2018, the cash drawdowns plus accrued interest on these facilities amounted to EUR 15,529 thousand (31 December 2017: EUR 52,105 thousand).

Bond

On 2 February 2018, the Nordex Group successfully placed a "green" bond in the amount of EUR 275,000 thousand with a coupon of 6.50%. This bond was admitted to trading on the International Stock Exchange. The issuer of the unsecured, five-year bond is Nordex SE, with the main Nordex Group companies holding joint and several liability. As at 31 December 2018, the liability recognized including accrued interest and costs amounted to EUR 274,680 thousand.

All financings are equal in rank and unsecured.

The loan by the European Investment Bank and the syndicated multi-currency guarantee facility are further subject to uniform and agreed financial covenants such as equity ratio, leverage and interest coverage, compliance with which is confirmed in quarterly reports to the banks. As in the previous year, the financial covenants were met in 2018.

The banks may only terminate the existing facilities for good cause, which includes breach of the financial covenants.

CAPITAL RISK MANAGEMENT

The main aims of capital risk management are to ensure sustained growth in enterprise value and to safeguard the Group's liquidity and credit rating. Equity stood at EUR 697,290 thousand as at 31 December 2018 (2017: EUR 918,990 thousand). The Group monitors its capital by means of the working capital employed. Working capital is defined as the sum total of trade receivables, contract assets from projects and inventories less trade payables and prepayments received:

Working capital ratio

EUR thousand	31.12.2018	31.12.2017
Trade receivables[1]	163,079	181,944
Contract assets from projects[1]	90,358	411,316
Inventories[1]	763,233	195,578
Trade payables[1]	–500,812	–446,567
Prepayments received[1]	–610,165	–179,053
	–94,307	**163,218**
Sales[1]	2,459,124	3,077,788
Working capital ratio	**–3.8%**	**5.3%**

[1] Working capital in 2018 was determined in accordance with IFRS 9 and IFRS 15, which had to be applied as of 1 January 2018, whereas working capital in 2017 was determined in accordance with IAS 39 and IAS 11. For more information on the transition from IAS 39 to IFRS 9 and from IAS 11 to IFRS 15, see the disclosures in the section on the effects of new financial reporting standards.

GROUP SEGMENT REPORTING

The Nordex Group is essentially a single-product company. The Nordex Group's activities cover the development, production, servicing and marketing of wind power systems. In order to support the marketing activities, it provides preliminary project development services, acquires rights and creates the infrastructure required to construct wind power systems at suitable locations. In line with business activities, the reportable segments are the Projects and Service segments. The prices of deliveries between the individual segments are determined on an arm's length basis. Segment reporting follows the internal reports submitted to the chief operating decision maker, the Management Board of Nordex SE, on the basis of the accounting principles applied to the consolidated financial statements.

Group segment reporting

	Projects		Service	
EUR thousand	**2018**	**2017**	**2018**	**2017**
Sales	2,123,210	2,774,000	342,589	314,752
Changes in inventories and other own work capitalized	–94,786	51,062	214	–1,445
Cost of materials	–1,496,563	–2,129,938	–158,718	–136,403
Other income and expenses	–364,893	–397,775	–129,007	–129,507
Earnings before interest and taxes	166,968	297,349	55,078	47,398
Other interest and similar income	0	0	0	0
Interest and similar expenses	0	0	0	0
Other financial result	0	0	0	0

[1] Income and expenses that cannot be clearly allocated to the Projects and Service segments are shown under "Not allocated" to enhance the informative value of the Group segment reporting. This mainly concerns effects from the non-allocation of administrative costs, currency translation, depreciation of property, plant and equipment, amortization of intangible assets and loss of income, as well as from the correction of technical defects that goes beyond general service. The transition took place retrospectively.

[2] As in the previous year, intrasegment sales are exclusively attributable to the Service segment, whereas intrasegment cost of materials of EUR 4,959 thousand (2017: EUR 9,827 thousand) is attributable to the Projects segment and EUR 2,460 thousand (2017: EUR 3,958 thousand) to the Not-allocated segment.

	Not allocated[1]		Consolidation[2]		Total	
	2018	2017	2018	2017	2018	2017
	744	2,821	–7,419	–13,785	2,459,124	3,077,788
	–310	0	0	0	–94,882	49,617
	–62,325	–42,369	7,419	13,785	–1,710,187	–2,294,925
	–214,336	–261,841	0	0	–708,236	–789,123
	–276,227	–301,390	0	0	–54,181	43,357
	6,094	6,194	0	0	6,094	6,194
	–43,161	–33,715	0	0	–43,161	–33,715
	–1,328	–3,336	0	0	–1,328	–3,336

Non-current assets and sales break down by region as follows:

Non-current assets and sales by region

	Non-current assets[1]		Sales[2]	
EUR thousand	**31.12.2018**	**31.12.2017**	**2018**	**2017**
Europe	440,203	481,586	1,408,963	1,838,088
North America	14,217	17,296	547,797	610,510
Latin America	19,647	33,810	457,403	529,681
Rest of world	23,197	42,922	44,961	99,509
	497,264	**575,614**	**2,459,124**	**3,077,788**

[1] Non-current assets include property, plant and equipment, capitalized development expenses and other intangible assets.
[2] Sales in 2018 were determined in accordance with IFRS 15, which had to be applied as of 1 January 2018, whereas sales in 2017 were determined in accordance with IAS 11. For more information on the transition from IAS 11 to IFRS 15, see the disclosures in the section on the effects of new financial reporting standards.

Sales by region in 2018 in accordance with IAS 11 were as follows:

Sales by region

EUR thousand	**2018**
Europe	1,225,153
North America	486,892
Latin America	540,404
Rest of world	6,984
	2,259,433

Further information can be found in the Group management report.

NOTES TO THE STATEMENT OF FINANCIAL POSITION

(1) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, sight deposits and fixed-term deposits with an original term of up to four months. Utilized current account overdrafts are netted with cash and cash equivalents.

Deposits which are immediately callable are subject to variable interest rates, while fixed-term deposits are subject to the applicable fixed interest rates.

Cash and cash equivalents amount to EUR 609,805 thousand (2017: EUR 623,179 thousand), EUR 14,611 thousand (2017: EUR 40,550 thousand) of which pertains to fixed-term deposits with an original term of more than three months.

No impairments need to be recognized.

Pursuant to IFRS 7 and IFRS 9, cash and cash equivalents are classified as financial assets measured at amortized cost. Given the short residual terms to maturity, amortized cost would equal the fair value as in the previous year.

(2) TRADE RECEIVABLES AND CONTRACT ASSETS FROM PROJECTS

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected within one year or less (or within the normal operating cycle of the business if longer), they are classified as current assets.

Contract assets from projects include unfinished contracts whose revenues are recognized according to the percentage of completion in accordance with IFRS 15. Prepayments received are deducted.

Trade receivables and contract assets from projects are comprised as follows:

Receivables

EUR thousand	31.12.2018	31.12.2017
Trade receivables (gross)[1]	178,936	195,688
Less impairment[1]	–15,857	–13,744
Trade receivables (net)[1]	163,079	181,944
Contract assets from projects (gross)[1]	1,533,775	2,182,543
Less prepayments received	–1,443,417	–1,771,227
Contract assets from projects (net)[1]	90,358	411,316
	253,437	**593,260**

[1] Trade receivables in 2018 were determined in accordance with IFRS 9 and IFRS 15, which had to be applied as of 1 January 2018, whereas trade receivables and contract assets from projects in 2017 were determined in accordance with IAS 39 and IAS 11. For more information on the transition from IAS 39 to IFRS 9 and from IAS 11 to IFRS 15, see the disclosures in the section on the effects of new financial reporting standards.

Trade receivables are not subject to interest and are generally due for settlement within 30 to 90 days.

Retentions by customers in connection with contract assets from projects are usually associated with punch lists not yet completed and largely refer to final payments outstanding for more than 30 days. Such retentions amount to EUR 43,141 thousand (2017: EUR 34,810 thousand).

The following impairment was recognized on trade receivables in the year under review and in the previous year:

Impairment losses on trade receivables

EUR thousand	2018	2017
Impairment as at 01.01.	13,744	6,240
Utilization	–30	–2,780
Reversals	–479	–196
Additions	2,622	10,480
Impairment as at 31.12.	**15,857**	**13,744**

Impairments of trade receivables applying the simplified approach are as follows:

Impairments of trade receivables

31.12.2018	Impaired	Not impaired						Total
EUR thousand		Not past due	Past due less than 30 days	Past due 31 to 90 days	Past due 91 to 180 days	Past due 181 to 360 days	Past due 361 days and more	
Collateralized trade receivables (gross)	0	17,134	42,247	7,739	7,059	5,543	29,676	109,398
Expected loss rates	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Impairment	0	0	0	0	0	0	0	0
Collateralized trade receivables (net)	0	17,134	42,247	7,739	7,059	5,543	29,676	109,398
Uncollateralized trade receivables (gross)	15,795	31,031	11,665	8,096	2,323	248	380	69,538
Expected loss rates	93.7%	0.1%	0.3%	2.5%	12.5%	50.0%	100.0%	22.8%
Impairment	14,795	31	35	202	290	124	380	15,857
Uncollateralized trade receivables (net)	1,000	31,000	11,630	7,894	2,033	124	0	53,681

Impairments of trade receivables

01.01.2018	Impaired	Not impaired						Total
EUR thousand		Not past due	Past due less than 30 days	Past due 31 to 90 days	Past due 91 to 180 days	Past due 181 to 360 days	Past due 361 days and more	
Collateralized trade receivables (gross)	0	72,553	35,149	8,865	4,921	7,916	11,304	140,708
Expected loss rates	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Impairment	0	0	0	0	0	0	0	0
Collateralized trade receivables (net)	0	72,553	35,149	8,865	4,921	7,916	11,304	140,708
Uncollateralized trade receivables (gross)	14,603	26,345	9,540	2,907	1,153	215	217	54,980
Expected loss rates	94.1%	0.1%	0.3%	2.5%	12.5%	50.0%	100.0%	26.1%
Impairment	13,744	26[1]	29[1]	73[1]	144[1]	108[1]	217[1]	14,341
Uncollateralized trade receivables (net)	859	26,319	9,511	2,834	1,009	107	0	40,639

[1] For reasons of materiality, the impairments of trade receivables in the amount of EUR 597 thousand resulting from the first-time application of the impairment model as of 1 January 2018 have not been recognized through other comprehensive income on 1 January 2018 but instead have been recognized through profit or loss during the 2018 financial year using the simplified approach.

For reasons of materiality, the impairments of trade receivables in the amount of EUR 597 thousand resulting from the first-time application of the impairment model as of 1 January 2018 have not been recognized through other comprehensive income on 1 January 2018 but instead have been recognized through profit or loss during the 2018 financial year using the simplified approach.

In financial year 2018, unimpaired receivables amounting to EUR 12 thousand (2017: EUR 52 thousand) were derecognized.

Due to the collateralization with guarantees, sureties and standby letters of credit, no impairments need to be recognized on contract assets from projects.

Pursuant to IFRS 7 and IFRS 9, trade receivables are classified as financial assets measured at amortized cost whereas contract assets from projects are not subject to the provisions of IFRS 7 and IFRS 9. Amortized cost would equal the fair value, as in the previous year.

(3) INVENTORIES

Generally, the average method is used to calculate historical cost. The production costs include full costs calculated on the basis of normal capacity utilization.

Suitable adjustments are made to allow for any inventory risks in connection with reduced merchantability.

Inventories break down as follows:

Inventories

EUR thousand	31.12.2018	31.12.2017
Raw materials and supplies [1]	263,024	136,268
Work in progress [1]	455,431	26,875
Prepayments made	44,778	32,435
	763,233	**195,578**

[1] Raw materials, supplies and work in progress in 2018 were determined in accordance with IFRS 15, which had to be applied as of 1 January 2018, whereas raw materials, supplies and work in progress in 2017 were determined in accordance with IAS 11. For more information on the transition from IAS 11 to IFRS 15, see the disclosures in the section on the effects of new financial reporting standards.

Raw materials and supplies primarily comprise production and service material.

Work in progress relates to wind power systems under construction as well as advance outlays for project development, rights and infrastructure of EUR 2,799 thousand (2017: EUR 537 thousand) not due for completion until after 2019.

The carrying amount of the inventories includes the following impairment adjustments:

Impairment adjustments on inventories

EUR thousand	2018	2017
Impairment as at 01.01.	48,329	53,988
Utilization	–3,158	–7,381
Reversals	–5,085	–290
Additions	8,420	2,012
Impairment as at 31.12.	**48,506**	**48,329**

Utilization of impairment is related specifically to reductions in aged inventories, while additions refer primarily to inventories with limited usability.

The carrying amount of the impaired inventories stands at EUR 13,138 thousand (2017: EUR 10,465 thousand).

(4) INCOME TAX RECEIVABLES AND PAYABLES

Income tax receivables of EUR 10,903 thousand (2017: EUR 8,517 thousand) mainly stem from Nordex Energy Brasil - Comercio e Industria de Equipamentos Ltda., Nordex Energy South Africa RF (Pty.) Ltd. and the companies included in the domestic tax group, Nordex SE and Nordex Energy GmbH; in the first two cases these result from excessive prepayments and in the case of Nordex SE and Nordex Energy GmbH they are the result of findings from tax audits. The income tax payable of EUR 10,595 thousand (2017: EUR 28,556 thousand) is mainly attributable to Nordex France S.A.S.

(5) OTHER CURRENT FINANCIAL ASSETS

Other current financial assets break down as follows:

Other current financial assets

EUR thousand	31.12.2018	31.12.2017
Insurance and compensation claims	4,853	4,369
Creditors with debit accounts	3,127	2,157
Deposits/collateral	2,027	1,970
Receivables from non-consolidated affiliated companies, associates and investments	1,481	970
Forward exchange transactions	894	3,018
Other	3,822	2,190
	16,204	**14,674**

No impairments need to be recognized.

Pursuant to IFRS 7 and IFRS 9, the receivables reported under other current financial assets are classified as financial assets measured at amortized cost. Given the short residual terms to maturity, amortized cost amounting to EUR 15,310 thousand (2017: EUR 11,656 thousand) would equal the fair value as in the previous year.

Pursuant to IFRS 7 and IFRS 9, the forward exchange transactions reported in other current financial assets in the scope of hedge accounting (cash flow hedges) are classified as effective hedging instruments measured at fair value through other comprehensive income. The fair value recognized in accordance with IAS 39 amounts to EUR 446 thousand (2017: EUR 1,459 thousand).

Pursuant to IFRS 7 and IFRS 9, the other forward exchange transactions reported under other current financial assets are classified as financial assets measured at fair value through profit or loss. The fair value recognized in accordance with IAS 39 amounts to EUR 448 thousand (2017: EUR 1,559 thousand). The forward rates and prices are calculated on the basis of the spot price on the reporting date in the light of any discounts or premiums for the remaining term of the contract.

The fair value of forward exchange transactions in 2018 pursuant to IFRS 9 amounts to EUR 1,171 thousand, of which EUR 614 thousand is attributable to other forward exchange transactions.

(6) OTHER CURRENT NON-FINANCIAL ASSETS

Other current non-financial assets break down as follows:

Other current non-financial assets

EUR thousand	31.12.2018	31.12.2017
Current tax assets	104,791	97,667
Prepaid expenses	13,344	6,951
Contract assets from services [1]	4,779	0
Other	4,471	3,254
	127,385	**107,872**

[1] Contract assets from services in 2018 were determined for the first time in accordance with IFRS 15, which had to be applied as of 1 January 2018. For more information on the transition from IAS 11 to IFRS 15, see the disclosures in the section on the effects of new financial reporting standards.

The current tax assets primarily concern current input tax assets of Nordex Energy Brasil - Comercio e Industria de Equipamentos Ltda. in the amount of EUR 23,825 thousand (2017: EUR 20,996 thousand), of Corporacion Nordex Energy Spain S.L. in the amount of EUR 12,616 thousand (2017: EUR 16 thousand), of Nordex SE in the amount of EUR 12,603 thousand (2017: EUR 24 thousand) and of Nordex Energy GmbH in the amount of EUR 11,781 thousand (2017: EUR 11,487 thousand).

Prepaid expenses chiefly comprise costs pertaining to other periods for the multi-currency guarantee facility and license fees.

