

# Suzlon Energy Limited

9M FY19

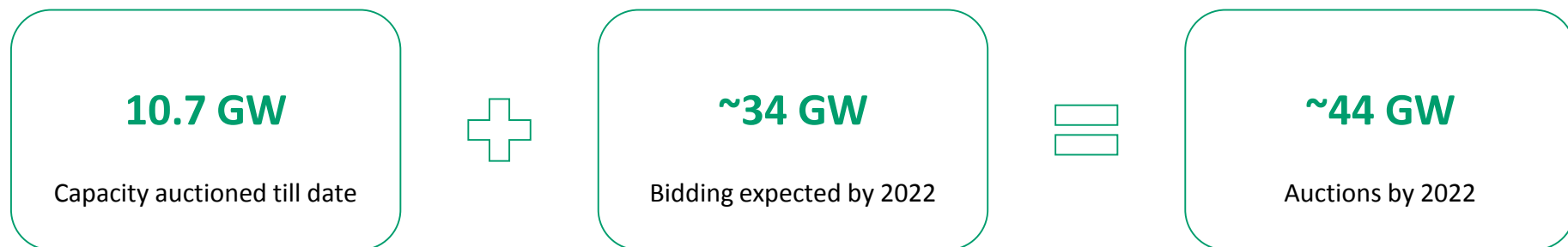
07 February 2019



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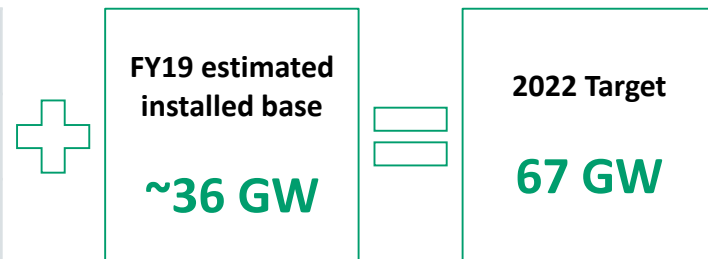
## Industry Poised For Huge Growth



Will lead to

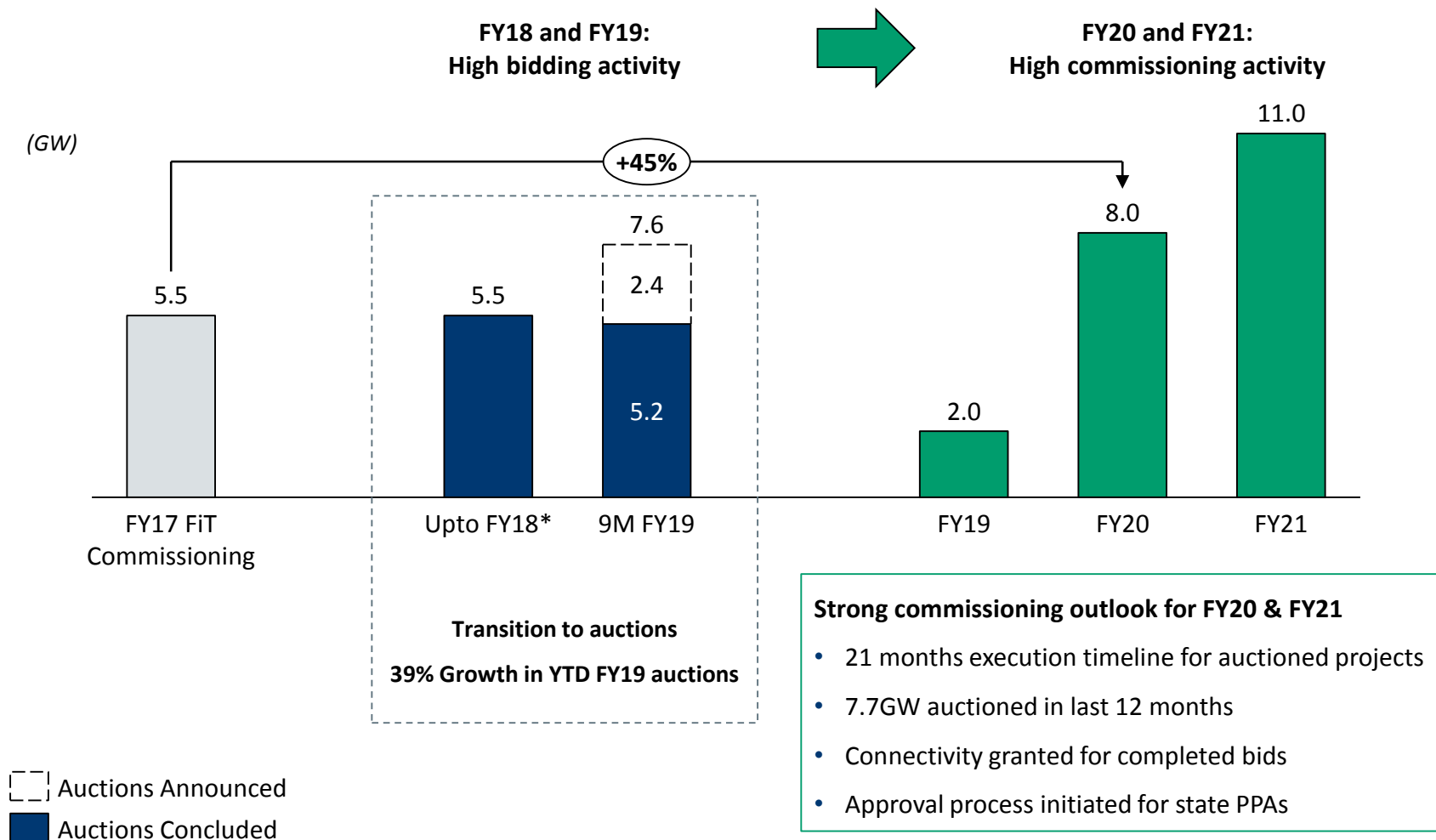
Year	FY20	FY21	FY22	Total
Turbine Supply	11 GW	12 GW	12 GW	35 GW
Commissioning	8 GW	11 GW	12 GW	31 GW

