2019

NORDEX GROUP ANNUAL REPORT

NORDEX

acciona Windpower

KEY FIGURES AT A GLANCE

Key figures Nordex Group

		2018	2019	Change
Earnings				
Sales	EUR million	2,459.1	3,284,6	33,6%
Gross revenue	EUR million	2,364.9	3,871.4	63,8%
EBITDA	EUR million	101.7	123.8	21,7%
EBIT	EUR million	–54.2	–19.6	63,8%
Free Cash flow	EUR million	44.0	–126.0	n/a
Capital expenditure	EUR million	112.9	172.5	52,8%
Consolidated net profit for the year	EUR million	–83.9	–72.6	13,5%
Earnings per share [1]	EUR	–0.86	–0.73	n/a
EBITDA margin	%	4.1	3.8	–0,3 PP
Working capital ratio	%	–3.8	–9.1	–5.3 PP
Statement of financial position				
Total assets as at 31 Dec.	EUR million	3,058,5	4,002,7	30,9%
Equity as at 31 Dec.	EUR million	697.3	745.4	6,9%
Equity ratio	%	22.8	18.6	–4,2 PP
Employees				
Employees as at 31 Dec.		5.676	6.880	21,2%
Staff costs	EUR million	325.9	360.7	10,7%
Staff cost ratio	%	13.3	11.0	–2,3 PP
Company-specific performance indicators				
Order intake segment projects	EUR million	3,637,3	4,415,0	21,4%
Installed capacity	MW	2.522	3.090	22,5%

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


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LETTER TO THE SHAREHOLDERS

JOSÉ LUIS BLANCO

Chief Executive Officer

Dear Shareholders and Business Partners,

Our goal remains unchanged: We want to create a competitive global company with positive long-term prospects for the future, as the wind industry still offers excellent market opportunities across the world. In addition to global positioning, a highly-efficient product portfolio tailored to the needs of our customers and a solid financial structure are key factors in achieving our goal. We used 2019 to introduce three new product versions to the market, shift our supply chain to countries with better cost structures, expand production capacity and reinforce our financial base with a capital increase. Against this backdrop, our efforts continue to be focused on remaining on our growth trajectory and increasing profitability.

During the 2019 financial year, we once again saw the importance of our company's global positioning. We generated order intake of 6.2 GW from 22 countries, up 31 percent on the previous year's figure of 4.75 GW. This enabled us to offset the continuing decline in volumes in individual markets such as Germany. Overall, we completed 2019 in line with our expectations. Consolidated sales increased to almost EUR 3.3 billion and this, like our EBITDA margin of 3.8 percent, fell within the forecast range. We improved our working capital ratio measured in relation to sales to minus 9.1 percent, well below our target level of under two percent. Although we began the year planning to make EUR 120 million in investments, the final figure was dependent upon order intake for new turbines during the year. Due to the large number of orders received, we increased the investment volume to EUR 160 million in August 2019. We have approximately reached this level with an actual figure of EUR 172.5 million.

In 2019 we focused on the further development of our product portfolio and thus on the Delta4000 series. We introduced three new versions of this product to the market. In April, we entered the 5MW class with our new N149/5.X model. This turbine is ideally suited for weak to moderate wind conditions. We followed this up by unveiling the N155/4.5 in May, a promising addition to the range that is particularly suitable for use in growth markets such as North and South America, where it offers clear cost benefits. In August we added our second turbine in the 5MW class to our portfolio, the N163/5.X. This product is designed for low wind conditions and generates up to 20 percent more income at a reduced cost of energy and with quicker returns on capital employed. In short, we believe our current product portfolio gives us significant market opportunities. At the end of the year, we were able to book the first order for a 286 MW wind farm equipped with 53 N149/5.X turbines, which will see the first installations of Nordex turbines in the 5 MW class.

Our company remains on track for long-term growth. A stable financial basis is essential in this regard. With this in mind, we carried out a 10 percent capital increase via a direct placement with our anchor shareholder Acciona S.A. in October 2019 to finance our growth. We received EUR 99 million in gross issuing proceeds, which has strengthened our capital structure and is providing us with support as we process our high order volume. Our two strategic investors Acciona and SKion/momentum fully backed this initiative. We welcome Acciona's decision to support us with additional equity as our biggest single shareholder.

We have implemented three overarching packages of measures for 2020 to improve our long-term profitability. Firstly, we expect to complete the transformation of our supply chain during the current year and expand our production capacity to as much as six gigawatts. Secondly, it is also important for us to process the high number of projects and installations as efficiently as possible. Both tasks are challenging and subject to uncertainties including the coronavirus (COVID-19), among others. The measures initially introduced in China have extended to the global markets and have led to delays in the delivery of components and molds for rotor blades, for example. We are currently analyzing potential impacts, the extent to which this will lead to project delays and whether the shifting of the supply chain can be completed as planned. The aim of the third package of measures is to further develop the product portfolio. The next prototype is expected to be put into service this year and production of the N155/4.5 will begin.

Although we are well prepared and confident, 2020 will be a challenging year nonetheless. The packages of measures are comprehensive, the number of installations remains at a high level and we still need to process old projects with unfavorable cost structures. However, the new generation of turbines in the Delta4000 series comprises a steadily increasing share of projects and is supporting the increase in profitability.

As 2020 will see high activity levels, we are expecting consolidated sales of EUR 4.2 to 4.8 billion and EBITDA of EUR 160 to 240 million in 2020, subject to the unforeseeable extent and duration of the measures taken worldwide to contain COVID-19 and their economic impact. These broad ranges take into account consistently high activity levels, operational challenges and uncertainties on the production side. Generally speaking, 2020 sales figures will once again be higher in the second half of the year than in the first six months. Working capital management and cash flow generation continue to play a key role. We are aiming for a negative working capital ratio in relation to consolidated sales by the end of the year. We will also invest in our products and supply chain during 2020 and are planning investments totaling at a minimum of EUR 140 million. The final investment amount will ultimately depend on the market situation and the pace in which the supply chain continues to evolve.

Onshore wind energy is a competitive market and a key part of the global transition to renewable energy. It has established itself as the most cost-effective source of power in many markets. Our aim is to successfully complete our customers' projects and thus ensure a sustainable supply of clean energy in both industrialized countries and emerging economies. We continue to see good demand for wind energy worldwide and are keen to profit from this. Our employees carry out their roles with dedication, passion and persistence and respond flexibly to customers and their requirements, all while focusing on achieving the lowest possible cost of energy. I would like to extend warm thanks to my colleagues for this commitment.

The aim of our actions is still to boost our competitive strength and improve our profitability. This requires a great deal of flexibility, dedication and perseverance from us, the Nordex team – and it is a challenge we are happy to accept. I would like to thank you, our shareholders and business partners, for your continued support on this journey.

Kind regards,
José Luis Blanco

Chief Executive Officer

Hamburg, March 2020

THE 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

PROF. DR WOLFGANG ZIEBART, STARNBERG / GERMANY

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

Prof. 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, Prof. 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.

Prof. 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, born 4 September 1967, is a Spanish citizen. He 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.

Mr Muro-Lara was elected to the Supervisory Board of Nordex SE for the first time on 10 May 2016. His current mandate will end with the General Meeting ratifying the acts of the members of the Supervisory Board holding office in the financial year 2020.

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 International, 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

Despite the deteriorating economy, all major indices recorded significant gains during the 2019 financial year. The economic downturn was primarily caused by the ongoing trade conflict between China and the USA as well as uncertainty over the outcome of Brexit.

Germany’s leading DAX index reached its annual low of 10,417 points on 3 January, shortly after the new trading year began. This was followed by an upward trend that culminated in a temporary high at the start of May, then a slump triggered by another flare-up in the trade dispute between China and the USA. The leading index began moving upwards again in September and reached its annual high of 13,407 points on 16 December before closing the year at 13,249 points on 30 December.

Prices on the two benchmark indices relevant to Nordex shares, the TecDAX and SDAX, where the stock is listed, developed in a similar way to Germany’s leading DAX index. As with the DAX, the TecDAX and SDAX both reached their annual highs of 3,087 points and 12,595 points, respectively, in December. The year ended with the TecDAX on 3,015 points and the SDAX on 12,512 points.

Nordex shares perform well in 2019 financial year

Nordex shares began the new year at EUR 7.82 in XETRA trading and reached their annual low of EUR 7.56 just a day later on 3 January. There was then a clear upward trend in the following months, prompting the shares to reach their annual high of EUR 15.46 on 3 April. However, the Nordex stock was unable to detach itself from the overall market situation and the performance of relevant stock market indices over the following weeks and also suffered as a result of persistently challenging conditions in the wind energy sector. The shares closed the last trading day of the year at EUR 12.08, up 54.5% on their starting value.

Capital increase leads to change in shareholder structure

The shareholder structure of Nordex SE changed as a result of the capital increase carried out in October. Strategic anchor investor Acciona S.A. subscribed to newly issued shares accounting for 10 percent of equity as part of a private placement, increasing their stake in the Nordex Group to 36.41% after the end of the takeover offer period on 6 January 2020. The free float as defined by Deutsche Börse AG amounts to 63.59%. The EUR 99 million in additional capital gained by the capital increase will contribute to the further growth of the Nordex Group and will help to strengthen its capital structure. The capital increase was also fully supported by long-term investors SKion/momentum. The number of issued shares in Nordex SE increased to a total of 106,680,691 units after the implementation of the capital increase.

Dividend policy

Although the Nordex Group strives to distribute a dividend, the free cash flows available to the Company must always be taken into account. As a growing company, the distribution of a dividend is always dependent upon the Company's strategic positioning within the wind energy sector and additional future developments. Securing necessary investment in research and development in order to continue offering competitive products in the future must also be taken into account here.

The Nordex bond

At the start of February 2018, the Nordex Group successfully placed a euro bond with a volume of EUR 275 million and a coupon of 6.5%. The bond has a five-year term and was certified as "green" by the Climate Bonds Initiative. Proceeds from the placement were used to repay existing liabilities ahead of schedule to further improve the Nordex Group's maturity profile.

The ratings of the Standard & Poor's and Moody's agencies for the placed bond remained unchanged in the 2019 financial year. Overall, Standard & Poor's issued a rating of "B – Outlook stable" and Moody's issued a rating of "B3– Outlook stable" for the euro bond.

The bond performed well during the period under review and ended the financial year with a price of EUR 103.37.

Ongoing dialog with capital markets continues

The Nordex Group maintains a close dialog with the capital markets. The aim of the Company's investor relations work is to ensure ongoing communication with all stakeholders, to present a transparent picture of the Nordex Group's business model and to provide comprehensive insight into the development of relevant key financial figures. The Company also provides extensive information about current business performance and developments in the wind energy sector.

During the 2019 financial year, the Management Board and Investor Relations team participated in numerous investor and capital markets conferences and presented the Nordex Group as part of various roadshows both in Germany and abroad. The Company also held numerous one-on-one talks with investors and analysts, while regular conference calls were also held during the financial year on the publication dates of the quarterly results.

Analyst coverage remains high

As of the end of February 2020, a total of 13 analysts from renowned German and international institutions currently monitor Nordex shares and publish studies, brief reports and commentaries on the Company at regular intervals. Of these 13 research firms, five currently see the Nordex stock as a Buy, seven recommend a Hold, and one is currently issuing a Sell recommendation.

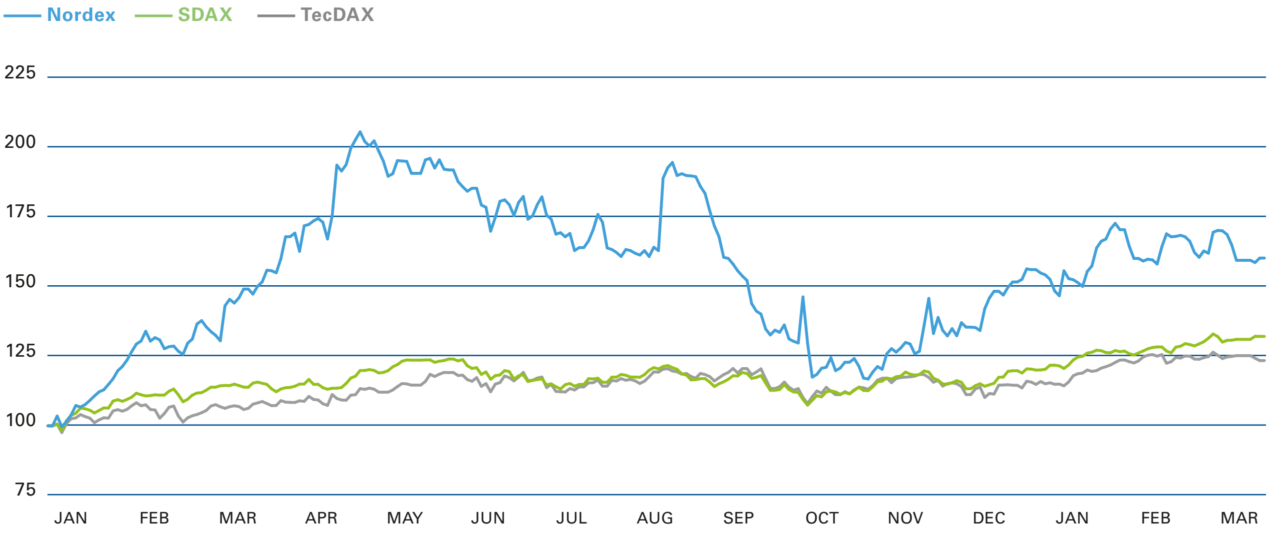
Nordex shares key data

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

		2019	2018
Total number of shares as at 31 Dec.	Units	106.680.691	96.982.447
Share capital as at 31 Dec.	EUR	106.680.691,00	96.982.447,00
Opening price for the year	EUR	7,82	8,95
Year-end closing price	EUR	12,08	7,58
High	EUR	15,46	11,69
Low	EUR	7,56	6,86
Market capitalization as at 31 Dec.	EUR million	1.288,7	735,1
Earnings per share	EUR	–0,73	–0,86

Nordex share price performance in percent (indexed, 31.12.2018 = 100)



REPORT OF THE SUPERVISORY BOARD

THE SUPERVISORY BOARD

From left to right

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

The past financial year was very much impacted by the seasonality of our business once again. A rather subdued first half of the year was followed by a strong second half and particularly robust year-end business. The order intake is indicative of an encouraging stabilization of market prices. On the other hand, the Nordex Group has been and is still processing projects from the order book that were negotiated in times of significant price pressure and generally exhibit weaker margins. Despite this, the Nordex Group remained on its growth trajectory during the year under review, forging ahead with the expansion of production capacities and the transformation of its supply chain in particular. The Company also introduced three additional versions of the Delta4000 platform during the year to the market and now has five different products all serving global markets relevant to the Nordex Group. At 6.2 gigawatts, Nordex recorded the highest order intake in the Company's history in 2019, with the Delta4000 platform already making up more than 44 percent of this total. The Company's global positioning had a positive impact once again. This means that the Nordex Group is able to operate independently of developments in individual markets and can use other markets to offset weak phases such as that currently being observed in Germany.

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, development and 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 2019 financial year, the Supervisory Board committees of Nordex SE continued to comprise the following members:

Management Committee (Personnel and Nomination Committee):

Prof. 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, Prof. Dr Ziebart

SUPERVISORY BOARD MEETINGS AND CONTENT

During the 2019 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 Engineering Committee. Three resolutions of the Supervisory Board were adopted by way of circular resolution. Two more Supervisory Board meetings were held by conference call. The Management 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 21 and 22 March 2019, 3 June 2019, 10 and 11 September 2019, and 9 and 10 December 2019. Resolutions by written circular were adopted in February 2019 and conference calls were held on 8 October 2019 and 28 November 2019.

During the 2019 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 as published on 7 February 2017).

ATTENDANCE OF SUPERVISORY BOARD MEMBERS AT SUPERVISORY BOARD AND COMMITTEE MEETINGS IN 2019

Supervisory Board members	Supervisory Board	Attendance rate, Supervisory Board	Management Committee:	Audit Committee	Strategy and Technology Committee
Wolfgang Ziebart	6/6	100%	4/4		4/4
Juan Muro-Lara	6/6	100%	4/4	4/4	
Jan Klatten	5/6	83%	4/4		4/4
Connie Hedegaard	5/6	83%		3/4	
Rafael Mateo	6/6	100%			4/4
Martin Rey	6/6	100%		4/4	
Attendance rate		**94.4%**	**100%**	**92%**	**100%**

In addition to auditing the annual and consolidated financial statements of Nordex SE for the 2018 financial year at its financial statements approval meeting on 22 March 2019 and the budget and corporate planning for the 2020 financial year at the fourth ordinary Supervisory Board meeting on 9 and 10 December 2019, meetings focused on the following key issues during the year under review: (i) the circular resolution of February 2019 adopted resolutions concerning the extension of terms of office and contracts with members of the Management Board as well as resolutions concerning the approval of the sale of a property belonging to subsidiary Nordex Blade Technology ApS; (ii) the Nordex Group's syndicated credit facility and its pending extension were discussed regularly; (iii) ongoing Management Board matters, particularly remuneration and target setting and attainment for Management Board members were discussed; (iv) ongoing internal audit and risk management reports were considered; (v) ongoing quality, health, safety and environment information was provided and discussed; as well as (vi) ongoing compliance issues, key projects and important changes in personnel were discussed. Additional topics included proposed resolutions for the Annual General Meeting and regular reports from each of the committees. In its conference call on 8 October 2019, the Supervisory Board addressed the utilization of authorized capital and gave its approval for this capital increase and the corresponding update to the Articles of Incorporation. In an additional conference call on 28 November 2019, the Supervisory Board discussed with the Management Board the joint statement issued by the Supervisory Board and Management Board concerning the takeover offer of Acciona S.A. The resolution concerning submission of the declaration of conformity with the German Corporate Governance Code was then passed at the ordinary meeting on 10 December 2019.

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 published on 7 February 2017. 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.

In this regard, it should be noted that Supervisory Board members Rafael Mateo and Juan Muro-Lara as a precautionary measure abstained from voting on the resolution to approve the utilization of authorized capital for the private placement of new shares around the market price with Acciona S.A. and the corresponding update to the Articles of Incorporation during the conference call on 8 October 2019. Mr Mateo and Mr Muro-Lara also abstained from voting with regard to the joint statement issued by the Supervisory Board and Management Board regarding the takeover offer of Acciona S.A. during the conference call on 28 November 2019.

There were no other indications of conflicts of interest during the 2019 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 10 December 2019 (http://ir.nordex-online.com/websites/Nordex/English/6100/declaration-of-conformity.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, DEPENDENT COMPANY REPORT AND CONSOLIDATED NON-FINANCIAL REPORT

The annual financial statements of Nordex SE and consolidated financial statements as at 31 December 2019, as well as the combined management report of Nordex SE and the Group for the 2019 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 4 June 2019 and engaged by the Supervisory Board to audit the annual and consolidated financial statements.

The audit report on the annual financial statements confirmed that that the executive directors have taken, in a suitable manner, the measures prescribed by Section 91 (2) German Stock Corporation Act (AktG) to establish a risk early recognition system and that the risk early recognition system is suitable to identify, at an early stage, any developments endangering the ability of the Company to continue as a going concern.

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 following unqualified audit report was issued by the statutory auditor for the dependent company report pursuant to Section 312 of the German Stock Corporation Act (AktG) prepared by the Management Board and audited by the statutory auditor:

"In our opinion and in accordance with our statutory audit, we certify that

1. the factual disclosures provided in the report are correct,

2. the Company's consideration concerning legal transactions referred to in the report was not unduly high."

The annual financial statements, consolidated financial statements and combined management report for Nordex SE and the Group, the auditor's report, dependent company report, and the auditor's audit report on the dependent company report, the consolidated non-financial report including the report from PricewaterhouseCoopers GmbH on the limited assurance engagement for the consolidated non-financial report as well as the draft of the Supervisory Board's report were provided to all Supervisory Board members ahead of 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 20 March 2020 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 2019 annual and consolidated financial statements prepared by the Management Board as at 31 December 2017 as well as the combined management report. The 2019 Annual Report of Nordex SE has therefore been adopted.

The Supervisory Board also noted and approved the auditor's report on the dependent company report and the auditor's audit report on the dependent company report. The Supervisory Board declares that, in accordance with the final conclusions of its review, there were no grounds for objections to the Management Board's declaration on this report in accordance with Section 312 of the German Stock Corporation Act (AktG).

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 2019. 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

On behalf of the Supervisory Board of Nordex SE, I would like to thank all of our employees around the world – almost 7,000 in all at the turn of the year – and the management for their tremendous commitment and efforts over the past year in a challenging environment.

Hamburg, March 2020

Professor Dr Wolfgang Ziebart
Chairman of the Supervisory Board


HUSKY

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 efficient turbines in the four- and five-megawatt segment**
> **Steadily growing service business**

OPERATING ACTIVITIES

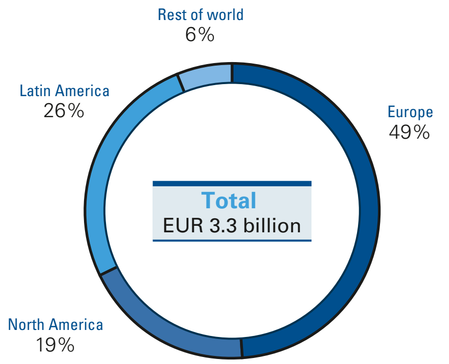
Business model

The Nordex Group designs, builds and markets onshore wind turbine systems that are installed worldwide. Services rendered for wind farms range from the mere delivery of the wind turbines and installation to turnkey construction of a complete project. 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. In selected markets, the Nordex Group also operates as a project developer for wind farms. Since its foundation in 1985, the Nordex Group has installed turbines with a combined nominal output in excess of 28 GW in over 40 countries. Its service organization supports over 7,700 wind turbines worldwide with a total nominal output of around 20 GW on the basis of typically long-term maintenance agreements.

The Nordex Group's product portfolio comprises innovative and efficient wind turbines for high-, medium- and low-wind onshore locations. The various models in the Delta4000 series are adapted to meet specific market requirements and offer variable output ranging from 4 megawatts (MW) to the 5 MW area, with rotor diameters of up to 163 meters. The Nordex Group designs wind turbines in their entirety and assembles the nacelles and hubs during production. Rotor blades are produced both by the Group itself and by contract manufacturers. The Company operates its own production sites in Germany, Spain, Brazil, India and, as of this reporting year, Mexico, and as part of a partnership in Argentina. 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 exclusively for onshore sites that allow operators to produce environmentally friendly electricity at the lowest possible cost (Cost of Energy – COE) in their respective regions.

In accordance with its corporate strategy, the Nordex Group is a sustainable global enterprise whose wind turbines offer the lowest COE in the industry. The Company is focusing on further reducing COE. Its aim is to build on its position as one of the leading global providers of wind turbines. 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. The Nordex Group operates in all of the world's major wind markets with the sole exception of China, whose market is dominated by local suppliers. In 2016, Spanish manufacturer Acciona Windpower was integrated into the Group, significantly expanding Nordex's global presence in North and South America and India in particular. Activities outside Europe contributed more than 51% to overall sales in 2019.

Sales by region 2019
in %

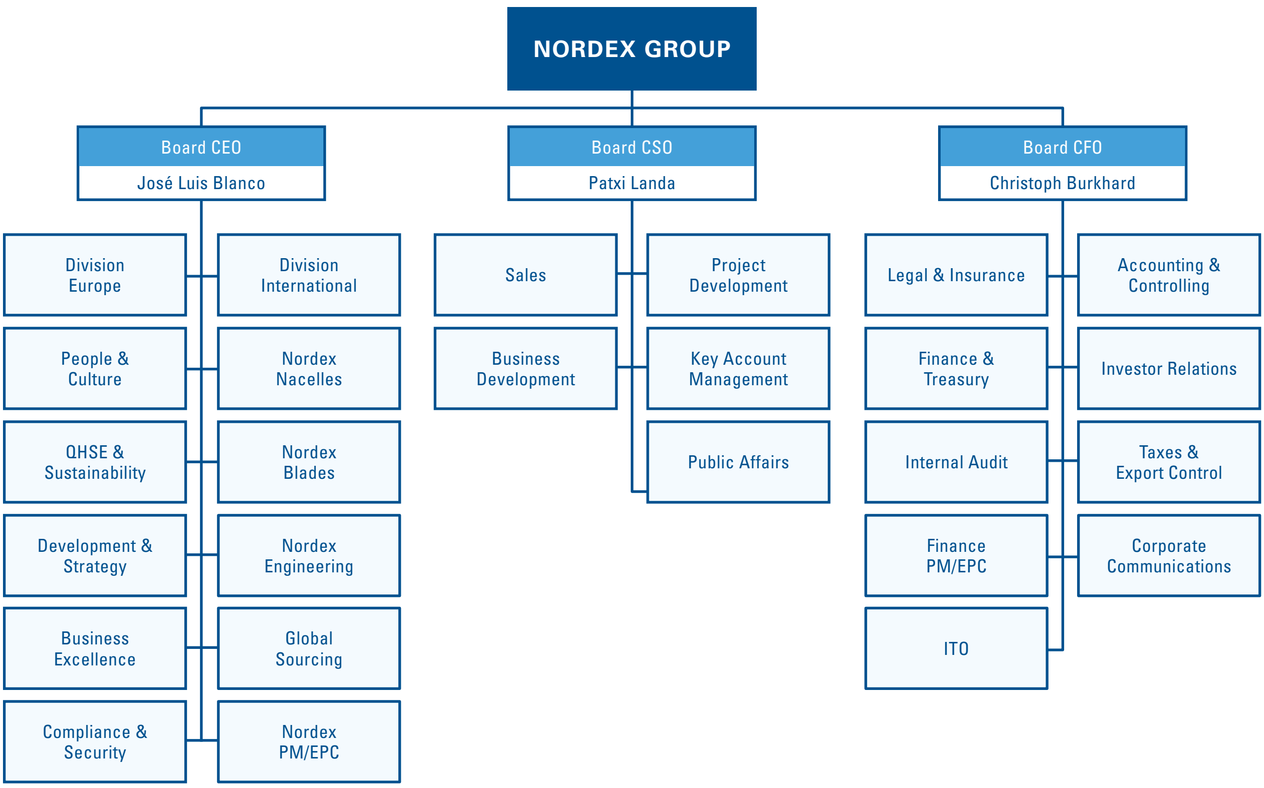


Legal and organizational structure

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.

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, internal audit, 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.

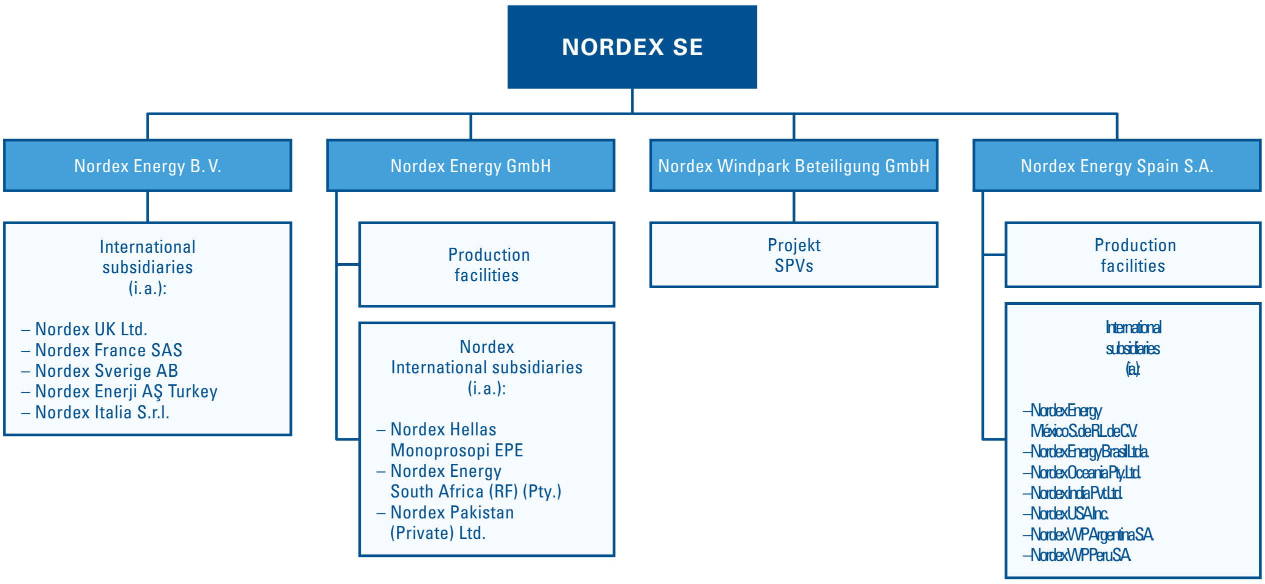
Organizational structure of the Nordex Group



The chairman of the Management Board (Chief Executive Officer – CEO) is in charge of the two operating divisions and global lead functions including rotor blades, nacelles and engineering. He is also in charge of central departments such as Human Resources and Strategy. 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, internal audit, investor relations, communications, legal matters, tax, and the ITO and Finance PM / EPC global lead functions.