The contract assets from services concern maintenance contracts in accordance with IFRS 15 where the degree of completion exceeds the billed amount.

The expected loss ratio for contract assets from services corresponds to the ratio of 0.1% applicable for unsecured trade receivables that are not past due. For reasons of materiality, the impairments resulting from this as at 31 December 2017 in the amount of EUR 7 thousand have not been recognized.

(7) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognized at historical cost and, where subject to wear and tear, depreciated. Historical cost includes costs directly attributable to acquisition or construction.

In accordance with IAS 20.24, government grants and assistance received for the purpose of acquiring non-current assets are deducted from historical cost.

Depreciation is calculated on a straight-line basis over the expected useful life of the asset. For this purpose, the historical cost is written down to the residual carrying amount over the expected useful life of the assets as follows:

Depreciation of property, plant and equipment

	Useful life	Depreciation rate
Land and buildings (depreciation calculated for buildings only)	10–33 years	3%–10%
Technical equipment and machinery	3–25 years	4%–33.33%
Tools and equipment	2–18 years	5.56%–50%

Property, plant and equipment breaks down as follows:

Composition of property, plant and equipment

EUR thousand	31.12.2018	31.12.2017
Land and buildings	88,345	94,502
Technical equipment and machinery	120,722	120,695
Other fixtures and fittings, tools and equipment	34,199	39,442
Prepayments made and assets under construction	22,845	28,728
	266,111	**283,367**

In 2014, Nordex received a government grant to expand its facility in Rostock. The assets for which the grant is provided must be retained in the facility in question for a period of five years after the completion of the expansion project. In addition, an annual average of around 1,126 jobs must be maintained permanently during this period. Both the grant and the general conditions will be adjusted in connection with the 2017 "45-by-18" cost reduction program. No investment grant was paid in 2018 (2017: EUR 1,735 thousand).

For a detailed overview of movements in property, plant and equipment we refer to the statement of changes in property, plant and equipment and intangible assets attached to the notes to the consolidated financial statements.

(8) GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired company on the date of acquisition.

Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. Once per year at year-end the Group tests whether goodwill is impaired at the level of the Projects and Service segments (impairment only approach).

The recoverable amount or the fair value less cost of sale for these two segments is calculated based on the budget for 2019 as well as four subsequent budget years derived from the Company's medium-term forecasts. As in the previous year, income beyond the five-year period has been extrapolated based on a steady growth rate of 1.00%. The fair value determined for both segments is assigned to Level 3 in the fair value hierarchy.

The discount rate before tax is 8.30% (2017: 8.30%) for the Projects segment and 9.19% (2017: 9.19%) for the Service segment and is calculated on the basis of the weighted average cost of capital (WACC). The discount rate is based on a risk-free interest rate of 1.25% (2017: 1.25%), a market risk premium of 6.50% (2017: 6.50%) and a beta factor of 1.13 (2017: 1.13). The beta factor and the ratio of the market value of equity capital to the market value of debt capital were determined using a segment-specific peer group.

As in the previous year, goodwill amounts to EUR 547,758 thousand, with EUR 504,595 thousand in the Projects segment and EUR 43,163 thousand in the Service segment. EUR 537,798 thousand thereof results from the purchase price allocation for Acciona Windpower.

As in the previous year, no impairment losses were recognized in 2018 as the recoverable value of the Projects and Service segments was higher than the carrying amount of their assets plus the carrying amount of the goodwill of both segments.

An increase or decrease in the WACC by 0.5 percentage points as well as an increase or decrease by 0.5 percentage points of the growth discount would not lead to any impairment in either the Projects segment or the Service segment.

For a detailed overview of goodwill we refer to the statement of changes in property, plant and equipment and intangible assets attached to the notes to the consolidated financial statements.

(9) CAPITALIZED DEVELOPMENT EXPENSES

The cost of production for such assets includes all costs directly attributable to the production process as well as the production-related overheads and borrowing costs. Borrowing costs that are directly attributable to the production of a qualifying asset are capitalized until all work required to ready the asset for its intended use has been largely completed; otherwise they are recognized as expense in the period, in which they accrue. A qualifying asset is one whose production takes more than one year. Furthermore, development expenses may only be capitalized if the Company is in a position to and intends to complete and use the asset, and is able to prove how the asset will in future generate an economic benefit. The capitalized development expenses acquired in connection with the Acciona Windpower merger were measured at fair value.

Capitalized development expenses are written down on a straight line basis over the period in which the project is expected to generate sales, but no longer than five years. Furthermore, the Group reviews the recognized value of the capitalized development expenses once a year; an impairment is recognized for any development measures that are found to be technically outdated.

As at the reporting date, development expenses of EUR 206,538 thousand (2017: EUR 220,042 thousand) were capitalized. In financial year 2018, development expenses of EUR 36,433 thousand were capitalized (2017: EUR 48,244 thousand). Additions comprise in particular the development of the new Generation Delta wind turbine type N149 and the enhancement of the AW3000 platform. The additions include borrowing costs of EUR 2,489 thousand (2017: EUR 916 thousand) at a borrowing rate of 3.96% (2017: 1.89%). Additional development expenses of EUR 20,249 thousand also arising in 2018 (2017: EUR 29,372 thousand) did not meet the criteria for capitalization and were therefore recognized in profit or loss. The capitalization ratio therefore amounts to 64.28% (2017: 61.42%).

For a detailed overview of capitalized development costs we refer to the statement of changes in property, plant and equipment and intangible assets attached to the notes to the consolidated financial statements.

(10) OTHER INTANGIBLE ASSETS

Assets that have defined useful lives are reported at historical cost less cumulative amortization

Amortization is calculated on a straight-line basis over the expected useful life of the assets, which are deemed to end no later than upon the expiry of the corresponding right. The following useful lives are assumed for this purpose:

Other intangible assets

	Useful life	Amortization rate
Licenses, software and similar rights	2–5 years	20%–50%

Other intangible assets amount to EUR 24,616 thousand (2017: EUR 72,205 thousand) as at the reporting date.

For a detailed overview of other intangible assets we refer to the statement of changes in property, plant and equipment and intangible assets attached to the notes to the consolidated financial statements.

(11) FINANCIAL ASSETS

The financial assets include investments in affiliated non-consolidated companies and investments. Investments in affiliated non-consolidated companies refers to companies that are controlled by the Group but are insignificant. Investments refers to companies that are not controlled by the Group. Financial assets mainly comprise project companies. However, project development is not carried out by the companies, which is why the value of the companies does not increase. Costs therefore correspond to the fair value.

Financial assets break down as follows:

Financial assets

EUR thousand	31.12.2018	31.12.2017
Investments in affiliated non-consolidated companies	4,446	4,637
Equity investments	21	162
	4,467	**4,799**

Shares are held in the following affiliated non-consolidated companies:

Investments in affiliated non-consolidated companies

EUR thousand	31.12.2018	31.12.2017
Project companies	4,421	4,587
Nordex Windpark Verwaltung GmbH, Hamburg	25	25
natcon 7 GmbH, Hamburg [1]	0	25
	4,446	**4,637**

[1] natcon 7 GmbH was disposed of in the financial year ended.

The project companies hold various rights in connection with internally developed wind power projects, in particular construction permits and power purchase agreements. One project company was established in 2018 (2017: five) and four project companies were sold (2017: six). No impairments were recognized (2017: EUR 1 thousand).

The purpose of Nordex Windpark Verwaltung GmbH is to acquire and manage investments in trading companies whose purpose is particularly to acquire, develop, install and operate wind farms and to assume personal liability and management responsibility for such entities.

Investments are held in the following entities:

Equity investments

EUR thousand	31.12.2018	31.12.2017
Eoliennes du Pays d'Auge, Nimes/France	18	0
Eoliennes de la Vallee S.A.S., Amiens/France	1	1
Fond du Moulin, Pontarme/Frankreich	1	1
Vent d'est S.a r.l., Paris/France	1	1
Way Wind LLC, Nebraska/USA	0	0
K/S Whitewater Wind Power Invest I, Fredensborg/Denmark, Komplementarselskabet Whitewater Invest I ApS, Helsinge/Denmark[1]	0	91
K/S Whitewater Wind Power Invest VII, Fredensborg/Denmark, Komplementarselskabet Whitewater Invest VII ApS. Helsinge/Denmark[1]	0	37
K/S Whitewater Wind Power Invest VIII, Fredensborg/Denmark, Komplementarselskabet Whitewater Invest VIII ApS, Helsinge/Denmark[1]	0	31
	21	**162**

[1] K/S Whitewater Wind Power Invest I, Komplementarselskabet Whitewater Invest I ApS, K/S Whitewater Wind Power Invest VII, Komplementarselskabet Whitewater Invest VII ApS and K/S Whitewater Wind Power Invest VIII and Komplementarselskabet Whitewater Invest VIII ApS were disposed of in the financial year ended.

Eoliennes du Pays d'Auge, Eoliennes de la Vallee S.A.S., Fond du Moulin, Vent d'est S.a r.l. and Way Wind LLC have no significant business operations.

None of the shares are listed. There was no intention to sell as at 31 December 2018.

For further details on shareholdings we refer to the list of shareholdings as at 31 December 2018 attached to the notes to the consolidated financial statements.

Pursuant to IFRS 7 and IFRS 9, the investments are classified as financial assets measured at fair value through other comprehensive income. The investments mainly comprise project companies. As in the previous year, the fair value corresponds to costs because there is no increase in value in the companies as project development is not carried out by the companies.

(12) INVESTMENTS IN ASSOCIATES

Associates are all entities over which the Group has a significant influence but not control, generally accompanied by a shareholding of between 20% and 50% of the voting rights. They are measured using the equity method of accounting.

Investments in associates break down as follows:

Investments in associates

EUR thousand	31.12.2018	31.12.2017
C&C Wind Sp. z o.o., Natolin/Poland	1,221	1,742
GN Renewable Investments S.a r.l., Luxembourg/Luxembourg	0	408
KNK Wind GmbH, Frankfurt am Main[1]	0	3,015
	1,221	**5,165**

[1] KNK Wind GmbH was disposed of in the financial year ended.

The purpose of C&C Wind Sp. z o.o. is to install and operate a wind farm in Poland.

GN Renewable Investments S.a r.l. is responsible for arranging the funding of project companies.

The following table sets out the financial information on the non-listed associates:

Financial information on associates

2018 EUR thousand	C&C Wind Sp. z o.o.	GN Renewable Investments S.à.r.l.
Current assets [1]	4,516	14,207
Non-current assets [1]	44,494	40
Current liabilities [1]	34,912	11,053
Non-current liabilities [1]	279	0
Sales [1]	8,969	1,055
Profit/loss [1]	–1,438	–832
Shareholding	40.00%	30.00%

2017 EUR thousand	C&C Wind Sp. z o.o.	GN Renewable Investments S.à.r.l.
Current assets [2]	4,443	14,106
Non-current assets [2]	49,661	40
Current liabilities [2]	3,953	11,020
Non-current liabilities [2]	34,256	763
Sales [2]	10,610	242
Profit/loss [2]	–2,126	–181
Shareholding	40.00%	30.00%

[1] Provisional financial statements as at 31.12.2018
[2] Provisional financial statements as at 31.12.2017

This financial information is reconciled with the carrying amounts of the investments as follows:

Reconcilitation

2018 EUR thousand	C&C Wind Sp. z o.o.	GN Renewable Investments S.à.r.l.
Net assets as at 01.01. [1]	15,895	2,363
Profit/loss [2]	–1,438	–832
Other changes in net assets [2]	–638	1,663
Net assets as at 31.12. [2]	13,819	3,194
Shareholding in %	40.00%	30.00%
Shareholding in EUR thousand	5,528	958
Goodwill	0	0
Elimination of intragroup profits or losses	–4,307	–958
Impairment	0	0
Carrying amount as at 31.12.	**1,221**	**0**

2017 EUR thousand	C&C Wind Sp. z o.o.	GN Renewable Investments S.à.r.l.
Net assets as at 01.01. [3]	17,005	2,545
Profit/loss [1]	–2,126	–181
Other changes in net assets [1]	1,016	–1
Net assets as at 31.12. [1]	15,895	2,363
Shareholding in %	40.00%	30.00%
Shareholding in EUR thousand	6,358	709
Goodwill	0	0
Elimination of intragroup profits or losses	–4,616	–301
Impairment	0	0
Carrying amount as at 31.12.	**1,742**	**408**

[1] Provisional financial statements as at 31.12.2017
[2] Provisional financial statements as at 31.12.2018
[3] Provisional financial statements as at 31.12.2016

Other changes in net assets comprise equity transactions, differences between the provisional and audited annual financial statements and translation differences.

As of 31 December 2018, GN Renewable Investments S.a.r.l. had accumulated unrecognized losses of EUR 639 thousand (2017: EUR 0 thousand).

For further details on shareholdings we refer to the list of shareholdings as at 31 December 2018 attached to the notes to the consolidated financial statements.

Pursuant to IFRS 7 and IFRS 9, the forward exchange transactions reported in other non-current financial assets in the scope of hedge accounting (cash flow hedges) are classified as effective hedging instruments measured at fair value through other comprehensive income. The fair value recognized in accordance with IAS 39 amounts to EUR 132 thousand (2017: EUR 0 thousand).

The fair value of forward exchange transactions in 2018 pursuant to IFRS 9 amounts to EUR 222 thousand.

(13) OTHER NON-CURRENT FINANCIAL ASSETS

Other non-current financial assets break down as follows:

Other non-current financial assets

EUR thousand	31.12.2018	31.12.2017
Receivables from non-consolidated affiliated companies, associates and investments	16,668	16,024
Deposits	365	994
Forward exchange transactions	132	0
Loans	0	131
	17,165	**17,149**

Receivables from non-consolidated affiliated companies, associates and investments concern the financing of project companies in particular. No impairments need to be recognized.

Pursuant to IFRS 7 and IFRS 9, the receivables reported under other non-current financial assets are classified as financial assets measured at amortized cost. Given that market interest rates apply, amortized cost amounting to EUR 17,033 thousand (2017: EUR 17,149 thousand) would equal the fair value as in the previous year.

(14) OTHER NON-CURRENT NON-FINANCIAL ASSETS

Other non-current non-financial assets break down as follows:

Other non-current non-financial assets

EUR thousand	31.12.2018	31.12.2017
Contract assets from services [1]	19,967	0
Prepaid expenses	16,622	13,166
	36,589	**13,166**

[1] Contract assets from services in 2018 were determined for the first time in accordance with IFRS 15, which had to be applied as of 1 January 2018. For more information on the transition from IAS 11 to IFRS 15, see the disclosures in the section on the effects of new financial reporting standards.

The contract assets from services concern maintenance contracts in accordance with IFRS 15 where the degree of completion exceeds the billed amount.

Prepaid expenses chiefly comprise costs pertaining to other periods for license fees and for the multi-currency guarantee facility.

The expected loss ratio for contract assets from services corresponds to the ratio of 0.1% applicable for unsecured trade receivables that are not past due. For reasons of materiality, the impairments resulting from this as at 31 December 2017 in the amount of EUR 17 thousand have not been recognized, however. .

(15) DEFERRED TAX ASSETS AND TAX LIABILITIES

As the consolidated tax group parent, Nordex SE recognizes deferred tax assets on unused tax losses. Deferred tax assets are calculated on the basis of medium-term forecasts for the German part of the Nordex Group. The forecast period for the probability of unused tax losses being utilized continues to be five years.

The non-domestic subsidiaries within the Nordex Group recognize deferred tax assets for unused tax losses in the light of the national tax rates and make allowance for any restrictions in the length of time in which the tax losses may be utilized. Deferred tax assets are calculated on the basis of the medium-term forecasts for the subsidiary in question.

Deferred tax assets and liabilities are netted in cases in which there is an enforceable netting right and the deferred tax assets and liabilities are levied by the same tax authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

As at 31 December 2018, a rounded tax rate of 32.00% (2017: 32.00%) was applied for the purpose of calculating domestic deferred taxes.