Source: Internal estimates



***Government pushing industry to achieve its 67 GW target for wind by 2022***

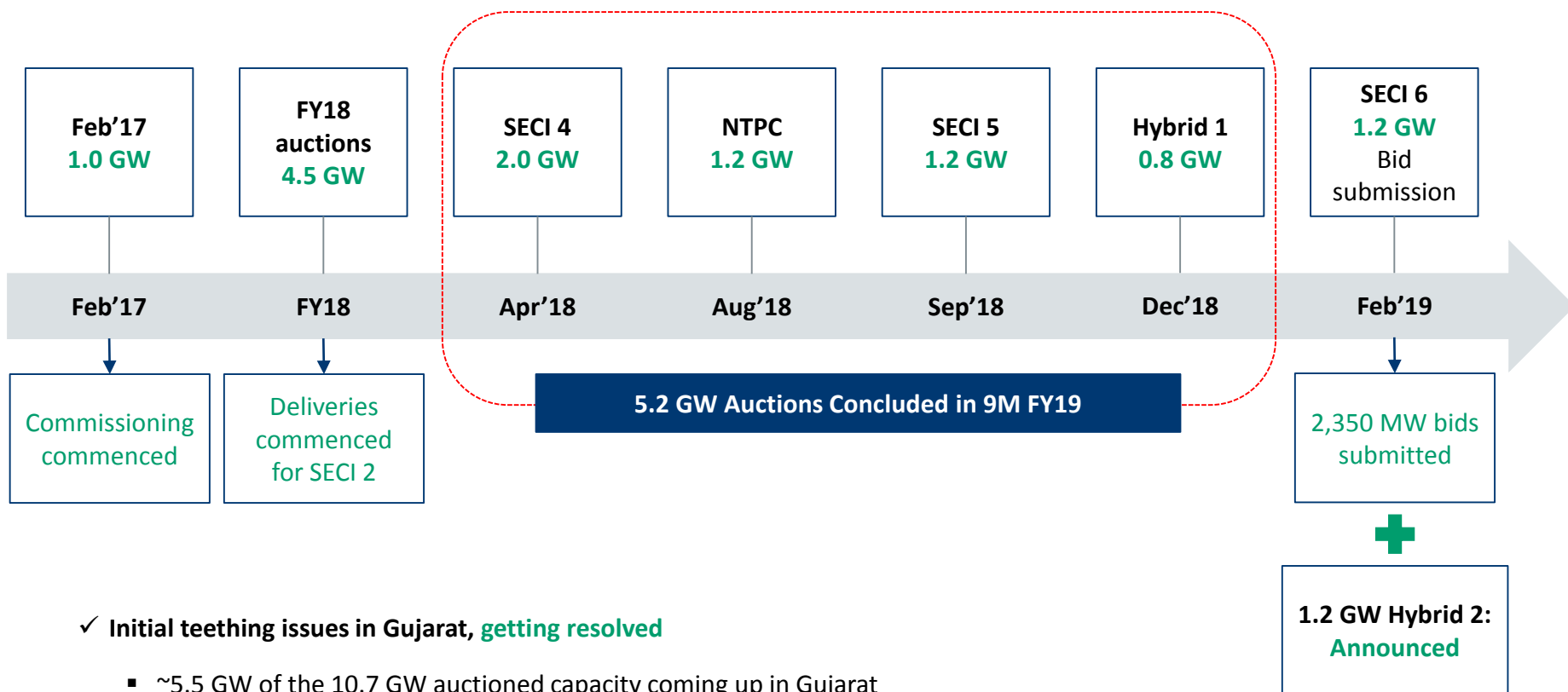
## FY20 Onwards: Strong Uptick In Volumes



\* Includes 1GW auctioned in Feb'17

**Long term outlook remains bullish**

## Traction In Auctions In FY19



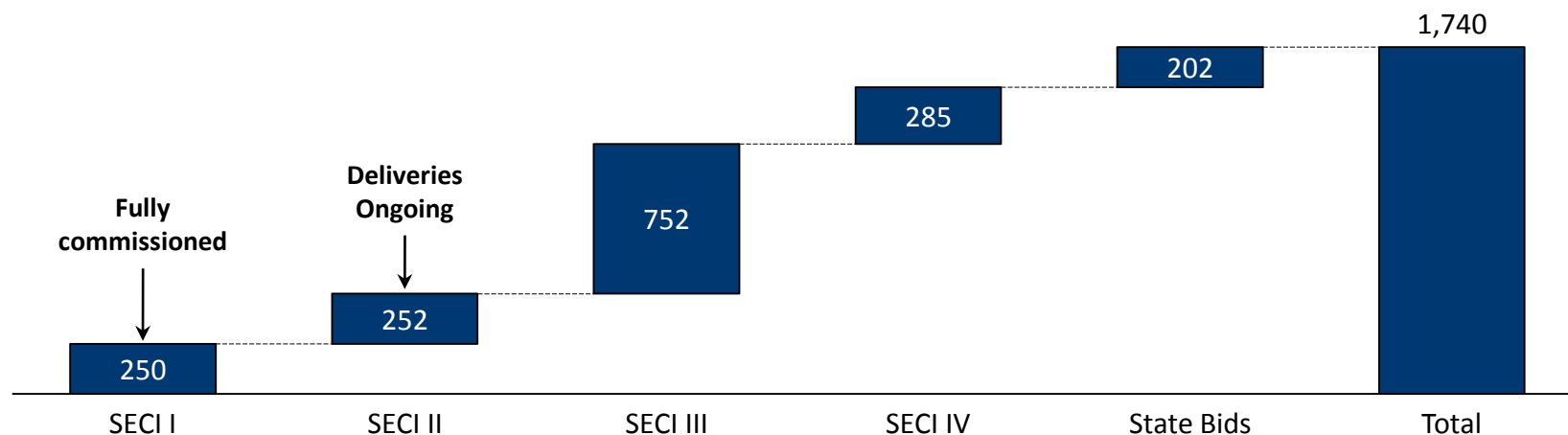
### ✓ Initial teething issues in Gujarat, **getting resolved**

- ~5.5 GW of the 10.7 GW auctioned capacity coming up in Gujarat
- Land earmarked for wind and wind-solar hybrid projects auctioned by centre and state
- Earmarked land for ~30 GW of which ~20 GW will be for central projects
- Eases execution for future large scale inter-state wind projects

~30% of the concluded auctions is yet to close orders

## Largest Order Volume Share In Auctions Concluded Till Date

Auction Wise Order Wins for Suzlon (MW)



→ ~23% of auctioned and tied up orders

→ **Top Quality Customer Profile:** Orders from marquee Utility and IPP Companies

Around 30% of 10.7 GW auctioned capacity is still open in market – *Incremental Potential for Suzlon*

# Wind Solar Hybrid Gaining Momentum

## 1<sup>st</sup> Wind Solar Hybrid Auction Concluded

Auction Date

**5<sup>th</sup> Dec 2018**

Bid Capacity

**840 MW**

Tariff Discovered

**Rs. 2.67-2.69/unit**

Commissioning Date

**18 months from PPA**

## Key Positives of Wind Solar Hybrid

- Efficient utilisation of transmission infrastructure and land
- Reduce variability in renewable power generation
- Improved grid stability

## Project Specs

- Min 200 MW; Max 600 MW
- Either component to be >25% of rated capacity of other component
- Effective capacity utilisation factor to be >30%

## Andhra Pradesh Wind Solar Hybrid Policy 2018

- Target to add 5 GW over the next five years
- Project to achieve minimum CUF of 40%
- No additional connectivity charges for hybridisation of existing wind or solar projects
- 100% banking permitted
- Must run status accorded to wind solar hybrid projects

## Maharashtra Wind Solar Hybrid Tender

- 25 year PPA with tariff ceiling of Rs 2.75 / unit
- Minimum 100 MW by single bidder
- Max bid capacity quoted will be seized as bid capacity
- Land of 277.32 hectares identified
- Declared effective CUF shall not be less than 20.5%
- Bid submission date: 22<sup>nd</sup> Feb 2019



## Suzlon Only Player To Commission Entire SECI-1 Project



- Commissioned 1<sup>st</sup> SECI-1 project despite initial challenges
- Delivered 6 months ahead of revised schedule
- Provide comprehensive O&M services for entire project life

Customer	Sembcorp Energy India
Project Size	250 MW
Project Scope	Full Scope Turnkey Solution
State	Tamil Nadu
Auction Date	Feb'17
PPA Signing Date	July '17
Commissioning Date	Oct '18
Turbine Model	S111-120
Total Area	252 sq km

Progressing well on other auction projects



## FY19 Debt Reduction Target

<b>Debt Reduction Target</b>	<b>30% - 40%</b>
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**Plan to reduce debt through strategic initiatives**

**Medium to long term outlook for wind continues to remain positive**

**Financial Performance**

Debt Overview

Industry Outlook

Technology

Suzlon Strengths

Detailed Financials

## Q3 FY19 Financial Highlights

(₹ Cr.)