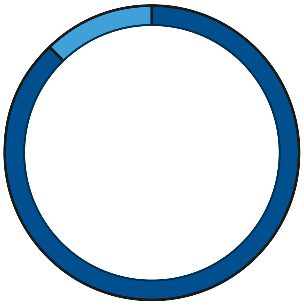
The operating divisions manage the legally independent national companies. Specifically, they are responsible for customer relationship management, sales, project management and services, as well as project development in selected markets. Significant consolidated companies and their respective subsidiaries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

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 includes 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 2019
in %, before consolidation

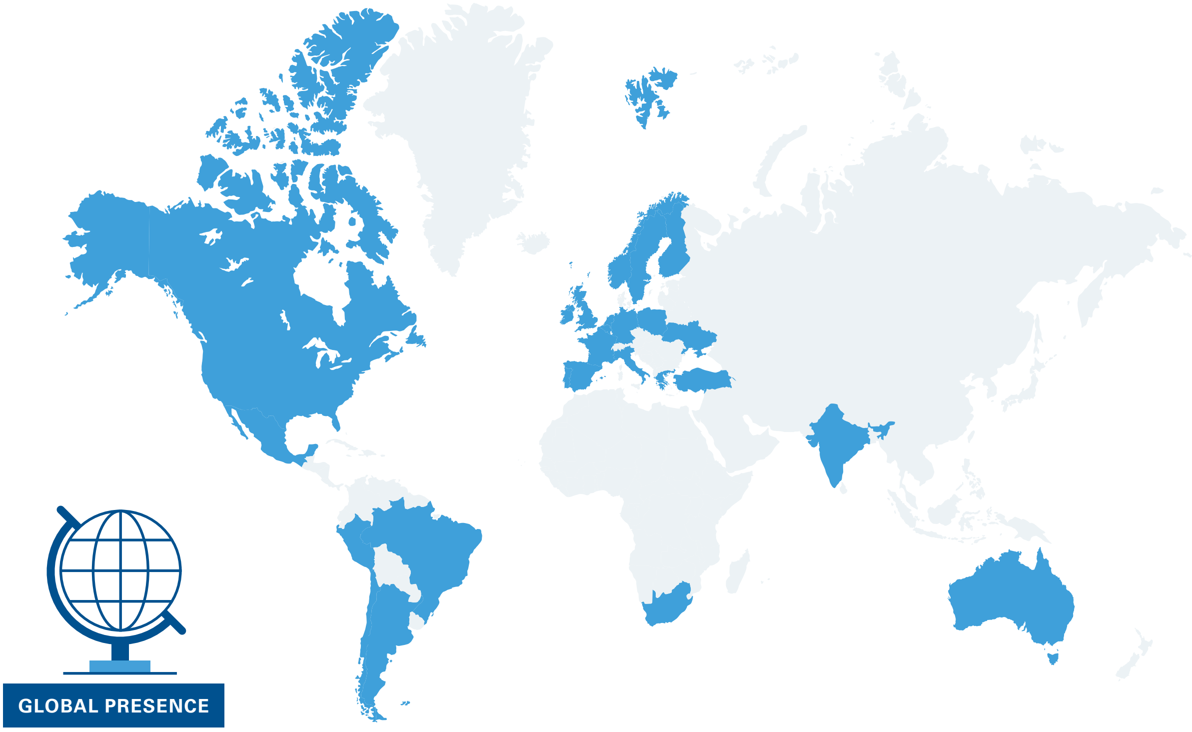


Sales markets and competition

One of the main drivers of the rising demand for wind turbines is wind power's lower cost of energy, which is well below the cost of new conventional energy production capacity, particularly in windy regions. The climate-friendliness of wind energy due to its very low carbon emissions is another important environmental argument for this type of power generation and offers an economic incentive with regard to the taxation of CO_2 emissions. These factors play an important role both in industrialized nations as well as in emerging and developing countries. Growth in the wind energy sector is primarily driven by the construction of new wind turbines and farms. Legacy turbines that have already reached the end of their lifecycle can be refurbished or are also being replaced by modern and more efficient turbines. The latter, known as 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 to the latest technological and economic standards, 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 on 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, Markets such as India, Australia and South Africa were also developed. The central sales organization continually reviews opportunities on new markets not yet served by the Nordex Group.

Significant markets of the Nordex Group



The Nordex Group's competitors are suppliers from Europe and the United States, many of whom have emerged by way of the consolidation process seen in the industry in recent years. In the Group's key markets (see chart) these are Vestas, Siemens, Gamesa, General Electric and Enercon in particular. According to the Bloomberg New Energy Finance (BNEF) ranking, the Nordex Group in 2019 was the world's fourth largest manufacturer of wind power systems outside China. The Company had a double-digit market share in most of the core markets in which it consistently installs wind turbines.

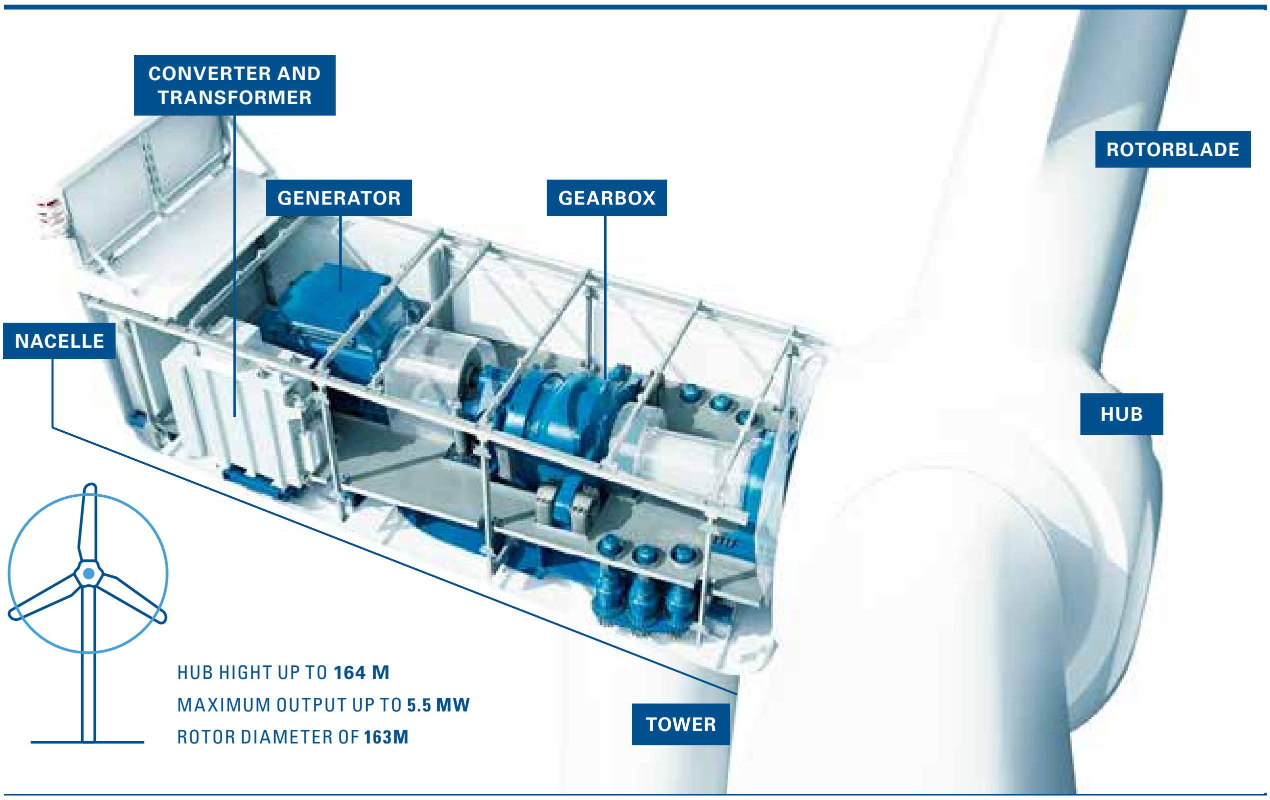
Locations, products and services

The Nordex Group's head office is located in Hamburg. The head office is home to the Group's core functions and parts of development, procurement, project management, services and sales. 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). Additional administrative and development functions are also located at Barásoain. The Nordex Group also manufactures nacelles in Brazil (Simões Filho) and India (Chennai), and in Argentina (Córdoba) as part of a joint venture since 2019. The Nordex Group expanded its rotor blade production capacity further in 2019. New plants in India (Chennai) and Mexico (Matamoros) started production in 2019 and can serve local demand as well as producing goods for export. The assembly plant in the USA (West Branch) is still inactive. The

Company also operated two wholly-owned mobile concrete tower production sites in Brazil in 2019. Subcontractors are also producing concrete towers in other countries.

The Nordex Group 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, especially in France. 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.

Nordex wind turbine (example: Delta4000 series)

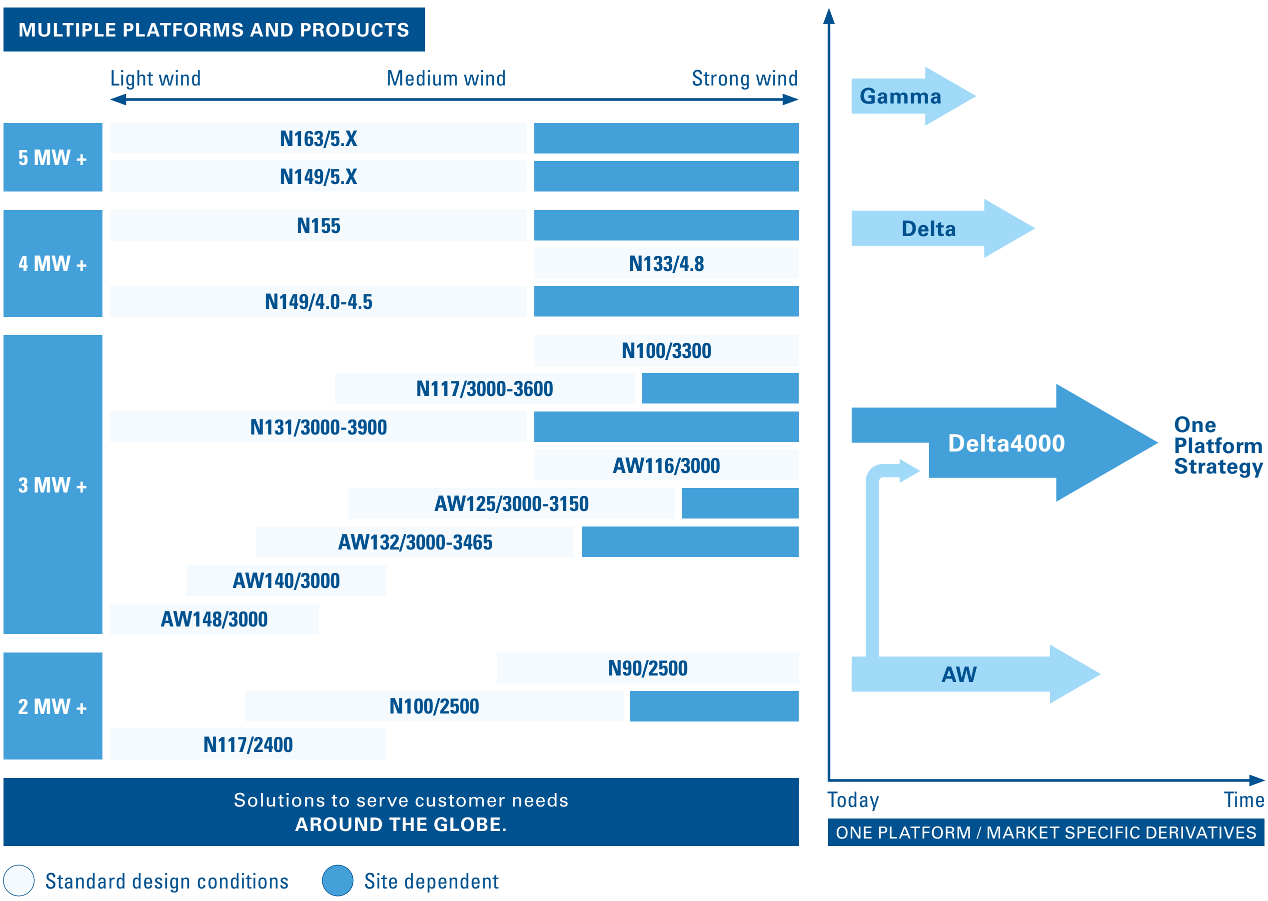


In the future, the Nordex Group's product portfolio will focus the highly efficient Delta4000 series of turbines in the 4MW and 5MW classes that are already being used in projects in Europe, North and South America and Australia. The series currently comprises five different turbine types that cover all wind classes, with respective specifications that make them suitable for use all over the world. In addition to a low COE, the turbine versions of the Delta4000 series are primarily characterized by their ability to flexibly address location-specific requirements and their low acoustic power levels. Depending on customer requirements, the turbines can also be fitted with Nordex's proprietary anti-icing system or air traffic warning lights as appropriate.

With its AW3000 series, the Nordex Group also offers reliable, efficient turbines optimized for markets with limited grid availability such as India. These turbines have been operating successfully for many years in major projects for international energy companies. The 2MW and 3MW turbines in the Gamma and Delta series also offer customers the opportunity to fit out wind farm projects that have been approved for this turbine class in the past.

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 production 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.

Product overview wind turbines



The Nordex Group's service unit ensures reliable and cost-effective operation of the powerful wind power systems for customers. Nordex operates around 280 service branches worldwide for this purpose. Services are rendered via this network of locations directly at the wind farms after they were 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 containing services such as 24/7 remote monitoring, preventive maintenance and customer training, and full modernization of wind power systems.

The Nordex Group offers standardized service contracts with different levels of service which customers can enter into for a term that usually extends up to 25 years. Customers can essentially choose between three contract models. The Premium service contract includes maintenance and repair services, remote monitoring and a time-based availability warranty. The Premium Plus contract includes these service entitlements and adds a production based availability warranty, while repair services and the replacement of certain large wind turbine components 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 large, 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 captive producers from industry, trade the IT sector as well as financial investors such as insurance companies and pension funds. In 2019, the ten largest individual customers accounted for approximately 57% of order intake. These customers are some of the world's largest operators and project developers in the renewables sector, whose global importance has steadily increased in recent 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 customer segments mentioned above and underlines the global positioning of the Nordex Group.

The value chain starts with the development of efficient, competitive wind turbines, which the Nordex Group's sales unit markets to customers around the world. All over the world, new wind farm projects receive fixed feed-in tariffs and are almost exclusively awarded by way of auction processes, 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 value chain starts with the development of efficient, competitive wind turbines, which the Nordex Group's sales unit markets to customers around the world. All over the world, new wind farm projects receive fixed feed-in tariffs almost exclusively by way of auction processes, 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.

Once the contract is awarded, the next step is in-house production, which generally consists of nacelle and hub assembly as well as the production of some of the rotor blades. Additional 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 12 to 18 months to construct a wind farm, depending of the size of the farm, its specific location and a multitude of other factors. The Nordex Group ensures the project management of all activities from installation to turnkey handover and commissioning of wind farms and carries out the work with its own teams and third-party providers. 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 the 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 very 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 around 3.5 GW. Projects implemented exclusively with the Group’s own turbines represent an additional sales channel.

CORPORATE STRATEGY AND MANAGEMENT

Vision and mission

The Nordex Group is one of the pioneers in the wind power industry and was able to improve its strong global market position by one place to fourth (excluding China) in 2019. The Nordex Group focuses squarely on the onshore wind segment. Maintaining this focus, Nordex will make continuous technological innovations to continue driving and shaping the development of wind energy in the future. The Nordex Group is thus making a key contribution to carbon-free power generation and sustainable development.

Corporate strategy

The Nordex Group sees itself as a global leader in the wind industry. The company has defined the reduction of COE (cost of energy), agility and flexibility as key values that guide the organization’s actions at all times. In order to achieve the Nordex Group’s primary goal of 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:

Strategy roadmap further strengthens our competitive position

We are Sustainable | Global | COE Leader[1]

We focus on COE | Speed | Flexibility

We deliver

1. Global market presence
2. COE optimized product portfolio
3. Supply chain transformation
4. Operational cost efficiencies
5. Service business

LEADING GLOBAL ONSHORE WIND TURBINE SUPPLIER

[1] Reduction of the cost of energy

1. Strengthening its global market presence in existing markets

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

Strategic partnerships with customers who are also operating globally, 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 similarly international turbine manufacturers. The Nordex Group's ability to provide these customers with skilled support in all of their regional markets is an advantage. Despite its global presence, Nordex continues to retain a corporate culture typical of medium-sized enterprises, which allows it to respond quickly and pragmatically to customer requirements. The Nordex Group is renowned for its particularly open, constructive and close collaboration with its customers.

Working closely and openly with customers in preparing for the auction stage is another important factor of success in this area. Auctions 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. 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 consolidating customer relationships over the lifetime of the respective project.

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 project development portfolio to increase sales of wind turbine systems.

2. 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 launching the Delta4000 platform. The N149/4.0-4.5 turbine from the Delta4000 series 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 both the numerous innovative features that enable the turbine to be optimally deployed in different operating environments, and its low cost of energy.

The Nordex Group launched three further turbines on the market based on the Delta4000 platform during the 2019 financial year. In April 2019, the N149/5.X was unveiled, a turbine that is particularly suitable for locations with low to medium wind speeds and has a higher rating that enables it to generate up to 17% more energy than the N149/4.0-4.5. This was followed in May by the N155/4.5, which was developed specifically for what are known as 'grid constraint areas'; its cost benefits are particularly apparent in these regions with limited electricity grid availability. The portfolio was then completed in August 2019 by the N163/5.X which, with a higher rating and a 20% larger rotor sweep, can also generate around 20% more energy than the N149/4.0-4.5 in locations with low wind speeds.

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. On this basis, further product portfolio improvements will be developed and introduced onto the market over the coming years.

The Nordex Group 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 new, high-performance battery energy storage systems for wind energy.

3. 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 Nordex Group to efficiently manage its capital commitments and respond flexibly to market changes. The Company is pursuing several strategic initiatives to enhance its supply chain.

To this end, the Nordex Group is further optimizing its global production network. The strategy for selecting production sites aims to make use of low-cost locations and enable cost-effective supplies in all core markets. The number of sites and the capital commitments required are being carefully managed.

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. In financial year 2019, a new rotor blade plant commenced operations in Mexico. 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. 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 further lowering the COE 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.

4. Operational cost efficiency

The Nordex Group is committed to continually enhancing its operational cost efficiency. With this in mind, measures aimed at making processes more streamlined and effective are regularly identified in both the Projects and Service segments.

For example, the Nordex Group is enhancing its project expertise for major projects and rolling out its existing expertise globally across the entire Group. The Company already has extensive experience gained from numerous major projects in emerging markets such as Brazil and South Africa. 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.

Another example is continuous working capital management. Nordex has defined a series of measures aimed at reducing utilization of working capital. This includes managing inventories and finished goods as well as optimizing payment terms, for example. The program was showing significant signs of success during the 2019 financial year.

5. Driving growth in the service business

The aim is to further expand the Nordex Group's Service segment and offer customers attractive terms and services going forward. This should ensure both a high level of quality and the consistent implementation of efficiency improvement measures.

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.

Nordex's services are being continually enhanced to boost its service business. The Group overhauled its range of services during the 2019 financial year to ensure that it could also offer major customers modular services. The service business is also pushing ahead with digitalization and big data analytics. The large number of turbines under service contracts means that, as a manufacturer ("OEM"), Nordex has a strategic advantage over independent service providers, as it uses data from the field to optimize turbine availability and develop new products and services. The Nordex Group also offers a wide range of service products such as replacement parts, yield-boosting upgrades and training sessions. As an OEM, Nordex has the expertise required to solve even the most technical challenges.

Strategy control and implementation

In 2018, the Management Board, together with other executives, developed a comprehensive corporate strategy based further refining the existing corporate strategy. In 2019, strategic goals and initiatives were reviewed and readjusted to reflect current market and company trends. The corporate strategy continues to focus on improving profitability. In order to achieve this, several existing initiatives were confirmed, redefined and launched. These primarily included enhancements of the product platform, 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 2019, the Nordex Group had cash and cash equivalents of EUR 510 million.

The Group also has access to a syndicated loan ("multi-currency 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 corporate bond. Both the promissory note and the bond are certified as "green" financial instruments by the Climate Bonds Initiative.

The high level of liquidity and a solid equity ratio of 18.6%, combined with the secured short, medium and long-term financing, ensures that the Nordex Group is in a position to 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
– 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 separate reporting is not appropriate or the comparability of the performance indicator 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

The management of the Nordex Group in terms of ensuring sustained business performance summarized in the following section entitled "Corporate responsibility". Reference is made there to the Company's sustainability report for more comprehensive information.

CORPORATE RESPONSIBILITY

The management of the Nordex Group 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 guidelines issued by the Global Reporting Initiative (GRI) and published at the same time as this Annual Report. As in the previous year, the separate consolidated non-financial report integrated in the 2019 sustainability report was reviewed as part of an assurance engagement conducted by auditing firm PricewaterhouseCoopers (PwC). This "Corporate responsibility" section supplements the Group 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 2019 sustainability report from Nordex SE's website at ir.nordex-online.com.

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, 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 initial 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 2018, the Nordex Group drafted the new 2019–2021 Sustainability Strategy for subsequent years, which forms the framework of reference for responsible business throughout the Group. The development of the current strategy was based on an extensive materiality analysis involving both internal and external stakeholders. This strategy embodies the systematic, Group-wide continuation of the pursuit of sustainability topics and targets, and is explained in the 2019 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

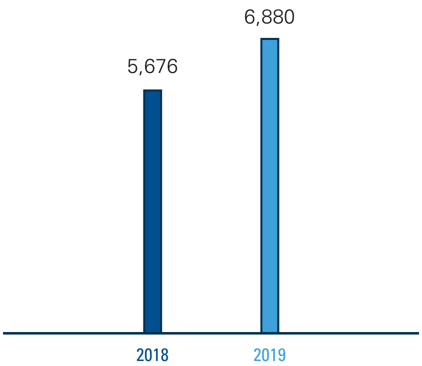
With its current 2019–2021 Sustainability Strategy, the Nordex Group has applied a materiality analysis to prioritize the following five action areas for sustainability management:

- 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

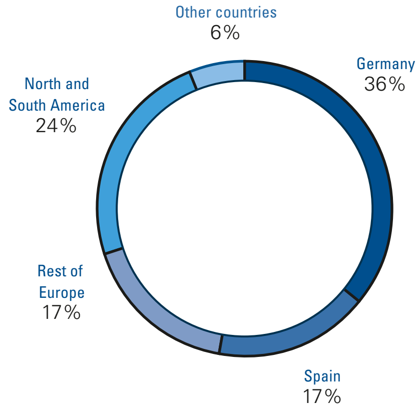
In light of rising production and installation volumes, the Nordex Group enlarged its workforce further and had 6,362 employees across the Group as at 31 December 2019 (31 December 2018: 5,676 employees). A total of 618 temporary staff were also employed as at the reporting date (2018: 182). The average number of full-time employees during the year under review was 6,362 (2018: 5,385). This job growth primarily focused on nacelle and tower production, project management and the service business, with a regional focus on South America, the USA, Germany and India.

Employee figures
as at 31 Dec.



At the end of 2019, 36% of the Group's staff were employed in Germany. This percentage fell slightly due to the lower increase in employment in this region compared to the Group as a whole (2018: 40%). Spain accounted for 17% (2018: 21%) and the rest of Europe for a further 17% (2018: 18%) of the workforce during the year under review. As in the previous year, the proportion of employees in North and South America increased to 24% in 2019 due to high business volumes (2018: 18%). 6% of staff worked in Asia, Africa and Australia (2018: 3%).

Distribution of employees by region in 2019
in %



A total of 39% of employees worked in the production and purchasing units for blades, nacelles and towers in 2019 (2018: 39%), and 33% in the service and sales units combined (2018: 33%). Engineering and project management accounted for a total of 16% of employees in 2019 (2018: 15%). 12% of employees worked in administration (2018: 11%). This distribution across functions demonstrates the Company's strong focus on technology and close customer relationships, particularly in the service business.

As in the previous year, women accounted for 16% of the total workforce at the end of 2019; their share in administration was 43% (2018: 45%). A total of 94% of permanent employees were employed on a full-time basis in 2019 (2018: 95%). 89% of employees had an unlimited employment contract (2018: 88%).

Employee structure (selected figures)

	31.12.2019	31.12.2018
Total workforce	**6,880**	**5,676**
By gender		
Male	84%	84%
Female	16%	16%
By age		
Under 30 years of age	22%	20%
Between 30 and 50 years of age	67%	69%
Over 50 years of age	10%	11%
By working hour model		
Full-time	94%	95%
Part-time	6%	5%
By type of contract		
Permanent staff	89%	88%
Temporary staff	11%	12%

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. In 2019, for example, the Nordex Group was able to secure the contract for the Dutch wind farm "De Drentse Monden en Oostermoer", which is located close to an antenna field, as the wind turbines for this project were optimized in terms of their electromagnetic radiation. The Group's R&D activities also include innovations in the production and logistics process. The Nordex Group is also involved in projects concerning the grid integration of renewable energies.

ORGANIZATION AND KEY R&D INDICATORS

At the end of 2019, the Nordex Group had a global headcount of 588 employees in engineering (2018: 599 employees). Research and development activities are located at the sites in Rostock and Hamburg (Germany) as well as in Pamplona (Spain). 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 engineering division was reorganized to reflect the latest market developments in 2019. With the product portfolio set to focus from previously four turbine platforms to just the Delta4000 series, this also means that development capacity can now be used even more effectively and efficiently.

The development expenses recognized in the balance sheet amounted to EUR 188.5 million as at 31 December 2019 (31 December 2018: EUR 206.5 million). In financial year 2019, development expenses of EUR 27.8 million were capitalized (2018: EUR 36.4 million). The additions include in particular the enhancement of the Delta4000 series and also the AW3000 platform. They comprise borrowing costs of EUR 1.0 million (2018: EUR 2.5 million) at a funding rate of 4.48% (2018: 3.96%). Other development expenses incurred during the reporting year amounting to EUR 21.7 million (2018: EUR 20.2 million) do not meet the criteria for capitalization and were therefore expensed. The capitalization ratio therefore amounts to 56.22% (2018: 64.28%). Amortization of capitalized development expenses amounted to EUR 45.8 million in the 2019 financial year (2018: EUR 55.2 million).

PRODUCT DEVELOPMENT

The Group's development activities again focused on the Delta4000 series during the 2019 financial year. The N149/5.X, N155/4.5 and N163/5.X turbine types that marked the Nordex Group's entry into the 5MW class when they were launched in April, May and August 2019 are based on this tried-and-tested technology. Manufactured from GRP and carbon, the one-piece rotor blade developed for the N163/5.X measures around 80 meters in length, making it one of the largest in the onshore segment. The new Nordex OS™ SCADA EDGE control system was also introduced in 2019. The control and visualization software (SCADA) controls and regulates individual wind turbines and the entire wind farm to ensure that the maximum yield is obtained. Nordex OS™ SCADA EDGE is based on an IIoT (Industrial Internet of Things) platform developed together with Software AG and its Cumulocity IoT solution.

