



Worth rethinking

ANNUAL REPORT

2018

Short portrait

of *Energiekontor AG*

A solid business policy and a lot of experience in renewable energies: Energiekontor has stood for this for almost 30 years. Founded in 1990 in Bremerhaven, the Company is one of the pioneers in the industry and is today one of the leading German project developers. The core business ranges from planning and construction to the management of wind farms in Germany and abroad and was expanded in 2010 to include solar energy. In addition, Energiekontor operates wind and solar parks with a rated output of almost 280 megawatts (MW) in its own portfolio. Energiekontor AG also wants to take on a pioneering role in economic terms and implement the first wind and solar parks at market prices in all target markets as quickly as possible, independent of government subsidies.

In addition to its headquarters in Bremen, Energiekontor has offices in Bremerhaven, Hagen im Bremischen, Aachen, Dortmund, Bernau near Berlin and Potsdam. It also has offices in England (Leeds), Scotland (Glasgow), Portugal (Lisbon), the USA (Austin/Texas and Rapid City/South Dakota) and France (Toulouse, Rouen).

The proud balance since the Company was founded: 121 wind parks and seven solar parks with a total output of almost 1 gigawatt (GW). This corresponds to an investment volume of more than EUR 1.6 billion.

The Company went public on 25 May 2000. The shares of Energiekontor AG (WKN 531350/ISIN DE0005313506) are listed in the General Standard of Deutsche Börse in Frankfurt and can be traded on all German stock exchanges.

Investor information (Overview)

Stock exchange listing	Deutsche Börse, Frankfurt (traded on the Frankfurt Stock Exchange, Xetra and all other German trading venues)
Market segment	General Standard
Class of shares	Bearer shares
Sector	Renewable Energy
Initial listing (IPO)	25 May 2000
WKN (German securities identification number)	531350
ISIN	DE0005313506
Reuters	EKT
Shareholder structure	51,53% management and supervisory bodies; 48,26% free float; 0,21% Energiekontor AG
Research	Dr Karsten von Blumenthal, First Berlin Guido Hoymann, Metzler Capital Markets Jan Bauer, Warburg Research
Designated Sponsor	ODDO SEYDLER BANK AG
Financial calendar	April 10, 2019: Publication of 2018 Annual Report May 15, 2019: Publication of Q1/2019 Interim Report May 22, 2019: Annual General Meeting of Energiekontor AG August 30, 2019: Publication of H1/2019 Interim Report November 15, 2019: Publication of Q3/2018 Interim Report November 25–27, 2019: German Equity Forum, Frankfurt a. M.
Investor Relations	Peter Alex, phone: +49 (0)421 3304-126, e-mail: IR@energiekontor.de, website: www.energiekontor.de/investor-relations



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Consolidated key figures

of *Energiekontor AG*

Income statement

in EUR million	2018	2017
Revenue	110.2	149.9
Total output	128.7	202.1
EBITDA (EBIT plus depreciation and amortisation)	40.6	49.6
EBIT (EBT plus financial result)	22.1	32.9
EBT (earnings before tax)	9.6	16.7
Consolidated net income	6.7	11.9
Earnings per share (EPS) in EUR	0.46	0.82

Balance sheet

in EUR million	2018	2017
Plant and equipment (wind and solar farms)	204.0	193.7
Equity	68.4	70.2
Total assets	348.4	361.7
Equity ratio	19.6%	19.4%
Notional equity ratio (see also explanation in Management Report, page 73)	20.3%	20.7%

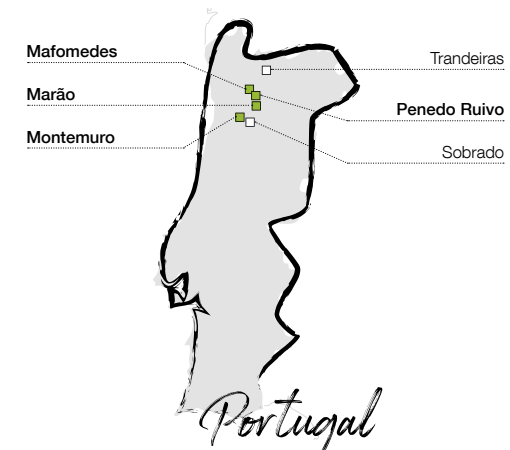
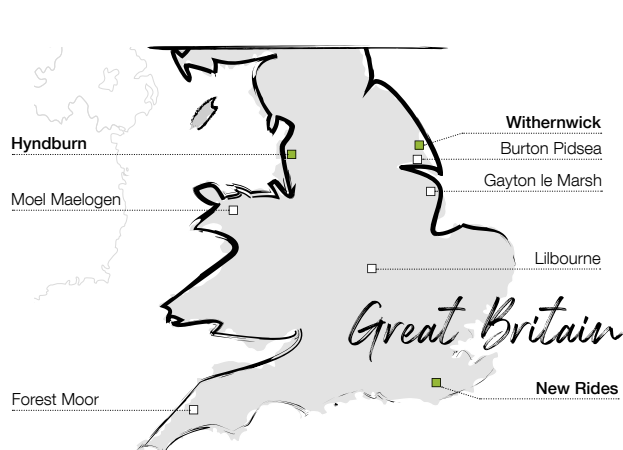
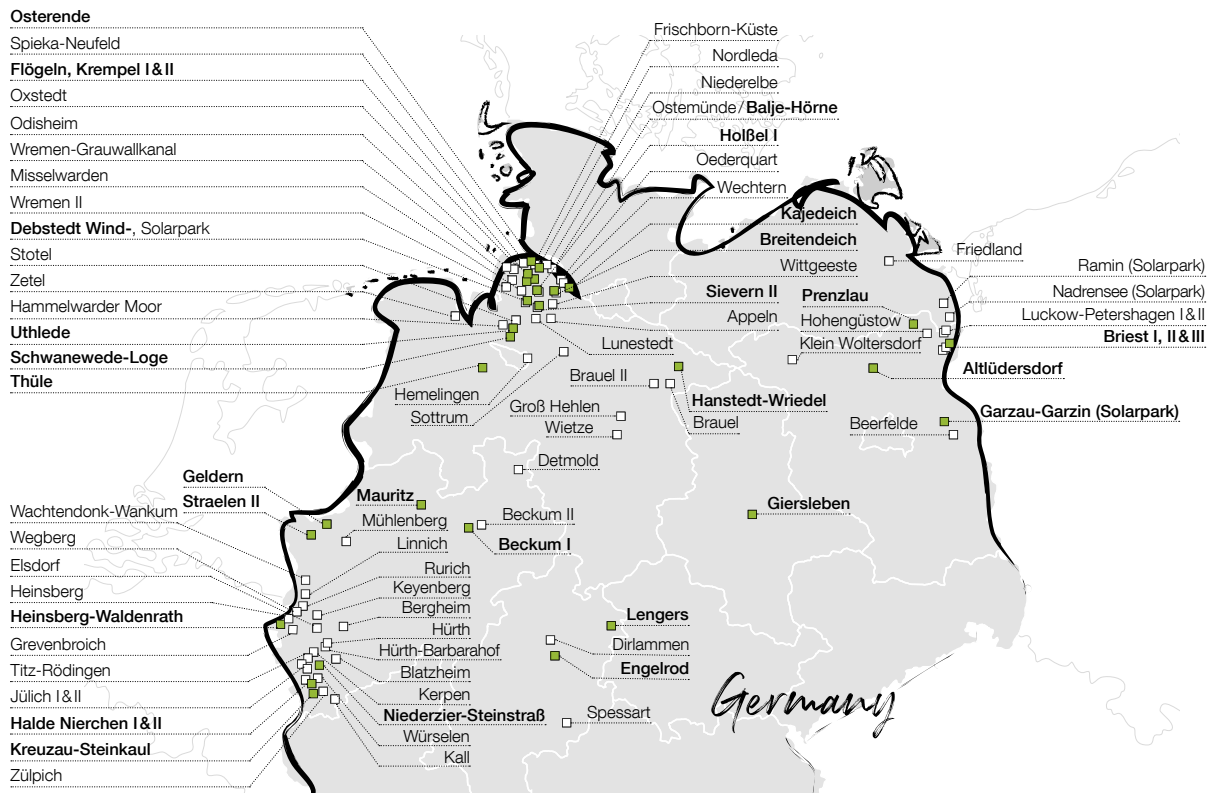
Cashflow

in EUR million	2018	2017
Cash flow from operating activities (operating cash flow)	45.4	4.4
Cash and cash equivalents at end of period	73.3	69.0

Please see note on page 198 regarding pro-forma figures.

Wind farms and solar parks

of *Energiekontor AG*



■ Group owned
 Sold
 ■ both Group-owned and third-party-owned

Letter

to our shareholders

*Dear shareholders, business partners,
investors and employees.*

EUR 110.2 million

REVENUE

We had predicted quite early that the 2018 financial year would be a year of transition with reported group figures significantly lower than in the previous year. And this is exactly what happened. Revenue fell to around EUR 110.2 million (2017: EUR 149.9 million), income from ordinary activities (EBT) to around EUR 9.6 million (2017: EUR 16.7 million) and consolidated net income to EUR 6.7 million (2017: EUR 11.9 million). The main reason for this development was the new auctioning procedure for onshore wind turbines, introduced in Germany in 2017. This has led to a certain distortion of competition and undesirable effects and forces not only Energiekontor but also many other project developers to re-design existing projects or to have them partially re-approved in order to make a profitable implementation possible despite the extreme drop in feed-in prices. The unfavourable environment hence led to delays in the realisation of many projects originally planned for 2018. And 2019 will again be affected by this downturn, while we expect prospects to brighten up significantly again from the second half of the year. Given our very well-filled and sustainable project pipeline in Germany and abroad, major progress with the realisation of projects on a stand-alone PPA basis and the expected first earnings contributions from the new foreign markets, we expect 2019 to turn out slightly better than 2018. While we anticipate a return to the earnings level of previous years in 2020, we endeavour to reach new heights from 2021.

*3 wind farms
1 single unit
1 solar park*

= 47 MW

COMMISSIONED

The performance of Energiekontor AG's operating business was largely in line with our planning in the 2018 financial year. However, simply looking at the results without taking into account Energiekontor's sustainable growth model creates the wrong impression. Growth in the Power Generation in Group-owned Wind Farms and Solar Parks division is driven by Energiekontor taking over projects the company has developed into its own portfolio. The more wind farms are transferred to our own portfolio, the higher the future cash surpluses from the sale of electricity and operational management activities. This in turn means that more liquidity is available for future project development, which promotes further growth. However, the transfer of projects to our own portfolio means that the margins we would have taken as profit if we had sold the projects remain in the portfolio as hidden reserves. In the 2018 financial year, we transferred one wind farm, one single turbine

and one solar park into our own portfolio. We will continue our sustainable growth strategy in the current and in coming years.

In 2018, we commissioned three wind farms, one single turbine and one solar park with a total capacity of around 47 MW. Of these, two wind farms with a combined output of around 23 megawatts were sold to investors; the Garzau-Garzin solar park was already included in Energiekontor's own portfolio at the beginning of the year.

As announced, 2018 was a year of transition for the industry as a whole due to the sharp fall in prices in the 2017 auctions. Energiekontor has used this time to set the course for the coming years: our employees have continued to make the most of the leeway they were granted and have shown great initiative. Small project teams were formed to continuously check all of the main processes for optimisation potential. This has led to major cost savings along the entire value chain, so that thanks to various efficiency measures Energiekontor continues to be in a position to develop profitable wind and solar projects despite the increased pressure on margins.

By entering into package purchase agreements with several renowned turbine manufacturers, we have secured our procurement pipeline for successful participation in the forthcoming German auctions. In addition, construction of four approved major projects in Scotland is due to start soon. As with the Withernwick II wind farm, which is already under construction, Energiekontor has planned to realise these projects without state subsidies, solely on the basis of long-term power purchase agreements (PPAs).

As communicated before, Energiekontor wants to assume a pioneering role in the industry and be the first to implement wind farms and solar parks at a lower levelized cost of electricity than the competitors in the conventional energy market. The objective is to realise the first wind farms and solar parks in our target markets at market prices and independently of state subsidies. In Germany, we have recently reached an impressive milestone in this respect. After a relatively short period of negotiation we were able to announce in mid-February that we have concluded a long-term PPA with EnBW Energie Baden-Württemberg AG for a solar park planned by Energiekontor. The solar park will be constructed in the east of Rostock, built and run by Energiekontor with installed capacity of roughly 85 megawatts p.a., generating around 88 gigawatt hours of electricity p.a. This is enough to cover the annual electricity needs of around 25,000 households. Energiekontor will implement the project on 120 hectares of agricultural land in the city of Marlow and the municipality of Dettmannsdorf. Commissioning of the solar park is scheduled for the end of 2020.

The PPA concluded by EnBW and Energiekontor is the first of its kind in Germany. It enables Energiekontor to build and run the solar park without any subsidies under the German Renewable Energy Sources Act (EEG). The agreement stipulates that EnBW will buy 100 percent of the electricity at a fixed price. Over the total 15-year term of the agreement, the two companies expect that the total volume of electricity generated will amount to around 1.3 terawatt hours.



Peter Szabo

**CHAIRMAN OF THE
MANAGEMENT BOARD**



Günter Eschen

**MANAGEMENT
BOARD MEMBER**



Torben Möller

**MANAGEMENT
BOARD MEMBER**

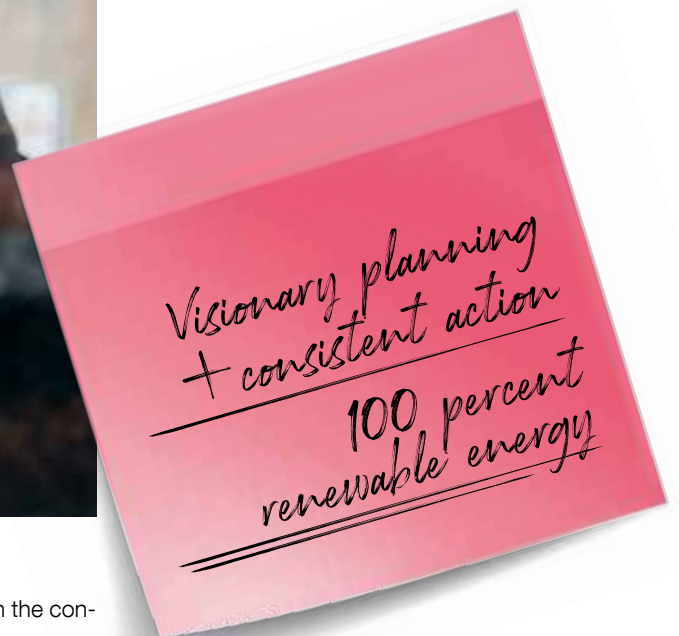


*First PPA in
Germany
Energiekontor as
pioneer*

We expect to sign more PPAs in the near future and we believe that our competitors will do the same, which will bring dramatic changes to the power generation market. The realisation of unsubsidised projects will be the first step towards the medium-term realisation of wind farms and solar parks with a levelized cost of electricity below that of coal and nuclear power plants. While the argument of an enhanced environmental compatibility remains valid, superior economic efficiency will also speak for renewable energy sources in the future. This is an important contribution Energiekontor makes to the long-term target of covering 100 percent of the entire electricity demand from renewable energy sources. And the pioneering role also ensures we will maintain a strong competitive position within the industry.

After a challenging financial year 2018, we strive to return to old strengths this year and increase the pace. The wide range of measures we have introduced is slowly starting to bear fruit, and we have our sights set firmly on our goal: to grow sustainably and thus live up to our pioneering role. The way we are positioned today, there is nothing in our way.

We have recently received a lot of encouragement from investors who believe in the positive prospects of our company as well as the Energiekontor share.



This motivates us even more to continue investing all our efforts in the continuous improvement of Energiekontor AG.

We would like to thank all of our employees and others who support us and look forward to venturing further on this successful path together with you, our shareholders.

Bremen, April 2019

The Management Board

Peter Szabo
Chairman of the
Management Board

Günter Eschen
Management
Board Member

Torben Möller
Management
Board Member

Report

of the Supervisory Board

Dear Shareholders,

In the 2018 financial year, the Supervisory Board again continuously monitored the management of the Company by the Management Board and regularly advised the Management Board on the management of the Company. We were always able to convince ourselves of their legality, expediency and regularity. The Management Board fulfilled its duty to provide information and informed us regularly, promptly and comprehensively in written and verbal form about all issues of strategy, planning, business development, the risk situation, risk development and compliance relevant to the Company and the Group. This also included information on deviations of the actual development from previously reported targets and deviations of the course of business from planning. The members of the Supervisory Board always had sufficient opportunity to critically examine the reports and resolution proposals submitted by the Management Board and to make their own suggestions. In particular, we intensively discussed all business transactions of importance to the Company on the basis of written and oral reports by the Management Board and checked their plausibility. On several occasions, the Supervisory Board dealt in detail with the Company's risk situation, liquidity planning and equity situation. As a result of an analysis of the value potential of the Group's businesses and the opportunities and risks of strategic steps, critical operational issues were presented to the Supervisory Board in a clear and differentiated manner. The Supervisory Board gave its approval to individual business transactions to the extent required by law, the Articles of Association or the rules of procedure for the Management Board.

The Chairman of the Supervisory Board also maintained a close and regular exchange of information and ideas with the Management Board between the meetings of the committees and kept himself informed about significant developments.

There were no indications of conflicts of interest on the part of members of the Management Board and Supervisory Board which must be disclosed to the Supervisory Board without delay and of which the Annual General Meeting is to be informed.

Meetings and attendance

In the 2018 financial year, a total of four Supervisory Board meetings (April 9, 2018, May 16, 2018, September 26, 2018 and December 13, 2018) were held, in which all members of the Supervisory Board were represented. The members of the Management Board participated in the meetings of the Supervisory Board, unless the Chairman of the Supervisory Board determined otherwise.

The Supervisory Board consists of three members and has not formed any committees. Resolutions of the Supervisory Board were passed both in meetings and by written circulation. All resolutions of the Supervisory Board were passed unanimously. The Supervisory Board was also in close contact with the Management Board outside the Supervisory Board meetings and kept itself informed about the course of business and significant events.

Focal points of the Supervisory Board's deliberations

The development of sales, earnings and employment as well as the financial position and liquidity of Energiekontor AG and the Group were the subject of regular deliberations at the Supervisory Board meetings.

The dominant topic at the Supervisory Board meeting on April 9, 2018 was the adoption of the 2017 annual financial statements. In addition, the current declaration on the Corporate Governance Code was signed and the agenda for the 2018 Annual General Meeting was approved.

The main purpose of the Supervisory Board meeting on May 16, 2018 was to prepare and discuss the forthcoming Annual General Meeting.

At the meeting on September 26, 2018, it was stated that, as expected, the 2018 financial year had developed economically weaker than the previous financial years. In particular, the tendering model practiced in Germany with its consequences for price formation was discussed. Another focus was the positive development of the project pipeline in the United Kingdom.

At the Supervisory Board meeting on December 13, 2018, the Supervisory Board dealt in detail with the efficiency review with regard to the cooperation between the Management Board and the Supervisory Board. Looking back at the 2018 financial year as a whole, it was established that the 2018 financial year as a whole was on schedule and that all the projects planned for the 2018 financial year had been completed on schedule. The targets for the 2019 financial year were also set.

Corporate governance

All members of the Supervisory Board attended all meetings of the Supervisory Board.

There were no conflicts of interest of the members of the Supervisory Board in connection with their activities as members of the Supervisory Board of Energiekontor AG.



Dr. Bodo Wilkens

**CHAIRMAN OF THE
SUPERVISORY BOARD**



Günter Lammers

**DEPUTY CHAIRMAN OF
THE SUPERVISORY BOARD**



Darius Oliver Kianzad

**MEMBER OF THE
SUPERVISORY BOARD**

In April 2018, the Management Board and Supervisory Board issued a joint declaration of conformity pursuant to Section 161 of the German Stock Corporation Act (AktG). The declaration has been made permanently available to the public on the Company's website at www.energiekontor.de.

At its meeting on December 13, 2018, the Supervisory Board conducted the efficiency review provided for in the Corporate Governance Code.

In addition, the Management Board also reports on corporate governance at Energiekontor AG for the Supervisory Board in the Corporate Governance Report and in the Declaration on Corporate Governance.

Annual and consolidated financial statements

PKF Deutschland GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart branch, which was elected at the Annual General Meeting on May 23, 2018 and commissioned by the Supervisory Board, audited the annual financial statements and the consolidated financial statements of Energiekontor AG for the financial year from January 1 to December 31, 2018 as well as the combined management report of Energiekontor AG and the Group for the same financial year.

In accordance with Section 317 (4) of the German Commercial Code (HGB), the auditor audited the financial statements and found that the Management Board has established a monitoring system, that the statutory requirements for the early identification of risks threatening the Company's existence have been met and that the Management Board has taken suitable measures to identify developments and avert risks at an early stage.

The auditor submitted the declaration of independence required by the Corporate Governance Code to the Supervisory Board and disclosed the audit and consulting fees incurred in the respective fiscal year to the Supervisory Board.

In his audit report, the auditor explains the auditing principles. As a result, it can be stated that Energiekontor AG complied with the rules of the German Commercial Code (HGB) and IFRS. The auditors did not raise any objections.

The annual financial statements and the consolidated financial statements as well as the combined management report for the AG and the Group each received an unqualified audit opinion. The annual financial statements, the consolidated financial statements, the combined management report for the AG and the Group and the auditor's report were submitted to all members of the Supervisory Board in good time. The financial statement documents were discussed in detail at the balance sheet meeting of the Supervisory Board on April 3, 2019 in the presence of the auditors and following a report by them. The Supervisory Board examined the annual financial statements, the consolidated financial statements, the combined management report of the AG and the Group and the proposal for the appropriation of net retained profits on its own responsibility.

No objections were raised after completion of this audit. The Supervisory Board concurred with the results of the audit and approved the financial statements prepared by the Management Board for the 2018 financial year and the combined management report. The 2018 annual financial statements of Energiekontor AG were thus adopted. The Supervisory Board examined the Management Board's proposal for the appropriation of net retained profits. The Supervisory Board concurs with the proposal of the Management Board. The final result of the Supervisory Board's examination did not give rise to any objections.

Acknowledgement

The Supervisory Board would like to express its thanks and appreciation to the Management Board and all employees for their high level of commitment and performance in the 2018 reporting year.

Bremen, April 2019



Dr. Bodo Wilkens
Chairman of the Supervisory Board



Corporate Governance Report

*Transparency
+ Accountability
+ Sustainability*

*Good
Corporate
Governance*

The German Corporate Governance Code was last updated in February 2017 and contains rules, recommendations and suggestions for proper and responsible corporate governance. The Code serves to create more transparency in order to strengthen the confidence of investors, customers, employees and the public in the corporate management of German companies. Energiekontor AG welcomes the provisions of the German Corporate Governance Code (DCGK), which take into account the interests of the companies as well as their investors.

Good and sustainable corporate governance is of particular importance for Energiekontor as a group with a large number of shareholdings. The Board of Management and the Supervisory Board are convinced that good corporate governance, which takes into account Company and sector-specific aspects, is an important basis for the success of Energiekontor AG. The implementation and observance of these principles is seen as a central management task.

In the 2018 financial year, the Board of Management and the Supervisory Board again dealt intensively with the corporate governance of Energiekontor AG and the Group as well as with the contents of the German Corporate Governance Code. During the reporting period, Energiekontor AG complied with the recommendations of the German Corporate Governance Code with a few exceptions specific to the Company.

The Supervisory Board and Board of Management of Energiekontor AG issued the declaration of compliance required by the German Stock Corporation Act in April 2018 and most recently in March 2019. It can be viewed on the website (www.energiekontor.de) under the path "Investor Relations/Corporate Governance".

Declaration by the Board of Management and the Supervisory Board of Energiekontor AG on the recommendations of the "Government Commission on the German Corporate Governance Code" pursuant to Section 161 of the German Stock Corporation Act (AktG).

1. Since the last declaration of compliance in April 2018, Energiekontor AG has complied with the recommendations of the "Government Commission German Corporate Governance Code" in accordance with the then valid version of the German Corporate Governance Code dated February 7, 2017 with the following exceptions:

Section 3.8 (3): The D&O insurance taken out by the Company for the Supervisory Board does not provide for a deductible. In view of the remuneration structure of the Supervisory Board and the statutory minimum size of three members, this is not considered appropriate. Furthermore, the Executive Board and the Supervisory Board are of the opinion that agreeing on a deductible would not be suitable to improve the motivation and responsibility with which the members of the Supervisory Board perform the tasks and functions assigned to them.

Section 3.10 sentence 1: The Management Board and Supervisory Board shall report annually on corporate governance (Corporate Governance Report). Contrary to this recommendation, the Management Board and Supervisory Board do not submit a Corporate Governance Report. The Management Board and Supervisory Board are of the opinion that such a report is not necessary in addition to the Declaration of Conformity due to the size of the Company.

Section 4.1.3: The Management Board shall ensure that appropriate measures are taken (compliance management system) in line with the Company's risk situation and disclose their main features. Employees should be given the opportunity, in a suitable manner, to give protected indications of violations of the law within the Company. Contrary to these recommendations, the Management Board is currently refraining from setting up such a compliance management and whistleblower system. In view of the manageable corporate structures and business processes as well as flat hierarchies, the need for a compliance management and whistleblower system has so far been comparatively low. Close involvement of the Management Board in key business transactions, projects and corporate processes ensures ongoing monitoring of possible risks of legal violations within the Company. There is a regular exchange between employees and the Management Board, whereby a culture of trust within the Company is cultivated. Every employee of Energiekontor AG is asked to communicate grievances within the Company via short channels without frictional losses. It is the responsibility of every employee to choose the appropriate communication channel.

Section 4.1.5: Even if the Management Board pursues the objective of promoting women and attracting further women to management positions, the Board of Management pays exclusive attention to the professional and personal qualifications of the respective applicant when filling management positions in the Company. This approach has proven its worth. The requirements of the Code inappropriately restrict the Management Board in its selection of suitable candidates for management positions to be filled.

Section 4.2.1 sentence 2: Due to the manageable number of Management Board members, no rules of procedure are provided for. In view of the small size of the Management Board, this ensures the necessary flexibility in the event of necessary changes and thus an efficient division of labour.

Section 4.2.2 para. 2 sentence 3: Section 4.2.2 para. 2 sentence 3 of the Code recommends that the Supervisory Board should also take into account the relationship between the remuneration of the Management Board and the senior management and the relevant workforce as a whole over time. In concluding the current Management Board contracts, the Supervisory Board has ensured in accordance with the provisions of the German Stock Corporation Act that the total remuneration is in reasonable proportion to the tasks and performance of the Management Board member and does not exceed the usual remuneration and will continue to ensure this in the future. The determination of the remuneration of the Management Board is based on the scope of business, its economic and financial situation and the structures of the salaries of Management Board members of comparable companies in accordance with the customary method of calculation. In addition, the individual tasks and areas of responsibility of the respective Management Board member are taken into account. Insofar as Section 4.2.2, Paragraph 2, Sentence 3 of the Code specifies the review of the vertical appropriateness of Management Board remuneration already required under the German Stock Corporation Act (Aktiengesetz) and defines the relevant comparison groups and the timing of the comparison in more detail, a deviation is explained in this respect. When reviewing vertical appropriateness, the Supervisory Board does not distinguish between the comparison groups of the Code recommendation and does not conduct any surveys on the development of the wage and salary structure over time. The management organisation of the Energiekontor Group is characterised by a comparatively small management team and a flat hierarchy. In the view of the Supervisory Board, the demarcation of an “upper management circle” would neither accurately reflect the actual operational organization nor would it make sense from an operational and organizational point of view. The Supervisory Board is of the opinion that the appropriateness of the remuneration of the Management Board can be comprehensively ensured without determining an upper management circle. In addition, the Management Board and the Supervisory Board are of the opinion that details of this new Section 4.2.2 (2) sentence 3 are still the subject of controversial discussion in practice and legal literature. For this reason, too, a deviation is declared as a precautionary measure.

Section 4.2.3 para. 6: The Annual General Meeting is not informed once about the main features of the remuneration system for the members of the Management Board and then separately about any changes to it, as the relevant information is already contained in the annual financial report, which is available to all shareholders.

Section 5.1.2: The Supervisory Board does not comply with this recommendation in that it is guided exclusively by the qualifications of the persons available when appointing the members of the Management Board – apart from the legally binding determination of the proportion of women – and does not assign any priority decision relevance to gender in this context.

There is currently no age limit for members of the Management Board. Older people should not be discriminated against. Cooperation is based on personal performance and professional background. Due to the age structure of the Management Board, the Supervisory Board also refrains from long-term succession planning.

Sections 5.3.1, 5.3.2, 5.3.3: The Supervisory Board of Energiekontor AG consists of only three members. The formation of professionally qualified committees, audit committees and nomination committees is – under the specific circumstances of the Company – not expedient and – unlike larger committees – does not lead to an increase in efficiency. Therefore, it does not make sense to form such committees. All the tasks incumbent on the Supervisory Board are dealt with and answered for jointly.

Section 5.4.1 para 2 and 5: The Supervisory Board of Energiekontor AG does not specify any concrete objectives for its composition – apart from the legally binding determination of the proportion of women – and does not draw up a competence profile for the entire body. In its nominations for election to the Supervisory Board, the Supervisory Board has hitherto been guided solely by the suitability of the candidates with the aim of assembling the Supervisory Board in such a way that its members have the overall knowledge, skills and professional experience required for the proper performance of their duties. The Supervisory Board is convinced that this approach has proved its worth. Therefore, there is basically no need to change this practice. Consequently, the further recommendations based on this pursuant to Section 5.4.1 cannot be followed.

Section 5.4.6 para. 3: Contrary to the recommendation in Section 5.4.6 para. 3, the remuneration of the members of the Supervisory Board (including the remuneration paid by the Company to the members of the Supervisory Board or benefits granted for services provided personally, in particular advisory and agency services) has not been and will not be itemized, but reported in full annually in the Notes or in the Management Report. The structure and amount of the remuneration for the Supervisory Board are derived from the information provided in the Notes or in the Management Report. Energiekontor AG considers this information to be sufficient to satisfy the information interests of the capital market and the shareholders. The remuneration of the members of the Supervisory Board is also decided annually by the Annual General Meeting.

Section 7.1.4: The Company does not disclose in the consolidated financial statements any relationships with shareholders who qualify as related parties within the meaning of the applicable accounting regulations, as the expenses and costs are considered unreasonable in view of the size of the Company.

2. Energiekontor AG will comply with the recommendations of the “Government Commission on the German Corporate Governance Code” in the version dated February 7, 2017 with the following exceptions:

Section 3.8 (3): The D&O insurance taken out by the Company for the Supervisory Board does not provide for a deductible. In addition, the Executive Board and the Supervisory Board are of the opinion that agreeing on a deductible would not be suitable to improve the motivation and responsibility with which the members of the Supervisory Board perform the tasks and functions assigned to them.

Section 4.1.5: When filling management functions, the Management Board orients itself to the requirements of the corresponding function and searches for the best possible person who fulfils these requirements. If there are several equally qualified candidates available, the Management Board will take care to ensure diversity and appropriate consideration of women in the Company when appointing candidates, without making these criteria a priority principle.

Section 5.1.2: The Supervisory Board bases its appointments to the Management Board on suitability and qualifications and seeks the best possible candidates for Management Board positions. In the opinion of the Company, the special weighting of further criteria specified in the Code would limit the selection of possible candidates for the Management Board.