Particulars	Q3 FY19 Unaudited	Q3 FY18 Unaudited	Remarks
Net Volumes (MW)	67	316	
Net Revenue	1,091	2,187	
<b>Gross Profit</b>	<b>484</b>	<b>668</b>	Primarily due to revenue mix
<b>Gross Margin</b>	<b>44.3%</b>	<b>30.5%</b>	
Employee Expenses	219	193	
Other Expenses (net)	193	228	
<b>EBITDA (Pre FX)</b>	<b>73</b>	<b>247</b>	Primarily due to lower operating leverage
<b>EBITDA Margin (Pre FX)</b>	<b>6.7%</b>	<b>11.3%</b>	
Depreciation	82	79	
Net Finance Cost	320	308	Primarily due to: • Prepayment charge on Solar project debt closure
Taxes	(11)	1	
Share of (Profit) / Loss of Associates / JV	1	(16)	
<b>Net Profit (Pre Fx and Ex. Items)</b>	<b>(321)</b>	<b>(125)</b>	
Exchange Loss / (Gain)	(220)	(97)	Primarily • Translational impact • Non cash in nature
Exceptional Loss / (Gain)	(61)	5	
<b>Reported Net Profit</b>	<b>(40)</b>	<b>(33)</b>	
Non Controlling Interest	(2)	(5)	
<b>Net Profit attributable to Shareholders</b>	<b>(38)</b>	<b>(28)</b>	

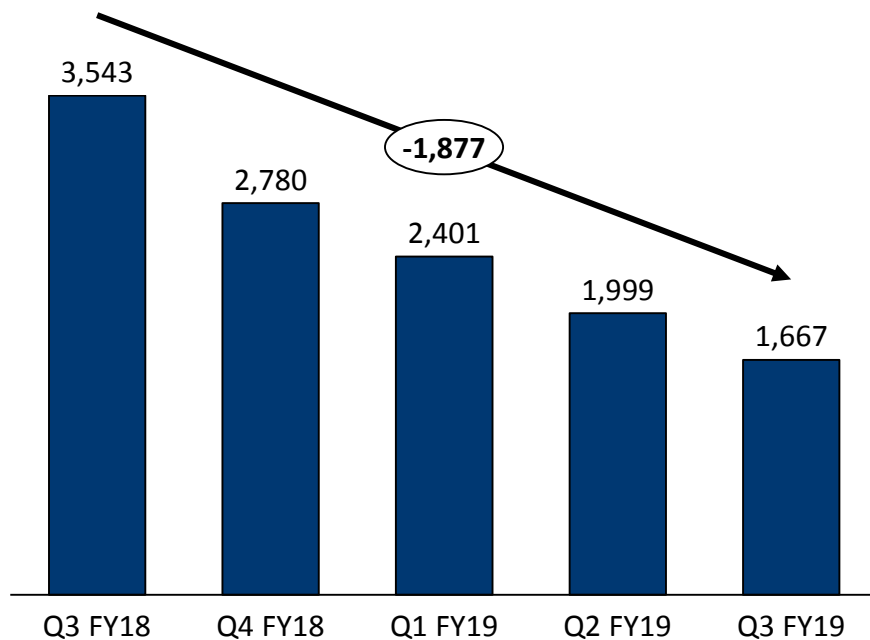
## 9M FY19 Financial Highlights

(₹ Cr.)

Particulars	9M FY19 Unaudited	9M FY18 Unaudited	Remarks
Net Volumes (MW)	349	844	
Net Revenue	3,557	5,909	Primarily due to low volume
<b>Gross Profit</b>	<b>1,512</b>	<b>2,197</b>	Primarily due to revenue mix
<b>Gross Margin</b>	<b>42.5%</b>	<b>37.2%</b>	
Employee Expenses	625	602	
Other Expenses (net)	622	765	Includes partly variable cost
<b>EBITDA (Pre FX)</b>	<b>265</b>	<b>829</b>	Primarily due to lower operating leverage
<b>EBITDA Margin (Pre FX)</b>	<b>7.4%</b>	<b>14.0%</b>	
Depreciation	255	240	
Net Finance Cost	944	897	Primarily due to: • Prepayment charge on Solar project debt closure • Lower finance income
Taxes	(16)	2	
Share of (Profit) / Loss of Associates / JV	5	9	
<b>Net Profit (Pre Fx and Ex. Items)</b>	<b>(922)</b>	<b>(319)</b>	
Exchange Loss / (Gain)	382	44	Primarily • Translational impact • Non cash in nature
Exceptional Loss / (Gain)	(61)	(450)	
<b>Reported Net Profit</b>	<b>(1,243)</b>	<b>86</b>	
Non Controlling Interest	(8)	(3)	
<b>Net Profit attributable to Shareholders</b>	<b>(1,235)</b>	<b>89</b>	

## Consistent Reduction In Net Working Capital

Fig. in ₹ Cr.

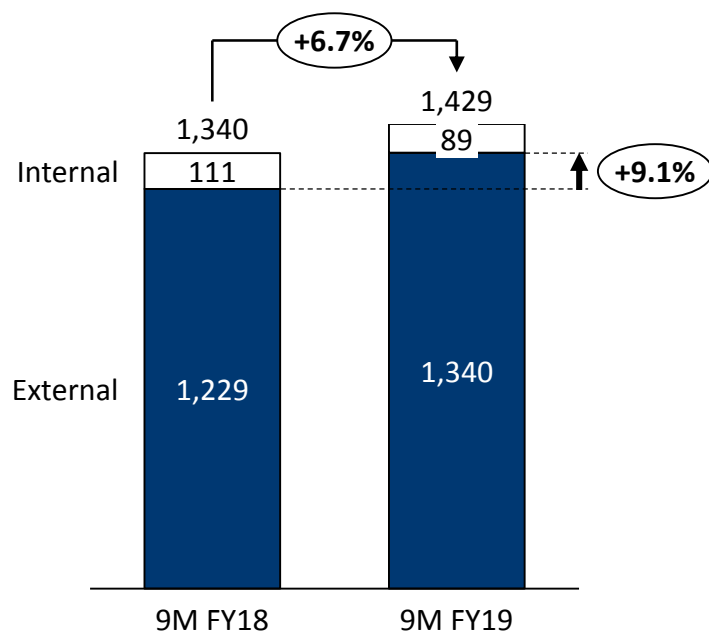


### Working Capital to optimize under Auction regime

- Reduced regulatory uncertainty
- Elongated execution schedule
- Smoothened out quarterly volumes
- Large scale project size
- Make to Order

## Stable Service Revenue Insulated From Business Cycles

### Operations and Maintenance Revenues (₹ Cr.)



### ✓ ~15 GW of Assets under Management (AUM)

- 12+ GW in India; ~3 GW Overseas
- 2<sup>nd</sup> Largest O&M player in India Power Sector, after NTPC

### ✓ Nearly 100% renewal track record in India

- Almost all turbine sold by us in India are under our Service fold
- Custodian of 12+ GW of assets in India
- 23 years of track record in India