The deferred tax assets and liabilities arising in connection with recognition and measurement differences in the following items of the statement of financial position and unused tax losses break down as follows:

Deferred tax assets and liabilities

	Deferred tax assets [1]		Deferred tax liabilities [1]	
EUR thousand	**31.12.2018**	**31.12.2017**	**31.12.2018**	**31.12.2017**
Contract assets from projects	0	0	37,372	43,110
Property, plant and equipment/Intangible assets	4,245	4,312	69,135	88,820
Other assets	15,429	11,397	7,025	2,204
Provisions	21,902	38,111	1,366	5,100
Other liabilities	94,947	62,984	34,178	19,132
Unused tax losses and tax credits	106,955	43,892	0	0
	243,478	**160,696**	**149,076**	**158,366**
Netting	–70,374	–59,838	–70,374	–59,838
	173,104	**100,858**	**78,702**	**98,528**

[1] Deferred tax assets and deferred tax liabilities in 2018 were determined based on amounts recognized in accordance with IFRS 15, which had to be applied as of 1 January 2018, whereas deferred tax assets and deferred tax liabilities in 2017 were determined based on amounts recognized in accordance with IAS 11. For more information on the transition from IAS 11 to IFRS 15, see the disclosures in the section on the effects of new financial reporting standards.

The Management Board currently estimates that of the existing corporate tax loss carryforwards of EUR 143,921 thousand (2017: EUR 11,453 thousand) and of the existing trade tax losses of EUR 126,672 thousand (2017: EUR 1,595 thousand) EUR 120,043 thousand and EUR 104,741 thousand, respectively, can be utilized. The relevant legislation does not stipulate any maximum period in which losses must be utilized in Germany.

The Nordex Group has the following unused tax losses for which no deferred income tax assets have been set aside.

Unused tax losses for which no deferred income tax assets have been recognized

EUR thousand	31.12.2018	31.12.2017
Forfeitable in less than 1 year	4,326	5,869
Forfeitable within 2 to 5 years	54,985	29,533
Forfeitable within 6 to 9 years	2,781	2,783
Forfeitable in more than 9 years	25,036	6,600
Non-forfeitable	115,834	87,999
	202,962	**132,784**

Deferred tax assets of EUR 106,099 thousand (2017: EUR 31,999 thousand) have been recognized for subsidiaries which sustained losses in the previous year or the period under review as they are likely to be realized on the basis of future tax result planning.

No deferred tax liabilities were recognized on temporary differences of EUR 15,006 thousand (2017: EUR 24,447 thousand) in connection with shares in subsidiaries as these temporary differences are unlikely to reverse in the foreseeable future.

The deferred tax assets include non-current deferred tax assets before netting of EUR 101,830 thousand (2017: EUR 52,659 thousand). Of the deferred tax liabilities, an amount of EUR 144,670 thousand (2017: EUR 90,459 thousand) is attributable to the non-current portion of the deferred tax liabilities before netting.

The changes in deferred tax break down as follows:

Changes in deferred taxes

EUR thousand	2018	2017
Amount on 01.01.	50,432[1]	–20,476
Recognized through profit or loss	40,236	25,913
Recognized in other comprehensive income	1,295	560
Currency translation	2,439	–3,667
Amount on 31.12.	**94,402**	**2,330**

[1] The opening balance sheet figure as of 1 January 2018 in the amount of EUR 50,432 thousand differs from the closing balance sheet figure as of 31 December 2017 by EUR 2,330 thousand as a result of the mandatory conversion from IAS 11 to IFRS 15 as of 1 January 2018. For more information on the transition from IAS 11 to IFRS 15, see the disclosures in the section on the effects of new financial reporting standards.

(16) LIABILITIES TO BANKS

Liabilities to banks are measured at amortized cost less transaction costs using the effective interest method.

More detailed information on the liabilities to banks is provided in the section on debt instruments.

Maturity schedule including interest due in the future

EUR thousand	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
31.12.2018	**22,574**	**55,623**	**295,576**	**10,238**	**384,011**
31.12.2017	59,299	16,666	596,516	42,593	715,074

Pursuant to IFRS 7 and IFRS 9, liabilities to banks are classified as financial liabilities measured at amortized cost. The fair value would amount to EUR 368,325 thousand (2017: EUR 686,901 thousand), of which EUR 77,167 thousand (2017: EUR 75,189 thousand) would be classified as current.

(17) TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer).

Trade payables amount to EUR 500,812 thousand (2017: EUR 446,567 thousand). Trade payables in 2018 were determined in accordance with IFRS 15, which had to be applied as of 1 January 2018, whereas trade payables in 2017 were determined in accordance with IAS 11. For more information on the transition from IAS 11 to IFRS 15, see the disclosures in the section on the effects of new financial reporting standards.

Since the entire Nordex Group has now adopted project-based calculation of outstanding invoices, these are no longer shown under other current financial liabilities but only under trade payables.

Maturity schedule

EUR thousand	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
31.12.2018	**500,812**	**0**	**0**	**0**	**500,812**
31.12.2017	446,567	0	0	0	446,567

Pursuant to IFRS 7 and IFRS 9, trade payables are classified as financial liabilities measured at amortized cost. Given the short residual terms to maturity, amortized cost would equal the fair value as in the previous year.

(18) OTHER PROVISIONS

Provisions are recognized if the Group has a present legal or actual obligation as a result of a past event, it is more likely than not that an outflow of resources embodying economic benefits will be necessary to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are calculated on the basis of prudent estimates accounting for all discernible risks at the level of their probable occurrence. Provisions are recognized at the present value of the expenditure expected to be required to settle the obligation discounted at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Movements in other provisions break down as follows:

Other provisions

EUR thousand	01.01.2018	Utilization	Reversals	Additions	31.12.2018
Individual guarantees	121,438	–8,180	–533	17,520	130,245
Warranties, service, maintenance	59,993	–13,273	–2,502	9,588	53,806
Others	25,453[1]	–1,525	–6,880	7,876	24,924
	206,884	**–22,978**	**–9,915**	**34,984**	**208,975**

[1] The opening balance sheet figure as of 1 January 2018 in the amount of EUR 25,453 thousand differs from the closing balance sheet figure as of 31 December 2017 by EUR 25,459 thousand as a result of the mandatory conversion from IAS 11 to IFRS 15 as of 1 January 2018. For more information on the transition from IAS 11 to IFRS 15, see the disclosures in the section on the effects of new financial reporting standards.

The provisions for individual guarantees predominantly cover risks arising from possible claims for damages.

The warranty provisions are utilized in accordance with statutory or contractual periods.

The other provisions primarily concern supplier risks, legal uncertainties and costs in connection with the construction of the Nordex Group's new administrative building.

Other provisions comprise other non-current provisions of EUR 60,191 thousand (2017: EUR 55,540 thousand), which are expected to be utilized after the end of the 2019 financial year. The amount derived from discounting the non-current provisions of EUR 246 thousand (2017: EUR 320 thousand) is reported within the additions.

(19) OTHER CURRENT FINANCIAL LIABILITIES

Other current financial liabilities break down as follows:

Other current financial liabilities

EUR thousand	31.12.2018	31.12.2017
Bond	7,448	0
Guarantee commissions	3,905	1,708
Forward exchange transactions	2,312	291
Loans	605	557
Liabilities to non-consolidated affiliated companies	557	1,876
Debtors with credit balances	239	1,406
Invoices outstanding	0	42,348
Other	1,461	1,641
	16,527	**49,827**

More detailed information on the bond is provided in the section on debt instruments.

Since the entire Nordex Group has now adopted project-based calculation of outstanding invoices, these are no longer shown under other current financial liabilities but only under trade payables.

Maturity schedule including interest due in the future (without forward exchange transactions)

EUR thousand	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
31.12.2018	**14,462**	**10,181**	**0**	**0**	**24,643**
31.12.2017	48,786	750	0	0	49,536

Pursuant to IFRS 7 and IFRS 9, the liabilities reported under other current financial liabilities are classified as financial liabilities measured at amortized cost. Given the short residual terms to maturity, amortized cost amounting to EUR 14,215 thousand (2017: EUR 49,536 thousand) would equal the fair value as in the previous year.

Pursuant to IFRS 7 and IFRS 9, the forward exchange transactions reported in other current financial liabilities in the scope of hedge accounting (cash flow hedges) are classified as effective hedging instruments measured at fair value through other comprehensive income. The fair value recognized in accordance with IAS 39 amounts to EUR 2,177 thousand (2017: EUR 0 thousand).

Pursuant to IFRS 7 and IFRS 9, the other forward exchange transactions reported under other current financial liabilities are classified as financial liabilities measured at fair value through profit or loss. The fair value recognized in accordance with IAS 39 amounts to EUR 135 thousand (2017: EUR 291 thousand). The forward rates and prices are calculated on the basis of the spot price on the reporting date in the light of any discounts or premiums for the remaining term of the contract.

The fair value of forward exchange transactions in 2018 pursuant to IFRS 9 amounts to EUR 2,097 thousand, of which EUR 115 thousand is attributable to other forward exchange transactions.

(20) OTHER CURRENT NON-FINANCIAL LIABILITIES

Other current non-financial liabilities break down as follows:

Other current non-financial liabilities

EUR thousand	31.12.2018	31.12.2017
Prepayments received	610,165	179,053
Accruals	67,500	103,973
Other tax payables	45,256	34,677
Contract liabilities from services [1]	36,372	0
Deferred income [1]	21,518	34,900
Liabilities for social security	3,740	3,808
Other	2,665	2,720
	787,216	**359,131**

[1] Contract liabilities from services in 2018 were determined for the first time in accordance with IFRS 15, which had to be applied as of 1 January 2018, whereas income received in advance from service contracts with customers included in deferred income in 2017 was determined in accordance with IAS 18. For more information on the transition from IAS 11 (including IAS 18) to IFRS 15, see the disclosures in the section on the effects of new financial reporting standards.

Accruals primarily comprise liabilities in connection with staff of EUR 47,478 thousand (2017: EUR 61,032 thousand) and trailing project costs of EUR 16,128 thousand (2017: EUR 28,292 thousand).

The other tax liabilities mainly relate to VAT of EUR 38,695 thousand (2017: EUR 28,336 thousand).

The contract liabilities from services concern maintenance contracts in accordance with IFRS 15 where the degree of completion is lower than the billed amount.

Deferred income mainly relates to project payments already received, which will not be recognized in profit or loss until 2019.

(21) PENSIONS AND SIMILAR OBLIGATIONS

Pension provisions are set aside to cover defined benefit obligations towards eligible active and former employees at Nordex SE and Nordex Energy GmbH. A defined benefit plan determines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The benefits are based on individual commitments. The employees are not required to make any contribution of their own. The provisions on the statement of financial position for defined benefit plans correspond to the present value of the defined benefit obligation (DBO) as at the reporting date. The DBOs are calculated annually by independent actuarial experts using the projected unit credit method. The present value of the DBOs is calculated by discounting the expected future outflows of funds with the interest rate of investment-grade corporate bonds. The corporate bonds are denominated in the currencies in which the benefits are paid and with maturities matching those of the pension obligations. Actuarial gains and losses based on historical adjustments and changes to actuarial assumptions are recognized in other comprehensive income in the period in which they arise. Pension provisions are not externally funded.

They are shown on the statement of financial position as follows:

Shown in the statement of financial position

EUR thousand	2018	2017
Obligation as at 01.01.	2,035	1,866
Current service cost	101	219
Interest expense	19	18
Retirement benefit payments	–46	–46
Actuarial gains	–28	–22
of which from changes in demographic assumptions	19	0
of which from changes in actuarial assumptions	–13	–30
of which adjustments based on historical data	–34	8
	2,081	**2,035**

The obligation as at 31 December equals the amount shown on the statement of financial position.

The following amounts were recognized in the income statement:

Amounts recognized in the income statement

EUR thousand	2018	2017
Current service cost	101	219
Interest expense	19	18
	120	**237**

Other comprehensive income breaks down as follows:

Other comprehensive income

EUR thousand	2018	2017
Actuarial gains	–28	–22
	–28	**–22**

Annual retirement benefit payments of EUR 48 thousand (2017: EUR 46 thousand) are expected in future years.

The calculation is based on the following actuarial assumptions:

Actuarial assumptions

EUR thousand	2018	2017
Applied interest rate	1.91%	1.81%
Wage and salary trend	n/a	n/a
Pension trend	2.00%	2.00%

If the interest rate applied were +0.5 percentage points higher, the obligation would drop to EUR 2,020 thousand (2017: EUR 1,969 thousand). If the interest rate applied were 0.5 percentage points lower, the obligation would increase to EUR 2,149 thousand (2017: EUR 2,109 thousand).

The obligations have terms between 12 and 14 years (2017: between 12 and 14 years).

The statistical probability data set out in the Prof. Dr. Heubeck 2018 G mortality tables was used as the biometric basis for calculations.

(22) OTHER NON-CURRENT FINANCIAL LIABILITIES

Other non-current financial liabilities break down as follows:

Other non-current financial liabilities

EUR thousand	31.12.2018	31.12.2017
Bond	267,232	0
Loans	2,294	2,591
Forward exchange transactions	519	0
Others	49	6
	270,093	**2,597**

More detailed information on the bond is provided in the section on debt instruments.

Maturity schedule

EUR thousand	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
31.12.2018	**0**	**0**	**331,702**	**435**	**332,137**
31.12.2017	0	0	1,933	664	2,597

Pursuant to IFRS 7 and IFRS 9, the liabilities reported under other non-current financial liabilities are classified as financial liabilities measured at amortized cost. Based on the bond's share price of 90.01% as at the reporting date, the fair value would be EUR 242,102 thousand (31 December 2017: Amortized cost would equal fair value because the interest rate corresponds to the prevailing market rate).

Pursuant to IFRS 7 and IFRS 9, the forward exchange transactions reported in other current financial liabilities in the scope of hedge accounting (cash flow hedges) are classified as effective hedging instruments measured at fair value through other comprehensive income. The fair value recognized in accordance with IAS 39 amounts to EUR 518 thousand (2017: EUR 0 thousand).

The fair value of forward exchange transactions in 2018 pursuant to IFRS 9 amounts to EUR 635 thousand.

(23) OTHER NON-CURRENT NON-FINANCIAL LIABILITIES

Other non-current non-financial liabilities break down as follows:

Other non-current non-financial liabilities

EUR thousand	31.12.2018	31.12.2017
Contract liabilities from services [1]	113,876	0
Deferred income [1]	0	6,867
Other tax payables	4,788	4,296
	118,664	**11,163**

[1] Contract liabilities from services in 2018 were determined for the first time in accordance with IFRS 15, which had to be applied as of 1 January 2018, whereas income received in advance from service contracts with customers included in deferred income in 2017 was determined in accordance with IAS 18. For more information on the transition from IAS 11 (including IAS 18) to IFRS 15, see the disclosures in the section on the effects of new financial reporting standards.

The contract liabilities from services concern maintenance contracts in accordance with IFRS 15 where the degree of completion is lower than the billed amount.

The other tax liabilities concern liabilities to tax authorities in Brazil.

(24) EQUITY

Equity breaks down as follows:

Equity

EUR thousand	31.12.2018	31.12.2017
Subscribed capital	96,982	96,982
Capital reserves	597,626	597,626
Other retained earnings	24,193	37,501
Cash flow hedges	–1,776	991
Foreign currency adjustment item [1]	–17,182	–10,482
Consolidated net profit/loss carried forward [1]	–2,553	196,372
Consolidated net profit/loss	0	0
Share in equity attributable to parent company's shareholders	697,290	918,990
	697,290	**918,990**

[1] The foreign currency adjustment item and the consolidated net profit carried forward in 2018 were determined in accordance with IFRS 15, which had to be applied as of 1 January 2018, whereas the foreign currency adjustment item and the consolidated net profit carried forward in 2017 were determined in accordance with IAS 11. For more information on the transition from IAS 11 to IFRS 15, see the disclosures in the section on the effects of new financial reporting standards.

Subscribed capital amounts to EUR 96,982,447 (2017: EUR 96,982,447) and is divided into 96,982,447 (2017: 96,982,447) fully paid-up no-par-value shares, each with a notional share in capital of EUR 1.

The capital reserves stand at EUR 597,626 thousand (2017: EUR 597,626 thousand) and contain premiums from capital increases amounting to EUR 481,416 thousand (2017: EUR 481,416 thousand).

In the year under review, the cumulative losses of EUR 9,011 thousand (2017: EUR 21,454 thousand) from the effective part of cash flow hedges for project business previously shown in the cash flow hedge reserve pursuant to IAS 39 as at the date on which the hedged items were realized were reclassified to other operating expenses (2017: cumulative gains of EUR 21,454 thousand in other operating income).