Section 5.4.1: It also applies to the composition of the Supervisory Board that suitability, experience and qualification are the relevant selection criteria. A commitment to specifications regarding future appointments restricts flexibility without any other advantages for the Company. This applies all the more since the Supervisory Board consists of only three members.

Section 7.1.2: Energiekontor AG is guided by the post-admission obligations of the Regulated Market, which provides for publication of the annual financial report within 4 months of the end of the reporting period and publication of the half-yearly financial report within 3 months of the end of the reporting period.

Further development of corporate governance

Energiekontor AG continues to develop its understanding of good and responsible corporate governance. A professional and efficient corporate management and control within the Group is based on governance, risk and compliance systems.

First and foremost, risks must be prevented where they may arise and, if this is not possible, they must be identified and reduced. To ensure this, automated internal controls are implemented in business processes as far as possible. As this is not always fully feasible, the effectiveness of the control system must be ensured by further control measures taken by management.



Secondly, this is done, for example, through guidelines and work instructions within the framework of the design of the internal control system, the risk management system and the compliance management system. Close integration of the internal control system, risk management system and compliance management system ensures that risks are avoided and managed as efficiently as possible. The management monitors the appropriateness and effectiveness of the implemented processes and systems through independent audits. The model is rounded off by the external monitoring of the auditor.

Appropriate control and risk management

Responsible handling of risks is part of corporate governance at Energiekontor AG. For professional corporate management, continuous and systematic management of business opportunities and risks is of fundamental importance. It helps to identify risks at an early stage, evaluate them and control them by means of measures. The Management Board regularly reports to the Supervisory Board on the current development of material Group risks. The Supervisory Board regularly focuses on monitoring the effectiveness of the internal control and risk management system. Energiekontor AG continuously develops the individual systems and measures and adapts them to changing conditions. The main features of our control and risk management system can be found in the opportunity and risk report.

Compliance

Compliance, in the sense of measures to ensure adherence to statutory requirements and internal Company policies is a key management duty at Energiekontor AG. There is a clear commitment to compliance with the law, regulations and internal guidelines: Violations will not be tolerated (zero tolerance). All evidence of misconduct will be investigated.

Objectives of the Supervisory Board and the Management Board with regard to their respective composition and the composition of the management levels below the Management Board

The Supervisory Board currently consists of three male members. They were appointed until the end of the Annual General Meeting which resolves on the discharge for the financial year 2023. If there is no resignation, the future composition of the Supervisory Board will not be decided until the Annual General Meeting in 2023. The Supervisory Board in office until then continues to stand behind its determination of April 2018 that the target figure for the proportion of women on the Supervisory Board of Energiekontor AG to be achieved is 0 percent.

The Management Board currently consists of three male members. The Supervisory Board is of the opinion that the Management Board positions are currently filled as well as possible and that an increase in the size and structure of the Management Board is not appropriate. For this reason, the Supervisory Board continues to support its determination of April 2018 that the target figure for the proportion of women on the Board of Management of Energiekontor AG to be achieved is 0 percent.

At present, Energiekontor AG has only one management level below the Board of Management. The Executive Board has set the target to be achieved for the proportion of women in management positions below the Management Board at 17 percent. The proportion of women in management positions below the Management Board is currently 19 percent. The target has thus been reached.

Avoidance of conflicts of interest

Consultancy or other service and work contracts existed between members of the Supervisory Board and the Company in the year under review. The contractual relationships in the financial year are presented in the remuneration report. There were no conflicts of interest of members of the Management Board or Supervisory Board that had to be disclosed to the Supervisory Board without delay.

Related party disclosures are presented in section VIII. 4 of the notes to the consolidated financial statements.

Reportable securities transactions and shareholdings of the Management Board and Supervisory Board

According to Art. 19 MAR, members of the Board of Management and the Supervisory Board or persons closely associated with them are obliged to disclose reportable transactions in Energiekontor AG shares or related financial instruments if the value of the transactions reaches or exceeds the sum of EUR 5,000 within a calendar year. No such transactions were reported to the Company in fiscal year 2018.

Shareholders and Annual General Meeting

The shareholders of Energiekontor AG exercise their rights at the Company's Annual General Meeting, which is chaired by the Chairman of the Supervisory Board in accordance with the Articles of Association. The Annual General Meeting is held once a year. Each share carries one vote.

Shareholders may exercise their voting rights at the Annual General Meeting either in person or through a proxy of their choice or through a Company proxy bound by instructions. Shareholders also have the opportunity to cast their votes in writing by postal vote – without authorizing a representative. All documents and information relating to the Annual General Meeting are available to shareholders at an early stage on the Company's website. In addition, questions can be addressed to members of our Investor Relations department via an info line or e-mail.



Transparency through high information quality

Our dialogue with the capital market is aimed at providing all target groups with comprehensive, equal and timely information and at providing valuation-relevant facts of the highest possible quality.

The presentations given to analysts and investors can be viewed at any time on the website. Investor Relations also provides extensive data and facts to help analysts and investors better understand and evaluate our businesses and their value prospects.

We provide information on recurring dates, such as the date of the Annual General Meeting or the publication dates of the interim reports, in a financial calendar that is published in the Annual Report, in the interim reports and on the Company's website.

Our website also provides information on current developments in the Group. All press releases and ad-hoc announcements of Energiekontor AG are published there in German and English. The Company's Articles of Association, consolidated financial statements, interim reports and information on the implementation of the recommendations and suggestions of the German Corporate Governance Code are available on the Company's website. All interested parties can also register on the website for an IR mailing list, which keeps them up to date with the latest news from the Group.

Corporate Governance Statement

The current declaration of the Board of Management and the Supervisory Board of Energiekontor AG on corporate governance in accordance with § 289f and § 315 d HGB is generally and permanently available on the website of Energiekontor AG (www.energiekontor.de) under the path Investor Relations / Corporate Governance / Declaration on Corporate Governance. The declaration explains the relevant corporate governance practices that are applied beyond the legal requirements. In addition, the working methods of the Management Board and Supervisory Board are described and the composition of the Management Board and Supervisory Board is presented.

Remuneration report

Details of the remuneration of the Management Board and the Supervisory Board can be found in the remuneration report in the management report.

The following members of the Supervisory Board held the following interests in the Company's capital as of December 31, 2018:

<u>Name</u>	<u>Function</u>	<u>Quantity</u>	<u>Percentage</u>
Dr. Bodo Wilkens	Chairman of the Supervisory Board	3,759,835	25.79
Günter Lammers	Deputy Chairman of the Supervisory Board	3,752,474	25.74

Bremen, April 2019

For the Supervisory Board



Dr. Bodo Wilkens

Chairman of the Supervisory Board

Our mission statement

As a pioneer to 100% renewable energy

100% Renewable Energy

As a pioneer of renewable energy, Energiekontor is actively shaping the transition to **100% renewables**. Concentration on our core competences and innovation will drive our business to a successful future.

Individual Responsibility and Autonomy

We support a high level of individual responsibility and create **room for autonomy** at all levels as they are the precondition for creativity, flexibility and achieving our goals.

Team Spirit and Collegiality

We encourage **team spirit** and **collegiality** as they are the key to our success.

Financial Stability and Sustainable Growth

The **financial stability** of our Company is the basis for **sustainable growth** and plays a key role in our long-term strategy.



Unser Leitbild

erneuerbare

Wir setzen uns für eine
saubere Energieversorgung ein
und fördern die Nutzung von
erneuerbaren Energien. Dies ist
nicht nur gut für die Umwelt,
sondern auch für die Wirtschaft.

Gestaltung und eigenständiges Handeln

Wir fördern die
eigenständige
Entscheidung und
Handlungsfähigkeit
unserer Mitarbeiter.

insgesamt nachhaltige Entwicklung





Our vision

*100% renewable energy –
a tedious but worthwhile way*

Energiekontor has a clear vision of the future: a world in which the entire energy demand is covered 100 percent by renewable energy. We have put this vision before our mission statement. It goes without saying that we will not achieve this goal alone or in the foreseeable future. But it is an extremely rewarding task to contribute to this goal. The awareness of working on something big motivates our employees time and time again.

Since their beginnings, renewable energies have had to live with the accusation that they owe their existence only to lavish subsidies and have contributed to driving up electricity prices, especially for consumers. This argument does not take into account the fact that energy production from fossil fuels and nuclear energy have also been heavily subsidised to date. However, unlike renewables, these are not shown on the electricity bill.



The best way to counter this resistance and achieve a sustainable penetration of the energy market with renewable energies is to generate electricity from renewable energies at costs below those of fossil and nuclear power generation.

“As more and more wind farms phase out of EEG compensation, the issue of repowering is becoming increasingly important.”

ANJA DAMMEYER, HEAD OF REPOWERING

Here, Energiekontor will make an important contribution. We are pioneers in this field and are already planning wind and solar parks whose electricity production costs are lower than those of the conventional energy industry.

In addition to the still valid argument of much higher environmental compatibility, the superior economic efficiency of renewable energies is also increasingly coming into focus. But social support will also increase significantly again if the expansion of wind and solar energy no longer leads to rising electricity prices but even to falling prices in the medium term. The triumph of renewable energies has now been given a new boost.

*Prime costs
≤ Costs of the
conventional
electricity industry*

**SOLUTION FOR
THE FUTURE**

The potential of sun and wind

+10%

GROWTH RATE IN THE
WIND ENERGY SECTOR

+25%

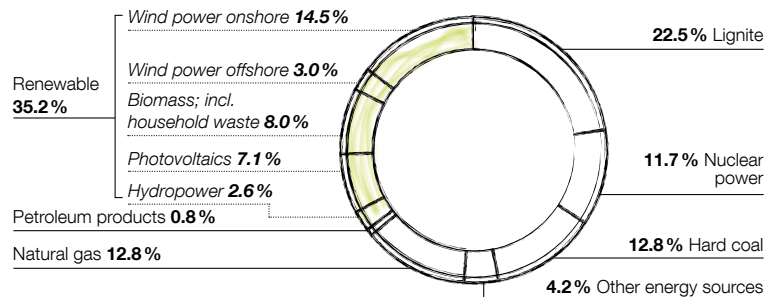
GROWTH RATE IN THE
SOLAR ENERGY SECTOR

Ensuring a reliable, economical and environmentally compatible energy supply is one of the greatest challenges of the 21st century. The expansion of renewable energies is of paramount importance. Accordingly, it is not surprising that the accumulated renewable energy output also rose again in 2018. At the end of the year, around 590 GW of wind energy and almost 500 GW of photovoltaic capacity had been installed worldwide, corresponding to growth rates of just fewer than 10 percent and almost 25 percent respectively.

Even though Germany has long since ceased to be the country with the highest installation values – China already assumed this role a few years ago – the result of the steady expansion of renewable energies over the past few years remains remarkable. The share of renewable energies in gross electricity generation in Germany in 2018 was already at 35.2 percent, which is the same as the combined share of hard coal and lignite. Wind energy on land contributed by far the largest share with 14.5 percent, followed by electricity generation from photovoltaic with 7.1 percent.

Gross electricity generation in Germany 2018

Source: Agentur für erneuerbare Energien e.V., 2019



It is the declared goal of the Federal Government to achieve at least 80 percent renewable energy in the electricity supply by the year 2050. The Renewable Energy Sources Act (Erneuerbare-Energien-Gesetz – EEG) defined an interim target for increasing the share of renewable energies in the electricity supply to at least 35 percent by 2020, 40 to 45 percent by 2025 and 55 to 60 percent by 2035.

Other countries have also set themselves ambitious goals: France passed its own energy system transformation law in mid-2015. By 2030, the share of renewable energies there is to rise to 40 percent while at the same time reducing the share of nuclear energy. Binding regulations also apply to the whole of Europe. The European Union adopted the 20/20/20 target in 2007: to reduce greenhouse gas emissions by 20 percent compared to 1990, to increase the share of renewable energy in total energy consumption to



20 percent and to improve energy efficiency by 20 percent by 2020. These targets were increased by the European Council to 40 percent, 27 percent and 27 percent respectively for 2030. Worldwide, 144 countries have set their own targets for the expansion of renewable energies. 138 countries and regions are implementing policies to increase the share of renewable energy in their energy supply.

In the wind energy sector, the Global Wind Energy Council (GWEC) expects annual growth in global wind energy capacity of around 55 GW and more over the next five years, with Asia, and China in particular, expected to further expand its leading role in expansion. As in 2017, most of the new wind farms with a total capacity of around 23 GW were built in China in 2018. But the USA is also becoming an increasingly important market. Here, new capacity reached a volume of 7.6 GW. This means that more than half of the new wind turbines in the world are being erected in China and the USA together.

40/27/27
↑ ↑ ↑
20/20/20

**INCREASING THE
TARGETS FOR 2030**

„An energy supply of 100 percent from renewable energies in Germany is possible. As a pioneer in the industry, we are convinced of this and have been contributing to it for almost 30 years.“

CERSTIN KRATZSCH, HEAD OF BOND DISTRIBUTION

The global expansion of photovoltaic should progress even more strongly than wind energy. The PV Market Alliance, an association of leading market researchers, is forecasting a global increase in installed capacity of 120 GW in 2019, an increase of over 20 percent.

The energy turnaround

No longer just a German idea

The expansion of renewable energies continued in 2018. The global energy markets are changing; conventional energy sources and fossil fuels are increasingly being supplemented or replaced by the expansion and use of renewable energy sources.

The global transformation of energy systems is determined in particular by the following factors:

- The negative effects of climate change and the associated new and stricter international agreements on climate protection and combating global warming, such as the Paris Convention on Climate Change. In addition,



there are numerous other national and supranational initiatives and measures to achieve climate targets, phase out nuclear energy and create a carbon-free economy.

- Private sector initiatives such as “RE100” show that companies are also increasingly interested in covering a large part of their energy needs with renewable energies, even without government regulations and legislative initiatives. The reasons for this are manifold: in addition to aspects of sustainability and image and reputation gains, the increasing economic efficiency of renewable energies and the long-term plannability of energy costs through the conclusion of long-term power purchase agreements also play an important role.
- The significant decline in the price of electricity generation costs, especially in photovoltaic and wind power, has significantly increased the competitiveness and profitability of electricity generation from renewable energies.
- The higher economic efficiency is also driven by the rapid technical development and the significant price decline in the use of modern storage capacities. In the future, battery storage will make it possible to supply energy more independently of meteorological conditions on the basis of renewable energy sources. The future coupling of renewable energies and battery storage offers a high degree of supply security and has the potential to become the superior energy system of the future.
- In addition, the global demand for energy continues to rise. The digitalisation of the economy, the progressive urbanisation of society and the issue of electro mobility are leading to a further increase in global energy demand. Global energy demand is expected to increase by around 30 percent by 2040 compared with the base year 2015.

+30%
INCREASE IN
GLOBAL ENERGY
DEMAND BY 2040

„Foreign markets are becoming increasingly important for Energiekontor. The external conditions for wind and solar energy are better in many places than in Germany.“

GUY WILSON, LEITER US

Climate protection and a secure energy supply are among the most important global challenges for Energiekontor. Renewable energies, energy savings and the use of efficient technologies are central strategies for mastering these challenges.

Energiekontor has set itself the task of expanding and using renewable energies from wind and solar power. In this respect, Energiekontor makes an important contribution to the vision of 100 percent renewable energies through this strategic positioning.

Three pillars of success

Energiekontor's business model consists of three mutually supporting areas: project development in selected country markets and key regions, the operation of the Group's own wind and solar parks and the optimisation of value creation through operational management, increased efficiency and innovation.

"Our efficiency measures in all areas of project development enable us to successfully sell projects to various investor groups."

LARS HEINRICH, SALES MANAGER

Pillar 1

**PROJECT DEVELOPMENT
WITH 30 YEARS
OF EXPERIENCE**

Project development

Energiekontor can look back on almost 30 years of experience in project development. Project development is the Group's core business, from site acquisition, planning and financing to turnkey construction of wind and solar parks. In six countries, Energiekontor is directly on site as an expert and contact partner with its own teams. In the meantime, the Company has realised wind and solar parks with a total output of around one gigawatt. The amount of electricity generated corresponds to a demand of more than 600,000 households in Central Europe; roughly the same as Munich's demand.

In addition to developing wind farms, the Company is significantly expanding its solar business. Not only in Germany, but also in the USA and France, large-scale photovoltaic parks are to be built over the next few years according to the plans of the Energiekontor Group.

Worldwide, the remuneration for electricity from wind and solar parks is falling due to the discontinuation of subsidy programs and falling production costs. Energiekontor has been preparing for this for years and has developed a series of efficiency measures to reduce costs. Energiekontor would like to make an important contribution to the market penetration of renewable energies and therefore aims to be one of the first companies in all addressed markets to realise wind and solar parks at electricity production costs below those of fossil or nuclear power plants.

Pillar 2

**OWN PARK PORTFOLIO
FOR CONTINUOUS
INCOME**

Own park stock

In addition to project development, Energiekontor has built up a portfolio of own wind and solar farms within the Group in recent years. This own stock enables the Company to generate continuous income from the sale of



electricity to cover the costs of project development and thus independence and flexibility through a stable liquidity base. Even in times of unfavourable conditions for project development, this allows us to maintain a constant number of employees at a constant level of preproduction costs.

The portfolio of own parks is to be further expanded mainly by taking over projects developed in-house. In addition to onshore wind farms, more solar parks are to be transferred to the Company's own portfolio in the future. The plants in the current own portfolio are located in Germany, Great Britain and Portugal. The distribution across different wind regions and the expansion of solar parks in the Company's own portfolio, which has been initiated, ensure natural diversification and a steady cash flow even in the event of annual regional fluctuations in wind strengths and solar irradiation.

Operational management

As a rule, Energiekontor takes over the operational management for the projects it develops itself, regardless of whether these are sold or remain in its own portfolio. In this way, continuous income is generated in addition to the electricity income from own parks. This includes commercial services, such as the handling of all business transactions with energy suppliers, lessors and investors, as well as technical management from monitoring and maintenance to the implementation of measures to improve performance and extend operating lives. The many years of experience gained from the constantly optimised operation of the Group's own parks are incorporated here. Energiekontor plans to significantly expand this service for third parties.

Pillar 3

ASSUMPTION OF OPERATIONAL MANAGEMENT

Sustainable growth

Energiekontor has a sustainable growth model

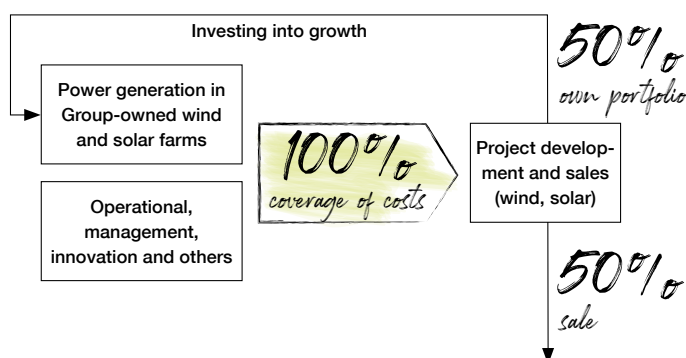
As a pioneer of the energy revolution, Energiekontor is guided by the vision of 100 percent coverage of electricity demand by renewable energies. The Company has therefore made it its mission to implement the most economical projects in the wind power and photovoltaic sectors in order to continue to grow even under tougher competitive conditions and to be able to compare electricity production costs with those of conventional power generation.



The generator and core element of the growth model is the expansion of power generation from the Group's own wind and solar farms. The sale of the electricity generated in the wind and solar farms generates continuous income. Together with the steady income from the management of own and third-party parks, this income from the sale of electricity provides financial stability and forms the basis for the Company's sustainable growth. The cash surpluses generated by Energiekontor's own parks and operations essentially cover project development costs, including Group-wide personnel and overhead costs. The income from the sale of the developed wind and solar parks is the key determinant of the reported annual result and is used to pay taxes and dividends as well as to form liquidity reserves.

The growth of the Company takes place in different ways in the individual segments. In the area of project development, Energiekontor is driving growth by strengthening the acquisition of locations and expanding into new markets. On the other hand, the area of electricity generation in the Group's own wind farms is growing as the Company takes over projects from project development into its own portfolio or buys external operative wind farms. The more wind and solar parks that are transferred to the Company's own portfolio, the greater the increase in future cash surpluses from the sale of electricity and from operating activities. This in turn means that more funds are available for project development, which will drive growth. This organic growth process will be reinforced by accompanying innovation and efficiency measures, which will lead to further increases in earnings and further increase the cash surplus from electricity generation.

Growth model of Energiekontor AG



Pioneering role

for Energiekontor

Long-term power purchase agreements with large industrial partners or other electricity consumers are an important milestone in being able to offer electricity from wind and solar parks at pure market prices without government support measures. These companies thus secure fixed electricity prices over long periods of time, which protect them from extreme fluctuations and significantly rising electricity prices on the electricity exchanges. This long-term advantage is worth a higher short-term electricity price to many large industrial companies and utilities. In Great Britain, Energiekontor has been successfully gaining experience with PPAs for many years and has thus gained the trust of major industrial partners. In the past, in addition to the PPA, there were various funding programmes in this area, which were discontinued in 2016. Thanks to the measures described above, however, Energiekontor is already in a position today to implement renewable energy projects economically on the basis of PPAs alone. Especially in Scotland, where large-scale wind farms are planned under excellent wind conditions, such projects are to be developed. In the USA, PPAs are also planned for the development of large-scale solar parks in the West Texas region. Talks are also taking place in Germany with industrial customers on long-term power purchase agreements. In February 2019, Energiekontor announced the conclusion of a long-term PPA with EnBW.

„The entire wind and solar industry has been extremely volatile in recent years. By consistently pursuing innovative ideas, we adapt to the ever changing market conditions and will emerge stronger from them.“

BENJAMIN DITTRICH, COORDINATOR INNOVATION PROJECTS

1.3 TWh

**POWER PURCHASE
AGREEMENT
WITH ENBW**

This power purchase agreement is the first of its kind in Germany and enables Energiekontor to build and operate the solar park without EEG subsidies. The agreement stipulates that EnBW will purchase 100 percent of the electricity at a fixed price. Within the framework of the agreed contract term of 15 years, the two companies assume that the total amount of electricity produced will be around 1.3 terawatt hours.

The competitive advantage

of regional presence

Energiekontor lives the regional principle. In contrast to some competitors, whose activities are spread over as large an area as possible, Energiekontor AG concentrates on certain core regions in order to achieve a strong regional presence and a long-term anchorage. Wherever Energiekontor projects wind and solar parks nationally and internationally, the Company has its own offices on site, whose specialized employees are familiar with the culture, language and procedures of project development in the respective region and thus guarantee effective and tailor-made planning and control of the projects. This is the reason why the majority of the parks are located within a radius of about two hours by car around the office. This approach of short distances has proven its worth and contributes to building the trust of all parties involved.

< 2 hours

RADIUS AROUND
OFFICE LOCATION
FOR REGIONAL
PRESENCE

"The designation of wind suitability areas in two regional plans is expected to lead to a sharp increase in the realisation of wind farms in Brandenburg. Energiekontor benefits from this positive development with its Brandenburg projects."

DR. THILO MUTHKE, REGIONAL MANAGER BRANDENBURG

Energiekontor is a respected and reliable partner and offers local communities a high degree of competence and many years of experience. The regional structure makes it possible to respond in a special way to the respective needs of municipalities, residents and property owners. The intensive cooperation with municipal utilities, trades and banks as well as offers for citizen participation in the developed projects also promote value creation at regional level. All this creates trust and increases acceptance for the expansion of renewable energies.

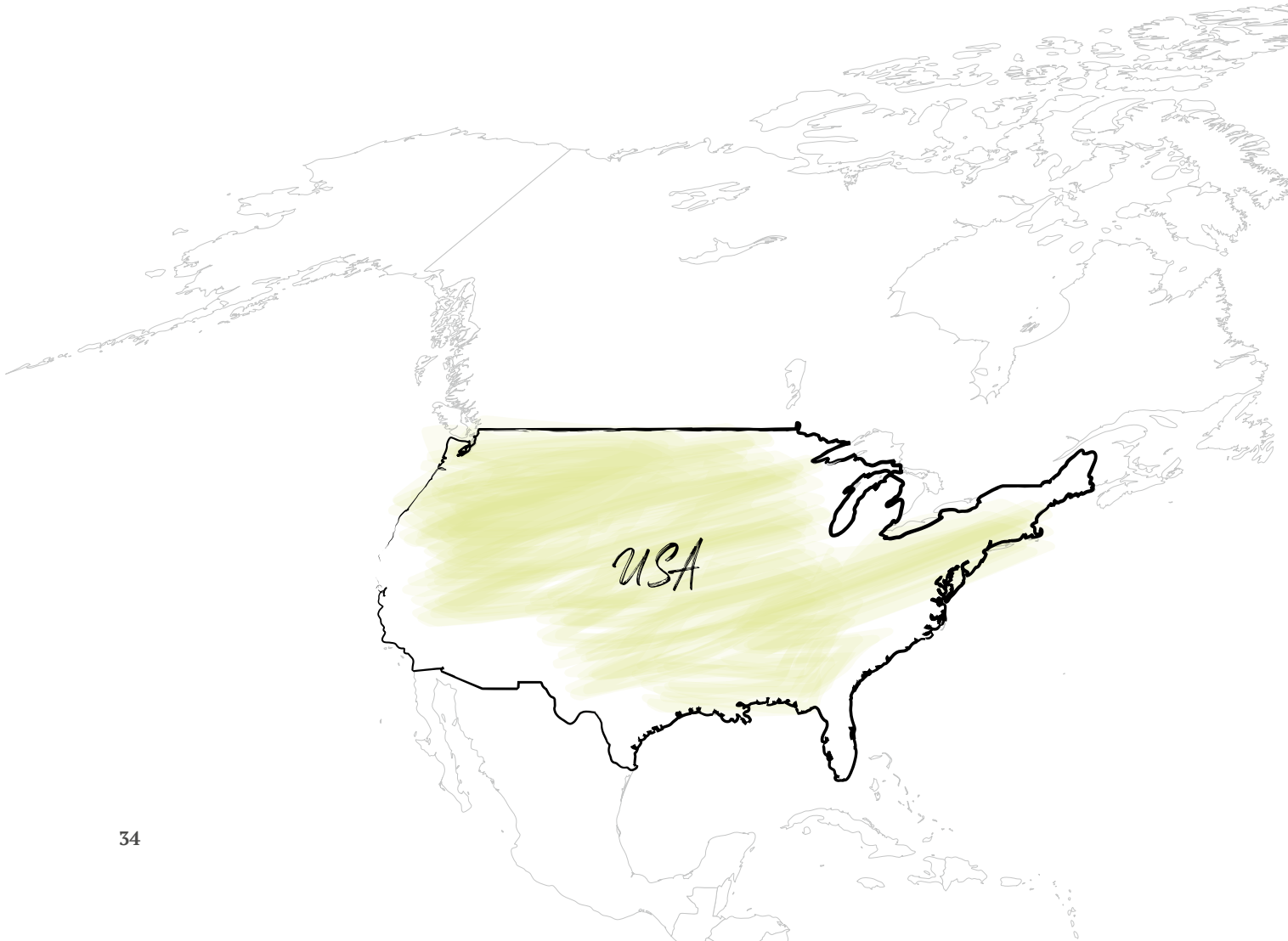
Since the regional presence has proven to be an important and valuable prerequisite for successful project development for all parties involved over the years, Energiekontor also follows this principle when developing foreign markets.

Our country markets

and key regions

Energiekontor's long-standing core markets are Germany, the United Kingdom and Portugal. In order to strengthen internationalization and diversify business activities, they were expanded to include the US and French markets. We expect these new markets in particular to make a substantial contribution to further corporate growth.

In the meantime, we had also addressed the Netherlands as a new market. Due to the long project development periods of five to seven years, pronounced resistance among the population, relatively small project sizes and a relatively small market potential overall, we consider the prospects to be below average compared to the other target markets. We have therefore decided to withdraw from this market in the meantime.

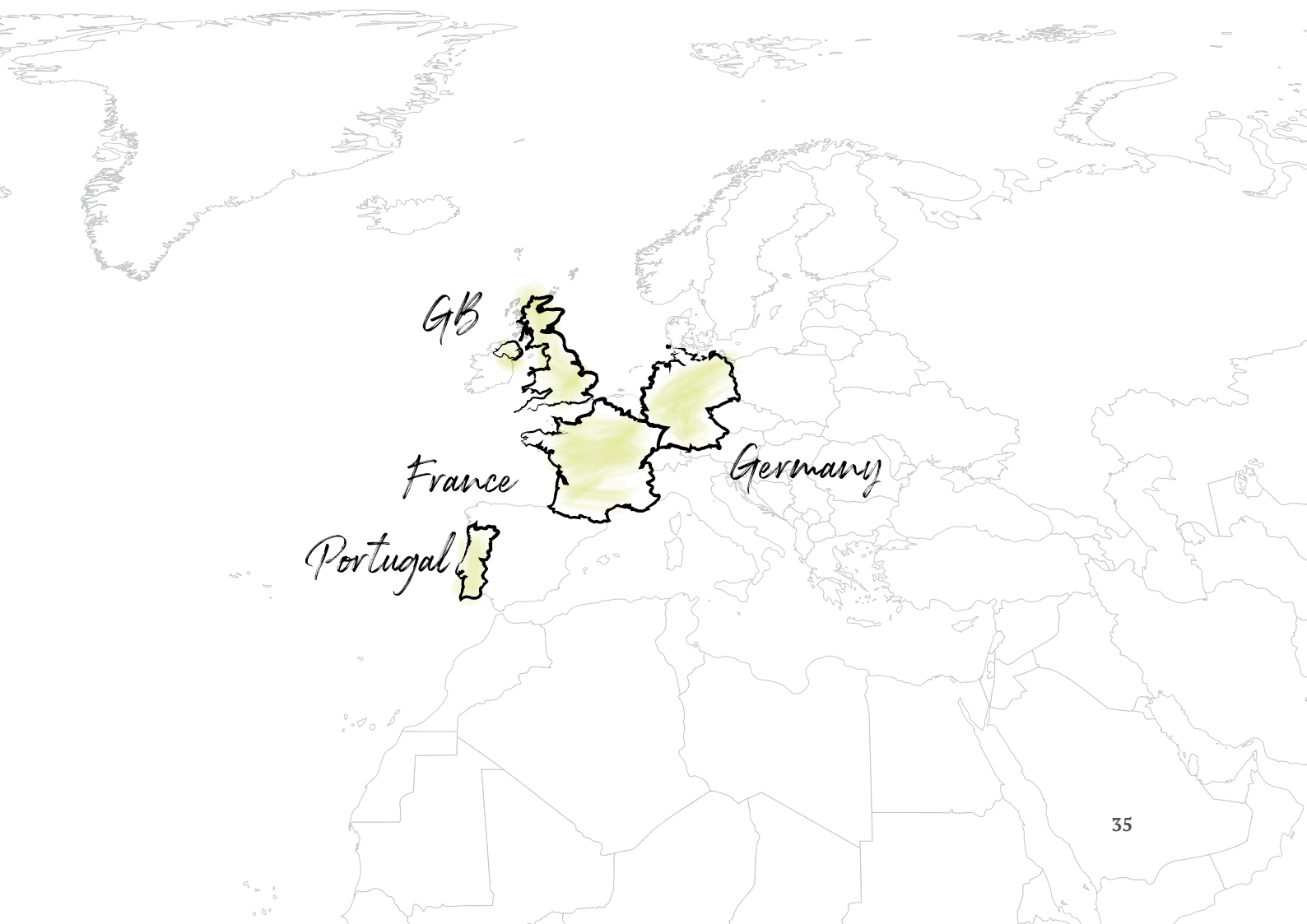


Germany

Since the introduction of the Electricity Feed-In Act and the later EEG, Germany has paved the way for the expansion of renewable energies in Europe. The nuclear reactor catastrophe at Fukushima in March 2011 and the subsequent renewed decision by the Federal Government to phase out nuclear energy have accelerated the expansion of renewable energies in Germany.