REPORT ON ECONOMIC POSITION

> **Nordex Group closes the 2019 financial year within the forecast range**
> **Sharp increase in production, rise in installations not until the second half of the year, as expected**
> **Order intake increases further to 6.2 GW**

MACROECONOMIC AND SECTOR-SPECIFIC ENVIRONMENT

Macroeconomic environment: global economy in noticeable downturn in 2019

The global economy grew by just 2.9% in 2019 compared to 3.6% in the previous year (International Monetary Fund, IMF). This was the lowest rate of expansion since the financial crisis more than ten years ago. The escalation of the US's trade conflict with China, a lack of clarity over the Brexit process and its implications as well as geopolitical crises created considerable uncertainty, especially among companies. International trade and industrial production weakened as a result. The US Federal Reserve's decision to return to an expansive monetary policy prompted many countries to follow suit and prevented an even more pronounced downturn. Private consumption and construction activity were also robust in industrialized nations. According to the IMF, industrialized nations grew by 1.7% overall (2018: +2.2%). While the pace of expansion also flattened considerably in emerging and developing countries, they remained a key driver of international development with growth of 3.7% (2018: +4.5%).

The economy deteriorated in the Nordex Group's core markets during 2019. Germany's economy showed a clear divide. On the one hand, private consumption and real construction investments continued to drive brisk domestic demand, while government spending also expanded further. On the other hand, equipment investments and exports were weak. The industrial sector was in recession in 2019. Overall, the German economy recorded only very weak growth of 0.6% (2018: 1.5%). Economic performance also weakened in the eurozone where, according to Eurostat data, GDP growth reached just 1.2% in 2019 (2018: +1.9%). The pace of expansion also slowed in France, Italy and Spain.

Even the US economy lost momentum during the course of 2019, after the impact of tax reforms petered out and exports came under pressure in the wake of the trade dispute. Economic development also slowed in Canada. India's economic growth weakened after the massive liquidity problems at shadow banks that are important to the Indian economy were much more serious than forecast. Turkey remained in a state of crisis with a stagnating economy that halted the massive currency decline previously recorded. Brazil experienced only a moderate recovery. Latin America remained under pressure as the recession in Argentina and the huge Venezuela crisis continued in 2019.

The US Federal Reserve (Fed) implemented an interest rate turnaround in 2019, lowering key rates to between 1.50% and 1.75% in three steps between the end of July and the end of October. The European Central Bank (ECB) was also expansionary in 2019, sticking to its zero interest rate policy, resuming bond purchases and signaling its readiness to introduce additional easing measures. With the growth differential moving in favor of the USA in 2019 and amid particularly striking uncertainty in Europe, the US dollar continued to appreciate. Based on the 2019 year-end exchange rate of USD 1.1234, the depreciation of the euro totaled 1.9% during the reporting year.

Commodity prices increased only moderately in 2019 as a result of weak global economic growth. According to the IMF, non-oil commodity prices rose by an average of 0.9% compared to the previous year (2018: +1.6%). Prices of important commodities required for wind turbine construction developed differently in 2019. On a US dollar basis, steel prices (hot rolled coils) fell by 18.5% during the course of the year, while copper prices rose by 6.3%. 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 overall.

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 trend reversed in 2019. Having previously risen considerably, the price of oil (UK Brent, Dubai Fateh, WTI) fell by around 11% on average for the year to USD 60.62 in 2019 according to the IMF. Amid typically drastic fluctuations, wholesale prices for base load electricity in the Central European electricity market fell during the course of the year after steadily rising in previous years. At the end of 2019, the Phelix-Baseload index for base load electricity in Germany and Austria was 34.96 EUR/MWh, 32.5% below the previous year's closing figure.

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

The Nordex Group's business is largely determined by political conditions, which vary from region to region and country to country based on climate protection targets, specific national regulations and expansion plans. 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 the past. Important milestones in promoting renewable energy production were the Paris Climate Change Conference in December 2015 and the Katowice Climate Summit (Poland), attended by representatives of more than 190 countries who agreed on decisions to advance the implementation of the Paris Climate Agreement. Over the past year, the international 'Fridays for Future' movement made a significant contribution to climate action by drawing considerable and constant attention to the climate debate.

After Germany adapted its legislation in 2018, all participants in an auction must once again produce a building permit and realize projects within two-and-a-half years. Unused auction volumes will automatically be put out to tender again three years later. However, the approval processes are extremely challenging and have grown considerably longer for new wind farms. This meant that almost all tenders in 2019 were significantly undersubscribed and the expansion of onshore wind energy has practically ground to a halt. Only in the last tender process were 76 bids for 686 MW submitted with a total volume of 500 MW. In light of the transition to renewable energy and political ambitions to produce around 65% of all energy from renewable sources in the year 2030, a policy is required above all to establish a coherent and reliable framework for the wind industry.

Competitiveness plays a significant role in being successful in the auction process. As a result, the Nordex Group has embedded the steady reduction in the cost of energy (COE) as a key element of its strategy and has directed its operational efforts accordingly. Cost of energy describes the proportion of investments in turbines and operating costs relative to the performance capability of the turbines. According to data from Bloomberg New Energy Finance (BNEF), 15 GW of new onshore wind capacity was allocated via auction processes in 2019.

Industry-specific environment: wind energy sector at record levels worldwide in 2019, but still under pressure in Germany

The global wind industry today operates in a largely subsidy-free environment. At the same time, low auction prices and generally fierce competition across the sector are driving down margins. Amid high demand for renewably produced electricity, the sector is on a growth trajectory and is repeatedly setting new records for installation levels. Nevertheless, there are always sporadic changes in regional market conditions in individual countries due to political decisions to increase or reduce expansion targets. For example, the German federal government has cut its 2030 expansion target from its original 80 GW to 61-71 GW on the assumption of lower electricity demand in future. However, there is considerable disagreement on this, as Germany is keen to electrify its economy and transport, among other things. The share of renewable energy is also expected to increase from its current level of over 40% by 2030 to 65%. The German wind market was unable to recover from the significant upheavals of recent years in 2019 in terms of new installations. This was due to lengthy approval processes and the lack of a legal framework in some cases. As a result, new installations collapsed further in 2019. The German Federal Network Agency referred to the results of the fifth round of tenders in 2019 as 'disastrous'. Of a total of 675 MW tendered, only 25 bids with a total volume of 204 MW were submitted and accepted. Only the last auction of 2019 was slightly oversubscribed for the first time in over a year, with 76 bids for 686 MW. According to a preliminary estimate by the Global Wind Energy Council (GWEC), new turbines with a capacity of 65.4 GW were installed in 2019. This would represent an increase of 27.5%. Based on this forecast, the total capacity of all turbines in operation worldwide rose to 656 GW. The increase in the global expansion of onshore wind energy was 23%, according to the GWEC. The sector remained under pressure in the previously dominant wind energy markets of Germany and India. However, this trend was more than compensated for by strong growth in the USA and in new wind energy countries in Latin America and South East Asia.

SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

NEW ROTOR BLADE PLANT IN MEXICO

The Nordex Group announced that it was going to produce rotor blades at the Matamoros site in the Mexican state of Tamaulipas. The new plant, which began production in the third quarter of 2019, manufactures blades for the AW and Delta4000 platforms. Its proximity to the growth markets of North and South America significantly enhances Nordex's competitive strength in the region.

START OF DELTA4000 SERIES PRODUCTION

In mid-March, the Nordex Group began series production of turbines in the Delta4000 series – initially at its Rostock site. This development means that the Company is able to deliver its first orders for the N149/4.0-4.5 wind turbine. The turbines are manufactured in Rostock in a flexible sequence alongside previous turbine types. The new product range enables Nordex to offer different turbine types for all wind classes while maintaining the same outer dimensions for the nacelles.

NORDEX ENTERS THE 5MW CLASS

At the end of March, the Nordex Group presented the N159/5.X, a high-performance addition to the Delta4000 product range. The new turbine is the first in the Company's product portfolio in the 5MW class. The new N149/5.X is designed for moderate and light wind conditions and can also be used in locations with complex requirements. It is the third model in the Delta4000 series after the N149/4.0-4.5 and the N133/4.8.

TURBINE FOR MARKETS WITH LIMITED GRID ACCESS

In May, the Nordex Group presented the N155/4.5, a new turbine in the Delta4000 series. This turbine is particularly suitable for growth markets with moderate wind speeds and no intensive turbulence that are not subject to strict regulatory noise emission requirements. This applies to locations around the world, particularly large areas of the USA, Latin America, South Africa and Southeast Asia. Production of the N155/4.5 is scheduled to begin in 2020.

CAPITAL INCREASED THROUGH PRIVATE PLACEMENT

In October, Nordex SE carried out a 10% capital increase by means of a private placement with anchor shareholder Acciona S.A. (“Acciona”), thus raising around EUR 99 million in new equity. This capital increase is part of the Group’s growth trajectory for 2020 and helps to further strengthen its capital structure. By carrying out the capital increase, Acciona’s stake in Nordex SE increased from 29.90% to over 30%, necessitating a formal mandatory offer. In November, Acciona submitted a voluntary takeover offer to Nordex shareholders for a purchase price of EUR 10.34 per share. 0.14% of the shares were tendered by the end of the final offer period on 6 January 2020. Acciona’s stake in Nordex SE increased to 36.41% as a result. The Nordex Group welcomes the support that this additional equity from Acciona has provided to its growth plans. The capital increase was fully supported by the Supervisory Board, including long-term shareholder SKion/momentum.

OVERVIEW OF THE FINANCIAL YEAR

PRODUCTION

Against the backdrop of a strong order book in early 2019 and sustained high demand, the Company continually ramped up production during the financial year. In particular, this prepared the Nordex Group for the major push of installation activities in the second half of the year. Following the launch of series production of the Delta4000 series at the Rostock plant in Germany in March 2019, the La Vall d’Uixó in Spain also began assembly of this series in December. Production output grew, particularly from the second half of the year onward, thanks to the new rotor blade factories in India and Mexico and the nacelle assembly line in Argentina in addition to the existing production facilities.

Year over year, the Nordex Group nearly doubled the number of turbines produced to 1,388 in 2019 (2018: 727 turbines). This corresponded to a combined nominal output of 4,677.2 MW, for an even steeper year-over-year increase of this figure due to the greater average capacity of the wind turbines (2018: 2,278.4 MW). The Delta4000 platform accounted for 146 turbines, while the AW platform counted 860, and the remaining turbines were attributable to the Gamma and Delta3000 generations.

The Nordex Group’s rotor blade plants together manufactured 1,366 rotor blades in 2019 (2018: 807 rotor blades). Third-party suppliers manufactured another 2,556 rotor blades according to Nordex designs and specifications.

Production output

	Turbines (MW)		Rotor blades (units)	
Production	**2019**	**2018**	**2019**	**2018**
Germany	1,981.3	1,169.5	465	207
Spain	1,677.5	940.4	600	600
Brazil	147.0	111.0	—	—
India	726.3	57.6	234	—
Mexico	145.0	—	67	—
Argentina	145.0	—	—	—
Total	**4,677.2**	**2,278.4**	**1,366**	**807**

INSTALLATIONS

In 2019, the Nordex Group installed a total of 938 wind turbines in 21 countries (2018: 828 turbines in 17 countries) with a combined nominal output of 3,089.7 MW (2018: 2,522.0 MW). Expressed in MW, 44% of the installations were in Europe (2018: 43%), 29% in Latin America (2018: 18%), and 23% in the United States and therefore the "North America" reporting segment (2018: 34%). Another 4% of the turbines were erected in India and South Africa ("Rest of the World" reporting segment, 2018: 5%).

As in the two previous years, the United States represented the single most important market in the world for the Nordex Group in 2019 with 216 turbines (2018: 278 turbines). Mexico was second with 92 installations (2018: 32 turbines), followed by Brazil with 88 installations (2018: 44 turbines) and France, the largest European market, with 72 turbines installed (2018: 136 turbines), ahead of Argentina with 58 turbines (2018: 48 turbines). The number of turbines installed in Spain increased sharply from 19 in the previous year to 50 in 2019. In contrast, the Nordex Group's installations in Germany, along with the local market as a whole, declined further, from 74 in 2018 to 31 in the 2019 reporting period.

Installations

	Installed capacity (MW)	
Country	**2019**	**2018**
USA	700.0	863.4
Mexico	303.6	100.8
Brazil	267.0	132.0
France	222.8	371.7
Argentina	208.2	152.0
Spain	162.0	54.9
Ireland	152.6	14.9
Netherlands	147.9	3.6
Croatia	130.2	0.0
Finland	127.0	0.0
Chile	111.0	0.0
Germany	108.1	227.8
Turkey	100.4	238.7
Sweden	94.8	0.0
India	75.0	0.0
Ukraine	50.7	0.0
South Africa	45.0	0.0
Belgium	32.1	0.0
Greece	27.6	38.7
Luxembourg	16.5	0.0
Poland	7.2	0.0
Australia	0.0	138.6
Peru	0.0	56.7
Italy	0.0	46.8
Norway	0.0	39.6
United Kingdom	0.0	29.8
Portugal	0.0	12.0
Total	**3,089.7**	**2,522.0**

ORDER INTAKE AND ORDER BOOK

Demand for the Nordex Group's wind turbines rose again in 2019, with particularly positive performance in the United States and various European markets. In the Projects segment, the Nordex Group landed orders from 22 countries totaling EUR 4,415.0 million, For an increase of 21% over the previous year when orders from 18 countries amounted to EUR 3,637.3 million. Geographically speaking, 52% of the orders originated in Europe in 2019 (2018: 51%), 26% in North America (2018: 11%), 19% in Latin America (2018: 21%) and 3% in Australia, which is part of the "Rest of the world" region (2018: 16%). The most important individual markets were the United States, Turkey and France.

In total, the wind turbines ordered in 2019 represent a combined nominal output of 6,207.5 MW (2018: 4,754.3 MW), a new record for the Nordex Group. The average turbine price per megawatt declined to EUR 0.71 million/MW (2018: EUR 0.77 million/MW). The increased size of the turbines has resulted in a lower average price per megawatt. The large share of projects in the United States with a typically lower scope of services provided (no own construction) also had an impact.

The book-to-bill ratio in the Projects segment (order intake to sales ratio excluding the service business) amounted to 1.53 for the 2019 financial year (2018: 1.71) and therefore indicates continued robust growth in the future.

Order intake and order book in the Projects segment

Region EUR million	Order intake		Order book[1]	
	2019	2018	2019	2018
Europe	2,336.9	1,871.9	2,859.7	1,798.9
North America	1,132.0	415.5	1,060.9	414.0
Latin America	827.8	758.4	972.6	974.0
Rest of world	118.3	591.5	640.7	682.2
Total	**4,415.0**	**3,637.3**	**5,533.9**	**3,869.1**

[1] As at 31.12.

At the end of 2019, the Nordex Group's Projects segment had a confirmed order book of EUR 5,533.9 million, a year-over-year increase of 43% (31 December 2018: EUR 3,869.1 million). Geographically speaking, 51% of the order book originated in Europe in 2019 (2018: 46%), 19% in North America (2018: 11%), 18% in Latin America (2018: 25%) and 12% in the "Rest of the world" region (2018: 18%).

Order intake in the Service segment rose to EUR 695.4 million in financial year 2019 (2018: EUR 543.1 million). This order intake figure includes both service contracts for new turbines and extensions for expired contracts. As at year-end 2019, the order book (after invoicing) for this segment totaled EUR 2,536.5 million (31 December 2018: EUR 2,217.7 million). This figure includes contracts for turbines that were active at the end of the year. Contracts signed but taking effect only after the turbines have been erected are not yet included in this performance indicator.

At the end of 2019, the Nordex Group supported 7,760 wind turbines in the Service segment with a total nominal output of 19.6 GW worldwide (31 December 2018: 7,545 turbines and 18.5 GW respectively). The average system availability for the wind turbines managed by the Nordex Group via service agreements across all platforms was 97.5% in 2019 (2018: 97.7%). This shows that unplanned downtimes of the plants serviced were at a low level overall.

SEGMENT PERFORMANCE

Since 2018, the Nordex Group has been reporting on the Projects segment, which comprises the new wind turbine business and wind farm development as part of the Nordex Development business, and the Service segment. Sales, income and expenses that cannot be clearly allocated to these two segments are reported separately as "Not allocated." The complete segment reporting can be found in the notes to the consolidated financial statements.

The Projects segment generated sales of EUR 2,884.5 million in 2019 (2018: EUR 2,123.2 million), while Service segment sales amounted to EUR 403.2 million (2018: EUR 342.6 million). This means that during the year under review, the Projects segment accounted for 88% and the Service segment for 12% of sales (before unallocated sales and consolidation).

Segment performance key data

	Projects		Service		Group	
EUR million	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Order intake	4,415.0	3,637.3	695.4	543.1	5,110.4	4,180.4
Order book	5,533.9	3,869.1	2,536.5	2,217.7	8,070.4	6,086.8
Sales	2,884.5	2,123.2	403.2	342.6	3,284.6[1]	2,459.1[1]
EBIT	124.5	167.0	71.4	55.1	–19.6[2]	–54.2[2]

1 After unallocated sales and intrasegment consolidation

2 After unallocated income and expenses and intrasegment consolidation

COMPARISON OF ACTUAL AND FORECAST BUSINESS PERFORMANCE

The Nordex Group issued its guidance for the 2019 financial year on 26 March 2019. The Management Board anticipated consolidated sales of EUR 3.2 billion to EUR 3.5 billion. This significant rise in sales compared to the previous year was primarily attributable to the high order intake from 2018 and resulting higher activity levels. The prevailing high price pressure until the end of the previous year adversely impacted the profitability of numerous projects during the year under review. This caused the Management Board to forecast an EBITDA margin of 3.0% to 5.0% for 2019. The significantly broader target corridor for 2019 compared to the previous year took into account the sharp increase in activity levels and the more extensive operational challenges resulting from this.

The Company also expected a working capital ratio as a percentage of consolidated sales of less than 2.0% and investments totaling around EUR 120 million. The Management Board noted that the exact level of investments would depend on the order intake momentum for new products during the year.

Incoming orders of 1 GW in the first quarter and 2 GW in the second quarter caused the order book to grow significantly by the middle of 2019. The fact that the Delta4000 platform already made up a high proportion of more than a third of all incoming orders during this period reflected the major market success of this new generation of turbines. As a result, the Management Board increased its investment forecast from EUR 120 million to around EUR 160 million in August 2019. These additional investments mainly concerned the increase in production capacity for new rotor blades for the Delta4000 platform.

The Nordex Group's audited figures for 2019 are fully in line with its guidance. Consolidated sales amounted to EUR 3,284.6 million and the EBITDA margin was 3.8%. As at 31 December 2019, the working capital ratio was –9.1%, well below the target of 2.0%. Investments totaled EUR 172.5 million, which was largely in line with the target figure of EUR 160 million.

Overview of forecast and actual business performance in 2019

Key figure	Forecast March 2019	Updated guidance August 2019	2019 actual
Sales in EUR billion	3.2–3.5	3.2–3.5	3.3
EBITDA margin in %	3.0–5.0	3.0–5.0	3.8
Working capital ratio in %	approx. 2.0	approx. 2.0	–9.1
Capital expenditure in EUR million	approx. 120	approx. 160	172.5

MANAGEMENT ASSESSMENT OF THE COMPANY'S ECONOMIC PERFORMANCE

The Nordex Group once again performed well in an intensely competitive and international market environment. The Company increased its order intake by 31% from 4.75 GW to 6.21 GW during the year under review. Over the course of 2019, the new Delta4000 turbines made up a steadily increasing share of total order intake, accounting for 44% for the year as a whole. As a result of the already relatively high order intake from the previous year, installed capacity also rose significantly by 22.5% to 3,089.7 GW despite several project delays during strong year-end business. Sales consequently increased from EUR 2,459.1 million in the previous year to EUR 3,284.6 million, thus lying within the expected range. During the year under review, the Nordex Group largely processed projects that had been negotiated under considerable price pressure, resulting in an EBITDA margin of 3.8% after 4.1% in 2018.

The merger with Acciona Windpower in 2016 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 is having a positive effect and enables it to withstand and partly or fully offset even persistent market upheaval such as that currently seen in Germany in India.

Overall, the Nordex Group's Management Board considers 2019 to have been a satisfactory year and believes the Company is well equipped to meet its anticipated challenges in the current 2020 financial year.

RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

RESULTS OF OPERATIONS

Sales

In financial year 2019, the Nordex Group increased its sales by 33.6% to EUR 3,284.6 million (2018: EUR 2,459.1 million). As expected in its guidance for 2019, the Nordex Group benefited from the positive order trend seen since the end of 2017. The market with the strongest sales was again the United States with sales of EUR 588.8 million (2018: EUR 547.8 million), followed by Argentina with EUR 313.1 million (2018: EUR 122.7 million), France with EUR 287.5 million (2018: EUR 512.9 million), Brazil with EUR 257.0 million (2018: EUR 164.6 million), Germany with EUR 253.3 million (2018: EUR 342.1 million) and Mexico with EUR 184.7 million (2018: EUR 17.9 million).

Earnings

Total operating revenue of the Nordex Group in the year under review rose by 63.7% to EUR 3,871.4 million (2018: EUR 2,364.2 million). Material costs increased at a faster rate than gross revenue, resulting in a cost of materials ratio of 81.0% (2018: 72.3%). The main reason for this increase is the sharp rise in the production of turbines and rotor blades as a result of the high level of order intake and the pending installations triggered by this. Gross profit (gross revenue less cost of materials) increased by 18.6% or EUR 121.4 million to EUR 775.6 million (2018: EUR 654.1 million).

Structural costs before depreciation and amortization rose by 18.0% to EUR 651.6 million (2018: EUR 552.4 million) due to the considerable year-on-year increase in business volume. The higher level of activity required additional personnel at the production facilities in Mexico and Brazil and in the service organization, which drove up staff costs by 10.7% to EUR 360.7 million. Net other operating expenses/income also rose by 28.4% to EUR 290.9 million.

Structural costs before depreciation and amortization

EUR million	2019	2018
Staff costs	360.7	325.9
Other operating expenses less other operating income	290.9	226.5
Total	**651.6**	**552.4**

Other operating income totaled EUR 43.4 million in 2019 (2018: EUR 60.4 million). A large portion of this amount is attributable to forward exchange transactions at EUR 11.9 million, currency translation gains at EUR 10.0 million and insurance compensation and damages at EUR 9.3 million.

Other operating expenses increased to EUR 334.4 million (2018: EUR 286.9 million), with other staff costs being the largest single item at EUR 78.1 million, followed by travel expenses at EUR 32.2 million and maintenance expenses at EUR 30.6 million. Currency translation losses amounted to EUR 30.4 million in the year under review. A detailed breakdown of other operating income and expenses can be found in the notes to the consolidated financial statements.

Earnings before interest, taxes, depreciation and amortization (EBITDA) rose 21.7% year-on-year to EUR 123.8 million (2018: EUR 101.7 million). This resulted in an EBITDA margin of 3.8% (2018: 4.1%), which is within the guidance range of 3% to 5%.

Depreciation and amortization amounted to EUR 143.4 million in 2019, down 8.0% on the previous year (2018: EUR 155.8 million). Of this total, EUR 24.0 million (2018: EUR 62.6 million) can be traced back to the purchase price allocation (PPA) in connection with the acquisition of Acciona Windpower in 2016.

This resulted in earnings before interest and taxes (EBIT) of EUR –19.6 million (2018: EUR –54.2 million), which corresponds to an EBIT margin of –0.6%. Excluding PPA-related depreciation and amortization, the EBIT margin was 0.1%.

The financial result totaled EUR –60.1 million in the year under review (2018: –38.4 million). The high level of activity, which resulted in a higher utilization of the guarantee line, had an effect on the financial result, as did the issue of a EUR 275 million bond in early 2018. In 2019, interest expenses (interest and similar expenses) amounted to EUR –68.2 million after EUR –43.2 million in the previous year.

Net profit/loss from ordinary activities (EBT) improved slightly to EUR –79.7 million in the 2019 financial year (2018: EUR –92.6 million). The income tax result was positive at EUR 7.1 million (2018: EUR 8.7 million) for a consolidated loss of EUR 72.6 million (2018: EUR 83.9 million). Earnings per share were EUR –0.73 compared to EUR –0.86 in the previous year.

FINANCIAL POSITION AND NET ASSETS

Capital structure

The Nordex Group's total assets rose by 30.9% to EUR 4,002.7 million as at 31 December 2019 (31 December 2018: EUR 3,058.5 million). This increase is mainly due to the higher volume of business and the continuously growing number of installations. Inventories in particular rose significantly to EUR 1,398.4 million (31 December 2018: EUR 763.2 million). The two main items experiencing growth on the liabilities side were other current non-financial liabilities at EUR 1,203.8 million (31 December 2018: EUR 787.2 million) and trade payables at EUR 968.5 million (31 December 2018: EUR 500.8 million). Furthermore, other non-current financial liabilities increased to EUR 358.1 million (31 December 2018: EUR 270.1 million). All told, current liabilities rose by 52.3% to EUR 2,343.2 million (31 December 2018: EUR 1,538.3 million) and non-current liabilities were up 11.1% to EUR 914.2 million (31 December 2018: EUR 822.9 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 originally 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 to repay a portion of the tranche due in 2021 in order to improve the Company's maturity profile. 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. Overall, the Nordex Group repaid a total of EUR 56.0 million in the year under review, including EUR 12.5 million for the loan granted by the EIB and EUR 43.5 million for the promissory note. At the end of the year, the promissory note amounted to EUR 242.3 million and the loan of the EIB to EUR 53.5 million.

The Nordex Group also has access to a syndicated loan ("multi-currency 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 less interest-bearing liabilities, increased to EUR 84,0 million (31 December 2018: EUR 32.5 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
31.12.2019	**28,510**	**10,840**	**280,611**	**6,985**	**326,946**
31.12.2018	22,574	55,623	295,576	10,238	384,011

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
31.12.2019	**22,287**	**23,274**	**361,705**	**41,016**	**448,282**
31.12.2018	14,462	10,181	331,702	435	356,780

The change in equity in financial year 2019 was primarily affected by the capital increase in October and the consolidated net loss. The Nordex Group's subscribed capital rose by EUR 9.7 million (one share has a notional value of one euro) from EUR 97.0 million to EUR 106.7 million as a result of the capital increase. As at 31 December 2019, equity stood at EUR 745.6 million (31 December 2018: EUR 697.3 million). However, since total assets rose considerably more than equity, the equity ratio as of the 2019 balance sheet date fell to 18.6% (31 December 2018: 22.8%).

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

The Nordex Group's cash and cash equivalents as at the reporting date were EUR 510.0 million (31 December 2018: EUR 609.8 million). Cash and cash equivalents include cash in hand, sight deposits and fixed-term deposits with an original term of up to four months.

Trade receivables and contract assets from projects rose by 36.4% to EUR 345.6 million (31 December 2018: EUR 253.4 million). This figure primarily reflects the higher number of projects. The growth in inventories by 83.2% to EUR 1,398.4 million (31 December 2018: EUR 763.2 million) was largely triggered by the strong increase in production due to the large number of projects under construction. As a result, current assets rose by 41.1% to EUR 2,513.8 million (31 December 2018: EUR 1,781.0 million).

Non-current assets increased by 16.5% year-on-year to EUR 1,488.9 million (31 December 2018: EUR 1,277.6 million). Goodwill remained stable at EUR 547.8 million (31 December 2018: EUR 547.8 million). Capitalized development expenses saw a year-on-year decrease of 8.7% to EUR 188.5 million (31 December 2018: EUR 206.5 million). Other intangible assets rose by 11.0% to EUR 27.3 million (31 December 2018: EUR 24.6 million). In addition, the first-time application of IFRS 16 had an impact of EUR 103.2 million. Deferred tax assets saw 36.5% growth to EUR 236.3 million (31 December 2018: EUR 173.1 million).

Financial position and liquidity

In financial year 2019, operating cash flow amounted to EUR 38.0 million, down 69.6% from the previous year (2018: EUR 124.9 million). The cash flow from changes in working capital, which was EUR 156.3 million in 2018, increased further to EUR 194.9 million in 2019. The decrease in operating cash flow is mainly due to an increase in value-added tax receivables, which were not previously included in working capital.