The cumulative gains/losses from the effective part of cash flow hedges for procurement business recognized in the cash flow hedge reserve pursuant to IAS 39 amount to EUR 0 thousand (2017: cumulative gains of EUR 1,983 thousand, reclassified to cost of materials as at the date on which the hedged items were realized).

The following table shows the changes in the cash flow hedge reserve according to IFRS 9:

Cash flow hedge reserve

EUR thousand	31.12.2018
Amount on 01.01.	991
Reclassifications to other operating expenses due to realization of hedged items	9,054
Gains from effective hedges	–11,685
Amount on 31.12.	**–1,640**

Nordex SE's net loss for financial year 2018 determined in accordance with the German Commercial Code totaling EUR 77,850,362.13 was compensated by a withdrawal from other retained earnings in the full amount. Of Nordex SE's net profit for the 2017 financial year determined in accordance with the German Commercial Code totaling EUR 78,315,362.84 an amount of EUR 13,793,094.07 was allocated to other retained earnings; the remaining amount of EUR 64,522,268.77 was also allocated to retained earnings for the 2017 financial year in accordance with a resolution adopted by the Annual General Meeting on 5 June 2018.

Further details of the changes in the individual equity items can be found in the attached consolidated statement of changes in equity.

As in the previous year, at 31 December 2018 the Company had Authorized Capital I of EUR 19,376,489, equivalent to 19,376,489 shares and Contingent Capital I of EUR 19,376,489, equivalent to 19,376,489 shares, each with a notional share in capital of EUR 1.

In accordance with a resolution passed at the Annual General Meeting on 10 May 2016, the Management Board is authorized subject to the Supervisory Board's approval to utilize Authorized Capital I to increase the Company's share capital once or repeatedly on or before 9 May 2021. The Management Board is further authorized with the Supervisory Board's approval to exclude the shareholders' subscription rights. Authorized Capital I has not yet been utilized.

Contingent Capital I is used to grant conversion rights and/or to establish conversion obligations for the holders of the convertible bonds issued by the Company on or before 9 May 2021 in accordance with the resolution passed by the shareholders at the annual general meeting held on 10 May 2016 and in accordance with the terms of the convertible bond in question and to grant option rights to holders of the option bonds issued by the Company on or before 9 May 2021 in accordance with the resolution passed by the shareholders at the annual general meeting held on 10 May 2016 and in accordance with the terms of the option bond in question. To date, no conversion or option rights have been issued.

(25) ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

The following table shows the financial assets and liabilities as well as their fair values and their allocation to the fair value hierarchy defined in IFRS 13 that should be applied when determining the fair value of a financial instrument:

Financial assets and financial liabilities (fair values)

2018 EUR thousand	Level 1	Level 2	Level 3	Total
Financial assets				
Forward exchange transactions in the scope of hedge accounting (cash flow hedges)	—	578	—	578
Other forward exchange transactions	—	448	—	448
Financial liabilities				
Liabilities to banks	—	368,325	—	368,325
Bond	247,207	—	—	247,207
Forward exchange transactions in the scope of hedge accounting (cash flow hedges)	—	2,695	—	2,695
Other forward exchange transactions	—	135	—	135

2017 EUR thousand	Level 1	Level 2	Level 3	Total
Financial assets				
Forward exchange transactions in the scope of hedge accounting (cash flow hedges)	—	1,459	—	1,459
Other forward exchange transactions	—	1,559	—	1,559
Financial liabilities				
Liabilities to banks	—	686,901	—	686,901
Forward exchange transactions in the scope of hedge accounting (cash flow hedges)	—	0	—	0
Other forward exchange transactions	—	291	—	291

Assets and liabilities, the fair value of which is derived from the market values in active markets, are assigned to Level 1. A market is assumed to be active if market values are calculated regularly and are based on actual recurring transactions. The bond is allocated to Level 1 because it has been admitted to trading at the International Stock Exchange.

Fair values which cannot be determined by reference to active markets are derived from measurement models, which primarily take account of observable market data and generally do not include specific company estimates. These financial instruments are assigned to Level 2. Liabilities to banks as part of financial liabilities are allocated to Level 2. The same applies to forward exchange transactions.

If material assumptions underlying the measurement are not based on observable market data, the financial instruments concerned are classified as Level 3.

There were no reclassifications between levels, neither in comparison with the previous year nor during the year under review.

Net gains and losses from financial instruments break down by category as follows:

Net gain from financial instruments

2018 EUR thousand	Interest	Other net gain / loss	Total
Financial assets measured at amortized cost	6,094	47,555	53,649
Financial liabilities measured at amortized cost	–43,161	–54,152	–97,313
Financial assets and liabilities measured at fair value through profit or loss	0	–9,011	–9,011
	–37,067	**–15,608**	**–52,675**

2017 EUR thousand	Interest	Other net gain / loss	Total
Financial assets measured at amortized cost	6,194	–52,391	–46,197
Financial liabilities measured at amortized cost	–33,715	14,386	–19,329
Financial assets and liabilities measured at fair value through profit or loss	0	21,454	21,454
	–27,521	**–16,551**	**–44,072**

The net gains and losses were otherwise mostly due to foreign currency translation effects.

The maturities of the derivative financial instruments are structured as follows:

Maturities of the derivative financial instruments

2018 EUR thousand	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Derivatives with negative fair values					
Cash outflow	–39,813	–108,383	–36,382	0	–184,578

2017 EUR thousand	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Derivatives with negative fair values					
Cash outflow	–24,258	–4,616	0	0	–28,874

The maturities of the derivative financial instruments are structured as follows pursuant to IFRS 9:

Maturity structure of derivative financial instruments

2018 EUR thousand	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Receivables from derivatives with gross settlement					
Cash inflow	56,332	67,775	0	0	124,107
Cash outflow	–11,508	0	–5,523	0	–17,031
	44,824	**67,775**	**–5,523**	**0**	**107,076**
Liabilities from derivatives with gross settlement					
Cash inflow	36,177	104,629	7,702	0	148,508
Cash outflow	–3,045	0	–27,925	0	–30,970
	33,132	**104,629**	**–20,223**	**0**	**117,538**

2018 USD thousand	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Receivables from derivatives with gross settlement					
Cash inflow	0	0	0	0	0
Cash outflow	–27,572	0	–117	0	–27,689
	–27,572	**0**	**–117**	**0**	**–27,689**
Liabilities from derivatives with gross settlement					
Cash inflow	0	0	0	0	0
Cash outflow	0	0	0	0	0
	0	**0**	**0**	**0**	**0**

NOTES TO THE INCOME STATEMENT

(26) SALES

Sales comprise income from the completion of construction contracts for customers, the sale of wind power systems and income from service contracts

In the case of contracts for projects, the percentage of completion is no longer measured over time on the basis of the ratio of actual to planned cost but instead usually based on construction milestones, which shifts the timing of revenue recognition; revenue from projects that have not yet reached defined milestones when the standard is adopted will be adjusted. In this case, costs are recognized in inventories until the milestones are reached.

Going forward, the revenue generated from service contracts will be recognized over time and distributed across the years covered by the contract in line with a distribution of costs typical of the contract (schedule). The schedule for determining the degree of completion of individual service contracts is based on historical data. A contract asset (liability) for service contracts is recognized to the extent the degree of completion exceeds (falls below) the amount billed.

In addition, a review is conducted to determine whether the prices for the project and service portion conform to market conditions. If the price is lower than a defined minimum margin, portions of the revenue will be transferred accordingly.

Sales break down to the Projects and Service segments as follows:

Sales by segment

EUR thousand	2018	2017
Projects[1]	2,123,210	2,774,000
Service[1]	342,589	314,752
Not allocated[1,2]	744	2,821
Intrasegment consolidation[1]	–7,419	–13,785
	2,459,124	**3,077,788**

[1] Sales in 2018 were determined in accordance with IFRS 15, which had to be applied as of 1 January 2018, whereas sales in 2017 were determined in accordance with IAS 11. For more information on the transition from IAS 11 to IFRS 15, see the disclosures in the section on the effects of new financial reporting standards.
[2] Income and expenses that cannot be clearly allocated to the Projects and Service segments are shown under "Not allocated" to enhance the informative value of the Group segment reporting. The conversion took place retrospectively.

Sales by broken down by the Projects and Service segments in 2018 in accordance with IAS 11 were as follows:

Sales by broken down by the Projects and Service segments

EUR thousand	2018
Projects	1,898,525
Service	367,583
Not allocated	744
Intrasegment consolidation	–7,419
	2,259,433

As of 31 December 2018, the total amount of the transaction price allocated to the remaining performance obligation from projects amounted to EUR 1,761,396 thousand and the total amount of the transaction price allocated to the remaining short-term and long-term performance obligation from service contracts was EUR 150,249 thousand. As a rule, sales from projects are recognized in the next twelve months, whereas sales from service contracts are recognized over the average remaining term of the service contracts of seven years.

Sales recognized in the reporting period included at the start of the period in the net amount of prepayments received from projects and the contract liability for service contracts relate to the Projects segment in the amount of EUR 748,598 thousand and to the Service segment in the amount of EUR 75,187 thousand.

(27) CHANGES IN INVENTORIES AND OTHER OWN WORK CAPITALIZED

Own work capitalized is valued at EUR 53,409 thousand (2017: EUR 50,336 thousand) and, as in the previous year, relates to capitalized expenses for developing and enhancing new and existing wind turbines.

Changes in inventories stand at EUR –148,291 thousand (2017: EUR –719 thousand). Changes in inventories in 2018 were determined in accordance with IFRS 15, which had to be applied as of 1 January 2018, whereas changes in inventories in 2017 were determined in accordance with IAS 11. For more information on the transition from IAS 11 to IFRS 15, see the disclosures in the section on the effects of new financial reporting standards.

(28) OTHER OPERATING INCOME

Other operating income breaks down as follows:

Other operating income

EUR thousand	2018	2017
Currency translation gains [1]	49,710	14,386
Indemnity and damages paid	3,145	1,233
Gains from the sale of project companies	892	0
Investment grants	830	1,322
Gains from the disposal of assets	572	563
Reversal of impairment losses	479	196
Forward exchange transactions	0	21,454
Others	4,722	6,468
	60,350	**45,622**

[1] Currency translation gains in 2018 were determined in accordance with IFRS 15, which had to be applied as of 1 January 2018, whereas currency translation gains in 2017 were determined in accordance with IAS 11. For more information on the transition from IAS 11 to IFRS 15, see the disclosures in the section on the effects of new financial reporting standards.

(29) COST OF MATERIALS

The cost of materials breaks down as follows:

Cost of materials

EUR thousand	2018	2017
Cost of raw materials and other supplies [1]	1,205,649	1,750,101
Cost of services purchased [1]	504,538	544,824
	1,710,187	**2,294,925**

[1] The cost of raw materials and supplies and of purchased services in 2018 was determined in accordance with IFRS 15, which had to be applied as of 1 January 2018, whereas the cost of raw materials and supplies and of purchased services in 2017 was determined in accordance with IAS 11. For more information on the transition from IAS 11 to IFRS 15, see the disclosures in the section on the effects of new financial reporting standards.

Cost of raw materials and other supplies mainly comprise expenses for construction components.

The cost of services purchased primarily results from external freight services, commission and externally sourced order-handling services as well as changes in order provisions.

(30) STAFF COSTS

Staff costs break down as follows:

Staff costs

EUR thousand	2018	2017
Wages and salaries	268,560	299,863
Social security and expenditure on retirement benefits and support	57,307	59,372
	325,867	**359,235**

Staff costs include expense of EUR 101 thousand (2017: EUR 219 thousand) for defined benefit plans and EUR 94 thousand (2017: EUR 124 thousand) for defined contribution plans.

The Group headcount was as follows:

Headcount (Group)

	2018	2017	Change
Reporting date			
Office staff	2,761	2,776	–15
Technical staff	2,915	2,484	431
	5,676	**5,260**	**416**
Average			
Office staff	2,747	2,759	–12
Technical staff	2,638	2,462	176
	5,385	**5,221**	**164**

The main reasons for the change in headcount are a decline in the number of salaried employees under the"45-by-18" cost-cutting program and an increase in the number of hourly paid workers driven mainly by the expansion of production in Brazil and the services business.

(31) DEPRECIATION / AMORTIZATION

Depreciation and amortization breaks down as follows:

Depreciation / amortization

EUR thousand	2018	2017
Depreciation of property, plant and equipment	55,670	65,192
Amortization of capitalized development expenses	54,369	47,710
Amortization of other intangible assets	45,804	44,398
	155,843	**157,300**

(32) OTHER OPERATING EXPENSES

Other operating expenses break down as follows:

Other operating expenses

EUR thousand	2018	2017
Currency translation losses[1]	54,152	42,055
Rental and lease expenses	27,276	25,889
Travel expenses	25,187	25,549
Maintenance	22,677	23,187
Loss of income	20,845	16,005
External services	17,937	9,162
Other leased personnel services	14,123	30,347
IT costs	11,811	18,184
Security service, occupancy and building costs	10,355	12,065
Legal and consulting costs	9,752	30,723
Insurance	9,240	5,490
Forward exchange transactions	9,011	0
Patent fees	8,461	6,417
Other taxes	5,984	3,441
Other staff costs	5,029	4,863
Training	4,768	6,119
Telecommunications	4,107	4,054
Advertising	3,893	3,994
Settlements	2,708	22,683
Impairment	2,622	10,480
Losses from the disposal of assets	1,469	1,047
Office supplies	1,214	1,737
Bank fees	686	1,037
Others	13,569	13,682
	286,876	**318,210**

[1] Currency translation losses in 2018 were determined in accordance with IFRS 15, which had to be applied as of 1 January 2018, whereas currency translation losses in 2017 were determined in accordance with IAS 11. For more information on the transition from IAS 11 to IFRS 15, see the disclosures in the section on the effects of new financial reporting standards.

(33) FINANCIAL RESULT

The financial result breaks down as follows:

Financial result

EUR thousand	2018	2017
Income from investments	0	660
Profit/loss from equity-accounting method	–929	–1,524
Impairment of financial assets	–399	–2,472
Net profit / loss from investments	**–1,328**	**–3,336**
Other interest and similar income	6,094	6,194
Interest and similar expenses	–43,161	–33,715
Interest result	**–37,067**	**–27,521**
	–38,395	**–30,857**

Net gains/losses from valuation using the equity method reflect the share of profit of associates.

The impairment of financial assets item concerns the impairment of long-term receivables from project companies.

Interest income and expense arises primarily from deposits with banks and from the bond, guarantee commissions and bank loans.

(34) INCOME TAX

As at 31 December 2018, a tax rate of 31.82% (2017: 31.82%) was applied for the purpose of calculating domestic current taxes. The above tax rate was calculated using a rate of 15.83% (2017: 15.83%) including the solidarity surcharge for corporate tax and 15.99% (2017: 15.99%) for trade tax.

Income tax breaks down as follows:

Income tax

EUR thousand	2018	2017
Domestic income tax	2,212	–17,270
Foreign income tax	–33,725	–20,814
Current income tax	**–31,513**	**–38,084**
Deferred income tax [1]	**40,236**	**25,913**
Total income tax	**8,723**	**–12,171**
of which current income tax for other periods	1,590	6,813
of which deferred taxes for other periods	8,585	–3,280

[1] Deferred taxes in 2018 were determined based on amounts recognized in accordance with IFRS 15, which had to be applied as of 1 January 2018, whereas deferred taxes in 2017 were determined based on amounts recognized in accordance with IAS 11. For more information on the transition from IAS 11 to IFRS 15, see the disclosures in the section on the effects of new financial reporting standards.

Tax income from deferred taxes in the amount of EUR 40,236 thousand is attributable to changes in temporary balance sheet differences and to unused tax losses.