### ✓ External OMS revenue is 38% 9M FY19 revenue



## Largest Backlog In India Wind Industry

Particulars		Capacity	Remarks
Central Auctions		1,073 MW	All orders backed by signed PPA's
State Auctions		183 MW	
Retail, Captive, PSU & IPP		123 MW	Backed by advance, Not dependent on PPAs
<b>Wind Firm Order Book</b>		<b>1,379 MW</b>	
<b>Value of Order Book</b>		<b>₹7,749 Cr.</b>	
		<b>+</b>	
<b>Framework Agreements / PPA in hand</b>		<b>&gt;700 MW</b>	✓ PPA Signed, Ratification Awaited
		<b>+</b>	
<b>Letter of Intent (LOI)</b>		<b>~100 MW</b>	✓ Contract finalisation in progress

~2.1 GW Backlog

SEFL and Service orders over and above this order book

~30% of the auctioned capacity is yet to be tied up

Financial Performance

**Debt Overview**

Industry Outlook

Technology

Suzlon Strengths

Detailed Financials

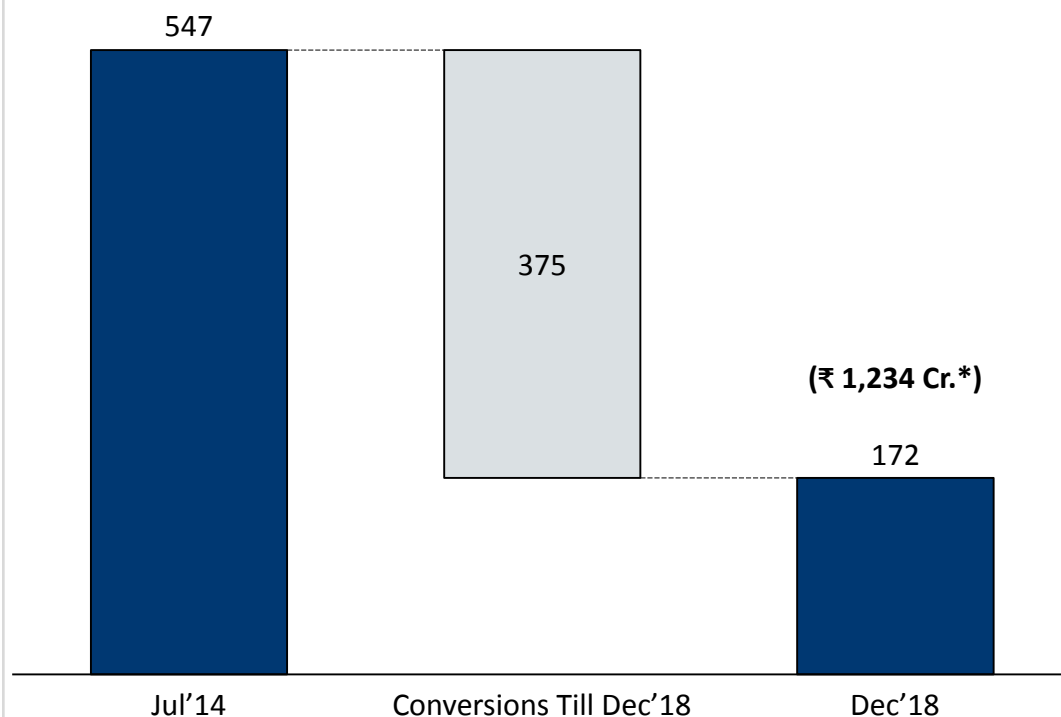
## Term Debt Profile

(Excl. FCCB)	31 <sup>st</sup> Dec'18	30 <sup>th</sup> Sep'18	Back Ended Maturity Profile
SBLC Backed AERH Loans	US\$ 569 M (₹ 3,958 Crs.)	US\$ 569 M (₹ 4,110 Crs.)	<div>(₹ Cr.)</div> <div>64%</div> <div>4,515</div> <div></div> <div>FY19-22 Repayments: 36%</div> <div><div>156</div><div>639</div><div>836</div><div>927</div><div>4,515</div></div> <div>FY19FY20FY21FY22FY23 &amp; Beyond</div>
Change only due to FX; No change in US\$ value			
Other FX Term Debt	US\$ 61 M (₹ 427 Crs.)	US\$ 64 M (₹ 460 Crs.)	
Rupee Term Debt	₹ 2,688 Cr.	₹ 2,772 Cr.	
Gross Term Debt		₹ 7,073 Cr.	
Net Term Debt	₹ 6,424 Cr.	₹ 6,803 Cr.	
Working Capital Debt	₹ 3,354 Cr.	₹ 3,395 Cr.	

## July 2019 FCCB Series Overview

(US\$ Mn)

### FCCB Principal Value



### No. of Shares (Crs.)

Current Outstanding	532
Pending Conversion	67
Post Full Conversion	599

### Conversion Details

Price (Per Share)	₹ 15.46
Exchange Rate	₹ 60.225

Financial Performance

Debt Overview

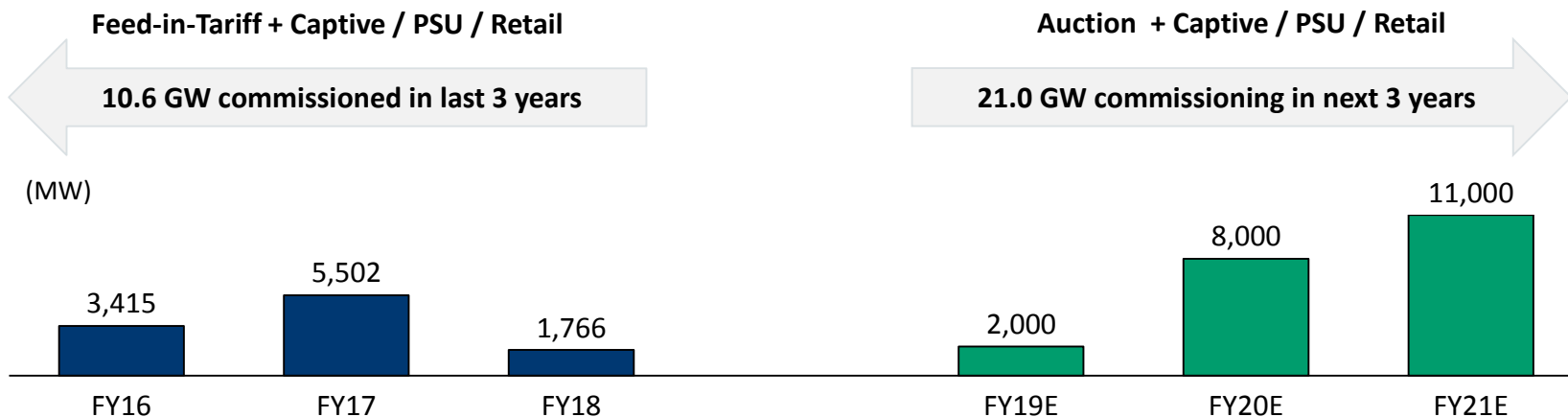
**Industry Outlook**

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## Strong Visibility On Growth For India Wind Market