With the introduction of the tender system in Germany for solar (2015) and onshore wind (2017), the prices for electricity from wind and solar parks have fallen sharply. Thanks to the forward-looking development, a multitude of efficiency measures and cost savings, however, Energiekontor is still able to realize economically profitable projects. However, in the past fiscal year some projects had to be rescheduled, e.g. with higher plants and more powerful turbines.

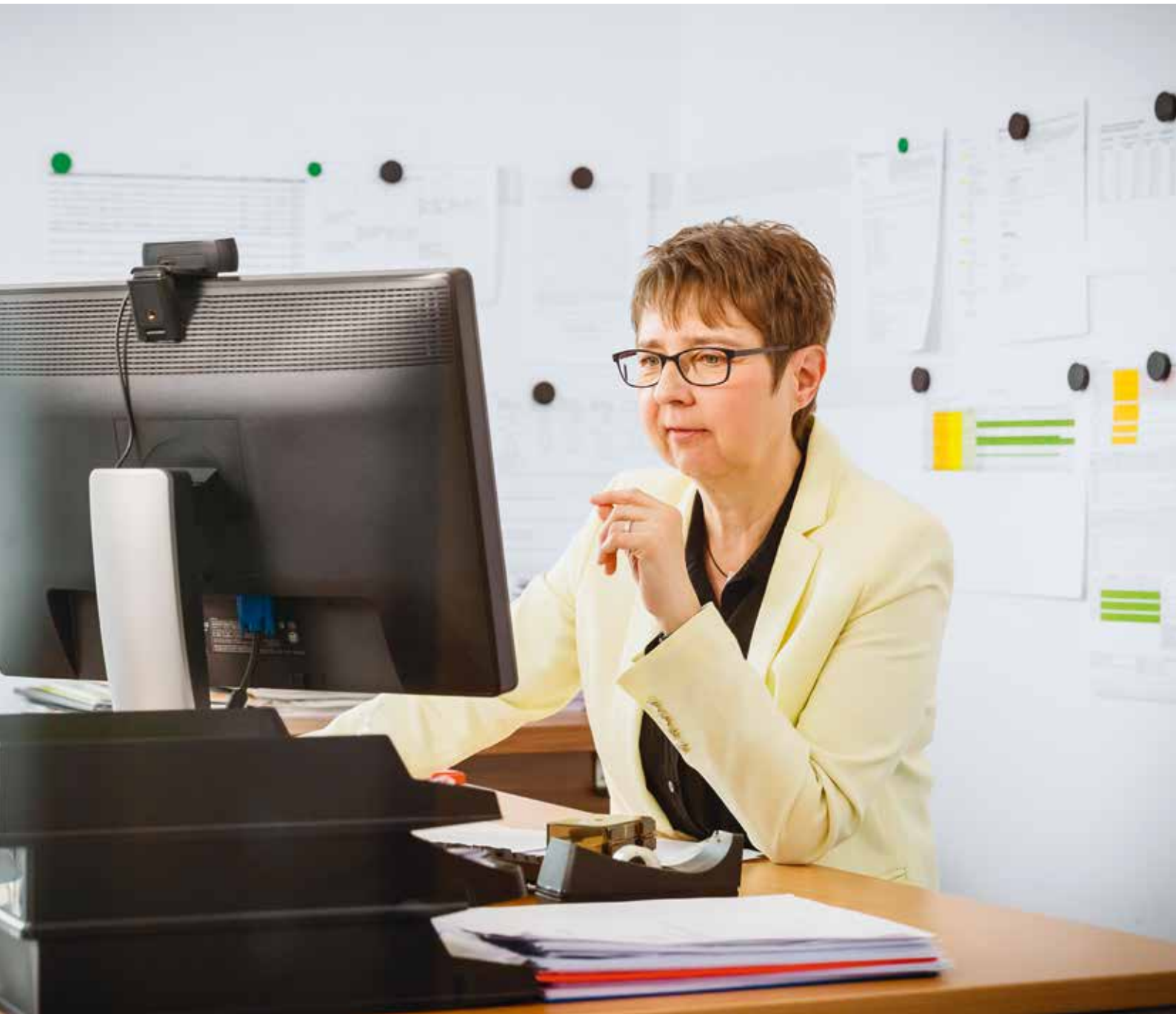
Thanks to the consistent acquisition activities of the Energiekontor Group in the key regions of Lower Saxony, North and South North Rhine-Westphalia and Brandenburg, the Company was able to build up a sustainable project pipeline for the coming years. In the solar segment, in addition to the core regions of Brandenburg and Mecklenburg-Western Pomerania, acquisition activities are also carried out in Schleswig-Holstein, Bavaria and Baden-Württemberg. With meanwhile seven surcharges for PV projects, Energiekontor has shown that it is also successful in determining electricity remuneration via auction procedures.



Great Britain

Great Britain is and remains one of the main markets for project development of the Energiekontor Group. After the discontinuation of onshore wind subsidies, Energiekontor is now concentrating on large-scale sites with excellent wind conditions, such as those in Scotland. With an office in Glasgow and an office in Edinburgh, which is in preparation, the Company has developed a well-filled project pipeline through its intensive acquisition activities. But Energiekontor also continues to implement projects in England and Wales.

In most cases, this is based on long-term power purchase agreements with large industrial customers. On this basis, the Energiekontor Group plans projects without any subsidies and thus underlines its pioneering role in the realisation of wind farms at pure market prices.



It remains to be seen to what extent the Brexit will have an impact on Energiekontor's business with possible import duties as well as currency and interest rate fluctuations. As far as possible, such effects have already been priced into the Company's profitability calculations as a preventive measure and, where economically feasible, have been hedged within the scope of project financing.

Portugal

Portugal has a large number of windy locations. In the south of the country there are also good irradiation conditions for the implementation of solar projects. However, for many years there has been no new tender for grid connections. New projects can only be applied for under general market conditions. Energiekontor's activities in Portugal will therefore continue to be limited to the management of existing wind farms and equipping its own turbines with rotor blade extensions. This application not only increases the yield for the Group's own plants, but also provides important data for the further development and marketing of this innovative technology.

At the end of December 2018, the Portuguese government published the PNEC (National Energy and Climate Plan) to achieve the common European target of a 32 percent share of renewable energies by 2030. This PNEC is Portugal's renewable energy strategy for the period 2021 – 2030 and replaces the previous one with the final 2020 target. Due to the high solar irradiation, there is great national and international interest in solar projects in central and southern Portugal. There is still no complete clarity in Portugal as to how the planned expansion of renewable energies will be flanked by regulatory measures. We will continue to monitor the market and do not rule out the possibility that we will become involved there again in the future.

32%

SHARE OF RENEWABLE
ENERGIES BY 2030

„Thanks to the continuous and successful further development of our solar activities, Energiekontor AG is optimally prepared for the 'renaissance' of solar energy in Germany and with the conclusion of the first PPA for a solar project in Germany, we have once again confirmed our pioneering role.“

EVELYN KESSLER, HEAD OF SOLAR GERMANY

Netherlands

The activities in the Netherlands will be discontinued because the market is proving to be legally complicated, hardly any progress has been made in acquisitions so far and competition for the scarce space is generally very fierce. In addition, there are the protracted project development periods and the comparatively low market potential. For this reason, it seems more

> 2.000 kWh/m²

GLOBAL RADIATION
VALUES IN TEXAS

8 m/s

WIND SPEEDS ON THE
COASTS OF FRANCE

sensible to redirect existing resources to other, higher-margin target markets and areas rather than to maintain a small area with low prospects in the long term.

USA

In the USA, Energiekontor has identified the regions of South Dakota and West Texas for the development of onshore wind and solar projects. In the north of the country, conditions prevail with wind speeds of 8 to 10 m/s at a height of 80 metres, which are almost exclusively found on the open sea in Europe. By contrast, the southwest of the USA – and thus also western Texas – is one of the sunniest regions on earth, with average global radiation levels of over 2,000 kWh/m² per year, twice as high as in Germany.

Because of the faster feasibility, Energiekontor initially concentrates on the development of solar projects. A separate local company was established for this purpose. From Austin, the project development is driven forward with its own well-networked local employees. Land use rights for several hundred megawatts for the development of photovoltaic projects have already been secured. Once the first PPAs have been concluded, the project rights will be sold to suitable investors in order to gain initial experience in the US market. In the next step, the realization of solar parks by Energiekontor in Texas is also planned. A similar approach is followed with wind activities in South Dakota.

France

Energiekontor also expanded its activities in France. The Normandy region around the city of Rouen on the north-west coast of France was selected for the development of onshore wind farms. We will develop our solar activities around the Toulouse site in the south of the country. While the coastal locations have excellent wind conditions of more than 8 m/s, in the south of the country the global radiation values of 1,300 to 1,700 kWh/m² per year are far above the average in Germany.

As in the USA, the focus in France will initially be on the development of solar projects. In 2018, an office was established in the Toulouse area to coordinate the French solar activities, while an office in Rouen was opened at the beginning of 2019 and from where the French wind projects are driven forward.

Hidden reserves

at the parks in own stock

Energiekontor's sustainable corporate strategy is based on the further expansion of the Group's own wind and solar park portfolio in order to develop further projects with the current income from electricity revenues and to stabilize the inflow of liquidity. It is the aim to take over about half of the projects developed by the Company into its own portfolio each year.

However, the inclusion of wind and solar farms in the Group's own portfolio has consequences for the balance sheet and income statement of the Group. As the Group's own wind and solar farms developed in-house are only recognised at external production costs, i.e. without the profit margins from the construction or sale of the projects, the consolidated balance sheet contains hidden values in the form of hidden reserves. As a result, the Group's equity ratio decreases with each additional wind and solar farm that is transferred from project development to the Group's own portfolio because the profit margin is eliminated as part of the Group consolidation and is therefore not recognised in the income statement.

On the other hand, the hidden reserves hold a significant substantial added value for the Company, which could be realised at any time by selling all or part of the Group's wind and solar farms at their market value. In this case, the Group's equity ratio would increase abruptly. However, such a sale is not in line with the Company's strategy. The reference is merely intended to illustrate how much additional substance there is in the Company which is not directly reflected by the key financial figures.

Irrespective of this, the hidden reserves of the Group's own wind and solar farms are successively disclosed over their useful lives and thus lead to an improvement in earnings and an increase in the Group equity ratio or possible dividend payments, even if conditions remain unchanged. The reason for this is the lower annual depreciation, which is due to the lower depreciation bases, in which the hidden reserves are not included. However, this long-term effect will not yet have a significant impact in the coming years, as new wind and solar farms with hidden reserves will be added to the Group's own portfolio every year as planned, so that the equity ratio is likely to remain at a lower level than the comfortable financial position of the Group would suggest. In the medium term, it is planned to expand the portfolio of own parks to more than 500 MW.

500 MW

PLANNED EXPANSION
OF THE OWN PARK
PORTFOLIO

Transparency

and security for all our investors

Energiekontor AG essentially pursues three different approaches to project development and corporate financing:

a) Project development from own funds

The project development as a core business of Energiekontor AG is financed with own funds. Due to the large number of imponderables in project acquisition, planning and approval procedures, this step of implementing wind and solar parks involves the greatest risks. Therefore, one of Energiekontor's most important strategic principles is to keep the liquidity reserves at a sufficient level in order to always have sufficient funds available for project development. The sustainable growth model of the Energiekontor secures this component.

b) Interim financing of projects via corporate bond

Shortly after obtaining the building permit for a wind or solar park, the financial close or loan evaluation, i. e. the granting of long-term bank loans, typically takes place. The prerequisite for this is secured interim financing for the period from construction to commissioning of the wind and solar parks, i. e. the provision of the equity capital required for construction in the form of financial resources by Energiekontor AG.

Current account lines with banks, so-called working capital loans (BMK), and corporate bonds with a term of five years are used to finance the construction of wind or solar parks. The interim financing will be replaced with the sale of the projects. This allows the loans to be repaid and used for the next project.

Over the past 16 years, Energiekontor AG has issued seven corporate bonds with a total volume of around EUR 54 million. After the first five bonds have already been redeemed according to plan, the current portfolio as at December 31, 2018 amounts to around EUR 15 million. The next bond will be redeemed at the end of 2020.

c) Purchase and refinancing of projects via the graduated interest rate bonds

Energiekontor AG has developed the instrument of the graduated interest bond to finance the purchase of wind farms and the refinancing of wind farms already in its own portfolio.

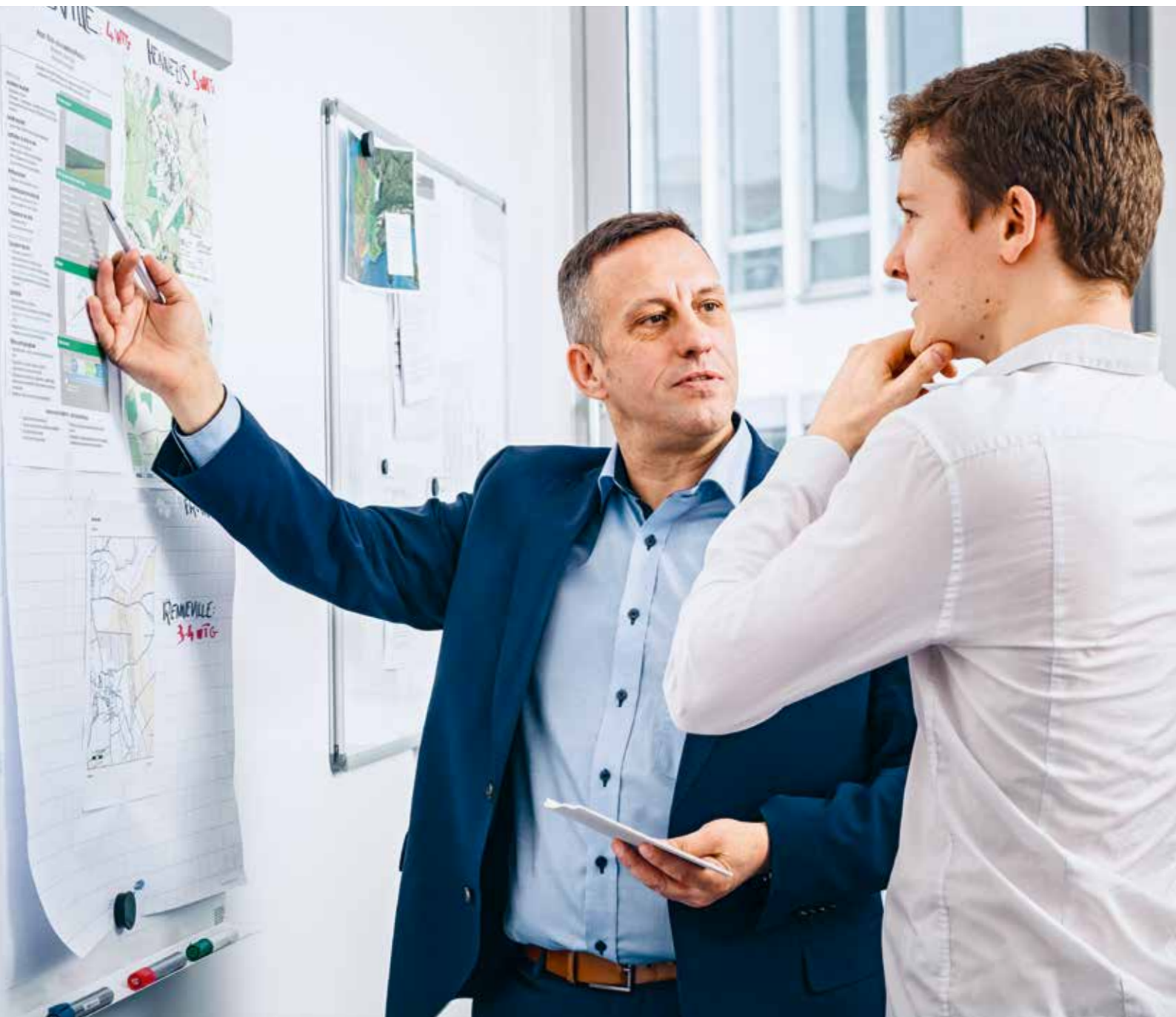
The current graduated interest rate bond XI with a volume of EUR 9 million has a term of 18 years and an initial interest rate of 4 per cent, which is gradually increasing to 5 per cent.

Like its predecessors, the graduated interest bond XI was reviewed by ECOreporter.de AG (www.ecoreporter.de) and was recognised as a sustainable financial product in its ECO investment check of August 25, 2018 due to the collateralisation concept backed up by specific wind farms.

Over the past nine years, Energiekontor has issued ten graduated interest rate bonds with a total volume of just under EUR 123 million. Some of the graduated interest rate bonds in the amount of around EUR 48 million have already been repaid.

EUR 9 million

**VOLUME OF THE
GRADUATED INTEREST
RATE BOND XI**





Pioneering role

what does the pioneering role mean for energiekontor?

We're in the middle of a paradigm shift. So far, renewable energies have had the reputation of relieving the burden on the environment, but of placing an above-average burden on electricity customers. The entire market environment for renewable energies is currently undergoing radical change, not only in Germany, but worldwide. In the past, legally regulated subsidies in the form of grants, levies, subsidies and tax incentives ensured that electricity from renewable energies was remunerated at a certain level over a defined period of time, thus creating investment security. These support measures are now increasingly being discontinued and are being replaced in many countries by tender and auction models. In Germany, the tender model has been valid for solar since 2015 and for onshore wind since 2017. This increases the pressure on costs and margins along the entire value chain. Competition for suitable locations for renewable energies is increasingly turning into competition for the lowest electricity prices. Anyone who wants to compete here and operate successfully in the long term must have the lowest electricity production costs.

„The electricity production costs of solar energy are already much lower today than with fossil fuels. Now the economic as well as the ecological arguments speak for renewable energies.“

FILIP CASAER, HEAD OF SOLAR EUROPE / WIND FRANCE

Energiekontor sees the tenders in Germany as well as the expiring tax incentives in the USA or the increasingly reduced subsidies in other countries as an incentive to be able to offer electricity from renewable energies already now in direct competition with electricity from conventional energy sources. The current market development shows that the path taken by Energiekontor is exactly the right one. We were not only the first in England to realise the first wind project without state subsidies. In February 2019, we were able to report that we had concluded a long-term power purchase agreement with EnBW, which is also the first of its kind in Germany. It enables Energiekontor to build and operate the solar park without EEG subsidies. We are confident that we will continue to live up to our pioneering role in the future with further projects of this kind.

*Prime costs
≤ costs of the
conventional
electricity industry*

THE ENERGIEKONTOR SHARE

The Energiekontor share at a glance

International Securities Identification Number (ISIN)	DE0005313506
Security code number (WKN)	531350
Stock exchange abbreviation	EKT
Transparency level	General Standard
Designated Sponsor	ODDO SEYDLER BANK AG
Initial quotation	May 25, 2000
Share capital as of December 31, 2018	EUR 14,578,160.00
Number of shares as of December 31, 2018	14,578,160
Share price as of December 31, 2018*	EUR 13.35
High for the period from January 1 to December 31, 2018*	EUR 15.60 (May 16, 2018)
Low for the period from January 1 to December 31, 2018*	EUR 12.15 (November 16, 2018)
Market capitalisation at December 31, 2018	EUR 194,618,436.00
Earnings per share – financial year 2018	EUR 0.46

*On XETRA

General market development

While the start of the year on the global stock markets was still positive and many indices reached record highs, the mood on the stock markets deteriorated noticeably as the year progressed. In particular, the announcement by the US government of a possible increase in import duties caused great uncertainty. Investors were particularly reluctant to sell shares as a result of the intensifying trade dispute over possible punitive tariffs. Investors continued to be concerned about the political situation in Italy. An interest rate hike by the US Federal Reserve in June put additional pressure on the markets. From July to the end of August, volatility increased, also as a result of tensions between the USA and Turkey. In addition, the ongoing discussions about possible punitive tariffs, the structurally high national debt of Italy and the faltering Brexit negotiations had additional negative effects on the financial markets. At the beginning of the fourth quarter, concerns about the development of the global economy increased further; global stock markets came under considerable pressure once again, and prices fell sharply across the board over the quarter.

Development of the Energiekontor share

Following a mixed first quarter, Energiekontor's share price rose significantly in the second quarter. However, the Energiekontor share was unable to escape the poor capital market environment in the further course of the year. However, the outperformance against the broad market was defended until the end of the year.

Starting from EUR 14.05 at the beginning of the year, the Energiekontor share lost EUR 0.70 by the end of the reporting period, with not inconsiderable fluctuations. However, it should be noted that a dividend of EUR 0.60 was paid for the 2017 financial year.

The General Standard price index developed in line with the other German indices. Starting from the opening price in 2018 at 4,176.87 points, it rose by just under 4 percent by the end of January, but almost continuously falling till the end of the year and closing at 3,576.56 points. This corresponds to a loss of 14.4 percent.

Performance of the Energiekontor share* from January 1, 2018 to December 31, 2018 compared to the General Standard price index



*On XETRA

Share buyback programme

By resolution of the Annual General Meeting of Energiekontor AG on May 21, 2015, the Management Board was authorised pursuant to Section 71 (1) No. 8 of the German Stock Corporation Act (AktG) to acquire own shares of the Company up to a total of 10 percent of the current share capital.

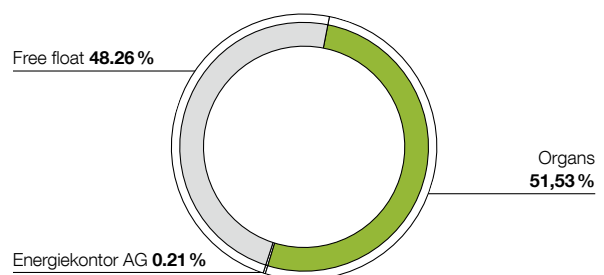
As part of the share buyback program initiated on June 1, 2018, 29,035 shares were acquired for a total amount of EUR 402,661.66 in fiscal year 2018. This corresponds to an average price per share of EUR 13.87. In total, Energiekontor owned 29,920 (31.12.2017: 885) treasury shares as of December 31, 2018.

Shareholder structure

The Management Board is not aware of any direct or indirect shareholdings of more than 10 percent in the capital (Section 315 (4) No. 3 HGB), with the exception of the two blocks of shares, which continue to be held by the Company founders in the following amounts:

Name	Function	Number of shares
Dr. Bodo Wilkens	Chairman of the Supervisory Board	3,759,835
Günter Lammers	Deputy Chairman of the Supervisory Board	3,752,474

Shareholder structure as of December 31, 2018



Stock trading and market capitalisation in the 2018 financial year

The following table shows the monthly highs and lows, the monthly closing prices, the monthly turnover on XETRA and the market capitalisation of the Energiekontor share at the end of each month in 2018.

Stock trading and market capitalisation of Energiekontor AG

2018 month	High (EUR)	Low (EUR)	Closing price of the month (EUR)	Monthly turnover (units)	Market capitalisation at the end of the month (EUR m)
January	14.50	13.75	13.95	142,113	203.37
February	14.15	13.00	13.70	179,577	199.72
March	14.85	13.30	13.50	166,970	196.81
April	14.20	13.30	14.15	190,523	206.28
May	15.60	14.00	14.95	101,463	217.94
June	15.30	14.70	15.20	110,803	221.59
July	15.20	13.80	14.65	81,289	213.57
August	14.90	13.60	14.75	135,044	215.03
September	15.35	14.15	15.25	128,175	222.32
October	15.30	13.25	14.15	113,696	206.28
November	14.15	12.15	13.40	205,492	195.35
December	13.50	12.75	13.35	76,821	194.62

Source: Oddo Seydler

Research coverage

In fiscal 2018, two renowned analyst firms regularly published equity research reports on Energiekontor and the markets in which we operate. Both financial analysts, who observed our share as of December 31, 2018, issued a buy recommendation. The average price target at the end of December 2018 was EUR 21.15 (2017: EUR 21.90).

The Energiekontor share is currently being monitored by three analyst firms (First Berlin, Bankhaus Metzler, Warburg Research), all of which have awarded a buy rating and calculated an average price target of EUR 21.40.

Our Investor Relations Activities

Transparency and openness in a continuous dialogue with our shareholders and capital market participants is our objective. Our investor relations work is aimed at strengthening confidence in our shares in the long term and achieving a fair valuation on the capital market. To this end, we provide our shareholders and the capital market with accurate, timely and relevant information both on the business of Energiekontor and on the market environment in which we operate. Furthermore, Energiekontor is committed to adhering to the principles of good corporate governance.

In individual or group discussions at investor road shows, our management and investor relations answered questions from investors and financial analysts on the business strategy and development of Energiekontor and on industry and market trends.

The trading liquidity of the Energiekontor share was significantly lower than in the previous year. In 2017 the share was highly volatile, while in 2018 it fell back into calmer waters. In general, investors' interest in companies in the renewable energy sector continues to grow, especially against the background of the (almost) achieved grid parity. The average XETRA trading volume in 2018 was approximately 136 thousand shares per day.

The Company's Annual General Meeting was held on May 23, 2018. All items on the agenda were approved with a clear majority, including the election of new Supervisory Board members and the dividend of EUR 0.60 per share.

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RESPONSIBILITY
STATEMENT

The Foundations of the Group

The Energiekontor AG business model

Energiekontor AG specialises in wind and solar power project development and wind and solar farm operation in both Germany and abroad. As one of the pioneers in this area, the Company can call on almost 30 years of experience and covers the entire value chain in the onshore wind farm segment, ranging from business and project development over financing and turbine installation to the operational management of the completed facility.

By the end of the 2018 financial year, Energiekontor Group had developed and installed 629 wind turbines with total rated power of 965 MW at 121 wind farms in Germany, the UK and Portugal as well as seven ground-mounted solar arrays rated at around 50 MW in Germany. Total capital spending on these projects amounts to about EUR 1.6 billion.

Complementing the sale of turnkey projects, the Energiekontor Group also operates a portfolio of Group-owned wind farms as an independent power producer. Owner-operated facilities amount to almost 280 MW at the end of the 2018 financial year.

The Company is active in the national markets of Germany, the UK, Portugal, the Netherlands, the USA and France. The withdrawal from the Netherlands has however been decided.

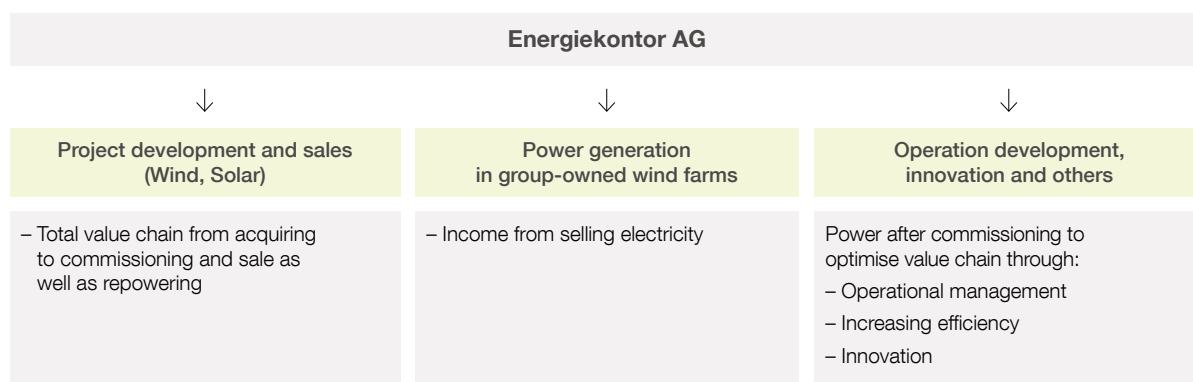
Business operations of the Energiekontor Group are handled by three divisions. Segment reporting also follows this same structural model:

- a) Project Development and Sales (Wind, Solar)
- b) Power Generation in Group-owned Wind Farms
- c) Operation Development, Innovation and Others

a) Project Development and Sales (Wind, Solar)

The Project Development and Sales (Wind, Solar) segment comprises project development for onshore wind farms and solar parks that are either included in the Group's own portfolio or sold to third parties. This division handles the entire value chain from business development, planning and financing through to construction and/or repowering and the final sale of the plants. Buyers of wind farms and solar parks include German and international institutional investors, private turnkey system buyers and members of local communities. An independent project company is formed for each wind farm or solar park project.

The repowering of old sites – i.e. the replacement of old facilities with new, more powerful turbines – is a key part of the Energiekontor Group's business activities. The Group completed its first repowering projects as early as 2001/2002.



b) Power Generation in Group-owned Wind Farms

This segment comprises the generation of power in Group-owned wind farms. Expanding the portfolio of Group-owned wind farms is the main pillar of the Company's organic growth. The operation of Group-owned wind farms and solar parks further allows Energiekontor to cover the running costs of the Company, e.g. if the realisation of projects is delayed; it also makes the Company less dependent on political framework conditions, such as interest rates and raw material prices. The turbine portfolio additionally creates hidden reserves. If required, these turbines could be sold, thus releasing the respective tied-up financial resources plus the associated hidden reserves. Additional potential lies in the possibility of upgrading Group-owned wind farms, for example through repowering or efficiency-enhancing measures such as rotor blade extension which is allocated to the Operation Development, Innovation and Others segment described under item c).

The first addition to the Energiekontor Group's wind farm portfolio was made in 2002. Since then, the portfolio has seen regular expansion. This currently refers primarily to projects that the Group has developed itself. We intend to transfer around half of the projects developed during a year to Group ownership. In the past, the Group also bought financially promising operational wind farms. Such wind farms may either be projects that Energiekontor developed itself and sold at an earlier point in time or projects developed and operated by other companies. The total rated power of the wind farms operated by Energiekontor in Germany, the UK and Portugal amounted to 278.2 MW at the end of the 2018 financial year.