The expected income tax expense that results from applying the tax rate of 31.82% (2017: 31.82%) on the net profit/loss from ordinary activities of EUR –92,576 thousand (2017: EUR 12,500 thousand), differs from the total income tax expense as follows:

Income tax expense

EUR thousand	2018	2017
Expected income tax expense	**29,458**	**–3,978**
Differences in non-domestic tax rates	–5,568	–2,487
Tax-free income	1,050	1,318
Tax effects from equity-accounted investments	–297	2,249
Changes in tax rates and tax legislation	224	–10,626
Non-deductible expenses	–14,369	–11,920
Tax effects from previous years	14,667	3,946
Impairments and loss carryforwards	–12,502	9,416
Other tax effects	–3,940	–89
Total income tax expense	**8,723**	**–12,171**

(35) EARNINGS PER SHARE

Basic

Basic earnings per share (EPS) are calculated by dividing profit or loss attributable to the shareholders by the average number of shares outstanding:

Earnings per share (basic)

EUR thousand	2018	2017
Consolidated net profit/loss for the year	–83,853	329
of which shareholders of the parent	–83,853	329
Weighted average number of shares	96,982,447	96,982,447
Basic earnings per share	**–0.86**	**0.00**

Diluted

Diluted earnings per share are calculated, in contrast to basic earnings per share, by adding all conversion rights and options to the average number of ordinary shares outstanding. Diluted earnings per share also stand at EUR –0.86 (2017: EUR 0.00).

OTHER FINANCIAL OBLIGATIONS AND CONTINGENT LIABILITIES

Contractual obligations of EUR 681 thousand (2017: EUR 3,993 thousand) apply as at the reporting date with respect to investments in property, plant and equipment for obligations which have not yet been settled.

The Nordex Group has not entered into any obligations for the acquisition of intangible assets as at the reporting date.

Obligations under rental contracts and operating leases amount to EUR 78,121 thousand (2017: EUR 88,206 thousand) and have the following maturities:

Maturity of obligations under rental contracts and operating lease

EUR thousand	Less than 1 year	1 to 5 years	More than 5 years	Total
31.12.2018	**14,351**	**41,971**	**21,799**	**78,121**
31.12.2017	17,490	48,819	21,897	88,206

Obligations under rental contracts and operating leases relate to real estate assets of EUR 70,186 thousand (2017: EUR 78,546 thousand) and equipment and machinery of EUR 7,935 thousand (2017: EUR 9,660 thousand).

Some of the contracts include renewal options and price adjustment clauses.

The Nordex Group has contingent liabilities arising from pending litigation in connection with its operating business; as the probability of an outflow of resources as of the reporting date was not sufficiently determinable, no provisions have been set aside in this connection.

There are also guarantees in the amount of EUR 4,778 thousand vis-à-vis non-consolidated project companies, which are not expected to be utilized; there are no contingent liabilities to associates.

RELATED PARTY DISCLOSURES

As at the reporting date, Acciona S.A. held a 29.9% share in Nordex SE. As such, Nordex SE is an associated company of Acciona S.A.

The balances and transactions with companies from the Acciona Group are set out in the following table:

Balances and transactions with companies from the Acciona Group

	Balances outstanding Receivables (+) / liabilities (–)		Transaction amount Income (+) / expense (–)	
EUR thousand	**31.12.2018**	**31.12.2017**	**2018**	**2017**
Acciona Energia Servicios Mexico S. de R.L. de C.V.	135,092/–97,040	125,279/–88,869	7,872/0	102,908/0
Acciona Energia Chile S.A.	97,583/–99,403	0/–17,171	97,583/0	13,281/0
Sun Photo Voltaic Energy India Pvt. Ltd.	10,165/0	10,332/0	0/0	5,658/0
Acciona Energia S.A.	5,505/–20,598	1,750/–4,218	8,988/–1,841	3,784/–3,035
Acciona Energy Oceania Construction Pty. Ltd.	1,166/0	70,283/–60,797	31,483/–130	70,240/–2
Consorcio Eolico Chiripa S.A.	700/–338	681/–324	0/0	0/0
Oakleaf Investment Holding 86 Pty. Ltd.	567/0	572/0	0/0	0/0
San Roman Wind LLC	471/0	428/0	0/0	0/0
Acciona Energy Global Poland Sp. z o.o.	220/0	475/0	14/–3	387/–6
Acciona Energy USA Global LLC	75/–281	553/–328	0/0	27,415/0
Acciona Facility Services S.A.	56/–68	48/–441	56/–1,610	45/–2,326
Acciona S.A.	0/–151	0/1,428	0/–1,065	0/–1,025
Other	244/–356	78/–887	0/–128	149/–2,421

During the financial year, three contracts to deliver and assemble wind power systems in Spain, Chile and the United States amounting to EUR 135,648 thousand (1 January to 30 September 2017: EUR 69,917 thousand) were won by Acciona Energia S.A., Acciona Energia Chile S.A. and Acciona Energy USA Global LLC.

In 2014, Supervisory Board member Jan Klatten indirectly acquired an interest of 44.20% in the Polish wind farm company C&C Wind Sp. z o.o. in a market-wide tender process. The Nordex Group holds a 40.00% share of this company. Accordingly, C&C Wind Sp. z o.o. is classed as an associated company. As in the previous year, there were no business transactions with Mr. Klatten or companies attributable to him.

In addition, the shares in GN Renewable Investments S.à.r.l. (30.00%) are also classified as associated companies.

The balances and transactions with these companies are set out in the following table:

Balances and transactions with associates

	Balances outstanding Receivables (+) / liabilities (–)		Transaction amount Income (+) / expense (–)	
EUR thousand	**31.12.2018**	**31.12.2017**	**2018**	**2017**
C&C Wind Sp. z o.o.	0/0	0/0	474/–524	498/–1,198
GN Renewable Investments S.á.r.l.	0/0	0/0	47/–408	93/–319

The business relations with C&C Wind Sp. z o.o. and GN Renewable Investments S.a.rl. result from the project business.

For further details on shareholdings we refer to the list of shareholdings as at 31 December 2018 attached to the notes to the consolidated financial statements.

IAS 24.17 requires that key management personnel remuneration in the Company is disclosed; this includes remuneration of the members of the Management Board and the Supervisory Board appointed during the year under review. This is shown in the following table:

Management remuneration

EUR thousand	2018	2017
Short-term employee benefits	2,719	2,348
Post-employment benefits	0	0
Other long-term benefits	555	0
Termination benefits	0	2,550
Share-based payment	895	1,163
	4,169	**6,061**

CONSOLIDATED CASH FLOW STATEMENT

The consolidated cash flow statement analyses changes in the cash and cash equivalents in the course of the year as a result of cash inflows and outflows. The changes in the items of the statement of financial position used for determining changes in the consolidated cash flow statement cannot be directly derived from the statement of financial position as currency translation effects, changes to the companies consolidated and non-cash transactions are eliminated.

Cash flow from operating activities is calculated using the indirect method, i.e. net profit is adjusted for non-cash income and expenses. The cash flow from operating activities in the amount of EUR 124,927 thousand (2017: EUR 91,405 thousand) results primarily from the consolidated loss including depreciation / amortization of EUR 72,389 thousand (2017: EUR 160,100 thousand) Changes in working capital resulted in payments received of EUR 156,312 thousand (2017: payments made of EUR 16,532 thousand). Payments made for other operating activities stand at EUR 103,774 thousand (2017: EUR 52,163 thousand).

Cash flow from investing activities in the financial year ended amounted to EUR –80,913 thousand (2017: EUR –146,130 thousand). Investments of EUR 71,529 thousand (2017: EUR 91,002 thousand) were made in property, plant and equipment, mainly related to the establishment of rotor blade production in Mexico and India and the procurement of molds for the production of rotor blades for European orders. Development projects of EUR 36,433 thousand (2017: EUR 46,764 thousand) were capitalized. Payments received in the amount of EUR 30,423 thousand for the new Nordex Group administrative building sold in July 2018 under a sale-and-lease-back agreement without affecting profit or loss had an offsetting effect.

Cash flow from financing activities amounts to EUR –46,438 thousand (2017: EUR 43,889 thousand) and is primarily attributable to payments received from the issue of the bond and offsetting repayments of the three-year and, in parts, five-year floating rate promissory note tranches, cash drawdowns from the syndicated multi-currency guarantee facility and the research and development loan from the European Investment Bank.

The reconciliation of cash flow from financing activities to changes in liabilities from financing activities is as follows:

Reconciliation of cash flow from financing activities

EUR thousand	2018	2017
Cash flows from financing activities	**–46,438**	**43,889**
Accrued interest	7,600	1,331
Foreign currency translation	–2,206	–5,240
Changes in liabilities from financing activities	**–41,044**	**39,980**

EVENTS AFTER THE REPORTING DATE

Any events occurring after the reporting date caused by economic factors arising prior to 31 December 2018 are included in the consolidated financial statements as at 31 December 2018.

CORPORATE GOVERNANCE CODE DECLARATION PURSUANT TO SECTION 161 OF THE GERMAN STOCK CORPORATION ACT (AKTG)

The Management Board and the Supervisory Board issued the declaration of conformance for 2018 pursuant to Section 161 of the Stock Corporation Act on 23 November 2018 and made it available for examination by the shareholders on the Internet at http://ir.nordex-online.com/websites/Nordex/English/6100/declaration-of-conformity.html.

UTILIZATION OF RELIEF PROVISIONS

Nordex Energy GmbH as well as Nordex Grundstücksverwaltung GmbH and Nordex Windpark Beteiligung GmbH are exempt from disclosure requirements in accordance with Section 325 of the German Commercial Code (HGB) due to the application of the provisions contained in Section 264 (3) of the German Commercial Code.

NORDEX SE MANAGEMENT BOARD AND SUPERVISORY BOARD

Management Board

José Luis Blanco, Madrid / Spain
Chief Executive Officer
(Chairman of the Management Board)

Christoph Burkhard, Hamburg / Germany
Chief Financial Officer

Patxi Landa, Pamplona / Spain
Chief Sales Officer

Supervisory Board

Dr Wolfgang Ziebart, Starnberg / Germany
Chairman of the Supervisory Board, Chairman of the Executive Committee and member of the Strategy and Technology Committee
- Self-employed consultant
- Member of the Supervisory Board of ASML Holding N.V.
- Member of the board of directors of Veoneer Inc.

Juan Muro-Lara, Madrid / Spain
Deputy Chairman of the Supervisory Board, member of the Executive Committee and member of the Audit Committee
- Chief Strategy & Corporate Development Officer of Acciona S.A.
- Member of the board of directors of Acciona Energia Internacional S.A.
- Member of the board of directors of Acciona Global Renewables S.A.
- Member of the board of directors of Bestinver Pensiones EGFP S.A.

- Member of the board of directors of Bestinver Sociedad de Valores S.A.
- Member of the board of directors of Hijos de Antonio Barcelo S.A.

Jan Klatten, Munich / Germany
Member of the Executive Committee and chairman of the Strategy and Technology Committee
- Managing shareholder of momentum Beteiligungsgesellschaft mbH
- Chairman of the Supervisory Board of asturia Automotive AG (until September 2018)

Connie Hedegaard, Kopenhagen / Denmark
Member of the Audit Committee
- Chairwoman of the board of the KR Foundation
- Chairwoman of the board of the University of Arhus
- Chairwoman of the Danish green think tank CONCITO
- Chairwoman of the OECD Round Table on Sustainable Development
- Chairwoman of the board of the Berlingske Media A/S
- Member of the board of directors of Danfoss A/S

Rafael Mateo, Teruel / Spain
Member of the Strategy and Technology Committee
- Chairman of the Management Board of Acciona Energia S.A.U.
- Chairman of the board of directors of Acciona Energia Internacional S.A.
- Member of the board of directors of Acciona Energy Australia Global Ltd
- Member of the board of directors of Acciona Energy Oceania Construction Pty Ltd
- Member of the board of directors of Acciona Energy Oceania Pty Ltd
- Member of the board of directors of Acciona Global Renewables S.A.
- Member of the board of directors of Acciona Termosolar S.L.
- Member of the board of directors of Aleph Solar Fields Mexico S.A.P.I. de C.V.
- Member of the board of directors of Aleph Solar Fields S.A.P.I. de C.V.
- Member of the board of directors of Aleph Solar Fields I S.A.P.I. de C.V.
- Member of the board of directors of Aleph Solar Fields II S.A.P.I. de C.V.
- Member of the board of directors of Bioetanol Energetico S.A.
- Member of the board of directors of Corporacion Acciona Energia Renovables S.L.
- Member of the board of directors of Desarrollo Energia Renovables de Navarra S.A.
- Member of the board of directors of Energias Renovables Mediterraneas S.A.
- Member of the board of directors of Eolicas Mare Nostrum S.L.
- Member of the board of directors of Iniciativas Energeticas Renovables S.L.
- Member of the board of directors of Operador del Mercado Iberico Espanol S.A.
- Member of the board of directors of Tuto Energy I S.A.P.I. de C.V.
- Member of the board of directors of Tuto Energy II S.A.P.I. de C.V.

Martin Rey, Traunstein / Germany
Chairman of the Audit Committee
- Attorney at law and managing shareholder of Maroban GmbH
- Managing shareholder of Babcock & Brown GmbH
- Member of the board of directors of BayWa r.e. LLC
- Member of the Supervisory Board of Kommunalkredit Austria AG
- Member of the advisory board of Groenleven B.V.

REMUNERATION REPORT

GENERAL INFORMATION

The remuneration report explains the components and effects of the remuneration system and outlines the individual amounts of remuneration paid to the Management Board and Supervisory Board. The disclosures comply with the requirements of the German Commercial Code (HGB) and take into account the principles of German Accounting Standard No. 17 (GAS 17), the recommendations set out in the German Corporate Governance Code (GCGC) and the International Financial Reporting Standards.

MANAGEMENT BOARD

Basic principles of Management Board remuneration

The Management Board remuneration system was designed to provide Management Board members with incentives to pursue sustainable corporate governance. It is set up to ensure that Management Board members have a long-term interest in the development of the Company's enterprise value.

The Supervisory Board decides on the remuneration system, the structure of remuneration and the remuneration amounts for the Management Board, and reviews these regularly. In determining this remuneration, the Supervisory Board is guided by the size and complexity of Nordex, its economic and financial position, the structure and amount of management remuneration at comparable companies as well as internal salary structures. Further criteria include the duties and performance of the individual members of the Management Board. This approach fulfills the requirements of the German Stock Corporation Act and the provisions of the GCGC.

Components of Management Board remuneration

The remuneration paid to Management Board members comprises non-performance-related (fixed) and performance-related (variable) components. These reflect the Company's business performance in a given year as well as its long-term business performance.

Non-performance-related remuneration

The fixed components comprise an annual base salary paid out in equal monthly installments and fringe benefits as usual in the market. These include the provision of a company car, which may also be used privately, and the payment of insurance premiums for invalidity and death coverage.

Performance-related remuneration

Performance-related remuneration consists of two components:

- a bonus with a one-year performance period and
- a phantom stock plan (Performance Share Unit Plan) with a three-year performance period.

Another component is a one-time integration bonus.

Bonus

An individual target amount is set for each Management Board member annually. Target achievement depends on reaching financial and non-financial targets. In the calculation of target achievement, equal weighting is placed on the achievement of the financial target and the non-financial targets. The financial target is defined as earnings before tax (EBT) for the relevant financial year and is identical for all Management Board members. The Supervisory Board defines the non-financial targets at the beginning of each financial year and determines their achievement after the end of each financial year.

In addition, the Supervisory Board can adjust the individual bonuses. To this end, the Supervisory Board evaluates the Company's performance and the performance of individual Management Board members. The adjustment involves multiplying the bonuses by a performance factor between 0.8 and 1.2.

Bonuses can differ from the target amount in the case of overperformance or underperformance of targets. If the targets are not met, the bonus may not be paid at all. The amount of bonuses paid is capped at 200% of the relevant target amount.

Performance Share Unit Plan
The long-term variable remuneration component is structured as a Performance Share Unit Plan.

An individual target amount is agreed with each Management Board member for the Performance Share Unit Plan. This amount is converted into phantom shares. To do so, the target amount is divided by the average price of Nordex shares in the last 20 trading days prior to the start of the performance period.

The performance criterion is a comparison of the performance of the total shareholder return (TSR) of Nordex stock with the arithmetic mean of the performance of the DAX, MDAX and TecDAX indices. Target achievement is calculated over a three-year performance period beginning with the grant date. It can be between 50% and 200%.

The final number of performance share units equals the number of performance share units granted multiplied by the target achievement percentage. This number is converted into the total payout using the average price of Nordex shares in the last 20 trading days prior to the end of the performance period. The amount is capped at 300% of the individual target amount.

Each Management Board member is also required to invest 33% of their payout after tax in Nordex shares. These shares must be held for a period of at least two years.