The working capital ratio also saw a highly positive change in the year under review and at –9.1% (31 December 2018: –3.8%) was well within the target range given in the guidance for the year (below 2%). This is due on the one hand to the successful measures implemented as part of the program to optimize working capital and on the other hand to the high level of customer prepayments triggered by the strong order intake in 2019.

Cash outflow for investing activities increased to EUR –163.9 million in 2019 (2018: EUR –80.9 million). The main focus of capital expenditure was on property, plant and equipment, specifically the expansion and development of rotor production in Mexico and Spain and turbine production in India.

In financial year 2019, the Nordex Group's free cash flow came to EUR -126.0 million, not least due to the high capital expenditure (2018: EUR 44.0 million).

Cash flow from financing activities amounted to EUR 30.6 million (2018: EUR -46.4 million) as a result of the capital increase implemented in October and the cash utilization of the syndicated multi-currency guarantee facility. Repayment of the promissory note, the research and development loan from the European Investment Bank and lease liabilities had an offsetting effect. The net change in cash and cash equivalents stood at EUR -95.3 million (2018: EUR –2.4 million). At the end of the period, cash and cash equivalents amounted to EUR 510.0 million, down from the prior year (31 December 2018: EUR 609.8 million) but still at a high level overall.

Capital expenditure

The guidance for the 2019 financial year had initially envisaged capital expenditure of EUR 120 million, but the final amount was linked to the order intake seen in the course of the year under review. With order momentum remaining at a high level, the Nordex Group raised its guidance to around EUR 160 million in August 2019. All told, capital expenditure came to EUR 172.5 million, up 52.8% year-on-year (2018: EUR 112.9 million). Of this, intangible assets accounted for EUR 38.3 million or 22.2% (2018: EUR 41.3 million). At EUR 27.8 million, capitalized development expenses accounted for the majority of this figure (2018: EUR 36.4 million).

Investments in property, plant and equipment rose significantly to EUR 134.2 million in 2019 (2018: EUR 71.5 million). Within property, plant and equipment, technical equipment and machinery accounted for the largest share (EUR 68.4 million; 2018: EUR 37.9 million), followed by prepayments made and assets under construction (EUR 28.8 million; 2018: EUR 17.7 million), other fixtures and fittings, tools and equipment (EUR 26.4 million; 2018: EUR 11.8 million) and land and buildings (EUR 10.6 million; 2018: EUR 4.2 million). Capital expenditure focused on the rotor blade plant under construction in Mexico and the expansion of the rotor blade plant in Spain and expanding production activities in India. The procurement of production and installation equipment for international projects was yet another factor.

Development and distribution of capital expenditure

EUR million	2019	2018
Property, plant and equipment	134.2	71.6
Intangible assets	38.3	41.3
Total	**172.5**	**112.9**

OPPORTUNITIES AND RISK REPORT

GENERAL INFORMATION ON THE RISK MANAGEMENT SYSTEM

Accounting

Nordex Group'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 Group's existing risk management system also undergoes regular external auditing in the interests of continuous improvement.

Nordex Group 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 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 and related counter-actions as well as financial safety positions 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 consultation with the Management Board. In addition, it is in charge of Group-wide standardized risk reporting to the Management Board and the Supervisory 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	Risik			
Critical	C	C	C	C
High	M	H	H	C
Medium	M	M	H	H
Gering	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.

Description of the main areas of risk and individual risks

Unless otherwise stated, the following descriptions and evaluation of individual risks apply to 2020 until 2022. 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 geopolitical 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 decreases in demand: One leading example is the German market, which installed only 1,078 MW in 2019, following 2,402 MW in 2018 and 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 40 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 Nordex 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 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 likely. They would still have a medium impact on the order intake planned for 2020 and for subsequent years, but also on the financial position in 2020.

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, a structured and comprehensive development process, the secure transition from the prototype phase to series production, the issuing of the necessary operating certificates 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 by means of simultaneous engineering including test procedures and scenarios for systems and on full scale in the prototype phase. Development of a new turbine is preceded by a market analysis and preparations in close cooperation between sales, product management & strategy 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 Group's activities in external bodies aimed at achieving maximum international grid-code harmonization.

The probability of development risks is perceived as conceivable 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 Nordex 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 outbreak of the Novel coronavirus (COVID-19) in China at the end of 2019 and the associated containment measures may impact the Nordex Group's sourcing activities along the supply chain (production of equipment and components, transport of components within China, export and shipment from China, etc.). Since this risk is still very new and its effects are complex, it cannot yet be finally assessed at this time.

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

Production risks
Nordex uses 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. Also availability of competent personnel is a risk to sustained high volumes production.

A further specific risk refers to the ramp-up phases for new production sites, 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 or global health situations (e.g. corona virus), 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 critical impact on performance indicators.

Project and assembly risks
The locations at which Nordex assembles wind turbines and wind farms each exhibit unique topographic, climatic (strong wind and extreme temperatures) 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. If the entire wind farm is constructed as a turnkey project, risks also arise from the upstream ground work and third parties commissioned in this connection.

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 high 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 30 years 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 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 critical 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 foreign currencies exchange rates as a result of its international orientation and as not all transactions are executed on a euro-denominated basis. 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 over time affecting the comparability of the results between single periods. The currency transaction risk occurs when the Group enters into projects with a mismatch of in- and outflow currencies. To avoid this risk, Nordex tries to create a natural hedge in these specific projects by entering into contracts with the relevant customers that match the currency split of the contracts with suppliers. In addition, Nordex also enters into derivative hedge instruments where needed to reduce any remaining foreign currency risk.

The Group is exposed to interest risks from the promissory note issuance (Schuldschein) 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 initial three-year and partially repay the initial five-year variable interest rate promissory note tranches. With the Green Bond refinancing instrument floating interest risk exposure has been significantly reduced.

To minimize credit risks, the Nordex Group enters into business with third parties only 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, an order is not accepted unless the project financing has been successfully concluded and proper payment securities have been arranged for. 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.

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.

Liquidity risk is the risk of not being able to meet current or future payment obligations of the group due to a lack of funds. The Finance Department therefore monitors, coordinates and forecasts Group liquidity on an ongoing and regular basis. Finance Department tracks payments made and received in the light of the relevant 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 counter- party risks are monitored permanently. Additionally, the Nordex Group is financed by advance project payments made by customers. For all windfarm projects in execution, 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, promissory notes, a "Green Bond" and a loan from the European Investment Bank.

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

In addition to the aforementioned general financial risks, Nordex uses several financial instruments to support its business activities. Such financial instruments, like the Promissory Notes (mainly due in April 2021) or the 5-year EUR 275mn High Yield Bond issued in February 2018 have different maturity dates that require timely refinancings.

Nordex Group's EUR 1.21bn Multi-Currency Guarantee Facility is due for prolongation in April 2021.

The EUR 1.21bn Multi-Currency Guarantee Facility also includes a set of covenants (leverage, interest coverage, and equity ratio) that is customary for a transaction of this nature. Covenants are tested and has to be confirmed towards lenders on a quarterly basis. Based on its operating performance Nordex may face the risk that covenants cannot be met if the company does not perform as per budget/mid-term planning. However, Nordex and lenders agreed to headroom in the covenant thresholds calculated to fully support the company's budget and mid-term forecast.

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

Legal and tax risks
Nordex Group continues to be exposed to legal and tax risks. Provisions are recognized for those risks if and insofar as they are likely to be utilized and the amounts of the obligations can be reasonably estimated.

Legal 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, noncompliance with antitrust, anti-corruption or data protection provisions, 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. Further, laws in various jurisdictions regulate product safety and the environmental impact of wind turbines, including emission levels regarding noise and light effects as well as vicinity of wind turbines to residential areas. Compliance with and amendments to such health, safety and environment laws and regulations may have an adverse impact on Nordex group's business activities.

Tax risks. Nordex SE and its subsidiaries operate in many countries worldwide and are therefore subject to numerous different statutory provisions and potentially tax audits. Due to the long term nature of the Nordex Group's projects, there is a risk that a change in taxation, or the interpretation of tax laws, could have a material adverse impact on the group's business and the profitability of the project. Any change in the tax regimes Nordex group is subject to could have a material adverse effect on the group's financial condition, cash flows and results of operations.

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 legal and tax risks is classed as conceivable; the impact on the financial performance indicators is considered high. 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, standards, processes and guidelines are the foundation for our ISO 27001 certification obtained for all German locations with the intent to roll it out globally. Losing ISO 27001 certification at some time in the future would affect the requirements of our customers and result in a loss of reputation in the industry.

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. The operational safety of our wind turbines is guaranteed even without remote monitoring and control, as they can also adapt autonomously to ambient conditions. Remote monitoring is an essential part of our service 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 has completed the integration of the systems for Acciona Windpower and has taken over operation for all applications and locations from Acciona Energia and Acciona Corporate IT, in order to streamline and unify processes and improve the flow of information within the Group. The merging of the formerly separate IT landscapes was secured and standardized by adopting structured data backup measures and integrity checks. The consolidation of the ERP systems within the Nordex Group is currently being implemented and will be completed as quickly as possible in prioritized order.

Overall, the probability of IT risks is considered to be possible with a high 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 are difficult to impossible to foresee and to influence their occurrence. Thus, these other risks are monitored and the management of their occurrence prepared as best as reasonably possible. Any such events would be liable to adversely affect Nordex Group'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 arising from political decisions
Political decisions can impact the energy sector positively and therefore expand the use of renewable energies. This applies both to countries with developed markets who wish to promote the expansion of renewable energy sources and reduce carbon emissions and to countries whose reliance on renewables has been non-existent or very minimal to date. These kinds of decisions create planning reliability and a positive investor environment. Such decisions are also encouraged by the acceptance of renewable energies, which has received global support from the "Fridays for Future" initiative. 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. Examples include the Polish, Colombian and Peruvian markets. In all three countries, the governments again decided to issue tenders for onshore wind farms in which the Nordex Group participated successfully.

Opportunities offered by research and development
The Nordex Group's research and development efforts are focused on improving the product portfolio with the aim of offering customers a competitive and efficient range of products. Based on the Delta4000 platform, the Company has developed five different models that meet various market requirements, ensuring that these turbines can be used globally. The key to these activities is a continuous reduction in the cost of energy, whether by increasing the performance capabilities of its turbines or by lowering costs. This strengthens the Nordex Group's position in relation to its competitors (including conventional power generation technologies) and reduces its dependence on national incentive programs. Research and development also includes a focus

on improving services. For example, Nordex works to optimize maintenance and upgrade software to improve turbine performance.

Opportunities in sales and distribution

Opportunities in sales and distribution arise from the care taken to serve core customers and markets in the interest of securing and expanding the volume of business, especially in stagnant or declining markets. In addition, these activities are necessary to attract new customers and develop new markets. The key to serving core customers is being a reliable partner and delivering consistently high-quality processes and products. Global electricity producers play an important role in all customer groups, particularly new customers. The aim here is to become a strategic provider and so be among those selected for major projects. In 2019, the Nordex Group succeeded in acquiring a major new customer in the United States. There is also an increasing trend for businesses from a wide range of industries to invest in wind farms using the corporate PPA approach. As a global company, the Nordex Group's structure is an essential precondition to being able to provide support to its customers in their respective markets in order to implement projects and guarantee servicing of turbines. There is also potential in the development of specific new markets. The Group's 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. The Nordex Group had sales success in markets such as Poland, Peru and Australia. 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.

Opportunities offered by project development and services

Project development is an activity upstream from the Nordex Group's core business. In selected markets, such as France, Poland, Spain and South Africa, the Company develops wind farm projects in-house. These turnkey wind farms are marketed primarily to investors. Service business regularly generates high margins. Opportunities here result from maximizing the term of service agreements, extending service agreements and creating a comprehensive portfolio of services. The Nordex Group is continuously enhancing its range of services – 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 medium-term strategy of the Nordex Group includes a number of the aforementioned opportunities. 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). In addition to the Company's strategy, quality and operational excellence are also high priorities. High quality reduces trailing costs and safeguards profit margins. The project development process regularly offers opportunities to optimize margins, whether by improving processes or by lowering product costs.

Overall assessment of opportunities

Exploiting opportunities where they arise is an important element of the Nordex Group's 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

Acciona S.A., the anchor shareholder of Nordex SE, made a voluntary public takeover offer to the shareholders of Nordex SE on 18 November 2019. Acciona S.A. was required to submit an offer when it exceeded the 30% threshold of Nordex shares. This occurred as a result of the capital increase implemented on 8 October 2019 by way of a private placement to the anchor shareholder. Acciona S.A. announced after expiry of the final acceptance period on 6 January 2020 that the offer had been accepted for 149,399 Nordex shares and that the anchor shareholder as a result held a total of around 36.4% of all Nordex shares outstanding.

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

REPORT ON EXPECTED DEVELOPMENTS

> **Guidance for 2020 envisions significant growth in sales and operating profit**
> **Focus on efficient project management and supply chain transformation**
> **Further enhancement of the Delta4000 platform under the single platform strategy supports profitability**

FUTURE ENVIRONMENT

Anticipated macroeconomic environment: moderate recovery in global economy in 2020

The International Monetary Fund (IMF) revised its growth forecasts for the global economy in 2020 from its previous figure of 3.4% (October forecast) to its current figure of 3.2%. However, this would mark a slight upturn compared to the sharp downturn in 2019. Although the pace of growth in industrialized nations is set to slow slightly again to a moderate 1.6% in 2020, the IMF expects emerging and developing countries to record stronger growth once more. These countries are predicted to grow by 4.4% in 2020.

The return to expansive monetary policy and stimulus from fiscal policy in some cases is supporting the economies of many countries. According to the IMF, global trade will recover slightly and give exports a boost provided that the USA's relations with its most important trading partners does not deteriorate and geopolitical crises, particularly that between the USA and Iran, do not escalate. The IMF considers these to be the main risks. In addition the impact from the coronavirus epidemic cannot currently be predicted. In this environment, uncertainty among many international companies is likely to remain high, especially while the consequences of Brexit remain unclear. As a result, a broad, demand-driven upturn in industrial production and investing activities is less realistic for 2020.

Expected BIP growth in 2019 (selected countries and regions)

in %	Sources	2018	2019	2020e
World	a	**3.6**	**2.9**	3.2
Industrialized countries	a	**2.2**	**1.7**	**1.6**
USA	a	2.9	2.3	2.0
Canada	a	1.9	1.5	1.8
Eurozone	b, a	1.9	1.2	1.3
Germany	c, a	1.5	0.6	1.1
France	a	1.7	1.3	1.3
Spain	a	2.4	2.0	1.6
Italy	a	0.8	0.2	0.5
United Kingdom	a	1.3	1.3	1.4
Developing / emerging countries	a	**4.5**	**3.7**	**4.4**
India	a	6.8	4.8	5.8
Turkey	d	2.8	0.0	3.0
Latin America	a	1.1	0.1	1.6
Brazil	a	1.3	1.2	2.2

Quellen: 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 2020, albeit with significant regional differences.

The eurozone economy will stabilize in 2020 according to the IMF. Although the rate of expansion is leveling off slightly in Spain, Italy is likely to grow marginally more strongly than it has recently, albeit from a very low level. France is continuing its moderate expansion. The UK economy continues to be adversely impacted by Brexit. Growth is flattening out in the USA due to a lack of stimulus for exports and investment. India's economy is expected to gain momentum once again . According to the World Bank, Turkey is set to emerge from recession . Despite the crises in Argentina and Venezuela, an economic upturn is expected in Brazil and Latin America overall

The US Federal Reserve is generally expected to continue cautiously lowering key interest rates in 2020 as inflation is low, although economic momentum is slowing. After a change of leadership, the ECB initially confirmed its expansionary strategy of zero interest rates and bond purchases. As a result, no change of policy is expected in 2020.

In light of this, the growth and interest rate differentials that have recently been positive for the US dollar against the euro are dwindling further. This means that the US dollar could weaken in 2020 . However, the euro will continue to be adversely impacted by Brexit uncertainty, high levels of debt in Italy and France, and political instability. Geopolitical effects could also distort or superimpose themselves on fundamental currency parameters. 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 rise slightly in 2020. It anticipates a moderate increase in non-oil commodity prices on average (+1.7% compared to +0.9% in the reporting year) . However, the IMF expects oil prices to fall further by a good 4%. 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 58.03 on average in 2019 (2019: USD 60.62).

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 COP25 follow-up conference held in Madrid in December 2019– 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 irreversible 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 legislative package was finally passed by the EU Council of Ministers in May 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. Furthermore, the new President of the European Commission, Ursula von der Leyen, has announced that the EU's emission reduction target will be tightened, which would mean that the target for renewable energies would increase as well.

The volume of wind energy tenders in Germany will rise in 2020 due to the extra capacity that will be tendered in addition to the regular auctions. This increase in wind energy capacity is one of a set of measures with which the federal government hopes to achieve its internationally binding emissions reduction targets. This additional capacity will amount to 1.4 GW in 2020 and 1.6 GW in 2021. However, the expansion of onshore wind energy has practically ground to a halt due to lengthy approval processes. As a result, all other auctions with the exception of the December auction were undersubscribed, in some cases significantly. Wind industry associations, trade unions and environmental organizations have presented politicians with an action plan aimed at supporting the development of the wind sector. Several different solutions are currently being pursued by political decision-makers and the industry.

The system of tax credits (PTC) remains place in the USA. Originally, the tax rate for projects commenced in 2019 that was reduced to 40% of the initial value could be safeguarded for the last time (safe harbor). However, at the end of 2019 the US Senate decided to extend the program by one year, which means that 60% of the original tax credit amount can once again be compensated for wind projects commenced in 2020 and completed by 2024. 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 situation in most of Nordex's core markets was stable. State auctions in Mexico, which were cancelled in 2018, are expected to resume in 2021. Meanwhile, private auctions for power purchase agreements (PPAs) were held in Mexico in 2019, which will lead to further expansion in this country. The situation in Brazil and Chile is also stable. Successful auctions were also held in Colombia following adjustments in 2019. In Argentina, the financial crisis and the capital export controls triggered by the crisis are creating uncertainty, which has already slowed the market in 2019.

India has seen high auction volumes again in 2019, although these were undersubscribed due to the extremely low price caps. This has prompted the Indian government to raise the price caps at the end of 2019. Problems in connection with permits, land purchase and electricity transmission will continue to be obstacles in 2020 on the way to achieving the target of 175 GW of installed renewable energy by 2022. Australia announced further auctions at the end of 2019.

Industry-specific environment: new installations set to grow further worldwide in 2020

As an established and efficient technology for generating renewably produced electricity, wind energy accounts for the majority of renewable energy production. In its Q3 2019 market outlook, industry association GWEC anticipates a record year for the expansion of onshore wind energy in 2020, with 69.5 GW of new installations. In markets outside China and the USA, this figure is also expected to grow slightly up to 36 GW for 2021 to 2023. However, the predicted decline in the two most important wind energy markets – China and the USA – will cause the overall market to contract to just over 50 GW by 2023.

While market research firm Wood Mackenzie comes to a similar conclusion, it also expects the global market to reach 47 GW in 2021. The following table shows Wood Mackenzie's outlook for the 10 largest individual markets.

Wind power onshore market outlook for the top 10 countries by expected new installations in 2020 and 2021

in GW	2019	2020e	2021e
World	**53.2**	**54.7**	**47.2**
China	26.2	25.5	18.8
USA	9.3	15.2	12.5
India	2.4	3.5	4.2
Spain	1.3	1.7	0.9
France	1.3	1.4	1.5
Mexico	1.0	1.1	0.7
Brazil	1.0	1.2	1.8
Argentina	0.9	1.0	0.3
Germany	0.8	2.2	3.7
Sweden	0.8	2.4	2.7

Sources: 2019: BNEF 2019 Global Wind Turbine Market Shares,
2020e/2021e: Wood Mackenzie Q4/2019 Onshore Market Outlook

GUIDANCE OF THE NORDEX GROUP FOR 2020

The year-end order book for 2019 is a key element in providing company guidance. In the Projects segment, this figure amounted to EUR 5,533.9 million as of 31 December 2019, up 43% compared with the previous year-end (31 December 2018: EUR 3,869.1 million). This rise is primarily attributable to the positive order intake trend seen during the year under review. Spain, the Netherlands, Turkey and the USA were particularly busy 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. However, this implementation was not without major difficulties, particularly in Germany and India. The overall market environment remains dynamic with regard to growing worldwide demand and technological advances in turbines. There is also fierce competition in many markets. This, combined with the high level of transparency offered by auction systems, means that wind energy has established itself as a competitive source of power production and has achieved grid parity in several markets. From the Nordex Group's perspective, business performance will remain challenging in 2020, as the number of installations is reaching a high level, thus increasing the complexity, yet the old projects continue to be characterized by low margins. At the same time, the expansion of the supply chain in low-cost countries should be completed in 2020. However, there are a number of uncertainties here, including that of the coronavirus, which caused significant delays in the delivery of parts/components important for production (rotor blade molds) and logistics in February and March 2020, first in China and then spreading to the global markets. It is currently not yet possible to make a final assessment regarding project postponements, delays in the transformation of the supply chain or production set-up, or the concrete financial impact.

The Nordex Group's key markets look benign with continued strong demand in 2020. The Company is anticipating positive performance in Europe in particular, for example in France, Spain and Ireland. The Nordic markets of Finland and Sweden will continue to play an important role. Mediterranean countries, particularly Turkey, also offer good market opportunities. However, development remains challenging in our home market of Germany, where the expansion of onshore wind energy practically ground to a halt in 2019. Although the auction system stabilized and additional volumes were approved, the approval processes for new projects remain lengthy and slow-moving, with more than 15 GW in these projects currently awaiting approval. In light of the anticipated transition to renewable energy and the achievement of climate goals, the pressure on political decision-makers to find a short-term solution is very high. This means that there are good market opportunities here for the Nordex Group in the short to medium term. However, as a global supplier, the Nordex Group is not dependent on individual markets.

With very high installation volumes expected in 2020 and good volumes in 2021, the USA also remains a significant market for the Nordex Group. Although competition is still intense overall, prices have stabilized, particularly for new turbines. The Nordex Group also expects a positive performance in individual Latin American markets such as Brazil, Colombia and Ecuador. The Company is expected to record a good level of incoming orders in these markets in 2020.

After the transition from feed-in tariffs to auction systems, the Indian market is dominated by fierce competition while having significant potential as a long-term volume market. The Nordex Group is continuing to expand its blade and turbine production in this market to enable it to serve international markets from India. Another important market is South Africa, where a fifth round of auctions is expected for 2020.

The Nordex Group Management Board is focusing on the following three initiatives in 2020 in order to address this challenging international market environment.

As a global company, the Nordex Group is observing worldwide demand. In order to efficiently meet this demand, the Company is expanding its supply chain into 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 and is planning to complete the expansion of its supply chain in 2020.

The second key aspect involves consistently enhancing the highly-efficient Delta4000 product platform as part of a single platform strategy. On this basis, the Company has now developed five different product types for different market requirements. These turbines have prompted plenty of positive customer feedback that is reflected in their rising share of overall order intake. The next prototype is expected to be put into service during the year under review.

The third focus area relates to projects and their completion. Due to the high order intake, installation volumes will remain at a high level. Project management, with continued process optimization to ensure that projects are efficiently completed, is particularly important here.

Subject to the unforeseeable extent and duration of the measures taken worldwide to contain COVID-19 and the economic impact, the Management Board of Nordex SE for financial year 2020 anticipates consolidated sales of EUR 4.2 to 4.8 billion, and EBITDA within a range of EUR 160 million to EUR 240 million. These expanded ranges compared to the previous year take into account the very high activity levels and the associated wide-ranging operational challenges and uncertainty on the production side. Overall, the Company considers itself well prepared to be able to efficiently process the high number of pending installations. Appropriate arrangements have already been made for a series of projects. The increase in profitability is primarily expected from the second half of the year, when the number of installations of high-margin projects involving the Delta4000 platform will rise while the proportion of low-margin projects falls. The Company once again anticipates seasonal fluctuations, with sales in the second half of the year set to significantly exceed those of the first half.

High activity levels and strong order intake will increasingly influence the development of working capital in 2020. In light of this, the Management Board is aiming to achieve a negative working capital ratio as a percentage of consolidated sales by the end of the year. In addition, capital expenditures totaling at least EUR 140 million are planned based on today’s knowledge. The final investment amount will ultimately depend on the market situation and the pace in which the supply chain continues to evolve.

This guidance is based on Nordex’s expectation that it will be able to process its strong order book efficiently and without any material interruptions despite the current and possible future measures taken to contain COVID-19. However, should significant disruptions occur in the wake of the pandemic, a correction may be necessary.

OVERALL ASSESSMENT OF EXPECTED DEVELOPMENTS BY THE MANAGEMENT BOARD

In 2019, the Nordex Group began developing its supply chain further to ensure more international, cost efficient and flexible production at both its own production sites and those operated by third parties. This also includes continuous optimization of the global procurement process. One important task is to complete this enhancement in 2020. This is a challenge, as the delivery of rotor blade molds for other production sites was delayed by the coronavirus in China, particularly in February and March 2020. The new Delta4000 platform should also be developed further as part of the single platform strategy, while the Company will also forge ahead with global marketing of the five different versions of the product that are now available. The corresponding prototypes are also being put into operation. This product portfolio gives Nordex a strong position in the market. As in the previous year, the Nordex Group is focusing on the operational challenges associated with high production and installation levels in 2020. The Company has already begun the corresponding internal operating adjustments within its organization, which means that the Nordex Group is well prepared for 2020. The Group will also 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 high production levels and the extensive installations planned, high product quality and the efficient and smooth completion of projects play an important role. The Nordex Group is focusing on these issues.

The Company's service business is characterized by a high degree of planning reliability and stable cash flows. Sales are expected to increase further in this area during the 2020 financial year, with the Group aiming for 10% growth. Profit margins in this area are considerably higher than those of the Group as a whole. The Nordex Group is continuing to refine its service and maintenance plans to stabilize profitability at a high level. The Management Board also expects project development to bolster business performance, particularly in France and Poland. The markets in Sweden and South Africa also offer good potential. Project pipeline processing will also be intensified further in selected markets.

In 2020, the Nordex Group is focusing on moving and expanding its supply chain, successfully and efficiently processing its healthy order book, further increasing the share of turbines from the Delta4000 platform in the order book and boosting profitability.

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, internal audit, 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 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. 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 were up 43.6% to EUR 63.8 million in financial year 2019 (2018: EUR 44.4 million). Staff costs amounted to EUR 14.6 million (2018: EUR 16.2 million) Operating income net of operating expenses came to EUR -53.2 million (2018: EUR -38.6 million). Earnings after taxes amounted to EUR -28.7 million (2018: EUR -77.8 million). In financial year 2019, Nordex SE posted a net loss of EUR 29.1 million in accordance with the German Commercial Code (2018: net loss of EUR 77.9 million). The net loss of the Group's parent company is thus significantly affected by expenses from loss absorption and higher interest and similar expenses compared to the previous year. Nordex SE's net loss for financial year 2019 determined in accordance with the German Commercial Code totaling EUR 29.1 million was compensated by a withdrawal from other retained earnings in the full amount. Nordex SE's net loss for 2018 had also been compensated by a withdrawal from other retained earnings in the full amount.

Equity was impacted on the one hand by the net loss for the year and on the other by the capital increase implemented in October 2019. Overall, equity rose by 9.1% to EUR 835.1 million (31 December 2018: EUR 765.2 million). Total assets increased by 9.1% to EUR 1,963.9 million (31 December 2018: 1,799.8 million), resulting in an equity ratio of 42.5%, the same as in the previous year.

CONCLUDING DECLARATION OF THE MANAGEMENT BOARD AND TAKEOVER-RELATED DISCLOSURES

CONCLUDING DECLARATION OF THE MANAGEMENT BOARD ON THE DEPENDENT COMPANY REPORT

According to the most recent voting rights notification, Acciona S.A., Madrid, holds 36.27% of the voting rights of Nordex SE. This constitutes a dependent relationship.