Group-owned wind farms reference date December 31, 2018

Name of the wind farm	Total rated power / MW
Altüdersdorf	13.5
Balje-Hörne	3.9
Beckum	1.3
Breitendeich	6.0
Briest (Tandem II)	7.5
Briest II	1.5
Debstedt	3.0
Engelrod	5.2
Flögeln	9.0
Geldern	3.0
Giersleben	11.3
Halde Nierchen I	5.0
Halde Nierchen II	4.0
Hanstedt-Wriedel	16.5
Heinsberg-Waldenrath	7.2
Kajedeich	4.1
Krempel	14.3
Krempel II	6.5
Kreuzau-Steinkaul	5.5
Lengers	4.5
Mauritz-Wegberg (Energiekontor hält 88.52 percent)	7.5
Niederzier-Steinstraß	8.3
Nordleda (Energiekontor hält 51 percent)	6.0
Osterende	3.0
Prenzlau	1.5
Schwanewede	3.0
Sievern (Tandem II)	2.0
Thüle	14.0
Wind farms in Germany	178.1
Mafomedes	4.2
Marão	10.4
Montemuro	10.4
Penedo Ruivo	13.0
Wind farms in Portugal	38.0
Hyndburn	24.6
New Rides	9.0
Withernwick	18.5
Wind farms in the UK	52.1
Garzau-Garzin	10.0
Solar parks in Germany	10.0
Total	278.2

c) Operation Development, Innovation and Others

The Operation Development, Innovation and Others segment brings together all of the various activities aimed at improving the operating profit margin after commissioning a wind farm or solar park. This includes, in particular, operational management of wind farms (technical and commercial) and direct marketing of the electricity generated in these farms as well as all activities aimed at reducing costs, extending service life and increasing yields to optimise the income from wind turbines. Such measures include:

- rotor blade extension and improving blade aerodynamics
- updates in the turbine control systems or exchanging old for new, modern control systems
- more exact yawing systems and enhancing generator performance
- reducing failure rates by preventive maintenance measures
- reducing downtimes by equipping all wind farms with continuous condition monitoring with an automated workflow for fault clearance
- consistently reducing the levelized cost of electricity of existing wind farms

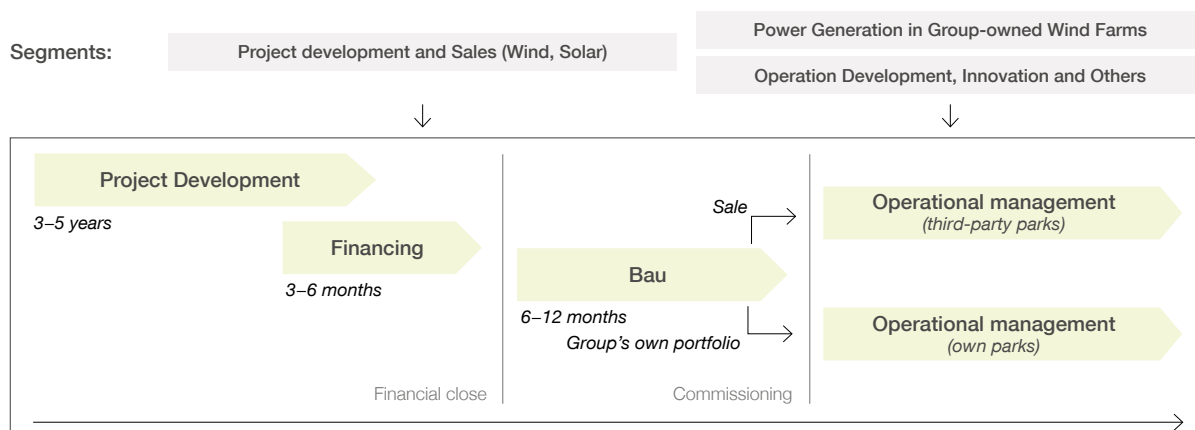
Regardless of whether the developed projects are sold or included in the Group's portfolio, Energiekontor typically assumes responsibility for commercial and technical operational management, thus generating an ongoing cash flow for the Company.

Commercial activities include, in particular, predictive liquidity management, settling accounts with the energy supplier, the service/maintenance companies and the facility lessors as well as optimising long-term profitability. Other activities include communicating with banks, insurance companies, tax advisors and investors as well as accounting in connection with feed-in management either via the flat rate or the peak load procedure.

Apart from wind turbine monitoring and data reporting and analysis, the technical services rendered by Energiekontor mostly involve the coordination of repairs and servicing teams working on-site, as well as the planning and implementation of preventive maintenance work. This preventive maintenance work can substantially extend the service life of both individual turbines and the overall site, while simultaneously lowering the costs of repairing primary components. The main objective is to maximise the availability and yields of turbines and to ensure reliable operation throughout their useful lives. Therefore, real-time data and automated workflows are used to monitor the turbines 24/7. Moreover, we assume responsibility for the turbines and guarantee legally sound operation of the wind farm by ensuring compliance with all the legal requirements.

Technical innovations such as rotor blade extension also form part of the activities aimed at optimising performance, yield and cost savings. This extension process invented and patented by Energiekontor is a technique for lengthening the rotor diameter that has now been tested and implemented successfully in the field for some years. Installation is carried out with the blade attached, i.e. without dismantling

Energiekontor's activities taking onshore wind farms as an example (simplified)



the blade. This concept allows crane costs and downtimes to be kept at a minimum. Preparation of serial production for rotor blade extension is currently underway. During the past three years, the improvement measures on own wind farms had already had a positive effect on operating profit.

Goals and Strategy

Since the formation of our Company almost three decades ago, the renewable energy market has seen ongoing change and continuous development.

In 1990, at the time of the introduction of the first Electricity Feed Act, wind and solar energy were still absolute Exotics and only hydroelectric power provided a modest share of the total energy supply. Not until the turn of the millennium, the triumphal march of renewables slowly began and the renewable energies grew out of their sometimes smiled at niche. It is known that the large power companies, which have also become important players in the renewable energy sector, were initially extremely critical of the new technologies. Today, however, renewable energies have become mature, established and recognized technologies which in many industrial nations contribute significantly to the energy supply. In Germany alone, the share of renewable energies already accounts for more than a third of the total energy produced; and the higher the share of renewable energies meeting demand, the more sustainable and environmentally friendly the entire energy supply.

Our understanding of the pioneering role

Energiekontor has always had a clear vision for the future: a world where energy needs are covered 100 percent by renewable energy sources. Our mission statement begins with this vision. It is the key principle underlying Energiekontor's business activities and the strongest motivating factor for our staff in their endeavours to progress towards this overall target each day by bringing forward creative ideas and taking pleasure in achieving joint success.

A sustainable penetration of the energy market with 100 percent renewable energies will only be possible if the production costs for electricity from renewable energies are lower than those from fossil and nuclear energy sources. In order to promote the expansion of renewable energies, Energiekontor is striving for a pioneering role in the addressed markets and wants to be one of the first to realise wind and solar parks whose electricity production costs are lower than those of the conventional energy industry.

This step will do away with a number of barriers, such as the economic barrier: users will always opt for the cheaper provider as long as this does not entail further disadvantages, above all if the cheaper option is also the more environmentally friendly one. At the same time, a social barrier will fall: renewables are bound to receive stronger backing from politicians and society, especially when wind and solar energy cease to depend on state subsidies. All this will give the renewable energy sector a strong boost.

A solid foundation for sustainable growth



By taking on a pioneering role in realising wind farms and solar parks at actual market prices, Energiekontor is contributing significantly to promoting the breakthrough to a world where renewable energy sources cover 100 percent of energy needs. By paving the way, Energiekontor simultaneously gains a competitive edge over other market participants and occupies a strong position within the industry. Having extensively prepared and enhanced efficiency measures for reducing costs along the value chain, Energiekontor gains a crucial competitive advantage. As an innovative forerunner, the Company promotes the ongoing expansion of renewable energy without state subsidies.

A solid foundation for sustainable growth

The growth model of Energiekontor AG is closely linked to the Company's mission statement. The Company aims to strengthen its organic growth by intensifying its regional approach and by opening up new markets and by thus actively accelerating the expansion of renewable energy sources despite fiercer competition. The management believes in employee involvement and development and creates the corresponding organisational framework. The basis and foundation of Energiekontor's growth strategy is its financial stability. This stability is predominately based on the steady flow of surplus cash from Power Generation in Group-owned Wind Farms and from commercial and technical operational management activities.

Intensifying the regional approach

Energiekontor has always emphasised the importance of its regional approach. This allows close collaboration with local authorities and regions as well as a bespoke regional approach with a high level of local acceptance. At the same time, it generates a competitive advantage in each region and accelerates project development. In terms of organisation, the regional approach is implemented by local Energiekontor teams with far-reaching discretionary powers. This principle shall be further intensified by increasing the number of regions, in which Energiekontor is active, both in Germany and abroad.

Tapping into new foreign markets

One major element of the Energiekontor growth strategy is increased internationalisation through gradual expansion of the existing portfolio of countries (Germany, UK, and Portugal) in order to develop additional growth potential for the coming years. Simultaneously, the expansion of the solar business is being driven forward, especially in countries with favourable irradiation conditions and the correspondingly low electricity generation costs. Currently, Energiekontor is opening up new foreign markets in France and the USA. On the other hand, we will soon end our involvement in the Netherlands. We have come to the conclusion that the existing markets and the two newly addressed markets USA and France offer greater potential and that a concentration on these markets is therefore appropriate.

The focus in France and the USA will initially be primarily on the solar sector. Having successfully acquired sites in these three countries, Energiekontor has made good progress in project development, especially in the USA. Thus, areas were secured there and separate offices were opened for the solar sector in Austin (Texas) and for the wind sector in Rapid City (South Dakota), from where newly hired native speakers coordinate and advance the development of the projects in their own local companies.

Offices were also opened in France and the first staffs were recruited. The Toulouse office is responsible for developing solar activities and the Rouen office for wind activities.

In the course of developing new markets, Energiekontor may decide to extend the selection of countries or, if the management believes that a more intensive involvement in one or several of these countries is not promising, it may decide to discontinue activities in one or more countries. Energiekontor always applies the same approach. The Company does not enter a market and start the cost-intensive process of setting up project development directly whenever a new national market is added; instead, Energiekontor carries out a systematic review, analysis and selection process to analyse and evaluate the specific conditions for wind and solar projects in the individual countries (legal, political, subsidy systems, grid connection regulations, authorisation etc.). Furthermore, in order to create the structural prerequisites for a possible market entry at an early stage, Energiekontor identifies and, if suitable, takes under contract the first partners for site acquisitions and further market development. The aim of this gradual and inexpensive review process – which can mainly be carried

out by existing employees – is to identify the foreign markets that are best suited for the next market entry. Setting up local branches, employing own local staff and local project development will only begin once the final market entry decision has been made. This approach improves the chances of success for developing the market while reducing the risk of misallocating resources.

Innovation and efficiency measures

As a pioneer, Energiekontor wants to actively shape the transition to 100 percent renewables. It also wants to be one of the first companies to realise wind farms and solar parks at actual market prices in direct competition with the conventional energy sector. This will safeguard the Company's competitive position in an increasingly market-oriented environment.

For this purpose, Energiekontor has developed various measures over recent years to enhance economic efficiency when planning, building and operating wind farms and solar parks as well as measures to optimise the processes along the entire value chain. Examples include technical innovations, such as rotor blade extension, optimising the supply chain, useful life and financing as well as constant improvements to internal processes and structure. These measures have three objectives:

- to increase the economic viability of projects planned by Energiekontor;
- to increase profits of Group-owned wind farms;
- to accelerate project development solution finding.

These measures play an important role in broadening the decentralised organisation and the project management under the responsibility of employees. This also includes innovative concepts such as Scrum, an agile project management methodology.

Room for initiative and organisational decentralisation

Innovation and efficiency are not necessarily restricted to technical innovations. For Energiekontor, widening the decentralised organisational structure also contributes to increasing the Company's efficiency. Thus, the management deliberately focuses on marked decentralisation of the working and decision-making processes with flat hierarchies in

order to avoid unnecessary bureaucracy and to ensure flexibility and fast decisions, even with a growing number of employees. At the same time, the Company creates room for creative and flexible problem-solving approaches and motivates each individual employee to act autonomously.

Owner-operated wind farms as a reliable growth driver

Expansion of power generation from Group-owned wind farms is the driving force behind and a central element of the growth model. Steady income is generated by selling the power generated with our own wind farms. Another source of steady income is the provision of management services for completed and operational wind farms and solar parks by specialised teams from the Energiekontor Group – a service which may be extended to solar parks in the future. This applies not only to the wind farms owned by the Group but also to turnkey facilities that have been sold to energy suppliers, strategic or financial investors. The provision of operational management services to the Company's facility buyers ensures that Energiekontor AG can retain the majority as customers, thus securing regular income from these wind farms well beyond their project completion dates.

Together with the steady income from the operational management of own and third-party farms, the income from selling electricity ensures financial stability and builds the basis for the Company's sustainable growth. Energiekontor uses the surplus cash thus generated to cover most of the costs of project development including Group-wide personnel and overhead costs. Income from selling in-house developed wind farms and solar parks drives net income and is used to pay taxes and dividends as well as create a liquidity reserve.

Our strategy of expanding power generation in Group-owned wind farms includes

- keeping projects that we have developed and completed in the Group,
- repowering Group-owned facilities, and
- optimising and increasing efficiency.

We intend to transfer around half of the projects that we develop to Group ownership; the other half is designated for sale. The management reserves the right to adjust this ratio depending on the Company's business situation.

Varying growth dynamics

Company growth varies in the individual segments. In the area of project development, Energiekontor drives growth by increasing site acquisitions and its regional approach as well as by expanding to new markets. In contrast, growth in the Power Generation in Group-owned Wind Farms division is based on transferring projects from project development to Company ownership. The higher the number of wind farms that become Group-owned wind farms, the more cash can be generated from the sale of electricity and operational management, and the more funds are available for project development in order to promote growth. In conclusion, growth is mainly accomplished by expanding the Group-owned farm portfolio as well as increasing the surplus cash gained from operating Group-owned wind farms and from operational management. The accompanying innovation and efficiency measures that lead to further rises in profits and that further increase the surplus cash from power generation in Group-owned wind farms intensify this organic growth process.

One positive side effect of this growth strategy is the fact that it reduces dependency on project selling and proceeds from project sales. The Group's liquidity and project development financing (including the Group-wide personnel and overhead costs) is covered by the surplus cash generated from power generation in Group-owned wind farms and operational management even if no income is generated from project sales. Financial risk is thus minimised to the greatest possible extent. The Energiekontor growth model thus differs from many competitors' business models in the industry that do not have a comparable portfolio of Group-owned wind farms.

Business objectives

Energiekontor plans to use this strategy to increase project development EBT in a stable and sustainable manner to around EUR 30 million per year in the medium term. This figure is based on the assumption that around half the projects realised per year will be included in the Group's own portfolio. The profit from setting up these Group-owned wind farms is eliminated in the consolidated financial statements and thus has no effect on Group profit.

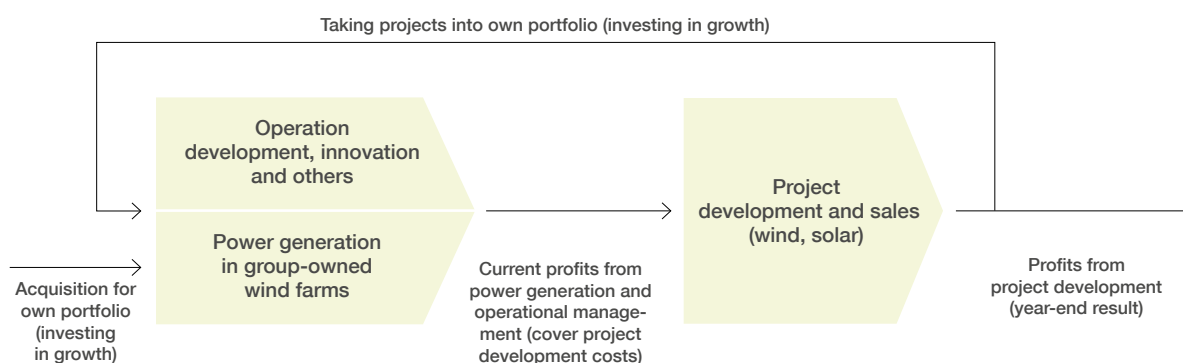
The intention behind expanding the portfolio of Group-owned wind farms is to establish Energiekontor as a medium-sized producer of renewable energy while effectively minimising dependency on general market trends. With the income from additional Group-owned wind farms and operation development, the Company intends to sustainably generate EBT of EUR 25–30 million p.a.

The expansion of the Group-owned wind farm portfolio will be sourced from the Company's own projects, the repowering of existing portfolio assets and, where appropriate, the acquisition of third-party facilities. The Company will finance this new tranche of capital spending with project financing loans, project-related bonds, equity capital and regular surplus cash from existing portfolio wind farm operations.

In the medium term, the Group's EBT is expected to rise to EUR 55–60 million p.a. in total.

Energiekontor has spent the last few years creating an environment that favours a stable and sustainable growth trajectory, and is extremely well positioned to face the challenges of the future in a highly competitive market.

Growth model of Energiekontor AG



Innovation (research and development)

While the Company does not conduct R&D in the conventional sense of the term, the various activities handled by the Operation Development, Innovation and Others division are, on the whole, nonetheless designed to improve the operational performance and efficiency of wind farms and solar parks. Besides the repowering of Group-owned wind farms or preventive turbine maintenance, this also refers to technological innovations such as rotor blade extension and optimising blade aerodynamics.

Blade extension involves the invention of a procedure for increasing the rotor diameter, for which Energiekontor AG holds a patent. The Company has been testing this on prototypes in the 1 MW class successfully for several years. An evaluation of the test results suggests that facility earnings can be boosted by around 5–7 percent. In Portugal permits were already granted in 2013 for 26 turbines in the 1.3 MW class, and in the meantime nineteen 1.3 MW Bonus turbines have been equipped with such rotor blade extensions. They consistently generate a more than 5 percent higher yield. Preparation to equip further turbine types is currently underway. On the one hand, the Group plans to equip additional Bonus 1.3 MW turbines with rotor blade extensions. On the other hand, Energiekontor is further developing blade extension and the installation process with the aim of installing prototypes in the 2.0 MW classes. The deployment of rotor blade extension is always advisable if the facility cannot be repowered in the short to medium term. The Company intends to step up rotor blade extension work within the Group's own Wind farms to improve the economic efficiency of the parks.

Energiekontor is also working on optimising the preventive maintenance process in order to obtain even more precise forecasts regarding the service lives of individual turbine components with the help of highly modern analyses (e.g. big data). In this regard, the Company cooperates closely with research institutes and universities.

In addition to rotor blade extension, there are several other options for increasing the yields of wind turbines. For example, Energiekontor has tested prototypes of a new vortex generator in the Group's own wind farms to avoid turbulence on the rotor blade and will begin series installation in the second half of 2019. This aerodynamic improvement should generate a yield that is 1.5 to 4.0 percent higher.

Energiekontor is also developing adjusted and more efficient maintenance and repair concepts to enable its Group-owned wind farms to be operated profitably even after the remuneration as per the German Renewable Energy Sources Act (EEG) expires.

Control system

Internal management at the Energiekontor Group is based on regular communication between Company management and the individual business units. Weekly meetings and, if necessary, special meetings on specific topics take place. The internal control system covers all business units. This enables the Group to respond quickly to changes in all units and at all management levels within the Energiekontor Group.

The starting point for the management of the Group and its individual business units is defining the sustainable strategic targets adopted by Company management, which are in turn derived from the overall strategy. These are supported by internal policies covering processes, cost structures and risk assessment.

The individual business units provide monthly, quarterly and weekly reports on current developments and possible or potential deviations from strategic targets. Alongside these operational indicators, the market situation and upcoming regulatory, legal and political changes in individual countries are analysed and evaluated on a regular basis, so as to enable internal committees to decide on the appropriate strategies and measures.

The management of business activities in the operating units is based on selected performance indicators. The most important performance indicators are business development, gross margin and surplus cash targets in the individual segments and business units. Each business unit and segment has its own specific targets to measure the success of the business performance.

The gross margins are defined as the difference between the expected sales revenue and the external production costs of the wind farms and solar parks at the time of the financial close. The financial close is equivalent to the point in time when the equity is made available, the first call from the project financing is paid out and the conditions precedent in the construction and supply contracts are abolished. The expected sales revenue is determined based on the target returns of the investor market and the parameters from project financing. The customary target returns of the investor market serve as guidance and are derived from current price indications and past transactions.

The sustainable gross margin targets are the main basis for budget planning and allocating resources. The business development targets of the individual project development areas (Germany, abroad, solar, repowering) also play a major role in allocating resources, as project and site acquisitions lay the foundations for sustainable Company growth in the future. Profitability and sensitivity analyses with fixed profitability parameters are carried out already in the early phase before the site option agreements are concluded in order to set up a resilient project pipeline through the business development activities that would withstand changes that may result from regulatory or other economic conditions (feed-in tariffs, turbine purchase prices, interest levels etc.).

Certain business units with regular income such as e.g. operational management or the sales divisions are run as a profit centre. Surplus cash targets are defined for these units, surplus cash being the planned excess liquidity from cash inflow and outflow within a planning period. The aim of the profit centres is to generate surplus cash and/or to run the profit centre at least with break-even liquidity.

EBT (earnings before taxes) is the primary performance indicator for Energiekontor AG and the Group, and is broken down to various gross margin and surplus cash targets for the individual operating units. EBT refers to earnings before taxes. The difference between EBT and EBIT (earnings before interest and taxes) is that the interest result is already taken into consideration; EBT is determined as follows:

Revenue		
+/-	Changes in inventories and work performed and capitalised	
	= Total output	
+	Other operating income	
	= Total operating output	
-	Cost of raw materials and supplies	} = Operating expenses
-	Personnel expenses	
-	Depreciation and amortisation	
-	Other operating expenses	
	= Operating profit (EBIT)	
+/-	Interest result	
	= EBT (earnings before taxes)	

All in all, planning, budget and management of the Energiekontor Group is based on a distinct liquidity-oriented target and management system, which makes it relatively easy to determine and measure the business success of individual business units as well as the entire Company.

Economic Report

Macroeconomic and industry-specific environment

Global economic growth has remained relatively steady in the year 2018. According to OECD estimates, the increase in the global gross domestic product is roughly on a par with the previous year at 3.7 percent. The upward trend on the employment markets has not lost steam either with the OECD-wide unemployment rate falling to the lowest level since 1980. There are increasing signs, however, that the speed of growth has now reached its current peak. Refinancing conditions have deteriorated because of the increase in long-term interest, especially in the US. Trade policy tensions have cast a shadow on world trade, which has slowed noticeably as a result. Industrial production and retail sales show flagging growth dynamics, and business climate indicators as well as declining order books in the industrial sphere also indicate that global economic growth will contract in the near future.

Growth in the euro zone is expected to have already slowed down considerably in 2018. This was mainly caused by the decline in export growth against the backdrop of global trade conflicts, while domestic demand generally remained robust. Although consumer demand has lost momentum despite a continued positive trend on the labour markets, investment activities picked up again, driven by sustained favourable refinancing conditions. After several years of low inflation, the inflation rate has now reached the target level of the European Central Bank (ECB) again and came even out higher in some months. In September 2018, the ECB confirmed its intention to phase out the repurchase programme for government bonds, while an increase in the ECB's interest rate is not to be expected before the summer of 2019. The political situation continues to be marked by high uncertainty against the backdrop of ongoing discussions about Britain leaving the EU (Brexit) and the sovereign debt situation of some countries, especially Italy.

As an exporting nation, Germany was very much affected by the volatile global trade policy situation, which had a negative effect on the export trend. Domestic demand, on the other hand, remained robust. Construction activities in Germany were boosted by immigration, rising incomes and low interest rates.

In the UK, growth dynamics slowed down again. Weak construction activities had a negative effect on the demand for investment, and the inflation rate weighed on consumer spending. In addition, exports were no longer supported by the weak British pound as in previous years, since the currency remained relatively stable. Domestic demand in France picked up again after a weak start to the year, driven by a marked increase in employment.

China continues to lead the growth of the renewable energy sector in terms of both wind and solar power, followed by the US. Together, the two countries cover significantly more than half of all annual new installations of wind farms and solar power plants. Cuts in the subsidy systems for renewable energy sources in some European industrial countries, in contrast, brought slight declines in the number of new installations, and uncertainty with regard to investments. Uncertainty also continues to prevail with regard to the Brexit in Europe and protective tariffs in the US.

The international goals for environmental protection and sustainable energy production are still the main drivers for continued industry growth. The EU member states have committed themselves to mandatory expansion targets. The international agreement resulting from the UN climate conference in Paris at the end of 2015 showed that climate protection and the corresponding containment of carbon emissions are meanwhile pretty much globally accepted, although this is called into question at times when there is a change in government.

The expansion of renewable energy sources also lowers the levelized cost of electricity. In Europe, the price of electricity from renewable energy sources is increasingly determined in auction processes. The change to the new system caused a significant decline in the remuneration for electricity from wind farms and solar parks in 2017, particularly in Germany. In general, the renewable energy market is to be converged with free market conditions. In some regions, the leading renewable technologies, wind energy and PV, are already competing directly with electricity from conventional energy sources.

In the following, the core markets as well as the new markets of Energiekontor AG for wind and solar will be looked at in more detail.

Wind

According to WWEA (World Wind Energy Association), the total output of all wind farms installed around the world by the end of 2018 amounts to 600 GW. Output added in 2018 amounts to 53,900 MW, slightly more than in 2017, when 52,552 MW were installed. 2018 was the second year in a row with an increasing number of new installations, while the growth rate dropped from 10.8 percent in 2017 to 9.8 percent. In total, all wind turbines installed by the end of 2018 would be able to cover nearly 6 percent of the world's electricity needs.

2018 was specifically marked by new dynamics in the markets: While the European wind markets slowed down and most of the European states, including Germany, Spain, France and Italy, showed a weak performance, countries like China, India, Brazil and many other Asian and also some African markets showed robust and even strong growth.

China, the largest wind energy market by far, installed additional power of 25.9 GW. After a weaker 2017, in which comparatively modest 19 GW were installed, China has resumed its growth course. With cumulated wind power of 221 GW, China defends its unique position as the global market leader in the field of wind energy.

The US are the second largest market and achieved an increase in added power from 6.7 GW in 2017 to 7.6 GW in 2018, despite lowered ambitions with respect to national climate protection and energy targets. The positive trend is certainly not only due to the efficiency of wind energy, but also to strong and comprehensive support at state and municipal level. The US will soon be the second country after China to have reached installed power of more than 100 GW.

The leading markets all recorded significant growth, which in some cases was significantly higher than, but in some cases also significantly lower than the prior-year level: US up 7.6 GW to a total of 96 GW, Germany up 3.1 GW to a total of 59 GW, India up 2.1 GW to a total of 35 GW, UK up 2.9 GW to a total of 20,7 GW, Brazil up 1.7 GW to a total of 14.5 GW and France up 1.5 GW to a total of 15.3 GW.

Germany

In Germany, the energy and climate policy agenda was dominated by the debate about the future of coal-fired power generation. In June 2018, the German Federal Government set up the "Growth, Structural Change and Employment" Commission (Coal Commission), which presented its recommendations on 26 January 2019, including an end date for coal-fired power generation and accompanying structural measures in the lignite mining areas.

In combination with the closure of the last nuclear power plant in 2022, the medium-term exit from coal-fired power generation will add even further momentum to energy generation from renewable sources. Implementing the energy transition towards renewables, Germany is planning to cover 40–45 percent of its electricity needs with renewable energy by 2025; by 2035, this figure is to reach 55 to 60 percent. By 2050, the share of electricity generated from renewable energy sources in gross electricity consumption is even to be increased to a minimum of 80 percent.

The German Renewable Energy Sources Act (EEG) forms the framework for the expansion of renewable energies. Since the introduction of the EEG, the share of renewable energies has increased from six percent of gross electricity consumption in 2000 to well over one third in 2018.

The new EEG 2017 became effective at the beginning of 2017. It prescribes that subsidies for renewable energy sources are granted via a market-based auction scheme for new permissions from January 1, 2017 onwards.

The auction process is based on a single-stage reference yield model. According to this, the subsidy rate will be constant for a period of 20 years. The bids relate to a 100 percent reference site that is defined via the average expected wind speeds. Depending on the quality of the concrete project site (wind conditions), the actual remuneration amount is adjusted by means of several factors along the reference yield curve (a site with low wind levels receives higher remuneration than a location with strong wind). This makes sites with weaker winds more profitable, thereby accommodating the desire to expand wind energy all the way to southern Germany.

Since the EEG was introduced in 2000, onshore wind power has been subsidised based on the two-stage reference yield model. The power generated in the wind farms was remunerated in two stages. A higher initial tariff reverted to the so-called basic subsidy after five years at the earliest. The

duration of the period in which the higher initial tariff is paid (max. 20 years) depended on the quality of the site; the weaker the wind at the site, the longer the period with a higher initial tariff. Pursuant to a transitional provision in the EEG 2017, this rule applied to all wind farms that obtained permission before December 31, 2016 and were commissioned before December 31, 2018.

The amended EEG 2014 also stipulated a deployment corridor. This has since been determining the degression of the remuneration rate that is fixed as of commissioning and that was already included in the previous German Renewable Energy Sources Act (EEG). New installations of 2,500 MW p. a. were set as the target. The more this target amount is exceeded by actual installed wind turbine capacity, the more drastic the degression of the remuneration rate (so-called "breathing cap"). In the case of repowering projects, only the gains that exceed the original capacity of the relevant site for the intended trajectory of 2,500 MW will be taken into account.

A special feature of the EEG 2017 is the definition of so-called grid expansion areas. These include the northern federal states Lower Saxony (in parts), Bremen, Bremerhaven, Hamburg, Schleswig-Holstein and Mecklenburg-Western Pomerania, where the total volume of projects that might receive subsidies has been limited to 58 percent of the average capacity commissioned in 2013–2015. The impact of this on Energiekontor is marginal thanks to its high number of new projects in the key regions North Rhine-Westphalia and Brandenburg as well as the expansion into new national markets.

In 2018, there were four auction rounds for wind energy and two joint auctions for wind and solar installations. While the 700 MW auctioned in February still attracted bids for 989 MW, the 670 MW tendered in the May and October auctions were far from being used up. In the two joint auctions, only PV projects were awarded a contract.

While the average contract price in the February 2018 auction merely amounted to 4.73 euro cent/kWh, the price increased in the subsequent auctions to a range between 5.73 and 6.26 euro cent/kWh.

The 2018 financial year was strongly impacted by the high contract prices for citizens' energy initiatives in 2017. In the 2017 financial year, citizens' energy initiatives were awarded 93 percent, 95 percent and 99 percent of the contracts in the three auction rounds. The reason behind these rather sobering results from a professional project developer's perspective was a special provision (pre-qualification requirement) in the German Renewable Energy Sources Act (EEG): While project developers had to submit a bid bond of 30,000 EUR/MW and were only allowed to participate in the auction with approved projects, citizens' energy initiatives did not need a planning permission and only had to produce 50 percent of the bid bond. The German Renewable Energy Sources Act (EEG) prescribes a 30-month deadline for realising projects, whereas citizens' energy initiatives were granted an additional 24 months to implement their projects. In addition, citizens' energy initiatives are not remunerated based on their bid price but based on the highest price awarded in the respective auction round, while project developers receive the price offered (pay as bid).

In the opinion of Energiekontor AG, industry associations and other project developers, the special regulation led to a significant distortion of competition in 2017. This was recognised by the legislator, and the special regulation has largely been suspended for the first two auction rounds of 2018 in order to re-establish a plurality of actors. Thus, uniform conditions applied to all bidders in the market in 2018, with all bidders requiring previous permission and full collateral for their projects, and having 30 months in total to realise their projects. Moreover, the Federal Network Agency increased the highest bid price for the 100 percent reference site, which is derived from the average of all weighted bidding prices in 2017 and would have amounted to 5.0 euro cent/kWh, to 6.3 euro cent/kWh for 2018.

In the course of 2018, 743 wind turbines were erected in Germany. This corresponds to gross new installations of 2,402 MW. After several years of dynamic new installation activity, this represents a marked downturn and corresponds to a 55 percent decline in power installed compared to 2017. Deducting 205 wind turbines decommissioned in 2018 with total rated power of 249 MW, net output added in 2018 amounted to 2,154 MW. On a cumulated basis, the number of wind turbines installed thus stood at 29,213 as at December 31, 2018, with total rated power of 52,931 MW.

The average turbine configuration of the newly installed wind turbines is described by the parameters rated power, rotor diameter, hub height and specific power. The specific area output results from the nominal output in relation to the coated rotor area. The rated output of the wind turbines in particular increased by 9 percent to 3.23 MW compared to the previous year. Also rotor diameter and hub height each increased by 4 percent compared to the previous year to 118m and 132 m respectively. The range of plant configurations used in Germany is very wide; the rated output of the individual wind turbines is between 0.8 and 4.5 MW. Most plants have an output of 3 to 3.45 MW.