Source: MNRE

Source: Internal Estimates

### Key Drivers:

- ✓ Increasing power demand with supply only from renewables
- ✓ Push for clean, affordable and scalable power source
- ✓ Wind most competitive source of power in India
- ✓ Large untapped potential
- ✓ Auction based procurement
  - Market expanding from 8 wind states to pan India
  - Making wind subsidy free
- ✓ Unlocking emerging areas potential
  - Wind solar hybrid, offshore, repowering

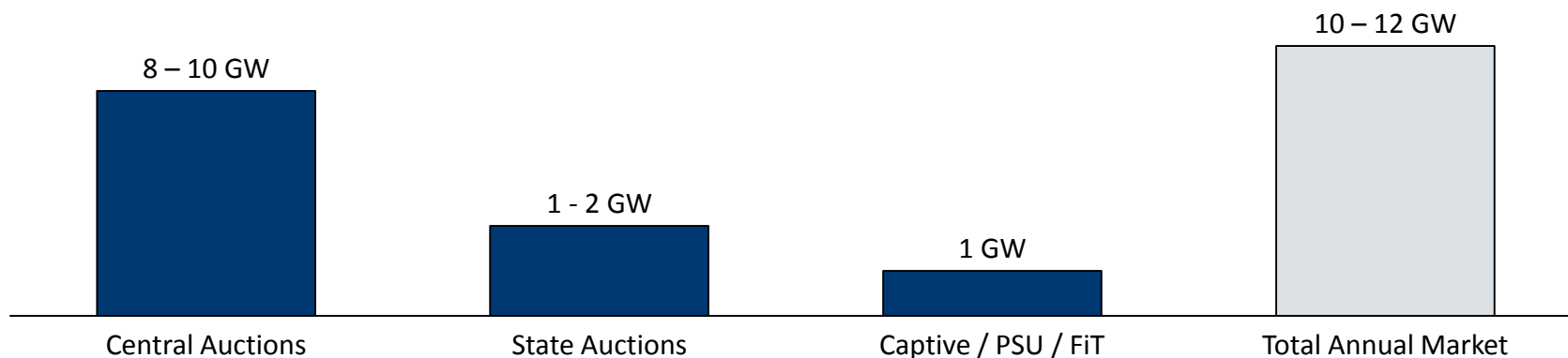
### Key Challenges:

- X Infrastructure constraints
- X Auction delays & sector uncertainties



## Poised To Become A 10+ GW Annual Market

India Annual Wind Market Potential Size and Segmentation



*“India plans to auction 10 GW of wind energy for the next 10 years”, MNRE Secretary, Anand Kumar*

### Power Grid working on creation of transmission infrastructure

- Increasing inter-regional capacity
  - Laying new high capacity lines
  - Upgrading exiting substation facilities
- Work commenced on connecting southern, western and northern regions
- KfW Development Bank and Asian Development Bank to finance these projects

## Nearing The End Of Transition Phase

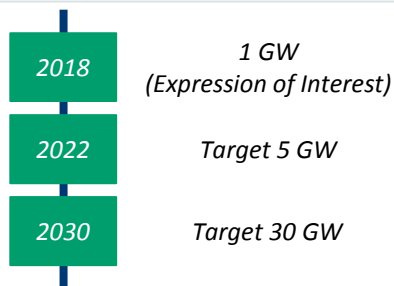
Parameter	Upto FY17	Apr'17 – Mar'19	FY20 and Onwards
PPA Mechanism	Feed-in-Tariff	Transition from FiT to Auction impacted turbine sales due to no clarity on PPA, initial teething issues in execution	Competitive Bidding
Wind Tariff	₹ 4.0 – 5.0 /unit		₹ 2.5 – 3.0 /unit
Annual Market Size	3 – 4 GW		10 – 12 GW
Order Book Coverage	3 – 6 months		12 months
Execution Timeline	6 – 9 months		18 – 21 months
Commissioning	Back-ended, Q4 heavy		Equally spread
Project Size	50 – 100 MW		200 – 300 MW

### Aspects supporting tariffs in competitive bidding

Pan India Demand	Technology	Reduced Regulatory Risk
Wind + Non Wind States	Newer turbines offer better yield, Lower LCoE	Upfront signing of PPAs and tariff determination

## Other Emerging Opportunities For Growth

### Offshore



- National offshore policy already notified
- Suzlon has commissioned 1<sup>st</sup> Offshore Met Station
- Offshore Advantage: Higher PLF due to high wind power density and shallow water depth enables lower cost in terms of project execution
- 35 participants evinced interest for 1 GW Expression of Interest

### Repowering

**3 GW**

Estimated Potential  
of < 1,000 kw turbines

- Policy already announced and notified in 2016
- Repowering is replacing old technology low capacity wind turbines with the latest large sized wind turbines
- Govt. keen on harnessing this potential and working on right set of policies incentivizing Repowering

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## S120: Four Variants Launched



**S120 – 140 HLT**  
**(Dec '18)**  
Hybrid Lattice Tower



**S120 – 140 HCT**  
**(Sep '18)**  
Hybrid Concrete Tower



**S120 – 120 STT**  
**(Jan '19)**  
Smart Tubular Tower



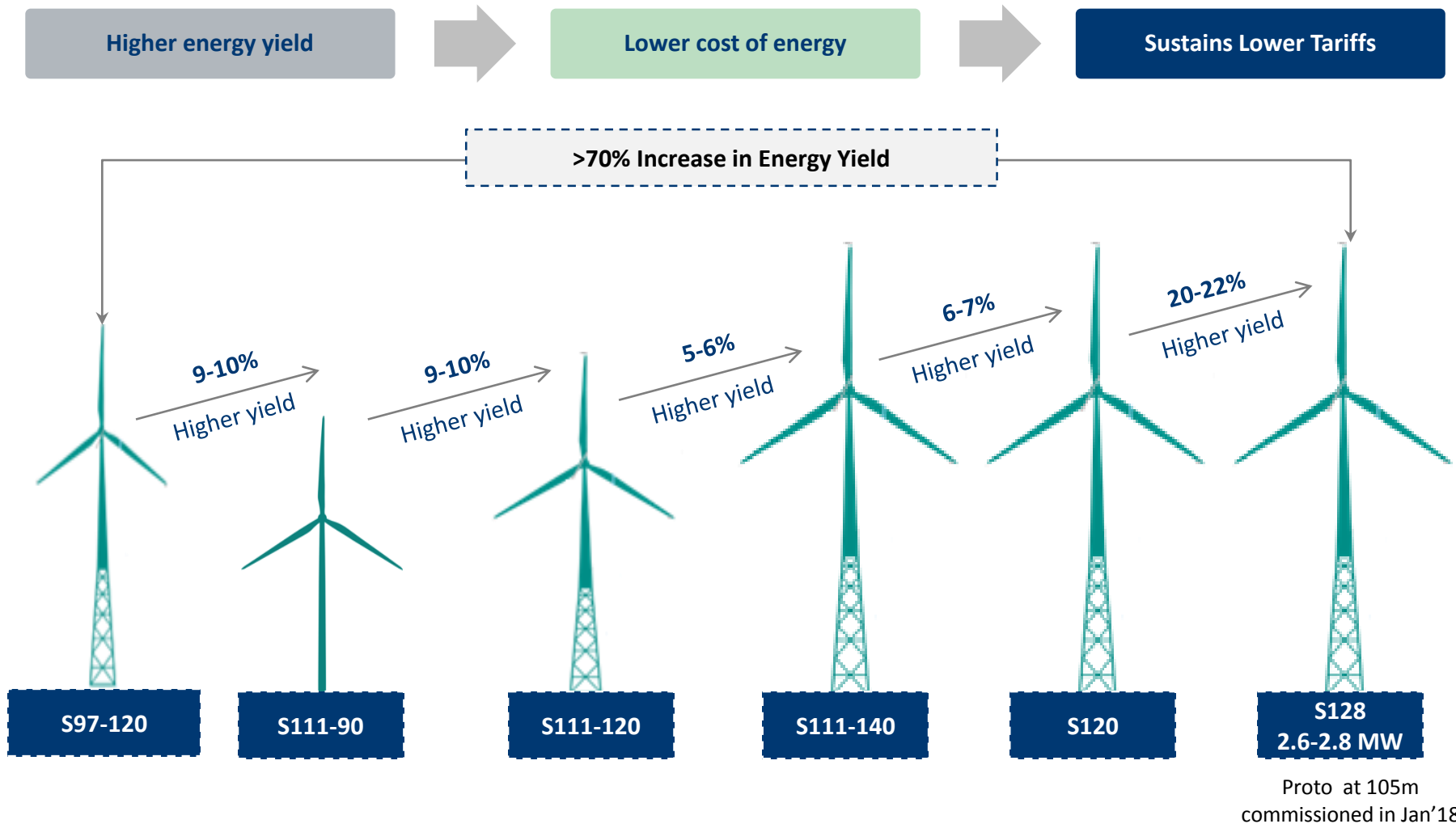
**S120 – 105 TT**  
**(Jun '18)**  
Tubular Tower