No control or profit transfer agreement exists between Nordex SE and Acciona S.A. The Management Board of Nordex SE has therefore issued a dependent company report on relationships with affiliated companies pursuant to Section 312 of the German Stock Corporation Act (AktG). At the end of the report, the Management Board has made the following declaration: “Our Company, Nordex SE, for transactions with affiliated companies as listed in the dependent company report, has received appropriate consideration based on the circumstances known to us at the time those transactions were carried out and has not been disadvantaged by any measure performed or omitted.”

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 106,680,691.00 as at the reporting date and is divided into 106,680,691 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 et. seqq., 118 et. seqq. and 186 of the German Stock Corporation Act (AktG). Nordex did not hold any treasury shares as at 31 December 2019.

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 2019 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 38,695,996 shares and, hence, more than 36.27% 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:

Contingent Capital / Authorized Capital

At 31 December 2019 the Company had Authorized Capital I of EUR 9,678,245.00 equivalent to 9,678,245 shares, Authorized Capital II of EUR 2,900,000.00, equivalent to 2,900,000 shares, Contingent Capital I of EUR 19,376,489.00, equivalent to 19,376,489 shares, and Contingent Capital II of EUR 2,900,000.00, equivalent to 2,900,000 shares. Each share represents a notional share of EUR 1.00 in the Company's share capital. Specifically:

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. The Management Board made use of this authorization with the Supervisory Board's approval, through its resolution of 8 October 2019, while disapplying shareholders' preemption rights in accordance with the Company's Articles of Incorporation, for an amount of EUR 9,698,244, equivalent to 9,698,244 shares. Authorized Capital I remains in an amount of EUR 9,678,245, equivalent to 9,678,245 shares.

In accordance with a resolution passed at the Annual General Meeting on 4 June 2019, the Management Board is authorized subject to the Supervisory Board's approval to utilize **Authorized Capital II** to increase the Company's share capital once or repeatedly on or before 31 May 2024 by up to EUR 2,900,000 in total, in return for cash and/or non-cash capital contributions, by issuing new no-par-value bearer shares. Authorized Capital II 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.

Contingent Capital II is intended for the fulfillment of subscription rights granted from stock options of senior managers of the Company and the other companies of the Nordex Group in Germany and other countries as well as the members of the management boards of Nordex Group companies which are granted on or before 31 May 2024, on the basis of the authorization provided by the Annual General Meeting on 4 June 2019. No subscription rights have been granted to date.

Treasury shares
Based on the resolution passed at the Annual General Meeting on 4 June 2019, the Management Board is authorized on or before 31 May 2024 subject to the approval of the Supervisory Board to purchase treasury shares up to an amount of 10% of the Company's share capital as of the Annual General Meeting's resolution and to use this for any purpose permitted by law. Inter alia, these shares may be used for the purpose of mergers and acquisitions, they may be offered to senior managers and employees of the Company or affiliated companies as employee shares and they may be used in fulfillment of conversion rights or conversion obligations resulting from convertible bonds or employee option rights. The shareholders' preemption rights are disapplied in these cases. These treasury shares may also be called in or sold to shareholders or third parties – while disapplying the shareholders' preemption rights – for a cash price which is not significantly below the stock exchange price as of the sale.

No use was made of the authorization to purchase own shares in the reporting period.

Material agreements subject to a change-of-control provision
The Company 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. This does not apply to Acciona S.A., Madrid (Spain).

– EIB loan for EUR 53.1 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. This does not apply to Acciona S.A., Madrid (Spain).

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 as published in the official section of the Federal Gazette on 7 February 2017) 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 published its declarations of conformity for the past few years online at http://ir.nordex-online.com/websites/Nordex/English/6100/declaration-of-conformity.html. The current declaration of conformity dated 10 December 2019 reads as follows:

Since the last declaration of compliance dated 23 November 2018, 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.

4.1.5 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 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, 10. Dezember 2019
Nordex SE

Management Board Supervisory Board

2. Disclosures on corporate governance practices

Corporate Compliance

The Corporate Compliance department assists 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 compliance management, which is designed to promote risk awareness and integrity, and to detect, stop and prevent possible legal violations in the long term. The Nordex Group Code of Conduct for employees introduced globally in 2011 and the Contractor and Supplier Code of Conduct are key elements in this area. In the reporting period, the foundations for the realignment of compliance management were created by redefining a compliance organization with centralized and decentralized elements and establishing a compliance program for 2020. In addition, business due diligence was specified and training measures for new employees and employees in high-risk activities were taken.

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 the Company works as customers, suppliers, service providers or shareholders. Detailed information on the underlying sustainability strategy of Nordex SE can be found in the 2019 Sustainability Report published in March 2020 together with the annual report.

3. Disclosures on working practices 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 2019 reporting year. Operating activities are represented by the Europe and International divisions, which are oriented on their respective markets.

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" global function, the Nacelles, Engineering, Blades and Project Management/Engineering, Procurement and Construction (PM/

EPC) as well as for the corporate areas of People & Culture, Development & Strategy, Global Sourcing, Quality, Health, Safety & Environment (QHSE) and Compliance & Security, and Business Excellence.

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

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

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 Management Committee, the Audit Committee and the Strategy and Engineering Committee.

Management 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 Management 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. The share of women in the first two management levels was 16% in the reporting year (10% in 2018).

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 2019 financial year, the Management Board and Supervisory Board fulfilled the diversity concept outlined here.

Further corporate governance report

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.

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 regularly publishes information, including 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, 20 March 2020

José Luis Blanco, Chairman of the Management Board

Christoph Burkhard, member of the Management Board

Patxi Landa, member of the Management Board

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 2019 FINANCIAL YEAR

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF 31 DECEMBER 2019

Assets

EUR thousand	Note	31.12.2019	31.12.2018
Cash and cash equivalents	(1)	509,998	609,805
Trade receivables and contract assets from projects	(2)	345,617	253,437
Inventories	(3)	1,398,421	763,233
Income tax receivables	(4)	15,818	10,903
Other current financial assets	(5)	26,572	16,204
Other current non-financial assets	(6)	217,376	127,385
Current assets		**2,513,802**	**1,780,967**
Property, plant and equipment	(7)	440,090	266,111
Goodwill	(8)	547,758	547,758
Capitalized development expenses	(9)	188,490	206,538
Other intangible assets and advance payments made	(10)	27,324	24,616
Financial assets	(11)	5,107	4,467
Investments in associates	(12)	81	1,221
Other non-current financial assets	(13)	15,675	17,165
Other non-current non-financial assets	(14)	28,116	36,589
Deferred tax assets	(15)	236,304	173,104
Non-current assets		**1,488,945**	**1,277,569**
Assets		**4,002,747**	**3,058,536**

Equity and liabilities

EUR thousand	Note	31.12.2019	31.12.2018
Current liabilities to banks	(16)	36,493	74,413
Trade payables	(17)	968,455	500,812
Income tax payables	(4)	6,180	10,595
Other current provisions	(18)	89,691	148,784
Other current financial liabilities	(19)	38,513	16,527
Other current non-financial liabilities	(20)	1,203,834	787,216
Current liabilities		**2,343,166**	**1,538,347**
Non-current liabilities to banks	(16)	280,871	293,168
Pensions and similar obligations	(21)	2,374	2,081
Other non-current provisions	(18)	26,305	60,191
Other non-current financial liabilities	(22)	358,132	270,093
Other non-current non-financial liabilities	(23)	136,555	118,664
Deferred tax liabilities	(15)	109,957	78,702
Non-current liabilities		**914,194**	**822,899**
Subscribed capital		106,681	96,982
Capital reserves		606,820	597,626
Other retained earnings		–11,062	24,193
Reserve for cash flow hedge costs		2,331	–1,776
Cash flow hedge reserve		–1,087	0
Foreign currency adjustment item		–15,604	–17,182
Consolidated net profit carried forward		57,308	–2,553
Consolidated net profit		0	0
Share in equity attributable to parent company’s shareholders		745,387	697,290
Equity	(24)	**745,387**	**697,290**
Equity and liabilities		**4,002,747**	**3,058,536**

CONSOLIDATED INCOME STATEMENT

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2019

EUR thousand	Note	01.01.2019–31.12.2019	01.01.2018–31.12.2018
Sales	(26)	3,284,573	2,459,124
Changes in inventories and other own work capitalized	(27)	586,847	–94,882
Gross revenue		**3,871,420**	**2,364,242**
Other operating income	(28)	43,445	60,350
Cost of materials	(29)	–3,095,994	–1,710,187
Staff costs	(30)	–360,653	–325,867
Depreciation/amortization	(31)	–143,408	–155,843
Other operating expenses	(32)	–334,393	–286,876
Earnings before interest and taxes		**–19,583**	**–54,181**
Income from investments		1,943	0
Profit/loss from equity-accounting method		–1,140	–929
Impairment of financial assets		–140	–399
Other interest and similar income		7,389	6,094
Interest and similar expenses		–68,188	–43,161
Financial result	(33)	**–60,136**	**–38,395**
Net profit/loss from ordinary activities		**–79,719**	**–92,576**
Income tax	(34)	7,149	8,723
Consolidated net profit/loss		–72,570	–83,853
Of which attributable to			
shareholders of the parent		–72,570	–83,853
Earnings per share (in EUR)	(35)		
Basic [1]		–0.73	–0.86
Diluted [2]		–0.73	–0.86

[1] Based on a weighted average of 99.241 million shares (previous year: 96.982 million shares)

[2] Based on a weighted average of 99.241million shares (previous year: 96.982 million shares)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2019

Consolidated statement of comprehensive income	01.01.2019–31.12.2019	01.01.2018–31.12.2018
Consolidated net profit/loss	**–72,570**	**–83,853**
Other comprehensive income		
Items that may be reclassified to profit or loss		
Foreign currency translation difference	1,578	–6,690
Cash flow hedges	6,040	–4,070
Deferred taxes	–1,933	1,303
Cash flow hedge costs	–1,599	0
Deferred taxes	512	0
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit plans	–136	28
Deferred taxes	44	–8
Consolidated comprehensive income	**–68,064**	**–93,290**
Of which attributable to		
Shareholders of the parent	–68,064	–93,290

CONSOLIDATED CASH FLOW STATEMENT

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2019

	EUR thousand	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018
	Operating activities		
	Consolidated net profit/loss	–72,570	–83,853
+	Depreciation/amortization of non-current assets	143,548	156,242
=	**Consolidated net profit/loss plus depreciation/amortization**	**70,978**	**72,389**
-/+	Decrease in inventories	–635,188	15,822
-/+	Decrease in trade receivables and contract assets from projects	–92,180	68,023
+	Increase in trade payables	456,718	31,526
+	Increase/decrease in prepayments received	465,529	40,941
=	**Payments received/made from changes in working capital**	**194,879**	**156,312**
-	Increase/decrease in other assets not attributed to investing or financing activities	–156,704	–41,252
+	Increase in pensions and similar obligations	293	46
-/+	increase in other provisions	–92,979	260
-	Decrease in other liabilities not attributed to investing or financing activities	40,410	–50,865
-/+	Loss from the disposal of non-current assets	697	897
-	Other interest and similar income	–7,389	–6,094
+	Interest received	5,195	4,521
+	Interest and similar expenses	68,188	43,161
-	Interest paid	–69,470	–35,561
+/-	Income tax	–7,149	–8,723
-	Taxes paid	–14,575	–22,433
+	Other non-cash expenses	5,609	12,269
=	**Payments made for other operating activities**	**–227,874**	**–103,774**
=	**Cash flow from operating activities**	**37,983**	**124,927**

	EUR thousand	**01.01.2019–31.12.2019**	**01.01.2018–31.12.2018**
	Investing activities		
+	Payments received from the disposal of property, plant and equipment/intangible assets	7,428	32,225
-	Payments made for investments in property, plant and equipment/intangible assets	–173,515	–113,683
+	Payments received from the disposal of long-term financial assets	8,158	4,283
-	Payments made for investments in long-term financial assets	–7,016	–4,568
+	Payments received from investment grants	1,004	830
=	**Cash flow from investing activities**	**–163,941**	**–80,913**
	Financing activities		
+	Payments received from capital increases	97,305	0
+	Bank loans received	6,277	0
-	Bank loans repaid	–56,000	–311,926
+	Payments received from the issue of bonds	0	265,488
-	Lease liabilities repaid	–16,964	0
=	**Cash flow from financing activities**	**30,618**	**–46,438**
	Net change in cash and cash equivalents	**–95,340**	**–2,424**
+	Finanzmittelbestand am Anfang der Periode	609,805	623,179
+	Cash and cash equivalents from expanding the basis of consolidation	1	0
-	Exchange rate-induced change in cash and cash equivalents	–4,468	–10,950
=	**Cash and cash equivalents at the end of the period (Cash and cash equivalents as shown in the consolidated statement of financial position)**	**509,998**	**609,805**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2019

EUR thousand	Subscribed capital	Capital reserves	Other retained earnings
01.01.2019	**96,982**	**597,626**	**24,193**
Capital increase			
Payments received from capital increase	9,699	89,320	0
Costs from capital increase	0	–1,714	0
Income tax	0	548	0
Consolidated comprehensive income	0	0	–92
Consolidated net loss	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
Cash flow hedge costs	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	–136
Deferred taxes	0	0	44
Allocation of profit or loss	0	–78,960	–35,163
31.12.2019	**106,681**	**606,820**	**–11,062**

Cash flow hedge reserve	Reserve for cash flow hedge costs	Foreign currency adjustment item	Consolidated net profit / loss carried forward	Consolidated net profit / loss	Share in equity attributable to shareholders of the parent	Total
–1,776	**0**	**–17,182**	**–2,553**	**0**	**697,290**	**697,290**
0	0	0	0	0	99,019	99,019
0	0	0	0	0	–1,714	–1,714
0	0	0	0	0	548	548
4,107	–1,087	1,578	0	–72,570	–68,064	–68,064
0	0	0	0	–72,570	–72,570	–72,570
0	0	1,578	0	0	1,578	1,578
6,040	0	0	0	0	6,040	6,040
–1,933	0	0	0	0	–1,933	–1,933
0	–1,599	0	0	0	–1,599	–1,599
0	512	0	0	0	512	512
0	0	0	0	0	–136	–136
0	0	0	0	0	44	44
0	0	0	59,861	72,570	18,308	18,308
2,331	**–1,087**	**–15,604**	**57,308**	**0**	**745,387**	**745,387**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 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	20
Consolidated net loss	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	28
Deferred taxes	0	0	–8
Allocation of profit or loss	0	0	–13,328
31.12.2018	**96,982**	**597,626**	**24,193**

	Cash flow hedge reserve	Foreign currency adjustment item	Consolidated net profit / loss carried forward	Consolidated net profit / loss carried forward	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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR FROM 1 JANUARY UNTIL 31 DECEMBER 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR FROM 1 JANUARY UNTIL 31 DECEMBER 2019

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 2019 stands at EUR 106,680,691 (2018: EUR 96,982,447) and is divided into 106,680,691 (2018: 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 2019 were approved for publication in a resolution passed by the Management Board on 24 February 2020 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 2019 reporting year were applied.

With the exception of Nordex India Private Limited, Ravi Urja Energy India Private Limited and Solar Fields Energy Photo Voltaic 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.

The transition from IAS 17 to IFRS 16 has the following effects:

EFFECTS OF NEW FINANCIAL REPORTING STANDARDS

The new and revised standards to be applied in 2019 as a result of endorsement by the European Union

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	13.1.2016	01.01.2019
IFRIC 23 [1]	Uncertainty over income tax treatments	07.06.2017	01.01.2019
Annual IFRS improvements cycle 2015–2017 [1]		12.12.2017	01.01.2019

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

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

On the part of the lessee, IFRS 16 Leases 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 liabilities plus initial direct costs and adjusted for amounts already paid or received and liabilities in the amount of the present value of future lease payments. The lease payments are discounted at the incremental borrowing rate of interest of the lease if the interest rate on which the lease payments are based is not available. The right of use is amortized during the term of the lease contract and the lease liability is depreciated using the actuarial method. The options not to recognize short-term leases with a term of up to twelve months, leases of low-value assets with a value of less than EUR 5 thousand and leases of intangible assets have been exercised. As a result, leases previously not recognized in the statement of financial position under IAS 17 are in the future recognized in a manner similar to finance leases pursuant to IAS 17. In contrast, there are no significant changes to the regulations governing accounting of lessors.

Nordex has applied IFRS 16 with retrospective effect by recognizing the cumulative effect of first-time application of the standard by way of an adjustment of the opening balance sheet figures as of first-time application (modified retrospective method); no changes have been made to comparative information. The right-of-use assets have been recognized in the amount of the lease liabilities. In addition, a single discount rate has been applied for portfolios of similar lease contracts; Moreover, initial direct costs have not been taken into consideration in the measurement of the right-of-use assets. The transition from IAS 17 to IFRS 16 has the following effects:

EUR thousand	01.01.2019 IFRS 16	Transition from IAS 17 to IFRS 16	31.12.2018 IAS 17
Property, plant and equipment	343,570	77,459	266,111
Other current financial liabilities	30,297	13,770	16,527
Other non-current financial liabilities	333,782	63,689	270,093

Furthermore, the lease payment obligations of EUR 78,121 thousand as at 31 December 2018 reported under other financial liabilities in accordance with IAS 17 differ by an amount of EUR 662 thousand from the lease liabilities of EUR 77,459 thousand that were recognized as at 1 January 2019 in accordance with IFRS 16. The change is due to the discounting of the lease liabilities required under IFRS 16 at a weighted average interest rate of 2.68% (the lease payment obligations reported as of 31 December 2018 in accordance with IAS 17 would have amounted to EUR 76,082 thousand on a discounted basis) as well as to use being made of the options not to recognize short-term leases with a term of up to twelve months and leases of low-value assets. Different assumptions regarding the underlying lease term also had an effect.

New and revised standards and interpretations which were not yet mandatory in 2019 and have not been adopted early by the Group

Standard / Interpretation		Published by the IASB	Mandatory application stipulated by the IASB
IAS 1 [1]	Presentation of the Financial Statements	31.10.2018	01.01.2020
IAS 8 [1]	Accounting policies, changes in estimates and errors	31.10.2018	01.01.2020
IFRS 3 [1]	Business combinations	22.10.2018	01.01.2020
IFRS 17 [1]	Insurance Contracts	18.05.2017	01.01.2021

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

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 (2018: nine) domestic and 45 (2018: 45) non-domestic companies:

Companies consolidated

Name	Share in capital/voting rights	
	31.12.2019 %	31.12.2018 %
Nordex SE, Rostock (Group parent)	–	–
Alfresco Renewable Energy Private Limited, Bangalore/India	100.0	100.0
Corporacion Nordex Energy Spain S.L., Barasoain/Spain	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
Limited Liability Company Nordex Energy Ukraine, Kiev/Ukraine	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	100.0	100.0
Nordex (Chile) SpA, Santiago/Chile	100.0	100.0
Nordex Education Trust, Cape Town/South Africa	100.0	100.0
Nordex Electrane d.o.o., Split/Croatia	100.0	100.0
Nordex Employee Holding GmbH, Hamburg	100.0	100.0
Nordex Energy Brasil - Comercio e Industria de Equipamentos Ltda., Sao Paulo/Brazil	100.0	100.0
Nordex Energy B.V., Rotterdam/Netherlands	100.0	100.0
Nordex Energy Chile S.A., Santiago/Chile	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	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., Cape Town/South Africa [1]	100.0	100.0
Nordex Energy Spain S.A., Barasoain/Spain	100.0	100.0

Name	Share in capital/voting rights	
NordexEnergy Uruguay S.A., Montevideo/Uruguay	100.0	100.0
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	100.0	100.0
Nordex Italia S.r.l., Rome/Italy	100.0	100.0
Nordex Oceania Pty. Ltd., Melbourne/Australia	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	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	100.0	100.0
Nordex Windpower S.A., Buenos Aires/Argentina	100.0	100.0
NPV Dritte Windpark GmbH & Co. KG, Hamburg	100.0	100.0
NX Energy Mexico S. de R.L. de C.V., Mexico City/Mexico	100.0	100.0
Parque Eolico Llay-Llay SpA, Santiago/Chile	100.0	100.0
Ravi Urja Energy India Private Limited, Bangalore/India	100.0	–
Shanghai Nordex Windpower Co. Ltd., Shanghai/PR China	100.0	100.0
Solar Fields Energy Photo Voltaic India Private Limited, Bangalore/India	100.0	–
Way Wind, LLC, Delaware/United States	100.0	100.0

[1] Nordex Windpower South Africa (Pty.) Ltd, Cape Town/South Africa was merged with Nordex Energy South Africa RF (Pty.) Ltd, Cape Town/South Africa as of 21 January 2019.

The following companies were consolidated for the first time in financial year 2019:

Name		Date of incorporation/ acquisition
Limited Liability Company Nordex Energy Ukraine, Kiev/Ukraine [1]	Incorporation	3.12.2018
Ravi Urja Energy India Private Limited, Bangalore/India [2]	Acquisition	26.7.2019
Solar Fields Energy Photo Voltaic India Private Limited, Bangalore/India [2]	Acquisition	26.7.2019

[1] Consolidated for the first time effective 28 February 2019.
[2] Consolidated for the first time effective 30 September 2019.

The following companies were deconsolidated for the first time in financial year 2019:

Name	Date of disposal/liquidation	
Nordex (Dongying) Wind Power Equipment Manufacturing Co. Ltd., Dongying/PR China [1]	Disposal	18.12.2019
Nordex (Yinchuan) Wind Power Equipment Manufacturing Co. Ltd., Ningxia/PR China [1]	Liquidation	in liquidation

[1] Deconsolidated effective as of 31 December 2019

Neither the initial consolidation of Limited Liability Company Nordex Energy Ukraine, Ravi Urja Energy India Private Limited and Solar Fields Energy Photo Voltaic India Private Limited nor the deconsolidation of Nordex (Dongying) Wind Power Equipment Manufacturing Co. Ltd. and Nordex (Yinchuan) Wind Power Equipment Manufacturing Co. Ltd. had a material effect on the net assets, financial position and results of operations of the Nordex Group.

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 3,649,182 thousand (2018: EUR 2,246,840 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 1,487,456 thousand (2018: EUR 880,934 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 for tax purposes.

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. Moreover, a corporate tax group has been established between Corporacion Nordex Energy Spain S.L. and Industria Toledana de Energias Renovables S.L., Nordex Blades Spain S.A., Nordex Energy Internacional S.L., Nordex Energy Spain S.A. and Nordex Towers Spain S.L., and between Nordex USA Inc. and Nordex USA Management LLC as well as Way Wind, LLC. A VAT tax group has been established between Nordex SE and Nordex Energy GmbH, Nordex Forum II GmbH & Co. KG, Nordex Forum II Verwaltungs GmbH, Nordex Grundstücksverwaltung GmbH and Nordex Windpark Beteiligung GmbH.

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

For information on the Nordex Group, please refer to the disclosures made in the respective sections of the financial statements, particularly the sections on other financial assets, other financial liabilities and equity. 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. These concern hedges of cash flows that are highly probable to occur as per the budget or planning of individual customer specific projects. 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. 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. In the Nordex Group, the hedging rate for customer-specific projects is 100%. Effectiveness is determined on the basis of the dollar offset method using a spot-to-spot approach. Only the spot component of the hedge instrument and not the full fair value is designated to hedge accounting. Any effective fair value change of the designated component is 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. In contrast, the non-designated components (forward and CCBS components) are not part of the hedge and would have to be accounted for outside hedge accounting. However, IFRS 9 allows the fair value change of non-designated components to be recognized directly in equity as well, as these represent the costs associated with hedge accounting. Recognition has to be made via a separate item in equity, i.e. the reserve for cash flow hedge costs. The amounts accumulated in the reserve for cash flow hedge costs must also be reclassified from equity to profit and loss if the hedged item occurs or ceases to exist. Gains and losses on hedged project contracts are then reported in the income statement under sales, whereas gains and losses on hedged procurement contracts are to be included in the initial costs of acquisition or in the other carrying amount of the hedged items.

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

According to the prevailing single lessee accounting model, the lessee is obliged to recognize assets for the right-of-use under lease contracts in the amount of the lease liabilities plus initial direct costs and adjusted for amounts already paid or received and liabilities in the amount of the present value of future lease payments. The lease payments are discounted at the incremental borrowing rate of interest of the lease if the interest rate on which the lease payments are based is not available. The right of use is amortized during the term of the lease contract and the lease liability is depreciated using the actuarial method. The options not to recognize short-term leases with a term of up to twelve months, leases of low-value assets with a value of less than EUR 5 thousand and leases of intangible assets have been exercised.

On the part of the lessor, each lease contract must be categorized as a finance lease or an operating lease. A lease will be classified as a finance lease if it essentially transfers all of the risks and opportunities associated with ownership; otherwise, an operating lease will be applicable. The lessor is obliged to present a receivable held within the scope of a finance lease at an amount equal to the net investment in the lease, while payments from an operating lease must be recognized as income.

In 2018, leases in which a significant portion of the risks and rewards of ownership were retained by the lessor were classified as operating leases in accordance with IAS 17. Payments made relating to an operating lease were recognized in the income statement under other operating expenses.

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

For information on the Nordex Group, please refer to the disclosures made in the respective sections of the financial statements, particularly the sections on property, plant and equipment, other financial liabilities, other operating income, depreciation and amortization, other operating expenses and the financial result.

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 of the Group

Exchange rates EUR 1.00 equals	Average exchange rates for the financial year		Closing rates as at 31.12.	
	2019	2018	2019	2018
ARS	52.5372	31.3638	67.2748	43.2077
AUD	1.6103	1.5802	1.5995	1.6230
BRL	4.4170	4.2929	4.5157	4.4501
CLP	787.7531	754.9036	844.8800	795.7349
GBP	0.8766	0.8854	0.8508	0.8968
HRK	7.4199	7.4195	7.4395	7.4100
INR	78.6853	80.3306	80.1873	79.8002
MXN	21.6736	22.6681	21.2202	22.5300
PLN	4.2974	4.2617	4.2568	4.2990
SEK	10.5802	10.2678	10.4468	10.2425
TRY	6.3345	5.4915	6.6845	6.0724
USD	1.1202	1.1805	1.1234	1.1457
ZAR	16.1764	15.4797	15.7778	16.4663

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 2019, most forward exchange transactions were denominated in US-dollar and Chinese Yuan. The notional repayment amounts for outstanding forward exchange transactions stand at EUR 369,946 thousand (2018: EUR 175,821 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:

2019	CNY thousand	INR thousand	USD thousand
Nominal value due in 2020	0	0	0
Nominal value due in 2021	706,520	8,500	641,725
Nominal value due in 2022	156,000	0	4,200
Total	**862,520**	**8,500**	**645,925**
Base currency	EUR	USD	EUR
Average hedging rate	**8.0630**	**72.7450**	**1.1265**

2018	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 following results from the effectiveness test:

2019	Derivative assets EUR/CNY EUR thousand	Derivative assets USD/INR EUR thousand	Derivative liabilities EUR/USD EUR thousand	Derivative liabilities EUR/USD EUR thousand
Nominal amount	CNY thousand 862,520	INR thousand 8,500	USD thousand 480,172	USD thousand 165,753
Market value/carrying amount	1,662	1	4,782	–2,990
Change in the value of the hedge to determine ineffectiveness	1,662	1	4,782	–2,990
Change in the value of the hedged item to determine ineffectiveness	–1,937	–1	–4,878	2,845
Amount of cash flow hedge reserve for active cash flow hedges	1,661	2	4,782	–2,990
Amount of cash flow hedge reserve for completed cash flow hedges	0	0	282	–1,907

2018	Derivative assets EUR/CNY EUR thousand	Derivative assets USD/INR EUR thousand	Derivative assets EUR/USD EUR thousand	Derivative liabilities EUR/BRL EUR thousand	Derivative liabilities EUR/USD EUR thousand
Nominal amount	CNY thousand 46,520	INR thousand 3,966,500	USD thousand 28,485	BRL thousand 147,529	USD thousand 164,000
Market value/carrying amount	222	321	237	–207	–2,410
Change in the value of the hedge to determine ineffectiveness	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 1 thousand (2018: EUR 198 thousand).