One-time integration bonus
As a result of the merger of Nordex and Acciona Windpower, Management Board members were granted a one-time integration bonus as of 1 April 2016.

The integration bonus payout was the product of two targets:

– Seventy percent related to the performance of Nordex shares after the merger. This performance was measured by comparing the TSR performance of Nordex stock with the arithmetic mean of the performance of the DAX, MDAX and TecDAX indices.
– Thirty percent related to the financial (non-share price) targets and to an assessment of the success of the integration by the Supervisory Board.

The integration bonus payout amount equals the target amount multiplied by the target achievement percentage.

The performance period for the integration bonus expired at the end of 2018.

Payments upon early termination of employment

If an employment contract is terminated early by the Company without good cause, Management Board members have the contractual right to claim severance. The amount of the severance payment is calculated using the target remuneration to be paid for the remaining term of the employment contract. It is limited to two yearly target salaries in accordance with 4.2.3 (4) of the GCGC.

The following table shows the remuneration in accordance with GAS 17. The performance-related long-term incentive component is allocated to the individual financial years on a pro rata temporis basis:

Remuneration payable to the members of the Management Board in accordance with GAS 17

	Non performance-related component		Performance-related (bonus) component		Performance-related long-term incentive component		Total	
EUR	2018	2017	2018	2017	2018	2017	2018	2017
José Luis Blanco	564,582	489,564	529,025	340,290	165,835	65,556	1,259,442	895,410
Patxi Landa	313,267	293,888	330,300	96,145	95,587	40,332	739,154	430,365
Christoph Burkhard	358,370	358,370	362,300	242,400	123,614	113,320	844,284	714,090
Lars Bondo Krogsgaard	0	154,063	0	112,500	0	0	0	266,563
Bernard Schäferbarthold	0	0	0	0	–450	–151,832	–450	–151,832

As of 31 December 2019, the total carrying amount of the obligation from the performance-related component with a long-term incentive was EUR 1,014,238 (31 December 2018: EUR 659,435).

The following table shows the figures in accordance with the requirements of the GCGC. In addition to the target figures, the table also lists the possible minimum and maximum figures for the bonus. The multi-year variable remuneration granted is shown at fair value at the time it was granted:

Benefits granted pursuant to GCGC

	José Luis Blanco				Patxi Landa			
EUR	**2018**	**2017**	**Min. 2018**	**Max. 2018**	**2018**	**2017**	**Min. 2018**	**Max. 2018**
Fixed remuneration	550,000	475,000	550,000	550,000	310,000	280,000	310,000	310,000
Fringe benefits	14,582	14,564	14,582	14,582	3,267	13,888	3,267	3,267
Fixed income	**564,582**	**489,564**	**564,582**	**564,582**	**313,267**	**293,888**	**313,267**	**313,267**
Bonus	**350,000**	**300,000**	**0**	**700,000**	**200,000**	**175,000**	**0**	**400,000**
Performance Share Unit Plan 2018–2020	417,435	0	0	1,050,000	238,534	0	0	600,000
Performance Share Unit Plan 2017–2019	0	289,006	0	0	0	171,521	0	0
Multi-year variable remuneration	**417,435**	**289,006**	**0**	**1,050,000**	**238,534**	**171,521**	**0**	**600,000**
Total remuneration	**1,332,017**	**1,078,570**	**564,582**	**2,314,582**	**751,801**	**640,409**	**313,267**	**1,313,267**

	Christoph Burkhard				Lars Bondo Krogsgaard			
EUR	**2018**	**2017**	**Min. 2018**	**Max. 2018**	**2018**	**2017**	**Min. 2018**	**Max. 2018**
Fixed remuneration	350,000	350,000	350,000	350,000	0	150,000	0	0
Fringe benefits	8,370	8,370	8,370	8,370	0	4,063	0	0
Fixed income	**358,370**	**358,370**	**358,370**	**358,370**	**0**	**154,063**	**0**	**0**
Bonus	**200,000**	**200,000**	**0**	**400,000**	**0**	**112,500**	**0**	**0**
Performance Share Unit Plan 2018–2020	238,534	0	0	600,000	0	0	0	0
Performance Share Unit Plan 2017–2019	0	216,148	0	0	0	486,332	0	0
Multi-year variable remuneration	**238,534**	**216,148**	**0**	**600,000**	**0**	**486,332**	**0**	**0**
Total remuneration	**796,904**	**774,518**	**358,370**	**1,358,370**	**0**	**752,895**	**0**	**0**

The following table shows the inflows from the fixed income, the bonus and the multi-year variable remuneration:

Benefits received pursuant to GCGC

	José Luis Blanco		Patxi Landa		Christoph Burkhard	
EUR	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Fixed remuneration	550,000	475,000	310,000	280,000	350,000	350,000
Fringe benefits	14,582	14,564	3,267	13,888	8,370	8,370
Fixed income	**564,582**	**489,564**	**313,267**	**293,888**	**358,370**	**358,370**
Bonus	**529,025**	**340,290**	**330,300**	**96,145**	**362,300**	**242,400**
Performance Share Unit Plan 2016–2018	32,422	0	19,458	0	25,936	0
Performance Share Unit Plan 2015–2017	0	0	0	0	0	0
Integration bonus 2016–2018	222,144	0	138,840	0	194,376	0
Multi-year variable remuneration	**254,566**	**0**	**158,298**	**0**	**220,312**	**0**
Total remuneration	**1,348,173**	**829,854**	**801,865**	**390,033**	**940,982**	**600,770**

	Lars Bondo Krogsgaard		Bernard Schäferbarthold	
EUR	**2018**	**2017**	**2018**	**2017**
Fixed remuneration	0	150,000	0	0
Fringe benefits	0	4,063	0	0
Fixed income	**0**	**154,063**	**0**	**0**
Bonus	**0**	**112,500**	**0**	**0**
Performance Share Unit Plan 2016–2018	0	0	6,485	0
Performance Share Unit Plan 2015–2017	0	0	0	29,784
Integration bonus 2016–2018	0	0	0	0
Multi-year variable remuneration	**0**	**0**	**6,485**	**29,784**
Total remuneration	**0**	**266,563**	**6,485**	**29,784**

The Company arranges for D&O insurance on behalf of the members of the Management Board. The amount of the insurance is determined by the Supervisory Board. Pursuant to the German Stock Corporation Code and the recommendations of the GCGC, the policy stipulates a deductible.

The members of the Management Board have not been granted benefits as part of a company pension plan.

The Company did not extend any loans to members of the Management Board nor has it assumed any sureties or guarantees on their behalf.

Supervisory Board

Under Article 18 (1) to (4) of the Articles of Incorporation, all members of the Supervisory Board are entitled to fixed remuneration of EUR 30,000 (2017: EUR 30,000) in consideration of the performance of their duties for each full financial year in which they are members of the Supervisory Board. The chairman of the Supervisory Board receives twice this amount and his deputy one-and-a-half times this amount.

Each member of the Supervisory Board receives fixed remuneration for membership in Supervisory Board committees. This amounts to EUR 3,000 (2017: EUR 3,000) for each full financial year in which the member belonged to the committee. The chairman of a committee receives twice this amount.

Persons joining or leaving the Supervisory Board or one of its committees during the year for each full or partial month of service receive one twelfth of the amount they are entitled to due to their membership.

According to Article 18 (5) of the Articles of Incorporation, the Supervisory Board members receive reimbursement for expenses arising during exercise of their duties. They are also reimbursed for any VAT incurred. The Company also pays the premiums for the D&O liability insurance of the members of the Supervisory Board.

The remuneration of the Supervisory Board breaks down as follows in accordance with GAS 17:

Remuneration of the Supervisory Board in accordance with GAS 17

	Non performance-related component		Performance-related (bonus) component		Performance-related long-term incentive component		Total	
EUR	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Dr Wolfgang Ziebart	69,000	69,000	0	0	0	0	69,000	69,000
Juan Muro-Lara	51,000	51,000	0	0	0	0	51,000	51,000
Jan Klatten	39,000	39,000	0	0	0	0	39,000	39,000
Connie Hedegaard	33,000	33,000	0	0	0	0	33,000	33,000
Rafael Mateo	33,000	33,000	0	0	0	0	33,000	33,000
Martin Rey	36,000	36,000	0	0	0	0	36,000	36,000
	261,000	**261,000**	**0**	**0**	**0**	**0**	**261,000**	**261,000**

No remuneration had been paid to the members of the Supervisory Board as at 31 December 2018.

FORMER MEMBERS OF THE MANAGEMENT BOARD

Provisions of EUR 399 thousand (2017: EUR 400 thousand) have been set aside as at the reporting date for two former members of the Management Board.

AUDITOR'S FEE

The following fees were incurred for services provided by the auditor of the financial statements, PricewaterhouseCoopers:

Auditor's fee

EUR thousand	2018	2017
Auditing services	638	765
Other assurance services	312	405
Tax advisory services	72	90
Other services	165	1,144
	1,187	**2,404**

The auditing services include the fees for the audit of the consolidated financial statements and the statutory audit of Nordex SE and its subsidiaries. Other assurance services mainly comprise fees for letters of comfort and statutory or contractually agreed assurance services. Tax advisory services primarily include fees for tax advice on the posting of employees, while other services mainly concern fees paid for project-related consultancy services.

Nordex SE, Rostock, 22 March 2019

José Luis Blanco, Chairman of the Management Board

Christoph Burkhard, Member of the Management Board

Patxi Landa, Member of the Management Board

STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2018

Statement of changes in property, plant and equipment and intangible assets 2018

	Cost					
EUR thousand	Opening balance [1] 01.01.2018	Additions	Disposals	Reclassi-fications	Currency translation	Closing balance
Property, plant and equipment						
Land and buildings	140,226	4,171	4,574	0	275	140,098
Technical equipment and machinery	235,903	37,855	3,344	4,717	–7,487	267,644
Other fixtures and fittings, tools and equipment	89,015	11,802	5,624	–2,191	–1,025	91,977
Prepayments made and assets under construction	30,331	17,701	20,811	–2,819	43	24,445
Total	**495,475**	**71,529**	**34,353**	**–293**	**–8,194**	**524,164**
Intangible assets						
Goodwill	552,259	0	0	0	0	552,259
Capitalized development expenses	377,824	36,433	3,073	5,325	–6	416,503
Other intangible assets	155,446	4,891	725	–5,032	–4,713	149,867
Total	**1,085,529**	**41,324**	**3,798**	**293**	**–4,719**	**1,118,629**

[1] Costs and depreciation/amortization resulting from the first-time consolidation of Corporacion Nordex Energy Spain S.L., formerly Corporacion Acciona Windpower S.L., with its 16 subsidiaries (Acciona Windpower) as of 1 April 2016, are shown net under costs. The transition took place retrospectively.

	Depreciation / amortization							Carrying amount
	Opening balance [1] 01.01.2018	Additions	Disposals	Reclassi-fications	Currency translation	Closing balance 31.12.2018		31.12.2018
	45,724	6,067	123	0	85	51,753		88,345
	115,208	36,947	2,769	–6	–2,458	146,922		120,722
	49,573	11,982	3,571	6	–212	57,778		34,199
	1,603	0	0	0	–3	1,600		22,845
	212,108	**54,996**	**6,463**	**0**	**–2,588**	**258,053**		**266,111**
	4,501	0	0	0	0	4,501		547,758
	157,782	55,178	2,993	0	–2	209,965		206,538
	83,241	45,669	689	0	–2,970	125,251		24,616
	245,524	**100,847**	**3,682**	**0**	**–2,972**	**339,717**		**778,912**

STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2017

Statement of changes in property, plant and equipment and intangible assets 2017

	Cost						
EUR thousand	Opening balance[1] 01.01.2017	Additions	Initial consolidation	Disposals	Reclassifications	Currency translation	Closing balance[1] 31.12.2017
Property, plant and equipment							
Land and buildings	134,788	6,907	0	85	1,851	–3,235	140,226
Technical equipment and machinery	204,687	56,578	2,277	18,958	921	–9,602	235,903
Other fixtures and fittings, tools and equipment	85,863	15,680	0	10,163	98	–2,463	89,015
Prepayments made and assets under construction	22,667	11,837	0	320	–2,870	–983	30,331
Total	**448,005**	**91,002**	**2,277**	**29,526**	**0**	**–16,283**	**495,475**
Intangible assets							
Goodwill	552,259	0	0	0	0	0	552,259
Capitalized development expenses	329,579	46,764	1,480	0	0	1	377,824
Other intangible assets	160,620	6,517	0	2,971	0	–8,720	155,446
Total	**1,042,458**	**53,281**	**1,480**	**2,971**	**0**	**–8,719**	**1,085,529**

[1] Costs and depreciation/amortization resulting from the first-time consolidation of Corporacion Nordex Energy Spain S.L., formerly Corporacion Acciona Windpower S.L., with its 16 subsidiaries (Acciona Windpower) as of 1 April 2016, are shown net under costs. The transition took place retrospectively.

Depreciation / amortization						Carrying amount
Opening balance [1] 01.01.2017	Additions	Disposals	Currency translation	Closing balance [1] 31.12.2017		31.12.2017
41,206	6,506	69	–1,919	45,724		94,502
90,944	46,683	17,205	–5,214	115,208		120,695
47,858	11,913	9,264	-934	49,573		39,442
1,628	0	0	–25	1,603		28,728
181,636	**65,102**	**26,538**	**–8,092**	**212,108**		**283,367**
4,501	0	0	0	4,501		547,758
109,878	47,904	0	0	157,782		220,042
46,005	44,294	2,784	–4,274	83,241		72,205
160,384	**92,198**	**2,784**	**–4,274**	**245,524**		**840,005**

LIST OF SHAREHOLDINGS

AS AT 31 DECEMBER 2018

List of shareholdings (continued on page 165)

	Currency	Share in capital in %	Net profit/loss 01.01.–31.12.2018	Equity 01.01.–31.12.2018	Equity investment via
Consolidated affiliated companies (figures as per statutory financial statements or financial statements prepared based on uniform Group accounting principles)					
Nordex SE, Rostock (Group parent)[1]	EUR	—	0.00	765,207,515.20	—
Alfresco Renewable Energy Private Limited, Bangalore/India[2]	EUR	99.99/0.01	–216,063.93	–219,531.03	Nordex Windpark Beteiligung GmbH/Nordex Energy Internacional S.L., Barasoain/Spain
Corporacion Nordex Energy Spain S.L., Barasoain/Spain[3,4]	EUR	100.00	–59,595.86	95,459,249.10	Nordex SE
Eolicos R4E S.A. de C.V., Tegucigalpa/Honduras[3]	EUR	100.00	1,465,129.86	–7,268,855.87	Nordex USA Management LLC
Industria Toledana de Energias Renovables S.L., Barasoain/Spain[3]	EUR	100.00	18,784.78	689,622.81	Nordex Energy Spain S.A.
Nordex (Beijing) Wind Power Engineering & Technology Co. Ltd., Beijing/PR China[3]	EUR	100.00	11,559,891.12	753,834.40	Nordex Energy GmbH
Nordex Blade Technology Center ApS, Kirkeby/Denmark[3]	EUR	100.00	–4,887,396.54	–6,623,486.34	Nordex SE
Nordex Blades Spain S.A., Barasoain/Spain[3,5]	EUR	100.00	–218,378.67	–556,420.00	Nordex Energy Spain S.A.
Nordex (Chile) SpA, Santiago/Chile[3]	EUR	100.00	–1,188,005.28	–3,938,989.80	Nordex Windpark Beteiligung GmbH
Nordex (Dongying) Wind Power Equipment Manufacturing Co. Ltd., Dongying/PR China[3]	EUR	100.00	–332,232.93	–4,664,377.71	Nordex Energy GmbH