In the course of 2018, 205 wind turbines with total power of 249 MW were decommissioned. A certain proportion of these turbines was replaced with 111 new turbines (repowering). The total rated power of these repowering turbines amounts to 363 MW. This means that the amount of power added with repowering has fallen slightly compared with the previous year.

In Germany, remuneration elements that vary depending on the location allow for new wind turbines being erected further inland. However, depending on various factors such as availability of sites, local policy decision etc., new installations in the different German states are not on a steady expansion course. Below the line, Lower Saxony is again the state with the greatest amount of new installations in 2018, even though only half the number of turbines were erected compared with 2017. It is followed, albeit with a great gap, by North Rhine-Westphalia and Brandenburg.

All the cumulated turbines that have so far been erected in Germany are also distributed across the entire nation. Wind turbines are operated in every German state, all contributing to the German energy transition. While the highest number of turbines in absolute figures as well as the highest total installed power can be found in Lower Saxony, the ratio of wind turbines per area is highest in Schleswig-Holstein. In the south, where the expansion started only recently, the number of turbines is lower.

The fact that prices are very low presents the entire sector with major economic challenges in 2019 and thereafter at all value creation stages of project realisation. At the same time, however, the current competitive environment also generates market opportunities for project developers like Energiekontor AG. These include, for example, possible cooperation with smaller developers whose financial capacities for a successful participation in auctions are limited.

Regardless of the further development of prices in connection with the auctioning procedure, Energiekontor has always pursued the goal of being a pioneer in the industry and realising the first projects in which the levelized cost of electricity is below the costs of conventional power plants in order to help renewable energy achieve a breakthrough. The current situation underlines that this goal is the right approach to remain competitive at the same time.

Great Britain

The British government has come to regard onshore wind as a mature technology in the UK and therefore excluded it from the auction system to promote renewable energy sources, also referred to as Contracts for Difference (CfD). All wind farms realised in the UK are therefore remunerated at market rates and can only be realised based on long-term power purchase agreements (PPAs), which are usually concluded between operators and energy suppliers. In the case of the Energiekontor projects, however, PPAs are negotiated directly between the operator and an end user, usually large industrial conglomerates (end-user PPAs). The PPA determines the basic remuneration for the electricity generated over a certain period of time. It normally includes a price increase in the agreed tariff over the term of the PPA. In addition, most of the wind farms still receive embedded benefits, which subsidise power plants that feed into the medium-voltage grid instead of the high-voltage grid. Energiekontor's wind farm pipeline includes both projects with and without these embedded benefits.

Since subsidy measures in the UK have been abolished, the onshore wind sector focuses on maintaining the profitability of projects by improving system parameters (e.g. more powerful turbines with greater hub height) while at the same time cutting costs. Whereas Scottish authorities support the approval of high wind turbines, there are only a few examples in the UK where higher turbines have been granted planning permission. In general, Scotland, which has its own, independent planning legislation, assumes a positive stance when it comes to the expansion of onshore wind power. Energiekontor has therefore been focusing for years on securing suitable sites in Scotland, where large-scale wind farms are to be built on sites with excellent wind conditions.

The decision of the UK to leave the EU (Brexit) is having an impact on Energiekontor AG's business to the extent that the potential reintroduction of customs duties and interest rate fluctuations could increase costs for the construction of wind farms and the financing thereof. As a preventive measure, Energiekontor already prices these effects in to the profitability calculations for its development projects and hedges them, if it makes economic sense in the financing process.

Currency fluctuations would essentially influence the income from British wind farms in the company's own portfolio. However, as the vast majority of current costs in the UK are also incurred in pounds sterling, the expected overall effect on the parent company is low. In summary, it can be stated that there are certain uncertainties in the short term about the possible effects of a Brexit on the European domestic market and that investments by other EU states in Great Britain may be held back for the time being. In the medium term, however, Energiekontor still does not expect any lasting effects on the project business in the renewable energies sector.

Portugal

At the end of 2018, the Portuguese government published the PNEC (National Energy and Climate Plan), which is to help the country achieve the European target jointly agreed in 2018 of a 32 percent share of renewable energies by 2030. The PNEC is the Portuguese strategy for renewable energy and climate for the time period 2021 to 2030 and replaces the previous plan, which had led to a faltering expansion of renewable energy generation in recent years. As such, there are still no new auctioning procedures that would provide grid licenses and thus promote new project developments. While grid connections for wind farms and solar parks can be applied for, the electricity produced would be remunerated at general market prices. Project executers can therefore only apply for licences at market price conditions (MIBEL). As in Germany, energy suppliers in Portugal are legally obliged to purchase wind energy.

One hurdle here is posed by the increased environmental and nature conservation requirements in many places. A project developer wishing to connect to the grid therefore needs to meet two key requirements: sufficient grid connection capacity for the inclusion of an additional wind farm or solar park in the area, and a positive assessment of the environmental impact.

The Netherlands

Energiekontor had temporarily explored the Netherlands as a potential new market. However, because of long project development terms of five to seven years, marked resistance in the population, relatively small project sizes and a relatively low total market potential, we consider prospects in the Netherlands to be below average compared to other target markets. We have therefore decided not to pursue this market any further.

France

With the new legislation "Loi relative à la transition énergétique pour la croissance verte" (in short LTE), the French law on energy transition that was passed in August 2015, France set itself ambitious goals for the expansion of renewable energy. The country wants to be basically CO₂ neutral by 2050. This target is broken down into concrete milestones to be reached every five years with regard to the development of renewable energies in the electricity and heat sectors, the improvement of energy efficiency or the reduction of fossil fuel consumption, for instance. This is based on two complementary planning and monitoring instruments: the national decarbonisation strategy (Stratégie nationale bas-carbone, SNBC) and the multiannual energy programme (Programmation Pluriannuelle de l'Energie, PPE). As part of this initiative, SNBC sets an individual CO₂ target for each of the greenhouse gas-emitting sectors. The PPE concentrates the adjustments to French energy supply needed to meet these objectives in a single strategy and defines the concrete energy mix for the respective planning period.

The most significant measures of the French energy and climate policy until 2028 include the shutdown of several nuclear reactors, the doubling of installed power of renewable energy plants, an increase in production in the area of renewable heat by up to just under 60 percent as well as a reduction in primary energy consumption from fossil energy sources by about one third.

In concrete terms, installed onshore wind power is to be expanded to 24.6 GW by 2023 and to 34.1–35.6 GW by 2028.

In February 2019, the statistical office of the Ministry of Ecological and Solidary Transition (MTES) published the figures on the wind energy expansion in France for the fourth quarter of 2018.

According to these figures, installed total rated power amounts to 15.1 GW as at December 31, 2018. France has thus met the expansion target set in the French multiannual energy programme (Programmation pluriannuelle de l'énergie, PPE) of achieving total installed onshore wind power of at least 15,000 MW by the end of 2018. In the course of 2018, wind turbines with a total output of 1.5 GW were connected to the grid. Electricity generation from wind energy reached 26.1 TWh in 2018, equivalent to 5.5 percent of total electricity consumption in France.

The number of newly erected onshore wind farms dropped by 13 percent compared with 2017. A total of 150 new wind farms were installed in 2018, compared with 173 in 2017. About half of the wind power installed in France is located in the Hauts-de-France region (4.0 GW) and in the Grand Est region (3.4 GW). In the field of offshore wind energy, a floating offshore wind turbine was erected off the French Atlantic coast near the city of Le Croisic (Pays de la Loire region) in 2018 as part of a model project.

United States

In recent years, the US has become the second largest producer of renewable energy after China. Wind power accounted for almost two thirds (94.295 GW) of the total wind and solar power generation capacity of approx. 144 GW at the end of 2018. This means that at this point in time the US market is almost twice the size of the German wind market.

Regulations concerning the expansion of renewable energy sources in the US vary across states. Like in Europe, expansion targets for renewable energy sources have been defined. However, they are not binding and their definition varies across states. These so-called Renewable Portfolio Standards (RPSs) either state the absolute expansion targets in megawatts or a percentage share of renewable energy sources in the energy mix for each of the 29 states and Washington D.C. The targets differ greatly. While California, for instance, plans to generate 60 percent of its electricity from renewable sources by 2030 and 100 percent by 2045, there are other states that intend to generate 20 to 25 percent of their electricity from renewable sources by 2030.

However, due to the sharp drop in prices, especially for PV modules, the relevance of RPS is increasingly fading into the background. In some states, the expansion of renewable energies is therefore driven by purely economic reasons,

while the RPS targets have already been achieved there. This shows that an energy shift towards electricity supply from renewable energy sources is now also taking place in many US states.

As in the UK, a power purchase agreement between the project company and a major industrial customer or energy supplier forms the basis for the profitability of a project in the USA. These PPAs are usually awarded through privately organised tenders or negotiated directly. In the USA there is no central support system, but there are local and state support systems at the state level.

However, indirect subsidies are granted at state level via tax benefits. The corresponding mechanisms are either Investment Tax Credit (ITC) or Production Tax Credit (PTC). They were originally introduced at the beginning of the 1990s, were amended in 2009 by the Obama administration with the "American Recovery and Reinvestment Act (ARRA)" and were extended in 2015 until 2020 via the "Consolidated Appropriations Act". Whether they will be extended beyond 2020 has not yet been decided. Currently, there is the possibility to "qualify" a project in 2020 (or earlier) and bring it online up to 4 years later, and still get the benefits of the PTC/ITC. Correspondingly, even if the tax reliefs are abolished, the use of these instruments will play a central role until 2021 or 2022.

After detailed grid studies, Energiekontor initially focused on the very windy and still relatively undeveloped region of the western part of South Dakota when developing wind energy projects. Through the Southwest Power Pool (SPP), an umbrella organization of several power utilities and grid operators, electricity from the region can be distributed in several states of the Midwest up to the border with Texas. As in Europe, South Dakota also requires permissions to build wind farms.

In addition to import duties on foreign steel, which could temporarily affect wind turbine prices, the Energiekontor Group does not currently anticipate any further political restrictions, which could have a negative impact on the renewable energy market in the USA.

Energiekontor assumes that the profitability of new projects in the USA after the expiry of the tax credits will be based solely on the conclusion of PPAs – similar to the situation in Great Britain. If these can be concluded at prices below those for electricity from conventional power plants, the expansion of renewable energies in the USA should be able

to proceed at an accelerated pace. Energiekontor also wants to play a pioneering role in the US market and plans to implement wind projects without subsidies in the future.

Solar

As in the case with wind power, China also dominates the global market for new PV installations. In 2018, the total capacity of newly installed capacity rose to around 44 GW. At the end of 2018, the total accumulated photovoltaic capacity in China thus amounted to just under 175 GW. As in the case of wind, the second largest number of new installations in the PV sector – around 8 GW – was carried out in the USA. With an estimated total new capacity of almost 100 GW, around 500 GW of PV capacities should have been installed worldwide by the end of 2018.

In Germany, around 3 GW of PV capacities were added in 2018. This increased the accumulated total capacity of installed PV systems in Germany to just less than 46 GW at the end of 2018.

In the core markets of Energiekontor, the south of Portugal offers geographically very good conditions for the use of solar energy, but the restrictions described in the section “Wind” currently apply in Portugal. In Great Britain, the development of PV projects for Energiekontor is essentially limited to the consideration of using the grid connections of a wind farm at the same location for a solar park at the same time. Otherwise, the solar activities of the Energiekontor Group are currently concentrated on the German, US and French markets.

Germany

Since 2015, financial subsidies for electricity generated in new ground-mounted solar arrays can only be obtained by participating successfully in a centralised auction organised by the German Federal Network Agency. In a pilot phase with three auction rounds, the Federal Network Agency tendered 500 MW of solar PV capacity in 2015, followed by 410 MW in 2016. From the first auction in April 2015 to the auction in December 2016, the average subsidy amount was reduced gradually from 9.17 euro cent/kWh to 6.90 euro cent/kWh.

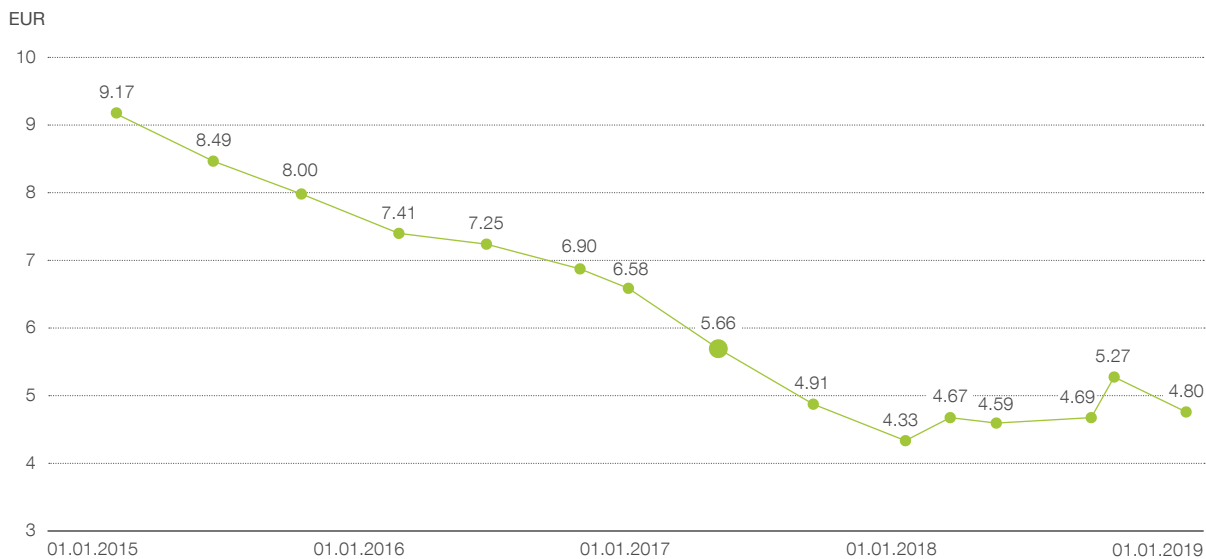
With the EEG 2017 entering into force, the subsidy amounts for all ground-mounted solar arrays with a size of over 750 kW_p are determined in a tendering procedure. Since 2017, an annual total of 600 MW is set to be tendered in three auctions per year. In the auctions held in February, June and October 2017, average subsidies dropped further from 6.58 euro cent/kWh at the beginning of the year to 4.91 euro cent/kWh at the end of the year. This means that prices have roughly halved over a time period of two-and-a-half years.

In the tenders of the 2018 business year, the average, volume-weighted surcharge value fell in February to 4.33 euro cent/kWh. In the further course of the year, the surcharge values stabilised and even increased slightly again. In February 2019, the average volume-weighted surcharge value was at 4.80 euro cent/kWh.

So far, the area backdrop for PV parks has been defined by the EEG. The potential locations are essentially limited to conversion areas and peripheral areas (110-metre strips) along motorways and railway lines. Further requirements for a bid to be accepted are a decision to set up the system and the provision of an initial security in the amount of EUR 5,000 per MW when the bid is submitted. If a contract is awarded, the deposit of a second security of EUR 45,000 per MW (EUR 20,000 in the case of a present resolution) is added, which – similar to wind – is intended to ensure the seriousness of the bid.

In February 2019, Energiekontor surprised the entire sector when it announced that a PPA had been signed with EnBW for an 85 MW solar park near Rostock. The agreement stipulates that EnBW will buy 100 percent of the electricity generated at a fixed price. Over the total term of the agreement of 15 years, the two companies expect that the total volume of electricity generated will amount to around 1.3 TWh hours. The conclusion of this PPA is not only an important milestone for Energiekontor but for the entire industry. Based on a PPA, much larger solar parks can be realised. As a pioneer in the renewable energy sector, Energiekontor is committed to being one of the first to realise wind farms and solar parks at lower levelized cost of electricity than conventional energy. This PPA shows that based on efficiency enhancement and price reductions along the entire value chain, Energiekontor has moved much closer towards this goal.

Development of average successful bid pieces



France

As in the previous year, France saw an increase in installed PV power in 2018 from approx. 0.9 GW to currently around 9 GW. In the medium term, PV capacities are to be at least doubled. By 2023, photovoltaic power capacity is to be expanded to 18.2–20.2 GW.

Since 2016, remuneration for power generated with ground-mounted solar arrays in the size of 500 kW_p to 17 MW_p has been determined in auction processes in France. Six auction rounds with 500 MW each have been held and are planned between 2017 and mid-2019. The auction volume has been divided into three plant categories: 300 MW for ground-mounted solar arrays with rated power between 5 MW_p and 17 MW_p (Category 1), 135 MW for ground-mounted solar arrays with a capacity between 500 kW_p and 5 MW_p (Category 2) and 65 MW for roof-mounted solar arrays with rated power between 500 kW_p and 10 MW_p (Category 3).

The extent to which nuclear power plant capacities will be reduced in the coming years is a crucial factor for the development of the French photovoltaic market. If the full 63 GW currently generated by French nuclear power plants were to remain on the market in 2030, this would lead to a considerable reduction in the average income from photovoltaic electricity in France and severely weaken expansion ambitions according to Agora Energiewende. An adjustment in the number of nuclear power plants and a simultaneous

increase in the CO₂ price per tonne could lead to an electricity price level that would make the provision of electricity from PV systems attractive.

USA

At the end of 2018, the total accumulated capacity of PV systems in the USA was just less than 50 GW, which is about 8.3 GW more than at the end of 2017.

The support measures are essentially identical to those already described in the "Wind" section. Instead of the production tax credit, however, the tax incentives in the solar sector are provided by investment tax credits (ITC).

The ITC is currently a 30 percent tax credit that can be claimed against the tax liability of private investors (§ 25D) and commercial investors and utilities (§ 48) for investments in solar properties.

Such tax credit represents a reduction in income or corporate tax that the person, commercial investor or utility claiming the credit would otherwise pay to the federal government. ITCs are based on the amount invested in the solar facility. They currently amount to 30 percent of the amount invested in the eligible project, if construction begins in 2019. For projects with construction start in 2020, the ITC is lowered to 26 percent and for projects from 2021 to 22 percent. After 2021, the tax credit will permanently fall

to 10 percent. Projects with construction starts before December 31, 2021 may still be eligible for the 30, 26 or 22 percent ITC if they are put into operation before December 31, 2023.

In December 2018, the US Congress passed the Tax Cuts and Jobs Act, a comprehensive tax reform law that modified many aspects of US tax law. Both commercial and private ITCs were maintained under this legislation.

In order to use the ITC for a project, either an investor is needed who is able to capitalise the ITCs, or, as is the case with wind farms, a tax equity investor (TEI) must be integrated. Such TEIs must stay in the project company operating the PV park for at least five years.

For the development of solar projects, Energiekontor is focusing on the western and central regions of Texas. In these regions, excellent irradiation conditions prevail with global radiation of sometimes well over 2,000 kWh/m² a (kilowatt hours per square meter and year), which is about twice as high as at very good German locations. The levelized cost of electricity of solar parks in Texas is therefore correspondingly lower. The electricity grid in West Texas is well developed and the demand for electricity is very high due to several larger cities in the region.

Like for wind turbine systems, a PPA between a project company and a large industrial customer (end-user PPA) or a grid operator forms the basis of the profitability of a solar park in the US. Energiekontor sees considerable potential for end-user PPAs, especially with large local companies, large data centre operators or local energy suppliers.

In contrast to other states, Texas does not require an independent official permission for the construction of solar parks. Instead, the rights of use for the surface (surface rights) and, through agreements with the owners, the rights for the subsoil (mineral rights) must be secured for a site, and a series of investigations and studies (environment, nature conservation, network, etc.) must be carried out to ensure that the project complies with the law. In addition, so-called tax abatements – exemptions from local taxes – must be agreed with the authorities. In contrast to the planned development of wind projects in South Dakota, for example, the marketing of electricity from solar parks is limited to the territory of the Texas grid operator ERCOT.

In early 2018, the Trump administration had imposed punitive tariffs for the next four years on imports of cells and polycrystalline PV modules from several Asian countries. However, these import duties are to be reduced from 30 percent to 15 percent over a period of four years. In addition, they only apply to PV cells starting from a certain delivery volume. Overall, experts estimate that customs duties should account for less than 10 percent of the total investment. To minimise the economic impact of import duties, some Asian module manufacturers have reacted by reducing prices and establishing their own production capacities in the US.

Business performance by segment

a) Project Development and Sales (Wind, Solar)

Project development and the sale of wind farms and solar parks was largely in line with the planning in 2018. While the ongoing projects were continuously developed and important milestones were reached, sales activities were limited to a moderate number of projects.

A total of four projects and one individual plant with a total capacity of 47 MW were completed and commissioned by the end of 2018. Two projects with a total capacity of 23 MW were sold to investors.

In November, Energiekontor AG sold the Bremen-Hemelingen wind farm to an investment company from Luxemburg which invests for several German insurance companies and pension funds. The wind farm, which went into operation in July 2018, is located in the immediate vicinity of the Hansalinie industrial park on the A1 Autobahn. There, four Siemens wind turbines with a rotor diameter of 113 meters and a total output of 12.8 MW generate an expected annual yield of around 30 million kWh. This amount of electricity is mathematically sufficient to cover the needs of more than 8,000 households.

As the approval for this wind farm was available before the end of 2016, the electricity at this location will be remunerated at attractive conditions of the old tariff system in accordance with the transitional regulation of the EEG 2017.

Shortly before the end of the year, the Hammelwarder Moor wind farm in the Brake district was sold to Konstanz-based Terravent Deutschland GmbH. The wind farm consists of three Senvion 3.4 M114 turbines with a total height of 176 meters and a rotor diameter of 114 meters. With a total rated output of 10.2 MW, the expected annual yield of the wind farm is around 26 million kW/h.

In December 2018, Energiekontor AG commissioned the New Rides wind farm in the southern English county of Kent. The wind farm consists of four turbines with a total capacity of around 9 MW.

The Withernwick II project, the expansion of the Group's own wind farm Withernwick, was successfully driven forward and put into operation at the start of the second quarter of 2019.

We expect the planned Hyndburn II wind farm, the expansion stage of the existing Hyndburn wind farm, to be completed in 2020, as well as the Pencarreg wind farm project (approx. 5 MW) in Wales.

Following the end of onshore wind subsidies in the UK, however, Energiekontor will focus on the development of large-scale projects in windy regions, especially in Scotland, on the basis of a Power Purchase Agreement (PPA).

Energiekontor has made great progress in developing its project pipeline in Scotland. By the end of fiscal 2018, the pipeline (very heterogeneous development status) had grown to around 1,000 MW and approvals were available for three wind projects with a total of more than 90 MW. In the meantime, the number of projects has increased to four with a total of well over 100 MW. Due to the sluggish expansion of the grid in this region, however, the first wind farm is not expected to be realised until the 2020 financial year at the earliest.

Since there have been no new tenders for grid connections in Portugal for years, the activities of the Energiekontor Group there are limited primarily to the management of the existing turbines and rotor blade extension (see section c) operational development, innovation and miscellaneous).

In the solar sector, Energiekontor was awarded a contract for a photovoltaic project in the third tender round of the year in Germany in June 2018, for the fourth time since the introduction of the tender procedure in 2015. This project has a capacity of approx. 5 MW_p.

The development of the Garzau-Garzin project with approx. 10 MW_p approved in 2017, which had already won a tender in April 2016, was delayed due to supply bottlenecks at the module manufacturer. Construction therefore did not begin until the end of 2017 and was completed in the first quarter of 2018 and added to the Company's own portfolio.

The Energiekontor Group further strengthened its personnel resources in France and the USA during the course of the financial year in order to expand into the new markets, while the decision was taken not to further expand its activities in the Netherlands. According to estimates by Energiekontor, other country locations promise a higher and faster return on investment. Energiekontor will therefore withdraw from the Dutch market.

Great progress was made in the USA in 2018. Suitable land areas have been identified in South Dakota for wind and in West Texas for solar projects. Initially, the focus will be somewhat more on the development of solar projects, as these can be implemented more quickly. A separate subsidiary for the solar activities in the USA was founded in Austin (Texas) in the first half of 2017 and the number of staff has been gradually increased since then. Another office was opened in Rapid City (South Dakota) in 2018. This local team is responsible for wind projects there.

While project development in the wind sector will take a long time and is therefore not expected to generate any income from it until 2020 at the earliest, the solar sector could make a contribution to earnings as early as 2019 if the rights to one or two solar projects including PPAs could be sold to investors.

Due to its geographical situation, France is an attractive location for both wind and solar projects, but also a very challenging terrain. On the one hand, the supposedly cheap nuclear power continues to play a very dominant role and contributes to the still partly existing negative attitude towards renewable energies.

In France, too, landscape protection in particular is providing very strong resistance to wind power. Citizens' initiatives and specialised lawyers and associations regularly take action against planned projects and thus ensure very long project durations. But the demand for electricity from renewable sources is enormous. Not only has France committed itself to the expansion of renewable energies. This market is also supported by the fact that in France electricity is the main source of heating, which means that demand is correspondingly high.

For this reason, negotiations with landowners on the rights of use are being driven forward with the support of freelancers. The region in the northwest of the country was identified for the development of wind projects and the southwest for the development of solar projects. Toulouse was chosen as the first office location for the solar activities of Energiekontor in France, while an office in Rouen coordinates the wind activities.

b) Power generation in the Group's own wind and solar farms

In line with the Company's growth strategy, according to which about half of all in-house developed projects are expected to be included in the Group's own portfolio, the Management of Energiekontor AG decided to transfer the New Rides wind farm (9 MW) in the southern English county of Kent and, as the first of the Group's own solar parks, the Garzau-Garzin solar park (Brandenburg), which stretches for several kilometres along a railway line and has an output of around 10 MW, to Group ownership.

In addition, the Company continued to focus on measures aimed at optimising operational management by reducing costs and enhancing efficiency:

- **Repowering:** wherever possible, Energiekontor intends to gradually replace old turbines with new, more powerful wind turbine systems and to thereby simultaneously extend the useful life of these sites.
- **Efficiency enhancement by means of technical innovations:** this comprises yield-enhancing measures (up to 10 percent) like optimising the aerodynamics of blades and extending the length of rotor blades.
- **Optimisation of operating expenses:** for this purpose, the operational management introduced an efficiency enhancement programme aimed at lowering operating expenses per kilowatt-hour by means of various measures.
- **Extension of useful life:** the terms of the existing turbines are to be secured beyond the guaranteed state subsidisation period by means of suitable lease and loan agreements.
- **Refinancing and repayment of loans:** liabilities and the interest burden in the Power Generation in the Group-owned Wind Farms segment are to be reduced via refinancing of existing farms.

Due in particular to the exceptionally windless summer half-year and a relatively calm autumn, wind yields in 2018 remained well below their long-term averages at only 84 percent. Income from the operation of the Group's own wind farms in Germany was well below expectations. Wind yields in Great Britain and Portugal were largely in line with expectations. Overall, however, wind yields were lower than forecasted for the 2018 financial year.

c) Business development, innovation and others

Income from ongoing operational management has continuously increased in recent years thanks to the expansion of the Group-owned wind farm portfolio. Efficient market observation and the resulting agreements for direct power marketing under the German Renewable Energy Sources Act (EEG) contributed to improving the income situation. Almost the entire German wind farm portfolio was successfully placed with reputable direct power marketers, and Energiekontor continued to achieve attractive marketing conditions.

In the wake of the auctioning procedure and the corresponding drastic drop in electricity prices from renewable energy sources, direct power purchase agreements (PPA) between energy producers and the end user are becoming increasingly attractive in Germany as well. Energiekontor has been holding talks with interested large customers on this subject and was able to announce the conclusion of a first PPA with ENBW in February 2019.

In the 2018 financial year, the Company developed and tested a number of new measures for operational optimisation, including measures to improve turbine control and yawing and to reduce downtimes by equipping all wind farms with continuous condition monitoring and an automated workflow for fault clearance. These measures further include more efficient maintenance and repair concepts so that Group-owned wind farms can be operated profitably even after the remuneration as per the German Renewable Energy Sources Act (EEG) expires.

The technical innovations continued to focus on rotor blade extension. In addition to the AN Bonus 1.0 system type, the 1.3 MW class in particular was retrofitted in Portugal.

Overall Conclusion

Performance of the operating business was largely in line with expectations in the past 2018 financial year. Net income (EBT) of Energiekontor AG and the Group were therefore in line with the forecasts.

The Garzau-Garzin solar park, the Hammelwarder Moor wind farm, the Debstedt II turbine and the Hemelingen wind farm were built and commissioned in the 2018 financial year.

Out of the projects commissioned in 2018, 60 percent of capacity was sold to investors, while the remainder was transferred to the Group's own portfolio. Group EBT was considerably lower than in the previous years. However, this is also due to the fact that these projects make no or very little contribution to revenue and earnings in the financial year they are transferred to the Group's own portfolio.

Income in the Power Generation in Group-owned Wind Farms and Solar Parks segment fell short of expectations overall and varied in the individual countries in which Energiekontor operates wind farms and solar parks. In Germany, wind yields were below the long-term average, while the UK and Portugal had average wind years.

Overall, segment EBT was therefore below expectations.

Because of the further expansion of the Group's own portfolio and the higher number of managed wind farms compared to the previous year, the income from operational management increased slightly. Segment EBT in the Operation Development, Innovation and Others segment was therefore in line with expectations and the forecast.

The consolidated figures of the Group show that Energiekontor AG and the Group as well as the operating business units and profit centres managed to largely reach their targets in the 2018 financial year.

As expected, growth has temporarily slowed down in the 2018 financial year. The overall pipeline of projects in the various stages of development increased to 3,600 MW, driven by acquisition activities in Germany and the UK, but also in the new national markets France and the US. It forms the basis for the successful continuation of the positive development of the Company in the coming years.

Earnings position, financial position and assets position of the Group

Earnings position of the Group

The 2018 financial year was once again positive for the Energiekontor Group with the construction of three wind farms, one individual turbine and one solar park, although the previous year's earnings were not achieved. The sale of two domestic wind farms and one individual turbine had a positive effect on the consolidated balance sheet and income statement. In line with the Company's growth strategy, the takeover of another British wind farm and a domestic solar farm as part of the Company's own portfolio will result in the continued expansion of the Group's own wind farm portfolio. Moreover, a wide range of potential opportunities in Germany and abroad were further developed in the financial year, which are expected to drive the successful profit development in the future. The Group reports the following positive results:

EUR thousand	2018	2017
Consolidated net earnings	6,680	11,888
plus tax expense	2,932	4,778
EBT	9,612	16,666
plus financial result	12,465	16,223
EBIT	22,076	32,889
plus depreciation and amortisation	18,546	16,704
EBITDA	40,622	49,593

For the pro forma key figures (EBIT, EBITDA, etc.) reported above and used in this report, please refer to page 196.

Despite project implementations in the wind sector, Group revenue declined to EUR 110,186 thousand (previous year: EUR 149,865 thousand). Consolidated revenue in the financial year comprises revenue in the Project Development and Sales (Wind, Solar) segment in the amount of EUR 52,920 thousand (previous year: EUR 97,044 thousand), the Power Generation in Group-owned Wind Farms segment in the amount of EUR 53,528 thousand (previous year: EUR 49,080 thousand) and the Operation Development, Innovation and Others segment in the amount of EUR 3,738 thousand (previous year: EUR 3,741 thousand).

The **Project Development and Sales (Wind, Solar)** segment includes proceeds from the sale of wind farms as well as proceeds from services rendered in connection with economic planning and the contractual and legal implementation, project management, company management in the

foundation phase, sales and marketing measures and the procurement of own and external funds for the wind farm operators in the amount of EUR 52,920 thousand (previous year: EUR 97,044 thousand).