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:

2019	+10% thousand	−10% thousand
EUR/USD	12,932	−10,581

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

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:

2019	+10% thousand	−10% thousand
EUR/USD	−6,528	6,528

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

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:

2019	+10% thousand	−10% thousand
EUR/AUD		
Net profit/loss after income tax	−1,028	1,028
Fair value	−1,028	1,028
EUR/PLN		
Net profit/loss after income tax	1,019	−1,019
Fair value	1,019	−1,019
EUR/SEK		
Net profit/loss after income tax	−1,457	1,457
Fair value	−1,457	1,457
EUR/USD		
Net profit/loss after income tax	−6,528	6,528
Fair value	−6,528	6,528

2018	+10% thousand	−10% 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:

2019	+10 % thousand	–10 % thousand
EUR/USD		
Net profit/loss after income tax	1	–1
Hedge accounting reserve within equity	–26,610	26,610

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

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:

2019	+10 % thousand	–10 % thousand
EUR/CNY		
Net profit/loss after income tax	0	0
Fair value	10,869	–10,869
Hedge accounting reserve within equity, pre-tax	10,869	–10,869
Hedge accounting reserve within equity, post-tax	7,391	–7,391
EUR/USD		
Net profit/loss after income tax	2	–2
Fair value	–39,131	39,131
Hedge accounting reserve within equity, pre-tax	–39,133	39,133
Hedge accounting reserve within equity, post-tax	–26,610	26,610

2018	+10 % thousand	−10 % 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. 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 1,093 thousand (2018: EUR 2,370 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 3,966,681 thousand gross (2018: EUR 5,268,681 thousand) or by means of retained ownership rights of EUR 108,774 thousand (2018: EUR 45,179 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 currently is comprised of tranches with original terms of five, seven and ten years, each subject to fixed or variable interest. Depending on the tranche, the interest rate is between 1.8% and 3.0%. Utilization as at 31 December 2019 under the loan agreement including accrued interest amounted to EUR 242,297 thousand (2018: EUR 285,953 thousand).

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 2019 under the loan agreement including accrued interest amounted to EUR 53,511 thousand (2018: EUR 66,099 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 that runs until 15 April 2021 and in which the main Nordex Group companies hold joint and several liability. As at 31 December 2019, EUR 989,654 thousand (2018: EUR 767,857 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 2019, the cash drawdowns plus accrued interest on these facilities amounted to EUR 21,556 thousand (31 December 2018: EUR 15,529 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 2019, the liability recognized including accrued interest and costs amounted to EUR 276,582 thousand (2018: 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 2019.

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 745,387 thousand as at 31 December 2019 (2018: EUR 697,290 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:

EUR thousand	31.12.2019	31.12.2018
Trade receivables	128,070	163,079
Contract assets from projects	217,547	90,358
Inventories	1,398,421	763,233
Trade payables	–968,455	–500,812
Prepayments received	–1,075,694	–610,165
	–300,111	**–94,307**
Sales	3,284,573	2,459,124
Working capital ratio	**–9.1%**	**–3.8%**

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.

	Projects	
EUR thousand	**2019**	**2018**
Sales	2,884,536	2,123,210
Changes in inventories and other own work capitalized	581,862	–94,786
Cost of materials	–2,918,210	–1,496,563
Other income and expenses	–423,709	–364,893
Earnings before interest and taxes	124,479	166,968
Other interest and similar income	0	0
Interest and similar expenses	0	0
Other financial result	0	0

[1] As in the previous year, intrasegment sales are exclusively attributable to the Service segment, whereas intrasegment cost of materials of EUR 2,392 thousand (2018: EUR 4,959 thousand) is attributable to the Projects segment and EUR 1,621 thousand (2018: EUR 2,460 thousand) to the Not-allocated segment.

	Service		Not allocated		Consolidation[1]		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	403,188	342,589	862	744	–4,013	–7,419	3,284,573	2,459,124
	–1,393	214	6,378	–310	0	0	586,847	–94,882
	–175,362	–158,718	–6,435	–62,325	4,013	7,419	–3,095,994	–1,710,187
	–155,069	–129,007	–216,231	–214,336	0	0	–795,009	–708,236
	71,364	55,078	–215,426	–276,227	0	0	–19,583	–54,181
	0	0	7,389	6,094	0	0	7,389	6,094
	0	0	–68,188	–43,161	0	0	–68,188	–43,161
	0	0	663	–1,328	0	0	663	–1,328

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

EUR thousand	Non-current assets [1] 31.12.2019	Non-current assets [1] 31.12.2018	Sales 2019	Sales 2018
Europe	556,199	440,203	1,595,962	1,408,963
Latin America	31,296	19,647	869,616	457,403
North America	14,240	14,217	627,872	547,797
Rest of World	54,169	23,197	191,123	44,961
	655,904	**497,264**	**3,284,573**	**2,459,124**

[1] Non-current assets include property, plant and equipment, capitalized development expenses and other intangible assets.

Non-current assets include lease assets in accordance with IFRS 16, which has been effective since 1 January 2019. For more information on the transition from IAS 17 to IFRS 16, see the disclosures in the section on the effects of new financial reporting standards.

Non-current assets in accordance with IAS 17 break down as follows:

EUR thousand	31.12.2019
Europe	462,261
Latin America	26,003
North America	12,737
Rest of world	51,658
	552,659

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 509,998 thousand (2018: EUR 609,805 thousand), EUR 8,831 thousand (2018: EUR 14,611 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:

EUR thousand	31.12.2019	31.12.2018
Trade receivables (gross)	144,125	178,936
Less impairment	–16,055	–15,857
Trade receivables (net)	**128,070**	**163,079**
Contract assets from projects (gross)	2,568,724	1,533,775
Less prepayments received	–2,351,177	–1,443,417
Contract assets from projects (net)	**217,547**	**90,358**
	345,617	**253,437**

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 26,756 thousand (2018: EUR 43,141 thousand).

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

EUR thousand	2019	2018
Impairment as at 01.01.	15,857	13,744
Utilization	–2,058	–30
Reversals	–590	–479
Additions	2,846	2,622
Impairment as at 31.12.	**16,055**	**15,857**

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

31.12.2019	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	26,628	22,580	4,008	2,271	6,480	9,228	**71,195**
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	26,628	22,580	4,008	2,271	6,480	9,228	**71,195**
Uncollateralized trade receivables (gross)	6,353	32,062	15,308	5,953	2,815	1,527	8,912	**72,930**
Expected loss rates	91.3%	0.1%	0.3%	2.5%	12.5%	50.0%	100.0%	**21.6%**
Impairment	5,800	32	46	149	352	764	8,912	**16,055**
Uncollateralized trade receivables (net)	553	32,030	15,262	5,804	2,463	763	0	**56,875**

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**

In financial year 2019, unimpaired receivables amounting to EUR 2,375 thousand (2018: EUR 12 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:

EUR thousand	31.12.2019	31.12.2018
Raw materials and supplies	299,256	263,024
Work in progress	1,013,754	455,431
Prepayments made	85,411	44,778
	1,398,421	**763,233**

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 2,672 thousand (2018: EUR 2,799 thousand) not due for completion until after 2020.

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

EUR thousand	2019	2018
Impairment as at 01.01.	48,506	48,329
Utilization	–12,296	–3,158
Reversals	–162	–5,085
Additions	1,670	8,420
Impairment as at 31.12.	**37,718**	**48,506**

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 17,794 thousand (2018: EUR 13,138 thousand).

(4) INCOME TAX RECEIVABLES AND PAYABLES

Income tax receivables of EUR 15,818 thousand (2018: EUR 10,903 thousand) mainly stem from Nordex Energy Brasil - Comercio e Industria de Equipamentos Ltda., Nordex Energy South Africa RF (Pty.) Ltd. Nordex France S.A.S., Nordex Windpower S.A. and NX Energy Mexico S. de R.L. de C.V., whereas the income tax payable of EUR 6,180 thousand (2018: EUR 10,595 thousand) is mainly attributable to Nordex (Chile) SpA, Nordex Enerji A.S. and Nordex SE.

(5) OTHER CURRENT FINANCIAL ASSETS

Other current financial assets break down as follows:

EUR thousand	31.12.2019	31.12.2018
Forward exchange transactions	7,255	894
Creditors with debit accounts	6,239	3,127
Insurance and compensation claims	3,644	4,853
Receivables from non-consolidated affiliated companies, associates and investments	2,254	1,481
Deposits/collateral	1,711	2,027
Other	5,469	3,822
	26,572	**16,204**

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 19,317 thousand (2018: EUR 15,310 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 amounts to EUR 6,145 thousand (2018: EUR 446 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 amounts to EUR 1,110 thousand (2018: EUR 448 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.

In 2018, Nordex continued to account for hedges pursuant to IAS 39, applying the exemption rule in IFRS 9. 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:

EUR thousand	31.12.2019	31.12.2018
Current tax assets	185,497	104,791
Contract assets from services	13,692	4,779
Prepaid expenses	12,964	13,344
Other	5,223	4,471
	217,376	**127,385**

The current tax assets primarily concern current input tax assets of Nordex India Private Limited in the amount of EUR 32,944 thousand (2018: EUR 8,605 thousand), of Corporacion Nordex Energy Spain S.L. in the amount of EUR 30,964 thousand (2018: EUR 12,616 thousand), of Nordex Energy Brasil - Comercio e Industria de Equipamentos Ltda. in the amount of EUR 29,275 thousand (2018: EUR 23,825 thousand) and of Nordex SE in the amount of EUR 22,318 thousand (2018: EUR 12,603 thousand).

The contract assets from services concern maintenance contracts where the degree of completion exceeds the billed amount.

Prepaid expenses chiefly comprise costs pertaining to other periods for license fees and 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 in the amount of EUR 14 thousand (2018: EUR 5 thousand) have not been recognized, however.

(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:

	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:

EUR thousand	31.12.2019	31.12.2018
Land and buildings	181,704	88,345
Technical equipment and machinery	160,122	120,722
Other fixtures and fittings, tools and equipment	54,004	34,199
Assets under construction and prepayments made	44,260	22,845
	440,090	**266,111**

Land and buildings, and other fixtures and fittings, tools and equipment include lease assets in accordance with IFRS 16, which has been effective since 1 January 2019. For more information on the transition from IAS 17 to IFRS 16, see the disclosures in the section on the effects of new financial reporting standards.

Additions and carrying amounts as 31 December 2019 and 1 January 2019 are as follows:

	31.12.2019		01.01.2019
EUR thousand	Additions	Carrying amount	Carrying amount
Land and buildings – lease assets	36,381	91,490	70,438
Other fixtures and fittings, tools and equipment – lease assets	10,129	11,755	7,021
	45,510	**103,245**	**77,459**

The capitalized right-of-use assets from leases relate mainly to the new Nordex Group administrative building sold in July 2018 under a sale-and-leaseback agreement without affecting profit or loss, as well as other production and administrative buildings, warehouses, company vehicles and production equipment (e.g. lifting platforms).

Cash outflows for leases in the current financial year amounted to EUR 19,823 thousand as at 31 December 2019.

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 payment of the last tranche of the grant. In addition, an annual average of around 1,026 jobs must be maintained permanently during this period. As in the previous year, no investment grant was paid in 2019.

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 2020 as well as four subsequent budget years derived from the Company's medium-term forecasts. Income beyond the five-year period has been extrapolated based on a steady growth rate of 1.00% (2018: 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 9.80% (2018: 8.30%) for the Projects segment and 9,63% (2018: 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 0.34% (2018: 1.25%), a market risk premium of 7.50% (2018: 6.50%) and a beta factor of 1.26 (2018: 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 2019 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 188,490 thousand (2018: EUR 206,538 thousand) were capitalized. In financial year 2019, development expenses of EUR 27,834 thousand were capitalized (2018: EUR 36,433 thousand). Additions comprise in particular the enhancement of the Generation Delta wind turbine type N149 and the enhancement of the AW3000 platform. The additions include borrowing costs of EUR 1,013 thousand (2018: EUR 2,489 thousand) at a borrowing rate of 4.48% (2018: 3.96%). Additional development expenses of EUR 21,675 thousand also arising in 2019 (2018: EUR 20,249 thousand) did not meet the criteria for capitalization and were therefore recognized in profit or loss. The capitalization ratio therefore amounts to 56.22% (2018: 64.28%).

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 AND PREPAYMENTS MADE

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:

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

Other intangible assets amount to EUR 27,324 thousand (2018: EUR 24,616 thousand) as at the reporting date.

For a detailed overview of other intangible assets and prepayments made 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 refer 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:

EUR thousand	31.12.2019	31.12.2018
Investments in affiliated non-consolidated companies	5,067	4,446
Equity investments	40	21
	5,107	**4,467**

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

EUR thousand	31.12.2019	31.12.2018
Project companies	5,042	4,421
Nordex Windpark Verwaltung GmbH, Hamburg	25	25
	5,067	**4,446**

The project companies hold various rights in connection with internally developed wind power projects, in particular construction permits and power purchase agreements. Twenty-seven project companies were established in 2019 (2018: one) and six project companies were sold (2018: four). As in the previous year, no impairments were recognized.

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:

EUR thousand	31.12.2019	31.12.2018
Eoliennes du Pays d'Auge, Nimes/France	18	18
Parc Eolien Nordex II S.A.S., Paris/France	13	0
Kvällaliden AB, Stockholm/Sweden	2	0
Rose Windfarm AB, Stockholm/Sweden	2	0
WP France 15 S.A.S., Puteaux/France	2	0
Eoliennes de la Vallee S.A.S., Amiens/France	1	1
Fond du Moulin, Pontarme/France	1	1
Vent d'est S.a r.l., Paris/France	1	1
	40	**21**

Eoliennes du Pays d'Auge, Kvällaliden AB, Rose Windfarm AB, WP France 15 S.A.S., Eoliennes de la Vallee S.A.S., Fond du Moulin and Vent d'est S.a r.l. have no significant business operations.

None of the shares are listed. There was no intention to sell as at 31 December 2019.

For further details on shareholdings we refer to the list of shareholdings as at 31 December 2019 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:

EUR thousand	31.12.2019	31.12.2018
GN Renewable Investments S.a r.l., Luxembourg/Luxembourg	81	0
C&C Wind Sp. z o.o., Natolin/Poland	0	1,221
	81	**1,221**

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

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

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

2019 EUR thousand	GN Renewable Investments S.a.r.l.	C & C Wind Sp.z o.o.
Current assets [1]	2,417	6,523
Non-current assets [1]	3	38,215
Current liabilities [1]	12	33,209
Non-current liabilities [1]	2,139	281
Sales [1]	18,363	10,709
Profit/loss [1]	4,169	2,369
Shareholding	30.00 %	40.00 %

[1] Preliminary annual financial statements as at 31 December 2019

2018 EUR thousand	GN Renewable Investments S.a.r.l.	C & C Wind Sp.z o.o.
Current assets [1]	14,207	4,516
Non-current assets [1]	40	44,494
Current liabilities [1]	11,053	34,912
Non-current liabilities [1]	0	279
Sales [1]	1,055	8,969
Profit/loss [1]	831	–1,438
Shareholding	30.00 %	40.00 %

[1] Preliminary annual financial statements as at 31 December 2018

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

2019 EUR thousand	GN Renewable Investments S.a.r.l.	C & C Wind Sp.z o.o.
Net assets as at 01.01. [1]	3,194	13,819
Profit/loss [2]	4,169	2,369
Other changes in net assets [2]	–7,094	–4,940
Net assets as at 31.12. [2]	269	11,248
Shareholding in %	30.00 %	40.00 %
Shareholding in EUR thousand	81	4,499
Elimination of intragroup profits or losses	0	–4,499
Carrying amount as at 31.12.	**81**	**0**

[1] Preliminary annual financial statements as at 31 December 2018
[2] Preliminary annual financial statements as at 31 December 2019

2018 EUR thousand	GN Renewable Investments S.a.r.l.	C & C Wind Sp.z o.o.
Net assets as at 01.01. [1]	2,363	15,895
Profit/loss [2]	831	–1,438
Other changes in net assets [2]	0	–638
Net assets as at 31.12. [2]	3,194	13,819
Shareholding in %	30.00 %	40.00 %
Shareholding in EUR thousand	958	5,528
Elimination of intragroup profits or losses	–958	–4,307
Carrying amount as at 31.12.	**0**	**1,221**

[1] Preliminary annual financial statements as at 31 December 2018
[2] Preliminary annual financial statements as at 31 December 2019

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

As of 31 December 2019, accumulated unrecognized losses amounted to EUR 0 thousand (2018: EUR 639 thousand) at GN Renewable Investments S.a.r.l. and EUR 34 thousand (2018: EUR 0 thousand) at C & C Wind Sp. z o.o.

For further details on shareholdings we refer to the list of shareholdings as at 31 December 2019 attached to the notes to the consolidated financial statements.

(13) OTHER NON-CURRENT FINANCIAL ASSETS

Other non-current financial assets break down as follows:

EUR thousand	31.12.2019	31.12.2018
Receivables from non-consolidated affiliated companies, associates and investments	14,743	16,668
Deposits/collateral	631	365
Forward exchange transactions	301	132
	15,675	**17,165**

Receivables from non-consolidated affiliated companies, associates and other long-term equity 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 15,374 thousand (2018: EUR 17,033 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 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 amounts to EUR 301 thousand (2018: EUR 132 thousand).

In 2018, Nordex continued to account for hedges pursuant to IAS 39, applying the exemption rule in IFRS 9. The fair value of forward exchange transactions in 2018 pursuant to IFRS 9 amounts to EUR 222 thousand.

(14) OTHER NON-CURRENT NON-FINANCIAL ASSETS

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

EUR thousand	31.12.2019	31.12.2018
Contract assets from services	14,719	19,967
Prepaid expenses	13,138	16,622
Other	259	0
	28,116	**36,589**

The contract assets from services concern maintenance contracts where the degree of completion exceeds the billed amount.

Prepaid expenses chiefly comprise costs pertaining to other periods for license fees.

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 in the amount of EUR 15 thousand (2018: EUR 20 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 2019, a rounded tax rate of 32.00% (2018: 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		Deferred tax liabilities	
EUR thousand	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Contract assets from projects	0	0	59,503	37,372
Property, plant and equipment/Intangible assets	4,598	4,245	83,423	69,135
Other assets	40,679	15,429	157,343	7,025
Provisions	15,678	21,902	2,808	1,366
Other liabilities	297,401	94,947	71,778	34,178
Unused tax losses and tax credits	142,846	106,955	0	0
	501,202	**243,478**	**374,855**	**149,076**
Netting	–264,898	–70,374	–264,898	–70,374
	236,304	**173,104**	**109,957**	**78,702**

The Management Board of Nordex SE currently estimates that of the existing corporate tax loss carryforwards of EUR 135,212 thousand (2018: EUR 143,921 thousand) and of the existing trade tax losses of EUR 104,835 thousand (2018: EUR 126,672 thousand) EUR 135,212 thousand (2018: EUR 120,043 thousand) and EUR 104,835 thousand (2018: 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.

EUR thousand	31.12.2019	31.12.2018
Forfeitable in less than 1 year	3,168	4,326
Forfeitable within 2 to 5 years	52,227	54,985
Forfeitable within 6 to 9 years	1,432	2,781
Forfeitable in more than 9 years	6	25,036
Non-forfeitable	116,185	115,834
	173,018	**202,962**

Deferred tax assets of EUR 133.329 thousand (2018: EUR 106,099 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 27,711 thousand (2018: EUR 15,006 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 214,595 thousand (2018: EUR 101,830 thousand). Of the deferred tax liabilities, an amount of EUR 232,225 thousand (2018: EUR 144,670 thousand) is attributable to the non-current portion of the deferred tax liabilities before netting.

The changes in deferred tax break down as follows:

	2019	2018
Amount on 01.01.	94,402	50,432
Recognized through profit or loss	33,909	40,236
Recognized in other comprehensive income	–1,377	1,295
Currency translation	–587	2,439
Amount on 31.12.	**126,347**	**94,402**

(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
31.12.2019	28,510	10,840	280,611	6,985	**326,946**
31.12.2018	22,574	55,623	295,576	10,238	**384,011**

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 319,615 thousand (2018: EUR 368,325 thousand), of which EUR 39,166 thousand (2018: EUR 77,167 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 968,455 thousand (2018: EUR 500,812 thousand).

Maturity schedule

EUR thousand	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
31.12.2019	968,455	0	0	0	**968,455**
31.12.2018	500,812	0	0	0	**500,812**

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:

EUR thousand	01.01.2019	Utilization	Reversals	Additions	31.12.2019
Individual guarantees	130,245	–35,650	–40,456	2,604	**56,743**
Warranties, service, maintenance	53,806	–22,804	–5,525	4,719	**30,196**
Others	24,924	–16,270	–1,668	22,071	**29,057**
	208,975	**–74,724**	**–47,649**	**29,394**	**115,996**

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.

Other provisions chiefly concern legal uncertainties and project risks.

Other provisions comprise other non-current provisions of EUR 26,305 thousand (2018: EUR 60,191 thousand), which are expected to be utilized after the end of the 2020 financial year. The amount derived from discounting the non-current provisions of EUR –1,118 thousand (2018: EUR 246 thousand) is reported within the additions.

(19) OTHER CURRENT FINANCIAL LIABILITIES

Other current financial liabilities break down as follows:

EUR thousand	31.12.2019	31.12.2018
Leases	17,941	0
Bond	7,448	7,448
Guarantee commissions	5,884	3,905
Forward exchange transactions	3,479	2,312
Liabilities to non-consolidated affiliated companies	551	557
Loans	540	605
Debtors with credit balances	36	239
Other	2,634	1,461
	38,513	**16,527**

The amount of lease liabilities corresponds to the present value of future lease payments in accordance with IFRS 16, which has been effective since 1 January 2019. For more information on the transition from IAS 17 to IFRS 16, see the disclosures in the section on the effects of new financial reporting standards.

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

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
31.12.2019	22,287	23,274	0	0	**45,561**
31.12.2018	14,462	10,181	0	0	**24,643**

Maturity of lease liabilities

EUR thousand	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
31.12.2019	4,544	13,397	0	0	**17,941**

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 35,034 thousand (2018: EUR 14,215 thousand) would equal the fair value as in the previous year. Also included are current lease liabilities that are not allocated to any measurement category.

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 amounts to EUR 2,990 thousand (2018: EUR 2,177 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 amounts to EUR 489 thousand (2018: EUR 135 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.

In 2018, Nordex continued to account for hedges pursuant to IAS 39, applying the exemption rule in IFRS 9. 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:

EUR thousand	31.12.2019	31.12.2018
Prepayments received	1,075,694	610,165
Accruals	60,732	67,500
Other tax payables	33,504	45,256
Contract liabilities from services	25,176	36,372
Liabilities for social security	3,605	3,740
Deferred income	734	21,518
Other	4,389	2,665
	1,203,834	**787,216**

Accruals primarily comprise liabilities in connection with staff of EUR 40,822 thousand (2018: EUR 47,478 thousand) and trailing project costs of EUR 16,660 thousand (2018: EUR 16,128 thousand).

The other tax liabilities mainly relate to VAT of EUR 25,976 thousand (2018: EUR 38,695 thousand).

The contract liabilities from services concern maintenance contracts where the degree of completion is lower than the billed amount.

(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:

EUR thousand	31.12.2019	31.12.2018
Obligation as at 01.01.	2,081	2,035
Current service cost	185	101
Interest expense	20	19
Retirement benefit payments	–48	–46
Actuarial gains	136	–28
of which from changes in demographic assumptions	0	19
of which from changes in actuarial assumptions	102	–13
of which adjustments based on historical data	34	–34
	2,374	**2,081**

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:

EUR thousand	2019	2018
Current service cost	185	101
Interest expense	20	19
	205	**120**

Other comprehensive income breaks down as follows:

EUR thousand	2019	2018
Actuarial gains	136	–28
	136	**–28**

Annual retirement benefit payments of EUR 50 thousand (2018: EUR 48 thousand) are expected in future years.

The calculation is based on the following actuarial assumptions:

	2019	2018
Applied interest rate	1.15 %	1.91 %
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 2,306 thousand (2018: EUR 2,020 thousand). If the interest rate applied were 0.5 percentage points lower, the obligation would increase to EUR 2,451 thousand (2018: EUR 2,149 thousand).

The obligations have terms between 12 and 14 years (2018: 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:

EUR thousand	31.12.2019	31.12.2018
Bond	269,134	267,232
Leases	86,107	0
Loans	2,853	2,294
Forward exchange transactions	0	518
Other	38	49
	358,132	**270,093**

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

The amount of lease liabilities corresponds to the present value of future lease payments in accordance with IFRS 16, which has been effective since 1 January 2019. For more information on the transition from IAS 17 to IFRS 16, see the disclosures in the section on the effects of new financial reporting standards.

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
31.12.2019	0	0	361,705	41,016	**402,721**
31.12.2018	0	0	331,702	435	**332,137**

Maturity of lease liabilities

EUR thousand	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
31.12.2019	0	0	46,788	39,319	**86,107**

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 103.93% as at the reporting date, the fair value would be EUR 368,940 thousand (31 December 2018: EUR 242,102 thousand).

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 amounts to EUR 0 thousand (2018: EUR 518 thousand).

In 2018, Nordex continued to account for hedges pursuant to IAS 39, applying the exemption rule in IFRS 9. 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:

EUR thousand	31.12.2019	31.12.2018
Contract liabilities from services	132,131	113,876
Other tax payables	4,424	4,788
	136,555	**118,664**

The contract liabilities from services concern maintenance contracts 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:

EUR thousand	31.12.2019	31.12.2018
Subscribed capital	106,681	96,982
Capital reserves	606,820	597,626
Other retained earnings	–11,062	24,193
Cash flow hedge reserve	2,331	–1,776
Reserve for cash flow hedge costs	–1,087	0
Foreign currency adjustment item	–15,604	–17,182
Consolidated net profit/loss carried forward	57,308	–2,553
Consolidated net profit/loss	0	0
Share in equity attributable to parent company's shareholders	743,387	697,290
	743,387	**697,290**

Subscribed capital amounts to EUR 106,680,691 (2018: EUR 96,982,447) and is divided into 106,680,691 (2018: 96,982,447) fully paid-up no-par-value shares, each with a notional share in capital of EUR 1. On 8 October 2019, Nordex SE increased its subscribed capital by EUR 9,698,244 by issuing new no-par-value bearer shares, by utilizing a portion of the capital authorized pursuant to the Company's Articles of Incorporation and while disapplying shareholders' pre-emption rights. The 9,698,244 new shares have been issued to Acciona S.A. in return for cash contributions. The premium of EUR 89,321 thousand on the issue price of EUR 10.21 per share – which corresponds to the volume-weighted average price of Nordex's existing shares during the last three trading days in Xetra trading on the Frankfurt Stock Exchange prior to the resolution to increase the share capital – has been allocated to the capital reserves after deduction of the transaction costs resulting due to the capital increase. The capital reserves stand at EUR 606,820 thousand (2018: EUR 597,626 thousand) and also contain additional premiums from capital increases amounting to EUR 481,416 thousand (2018: EUR 481,416 thousand).

The following table shows the changes in the cash flow hedge reserve before deferred taxes:

EUR thousand	31.12.2019	31.12.2018
Amount on 01.01.	–1,640 [1]	991
Reclassifications through profit or loss due to realization of hedged items	5,862	9,054
Losses from effective hedges	–794	–11,685
Amount on 31.12.	**3,428**	**–1,640 [1]**

[1] The figure as at 31 December 2018/1 January 2019 in the changes of the cash flow hedge reserve before deferred taxes differs from the figure as at 31 December 2018/1 January 2019 in the consolidated statement of financial position and the consolidated statement of changes in equity because, in accordance with the exemption rule in IFRS 9, the disclosures in the notes to the consolidated financial statements in 2018 were made in accordance with IFRS 9, whereas the accounting was carried out in accordance with IAS 39.

The following table shows the changes in the reserve for cash flow hedge costs before deferred taxes:

EUR thousand	31.12.2019
Amount on 01.01.	0
Reclassifications through profit or loss due to realization of hedged items	6,869
Losses from effective hedges	–8,468
Amount on 31.12.	–1,599

The foreign currency adjustment item and the consolidated net profit/loss carried forward have been adjusted for the disposal of company shares.