Reduces LCoE and improves ROI for customers

**~900 MW** orders already booked

Enables us to reach untapped wind sites in challenging terrains

## Focus On Reducing LCOE





# Pioneer In India Offshore

Support Platform



Offshore LiDAR



Powered Through Solar



- **India's 1<sup>st</sup> Private Far Offshore Met Station**
  - Opportunity to harness India's 7,600km coastline
  - Government plans to auction 5 GW of Offshore project next year
- **State of Art Installation**
  - 16km from the Shore
  - 11m Water depth
  - 14m support platform height above water level
  - LiDAR based met station
  - Remote monitoring

# Global In-House R&D Capabilities

Suzlon Technology Locations:		
Germany	Hamburg	<ul style="list-style-type: none"> <li>- Development &amp; Integration</li> <li>- Certification</li> </ul>
	Rostock	<ul style="list-style-type: none"> <li>- Development &amp; Integration</li> <li>- Design &amp; Product Engineering</li> <li>- Innovation &amp; Strategic Research</li> </ul>
The Netherlands	Hengelo	<ul style="list-style-type: none"> <li>- Blade Design and Integration</li> </ul>
India	Pune	<ul style="list-style-type: none"> <li>- Design &amp; Product Engineering</li> <li>- Turbine Testing &amp; Measurement</li> <li>- Technical Field Support</li> <li>- Engineering</li> </ul>
	Vadodara	<ul style="list-style-type: none"> <li>- Blade Testing Center</li> </ul>
	Chennai	<ul style="list-style-type: none"> <li>- Design &amp; Product Engineering (Gear Box Team)</li> </ul>
Denmark	Aarhus Vejle	<ul style="list-style-type: none"> <li>- SCADA</li> <li>- Blade Science Center</li> </ul>



Hamburg



Rostock



Hengelo



Pune



Aarhus



Vejle

Best match between skills & location – Efficient leverage of R&D spending

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## Suzlon Strengths In India Wind Market



**Full Turnkey Solution  
Provider**



**Pan India Presence**



**Technology Leadership**

**SUZLON**  
POWERING A GREENER TOMORROW



**Strong Customer Relationship**



**Best In Class Service  
Capabilities**



**23+ Years Track Record**

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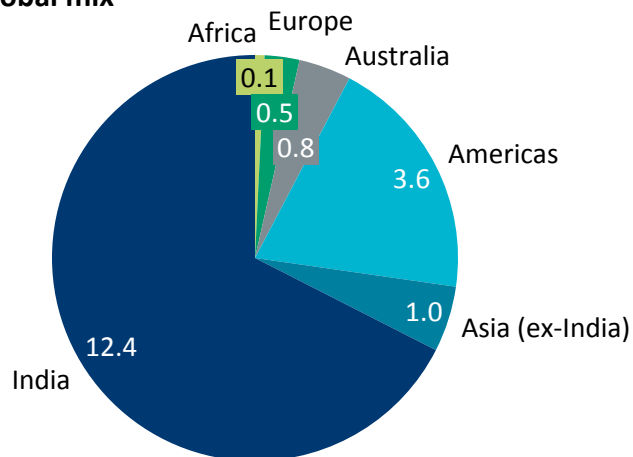
**End-to-end service provider with strong presence across value chain & customer segments**

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**SUZLON**  
POWERING A GREENER TOMORROW

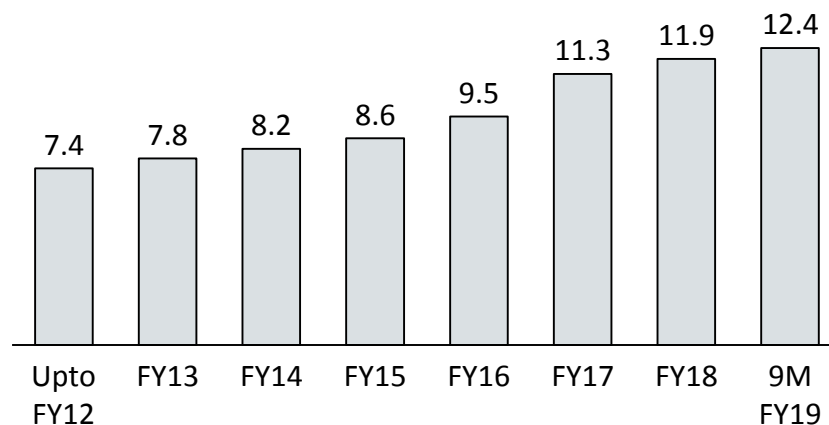
# 18+ GW Global Installations

Global mix



India cumulative installed base

(GW)



## Strongly positioned in India market

Presence across all  
**9 states** in India

**1,700+** customers across all  
segments

**7 R&D facilities** spread across  
**4 countries**

India Market Share  
(Cumulative Capacity)

**35%**

Successfully maintained **97+%** fleet  
availability

**12+ GW milestone achieved in India**

# Accolades



## World's 1st solar project quality certification for Suzlon's 100 MW project

- Certificate from DNV GL confirms safety features and technical compliance
- Testament of our commitment to high quality standards

## CII Southern Region's 13<sup>th</sup> Kaizen Competition

- Suzlon's Coimbatore Generator Unit wins award, Competing against 100 companies
- For uniform profile of copper bar with higher productivity, achieving best quality level



## Suzlon's Generator Unit wins award at Manufacturing Today Summit

- Won the Quality Improvement Project competition on Cost Optimization
- Evaluated across cost optimization, quality, technology, safety and sustainability



## SKOCH Corporate Excellence Silver Award

- SB63 Full Carbon Girder Blade, Felicitated with Order of Merit certificate for S128
- Award for Innovative two fold transport system: Telescopic Trailer and Rotor Blade Adapter Trailer