Revenue in the segment "**Power Generation in Group-owned Wind and Solar farms**" increased year-on-year to EUR 53,528 thousand (previous year EUR 49,080 thousand), in particular as a result of last year's addition of the domestic Heinsberg-Waldenrath, Kreuzau-Steinkaul and Niederzier-Steinstraß wind farms as well as payments from renewable obligation certificates (ROCs) to the British wind farms. The income from the operation of the Group's own wind farms in Germany is below the expectations of an average wind year and, adjusted for the newly acquired wind farms, also below the income of the previous year. In the UK, a slightly above-average wind year was recorded, but due to currency effects earnings were nevertheless largely at the previous year's level. In Portugal, earnings were higher than in the previous year, but overall lower than expected.

Revenue in the "**Operation Development, Innovation and Others**" segment, was mainly driven by revenue from operational management services and amounted to EUR 3,738 thousand (prior year: EUR 3,741 thousand).

The item **changes in inventories and other own work capitalised** totalling EUR 18,516 thousand (previous year: EUR 52,211 thousand) refers primarily to wind farms transferred to Group ownership and the resulting reclassification as Property, plant and equipment, and higher inventories because of the continued intensification of acquisition and planning activities.

Other operating income, determined by the reversal of provisions, in particular in connection with the construction activity of wind farms, decreased year-on-year due to lower positive effects from currency translation.

EUR thousand	2018	2017
Reversal of provisions	3,028	2,804
Misc. other operating income	191	225
Net income from currency translation	96	2,666
Damages/insurance refunds	48	51
Other operating income	3,363	5,746

At EUR 60,631 thousand, the **cost of materials and purchased services** decreased as a result of lower construction activity in the year under review (previous year EUR 127,923 thousand).

Personnel expenses increased to EUR 13,667 thousand (prior year: EUR 11,830 thousand) as a result of the increase in the number of employees.

EUR thousand	2018	2017
Salaries	11,687	10,100
Social security contributions and expenses	1,980	1,730
Personnel expenses	13,667	11,830

The **Depreciation and amortisation of property, plant and equipment and intangible assets** shown in the amount of EUR 18,546 thousand (prior year: EUR 16,704 thousand) mainly refers to scheduled depreciation and amortisation of Group-owned wind and solar farms.

EUR thousand	2018	2017
Depreciation on wind and solar farms and technical equipment	18,495	16,657
Depreciation of operational and office equipment	48	37
Amortization of intangible assets	3	10
Depreciation and amortisation	18,546	16,704

The increase in depreciation on property, plant and equipment compared with the previous year is mainly due to the wind and solar farms taken over into the Company's own portfolio at the end of the previous year and in the year under review.

Repair, maintenance and lease expenses for the Group's own wind and solar farms, selling expenses in connection with the issuance of bonds, expenses from currency translation as well as legal and consulting fees contributed primarily in **other operating expenses** of EUR 17,144 thousand (prior year: EUR 18,475 thousand).

EUR thousand	2018	2017
Repairs and maintenance of wind and solar farms	6,390	8,117
Lease payments for wind and solar farms	3,039	2,508
Administrative expenses	1,514	1,182
Legal, tax, audit and other consultancy fees, legal costs	1,470	1,504
Fees, charges, contributions	1,155	1,190
Project-related expenses (incl. planning, travel expenses, etc.)	1,091	1,157
Occupancy costs	634	575
Advertising and selling expenses	629	715
Insurances	614	967
Electricity consumption of wind and solar plants	397	345
Miscellaneous other operating expenses	212	215
Other operating expenses	17,144	18,475

Interest income continues to be low due to the historically low interest level on the capital market. Interest expenses for long-term financing of Group-owned wind and solar farms, construction period interest expenses for the wind and solar farms constructed in the reporting year and expenses related to operating loans and bond capital together generated interest expenses with a total volume of EUR 13,255 thousand (prior year: EUR 16,414 thousand).

EUR thousand	2018	2017
Total interest and other income	783	190
Interest expenses to banks for capex loans	6,404	6,504
Interest expenses for bond capital	5,386	5,969
Financing expenses for other liabilities (external limited partners)	-343	192
Other interest expenses	1,808	3,749
Interest expenses	13,255	16,414
Interest result	-12,472	-16,223
Income from investments	7	0
Financial result	-12,465	-16,223

Financial position of the Group

The financial management of the Energiekontor Group is based on the guiding principle – financial stability and sustainable growth – and continues to be based on the efficient and sustainable use of available financial resources, taking into account the expected developments in the industry.

The Group's financial policy is in line with the strategy successfully applied in past financial years. With the issuance of corporate bonds, which has been successful throughout, the Company managed to create an important foundation for the Group's future growth, independent from banks' loan policies.

In the year under review, Energiekontor Finanzanlagen VI GmbH & Co KG successfully issued a EUR 9,000,000,000 step-up bond and Energiekontor AG issued a EUR 9,000,000,000 corporate bond. Scheduled and unscheduled repayments to bondholders amounted to EUR 19,288 thousand in the fiscal year. All repayments due as scheduled in the reporting year were repaid in full. Scheduled and unscheduled repayments to bondholders amounted to EUR 19,288 thousand in the fiscal year. All repayments due as scheduled in the year under review have been repaid in full.

Credit lines with banks amount to EUR 24,500 thousand (previous year: EUR 24,500 thousand) and a framework agreement for the granting of subordinate credit tranches for project financing ensures that short-term operating resources are available for the interim financing of wind farm and solar park projects.

Long-term bank financing, pertaining mainly to the financing of investments in the Group's own wind and solar farms, amounted to EUR 120,679 thousand at the end of the financial year (previous year: EUR 126,029 thousand).

Cash and cash equivalents increased to EUR 73,291 thousand (previous year EUR 69,002 thousand) as of the balance sheet date. The portfolio of other securities, mainly Federal notes, decreased as a result of the maturity of two Federal notes and amounted to a total of EUR 5,061 thousand (previous year: EUR 10,159 thousand).

Liabilities to banks climbed to EUR 138,450 thousand as of the reporting date (previous year: EUR 140,708 thousand). Redemption payments for borrowings by project companies were in line with the schedule, both in the financial year and in previous years.

EUR thousand	2018	2017
Non-current liabilities to banks	120,679	126,029
Current liabilities to banks	17,771	14,678
Liabilities to banks	138,450	140,708

Non-current loans and borrowings pertain mainly to investments in Group-owned wind farm operators for the construction and acquisition of wind farms.

Current loans and borrowings mainly refer to financing of wind farm operators that are currently being established and are to be sold in the short term, operating loans for interim financing provided to wind farm operators, accrued interest from financing Group-owned wind farms as well as redemption payments for long-term loans that are due within the time frame of one year.

Total **financial liabilities** amount to EUR 120,679 thousand (prior year: EUR 234,190 thousand) and break down as follows:

EUR thousand	2018	2017
Liabilities to banks	120,679	126,029
Bond capital	81,912	77,146
Other financial liabilities	3,602	4,622
Liabilities to external limited partners	1,040	1,664
Non-current financial liabilities	207,232	209,462
Liabilities to banks	17,771	14,678
Bond capital	2,868	9,055
Liabilities to external limited partners	0	994
Current financial liabilities	20,639	24,728
Total financial liabilities	227,871	234,190

Liabilities to external limited partners stated above under **Non-current financial liabilities** refer to limited partner shares (minorities) in wind farm operators, which are designated to remain in the Company and must be classified as borrowings in accordance with IAS 32.

Such liabilities to external limited partners may also exist in **Current financial liabilities** if shares in a project company have already been sold and a wind farm is only completed and transferred after the reporting date.

Other financial liabilities include the fair values of interest and currency swaps concluded as long-term cash flow hedges; due to the low capital market interest rates, these are negative at EUR -2.545 thousand (previous year: EUR -3,454 thousand). The decrease was caused by the addition of secured liabilities and the effect resulting from the depreciation of the British pound versus the euro.

Assets position of the Group

Despite the positive result for the year, shareholders' equity, netted against the negative market values from interest rate and currency swaps and the dividend payment, remained largely at the previous year's level at EUR 68,400 thousand (previous year: EUR 70,232 thousand). As a result of the slight increase in total assets to EUR 348,437 thousand (previous year: EUR 361,713 thousand), the equity ratio fell slightly to 19.6 percent (previous year: 19.4 percent).

Compared to German commercial law, the application of the International Financial Reporting Standards (IFRS) involves certain conventions that have a negative effect on the Group's equity ratio.

At Energiekontor, hedging interest and currency risks, especially with regard to the interest and redemption plan of Group-owned wind and solar farms, is a priority; this pays heed to economic considerations and disregards potential effects on the balance sheet. Increasingly, Energiekontor takes out loans with variable terms to finance its wind farms in order to hedge terms and conditions for the long term; these loans are already hedged with interest swaps (cash flow hedges) at closing. IFRS require (IFRS 9) that derivatives (interest swaps with a fixed interest rate) are accounted for separately from the underlying transaction (loans with variable terms) and that the derivative is recognised in the balance sheet.

The derivatives, which are contracted throughout along with the financing agreements, are always fully effective as interest hedges and therefore fully linked to the financing structure, as their sole economic purpose is to convert a variable interest loan into a synthetic fixed interest loan. According to German commercial law, which is known to maintain very strict principles of prudence when assessing liabilities, these loan contracts are not classified as liabilities that need to be recognised based on the available valuation units (Sec. 254 HGB); therefore, these would not be included in the balance sheet if the consolidated financial statements had been prepared according to the principles of the German Commercial Code (HGB). In a situation of falling interest rates on the capital market, IFRS requires the recognition of liabilities that are not actually existent, however, which leads to a lower equity ratio (compared to HGB).

The negative fair values of interest and currency swaps are calculated based on mathematical simulation models that forecast currency and interest developments; for the Energiekontor Group, these calculations are purely arithmetic, especially since a sale or the realisation of the fair values before the scheduled expiry of the interest contract hedged with the derivatives is not an option. If loans that are linked to interest swaps are refinanced, it is always ensured that full effectiveness and coherence are maintained. Economically, the negative fair values in the case of such synthetic fixed-interest loans compare to prepayment penalties for conventional fixed-interest loans, which are not included in the balance sheet under IFRS either. The fair values are therefore no longer included in segment reporting (segment liabilities) as debts (management approach); instead, their balance sheet values are neutralised when the net assets for the segment are calculated.

Moreover, the implementation of IAS 32, which is also controversial, stipulates that limited partner capital is usually not classified as equity but as borrowed capital, which means for the Group that minorities in wind farm operators, which are designated to remain in the Company for the long term, as well as in project companies held for sale must be classified as borrowings.

If the equity ratio were adjusted for these two IFRS specialities, the (notional) equity ratio at the reporting date would be 20.3 percent (previous year: 20.7 percent).

When looking at the equity ratio, not only IFRS characteristics but an even more significant issue needs to be taken into account, which distorts the ratios compared to the actual equity position of the Group. This is the fact that substantial assets related to Group-owned wind and solar farms, which the Group constructed itself, are not recognised at their fair values but only at external construction costs. In addition to several wind farm projects that have been acquired or not yet realised, which will also only be recognised at cost in the inventory, the property, plant and equipment item in the consolidated balance sheet therefore contains considerable hidden reserves.

Non-current assets increased to EUR 210,824 thousand (prior year: EUR 201,104 thousand) as a result of the inclusion of a British wind farm and a German solar farm in the Company's own portfolio. **Non-current assets** break down to the following balance sheet items and are explained below.

EUR thousand	2018	2017
Property, plant and equipment	204,916	194,558
Deferred taxes	5,765	6,462
Receivables and other financial assets	95	58
Investments	26	25
Other intangible assets	23	1
Non-current assets	210,824	201,104

Other intangible assets relate to software licenses for on-going business operations.

Property, plant and equipment is recognised at cost of acquisition or production less depreciation and includes the complete plant and equipment of the wind farm operators to be consolidated in the year under review, operational and office equipment of the office locations in Germany and abroad as well as the wind farm sites and compensatory land.

In the year under review, a British wind farm and a German solar park were capitalised. This was the main reason for additions to Property, plant and equipment amounting to EUR 29,007 thousand (previous year: EUR 40,117 thousand). Additions include an amount of EUR 5,827 thousand (previous year: EUR 0 thousand) relating to the unfinished expansion of the British wind farm Witherwick (Witherwick Extension). Disposals of wind farm property, plant and equipment amounted to only EUR 107 thousand in the year under review (previous year: EUR 608 thousand).

Taking into account scheduled depreciation in the reporting period of EUR 18,495 thousand (previous year: EUR 16,657 thousand), the balance sheet item Plant and equipment of the wind and solar farm operators amounts to EUR 204,001 thousand (previous year: EUR 193,692 thousand). Provisions for decommissioning and restoration included in the balance sheet increase as planned in the period under review due to accumulation and the expected cost increases; they are included in the additions stated above.

In the non-current **Receivables and financial assets** item, **Receivables from affiliated companies** include minority interests in third party companies. **Other non-current assets** mainly include deposits and deferred items in the amount of EUR 66 thousand as of the reporting date (previous year: EUR 30 thousand).

Deferred tax assets of the Group are recognised at EUR 5,765 thousand (previous year: EUR 6,462 thousand) are reported and explained in detail in the notes to the consolidated financial statements. Deferred tax liabilities of EUR 6,319 thousand (previous year: EUR 6,186 thousand) eligible for netting pursuant to IAS 12 were deducted.

Current assets less cash and cash equivalents and other securities explained above in the report on the financial performance amount to EUR 59,261 thousand (previous year EUR 81,447 thousand).

Inventory reported under current assets of EUR 38,481 thousand (prior year: EUR 47,006 thousand) includes capitalised services related to construction projects currently in progress as well as planning services for new projects to be realised, especially pre-production costs related to planning activities in Germany, the UK, the US, the Netherlands and France.

Current receivables and other financial assets rose from EUR 27,378 thousand to EUR 20,301 thousand in the year under review.

Income tax receivables (current) in the amount of EUR 480 thousand (prior year: EUR 7,064 thousand) include corporation tax and trade tax credits.

Non-current liabilities amount to EUR 235,861 thousand (prior year: EUR 234,282 thousand). In addition to the non-current financial liabilities and deferred tax liabilities already explained in the report on the Group's financial performance, this item also includes Provisions for decommissioning and restoration at the Group-owned wind farm operators.

EUR thousand	2018	2017
Non-current financial liabilities	207,232	209,462
Provisions for decommissioning and restoration	14,859	12,603
Deferred tax liabilities	10,585	9,641
Other non-current liabilities	3,184	2,576
Non-current liabilities	235,861	234,282

Provisions for the decommissioning of Group-owned wind and solar farms and the restoration of the corresponding sites listed at present values have developed as follows:

EUR thousand	2018	2017
Provisions for decommissioning and restoration as of January 1	12,603	12,099
Additions in the current year due to accrued interest	439	423
Additions / depreciation of present values (changes in production costs, interest rate)	496	-239
Additions related to completion/acquisitions	593	455
Reduction of present values (changes in production costs/ decommissioning costs)	728	-135
Provisions decommissioning and restoration as of December 31	14,859	12,603

Provisions and accounts payable, especially those related to wind farm construction, other liabilities and tax liabilities plus the financial liabilities already stated in the report on the financial performance together produce current liabilities of EUR 46,865 thousand (prior year: EUR 57,199 thousand).

Provisions for taxes were made for expected additional trade and corporation tax payments for past tax periods.

The **Other provisions** item contains the following:

EUR thousand	2018	2017
Project-related provisions	9,057	9,684
Personnel-related provisions	1,973	1,871
Provisions for legal disputes	145	29
Legal, tax and other consulting services	615	534
Remaining provisions	1,714	2,541
Other provisions	13,504	14,660

Current accounts payable decreased from EUR 8,383 thousand in the previous year to EUR 5,489 thousand in the current year.

Additional liabilities include current tax liabilities for VAT, wage and church taxes as well as other miscellaneous liabilities.

Earnings position, financial position and assets position of Energiekontor AG

Energiekontor AG's financial situation

The following explanations refer to the financial position, financial performance and results of operations of Energiekontor AG. Otherwise, the explanations given for the Group apply mutatis mutandis.

Key figures Energiekontor AG:

EUR thousand	2018	2017
Revenue	17,913	24,662
EBT (Earnings before taxes)	9,240	22,167
EBIT (EBT plus financial result*)	2,779	13,557
EBITDA (EBIT plus depreciation of fixed assets*)	2,840	13,604
Net income	6,626	15,513
Equity	101,275	103,797
Total assets	179,082	179,284
Equity ratio in percent	56.6	57.9

* For the pro forma figures (EBIT, EBITDA, etc.) reported above and used in this report, see notes on page 198.

Earnings position of Energiekontor AG

In the financial year under review, Energiekontor AG generated positive **Earnings before taxes (EBT)** in the amount of EUR 9,240 thousand (previous year: EUR 22,167 thousand).

Earnings before financial result and taxes (EBIT) and **Earnings before financial result, taxes and depreciation and amortisation (EBITDA)** developed as follows:

EUR thousand	2018	2017
Profit or loss for the year	6,626	15,513
plus income taxes	2,614	6,654
EBT	9,240	22,167
less/plus financial result	-6,441	-8,610
EBIT	2,799	13,557
plus depreciation and amortisation on fixed assets	41	47
EBITDA	2,840	13,604

Both **total output** of EUR 21,530 thousand (prior year: EUR 26,461 thousand) and operating output of EUR 21,701 thousand (prior year: EUR 27,615 thousand) refer primarily to the successful realisation of wind and solar projects in Germany and a wind farm project in the United Kingdom. **Total operating output** includes revenue, changes in inventory and other operating income.

EUR thousand	2018	2017
Revenue	17,913	24,662
Changes in inventory	3,617	1,799
Total output	21,530	26,461
Other operating income	171	1,154
Total operating output	21,701	27,615

As a result of the lower level of project realisation compared with the previous year and the inclusion of one British wind farm and one domestic solar farm in each fiscal year in the Company's own portfolio, revenue fell to EUR 17,913 thousand (previous year: EUR 24,662 thousand).

On the back of business development and planning activities, **Inventories** rose by EUR 3,617 thousand (prior year: EUR 1,799 thousand).

Other operating income decreased to EUR 171 thousand in the fiscal year (prior year: EUR 1,154 thousand). In particular, this item includes income from the reversal of provisions, currency conversions and reversals of impairment losses on financial assets written down in previous periods.

EUR thousand	2018	2017
Misc. other operating income	83	83
Income from currency translation	51	387
Insurance indemnities	34	25
Reversal of provisions	3	83
Income from reversals of impairment losses on financial assets (write-ups)	0	539
Subsidies	0	38
Other operating income	171	1,154

Planning and acquisition activities for wind energy projects (mainly in Germany) led to higher expenses for purchased services in connection with planning activities and project-related pre-production costs amounting to EUR 5,816 thousand (prior year: EUR 11,063 thousand), which are reported under **cost of materials**.

Personnel expenses increased to EUR 11,439 thousand (previous year: EUR 10,513 thousand) in the fiscal year as part of the successive and continuous expansion of the workforce.

Other operating expenses mainly comprise general administrative expenses, legal and consulting expenses and selling expenses and decreased to EUR 4,320 thousand in the fiscal year (prior year: EUR 4,898 thousand).

EUR thousand	2018	2017
Administration and other costs	1,332	1,443
Legal and consultancy costs, litigation expenses	1,249	1,094
Selling expenses	693	1,322
Occupancy expenses	543	529
Project-related expenses	229	215
Insurance, fees and contributions	208	164
Employee travel expenses	36	89
Expenses resulting from currency translation differences	31	41
Other operating expenses	4,320	4,898

In the year under review, Energiekontor AG received **income from profit and loss transfer agreements of affiliated companies** from Energiekontor Infrastruktur- und Anlagen GmbH amounting to EUR 2,715 thousand (previous year: EUR 12,463 thousand).

Depreciation and amortisation in the year under review includes depreciation of tangible assets amounting to EUR 41 thousand (previous year: EUR 47 thousand).

The **Interest result** of EUR –593 thousand (prior year: EUR –875 thousand) remains negative, predominantly driven by interest expenses for bond capital. Given the historically low level of capital market interest, **Interest income** remains at an extremely low level and is attributable primarily to granting loans to affiliated wind farm operators.

The financial result developed as follows:

EUR thousand	2018	2017
Income from other long-term securities and loans	1,708	320
of which from affiliated companies	1,511	149
Interest and similar income	228	354
of which from affiliated companies	165	277
Interest and similar expenses	–2,529	–1,549
of which to affiliated companies	–1,303	–216
Interest result	–593	–875
Income from investments	9,007	9,997
of which from affiliated companies	9,000	9,997
Depreciation of financial assets	–1,973	–512
Financial result	6,441	8,610

The **Financial result** includes **Income from investments** amounting to EUR 9,007 (previous year EUR 9,997 thousand) and comprises profit allocations from affiliated wind farm operators and service providers.

In the year under review, **Write-downs on financial assets** amounted to EUR 1,973 thousand (previous year: EUR 512 thousand) and referred to value adjustments of interest in subsidiaries and loans to subsidiaries. Most of these value adjustments are the result of the regular impairment tests.

Financial position of Energiekontor AG

As is the case for the Energiekontor Group, the financial management of Energiekontor AG continues to be based on the efficient and sustainable use of existing financial resources and liquidity reserves, taking into particular account the expected development of the sector. Corporate bonds totalling EUR 15,000 thousand (previous year: EUR 13,000 thousand) were issued to finance wind farm projects independently of banks; the composition of the bonds is explained in the Notes to the Company's financial statements.

Cash and cash equivalents and securities amount to EUR 50,210 thousand as of the balance sheet date (previous year: EUR 46,023 thousand).

The securities item includes German federal bonds maturing in 2019. As in the previous year, no bank balances were offset against the current bank liabilities for which these balances serve as security.

EUR thousand	2018	2017
Bank balances, cash on hand	45,123	35,799
Securities	5,087	10,224
Cash and cash equivalents and securities	50,210	46,023

Asset position of Energiekontor AG

In the year under review, the positive net income, offset by the dividend payment and the payments for share buybacks, resulted in **equity** of EUR 101,275 thousand (prior year: EUR 103,797 thousand).

Equity developed as follows during the reporting period.

EUR thousand	2018	2017
Equity at January 1	103,797	100,205
Profit or loss for the year	6,626	15,513
Dividend for previous year	-8,745	-11,670
Payments for share buybacks	-403	-251
Equity at December 31	101,275	103,797

As of the balance sheet date, equity comprised the following components.

EUR thousand	2018	2017
Issued capital (nominal)	14,548	14,577
Capital reserves	41,237	41,237
Statutory reserve	15	15
Other retained earnings	38,847	39,221
Net income	6,627	8,747
Equity at December 31	101,275	103,797

At 56.6 percent, the equity ratio for the financial year was slightly below the previous year's level (57.9 percent).

Fixed assets refer mainly to financial assets and rose marginally in the year under review to EUR 83,926 thousand (previous year EUR 82,684 thousand), in particular as a result of capital increases.

EUR thousand	2018	2017
Intangible assets	1	1
Tangible assets	133	131
Financial assets		
Shares in affiliated companies	54,927	53,364
Loans to affiliated companies	28,810	29,134
Investments	54	54
Fixed assets	83,926	82,684

Shares in affiliated companies increased, in particular as a result of capital increases at domestic and foreign wind farm operators and planning companies. Unscheduled write-downs and capital reductions at subsidiaries were only carried out to a minor extent in the year under review. **Loans to affiliated companies** relate to financial and capital receivables from domestic and foreign wind farm operating companies and planning and construction companies as well as German associated companies. They are predominantly interest-bearing. The non-interest-bearing portion is recognised at present value.

Despite increased inventories, **current assets** decreased to EUR 95,156 thousand (prior year: EUR 96,600 thousand) due to reduced receivables from affiliated companies.

EUR thousand	2018	2017
Inventories	16,906	13,289
Receivables and other assets		
Trade receivables	1,870	790
Receivables from affiliated companies	25,622	29,299
Other assets	542	7,179
Securities	5,087	10,224
Cash and cash equivalents	45,123	35,799
Accruals and deferrals	5	19
Current assets	95,156	96,600

Inventories include capitalised planning activities for projects to be realised, in particular project-related pre-production costs for activities in the field of wind and solar energy.

The **Trade receivables** recognised in **Receivables and other assets** include receivables from the sale of wind farm operators, from services in connection with the formation and sale of wind farms and receivables from planning activities, accounting and intra-Group receivables for employee secondment. **Other assets** amounting to EUR 542 thousand (prior year: EUR 7,179 thousand) mainly refer to tax and loan receivables.

Other project-related provisions, provisions for legal, consulting and personnel costs, in particular for vacation, overtime and performance-related profit-sharing and **provisions** for smaller business transactions total EUR 3,570 thousand (prior year: EUR 2,488 thousand).

Liabilities decreased to EUR 58,949 thousand (previous year EUR 60,450 thousand), mainly due to lower other liabilities. Liabilities from bonds increased to EUR 15,000 thousand (prior year: EUR 13,000 thousand). Other liabilities refer nearly exclusively to VAT amounts on year-end settlements that are paid at the beginning of the following year and which were higher at the reporting date of the previous year.

EUR thousand	2018	2017
Bonds	15,000	13,000
Liabilities to banks	1	1
Trade payables	922	1,225
Liabilities to affiliated companies	40,675	39,376
Other liabilities	2,604	6,849
Liabilities	59,201	60,450

Employees

A total of 150 permanent employees were working for the Energiekontor Group as of December 31, 2018 (previous year: 139), with an additional 23 temporary employees, students and interns (previous year: 27). The Company also employs 26 freelancers (previous year: 28). The permanent workforce has thus increased moderately on the previous year. Employees are predominantly engineers, economists, business experts and administrative staff. The subsidiaries in the UK, Portugal, the Netherlands and the US employ only local staff who are familiar with local business requirements and have knowledge of German practices. In France, Energiekontor also works with local freelancers. In addition to a monthly basic salary, most employees receive a performance-related bonus aimed at raising motivation and ensuring the employees identify strongly with the Company. The Management Board and the Supervisory Board would like to thank the employees for their outstanding commitment and high motivation.

Report of Opportunities and Risks

Energiekontor AG's opportunities

Entrepreneurial activity is always associated with risks. It is essential and sensible to consciously take risks for the benefit of entrepreneurial success. Energiekontor AG systematically deals with all risks and opportunities and pursues the goal of identifying and controlling risks in a controlled and conscious manner on the one hand, and of exploiting the opportunities that present themselves on the other. The opportunity management system of Energiekontor AG is thus closely based on the risk management system. In opportunity management, those opportunities are considered that are relevant and feasible, but have not yet flowed into planning.

In the following, a number of opportunities for Energiekontor AG are highlighted as examples, which arise on the one hand from the sector-specific markets and on the other hand from the strategic positioning of the Company.

Market environment

Energiekontor AG operates in a market that is determined by natural boundaries (resource scarcity, environmental pollution) and policy objectives (preserving resources and the environment). The international consensus that has been achieved with respect to energy policies and the international climate objectives has created a growth market, which is gradually converting from a regulated market to a free competitive market.

Energiekontor was active in this market earlier than most of its competitors and is now an established player in the industry. The Company established itself specifically in politically stable countries such as Germany, UK and Portugal and has collected extensive experience with specialised local teams. New markets include the France and the USA.

Meanwhile, the prices for electricity from solar parks and wind farms are determined by way of auctions and tendering procedures in most countries, allowing for more competition and requiring flexibility. The competition for suitable wind farm and photovoltaic sites is gradually being replaced by competition for the lowest power price.

This opens up opportunities for Energiekontor in several respects. First, the Company has always sought to enhance efficiency and take the levelized cost of electricity from wind and solar generation below the cost of conventional energy sources and to thus actively shape the transition to 100 per cent renewables. In a market environment with intensifying competition, this also gives the Company a competitive edge. Furthermore, Energiekontor has many years of experience in countries such as Portugal and the UK in participating successfully in auctions and in concluding power purchase agreements, which will probably play an increasingly important role in the future. Finally, it is to be expected that smaller project developers will start to cooperate with larger companies like Energiekontor to save on the relatively high pre-production costs in the auctioning procedure.

Strategic orientation

In addition to expanding the successful project development of Group-owned wind farms while permanently optimising the added value, Energiekontor AG's strategy includes the opportunity to maintain the personnel and infrastructure capacities made possible by the steady cash flow from the Group-owned farms, even in times when the market environment is difficult for project development, with the aim of reaching a certain degree of independence from economic influences and changes in the regulatory market environment.

The geographic distribution of the Group-owned wind farms across various different countries also means that the Company's income is naturally diversified, thus reducing the cluster risk of a poor wind year at one geographical site.

The expansion of activities in France and the USA gives Energiekontor the opportunity to further expand this diversification and to enter attractive markets with considerable development potential.

The expansion of the long-standing activities in Great Britain to Scotland hold particularly promising potential as the wind conditions are extremely good there and the projects are comparably large. Due to the fact that Energiekontor has already secured sites for several hundred megawatts, it should be possible over the next few years to earn sustained income in this region where only few competitors are active.

With the increasing expansion of solar activities in Germany and abroad, the diversification of the Company will be further advanced and promising opportunities will arise.

Contractual partners/Financing

Particularly in the UK, Energiekontor has been concluding PPAs directly with industrial customers for years. In the USA, PPAs with energy suppliers are the usual method for selling electricity from renewable energy sources. There are also talks in Germany about this type of electricity marketing. We assume that such concepts will increasingly be used in other countries as well, even for PV. The experience that Energiekontor has in preparing and negotiating such PPAs could prove to be a competitive advantage.

Since its foundation almost 30 years ago, Energiekontor has not only positioned itself well in national markets and key regions but has also established trustful relationships with suppliers, banks and investors. As financing plays a major role in project business before, during and after the construction of a wind farm or solar park, Energiekontor has thus developed a certain flexibility, which presents an advantage compared to other competitors. Different financing options for projects allow Energiekontor to implement projects successfully, even under high competitive pressure.

Risks of Energiekontor AG

Energiekontor has developed an extensive risk management system that is based on the detailed internal reporting and controlling processes. Risk management serves to safeguard corporate objectives, corporate success and the reduction of risk costs. In order to achieve optimum corporate management and to comply with legal and regulatory requirements, the Management Board has a risk management system appropriate to the size of the Company. The systematic examination of potential opportunities and risks as well as the risk-conscious handling of these is a central expression of our securing and shaping the future in a dynamic market environment. The risk management system is adapted to the changing framework conditions and is subject to continuous further development to ensure that external factors, such as changes in legislation, are taken into account in addition to internal changes.

Role and functions of the risk management

Regarding the main risks that could jeopardise the Company, the risk management system is embedded in Energiekontor Group's value-oriented management and planning system. It is an integral part of the entire planning, controlling and reporting processes in the legal units, business fields and Group-wide functions. The risk management system shall systematically and continuously identify, analyse, control, monitor and document major risks and risks jeopardising the Company in order to ensure the Company targets are reached and to increase the Company's risk awareness.

Within the scope of operational planning, the respective current legal situation for a typical planning period of two years is taken into consideration when identifying and analysing risks and opportunities. Furthermore, risks and opportunities concerning longer periods are also identified and evaluated in discussions on deriving the medium-term and long-term strategic targets within the scope of strategic planning. In addition to reporting at certain dates and referring to the dates described, the risk and opportunity management is firmly established in the Group as an ongoing task. As described in the "Organisation of Energiekontor AG's risk management" chapter, the risks identified are reported regularly to the Management Board and Supervisory Board in a systematic information cascade.