Nordex SE's net loss for financial year 2019 determined in accordance with the German Commercial Code totaling EUR 114,122,739.06 (2018: EUR 77,850,362.13) was compensated by a withdrawal in the amount of EUR 35,163,130.14 and the capital reserve in the amount of EUR 78,959,608.92.

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

Moreover, at 31 December 2019 the Company had Authorized Capital I of EUR 9,678,245, equivalent to 9,678,245 shares (2018: EUR 19,376,489, equivalent to 19,376,489 shares), Authorized Capital II of EUR 2,900,000, equivalent to 2,900,000 shares (2018: EUR 0, equivalent to 0 shares), Contingent Capital I of EUR 19,376,489 (as in the previous year), equivalent to 19,376,489 shares, and Contingent Capital II of EUR 2,900,000, equivalent to 2,900,000 shares (2018: EUR 0, equivalent to 0 shares). Each share represents a notional share of EUR 1 in the Company's share capital.

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. The Management Board made use of this authorization subject with the Supervisory Board's approval, through its resolution of 8 October 2019, while disapplying shareholders' pre-emption rights in accordance with the Company's Articles of Incorporation, for an amount of EUR 9,698,244, equivalent to 9,698,244 shares. Authorized Capital I remains in an amount of EUR 9,678,245, equivalent to 9,678,245 shares.

In accordance with a resolution passed at the Annual General Meeting on 4 June 2019, the Management Board is authorized subject to the Supervisory Board's approval to utilize Authorized Capital II to increase the Company's share capital once or repeatedly on or before 31 May 2024 by up to EUR 2,900,000 in total, in return for cash and/or non-cash capital contributions, by issuing new no-par-value bearer shares. Authorized Capital II 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 adopted by the shareholders at the 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 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.

Contingent Capital II is intended for the fulfillment of subscription rights granted from stock options of senior managers of the Company and the other companies of the Nordex Group in Germany and other countries as well as the members of the management boards of Nordex Group companies which are granted on or before 31 May 2024, on the basis of the authorization provided by the Annual General Meeting on 4 June 2019. To date, no subscription rights have been granted.

Moreover, through the resolution passed at the Annual General Meeting on 4 June 2019 the Management Board is authorized on or before 31 May 2024 subject to the approval of the Supervisory Board to purchase treasury shares up to an amount of 10% of the Company's share capital as of the Annual General Meeting's resolution and to use this for any purpose permitted by law. Inter alia, these shares may be used for the purpose of mergers and acquisitions, they may be offered to senior managers and employees of the Company or affiliated companies as employee shares and they may be used in fulfillment of conversion rights or conversion obligations resulting from convertible bonds or employee option rights. The shareholders' pre-emption rights are disapplied in these cases. These treasury shares may also be called in or sold to shareholders or third parties – while disapplying the shareholders' pre-emption rights – for a cash price which is not significantly below the stock exchange price as of the sale. The authorization to purchase treasury shares has not been exercised to date; at 31 December 2019, Nordex SE or a company which is dependent on it or in which it has a majority interest does not hold any treasury shares.

(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:

2019 EUR thousand	Level 1	Level 2	Level 3	Total
Financial assets				
Forward exchange transactions in the scope of hedge accounting (cash flow hedges)	–	6,446	–	6,446
Other forward exchange transactions	–	1,110	–	1,110
Financial liabilities				
Liabilities to banks	–	319,615	–	319,615
Bond	287,389	–	–	287,389
Forward exchange transactions in the scope of hedge accounting (cash flow hedges)	–	2,990	–	2,990
Other forward exchange transactions	–	489	–	489

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

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:

2019 EUR thousand	Interest	Other net gain/loss	Total
Financial assets measured at amortized cost	7,389	–35,053	–27,664
Financial liabilities measured at amortized cost	–68,188	9,970	–58,218
Financial assets and liabilities measured at fair value through profit or loss	0	–6,561	–6,561
	–60,799	**–31,644**	**–92,443**

2018 EUR thousand	Interest	Other net gain	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**

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:

2019 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	–154,887	–47,119	0	0	**–202,006**

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**

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 project contracts, the percentage of completion is measured using either the milestone method or the cost-to-cost method, depending on the respective scope of the contract. Costs are recognized in inventories until the milestones are reached.

The sales 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:

EUR thousand	2019	2018
Projects	2,884,536	2,123,210
Service	403,188	342,589
Not allocated	862	744
Intrasegment consolidation	-4,013	–7,419
	3,284,573	**2,459,124**

As at 31 December 2019, the total amount of the transaction price allocated to the remaining performance obligation from projects was EUR 3,971,814 thousand (2018: 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 157,307 thousand (2018: 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 eight 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 1,315,065 thousand (2018: EUR 748,598 thousand) and to the Service segment in the amount of EUR 36,372 thousand (2018: EUR 75,187 thousand).

(27) CHANGES IN INVENTORIES AND OTHER OWN WORK CAPITALIZED

Own work capitalized is valued at EUR 28,523 thousand (2018: EUR 53,409 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 558,324 thousand (2018: EUR -148,291 thousand).

(28) OTHER OPERATING INCOME

Other operating income breaks down as follows:

EUR thousand	2019	2018
Forward exchange transactions	11,904	0
Currency translation gains	9,970	49,710
Indemnity and damages paid	9,343	3,145
Gains from the disposal of assets	1,721	572
Investment grants	1,004	830
Reversal of impairment losses	590	479
Subleasing of right-of-use assets	439	0
Gains from the sale of project companies	0	892
Others	8,474	4,722
	43,445	**60,350**

The sublease-related income is in accordance with IFRS 16, which has been effective since 1 January 2019. For more information on the transition from IAS 17 to IFRS 16, 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:

EUR thousand	2019	2018
Cost of raw materials and other supplies	2,410,092	1,205,649
Cost of services purchased	685,902	504,538
	3,095,994	**1,710,187**

Cost of raw materials and other supplies mainly comprise expenses for construction components.

The cost of purchased services primarily results from third-party services and commissions for order processing, third-party freight and order provisions.

(30) STAFF COSTS

Staff costs break down as follows:

EUR thousand	2019	2018
Wages and salaries	296,424	268,560
Social security and expenditure on retirement benefits and support	64,229	57,307
	360,653	**325,867**

Staff costs include expense of EUR 185 thousand (2018: EUR 101 thousand) for defined benefit plans and EUR 88 thousand (2018: EUR 94 thousand) for defined contribution plans.

The Group headcount was as follows:

	2019	2018	Change
Reporting date			
Office staff	3,159	2,761	398
Technical staff	3,721	2,915	806
	6,880	5,676	1,204
Average			
Office staff	2,940	2,747	193
Technical staff	3,422	2,638	784
	6,362	**5,385**	**977**

The increase in the number of employees is mainly due to the continued expansion of production facilities in Mexico and Brazil, and the expansion of the services business.

(31) DEPRECIATION/AMORTIZATION

Depreciation and amortization breaks down as follows:

EUR thousand	2019	2018
Depreciation of property, plant and equipment	83,696	55,670
Amortization of capitalized development expenses	45,586	54,369
Amortization of other intangible assets	14,126	45,804
	143,408	**155,843**

Depreciation includes EUR 17,987 thousand for depreciation of lease assets in accordance with IFRS 16, which has been effective since 1 January 2019; of this amount EUR 12,724 thousand concern land and buildings and EUR 5,263 thousand other fixtures and fittings, tools and equipment. For more information on the transition from IAS 17 to IFRS 16, see the disclosures in the section on the effects of new financial reporting standards.

(32) OTHER OPERATING EXPENSES

Other operating expenses break down as follows:

EUR thousand	2019	2018
Other staff costs	78,107	37,089
Travel expenses	32,154	25,187
Maintenance	30,573	22,677
Currency translation losses	30,422	54,152
Legal and consulting costs	28,857	9,752
Loss of income	22,386	20,845
Forward exchange transactions	18,465	9,011
Lease and rental expenses	11,333	27,276
IT costs	10,925	11,811
Other taxes	10,790	5,984
Security service, occupancy and building costs	9,533	10,355
Insurance	8,540	9,240
Patent fees	7,607	8,461
Training	5,571	4,768
Telecommunications	4,460	4,107
Advertising	4,513	3,893
Impairment	2,846	2,622
Losses from the disposal of assets	2,418	1,469
Office supplies	1,697	1,214
Bank fees	1,663	686
Settlements	628	2,708
Others	10,905	13,569
	334,393	**286,876**

The lease-related expenses are in accordance with IFRS 16, which has been effective since 1 January 2019. For more information on the transition from IAS 17 to IFRS 16, see the disclosures in the section on the effects of new financial reporting standards.

Of the expenses for leases, EUR 5,867 thousand relates to leases not recognized in the statement of financial position, of which EUR 4,606 thousand is attributable to expenses for short-term leases, EUR 1,148 thousand is attributable to expenses for leases of low-value assets – not including expenses for short-term leases of leases of low-value assets – and EUR 113 thousand is attributable to expenses for variable lease payments not included in the measurement of lease liabilities.

(33) FINANCIAL RESULT

The financial result breaks down as follows:

EUR thousand	2019	2018
Income from investments	1,943	0
Profit / loss from equity-accounting method	–1,140	–929
Impairment of financial assets	–140	–399
Net profit / loss from investments	**663**	**–1,328**
Other interest and similar income	7,389	6,094
Interest and similar expenses	–68,188	–43,161
Interest result	**–60,799**	**–37,067**
	–60,136	**–38,395**

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 guarantee commissions, the bond, factoring and the promissory note. Of the interest expense, EUR 2,860 thousand is attributable to leases in accordance with IFRS 16, which has been effective since 1 January 2019. For more information on the transition from IAS 17 to IFRS 16, see the disclosures in the section on the effects of new financial reporting standards.

(34) INCOME TAX

As at 31 December 2019, a tax rate of 31.82% (2018: 31.82%) was applied for the purpose of calculating domestic current taxes. The above tax rate was calculated using a rate of 15.83% (2018: 15.83%) including the solidarity surcharge for corporate tax and 15.99% (2018: 15.99%) for trade tax.

Income tax breaks down as follows:

EUR thousand	2019	2018
Domestic income tax	–4,778	2,212
Foreign income tax	–21,982	–33,725
Current income tax	**–26,760**	**–31,513**
Deferred taxes	**33,909**	**40,236**
Total income tax	**7,149**	**8,723**
of which current income tax for other periods	–3,021	1,590
of which deferred taxes for other periods	1,858	8,585

Tax income from deferred taxes in the amount of EUR 33,909 thousand (2018: EUR 40,236 thousand) is attributable to changes in temporary balance sheet differences and to unused tax losses.

The expected income tax that results from applying the tax rate of 31.82% (2018: 31.82%) on the net loss from ordinary activities of EUR 79,719 thousand (2018: EUR 92,576 thousand), differs from the total income tax as follows:

EUR thousand	2019	2018
Expected income tax expense	**25,367**	**29,458**
Differences in non-domestic tax rates	–9,498	–5,568
Tax-free income	3,563	1,050
Tax effects from equity-accounted investments	–365	–297
Changes in tax rates and tax legislation	–4,078	224
Non-deductible expenses	–12,246	–14,369
Tax effects from previous years	–1,163	14,667
Impairments and loss carryforwards	4,727	–12,502
Other tax effects	842	–3,940
Total income tax expense	**7,149**	**8,723**

(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:

		2019	2018
Consolidated net loss for the year	thousand	–72,570	–83,853
of which shareholders of the parent company	thousand	–72,570	–83,853
Weighted average number of shares		99,240,942	96,982,447
Basic earnings per share	**EUR**	**–0.73**	**–0.86**

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 -0.73 (2018: EUR -0.86).

OTHER FINANCIAL OBLIGATIONS AND CONTINGENT LIABILITIES

There are no future cash outflows from leases which the Nordex Group has entered into but which have not yet begun.

Moreover, principally in the real estate segment there are lease contracts with extension and termination options. However, these are not considered to be reasonably certain and therefore have not been recognized. However, utilization of these extension and termination options is reviewed annually and they will be recognized in the statement of financial position in case of a change of view.

In 2018, in accordance with IAS 17, rental and operating lease payment obligations amounted to EUR 78,121 thousand and had the following maturities:

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**

No contractual obligations (2018: EUR 681 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.

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 6,674 thousand (2018: 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 36.27% (2018: 29.90%) 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 outstanding Receivables (+)/liabilities (–)		Transaction amount Income (+) / expense (–)	
EUR thousand	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Acciona Energia Chile SpA	163,775/–150,054	97,583/–99,403	66,067/0	97,583/0
Acciona Energia Costa Rica S.A.	221/0	221/0	0/0	0/0
Acciona Energia Mexico S.r.l.	646/–38	20/–12	0/0	0/0
Acciona Energia S.A.	8,685/–13,746	5,505/–20,598	23,426/–844	8,988/–1,841
Acciona Energia Servicios Mexico S. de RL de C.V.	97,174/0	135,092/–97,040	66,879/0	7,872/0
Acciona Energy Australia Global Pty. Ltd.	0/–210	0/0	0/–1,475	0/0
Acciona Energy Oceania Construction Pty Ltd.	587/–28,688	1,166/0	0/0	31,483/–130
Acciona Energy USA Global LLC	322/–173	75/–281	792/–1,510	0/0
Acciona Facility Services S.A.	0/–29	56/–68	0/–157	56/–1,610
Acciona Forwarding S.A.	59/–812	59/–33	0/–365	0/0
Acciona Green Energy Developments S.L.	0/–34	0/–116	0/–663	0/–757
Acciona S.A.	0/–309	0/–151	0/–279	0/1,065
Acciona Solar S.A.	0/0	0/0	0/–303	0/–300
Consorcio Eolico Chiripa S.A.	708/–345	700/–338	0/0	0/0
Mt. Gellibrand Wind Farm Pty Ltd.	448/0	0/0	3,127/–12	0/0
San Roman Wind I LLC	496/0	471/0	0/0	0/0
Sun Photo Voltaic Energy India Pvt. Ltd.	2,710/0	10,165/0	0/0	0/0
Valdivia Energia Eolica S.A.	197/0	177/0	769/0	0/0
Other	25/–97	794/–206	11/–51	15/–131

During the financial year, five contracts to deliver and assemble wind power systems in Mexico, Australia, Spain and the USA amounting to EUR 461,418 thousand (2018: EUR 135,648 thousand) were won by Acciona Energia Mexico, S. de R.L. de C.V., Acciona Energy Oceania Construction Pty. Ltd., Acciona Energia 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.a.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 outstanding Receivables (+)/liabilities (–)		Transaction amount Income (+) / expense (–)	
EUR thousand	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
C&C Wind Sp. z o.o.	0/0	0/0	570/–1,221	474/–524
GN Renewable Investments S.a.r.l.	0/0	0/0	2,053/0	47/–408

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 2019 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 in office during the year under review. This is shown in the following table:

EUR thousand	**2019**	**2018**
Short-term employee benefits	2,064	2,719
Post-employment benefits	0	0
Other long-term benefits	0	555
Termination benefits	0	0
Share-based payment	730	895
	2,794	**4,169**

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. Of the cash flow from operating activities in the amount of EUR 37,983 thousand (2018: EUR 124,927 thousand) EUR 70,978 thousand (2018: EUR 72,389 thousand) result from the consolidated loss including depreciation/amortization. Changes in working capital resulted in payments received of EUR 194,879 thousand (2018: EUR 156,312 thousand). Payments made for other operating activities stand at EUR 227,874 thousand (2018: EUR 103,774 thousand).

Cash flow from investing activities in the financial year ended amounted to EUR -163,941 thousand (2018: EUR –80,913 thousand). Investments of EUR 134,208 thousand (2018: EUR 71,529 thousand) were made in property, plant and equipment, mainly related to the establishment and expansion of rotor blade production in Mexico and Spain, turbine production in India, and the procurement of production and assembly equipment for international projects. Development projects of EUR 27,834 thousand (2018: EUR 36,433 thousand) were capitalized.

Cash flow from financing activities amounts to EUR 30,618 thousand (2018: EUR -46,438 thousand) and has resulted from the capital increase as well as cash drawdowns of the syndicated multi-currency guarantee facility. Repayment of the promissory note, the research and development loan from the European Investment Bank and lease liabilities had an offsetting effect.

The reconciliation of cash flow from financing activities to changes in liabilities from financing activities is as follows:

EUR thousand	2019	2018
Cash flows from financing activities	**30,618**	**–46,438**
Capital increase	–97,305	0
Leases	16,964	0
Accrued interest	1,676	7,600
Foreign currency translation	–268	–2,206
Changes in liabilities from financing activities	**–48,315**	**–41,044**

EVENTS AFTER THE REPORTING DATE

Any events occurring after the reporting date caused by economic factors arising prior to 31 December 2019 are included in the consolidated financial statements as at 31 December 2019.

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 conformity for 2019 pursuant to Section 161 of the Stock Corporation Act on 10 December 2020 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 CORPORATE GOVERNANCE BODIES

Management Board

José Luis Blanco, Hamburg/Germany
Chief Executive Officer
(Chairman of the Management Board)

Christoph Burkhard, Hamburg/Germany
Chief Financial Officer

Patxi Landa, Pamplona/Spain
Chief Financial Officer

Supervisory Board

Prof. Dr. Wolfgang Ziebart, Starnberg/Germany
Chairman of the Supervisory Board, chairman of the Management Committee and member of the Strategy and Technology Committee
- Self-employed consultant
- Member of the supervisory board of ASML Holding N.V. (listed)
- Member of the board of directors of Veoneer Inc. (listed)
- Member of the supervisory board of Webasto SE

Juan Muro-Lara, Madrid/Spain
Deputy chairman of the Supervisory Board, member of the Management Committee and member of the Audit Committee
- Chief Strategy & Corporate Development Officer of Acciona S.A. (Acciona Group, listed)
- Chairman of the board of directors of Bestinver Pensiones EGFP S.A.
- Chairman of the board of directors of Fidentiis Equities Sociedad de Valores S.A.
- Deputy Chairman of the board of directors of Bestinver Gestion S.A. SGIIC
- Deputy Chairman of the board of directors of Bestinver S.A.
- Deputy Chairman of the board of directors of Fidentiis Gestion S.A. SGIIC
- Member of the board of directors of Acciona Energia Internacional S.A. (Acciona Group)
- Member of the board of directors of Acciona Global Renewables S.A. (Acciona Group)
- Member of the board of directors of Bestinver Sociedad de Valores S.A.
- Member of the board of directors of Grupo Bodegas Palacio 1984 S.A.

Jan Klatten, Munich
Member of the Management Committee and chairman of the Strategy and Technology Committee
- Managing shareholder of momentum Beteiligungsgesellschaft mbH
- Chairman of the supervisory board of asturia Automotive Systems AG (until September 2018)

Connie Hedegaard, Copenhagen / Denmark
Member of the Audit Committee
- Chairwoman of the board of the Berlingske Media A/S
- 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
- 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. (Acciona Group)
- Chairman of the board of directors of Acciona Energia Internacional S.A. (Acciona Group)
- Member of the board of directors of Acciona Energy Australia Global Ltd. (Acciona Group)
- Member of the board of directors of Acciona Energy Oceania Construction Pty Ltd. (Acciona Group)
- Member of the board of directors of Acciona Energy Oceania Pty Ltd. (Acciona Group)
- Member of the board of directors of Acciona Global Renewables S.A. (Acciona Group)
- Member of the board of directors of Aleph Solar Fields Mexico S.A.P.I. de C.V. (Acciona Group)
- Member of the board of directors of Aleph Solar Fields S.A.P.I. de C.V. (Acciona Group)
- Member of the board of directors of Aleph Solar Fields I S.A.P.I. de C.V. (Acciona Group)
- Member of the board of directors of Aleph Solar Fields II S.A.P.I. de C.V. (Acciona Group)
- Member of the board of directors of Bioetanol Energetico S.A. (Acciona Group)
- Member of the board of directors of Corporacion Acciona Energia Renovables S.L. (Acciona Group)
- Member of the board of directors of Desarrollo Energia Renovables de Navarra S.A. (Acciona Group)
- Member of the board of directors of Energias Renovables Mediterraneas S.A. (Acciona Group)
- Member of the board of directors of Eolicas Mare Nostrum S.L. (Acciona Group)
- Member of the board of directors of Iniciativas Energeticas Renovables S.L. (Acciona Group)
- Member of the board of directors of Operador del Mercado Iberico Espanol S.A. (Acciona Group)
- Member of the board of directors of Tuto Energy I S.A.P.I. de C.V. (Acciona Group)
- Member of the board of directors of Tuto Energy II S.A.P.I. de C.V. (Acciona Group)

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 ABO Invest AB (listed)
- Member of the supervisory board of Kommunalkredit Austria AG (listed)
- Member of the advisory board of Groenleven B.V.

REMUNERATION REPORT

GENERAL INFORMATION

The remuneration report presents the components and effects of the remuneration system and outlines the individual amounts of remuneration paid to the Management Board and Supervisory Board.

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. The latter 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.

The time-limited integration bonus granted in the wake of the merger between Nordex and Acciona Windpower expired as planned in 2018.

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.

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:

	Non performance-related component		Performance-related (bonus) component		Performance-related long-term incentive component		Total	
EUR thousand	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
José Luis Blanco	564.583	564.582	258.930	529.025	513.820	165.835	1.337.333	1.259.442
Christoph Burkhard	358.372	358.370	140.460	362.300	298.114	123.614	796.946	844.284
Patxi Landa	310.607	313.267	170.000	330.300	294.179	95.587	774.786	739.154
Bernard Schäferbarthold	0	0	0	0	0	-450	0	–450

As at 31 December 2019, the total carrying amount of the obligation from the performance-related component with a long-term incentive was EUR 1,480,690 thousand (31 December 2018: EUR 1,014,238 thousand).

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 thousand	2019	2018	Min. 2019	Max. 2019	2019	2018	Min. 2019	Max. 2019
Fixed remuneration	550,000	550,000	550,000	550,000	310,000	310,000	310,000	310,000
Fringe benefits	14,583	14,582	14,583	14,583	607	3,267	607	607
Fixed income	**564,583**	**564,582**	**564,583**	**564,583**	**310,607**	**313,267**	**310,607**	**310,607**
Bonus	**350,000**	**350,000**	**0**	**700,000**	**200,000**	**200,000**	**0**	**400,000**
Performance Share Unit Plan 2019-2021	340,449	0	0	1,050,000	194,543	0	0	600,000
Performance Share Unit Plan 2018-2020	0	417,435	0	0	0	238,534	0	0
Multi-year variable remuneration	**340,449**	**417,435**	**0**	**1,050,000**	**194,543**	**238,534**	**0**	**600,000**
Total remuneration	**1,255,032**	**1,332,017**	**564,583**	**2,314,583**	**705,150**	**751,801**	**310,607**	**1,310,607**

	Christoph Burkhard			
EUR thousand	2019	2018	Min. 2019	Max. 2019
Fixed remuneration	350,000	350,000	350,000	350,000
Fringe benefits	8,372	8,370	8,372	8,372
Fixed income	**358,372**	**358,370**	**358,372**	**358,372**
Bonus	**200,000**	**200,000**	**0**	**400,000**
Performance Share Unit Plan 2019-2021	194,543	0	0	600,000
Performance Share Unit Plan 2018-2020	0	238,534	0	0
Multi-year variable remuneration	**194,543**	**238,534**	**0**	**600,000**
Total remuneration	**752,915**	**796,904**	**358,372**	**1,358,372**

The following table shows the inflows from the fixed income, the bonus, and the multi-year variable remuneration, the scheduled term of which ended in the reporting year:

Benefits received pursuant to GCGC

	José Luis Blanco		Christoph Burkhard		Patxi Landa		Bernard Schäferbarthold	
EUR thousand	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Fixed remuneration	550,000	550,000	350,000	350,000	310,000	310,000	0	0
Fringe benefits	14,583	14,582	8,372	8,370	607	3,267	0	0
Fixed income	**564,583**	**564,582**	**358,372**	**358,370**	**310,607**	**313,267**	**0**	**0**
Bonus	**258,930**	**529,025**	**140,460**	**362,300**	**170,000**	**330,300**	**0**	**0**
Performance Share Unit Plan 2017-2019	95,475	0	63,654	0	55,699	0	0	0
Performance Share Unit Plan 2016-2018	0	32,422	0	25,936	0	19,458	0	6,485
Integration bonus 2016-2018	0	222,144	0	194,376	0	138,840	0	0
Multi-year variable remuneration	**95,475**	**254,566**	**63,654**	**220,312**	**55,699**	**158,298**	**0**	**6,485**
Total remuneration	**918,888**	**1,348,173**	**562,486**	**940,982**	**536,306**	**801,865**	**0**	**6,485**

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 (2018: 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 (2018: 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:

	Non performance-related component		Performance-related (bonus) component		Performance-related long-term incentive component		Total	
EUR thousand	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
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 2019.

FORMER MEMBERS OF THE MANAGEMENT BOARD

Provisions of EUR 435 thousand (2018: EUR 399 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:

EUR thousand	2019	2018
Auditing services	570	638
Tax advisory services	63	72
Other assurance services	48	312
Other services	33	165
	714	**1,187**

The auditing services include the fees for the audit of the consolidated financial statements and the statutory audit of Nordex SE and its subsidiaries. Tax advisory services primarily include fees for the audit of processes related to taxes and internal transfer pricing. Other assurance services mainly comprise fees for and statutory or contractually agreed assurance services while other services mainly concern fees paid for project-related consultancy services.