## OMS Team Wins IMC RBNQA 2018 – A Symbol Of Business Performance Excellence

- 1<sup>st</sup> prize for SGSL in the service category is a recognition of high service standards
- Assessment criteria similar to Malcolm Baldrige, USA; 360 degree evaluation including interactions with all stakeholders



## Suzlon bags ICERP – JEC Innovation Award as “Outstanding Innovation in Composites”

- Awarded by FRP Institute, India and JEC Composites, France
- Testament of Suzlon's innovation in nacelle cover composites structure

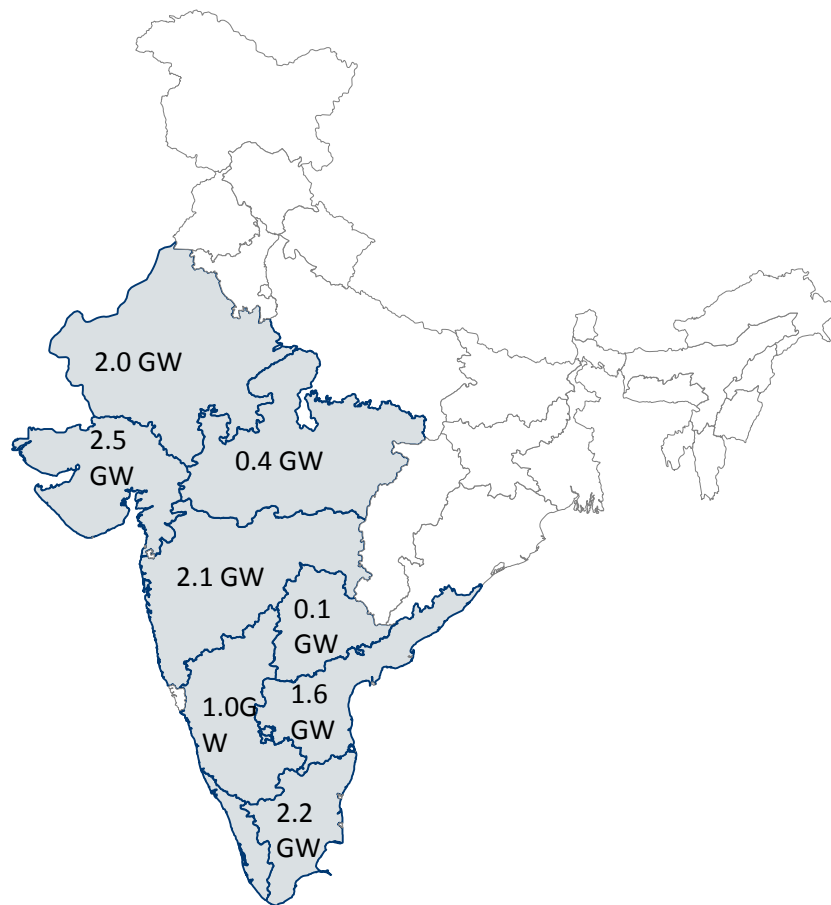


## ~12 GW Wind Energy Installations In India

Ranked **No. 1** in Renewables Sector

Ranked **No. 2** in Power Sector

Largest fleet under Operation and Maintenance fold in India



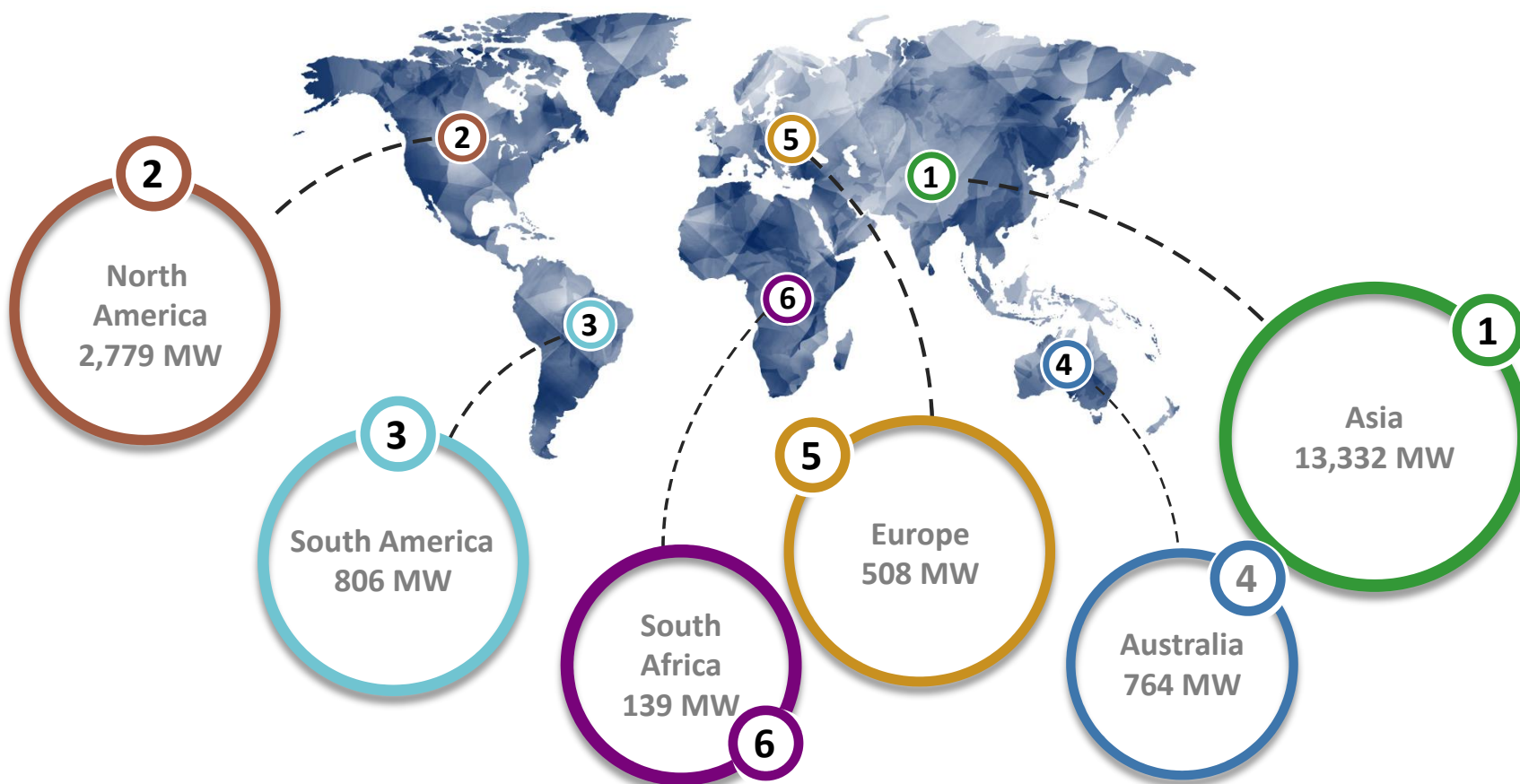
(31 <sup>st</sup> Mar'18)	# of Turbines	MW
<= 1 MW	1,678	777
>1 MW < 2 MW	4,268	5,774
=>2 MW	2,557	5,368
Total	8,503	11,919

- **35% - All India installed wind capacity**
- **~17% - All India installed renewable capacity**
- **~1,800 customer relationships**
- **22 years of operating track record**
- **26 TWh estimated of annual clean energy;**
  - =2,125 mn trees planting p.a.
  - =~19.3 mn tonnes coal avoidance p.a.
  - =~25.5 mn tonnes CO2 emission savings p.a.