Risk assessment is based on the probability of occurrence and the possible extent of the risk, classified as low, medium or high. The probability of occurrence is not taken into consideration for this classification. The assessment of the extent is generally based on the potential impact on EBT.

Risk management process

Basically, there are four phases: risk identification, risk analysis, risk management and risk control, accompanied by a risk policy and process monitoring. Ideally this process can be presented as in the graph below.

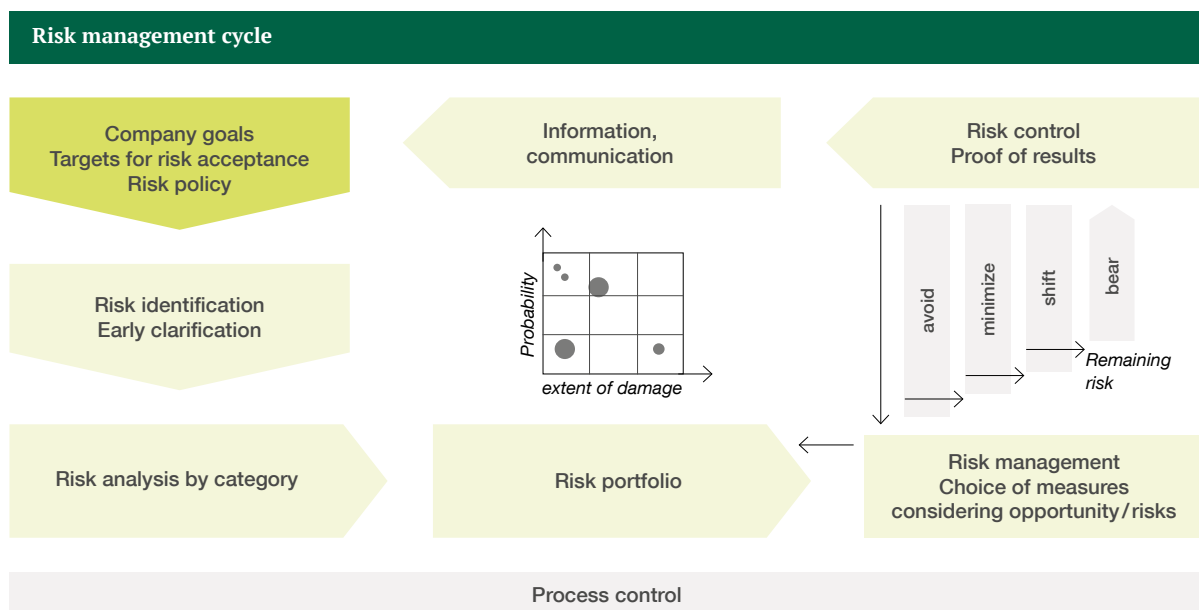
The starting point of risk management is wording the company-specific risk policy. This risk policy takes into consideration the security aspects in the Company by prescribing the guidelines in dealing with risks and opportunities, and in determining what risks and opportunities, at both divisional level and corporate level, may be entered into and what maximum risk characteristics should be accepted.

In order to ensure a uniform risk understanding within the scope of operating business, the Energiekontor Group has defined the following guidelines for dealing with risks in its risk policy:

- Companies must use opportunities as they arise. The “no opportunity without risk” tenet applies here – risks cannot always be avoided.
- Opportunities and risks are communicated openly.
- Risks are analysed and evaluated regularly.
- Adequate measures must be taken to mitigate risks to the extent possible.
- Business that poses an immediate danger for the Company’s going concern shall be avoided.

The risk identification phase comprises collecting current and future (potential and latent) risks. It represents the most important step within the scope of risk management because the result is crucial for the activities in all subsequent process steps. Instruments that can be used to identify risks primarily include early clarification as well as analyses (business analyses, environment analyses) and forecasts. In addition to revealing already existing risks at an early stage, early clarification also means latent opportunities are discovered early and the corresponding measures to manage risks and opportunities can be introduced. Early clarification can be based on operational figures (key figures, extrapolations and indicators) as well as strategic indicators (“weak signals”).

Risk identification at Energiekontor takes place at various organisational levels in a closely integrated process. Risks are identified and assessed based primarily on regular environment, market and competition analyses in regular or



incident-related meetings and workshops. A risk portfolio is prepared at least once a year within the scope of the risk analysis and risk assessment. It evaluates and visualises the risks identified by probability of occurrence and amount of (potential) damage. The aim is to mainly filter out material risks that may even jeopardise the going concern of the company and introduce measures to avoid or reduce the probability of occurrence.

Within the scope of risk management, options must then be identified that allow a reaction to the identified and evaluated risk spectrum that are, at the same time, in line with the risk policy in place. Different strategies and measures are introduced to proactively balance out the ratio of opportunities and risks, and to bring the risk strategy in line with the overall Company strategy. Companies basically have four different ways to manage this: Avoid the risk while at the same time missing out on business, reducing or transferring the risk, e. g. to an insurance company, or carrying it itself.

Energiekontor focuses its risk management mainly on

- measures to reduce and compensate risks (e. g. develop plan B measures or special measure programmes (German Renewable Energy Sources Act (EEG), CFD measures) to reduce regulatory risks).
- measures to transfer the risk to third parties (e. g. by entering into insurance policies or integrating external partners who take on liability)
- as well as avoiding existential risks jeopardising the Company.

Internal risk regulations play a particular role in the latter, predominantly in order to exclude from the outset or mitigate as far as possible potential financial risks and liability risks arising from own acts.

Risk control is to ensure that the Company's actual risk situation complies with the planned risk profile situation. In order to support these controls, it is necessary to implement reporting in the Company that points out risk situations, shows risks in the course of time and enables a complete overview. For the purpose of avoiding redundancies and to ensure no parallel processes and structures are established

in the Company, risk reporting and risk control at Energiekontor are integrated to the greatest extent possible in the existing Controlling and Reporting structures.

This process must be accompanied by risk communication to ensure the relevant information is passed on to the correct responsible person in due time, thus increasing risk awareness in the Company.

Accounting and risk management

Risk management also has a certain importance in accounting even if the processes in accounting do not explicitly form a part of the risk management system. Regarding the accounting process, the internal control system shall ensure that information is transmitted and processed fully, properly and in a timely manner. This shall prevent materially false statements in accounting and external reporting when preparing the financial statements of Energiekontor, the management report, consolidated financial statements and Group management report. One main characteristic of the internal control system within the Energiekontor Group is the decentralised accounting organisation. Efficient structures are in place for Company crucial processes and core processes in all units that are relevant in size and are legally independent. Management pays attention to separating implementation, approval and control functions while taking into consideration the available resources and economic and efficiency aspects.

Group accounting supports all companies in Germany and abroad in the entire Group accounting process. Accounting and auditors work together to ensure that – especially in the case of changes – the requirements on external reporting needs are met in full concerning type and scope of disclosure requirements. Annual and half-year reports are based on relevant valuation and accounting standards as well as the depiction of specific matters.

The separate financial statements of Energiekontor AG and its subsidiaries are compiled locally in accordance with the respective national laws and transferred to an IFRS-compliant financial statement. For the purpose of managing and controlling, the accounting data in the financial statements are analysed centrally at Energiekontor AG and compared with the information in Company planning, as well as internal, intrayear reporting in order to determine if the forecast parameters and key figures have been achieved.

The opportunity and risk assessment and development, the investment budget, the headcount, the progress of major development projects, the scope of assets pledged as security and compliance with key figures are also monitored. Consolidation including documentation and analysis of the reporting data is carried out using standard software customary in the trade. In the event of unusual and complex matters, in-house developed spreadsheet solutions also exist.

In order to meet the strict requirements, the management pays close attention to complying with all documentation obligations. Changes from underlying transactions that can result from regular business activities are consistently monitored. Various control mechanisms are used for this, such as dual control principle, using checklists, dual signature procedure for obligatory correspondence, a gradual approval system for ordering processes, obligation to obtain alternative offers before placing orders with suppliers, an authorisation concept that regulates access rights to individual IT systems and system transactions as well as electronic storage media. Process-independent monitoring measures are carried out by the Supervisory Board.

The development of individual risks that have a major influence on the annual accounts are reported regularly, both in writing and in person. These include, amongst others, the evaluation of provisions and contingent liabilities, intrinsic values of fixed assets and inventories, the assessment of doubtful receivables, capital management or the development of costs for ongoing orders. Current finance planning, drawdown of credit lines and guarantee lines and open items are reported to the Management Board on a monthly basis. Deviations are commented on and followed up.

Knowledge gained from the financial reporting feeds into an annual plan, taking into consideration the Management Board's risk strategy and other major influencing factors. Employees involved in the accounting process receive ongoing training, e.g. in the form of regular training courses and workshops. This ensures that the ever-increasing professional requirements are met in the long term.

The training measures include supervising and processing tax matters, credit assessments and determining fair values of derivative financial instruments.

All measures initiated by the Management Board aim to ensure the financial statements are completed and audited in a well coordinated, proper and timely manner as well as to reduce possibilities for dishonest acts. Despite constant further development of the accounting-related internal control and risk management system, we cannot entirely rule out the possibility of material false statements being made in the financial reporting.

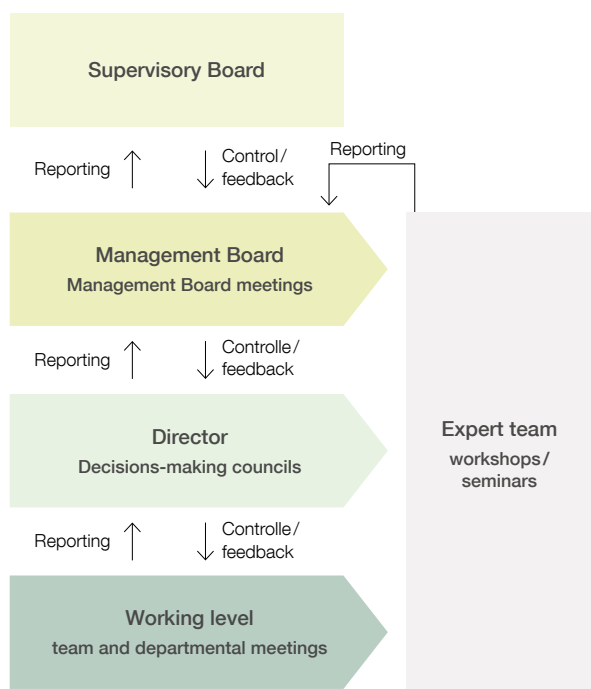
Organisation of Energiekontor AG's risk management

Energiekontor AG's risk management is mainly integrated in the existing process and organisational structure in order to avoid redundancies and parallel organisation, decision and reporting structures and to ensure that the central business risks are dealt with regularly in the management bodies. Thus, we have dispensed with a separate risk organisation consisting of risk managers, risk coordinators and separate risk bodies. Furthermore, the majority of the risks are project risks and/or risks pertaining to a specific region that are mainly dealt with decentrally in the individual divisions and segments; therefore, the existing implicit risk management organisation at Energiekontor has in the past proven to be an efficient organisation model.

The risk management is generally integrated in the Company's routine work processes. Reporting takes place as a bottom-up structure from the employee level up to the highest decision-making bodies.

Possible risks are identified already at individual project groups' working level and are discussed in the weekly, team and departmental meetings as well as in the decision council meetings. If necessary, measures to deal with the respective risks, which may already be regulated in the internal guidelines and policies, are decided upon in these meetings. If required, questions regarding risk treatment are presented to the Management Board meeting or Supervisory Board meeting. Work groups consisting of Company internal experts are set up for fundamental or cross-functional topics in order to work on solutions for specific issues at regular meetings or at workshops that take place as required.

Process of risk management



Main risks of Energiekontor Group

The risk analyses carried out identified the following current main risks for Energiekontor, which are briefly described below. These (and other) risks were classified in a risk portfolio within the scope of the risk assessment in order for a programme to be compiled dealing with concrete measures against central risks.

Category	Probability	Extend
Regulatory scope	high	high
Market position	medium	high
Repayment of funds	medium/low	high
Sales	very low	high
Business development	medium/high	medium/high
Interest/currency	medium/high	medium/high
Wind occurrence, solar radiation	medium	medium/high
Suppliers/deadlines	medium	medium/high
Financing	medium	medium
Legal action	medium	medium
Organisation	niedrig	medium
Contracts	very low	medium
Project development	medium/high	low/medium
Reporting	low	low/medium
Growth	medium	low
Technology	medium/low	low
Buyback	low	low

The risks from all groups may be equally high, but their economic effect and controllability may differ. All risks bear the possibility of being dealt with constructively in the face of radical changes, particularly when detected early and the relevant measures for risk governance are introduced at an early stage. Therefore, corresponding indicators are recorded and analysed in Energiekontor Group's reporting. Intensive interaction with associations, banks, manufacturers and customers enable risks to be detected at an early stage and alternatives to be developed in line with market requirements.

In the following, the risks are divided into strategic and operational risks and into different groups within these categories.

Strategic risks

Regulatory risks

The profitability of a project continues to depend crucially on the remuneration of the electricity fed into the grid. There is a clear trend throughout Europe to introduce renewable energies to the competitive conditions of the electricity market by changing the framework conditions accordingly. In Germany, remuneration is regulated by the Renewable Energy Sources Act (EEG), which has been fundamentally revised in recent years. The current EEG 2017 was adopted in August 2016 and has been in force since January 1, 2017. A central aspect of the revised EEG is the introduction of a tender procedure to determine the amount of funding. While the tender system for onshore wind in Germany was introduced in 2017, the first tender for photovoltaic systems in Germany took place at the beginning of 2015. The prices for electricity from wind and solar parks have fallen significantly with the introduction of the tender system for both technologies. Due to further changes regulated in the EEG 2017 (limited annual expansion, single-stage reference yield model with fixed maximum bid price, etc.), the expansion of renewable energies in Germany has slowed down.

With the Energy Collection Act passed at the end of 2018, special tenders have been launched, with an additional four gigawatts each planned for photovoltaics and onshore wind power between 2019 and 2021. The volumes are increasing from year to year. For 2019, two additional tenders with a volume of 500 MW each are planned for photovoltaic systems from 750 KW – on March 1 and December 1. In 2020 there will then be four additional dates with a total volume of 1.4 GW and in 2021 also four special tenders with a total capacity of 1.6 GW. All photovoltaic systems that win a bid at these auctions will not count towards the remaining 52 GW limit. Once this installed photovoltaic capacity has been reached, the German government is currently planning to end solar subsidies. This could already be the case in 2020.

Portugal and the UK as well as France also have legal regulations concerning the remuneration of wind and solar energy. In France, the legislator provides for auctions and fixed statutory feed-in tariffs as remuneration options for power from renewable energy sources. Whilst Portugal used to issue operator licenses in accordance with certain procedures, the UK developed an auction scheme (CFD) that strongly resembles the German system. However, since 2015 this model has not been used in the field of onshore wind energy. Energiekontor Group is thus prepared to use

market prices when calculating wind energy projects in the UK and to concentrate on sites with particularly strong winds. Direct power purchase agreements with large industrial partners (PPAs) ensure that these projects can be realised at a profit. In the USA, the profitability of wind farms and solar parks also relies on PPAs. Whenever a PPA cannot be concluded or cannot be concluded on time, project realisation may be delayed or even jeopardised.

Energiekontor pays attention to political stability and good creditworthiness when it selects new national markets. In principle, however, laws can also be amended retroactively or repealed in such countries. Another risk that cannot be ruled out is the fact that political reasons may cause delays in project approvals from authorities. The Energiekontor Group seeks to reduce the yield and earnings risk by means of international diversification and by working together with experts. In the future, the importance of state influence through regulatory decisions will also decrease significantly. After Energiekontor has already erected the first subsidy-free wind farm in England, the planned first subsidy-free solar park in Germany is proof that such large projects in Germany can also be realised without EEG subsidies. In all other country markets, too, Energiekontor will grow with the help of PPAs and thus become independent of government regulatory decisions.

Market position risks

Energiekontor AG is confronted by strong competition in its core markets of Germany and the UK and the new markets USA and France; the size of some of these competitors and the resources available to them mean they have a competitive advantage in certain business fields. Competition is particularly fierce with regard to the acquisition of attractive turbine sites, procurement and purchasing of wind turbine systems as well as attracting equity on the capital market. The competitive situation can cause unreasonable price increases and a strong reduction in the supply of existing resources or, due to severe time pressure, could lead to wrong decisions being made in the Company. Furthermore, the general market environment can worsen through sub-optimal communication or, in an extreme case, through insolvency of competitors, thus damaging the industry's reputation. Individual problem cases may lead investors to decide against planned investments in the area of renewable energies. The Energiekontor Group stands out from its competitors with unique features such as its business model, the development of cost efficiency measures, diversification to wind and solar as well as to various national markets and managed to thus work its way into a good market position. Nevertheless, there is still

a risk that Energiekontor AG may misjudge the market situation in the new markets, such as the USA or France, and that the planned market entry may not take place at the speed or in the scope as planned by the management.

Growth risk

The two above-stated risks are connected to the growth risk. Energiekontor AG has clear targets for medium-term growth of the entire Group. Changes in the regulatory environment and some protectionist measures, such as import taxes, e.g. in the UK or the USA, mean that it is possible that these targets may not be reached at the growth rates envisaged.

Risks from the repayment of bond financing

Overall, Energiekontor Group has, after deducting the bonds already repaid, attracted roughly EUR 92 million from private investors by issuing bonds or partial bearer bonds. There is a risk that the repayment of tranches will be due at times when the Group's liquidity situation does not permit a repayment and further borrowing is not possible. Furthermore, a risk exists that the market interest level at repayment dates could hamper and delay follow-on financing, if it is required. It is possible that such refinancing may only be implemented with considerable risk premiums. E.g. time delays in the permitting process of planned technical optimisation and repowering measures could result in delays for wind farms financed through bonds, which could, in turn, have timely and economic repercussions on the refinancing capability of this wind farm. If bonds cannot be paid back on time, claims and legal disputes with investors may result and, in the worst case, the Company's financial flow could be blocked. This may make it necessary for Energiekontor AG to use existing liquidity reserves and/or to sell Group-owned wind farms in order to raise the means for bond repayments in time. However, premature terminations by bondholders before the contractual end of the bond term are not possible according to the statute; therefore, unplanned repayments, necessary emergency sales for such and similar scenarios are excluded. All internal programmes of measures as well as short-term and long-term liquidity planning are geared to ensuring full and timely repayment of the bonds based on the contractual determined due dates in due time and in a proper manner.

To date, all bonds issued by Energiekontor Group have been served in the full amount and in due time with interest and redemption. Similarly, all due bonds and profit participation certificates have been repaid as agreed and in the full amount to the creditor.

Sales risks

Basically, the sale of wind energy projects or placing bonds may be delayed or prove impossible. Market prices and manufacturing costs for approved projects may diverge so that the sale of wind farms may not make economic sense for the Company. Hampered refinancing by investors could result in delays in the project processes that impact the cash flow of Energiekontor Group, thus jeopardising the implementation of new projects. Against this backdrop, various sales channels have been established over recent years.

Organisational risks

The lack of available staff or qualifications may constitute a bottleneck for the business. There is a risk that it may not be possible to employ staff in time due to existing shortages on the market. This could result in cost risks because additional external experts and consultants would have to be commissioned to carry out the services. Yet sufficiently qualified staff is also needed in other business areas, depending on company internal processes. Highly qualified staff is a major requirement in order to minimize wrong decisions being made or time delays. At the same time, the personnel structure must ensure that there is sufficient potential for innovation and creativity in the Company. Energiekontor Group's personnel structure is thus based on a balanced mix of long-term and new members of staff.

Risks from reporting

It is possible that estimates made may not be met in the future if they are based on incorrect calculations, reporting or forecasts. False expectations may be raised that cannot be reached. This could cause shareholders to turn their back on us and thus lead to a disproportionate drop in the share price. This risk is mitigated by the Energiekontor Group's longstanding experience.

Buyback risks

Energiekontor AG's investment offers are basically designed for a term of 20 years. Notwithstanding this, when they joined the Company, Energiekontor offered the limited partners of various wind farm operators to buy back their investment after a term of ten or fifteen years. The buyback prices that were diligently calculated when submitting the offer guarantee the buyback of the shares or the entire business operations at conditions that are economically viable for Energiekontor AG. It has been possible to gradually exercise these optional buyback obligations since 2007. Individual or all limited partner shares, wholly or in part, or the entire business operations shall be transferred for a defined purchase price if the limited partners decide to sell.

The risk that is posed here is that the calculated buyback price at the buyback point of time may not correspond to the actual market value, thus making it necessary to perform valuation adjustments. Another risk could arise from unfavourable developments on the capital market that may negatively affect the conditions (interest, term) of the buyback financing. If additional buybacks must be transacted at a point in time when banks are restrictive in granting necessary external funds, this could lead to legal risks as well as financial bottlenecks at Energiekontor Group.

In order to minimize these risks, all buybacks are planned systematically and alternative financing solutions are developed at an early stage. Furthermore, projects are backed by the corresponding values that secure the future financing.

Operational risks

Business-environment risks

Acquisition risks

The planned company development significantly depends on new, potential wind farm sites being won, as well as the development/acquisition of new projects for the Group-owned portfolio. Increased competition for sites and the associated possible above-average lease prices could be detrimental to the economic conditions for future projects. This could have a negative impact on the planned Company development.

Interest and currency risks

The interest and currency movements on international markets may have an effect on loan conditions for new projects which could in turn limit their economic viability. In order to offset the interest risk, Energiekontor AG sometimes uses interest hedging instruments, particularly for projects abroad, which enable reliable planning in the long term and compensate for fluctuations. Currency risks only exist in connection with project development and project realisation in the UK. Project-related contracts are usually concluded in British pounds in order to minimize currency risks. Furthermore, currency risks are usually hedged when new loans are drawn.

Financing risks

The situation on the financial markets can delay or even completely prevent external financing of wind farms. An increase in bank risk margins and the high financing costs involved may jeopardise the economic viability of approved projects and thus the realisation of such projects. Possible increased bank security requirements, trends towards syndicated financing, claims asserted by banks for shorter loan terms and higher equity ratios or other changes not yet foreseen for financing practices may delay or prevent project financing. Against the backdrop of the current banking crisis, we cannot completely rule out takeovers of banks or bank insolvencies. Banks becoming insolvent or fundamental changes to their business policy may have an effect on payments, loans (e.g. operating loans) or lending conditions and thus on liquidity.

In order to offset such risks, we have in the past used different banks for project financing. Predominately smaller and medium-sized institutions were used that have sufficient liquidity on the one hand, yet whose size and regional focus means they are not particularly exposed to effects of the financial market crisis. Furthermore, Energiekontor Group tries to reduce its dependency on banks for short, medium and long-term financing of projects by issuing bonds and partial bearer bonds.

Process risks

Risks from wind conditions and solar radiation

While the location-specific wind volume is the decisive factor for the earnings situation of a wind farm, the earnings situation of solar parks is dominated by solar radiation. In addition to the known seasonal fluctuations, fluctuations can also vary between years. We have seen fluctuations of up to 30 percent in the past. Multiple poor wind or solar years or an unexpected low wind or solar situation upon commissioning with a long-term negative impact on a project's economic viability cannot be ruled out. This risk is particularly relevant for the Group-owned wind farm segment. Shortfalls in output caused by poor wind years have an immediate effect on income and earnings. In turn, this results in a specific risk for Energiekontor AG as shortfalls in output at Group-owned wind farms or solar parks would have a detrimental effect on the ability of these affiliates to repay the long-term bonds granted by Energiekontor AG and thus could result in value adjustments, accordingly. Concerning new projects, the risk of poor wind or solar conditions is countered by respective safety discounts and worst case scenarios, so that the repayment of loans is not jeopardised in years where wind or solar output is poor.

Risks from legal actions

There is a risk throughout all project development phases that legal action/appeals may lead to delays or refusal of permissions. This risk cannot be ruled out even if permissions have already been granted or wind turbine systems already built. It is basically possible that legal action and appeals may lead to delays, or may result in wind farms

having to be dismantled due to incorrect planning/permissions or that downtimes and reduced operations may result from regulatory intervention. In order to offset such risks, Energiekontor plans projects with the appropriate diligence and with renowned and experienced partners. Within the scope of bond issues, it is also not possible to rule out legal action by bondholders. This risk is offset by strict internal controls and collaboration with external experts.

Contractual and planning risks

Contractual provisions are a central component of project development of wind farms. Contracts are concluded both in the scope of project development, e. g. with turbine manufacturers or land owners, as well as with investors or institutional investors. Risks lie on the one hand in incorrect contracts, on the other hand in fundamental process risks even if the contractual provisions are correct. In order to avoid errors, experienced experts are involved in all project development phases. In addition, insurances are in place to exclude or at least minimize all major risks.

Risks from project development and time delays

There is an imminent risk of time delays throughout all planning projects that could impact the economic viability of the projects. Time delays are conceivable in all project phases. Most unforeseen events take place during the permitting process or in the construction phase. There is also a risk that projects are cancelled completely because permissions are refused or revoked or because changes in the parameters make it impossible to realise the project in an economically viable way. These risks can only be countered through targeted site acquisitions in suitable areas, a geographically diverse project pipeline, professional project management and optimised contract and claim management.

Supplier risks

Prices and delivery times for wind turbine systems are a central factor in project planning and the economic viability of such. Both parameters have evolved positively in recent years compared to the past due to the financial crisis (shorter delivery times, reduced turbine purchase prices). It cannot

be ruled out that the conditions may deteriorate in coming years, thus increasing the economic pressure on project profitability again. Long delivery times, price increases and competition for scarce construction machinery may worsen the economic viability which could in turn result in time delays for project realisation. In order to ensure the economic predictability of projects, these risks are offset by entering into contracts with all project partners involved at an early stage and by implementing an efficient project management. With the consolidations in the wind energy sector, the supplier structure is also changing. Energiekontor Group is offsetting this risk by not binding itself to just one manufacturer, but using a wide range of different manufacturers depending on the specific project conditions. Nevertheless, it cannot be ruled out that the consolidation may lead to prolonged construction phases.

Technical risks

Despite testing and measuring the wind turbine systems, it is not always guaranteed that they are technically mature and will function properly. There is a risk that wind turbine systems may not be able to meet the contractually agreed features, such as performance curves, availability or noise levels. Energiekontor tries to offset this risk through selecting wind turbine systems from various well-known manufacturers as well as concluding respective warranty and service contracts. Contractual penalties and liability clauses are also agreed. Furthermore, safety discounts are included in the planning to minimize these risks.

Overall risk

The overall assessment of the current risk and opportunity situation shows that there are no risks that could endanger the continued existence of the Group or the Company. Furthermore, there are currently no risks that could jeopardize the continued existence of the Company in the future. Overall, the Management Board believes that the risks are limited and manageable.

Other Disclosures

Corporate Governance Statement

The Corporate Governance statement pursuant to the German Accounting Law Modernisation Act (BilMoG) is available on the www.energiekontor.de website under "Investor Relations".

Resolution regarding the share of women at management level

The corresponding resolution by the Management Board and the Supervisory Board of Energiekontor AG is based on the current share of women in the Company. The target share of women on the Management and the Supervisory Board therefore amounts to 0 percent, whereas the target percentage of women at management levels below the Management Board increased from 17 percent to about 19 percent.

Requirements pursuant to Sec. 315a German Commercial Code (HGB)

The Management Board does not know of any

- restrictions regarding voting rights or the transfer of shares (Sec. 315a (1) No. 2 HGB),
- holders of shares with special rights granting power of control (Sec. 315a (1) No. 4 HGB), or
- special rights of employees with regard to voting rights control (Sec. 315a (1) No. 5 HGB).

With regard to the composition of subscribed capital (Sec. 315a (1) No. 1 HGB) reference is made to the explanations in the Notes to the financial statements of the AG.

The Management Board is not aware of any direct or indirect shareholdings (Sec. 315a (1) No. 3 HGB) in excess of ten percent, with the exception of the shareholdings stated below:

Name, function	Shares (pieces)	in %
Dr. Bodo Wilkens (Chairman of the Supervisory Board)	3,759,835	25.8
Günter Lammers (Deputy Chairman of the Supervisory Board)	3,752,474	25.7

Pursuant to Sec. 315a (1) No. 6 HGB, it is hereby noted that, pursuant to Article 6 (1) of the Articles of Association, the Supervisory Board appoints the members of the Management Board and determines the number of members. Otherwise, the appointment and removal of Board members is governed by Sec. 84 et seqq. German Stock Corporation Act (AktG).

Amendments to the Articles of Association are also governed by the provisions in the German Stock Corporation Act (AktG).

The Company has not concluded any significant contracts that are conditional on a change of control after a takeover offer (disclosure pursuant to Sec. 315a (1) No. 8 HGB).

The Company has not concluded any agreements to pay compensation to members of the Management Board or to employees in case of a takeover offer. The statutory provisions apply (disclosure pursuant to Sec. 315a (1) No. 9 HGB).

Furthermore, no takeover offer has been made (Sec. 315a (a) No. 8 and 9 HGB).

Remuneration report

a) Management Board

The members of the Management Board received remuneration totalling EUR 975 thousand for their activities in the 2018 financial year (previous year: EUR 975 thousand). The variable component thereof amounts to EUR 355 thousand (previous year: EUR 355 thousand).

The General Meeting on 26 May 2016 resolved to exercise its option pursuant to Sec. 286 (5) and Sec. 314 (3) German Commercial Code (HGB). Pursuant to this resolution, the disclosure of the remuneration of each individual member of the Management Board in the annual financial statements and the consolidated financial statements of the Company for financial years up to and including 2020 stipulated in Sec. 285 Sentence 1 No. 9 a) Sentence 5 to 8 and Sec. 314 (1) No. 6 a) Sentences 5 to 8 German Commercial Code (HGB) is not required.

The Board members were neither promised nor granted any benefits from third parties for their Board activities.

b) Supervisory Board

The remuneration of the members of the Supervisory Board is governed by the Articles of Association and the amount is resolved by the General Meeting. The Supervisory Board remuneration totalled EUR 90 thousand in the 2018 financial year. It does not include a variable component. Additionally, the members of the Supervisory Board are reimbursed for their expenses.

In addition to their Supervisory Board offices, the members Dr Bodo Wilkens and Günter Lammers rendered services subject to annual remuneration of EUR 60 thousand per person.

Forecast Report

The forecast for the current financial year takes into account Energiekontor AG's growth plans based on a sound business model, with a view to the regulatory changes in the remuneration of electricity from renewable sources.

a) Project Development and Sales (Wind, Solar)

The auctioning system for onshore wind in Germany that had been introduced in 2017 has created major challenges for the sector in general and Energiekontor in particular. The effects have not only been felt in 2018 but will still have a major impact in 2019. In the three auction rounds of 2017, a large number of citizens' energy initiatives participated, which had also been the political intention, which meant that a multiple of the quantity of wind capacities available was competed for. Citizens' energy initiatives were given major incentives to participate in the auctioning procedure. The citizens' energy initiatives were allowed to offer projects without prior permission pursuant to the Federal Pollution Control Act (BImSchG). This exemption alone was used by 95 percent of the citizens' energy initiatives. In addition, they were given much more time to actually install the wind turbines. And also, the contract price for citizens' energy initiatives generally corresponds to the highest bid awarded, even if their own price was lower.

The oversupply led to a dramatic drop in prices, and project developers such as Energiekontor hardly received any contracts for wind farm capacities auctioned. Instead, citizens' energy initiatives were awarded 93.5 percent of all contracts. This distortion of the competitive environment clouded the 2018 financial year not only for Energiekontor but for the entire industry in Germany. Even in 2019, the wind energy sector will still feel the effects of this "lost year".