Nordex SE, Rostock, 20 March 2020

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 2019

	Cost						
EUR thousand	**Opening balance 31.12.2018**	**Transition from IAS 17 to IFRS 16**	**Opening balance 01.01.2019**	**Additions**	**Initial consolida-tion**	**Disposals**	**Reclassi-fications**
Property, plant and equipment							
Land and buildings	140,098	70,438	210,536	47,011	0	20,581	283
Technical equipment and machinery	267,644	0	267,644	68,401	0	10,945	17,446
Other fixtures and fittings, tools and equipment	91,977	7,021	98,998	36,481	0	5,372	–2,841
Prepayments made and assets under construction [1]	24,445	0	24,445	28,825	7,382	1,225	–14,888
Gesamt	**524,164**	**77,459**	**601,623**	**180,718**	**7,382**	**38,123**	**0**
Intangible assets							
Goodwill	552,259	0	552,259	0	0	0	0
Capitalized development expenses	416,503	0	416,503	27,834	0	104	0
Other intangible assets [2]	149,867	0	149,867	10,469	8,017	3,695	0
Total	**1,118,629**	**0**	**1,118,629**	**38,303**	**8,017**	**3,799**	**0**

[1] of which prepayments made with a carrying amount as at 31 December 2019 of EUR 21,486 thousand

[2] of which prepayments made with a carrying amount as at 31 December 2019 of EUR 5,350 thousand

			Depreciation / amortization							Carrying amount
	Currency translation	Closing balance 31.12.2019	Opening balance 01.01.2019	Additions	Initial consolida-tion	Disposals	Reclassi-fications	Currency translation	Closing balance 31.12.2019	31.12.2019
	114	237,363	51,753	20,339	0	16,573	0	140	55,659	181,704
	–1,403	341,143	146,922	44,517	0	9,624	–1	–793	181,021	160,122
	–66	127,200	57,778	19,124	0	3,733	1	26	73,196	54,004
	–278	44,261	1,600	–378	0	1,225	0	4	1	44,260
	–1,633	**749,967**	**258,053**	**83,602**	**0**	**31,155**	**0**	**–623**	**309,877**	**440,090**
	0	552,259	4,501	0	0	0	0	0	4,501	547,758
	–19	444,214	209,965	45,762	0	2	0	–1	255,724	188,490
	823	165,481	125,251	14,044	641	2,640	0	861	138,157	27,324
	804	**1,161,954**	**339,717**	**59,806**	**641**	**2,642**	**0**	**860**	**398,382**	**763,572**

STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2018

	Cost						
EUR thousand	**Opening balance 01.01.2018**	**Additions**	**Disposals**	**Reclassi-fications**	**Currency translation**	**Opening balance 31.12.2018**	**Ope°ning balance 01.01.2018**
Property, plant and equipment							
Land and buildings	140,226	4,171	4,574	0	275	140,098	45,724
Technical equipment and machinery	235,903	37,855	3,344	4,717	–7,487	267,644	115,208
Other fixtures and fittings, tools and equipment	89,015	11,802	5,624	–2,191	–1,025	91,977	49,573
Prepayments made and assets under construction [1]	30,331	17,701	20,811	–2,819	43	24,445	1,603
Total	**495,475**	**71,529**	**34,353**	**–293**	**–8,194**	**524,164**	**212,108**
Intangible assets							
Goodwill	552,259	0	0	0	0	552,259	4,501
Capitalized development expenses	377,824	36,433	3,073	5,325	–6	416,503	157,782
Other intangible assets [2]	155,446	4,891	725	–5,032	–4,713	149,867	83,241
Total	**1,085,529**	**41,324**	**3,798**	**293**	**–4,719**	**1,118,629**	**245,524**

[1] of which prepayments made with a carrying amount as at 31 December 2018 of EUR 14,702 thousand

[2] of which prepayments made with a carrying amount as at 31 December 2018 of EUR 5,350 thousand

	Depreciation / amortization					Carrying amount
	Additions	Disposals	Reclassifications	Currency translation	Closing balance 31.12.2018	31.12.2018
	6,067	123	0	85	51,753	88,345
	36,947	2,769	–6	–2,458	146,922	120,722
	11,982	3,571	6	–212	57,778	34,199
	0	0	0	–3	1,600	22,845
	54,996	**6,463**	**0**	**–2,588**	**258,053**	**266,111**
	0	0	0	0	4,501	547,758
	55,178	2,993	0	–2	209,965	206,538
	45,669	689	0	–2,970	125,251	24,616
	100,847	**3,682**	**0**	**–2,972**	**339,717**	**778,912**

LIST OF SHAREHOLDINGS

AS AT 31 DECEMBER 2019

	Currency	Share in capital in %	Net profit/loss 01.01.–31.12.2019	Equity 01.01.–31.12.2019	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	–	–114,122,736.06	750,103,847.38	–
Alfresco Renewable Energy Private Limited, Bangalore/India[2]	EUR	99.99/0.01	–551,774.76	1,247.08	Nordex Windpark Beteiligung GmbH/Nordex Energy Internacional S.L.
Corporacion Nordex Energy Spain S.L., Barasoain/Spain[3]	EUR	100.00	–1,791.81	7,619,760.00	Nordex SE
Eolicos R4E S.A. de C.V., Tegucigalpa/Honduras[3]	EUR	100.00	–1,417,540.25	–8,713,513.88	Nordex USA Management LLC
Industria Toledana de Energias Renovables S.L., Barasoain/Spain[3]	EUR	100.00	542,871.52	350,000.00	Nordex Energy Spain S.A.
Limited Liability Company Nordex Energy Ukraine, Kiev/Ukraine[3]	EUR	100.00	–88,283.62	–86,412.32	Nordex Energy B.V.
Nordex (Beijing) Wind Power Engineering & Technology Co. Ltd., Beijing/PR China[3]	EUR	100.00	–438,357.23	322,770.33	Nordex Energy GmbH
Nordex Blade Technology Center ApS, Kirkeby/Denmark[3]	EUR	100.00	4,874,334.95	1,274,589.37	Nordex SE
Nordex Blades Spain S.A., Barasoain/Spain[3]	EUR	100.00	–6,506,656.69	–8,205,208.75	Nordex Energy Spain S.A.
Nordex (Chile) SpA, Santiago/Chile[3]	EUR	100.00	–1,293,127.81	–5,019,816.21	Nordex Windpark Beteiligung GmbH
Nordex Education Trust, Cape Town/South Africa[3]	EUR	100.00	10,159.70	10,691.07	Nordex Energy South Africa RF (Pty.) Ltd.

List of shareholdings

	Currency	Share in capital in %	Net profit/loss 01.01.–31.12.2019	Equity 01.01.–31.12.2019	Equity investment via
Consolidated affiliated companies (figures as per statutory financial statements or financial statements prepared based on uniform Group accounting principles)					
Nordex Electrane d.o.o., Split/Croatia [3]	EUR	100.00	242,784.10	824,745.64	Nordex Energy Internacional S.L.
Nordex Employee Holding GmbH, Hamburg [3]	EUR	100.00	29,530.93	269,729.36	Nordex SE
Nordex Energy Brasil – Comercio e Industria de Equipamentos Ltda., Sao Paulo/Brazil [3]	EUR	99.00/1.00	–136,540,710.18	–215,882,694.31	Nordex Energy Internacional S.L./ Nordex Energy Spain S.A.
Nordex Energy B.V., Rotterdam/Netherlands [3]	EUR	100.00	–1,272,933.62	19,275,226.12	Nordex SE
Nordex Energy Chile S.A., Santiago/Chile [3]	EUR	99.00/1.00	4,899,205.05	3,659,816.26	Nordex Energy Internacional S.L./ Nordex Energy Spain S.A.
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	–886,959.58	8,497,093.23	Nordex Energy B.V.
Nordex Energy Internacional S.L., Barasoain/Spain [3]	EUR	100.00	–960,980.23	6,553,100.00	Nordex Energy Spain S.A.
Nordex Energy Ireland Ltd., Dublin/Ireland [3]	EUR	100.00	2,123,453.24	7,047,968.99	Nordex Energy B.V.
Nordex Energy Romania S.r.l., Bucharest/Romania [3]	EUR	99.98/0.02	2,134,406.50	2,436,730.51	Nordex Energy B.V./Nordex Energy GmbH
Nordex Energy South Africa RF (Pty.) Ltd., Cape Town/South Africa [3]	EUR	80.00/20.00	–14,224,364.72	–5,362,593.41	Nordex Energy GmbH/Nordex Education Trust
Nordex Energy Spain S.A., Barasoain/Spain [3]	EUR	100.00	–11,718,429.28	26,402,403.48	Corporacion Nordex Energy Spain S.L.
NordexEnergy Uruguay S.A., Montevideo/Uruguay [3]	EUR	100.00	–11,926,922.20	–51,106,364.49	Nordex Energy B.V.
Nordex Enerji A.S., Istanbul/Turkey [3]	EUR	17.15/82.31/0.18/0.18/0.18	6,149,643.79	25,650,226.63	Nordex Energy B.V./Nordex SE/Nordex Energy GmbH/Nordex Windpark Beteiligung GmbH/Nordex Grundstücksverwaltung GmbH
Nordex Forum II GmbH & Co. KG, Hamburg [3]	EUR	100.00	1,554,674.41	406,641.50	Nordex Energy GmbH
Nordex Forum II Verwaltungs GmbH, Hamburg [3]	EUR	100.00	–7,308.34	15,880.36	Nordex Energy GmbH

List of shareholdings

	Currency	Share in capital in %	Net profit/loss 01.01.–31.12.2019	Equity 01.01.–31.12.2019	Equity investment via
Consolidated affiliated companies (figures as per statutory financial statements or financial statements prepared based on uniform Group accounting principles)					
Nordex France S.A.S., Paris/France [3]	EUR	100.00	20,591,985.68	104,595,295.19	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	–1,792,753.36	–3,539,358.22	Nordex Energy GmbH
Nordex India Private Limited, Bangalore/India [2]	EUR	99.99/0.01	–11,759,309.88	16,170,689.20	Nordex Energy Internacional S.L./ Nordex Energy Spain S.A.
Nordex Italia S.r.l., Rome/Italy [3]	EUR	100.00	309,019.01	26,400,854.70	Nordex Energy B.V.
Nordex Oceania Pty. Ltd., Melbourne/Australia [3]	EUR	100.00	–2,281,657.31	–9,300,154.98	Nordex Energy Internacional S.L.
Nordex Offshore GmbH, Hamburg [3]	EUR	100.00	–804,616.42	–11,675,296.52	Nordex SE
Nordex Pakistan (Private) Ltd., Islamabad/Pakistan [3]	EUR	100.00	–1,959,158.93	–12,790,460.13	Nordex Energy GmbH
Nordex Polska Sp. z o.o., Warsaw/Poland [3]	EUR	99.00/1.00	1,147,137.57	14,714,948.10	Nordex Energy B.V./Nordex Energy GmbH
Nordex Singapore Equipment Private Ltd., Singapore/ Singapore [3]	EUR	100.00	–614,429.91	–8,244,364.99	Nordex Energy GmbH
Nordex Singapore Service Private Ltd., Singapore/ Singapore [3]	EUR	100.00	–632,371.17	–3,662,196.15	Nordex Energy GmbH
Nordex Sverige AB, Uppsala/ Sweden [3]	EUR	100.00	–8,503,277.11	–25,960,808.26	Nordex Energy B.V.
Nordex Towers Spain S.L., Barasoain/Spain [3]	EUR	100.00	–37,449.82	580,000.00	Nordex Energy Spain S.A.
Nordex UK Ltd., Manchester/ United Kingdom [3]	EUR	100.00	–9,122,930.29	–8,129,094.03	Nordex Energy B.V.
Nordex USA Inc., Chicago/USA [3]	EUR	78.35/21.65	–38,216,521.88	13,973,521.30	Nordex Energy Internacional S.L./ Nordex Energy B.V.
Nordex USA Management LLC, Chicago/USA [3]	EUR	100.00	4,605.09	67,050.55	Nordex USA Inc.
Nordex Windpark Beteiligung GmbH, Hamburg [1, 3]	EUR	100.00	0.00	74,825.12	Nordex SE

List of shareholdings

	Currency	Share in capital in %	Net profit/loss 01.01.–31.12.2019	Equity 01.01.–31.12.2019	Equity investment via
Consolidated affiliated companies (figures as per statutory financial statements or financial statements prepared based on uniform Group accounting principles)					
Nordex Windpower Peru S.A., Lima/Peru [3]	EUR	99.99/0.01	214,175.66	–1,286,047.18	Nordex Energy Internacional S.L./ Nordex Energy Spain S.A.
Nordex Windpower Rüzgar Enerjisi Sistemleri Anonim Sirketi, Istanbul/Turkey [3]	EUR	100.00	–2,092,381.73	–2,613,435.44	Nordex Energy Internacional S.L.
Nordex Windpower S.A., Buenos Aires/Argentina [3]	EUR	97.80/2.20	–15,993,520.34	–17,585,830.06	Nordex Energy Internacional S.L./ Nordex Energy Spain S.A.
NPV Dritte Windpark GmbH & Co. KG, Hamburg [3]	EUR	100.00	–14,581.88	–19,678.31	Nordex Grundstücksverwaltung GmbH
NX Energy Mexico S. de R.L. de C.V., Mexico City/Mexico [3]	EUR	99.97/0.03	–10,327,597.35	141.37	Nordex Energy Internacional S.L./ Nordex Energy Spain S.A.
Parque Eolico Llay-Llay SpA, Santiago/Chile [3]	EUR	100.00	–905.73	–2,394,740.96	Nordex (Chile) SpA
Ravi Urja Energy India Private Limited, Bangalore/India [2]	EUR	100.00	–498,275.92	1,918,031.11	Nordex Windpark Beteiligung GmbH
Shanghai Nordex Windpower Co. Ltd., Shanghai/PR China [3]	EUR	100.00	–748,670.46	191,803.65	Nordex Energy Internacional S.L.
Solar Fields Energy Photo Voltaic India Private Limited, Bangalore/India [2]	EUR	100.00	–35,294.87	1,113,511.37	Nordex Windpark Beteiligung GmbH
Way Wind, LLC, Delaware/USA [3]	EUR	100.00	0.00	–64,363.07	Nordex USA Inc.

List of shareholdings

	Currency	Share in capital in %	Net profit/loss 01.01.–31.12.2019	Equity 01.01.–31.12.2019	Equity investment via
Non-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	157,117.87	746,587.44	Nordex France S.A.S.
Farma Wiatrowa Kwidzyn Sp. z o.o., Warsaw/Poland [3]	EUR	100.00	–280,933.27	–2,863,880.05	Nordex Windpark Beteiligung GmbH
Farma Wiatrowa Liw Sp. z o.o., Warsaw/Poland [3]	EUR	99.00/1.00	–12,162.83	–110,107.12	Nordex Windpark Beteiligung GmbH/Nordex Energy GmbH
Farma Wiatrowa NXD V Sp. z o.o., Warsaw, Poland [3]	EUR	99.00/1.00	–18,672.18	–97,108.30	Nordex Windpark Beteiligung GmbH/Nordex Energy GmbH
Farma Wiatrowa Rozdrazew Sp. z o.o., Warsaw/Poland [3]	EUR	99.00/1.00	–110,641.27	–595,843.45	Nordex Windpark Beteiligung GmbH/Nordex Energy GmbH
Farma Wiatrowa Wymyslow Sp. z o.o., Warsaw/Poland [3]	EUR	99.00/1.00	–39,546.13	–176,340.08	Nordex Windpark Beteiligung GmbH
Gregal Power Private Limited, Bangalore/India [2]	EUR	99,99/0,01	–12,680.47	38,659.48	Nordex India Private Limited/Nordex Energy Internacional S.L.
Leveche Energy Private Limited, Bangalore/India [2]	EUR	99.99/0.01	–11,310.80	38,659.48	Nordex Windpark Beteiligung GmbH/Nordex Energy Internacional S.L.
NAWM Servicios Administrativos, Mexico City/Mexico [3]	EUR	0.05/99.95	123,632.01	942.45	Nordex Enerrgy Internacional S.L./NX Energy Mexico S. de R.L. de C.V.
NAWM Servicios de Obra, Mexico City/Mexico [3]	EUR	0.0025/99.9975	198,071.38	1,884.95	Nordex Enerrgy Internacional S.L./NX Energy Mexico 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	Nordex Enerrgy Internacional S.L./NX Energy Mexico S. de R.L. de C.V.
NAWM Servicios Tecnicos, Mexico City/Mexico [3]	EUR	0.0025/99.9975	917.82	0.00	Nordex Enerrgy Internacional S.L./NX Energy Mexico S. de R.L. de C.V.
Nordex Desarrollo 1 S.L., Barasoain/Spain [3]	EUR	100.00	0.00	3,000.00	Nordex Energy Spain S.A.

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Non-consolidated affiliated companies (figures as per statutory financial statements or financial statements prepared based on uniform Group accounting principles)					
Nordex Desarrollo 2 S.L., Barasoain/Spain [3]	EUR	100.00	0.00	3,000.00	Nordex Energy Spain S.A.
Nordex Energy Cortes S.L., Barasoain/Spain [3]	EUR	100.00	0.00	3,000.00	Nordex Energy Spain S.A.
Nordex Energy Judas S.L., Barasoain/Spain [3]	EUR	100.00	0.00	3,000.00	Nordex Energy Spain S.A.
Nordex Energy Orcoien S.L., Barasoain/Spain [3]	EUR	100.00	0.00	3,000.00	Nordex Energy Spain S.A.
Nordex Energy Quel S.L., Barasoain/Spain [3]	EUR	100.00	0.00	3,000.00	Nordex Energy Spain S.A.
Nordex Energy Ribaforada S.L., Barasoain/Spain [3]	EUR	100.00	0.00	3,000.00	Nordex Energy Spain S.A.
Nordex Energy Tafalla S.L., Barasoain/Spain [3]	EUR	100.00	0.00	3,000.00	Nordex Energy Spain S.A.
Nordex Windpark Verwaltung GmbH, Hamburg [3]	EUR	100.00	–600.83	49,351.49	Nordex SE
Nordex (Yinchuan) Wind Power Equipment Manufacturing Co. Ltd., Ningxia/PR China [4]	EUR	100.00	0.00	0.00	Nordex Energy GmbH
Nouvions poste de raccordement, Paris/France [3]	EUR	100.00	–2,115.45	–1,923.86	Parc Eolien Nordex LXIV
Parc Eolien Nordex 71 S.A.S., Paris/France [3]	EUR	100.00	–2,068.98	–7,039.40	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex 72 S.A.S., Paris/France [3]	EUR	100.00	–28,413.63	1,452.50	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex 73 S.A.S., Paris/France [3]	EUR	100.00	–2,068.78	28,461.14	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex 74 S.A.S., Paris/France [3]	EUR	100.00	–2,068.78	28,729.08	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex 75 S.A.S., Paris/France [3]	EUR	100.00	–2,068.78	28,152.67	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex 76 S.A.S., Paris/France [3]	EUR	100.00	–2,540.37	28,678.25	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex 77 S.A.S., Paris/France [3]	EUR	100.00	–2,068.78	28,693.98	Nordex Windpark Beteiligung GmbH

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Non-consolidated affiliated companies (figures as per statutory financial statements or financial statements prepared based on uniform Group accounting principles)					
Parc Eolien Nordex 78 S.A.S., Paris/France[3]	EUR	100.00	–2,068.78	29,149.00	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex 79 S.A.S., Paris/France[3]	EUR	100.00	–2,188.78	28,131.14	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex 80 S.A.S., Paris/France[3]	EUR	100.00	–2,068.78	28,138.98	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex 81 S.A.S., Paris/France[3]	EUR	100.00	–2,124.77	28,071.06	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex 82 S.A.S., Paris/France[3]	EUR	100.00	–2,068.78	27,562.95	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex 83 S.A.S., Paris/France[3]	EUR	100.00	–2,068.78	29,149.00	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex 84 S.A.S., Paris/France[3]	EUR	100.00	–2,013.83	34,986.17	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex 85 S.A.S., Paris/France[3]	EUR	100.00	–2,015.41	34,984.59	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex 86 S.A.S., Paris/France[3]	EUR	100.00	–2,015.11	34,984.89	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex 87 S.A.S., Paris/France[3]	EUR	100.00	–2,015.41	34,984.59	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex 88 S.A.S., Paris/France[3]	EUR	100.00	–2,013.83	34,986.17	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex 89 S.A.S., Paris/France[3]	EUR	100.00	–2,013.83	34,986.17	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex 90 S.A.S., Paris/France[3]	EUR	100.00	–2,013.83	34,986.17	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex 91 S.A.S., Paris/France[3]	EUR	100.00	–1,983.31	35,016.69	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex 92 S.A.S., Paris/France[3]	EUR	100.00	–1,994.94	35,005.06	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex 93 S.A.S., Paris/France[3]	EUR	100.00	–1,984.94	35,015.06	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex 94 S.A.S., Paris/France[3]	EUR	100.00	–1,998.09	35,001.91	Nordex Windpark Beteiligung GmbH

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	Currency	Share in capital in %	Net profit/loss 01.01.–31.12.2019	Equity 01.01.–31.12.2019	Equity investment via
Non-consolidated affiliated companies (figures as per statutory financial statements or financial statements prepared based on uniform Group accounting principles)					
Parc Eolien Nordex 95 S.A.S., Paris/France[3]	EUR	100.00	–1,987.67	35,012.33	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex 96 S.A.S., Paris/France[3]	EUR	100.00	–1,994.94	35,005.06	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex 97 S.A.S., Paris/France[3]	EUR	100.00	–1,994.94	35,005.06	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex 98 S.A.S., Paris/France[3]	EUR	100.00	–1,194.94	35,005.06	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex 99 S.A.S., Paris/France[3]	EUR	100.00	–1,993.31	35,006.69	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex 100 S.A.S., Paris/France[3]	EUR	100.00	–1,993.31	35,006.69	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex I S.A.S., Paris/France[3]	EUR	100.00	–2,539.21	7,167.26	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex III S.A.S., Paris/France[3]	EUR	100.00	–37,112.13	–70,211.47	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex IV S.A.S., Paris/France[3]	EUR	100.00	–9,419.06	–5,273.89	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex VII S.A.S., Paris/France[3]	EUR	100.00	–5,530.74	5,439.67	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex X S.A.S., Paris/France[3]	EUR	100.00	–2,539.05	7,619.93	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex XX S.A.S., Paris/France[3]	EUR	100.00	–232,306.75	–331,119.38	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex XXII S.A.S., Paris/France[3]	EUR	100.00	–2,539.21	8,971.62	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex XXIX S.A.S., Paris/France[3]	EUR	100.00	–3,941.67	6,950.97	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex XXX S.A.S., Paris/France[3]	EUR	100.00	–23,016.38	–50,509.56	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex XXXI S.A.S., Paris/France[3]	EUR	100.00	–2,538.97	9,134.20	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex XXXII S.A.S., Paris/France[3]	EUR	100.00	–37,789.19	–76,871.37	Nordex Windpark Beteiligung GmbH

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Non-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	–3,035.56	23,859.35	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex LVI S.A.S., Paris/France[3]	EUR	100.00	–38,344.24	–75,418.15	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex LVII S.A.S., Paris/France[3]	EUR	100.00	–3,418.28	22,853.84	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex LVIII S.A.S., Paris/France[3]	EUR	100.00	–2,292.62	24,823.02	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex LIX S.A.S., Paris/France[3]	EUR	100.00	–38,616.09	–57,424.15	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex LX S.A.S., Paris/France[3]	EUR	100.00	–3,414.52	23,308.20	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex LXI S.A.S., Paris/France[3]	EUR	100.00	–25,598.24	–2,380.69	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex LXII S.A.S., Paris/France[3]	EUR	100.00	–2,243.21	26,670.63	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex LXIII S.A.S., Paris/France[3]	EUR	100.00	–2,246.07	26,848.23	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex LXIV S.A.S., Paris/France[3]	EUR	100.00	–58,225.55	–103,372.67	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex LXVI S.A.S., Paris/France[3]	EUR	100.00	–48,216.03	–22,833.38	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex LXVII S.A.S., Paris/France[3]	EUR	100.00	–2,973.94	24,906.76	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex LXVIII S.A.S., Paris/France[3]	EUR	100.00	–3,813.75	24,156.17	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex LXIX S.A.S., Paris/France[3]	EUR	100.00	–2,068.78	28,218.71	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex LXX S.A.S. Paris/France[3]	EUR	100.00	–2,127.98	27,328.84	Nordex Windpark Beteiligung GmbH
Parc Eolien Nordex Belgique I (SPRC), Brussels/Belgium[3]	EUR	99.00/1.00	–8,792.74	–26,616.84	Nordex Windpark Beteiligung GmbH/Nordex Energy GmbH

List of shareholdings

	Currency	Share in capital in %	Net profit/loss 01.01.–31.12.2019	Equity 01.01.–31.12.2019	Equity investment via
Non-consolidated affiliated companies (figures as per statutory financial statements or financial statements prepared based on uniform Group accounting principles)					
Parc Eolien Nordex Belgique II (SPRC), Brussels/Belgium[3]	EUR	99.00/1.00	–7,257.00	–14,861.07	Nordex Windpark Beteiligung GmbH/ Nordex Energy GmbH
Parque Eolico Vasco Viejo S.A., Buenos Aires/Argentina[3]	EUR	60.00	0.00	65,760.00	Nordex Windpower S.A.
San Marcos Colon Holding, Inc., Chicago/USA[3]	EUR	100.00	0.00	0.00	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	–15,080.08	–65,335.18	Nordex Grundstücksverwaltung GmbH
Shri Saai Pasumai Private Limited, Bangalore/India[2]	EUR	99.99/0.01	–10,715.71	1,010,134.80	Nordex Windpark Beteiligung GmbH/Nordex Energy Internacional S.L.
South Kinetic Wind Energy Private Limited, Banalore/India[2]	EUR	99.99/0.01	–11,893.72	38,659.48	Nordex India Private Limited/Nordex Energy Internacional S.L.
Terral Energy Private Limited, Bangalore/India[2]	EUR	99.99/0.01	–11,892.57	38,659.48	Nordex Windpark Beteiligung GmbH/Nordex Energy Internacional S.L.
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.
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.

List of shareholdings

	Currency	Share in capital in %	Net profit/loss 01.01.–31.12.2019	Equity 01.01.–31.12.2019	Equity investment via
Non-consolidated affiliated companies (figures as per statutory financial statements or financial statements prepared based on uniform Group accounting principles)					
Vindkraftpark Aurvandil AB, Uppsala/Sweden [3]	EUR	100.00	–46.62	5,370.45	Nordex Windpark Beteiligung GmbH
Vindkraftpark Brynhild AB, Uppsala/Sweden [3]	EUR	100.00	–57.43	3,570.57	Nordex Sverige AB

List of shareholdings

	Currency	Share in capital in %	Net profit/loss 01.01.–31.12.2019	Equity 01.01.–31.12.2019	Equity investment via
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	2,369,457.87	11,247,508.49	Nordex Windpark Beteiligung GmbH
GN Renewable Investments S.a.r.l., Luxembourg/Luxembourg[3]	EUR	30.00	4,169,102.30	269,429.19	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	−2,037.00	−13,445.00	Nordex France S.A.S.
Eoliennes du Pays D'Auge, Nimes/France[3]	EUR	49.90	−2,026.00	34,974.00	Nordex Windpark Beteiligung GmbH
Fond du Moulin, Pontarme/France[3]	EUR	25.00	−45,491.38	−96,164.13	Nordex Windpark Beteiligung GmbH
Kvällaliden AB, Stockholm/Sweden[3]	EUR	50.00	0.00	4,786.16	Nordex Sverige AB
Parc Eolien Nordex II S.A.S., Paris/France[3]	EUR	34.92	420,741.00	1,019,007.00	Nordex Employee Holding GmbH
Rose Windfarm AB, Stockholm/Sweden[3]	EUR	50.00	0.00	4,786.16	Nordex Sverige AB
Vent d'est S.a.r.l., Paris/France[3]	EUR	50.00	−948.98	−10,515.90	Nordex France S.A.S.
Ventus Kwidzyn Sp. z o.o., Gorki/Poland[3]	EUR	50.00	−69,193.31	−919,023.49	Farma Wiatrowa Kwidzyn Sp. z o.o.
Way Wind, LLC, Nebraska/USA[3]	EUR	50.00	0.00	0.00	Way Wind, LLC
WP France 15 S.A.S., Puteaux/France[3]	EUR	40.00	−22,899.84	−24,473.59	Nordex Windpark Beteiligung GmbH

[1] Profit and loss transfer agreement; net profit/loss and equity after transfer of profit or loss
[2] Different financial year from 1 April to 31 March; financial statements as at 31 March 2019
[3] Preliminary annual financial statements as at 31 December 2019
[4] in liquidation

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, 20 March 2020

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 2019, 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 2019, 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 2019. 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 2019, and of its financial performance for the financial year from 1 January to 31 December 2019, 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 2019. 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 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 € 547.8 million (13.7 % 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 executive directors 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 executive directors 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 € 20.2 million is based to a large extent on the estimates and assumptions of the executive directors 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 executive directors 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 executive directors 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 Revenue accounting

1 The consolidated financial statements of the Company show a revenue of € 3,284.6 million. The revenue is mainly attributable to the production and erection of wind turbines (project business) and the subsequent servicing (service business). Revenue recognition and deferral is significantly affected by the Company's assessment of the time or period to satisfy its performance obligations. The distribution of revenue from service contracts is linked to the expected cost distribution over the corresponding contract term (over time), while the performance obligations and revenue recognition on the sale of wind turbines depend on the respective contract specifications. The Group has implemented group-wide processes to account for revenue in accordance with IFRS 15.

Revenue recognition and deferral in accordance with IFRS 15 is to be considered complex and relies on the estimates and assumptions of the executive directors. 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 throughout the financial year. We have also included our internal specialists in the evaluation of the estimates and assumptions of the executive directors in relation to revenue recognition and deferral. 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.

We were able to verify that the established processes and internal controls are adequate and that the estimates and assumptions of the executive directors are sufficiently documented and justified to ensure that the revenue accounting is appropriate.

3 The information provided by the Company on revenue accounting in accordance with IFRS 15 is 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 June 4, 2019. We were engaged by the supervisory board on November 26, 2019. 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, March 20, 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Claus Brandt	Benjamin Mechel
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

FINANCIAL CALENDAR, IMPRINT AND CONTACT

FINANCIAL CALENDAR

Date	
March 24, 2020	Publication of 2018 Annual Report
May 11, 2020	Publication of quarterly financial report (call-date Q1)
August 13, 2020	Publication of half-yearly financial report
November 13, 2020	Publication of quarterly financial report (call-date Q3)

IMPRINT AND CONTACT

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