[1] Profit transfer agreement; net profit/loss and equity after transfer of profits or profit and loss pooling pursuant to national law
[2] Different financial year from 1 April to 31 March; financial statements as at 31 March 2018 / [3] Preliminary financial statements as at 31 December 2018
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[6] Formerly Acciona-Vjetroelektrane d.o.o., Split/Croatia / [7] Formerly Acciona Windpower Brasil-Comercio, Industria, Exportacao e Importacao de Equipamentos para Geracao de Energia Eolica Ltda., Sao Paulo/Brazil / [8] Formerly Acciona Windpower Chile S.A., Santiago/Chile / [9] Formerly Acciona Windpower Internacional S.L., Barasoain/Spain / [10] Formerly Acciona Windpower S.A., Barasoain/Spain / [11] Formerly Acciona Windpower India Private Limited, Bangalore/India
[12] Formerly Acciona Windpower Oceania Pty. Ltd., Melbourne/Australia / [13] Formerly Acciona Towers S.L., Barasoain/Spain / [14] Formerly Acciona Windpower Rüzgar Enerjisi Sistemleri Anonim Sirketi, Istanbul/Turkey / [15] Formerly Acciona Windpower South Africa (Pty.) Ltd., Cape Town/South Africa / [16] Formerly Acciona Windpower Mexico S. de R.L. de C.V., Mexico City/Mexico / [17] Formerly Shanghai Acciona Windpower Technical Service Co. Ltd., Shanghai/PR China

List of shareholdings (continued on page 166)

	Currency	Share in capital in %	Net profit/loss 01.01.–31.12.2018	Equity 01.01.–31.12.2018	Equity investment via
Consolidated affiliated companies (figures as per statutory financial statements or financial statements prepared based on uniform Group accounting principles)					
Nordex Education Trust, Cape Town/South Africa [3]	EUR	100.00	1,479,110.52	332.44	Nordex Energy South Africa RF (Pty.) Ltd.
Nordex Electrane d.o.o., Split/Croatia [3, 6]	EUR	100.00	471,220.52	361,323.26	Nordex Energy Internacional S.L.
Nordex Employee Holding GmbH, Hamburg [3]	EUR	100.00	145,506.75	240,198.43	Nordex SE
NordexEnergy Uruguay S.A., Montevideo/Uruguay [3]	EUR	100.00	–7,536,760.75	–44,140,992.29	Nordex Energy B.V.
Nordex Energy Brasil-Comercio e Industria de Equipamentos Ltda., Sao Paulo/Brazil [3, 7]	EUR	99.00/1.00	15,668,819.61	48,027,109.23	Nordex Energy Internacional S.L./ Nordex Energy Spain S.A.
Nordex Energy B.V., Rotterdam/Netherlands [3]	EUR	100.00	–1,205,653.61	20,548,159.74	Nordex SE
Nordex Energy Chile S.A., Santiago/Chile [3, 8]	EUR	99.00/1.00	1,959,356.92	546,685.35	Nordex Energy Internacional S.L., Barasoain/Spain/Nordex Energy Spain S.A., Barasoain/Spain
Nordex Energy GmbH, Hamburg [1]	EUR	100.00	0.00	7,607,762.18	Nordex SE
Nordex Energy Iberica S.A., Barcelona/Spain [3]	EUR	100.00	–239,433.76	9,384,052.81	Nordex Energy B.V.
Nordex Energy Internacional S.L., Barasoain/Spain [3]	EUR	100.00	–673,698.30	99,016,978.59	Nordex Energy Spain S.A., Barasoain/Spain
Nordex Energy Ireland Ltd., Dublin/Ireland [3]	EUR	100.00	–2,009,753.30	–4,924,515.75	Nordex Energy B.V.
Nordex Energy Romania S.r.l., Bucharest/Romania [3]	EUR	99.98/0.02	985,245.13	310,103.69	Nordex Energy B.V./ Nordex Energy GmbH
Nordex Energy South Africa RF (Pty.) Ltd., Johannesburg/South Africa [3]	EUR	80.00/20.00	–725,600.91	542,090.78	Nordex Energy GmbH/ Nordex Education Trust
Nordex Energy Spain S.A., Barasoain/Spain [3, 10]	EUR	100.00	–34,519,635.47	38,716,683.02	Corporacion Nordex Energy Spain S.L., Barasoain/Spain
Nordex Enerji A.S., Istanbul/Turkey [3]	EUR	17.15/ 82.31/0.18/ 0.18/0.18	3,628,519.03	25,732,288.55	Nordex Energy B.V./Nordex SE/ Nordex Energy GmbH/Nordex Windpark Beteiligung GmbH/Nordex Grundstücksverwaltung GmbH

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List of shareholdings (continued on page 167)

	Currency	Share in capital in %	Net profit/loss 01.01.–31.12.2018	Equity 01.01.–31.12.2018	Equity investment via
Consolidated affiliated companies **(figures as per statutory financial statements or financial statements prepared based on uniform Group accounting principles)**					
Nordex Forum II GmbH & Co. KG, Hamburg[3]	EUR	100.00	–190,288.14	–1,148,032.91	Nordex Energy GmbH
Nordex Forum II Verwaltungs GmbH, Hamburg[3]	EUR	100.00	–434.32	23,188.70	Nordex Energy GmbH
Nordex France S.A.S., Paris/France[3]	EUR	100.00	37,836,178.19	84,003,309.51	Nordex Energy B.V.
Nordex Grundstücksverwaltung GmbH, Hamburg[1, 3]	EUR	100.00	0.00	52,000.00	Nordex SE
Nordex Hellas Monoprosopi EPE, Athens/Greece[3]	EUR	100.00	2,055,587.04	3,776,299.88	Nordex Energy GmbH
Nordex India Private Limited, Bangalore/India[2, 11]	EUR	99.99/0.01	–10,305,971.13	11,530,890.19	Nordex Energy Internacional S.L., Barasoain/Spain/Nordex Energy Spain S.A., Barasoain/Spain
Nordex Italia S.r.l., Rome/Italy[3]	EUR	100.00	234,422.62	26,091,835.69	Nordex Energy B.V.
Nordex Oceania Pty. Ltd., Melbourne/Australia[3, 12]	EUR	100.00	–1,698,897.41	–6,896,226.91	Nordex Energy Internacional S.L., Barasoain/Spain
Nordex Offshore GmbH, Hamburg[3]	EUR	100.00	–953,649.68	–10,870,680.10	Nordex SE
Nordex Pakistan (Private) Ltd., Islamabad/Pakistan[3]	EUR	100.00	–5,833,167.49	–11,636,113.58	Nordex Energy GmbH
Nordex Polska Sp. z o.o., Warsaw/Poland[3]	EUR	99.00/1.00	1,328,068.61	13,434,626.42	Nordex Energy B.V./ Nordex Energy GmbH
Nordex Singapore Equipment Private Ltd., Singapore/Singapore[3]	EUR	100.00	–993,882.57	–7,402,227.73	Nordex Energy GmbH
Nordex Singapore Service Private Ltd., Singapore/Singapore[3]	EUR	100.00	–411,781.73	–3,899,516.01	Nordex Energy GmbH
Nordex Sverige AB, Uppsala/Sweden[3]	EUR	100.00	–6,170,197.12	–17,805,740.29	Nordex Energy B.V.
Nordex Towers Spain S.L., Barasoain/Spain[3, 13]	EUR	100.00	–21,919.44	135,874.80	Nordex Energy Spain S.A., Barasoain/Spain

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List of shareholdings (continued on page 168)

	Currency	Share in capital in %	Net profit / loss 01.01.–31.12.2018	Equity 01.01.–31.12.2018	Equity investment via
Consolidated affiliated companies **(figures as per statutory financial statements or financial statements prepared based on uniform Group accounting principles)**					
Nordex UK Ltd., Manchester/United Kingdom[3]	EUR	100.00	–540,644.65	784,648.40	Nordex Energy B.V.
Nordex USA Inc., Chicago/USA[3]	EUR	78.35/ 21.65	17,813,764.05	51,187,064.04	Nordex Energy Internacional S.L./ Nordex Energy B.V.
Nordex USA Management LLC, Chicago/USA[3]	EUR	100.00	0.00	88,600.88	Nordex USA Inc.
Nordex Windpark Beteiligung GmbH, Hamburg[1, 3]	EUR	100.00	0.00	74,825.12	Nordex SE
Nordex Windpower Peru S.A., Lima/Peru[3]	EUR	99.99/0.01	–215,312.07	548,946.16	Nordex Energy Internacional S.L./ Nordex Energy Spain S.A.
Nordex Windpower Rüzgar Enerjisi Sistemleri Anonim Sirketi, Istanbul/Turkey[3, 14]	EUR	100.00	–2,092,264.40	–648,472.12	Nordex Energy Internacional S.L., Barasoain/Spain
Nordex Windpower S.A., Buenos Aires/Argentina[3]	EUR	97.00/3.00	–1,780,094.03	–1,779,240.79	Nordex Energy Internacional S.L./ Nordex Energy Spain S.A.
Nordex Windpower South Africa (Pty.) Ltd., Cape Town/South Africa[3, 15]	EUR	100.00	1,753,784.22	2,091,298.98	Nordex Energy South Africa RF (Pty.) Ltd.
Nordex (Yinchuan) Wind Power Equipment Manufacturing Co. Ltd., Ningxia/PR China[3]	EUR	100.00	–5,753,939.64	–6,102,731.38	Nordex Energy GmbH
NPV Dritte Windpark GmbH & Co. KG, Hamburg[3]	EUR	100.00	–13,071.99	–5,096.43	Nordex Grundstücksverwaltung GmbH
NX Energy Mexico S. de R.L. de C.V., Mexico City/Mexico[3, 16]	EUR	99.97/0.03	–985,662.74	17,486,112.42	Nordex Energy Internacional S.L., Barasoain/Spain/Nordex Energy Spain S.A., Barasoain/Spain
Parque Eolico Llay-Llay SpA, Santiago/Chile[3]	EUR	100.00	–4,823.44	–2,541,667.73	Nordex (Chile) SpA
Shanghai Nordex Windpower Co. Ltd., Shanghai/PR China[3, 17]	EUR	100.00	9,613.77	98,281.56	Nordex Energy Internacional S.L.
Way Wind, LLC, Delaware/USA[3]	EUR	100.00	0.00	–64,363.07	Nordex USA Inc.

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List of shareholdings (continued on page 169)

	Currency	Share in capital in %	Net profit/loss 01.01.–31.12.2018	Equity 01.01.–31.12.2018	Equity investment via
Consolidated affiliated companies (figures as per statutory financial statements or financial statements prepared based on uniform Group accounting principles)					
Component Purchasing Company LLC, Chicago/USA[3]	EUR	100.00	0.00	0.00	Nordex USA Inc.
Eoles Futur Eurowind France S.A.S., Paris/France[3]	EUR	100.00	242,997.98	706,046.84	Nordex France S.A.S.
Farma Wiatrowa Liw Sp. z o.o., Warsaw/Poland[3]	EUR	99.00/1.00	–11,952.28	–96,982.85	Nordex Windpark Beteiligung GmbH/Nordex Energy GmbH
Farma Wiatrowa Kwidzyn Sp. z o.o., Warsaw/Poland[3]	EUR	100.00	–282,005.31	–2,557,592.11	Nordex Windpark Beteiligung GmbH
Farma Wiatrowa NXD V Sp. z o.o., Warsaw/Poland[3]	EUR	99.00/1.00	–19,384.75	–77,666.18	Nordex Windpark Beteiligung GmbH/Nordex Energy GmbH
Farma Wiatrowa Rozdrazew Sp. z o.o., Warsaw/Poland[3]	EUR	99.00/1.00	–168,291.11	–480,439.35	Nordex Windpark Beteiligung GmbH/Nordex Energy GmbH
Farma Wiatrowa Wymyslow Sp. z o.o., Warsaw/Poland[3]	EUR	99.00/1.00	–24,373.45	–135,451.15	Nordex Windpark Beteiligung GmbH/Nordex Energy GmbH
Gregal Power Private Limited, Bangalore/India[2]	EUR	99.99/0.01	–9,977.88	3,856.82	Nordex Windpark Beteiligung GmbH/Acciona Windpower Internacional, S.L.
Leveche Energy Private Limited, Bangalore/India[2]	EUR	99.99/0.01	–11,254.98	2,586.15	Nordex Windpark Beteiligung GmbH/Acciona Windpower Internacional, S.L.
LLC Nordex Energy, Kiev/Ukraine[3]	EUR	100.00	—	50,827.90	Nordex Energy B.V.
Nordex Windpark Verwaltung GmbH, Hamburg[3]	EUR	100.00	634.17	49,952.32	Nordex SE
Nouvions poste de raccordement, Paris/France[3]	EUR	100.00	–2,309.17	191.59	Parc Eolien Nordex LXIV
NAWM Servicios Administrativos, Mexico City/Mexico[3]	EUR	0.005/9.995	43,134.25	114,151.54	Acciona Windpower Internacional, S.L./Acciona Windpower México, S. de R.L. de C.V.

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List of shareholdings (continued on page 170)

	Currency	Share in capital in %	Net profit/loss 01.01.–31.12.2018	Equity 01.01.–31.12.2018	Equity investment via
Consolidated affiliated companies **(figures as per statutory financial statements or financial statements prepared based on uniform Group accounting principles)**					
NAWM Servicios de Obra, Mexico City/Mexico[3]	EUR	0.0025/9.9975	39,087.01	51,603.26	Acciona Windpower Internacional, S.L./Acciona Windpower México, S. de R.L. de C.V.
NAWM Servicios Operacion y Mantenimiento, Mexico City/Mexico[3]	EUR	0.005/99.995	0.00	0.00	Acciona Windpower Internacional, S.L./Acciona Windpower México, S. de R.L. de C.V.
NAWM Servicios Tecnicos, Mexico City/Mexico[3]	EUR	0.0025/99.9975	0.00	0.00	Acciona Windpower Internacional, S.L./Acciona Windpower México, S. de R.L. de C.V.
Parc Eolien Nordex 71 S.A.S., Paris/France[3]	EUR	100.00	–2,772.25	29,960.60	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex 72 S.A.S., Paris/France[3]	EUR	100.00	–3,336.54	29,866.13	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex 73 S.A.S., Paris/France[3]	EUR	100.00	–2,772.25	30,529.92	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex 74 S.A.S., Paris/France[3]	EUR	100.00	–2,559.56	30,797.86	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex 75 S.A.S., Paris/France[3]	EUR	100.00	–3,022.44	30,221.45	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex 76 S.A.S., Paris/France[3]	EUR	100.00	–2,309.57	31,218.52	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex 77 S.A.S., Paris/France[3]	EUR	100.00	–2,604.16	30,762.76	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex 78 S.A.S., Paris/France[3]	EUR	100.00	–2,309.17	31,217.78	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex 79 S.A.S., Paris/France[3]	EUR	100.00	–2,892.25	30,319.92	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex 80 S.A.S., Paris/France[3]	EUR	100.00	–3,097.44	30,207.76	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex 81 S.A.S., Paris/France[3]	EUR	100.00	–3,115.54	30,195.83	Nordex Windpark Beteiligung GmbH

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List of shareholdings (continued on page 171)

	Currency	Share in capital in %	Net profit/loss 01.01.–31.12.2018	Equity 01.01.–31.12.2018	Equity investment via
Consolidated affiliated companies (figures as per statutory financial statements or financial statements prepared based on uniform Group accounting principles)					
Parc Eolien Nordex 82 S.A.S., Paris/France[3]	EUR	100.00	–3,439.40	29,631.73	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex 83 S.A.S., Paris/France[3]	EUR	100.00	–2,309.17	31,217.78	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex I S.A.S., Paris/France[3]	EUR	100.00	–2,781.13	9,706.47	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex III S.A.S., Paris/France[3]	EUR	100.00	–22,850.60	–33,099.14	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex IV S.A.S., Paris/France[3]	EUR	100.00	–9,235.67	4,145.17	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex VII S.A.S., Paris/France[3]	EUR	100.00	–3,258.25	10,970.41	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex X S.A.S., Paris/France[3]	EUR	100.00	–2,795.32	10,158.98	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex XVIII S.A.S., Paris/France[3]	EUR	100.00	–22,998.57	–32,990.57	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex XX S.A.S., Paris/France[3]	EUR	100.00	–90,370.86	–98,812.63	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex XXII S.A.S., Paris/France[3]	EUR	100.00	–2,899.33	11,510.83	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex XXIV S.A.S., Paris/France[3]	EUR	100.00	–15,165.40	–2,432.33	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex XXIX S.A.S., Paris/France[3]	EUR	100.00	–3,401.55	10,892.64	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex XXX S.A.S., Paris/France[3]	EUR	100.00	–27,126.14	–27,493.18	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex XXXI S.A.S., Paris/France[3]	EUR	100.00	–2,781.13	11,673.17	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex XXXII S.A.S., Paris/France[3]	EUR	100.00	–25,496.60	–39,082.18	Nordex Windpark Beteiligung GmbH