**Custodian of 2nd highest installed power capacity (from all sources) in India**

## Suzlon's Global Presence

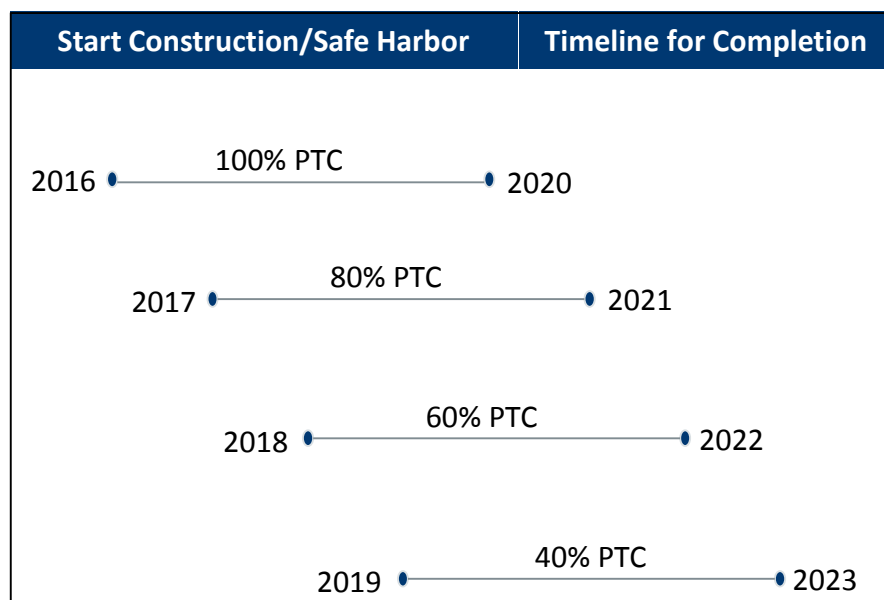
As on 31<sup>st</sup> Dec 2018



## USA PTC Volume: ~500 MW Pipeline Created For 100% PTC Projects

### Production Tax Credit (PTC) Extension: Huge Volume Opportunity

- PTC in USA extended until 2019 with benefits stepping down every year before phase out
- In order to qualify, projects only need to start construction and make a minimum 5% investment  
**(“Safe Harbour Investments”)**
- Thus projects which meet safe harbour investments in 2016, will be eligible for 100% PTC benefit, while projects which meet safe harbour investments in 2017 will be eligible for 80% PTC benefit
- Timeline for completion of the projects is 4 years from the start of construction



Suzlon Strategy
<ul style="list-style-type: none"><li>Established SPVs to implement Safe Harbor Projects and develop project pipeline</li><li>~500 MW Pipeline created of projects eligible for 100% PTC</li><li>To translate into firm orders for execution over the next couple of years</li></ul>

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**Detailed Financials**

# Consolidated Income Statement

(₹ Cr.)

Particulars	9M FY19 Unaudited	9M FY18 Unaudited	FY18 Audited
Revenue from operations	3,557	5,909	8,075
Less: COGS	2,046	3,712	5,116
<b>Gross Profit</b>	<b>1,512</b>	<b>2,197</b>	<b>2,959</b>
<b>Margin %</b>	<b>42.5%</b>	<b>37.2%</b>	<b>36.6%</b>
Employee benefits expense	625	602	805
Other expenses (net)	622	765	1,006
Exchange Loss / (Gain)	382	44	146
<b>EBITDA</b>	<b>(117)</b>	<b>785</b>	<b>1,003</b>
<b>EBITDA (Pre-FX Gain / Loss)</b>	<b>265</b>	<b>829</b>	<b>1,149</b>
<b>Margin %</b>	<b>7.4%</b>	<b>14.0%</b>	<b>14.2%</b>
Less: Depreciation	255	240	342
<b>EBIT</b>	<b>(371)</b>	<b>545</b>	<b>661</b>
<b>EBIT (Pre-FX Gain / Loss)</b>	<b>10</b>	<b>589</b>	<b>807</b>
<b>Margin %</b>	<b>0.3%</b>	<b>10.0%</b>	<b>10.0%</b>
Net Finance costs	944	897	1,502
<b>Profit / (Loss) before tax</b>	<b>(1,315)</b>	<b>(353)</b>	<b>(840)</b>
Less: Exceptional Items Loss / (Gain)	(61)	(450)	(450)
Less: Share of (Profit) / Loss of Associates & JV	5	9	(5)
Less: Taxes	(16)	2	(2)
<b>Net Profit / (Loss) after tax</b>	<b>(1,243)</b>	<b>86</b>	<b>(384)</b>
Less: Non-Controlling Interest	(8)	(3)	(7)
<b>Net Profit Attributable to Shareholders</b>	<b>(1,235)</b>	<b>89</b>	<b>(377)</b>

## Consolidated Net Working Capital

(₹ Cr.)

	31 <sup>st</sup> Dec'18	30 <sup>th</sup> Sep'18	31 <sup>st</sup> Dec'17
Inventories	3,233	3,151	3,590
Trade receivables	1,925	2,297	3,565
Loans & Advances and Others	1,962	1,889	1,923
<b>Total (A)</b>	<b>7,120</b>	<b>7,336</b>	<b>9,078</b>
Sundry Creditors	2,966	2,902	2,515
Advances from Customers	1,138	992	1,505
Provisions and other liabilities	1,349	1,444	1,515
<b>Total (B)</b>	<b>5,453</b>	<b>5,337</b>	<b>5,534</b>
<b>Net Working Capital (A-B)</b>	<b>1,667</b>	<b>1,999</b>	<b>3,544</b>

## Key Accounting Policies – Revenue Recognition And Order Booking

Opening Order Book	
<p><b>(-) Sales during the period</b></p>	<ul style="list-style-type: none"> <li>• <b>Sales (WTG Revenue Recognition)</b> <ul style="list-style-type: none"> <li>– WTG revenue is based on satisfaction of performance obligation whereby revenue for WTG equipment is recognised on dispatch of WTG and revenue for BoP is recognised on completion of relevant milestones</li> </ul> </li> </ul>
<p><b>(+) Order Intake during the period</b></p>	<ul style="list-style-type: none"> <li>• <b>Order Intake during the period</b> <ul style="list-style-type: none"> <li>– Only orders backed by certainty of PPAs</li> </ul> </li> </ul>
<p><b>Closing Order Book</b></p>	<ul style="list-style-type: none"> <li>• <b>Closing Order Book</b> <ul style="list-style-type: none"> <li>– Represents MW value of contract against which no revenue is recognized in the income statement</li> </ul> </li> </ul>

# Key Accounting Policy: Maintenance Warranty Provisions

## Maintenance Warranty Provisions

### ✓ Accounting Policy:

- Comprise of provisions created against maintenance warranty issued in connection with WTG sale
  - Created when revenue from sale of wind turbine is recognized
- Provisions estimated based on past experience
- Reversals of unused provision on expiry of Maintenance warranty period

### ✓ Global Wind Industry Standard Practice:

- Followed by top listed global industry leaders
- Despite Insurance and back to back warranty from suppliers





**THANK YOU**