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List of shareholdings (continued on page 172)

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Consolidated affiliated companies (figures as per statutory financial statements or financial statements prepared based on uniform Group accounting principles)					
Parc Eolien Nordex LV S.A.S., Paris/France[3]	EUR	100.00	–2,485.54	26,894.91	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex LVI S.A.S., Paris/France[3]	EUR	100.00	–34,824.95	–37,073.91	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex LVII S.A.S., Paris/France[3]	EUR	100.00	–2,919.60	26,272.12	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex LVIII S.A.S., Paris/France[3]	EUR	100.00	–2,479.17	27,115.64	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex LIX S.A.S., Paris/France[3]	EUR	100.00	–36,326.96	–18,808.06	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex LX S.A.S., Paris/France[3]	EUR	100.00	–2,857.42	26,722.72	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex LXI S.A.S., Paris/France[3]	EUR	100.00	–6,015.12	23,217.55	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex LXII S.A.S., Paris/France[3]	EUR	100.00	–2,668.37	28,913.84	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex LXIII S.A.S., Paris/France[3]	EUR	100.00	–2,430.14	29,094.30	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex LXIV S.A.S., Paris/France[3]	EUR	100.00	14,754.96	–45,147.12	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex LXV S.A.S., Paris/France[3]	EUR	100.00	–27,633.17	–646.96	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex LXVI S.A.S., Paris/France[3]	EUR	100.00	–6,346.01	25,382.65	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex LXVII S.A.S., Paris/France[3]	EUR	100.00	–3,708.68	27,880.70	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex LXVIII S.A.S., Paris/France[3]	EUR	100.00	–3,692.50	27,969.92	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex LXIX S.A.S., Paris/France[3]	EUR	100.00	–2,496.87	30,287.49	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex LXX S.A.S. Paris/France[3]	EUR	100.00	–3,083.60	29,456.82	Nordex Windpark Beteiligung GmbH

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List of shareholdings (continued on page 173)

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Consolidated affiliated companies **(figures as per statutory financial statements or financial statements prepared based on uniform Group accounting principles)**					
Parc Eolien Nordex Belgique I (SPRC), Brussels/Belgium[3]	EUR	99.00/1.00	–19,824.10	–38,424.10	Nordex Windpark Beteiligung GmbH/Nordex Energy GmbH
Parc Eolien Nordex Belgique II (SPRC), Brussels/Belgium[3]	EUR	99.00/1.00	–7,604.07	–26,204.07	Nordex Windpark Beteiligung GmbH/Nordex Energy GmbH
Qingdao Huawei Wind Power Co. Ltd., Qingdao/PR China[3]	EUR	66.70	559,037.74	7,150,443.27	Nordex Energy GmbH
San Marcos Colon Holding, Inc., Chicago/USA[3]	EUR	100.00	—	—	Nordex Windpark Beteiligung GmbH
San Marcos Wind Energy S.A. de C.V., Tegucigalpa/Honduras[3]	EUR	100.00	0.00	0.00	San Marcos Colon Holding, Inc.
Sechste Windpark Support GmbH & Co. KG, Hamburg[3]	EUR	100.00	–7,193.81	–50,255.10	Nordex Grundstücksverwaltung GmbH
Shri Saai Pasumai Private Limited, Bangalore/India[2]	EUR	99.99/0.01	–8,351.40	–619.90	Nordex Windpark Beteiligung GmbH/Acciona Windpwoer Internacional S.L.U.
South Kinetic Wind Energy Private Limited, Bangalore/India[2]	EUR	99.99/0.01	–8,345.09	–613.62	Nordex Windpark Beteiligung GmbH/Acciona Internacional, S.L.
Terral Energy Private Limited, Bangalore/India[2]	EUR	99.99/0.01	–662,585.00	–48,967.00	Nordex Windpark Beteiligung GmbH/Acciona Internacional, S.L.
Ventus Kwidzyn Sp. z o.o., Gorki/Poland[3]	EUR	50.00	–79,477.34	–841,488.09	Farma Wiatrowa NXD 1 Sp. z o.o.
Vientos de Chinchayote, s.A. de C.V., Tegucigalpa/Honduras[3]	EUR	99.20/0.80	0.00	0.00	Nordex Windpark Beteiligung GmbH/Nordex Energy B.V
Vientos de la Baranquilla, s.A. de C.V., Tegucigalpa/Honduras[3]	EUR	99.20/0.80	0.00	0.00	Nordex Windpark Beteiligung GmbH/Nordex Energy B.V
Vientos de la Cahuasca, s.A. de C.V., Tegucigalpa/Honduras[3]	EUR	99.20/0.80	0.00	0.00	Nordex Windpark Beteiligung GmbH/Nordex Energy B.V
Vientos de la Quesera, s.A. de C.V., Tegucigalpa/Honduras[3]	EUR	99.20/0.80	0.00	0.00	Nordex Windpark Beteiligung GmbH/Nordex Energy B.V
Vientos de la Roble, s.A. de C.V., Tegucigalpa/Honduras[3]	EUR	99.20/0.80	0.00	0.00	Nordex Windpark Beteiligung GmbH/Nordex Energy B.V

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List of shareholdings (continued from page 172)

	Currency	Share in capital in %	Net profit/loss 01.01.–31.12.2018	Equity 01.01.–31.12.2018	Equity investment via
Consolidated affiliated companies (figures as per statutory financial statements or financial statements prepared based on uniform Group accounting principles)					
Vientos de San Juan, s.A. de C.V., Tegucigalpa/Honduras[3]	EUR	99.20/0.80	0.00	0.00	Nordex Windpark Beteiligung GmbH/Nordex Energy B.V
Vindkraftpark Aurvandil AB, Uppsala/Sweden[3]	EUR	100.00	–546.74	5,514.96	Nordex Windpark Beteiligung GmbH
Vindkraftpark Brynhild AB, Uppsala/Sweden[3]	EUR	100.00	–4,430.46	3,700.37	Nordex Sverige AB
Vindkraftpark Dieser AB, Uppsala/Sweden[3]	EUR	100.00	–58.58	3,163.19	Nordex Windpark Beteiligung GmbH
Vindkraftpark Embla AB, Uppsala/Sweden[3]	EUR	100.00	–58.58	3,163.19	Nordex Windpark Beteiligung GmbH
Vindkraftpark Freja AB, Uppsala/Sweden[3]	EUR	100.00	–58.58	3,166.61	Nordex Windpark Beteiligung GmbH
Associates (figures as per statutory financial statements or financial statements prepared based on uniform Group accounting principles)					
C&C Wind Sp. z o.o., Natolin/Poland[3]	EUR	40.00	–1,436,003.97	13,819,247.49	Nordex Windpark Beteiligung GmbH
GN Renewable Investments S.a.r.l., Luxembourg/Luxembourg[3]	EUR	30.00	–831,978.56	3,194,802.89	Nordex Windpark Beteiligung GmbH
Other shareholdings (non-consolidated) (figures as per statutory financial statements or financial statements prepared based on uniform Group accounting principles)					
Eoliennes de la Vallee S.A.S., Amiens/France[3]	EUR	50.00	–2,275.00	–11,409.00	Nordex France S.A.S.
Eoliennes du Pays D'Auge, Nimes/France[3]	EUR	49.90	0.00	0.00	Nordex Windpark Beteiligung GmbH
Fond du Moulin, Pontarme/France[3]	EUR	25.00	–37,449.75	–51,089.42	Nordex Windpark Beteiligung GmbH
Vent d'est S.a.r.l., Paris/France[3]	EUR	50.00	–1,172.77	–9,566.92	Nordex France S.A.S.
Way Wind LLC, Nebraska/USA[3]	EUR	50.00	0.00	0.00	Nordex USA Inc.

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RESPONSIBILITY STATEMENT

RESPONSIBILITY STATEMENT IN ACCORDANCE WITH SECTIONS 297 (2) 4 AND 315 (1) 6 OF THE GERMAN COMMERCIAL CODE

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the Group, and the management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Nordex SE
Rostock, 22 March 2019

José Luis Blanco
Chairman of the Management Board

Christoph Burkhard
Member of the Management Board

Patxi Landa
Member of the Management Board

INDEPENDENT AUDITOR'S REPORT

To Nordex SE, Rostock

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of Nordex SE, Rostock, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated income statement, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity for the financial year from 1 January to 31 December 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Nordex SE, which is combined with the Company's management report, for the financial year from 1 January to 31 December 2018. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e paragraph 1 HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2018, and of its financial performance for the financial year from 1 January to 31 December 2018, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to Section 322 paragraph 3 sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under

Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2018. 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; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1 Impairment of Goodwill
2 Valuation of Warranty provisions
3 Impact of the first time adoption of IFRS 15 on revenue accounting

Our presentation of these key audit matters has been structured in each case as follows:

1 Matter and issue
2 Audit approach and findings
3 Reference to further information

Hereinafter we present the key audit matters:

1 Impairment of Goodwill

1 In the consolidated financial statements of the Company, goodwill totalling EUR 547.8 million (17.9 % of total assets) is reported under the balance sheet item "Goodwill". Goodwill is tested for impairment by the Company once a year or on an ad-hoc basis in order to determine a possible need for impairment. The impairment test is carried out at the level of the group of cash- generating units to which the respective goodwill is allocated. As part of the impairment test, the carrying amount including the respective goodwill of the cash-generating unit is compared with the corresponding recoverable amount. The recoverable amount is generally determined on the basis of the fair value less costs to sell. The valuation is based on the present value of future cash flows of the respective group of cash-generating units. The present values are determined using discounted cash flow models. The starting point is the approved medium-term planning of the Group, which is amended by assumptions about long-term growth rates. This also takes into account expectations about future market developments and assumptions about the development of macroeconomic factors. The discounting of cash flows is done by using the weighted average cost of capital of the respective group of cash-generating units. As a result of the impairment test, no impairment requirement was identified.

The outcome of these valuations depends to a large extent on how the legal representatives assess the future cash inflows of the respective group of cash-generating units and on the discount rates used. The valuation is therefore subject to considerable uncertainty. Against this background and due to the high complexity of the evaluation, this issue was of particular importance during our audit.

2 We reviewed the methodological procedure for carrying out the impairment test as part of our audit. After comparing the future cash inflows used in the calculation with the approved medium-term planning of the Group, we were convinced of the appropriateness of the calculation, in particular by agreeing with general and industry-specific market expectations. Supplementary adjustments to the medium-term planning for the purposes of the impairment test were discussed by us with the responsible employees of the Company. In addition, we have also convinced ourselves that expenses related to group functions have been considered appropriately. With the knowledge that relatively small changes in the discount rate used can have a significant impact on the determined enterprise value, we have been intensively involved in the determination process of the applied parameters that have been used in determining the discount rate and that were applied in the calculation. In order to take into account the uncertainties in the forecast, we have reviewed the sensitivity analyses as prepared by the Company. In doing so, we determined that the carrying amounts of the cash-generating units, including the allocated goodwill, are sufficiently covered by the discounted future cash flows, taking into account the available information.

Overall, the valuation parameters and assumptions used by the legal representatives are in line with our expectations and are within an acceptable range.

3 The information provided by the Company on goodwill can be found in note (8) in the section "Notes to the Balance Sheet" of the notes to the consolidated financial statements.

2 Valuation of Warranty provisions

1 Nordex SE, as a global manufacturer of wind turbines, is exposed to various risks. The valuation of warranty risks in the consolidated financial statements of Nordex SE in the amount of EUR 24.6 million is based to a large extent on the estimates and assumptions of the legal representatives with respect to the timing of the usage during the warranty period. Against this background and the resulting uncertainty of estimates and the amount of these significant items, we believe that this issue was of particular importance for our audit.

2 With the knowledge that estimates are associated with an increased risk of accounting error and that the valuation decisions of the legal representatives have a direct impact on the consolidated net income, we have assessed the appropriateness of the provisions for warranty provisions. Among other things, we have assessed the underlying cost estimates, especially on the basis of historical warranty expenses, with respect to valuation of the provisions. In doing so, we were able to convince ourselves that the estimates and assumptions made by the legal representatives are sufficiently documented and justified in order to justify the recognition and measurement of the amounts of provisions.

3 The information provided by the Company on warranty provisions is included under other provisions in note (18) in the section "Notes to the Balance Sheet" of the notes to the consolidated financial statements.

3 Impact of the first time adoption of IFRS 15 on revenue accounting

1 The consolidated financial statements of the Company show a revenue of EUR 2,459.1 million. The revenue is mainly attributable to the production and erection of wind turbines (project business) and the subsequent servicing (service business). The Group has implemented group-wide processes to assure accurate revenue recognition and deferral. From the initial adoption of the new accounting standard on revenue recognition (IFRS 15) resulted significant impact on revenue recognition and deferral. Generally, the Group recognises revenue from the project business with the completion of the erection of the individual wind turbine (point in time). The distribution of revenue from service contracts is linked to the expected cost distribution over the corresponding contract term (over time). The initial adoption of IFRS 15 required a group-wide adjustment of the underlying processes regarding revenue recognition and deferral as well as the review of existing contracts throughout the Group.

Revenue recognition under the new accounting standard IFRS 15 is to be considered complex and relies on the estimates and assumptions of the legal representatives. Against this background, this issue was of particular importance during our audit.

2 Our audit included evaluating the appropriateness and effectiveness of the adopted group-wide processes and internal controls over revenue recognition and deferral in accordance with IFRS 15 throughout the financial year. We have also included our internal specialists in the evaluation of the implication of the initial adoption of IFRS 15. Together, we have reviewed the implementation process as well as the newly implemented processes to reflect transactions under IFRS 15. Our audit included the process changes and implemented controls. We have reviewed customer contracts in order to verify the performance obligations identified and concluded if these are satisfied over or at a point in time. In the context of the disclosure requirements, we have validated the estimates and assumptions of the legal representatives in relation to revenue recognition and deferral.

We were able to verify that the established processes and internal controls are adequate and that the estimates and assumptions of the legal representatives are sufficiently documented and justified. In addition, we verified the appropriateness of the accounting methods used for revenue recognition and deferral.

3 The Company's disclosures on revenue and the effects of the first time adoption of IFRS 15 are included in note (26) in the section "Notes to the income statement" and in the section "Accounting policies" of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to Section 289f HGB and Section 315d HGB included in section "Corporate Governance Declaration by Nordex SE pursuant to Section 289f and Section 315d HGB" of the group management report
- the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code
- the separate non-financial report pursuant to Section 289b paragraph 3 HGB and Section 315b paragraph 3 HGB

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report
The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e paragraph 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined 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 executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report
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 whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. 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 and this group management report.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, 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 audit opinions. 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 of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' 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 and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. 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 the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e paragraph 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, 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.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 5 June 2018. We were engaged by the supervisory board on 15 November 2018. We have been the group auditor of the Nordex SE, Rostock, without interruption since the financial year 2008.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Claus Brandt.

Hamburg, 22 March, 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Claus Brandt	Benjamin Mechel
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

FINANCIAL CALENDAR, IMPRINT AND CONTACT

FINANCIAL CALENDAR

Date	
March 26, 2019	Publication of 2018 Annual Report and Analysts' Conference
May 14, 2019	Publication of quarterly financial report (call-date Q1)
June 4, 2019	Annual General Meeting
August 14, 2019	Publication of half-yearly financial report
November 13, 2019	Publication of quarterly financial report (call-date Q3)

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Disclaimer

This Annual Report contains forward-looking statements that relate to macroeconomic developments, the business and the net assets, financial position and results of operations of the Nordex Group. Forward-looking statements by definition do not depict the past and are in some instances indicated by words such as “believe”, “anticipate”, “predict”, “plan”, “estimate”, “aim”, “expect”, “assume” and similar expressions. Forward-looking statements are based on the Company’s current plans, estimates, projections and forecasts, and are therefore subject to risks and uncertainties that could cause actual development or the actual results or performance to differ materially from the development, results or performance expressly or implicitly assumed in these forward-looking statements. Readers of this Annual Report are expressly cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this Annual Report. Nordex SE does not intend and does not undertake any obligation to revise these forward-looking statements. The English version of the Group Annual Report constitutes a translation of the original German version. Only the German version is legally binding.

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