As the German market is still a very important market for Energiekontor and because of the market environment outlined above, the Company will not yet be able to return to the profitability level of the years before the system change in 2019. While many projects already meet our internal requirements including a substantial reduction in price targets, some had to be resubmitted for permission with changed parameters to make them economically viable even in the current market environment. Most of the project pipeline remains unchanged, but commissioning of some projects has been delayed, some of them considerably.

Energiekontor has been developing efficiency measures along the entire value chain for a long time. The objective is to help renewable energy sources cover 100 percent of all electricity needs. The Company is therefore expected to successfully continue its project development activities even in a more competitive environment, and the overall project pipeline in various stages of development is not expected to lose any value.

In Great Britain, Energiekontor has been developing promising projects for many years; in recent years, Scotland has increasingly come to the fore. The commissioning of the first projects is not expected before 2020 due to the lack of electricity grids. This is another reason why Energiekontor expects its project development results for 2019 to be only moderately above those of the 2018 financial year, before business should pick up at high growth rates from 2020 onwards and in subsequent years.

Management expects the following developments in the individual divisions and country markets in 2019:

In Germany, two wind farms with a total capacity of 17 MW are under construction at the time of publication of this report. Another 9 MW wind farm will be repowered in fiscal 2019. In addition, three solar parks with a cumulative capacity of 15 MW are to be commissioned in 2019. Further projects with a total rated output of approx. 50 MW are in the approval phase.

After Energiekontor was awarded the contract for a wind farm project (13.5 MW) and a solar project (6.3 MW) in February 2019, the company is preparing further projects for tendering in 2019. Following the dramatic decline in onshore wind tender prices in 2017, the price level recovered significantly in 2018 due to the low supply. Now that the first tender in 2019 was still characterized by a demand overhang and a relatively high tender price, the quantity offered is likely to increase in the coming tenders in the current year, which will lead to falling tender prices.

In addition to its own project development activities, Energiekontor is in talks with a number of smaller project developers and citizen energy companies who have been awarded a contract for a wind farm project or want to bring wind farm projects to the tender and therefore need support in the sense of cooperation in the project planning and construction of the wind farms.

In the solar sector, the tender system has been in force in Germany since 2015. In Germany, Energiekontor concentrates on the key regions of Brandenburg and Mecklenburg-Western Pomerania. In addition, space is being acquired for potential solar locations in Schleswig-Holstein, Bavaria and Baden-Württemberg.

The Garzau-Garzin solar project (10 MW), which was completed in the first quarter of 2018, was the first solar project to be transferred to Energiekontor's own portfolio.

As part of the Company's overall strategy, the solar segment is to be significantly expanded in Germany and abroad. Energiekontor will therefore continue to participate in future auctions in Germany. However, PPA-based solar projects are expected to be much more important in the future. In February 2019, Energiekontor was able to announce the conclusion of the first long-term power purchase agreement for a subsidy-free solar park in Germany. For years we have been propagating our objective that one day all energy needs will be covered from 100 percent renewable energy sources. As a pioneer in our sector, Energiekontor is committed to being one of the first to realise wind farms and solar parks at lower levelized cost of electricity than conventional energy. With Energiekontor having already built the first subsidy-free wind farm in England, this solar park is proof that such large projects can also be realised without EEG subsidies in Germany. The agreement has caused a stir in the industry. We assume that we will be able to finalise at least two further solar projects on a PPA basis in the 2019 financial year. Energiekontor has worked hard to achieve this competitive advantage by introducing a whole range of measures and is now reaping the rewards of its leadership position.

Over the next few years, however, it is likely to become standard practice for renewable energy to be remunerated on a market economy basis rather than on the basis of a fixed remuneration system. While the solar sector has just reached this turning point, the wind sector will follow this development in the short to medium term.

In the **UK**, Energiekontor has so far implemented projects in England and Wales, most recently the Witherwick II wind farm, which reached the financial close in 2018 with a PPA. This makes the wind farm the first subsidy-free project to be realised in the United Kingdom. Commissioning of the project is expected in April 2019.

Energiekontor assumes that in the future all UK wind projects will have to do without state subsidies and must be realised on the basis of market prices or long-term end-user power purchase agreements (PPA). Therefore, project development concentrates on large and windy locations in Scotland where politics expressly welcome and support the further expansion of renewable energy sources. The Energiekontor Group has secured sites here for wind farms comprising around 1 GW in recent years.

In the meantime, Energiekontor obtained the permission for four projects with total rated power of well over 100 MW. We will invest all our efforts in the 2019 financial year to bring these projects to financial close (FC). A financial close has been achieved when all project and financing agreements have been signed and all conditions contained therein have been met. However, the first projects from this pipeline will not be commissioned before 2020. Based on the extensive pipeline built up in recent years, three to four projects per year are to be realised in Scotland from 2021 onwards. This will give the business development in Scotland a significant share in the overall development of Energiekontor AG in the future.

Energiekontor Group has a total pipeline for projects in Germany and the UK covering well over 2,000 MW in various project phases. All these projects have at least passed the stage of concluding option agreements. Some of the projects have already entered the planning permission or permitting process, while others have already been approved or are under construction. Gradual realisation of the projects in this pipeline with, depending on the progress, different likelihoods of realisation, should secure the Company's growth targets in the medium term.

Energiekontor's activities in **Portugal** are currently mainly concentrating on the management of the existing wind farm portfolio. In addition, the wind farms equipped with rotor blade extensions provide important data for assessing the increase in yield through the use of this technology.

At the end of December 2018, the Portuguese government published the PNEC (National Energy and Climate Plan) to achieve the common European target of a 32 percent share of renewable energies by 2030. This PNEC is the Portuguese renewable energy strategy for the period 2021–2030 and replaces the previous planning with the final target for 2020. Given the high solar radiation in the region, there is great national and international interest in solar projects in central and southern Portugal. Portugal is still not entirely clear, however, on how the planned expansion of renewable energies will be flanked by regulatory measures. We will continue to monitor the Portuguese market and would not rule out entering this market again in the future.

Although the US has great potential in the solar as well as in the wind sector, the Management Board has decided to develop this market with great caution. The project sizes are usually much larger than in Europe, and also the risks are more diverse and more pronounced. This is why Energiekontor pursues the same strategy in the US that it has applied when tapping into other new national markets: Energiekontor does not take over any external product pipelines and structures but opens up the market gradually instead. A separate company for the solar activities in the US was founded in Austin in 2017, and since then the number of staff has been gradually increased. Another office was opened in Rapid City in 2018. The local team is responsible for wind power projects in the region.

In the **US**, sites for the construction of photovoltaic systems of around 1 GW have so far been secured in the West Texas region. The first PPAs are to be concluded for these projects in the 2019 financial year. The management intends to then sell the first project rights instead of building the solar parks itself. One reason for this is the faster realisation of profits and, on the other hand, the preservation of available equity. The most important objective, however, is to keep risks manageable and controllable on our way. This is why we first want to gain some experience in the US with the sale of these project rights. We will later take our projects all the way to the financial close. Only then we will start to hand over turnkey projects as we do in other regions.

Depending on the progress reached with the projects, the US business is expected to make the first earnings contribution in 2019, provided the sale of project rights can be concluded as planned. We do not expect our US wind farm activities to contribute to earnings before the 2020 financial year at the earliest.

Because of the good wind conditions and the high solar radiation, France is a very attractive market, especially in the south of the country. We assume the realisation of solar projects to take between three and five years, while wind projects are even assumed to take five to seven years until completion. Accordingly, we do not expect the solar segment to contribute to earnings before 2020 at the earliest, while the wind segment is not expected to make any contributions before 2022.

We will be withdrawing from the Netherlands in the course of the year as we strive to use our resources where we see the greatest potential, for example in Scotland. We will therefore sell our project rights and the sites we already have contracts for. We still see the general objective of the Energiekontor Group in the continued stabilisation and sustainable increase of income from the project development business.

Roughly half of revenue and earnings are to be generated abroad in the future.

b) Power generation in the Group's own wind and solar farms

The power generation segment in the Group's own wind and solar farms ensures continuous earnings, thereby creating financial stability and the basis for sustainable corporate growth in line with the growth model of the Energiekontor Group. For this reason, this area is to be systematically strengthened and expanded. In the 2018 financial year, almost half of the projects in terms of the possible profit margin developed by the company in 2018 were transferred to its own portfolio. This strategy, according to which half of the self-developed projects are sold and the other half is transferred to the Group's own wind and solar park portfolio, is to be continued in the coming years. The profit margins of the projects, which would be revealed in the event of a sale, remain in the asset portfolio as hidden reserves. However, this approach pays off again with constant revenues from electricity sales over a long period of time. Energiekontor is thus foregoing short-term profits in favour of long-term secure corporate growth.

In addition, the efficiency measures described under b) in the chapter "Business development by segments" should lead to a moderate increase in earnings in this segment and a reduction in costs over the coming years.

c) Business development. Innovation and miscellaneous

Despite fluctuating revenues due to different wind years, a tendency towards rising sales and earnings levels in this segment is to be expected in the coming years. The constantly increasing number of wind and solar parks managed by the Company makes a contribution to this. In all cases, the Energiekontor Group has also been responsible for the operational management of sold wind farms. An expansion is conceivable by taking over the management of external parks. Over the next few years, this area is to be systematically expanded into a service of its own. The aim is to offer many years of experience in the management of own and third-party parks and the know-how gained in recent years for innovation and optimisation of own plants on the open market. It is planned to successively launch this service on all markets, in which Energiekontor is represented.

One focus in the area of innovation continues to be on rotor blade extension. In addition to the equipment of the AN Bonus 1.0 system type, the 1.3 MW class in particular was retrofitted in Portugal.

An example of a non-exclusive technical innovation measure is the optimisation of wind farms for operation beyond the statutory period of 20 years. The “Continued operation – 20 years plus” team, which was founded at the beginning of 2016, played a pioneering role here and has been able to successfully obtain approval for 17 wind farms with a term of up to 35 years since their inception. The targeted application of innovation and efficiency measures is currently also ensuring the continued economic operation of these wind farms. In principle, Energiekontor aims at a total operating life of the wind farms of 30 to 35 years.

Entire Company

Energiekontor and its employees are driven by the vision of a 100-percent supply of renewable energy to meet energy requirements. It is the declared goal to realize the first wind and solar parks whose electricity production costs are below those of the conventional energy industry in order to help renewable energies achieve a higher market penetration overall. The various departments of the Company have been preparing for this for years with various efficiency measures along the entire value chain. At the same time, these cost-cutting measures represent a competitive advantage and help the Company to position itself well within the industry in a market environment that remains challenging.

In addition to participating in future tenders in the wind and solar sector, Energiekontor concentrates primarily on concluding PPAs. With PPAs, the Company has already gained successful experience in Great Britain for many years and gained trust among its industrial partners. Since all subsidies were abolished, the conclusion of PPAs has become the only option there to continue planning profitable onshore wind farms. For this reason, the focus for the development of further projects is now on Scotland, where large-area wind farms are to be economically realised without subsidies under excellent wind conditions. The first earnings contributions from Scotland are expected from 2020.

For the reasons mentioned above, Energiekontor's management expects only a moderately better result for 2019 compared to the previous year.

The segment “Power generation in Group-owned wind and solar farms” is decisive for the further growth process of the Energiekontor Group. Sales from these two segments are better calculable than those from project planning, despite wind-dependent fluctuations in earnings. This income represents a relatively stable basis for liquidity planning in the Group. Power generation in the Group's own wind and solar parks and operational management are the strategic core segments of Energiekontor AG. The liquidity surpluses generated from the operation of own wind and solar parks are to be steadily increased over the next few years through the expansion of the existing portfolio of own parks and through the consistent implementation of the efficiency measures developed. The decision to take over wind and solar parks into our own portfolio always depends on the situation and the project.

The solar energy industry in Germany and worldwide has undergone a major transformation in recent years. The decline in module prices has led to a very low price level, which was not possible until recently. Despite the sharp drop in feed-in tariffs, solar projects in Germany can still be realised, which on the one hand enable investors to make attractive return on investments and on the other hand secure very adequate margins. This applies not only to projects implemented by Energiekontor within the framework of tenders, but also to projects that are realized on a PPA basis.

A few years ago, the management also focused on the target markets of France and the USA. In particular, we made significant progress with solar projects in the USA. Not only have we significantly expanded our project pipeline, but the negotiations to conclude PPAs are also becoming

more concrete. Once such a PPA has been concluded, the project rights are to be sold to an investor. We expect the first earnings contributions from these activities in fiscal 2019.

We do not expect France to contribute to earnings from its solar activities until 2020 at the earliest; the wind activities will not make their contribution until much later.

Due to the overall very well-filled project pipeline in our markets, the management of Energiekontor AG assumes that the Company's growth will accelerate again from 2020 onwards and that from 2021 ff. onward growth will be more pronounced. Energiekontor will again achieve the growth rates of previous years.

The continuation of structures and working methods that have been integrated and proven in the Company will contribute to this. Such as flat hierarchies and cost-conscious management, as well as the use of different banks, financing instruments, plant manufacturers, service providers and consultants will continue to contribute to sustainable and long-term success in the future. The Company's continued good liquidity situation also provides scope for flexible action in order to be able to operate successfully in the market.

In addition to the regulatory imponderables, project-specific or situation-related problems – as has already happened in the past – can of course also lead to delays in obtaining permits in the future. In the financing of already approved projects and in the commissioning lead, the main risks and external factors influencing success here are possible delays in the approval process and in project implementation (e. g. due to weather conditions, delivery delays, lack of availability of erection equipment or network access).

The aim of the management is to further improve the conditions for sustainable corporate growth in order to gradually and sustainably increase the overall performance and the Group EBT in the coming years. Key measures planned include strengthening the acquisition in all planning areas and increasing efficiency through economic and technical optimization measures in all business areas. At the same time, the number of employees in the central growth areas is to be successively and systematically increased.

For the individual segments, the expectations for 2019 can be summarised as follows:

In the "Project Planning and Sales (Wind, Solar)" segment, segment EBT is expected to roughly match the previous year's level.

In the "Power generation in Group-owned wind and solar farms" segment, a slightly higher segment EBT than in the previous year is expected, assuming an almost normal wind year and further economic optimisation measures. This is all the more the case as the wind and solar farms included in the Group's own portfolio in 2018 should also contribute to an improvement in earnings.

In the segment "Business Development, Innovation and Other", a slight increase in sales and EBT is expected from today's perspective. The reasons for this are further efficiency measures and the higher volume of wind and solar park management compared with the previous year. However, since the management remuneration for all wind and solar parks is linked to the electricity revenues generated, positive earnings effects from the planned portfolio strengthening could be offset by countervailing effects from a below-average wind year.

Due to the closure of the location in the Netherlands and the merger of the North NRW and South NRW offices, personnel costs are unlikely to rise in 2019. The availability of own parks is expected to be 98 percent.

Overall, the Management Board assumes that consolidated EBT in fiscal 2019 will be moderately higher than EBT in 2018. The main reason for this is the challenging market environment in Germany described in detail.

From 2020, we expect significantly better results again and average increases in earnings as we have seen them in the years 2011 to 2016.

Responsibility statement

We hereby declare to the best of our knowledge that the consolidated financial statements prepared in accordance with the applicable accounting principles provide a true and fair view of the financial position, financial performance and results of operations of the Group and the Group management report presents a true picture of the business development including results of operations and the situation of the Group, and that the major opportunities and risks for the probable development of the Group are described.

Bremen, April 2019

The Management Board



Peter Szabo
Chairman of the
Management Board



Günter Eschen
Management Board
Member



Torben Möller
Management Board
Member



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INDEPENDENT
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CONSOLIDATED INCOME STATEMENT (IFRS)

1 January to 31 December 2018

EUR thousand	Item in the Notes Sec. V. ¹	2018	2017
1. Revenue	(1.)	110,186	149,865
2. Changes in inventories and other work performed and capitalised	(2.)	18,516	52,211
3. Total output		128,702	202,076
4. Other operating income	(3.)	3,363	5,746
5. Total operating output		132,065	207,822
6. Cost of raw materials and supplies and purchased services	(4.)	-60,631	-127,923
7. Personnel expenses	(5.)	-13,667	-11,830
8. Depreciation and amortisation	(6.)	-18,546	-16,704
9. Other operating expenses	(7.)	-17,144	-18,475
10. <i>Operating expenses</i>		-109,988	-174,933
11. Operating profit (EBIT)		22,076	32,889
12. Income from investments		7	0
13. <i>Income from investments</i>		7	0
14. Interest and similar income		783	190
15. Interest and similar expenses		-13,255	-16,414
16. <i>Interest result</i>	(8.)	-12,472	-16,223
17. Earnings before taxes (EBT)		9,612	16,666
18. Income taxes	(9.)	-2,932	-4,778
19. Consolidated net income		6,680	11,888
Disclosure of earnings per share (EPS), in accordance with IAS 33*	(10.)		
Undiluted number of shares (weighted)		14,571,623	14,584,874
Diluted number of shares (weighted)		14,571,623	14,584,874
Basic earnings per share in EUR		0.46	0.82
Diluted earnings per share in EUR		0.46	0.82

* Dilution would occur if EPS were reduced through the issuance of potential shares, for example from option rights. Potential shares are only dilutive, however, if exercising them would lead to the issuance of shares below their average stock market price. As in the previous year, there was no dilutive effect on EPS in 2018.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 January to 31 December 2018

EUR thousand	2018	2017
Consolidated net income	6,680	11,888
Unrealised profits/losses from derivative financial instruments		
Unrealised profits/losses from derivative financial instruments (before taxes)	909	1,059
Deferred taxes on unrealised profits/losses and reclassifications	-271	-316
Unrealised profits/losses from derivative financial instruments (after taxes)	638	743
Unrealised gains from available-for-sale financial assets		
Unrealised gains (before taxes)	-46	-86
Taxes on unrealised gains and reclassifications	14	26
Unrealised gains from available-for-sale financial assets (after taxes)	-32	-60
Items that may be reclassified subsequently to profit or loss	606	683
Total comprehensive income	7,286	12,571
Shares attributable to Energiekontor AG's shareholders	7,286	12,571

CONSOLIDATED BALANCE SHEET (IFRS)

as of 31 December 2018

ASSETS

EUR thousand	Item in the Notes Sec. VI. ¹	31.12.2018	31.12.2017
A. Non-current assets			
I. Other intangible assets	(1.2.)	23	1
II. Property, plant and equipment			
1. Land, land improvements and buildings	(1.3.)	734	734
2. Plant and equipment (wind and solar farms)	(1.4.)	204,001	193,692
3. Other equipment, operational and office equipment	(1.5.)	181	133
		204,916	194,559
III. Investments		26	25
IV. Receivables and other financial assets			
1. Receivables from affiliated companies	(3.)	29	29
2. Other receivables and financial assets	(4.)	66	30
		95	59
V. Deferred tax liabilities	(5. and V.9.2)	5,765	6,462
Total non-current assets		210,824	201,104
B. Current assets			
I. Inventory	(6.)		
Unfinished goods and work in progress		38,481	47,006
II. Receivables and other financial assets			
1. Accounts receivable	(7.)	19,123	26,216
2. Other receivables and financial assets	(8.)	1,178	1,162
		20,301	27,378
III. Income tax receivables	(9.)	480	7,064
IV. Securities		5,061	10,159
V. Cash and cash equivalents	(10.)	73,291	69,002
Total current assets		137,613	160,609
Total assets		348,437	361,713

1) Only available in the German "Geschäftsbericht 2018".

EQUITY AND LIABILITIES

EUR thousand	Item in the Notes Sec. VI. ¹	31.12.2018	31.12.2017
A. Equity			
I.	Issued capital		
	1. Subscribed capital (nominal capital)	(11.) 14,578	14,578
	2. Treasury shares (to be retired)	(12.) -30	-1
		14,548	14,577
II.	Capital reserves	(13.) 40,458	40,428
III.	Other reserves (not affecting earnings)		
	1. Foreign currency translation	(15.1.) -61	-61
	2. Fair value measurement IFRS 9	(15.2.) -1,775	-2,381
		-1,835	-2,441
IV.	Retained earnings	(16.)	
	1. Legal reserves	15	15
	2. Other retained earnings	39,329	39,702
		39,344	39,717
V.	Accumulated income	(17.) -24,115	-22,049
	Total equity	68,400	70,232
B. Non-current liabilities			
I.	Other provisions	(18.)	
	Provisions for decommissioning and restoration	14,859	12,603
II.	Financial liabilities		
	1. Bond capital	(19.) 81,912	77,146
	2. Liabilities to banks	(20.) 120,679	126,029
	3. Liabilities to external limited partners	(21.) 1,040	1,664
	4. Other financial liabilities	(22.) 3,602	4,622
		207,232	209,462
III.	Other liabilities	(23.) 3,184	2,576
IV.	Deferred tax liabilities	(5. and V.9.2) 10,585	9,641
	Total non-current liabilities	235,861	234,282
C. Current liabilities			
I.	Provisions for taxes	(24.) 1,180	1,046
II.	Other provisions	(25.) 13,504	14,660
III.	Financial liabilities		
	1. Bond capital	(19.) 2,868	9,055
	2. Liabilities to banks	(20.) 17,771	14,678
	3. Liabilities to external limited partners	0	994
		20,639	24,728
IV.	Accounts payable	5,489	8,383
V.	Other liabilities	3,358	8,336
VI.	Income tax liabilities	6	46
	Total current liabilities	44,177	57,199
	Total equity and liabilities	348,437	361,713

1) Only available in the German "Geschäftsbericht 2018".

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2017–2018

EUR thousand	Share capital outstanding	Capital reserves	Foreign currency translation reserve
As of 31.12.2016	14,592	40,323	-61
Changes in 2017 financial year			
Allocations to retained earnings			
Dividend distribution			
Repurchase of treasury shares/retirement	-15		
Differences from stock option plan measurement		105	
Differences from fair value measurement			
Differences from deferred taxes on fair value measurement			
Consolidated net income			
As of 31.12.2017	14,577	40,428	-61
Dividend distribution			
Repurchase of treasury shares/retirement	-29		
Differences from stock option plan measurement		30	
Differences from fair value measurement			
Differences from deferred taxes on fair value measurement			
Consolidated net income			
As of 31.12.2018	14,548	40,458	-61

1) From measurement of securities at fair value

2) From unrealised gains/losses from cash flow hedges

	Fair value reserve (available for sale) ¹	Fair value reserve (cash flow hedges) ²	Retained earnings	Accumulated income	Total	Number of shares thousand
	103	-3,167	30,164	-12,477	69,477	14,592
			9,790	-9,790		
				-11,670	-11,670	
			-237		-251	-15
					105	
	-86	1,059			973	
	26	-316			-290	
				11,888	11,888	
	43	-2,424	39,717	-22,049	70,232	14,577
				-8,745	-8,745	
			-374		-403	-29
					30	
	-46	909			863	
	14	-271			-258	
				6,680	6,680	
	11	-1,786	39,344	-24,115	68,400	14,548

CONSOLIDATED CASH FLOW STATEMENT

1 January to 31 December 2018 (IFRS)

EUR thousand	2018	2017
1. Cash flow from operating activities		
Net income before interest and taxes	22,084	32,889
Non-cash expenses and income		
Write-downs on intangible assets and property, plant and equipment	18,546	16,704
Adjustment of non-cash currency gains/losses	-96	-2,666
Non-cash measurement (write-downs on inventories)	1,163	2,696
Non-cash adjustments due to effective interest method taken to profit or loss	-789	-604
Other non-cash expenses/income in equity	30	105
Profit before changes in net working capital	40,938	49,124
Changes in net working capital		
Accounts receivable and other assets	7,040	-9,069
Changes in income from project development and sales	2,164	-21,255
Accounts payable	-2,894	2,142
Other current liabilities and provisions	-7,128	1,956
Other non-current liabilities and provisions	1,341	698
Income taxes paid	3,972	-19,158
Cash flow from operating activities	45,433	4,438

EUR thousand	2018	2017
2. Cash flow from investing activities		
Payments for investments in intangible assets	-26	-1
Payments for investments in property, plant and equipment	-22,240	-33,707
Proceeds from the sale of securities	5,098	0
Interest expense for the production of qualifying assets (IAS 23.8)	-1,239	-2,467
Interest received	783	190
Cash flow from investing activities	-17,624	-35,984
3. Cash flow from financing activities		
Interest expenditure	-11,577	-13,579
Proceeds related to bonds	7,767	-413
Payments to bondholders	-9,055	-28,507
Proceeds from taking out loans	60,076	69,996
Payments for redeeming loans	-61,678	-36,223
Dividends paid	-8,745	-11,670
Payments for repurchase of treasury shares	-403	-251
Cash flow from financing activities	-23,616	-20,646
4. Total cash flow	4,193	-52,192
Currency-related changes to cash and cash equivalents (valuation)	96	2,666
5. Net change in cash and cash equivalents	4,289	-49,526
Cash and cash equivalents at beginning of period	69,002	118,528
Cash and cash equivalents at end of period	73,291	69,002
6. Components of cash and cash equivalents		
Cash	73,291	69,002
Cash and cash equivalents at end of period	73,291	69,002

ANNEX

to the consolidated financial statements of Energiekontor AG in accordance with IFRS principles for the 2018 financial year

I. General information

Energiekontor AG (hereinafter also referred to as the “Company”) is a listed stock corporation under German law with its registered office at Mary-Somerville-Straße 5, 28359 Bremen, Germany. The Company is entered in the Commercial Register of the Bremen Local Court under the number HRB 20449. The financial year corresponds to the calendar year.

The consolidated financial statements were prepared as of the balance sheet date of the Company’s annual financial statements. The annual financial statements of all consolidated subsidiaries also date from the balance sheet date of the consolidated financial statements.

The business activities of Energiekontor AG and its subsidiaries (hereinafter also referred to as “Energiekontor”) comprise the sale of self-produced wind and solar parks to third parties as well as the operation of self-produced and acquired wind and solar parks for the generation and sale of electrical energy. The wind farms and solar parks are regularly distributed by means of self-established companies in the legal form of GmbH & Co KG, which acquire the wind farm or solar park and whose limited partner’s shares are then sold to third parties (share deal). The wind farms and solar parks intended for own operation for electricity generation are either produced or acquired by the Company itself, whereby these are also regularly operated in companies with the legal form of GmbH & Co. KG.

As the parent company, Energiekontor AG is subject to the obligation to prepare consolidated financial statements for the financial year ending December 31, 2018. As the shares of Energiekontor AG are traded on an organised market within the meaning of Section 2 of the WpHG, the consolidated financial statements as of December 31, 2018 have been prepared in accordance with Section 315e of the German Commercial Code (HGB) (as amended by the CSR Directive Implementation Act of 11 April 2017) in conjunction with Article 4 of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 (consolidated financial statements in accordance with international accounting standards) and are in accordance with the International Financial Reporting Standards (IFRS) and the supplementary provisions of Section 315e of the HGB as adopted by the European Union (EU). The consolidated financial statements

were approved for publication by the Management Board on April 3, 2019.

The consolidated financial statements of the Company are filed with and published in the German Federal Gazette (Bundesanzeiger) (Commercial Register of the Bremen Register Court under HRB No. 20449).

The annual financial statements of the parent company Energiekontor AG were prepared in accordance with the provisions of the German Commercial Code (HGB) and the supplementary provisions of the German Stock Corporation Act (AktG). It is also submitted to the Federal Gazette and published.

II. General accounting principles

1. General Information

Energiekontor prepares and publishes the consolidated financial statements in euros (EUR) with a comparison of the figures as of December 31, 2017. The figures in the notes are euros (EUR) and thousands of euros (EUR thousands).

The consolidated financial statements are prepared under the going concern assumption. Risks that could jeopardize the continued existence of the Company are discussed in the combined management and group management report of the Company.

All companies in the Energiekontor Group initially prepare their accounts in accordance with German commercial law or the respective national regulations as well as the supplementary principles of proper accounting. These German accounting principles differ from the IFRS principles in significant respects. All adjustments necessary for the presentation of the consolidated financial statements in accordance with IFRS are made for the purpose of the consolidated financial statements.

The preparation of the consolidated financial statements in accordance with the pronouncements of the International Accounting Standards Board (IASB) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. In certain cases, it is necessary to apply estimation- and premise-sensitive accounting methods. These include complex and subjective valuations and estimates that are based on uncertain facts and may be subject to change. For this reason, estimation- and premise-sensitive accounting methods may

change over time and thus have a significant impact on the presentation of the net assets, financial position and results of operations. They may also contain assumptions that management could have made differently in the same period for equally reasonable reasons.

Management therefore draws attention to the fact that actual values and future events can often deviate from estimates and forecasts and that estimates require routine adjustments (cf. also comments in the notes to the consolidated financial statements under point IV. 20).

For the sake of clarity and rationality of the financial statements, the additional disclosures required for each item in the balance sheet and profit and loss account are included in the notes.

2. Classification methods

The income statement of the Group is structured in accordance with the principles applicable to the nature of expense method. If, in individual cases, reclassifications of prior-year amounts were made in the balance sheet or income statement, this is noted under the respective item.

The balance sheet for the 2018 financial year is structured according to the maturity aspects of the individual balance sheet items.

The cash flows from operating activities in the consolidated cash flow statement are determined using the indirect method. The total interest expenses paid are allocated – depending on the intended use – to the “cash flow from investing activities” sector insofar as they relate to the financing of inventories and construction projects and to the “cash flow from financing activities” sector insofar as they relate to other financing activities. Tax payments are reported in full under operating activities, as it is practically impossible to allocate them to individual business segments. Cash flows from foreign subsidiaries not reporting in euros are translated into the Group reporting currency at average exchange rates for the year.

Adjustments of financial instruments to the effective interest method that affect income but not cash flow are neutralized in cash flow from operating activities, as are adjustments of non-cash changes in exchange rates. The exchange rate-related changes in the British pound against the euro are taken into account in the valuation of cash and cash equivalents on the basis of the total cash flows.

3. Application of IFRS standards and interpretations

Energiekontor implements all standards and interpretations issued by the IASB that are mandatory in the European Union (EU) as of December 31, 2018. The interpretations of the International Financial Reporting Interpretations Committee (IFRIC) are observed. The Energiekontor Group has not applied the IFRS and IFRIC interpretations that have been published but are not yet mandatory because it is expected that these standards and interpretations will not be relevant to the business activities of the Energiekontor Group or that no additional disclosures will result from them in the notes to the consolidated financial statements.

3.1. Published IFRS adopted by the EU and applied for the first time in the financial year

In July 2014, the IASB published IFRS 9 “Financial Instruments”, which is intended to replace IAS 39. IFRS 9 introduces a uniform approach to the classification and measurement of financial assets and a new impairment model based on expected credit losses. According to IFRS 9, expected future losses must also be included, while IAS 39 only provides for the recognition of impairments that have already occurred. IFRS 9 replaces the accounting for financial instruments previously governed by IAS 39. IFRS 9 also contains rules on hedge accounting and requirements for additional disclosures in the notes, which entail an adjustment to IFRS 7 “Financial Instruments – Disclosures”.

– Energiekontor applies IFRS 9 “Financial Instruments” for the first time as of January 1, 2018.

The principle-based approach of IFRS 9, which is based in particular on the newly created classification criteria (business model condition and cash flow condition), has no impact on the net assets, financial position and results of operations. The material changes affecting the Company compared with the previously applicable IAS 39 are not material; in particular, no payment defaults are currently to be expected resulting from possible default events in the next twelve months after the balance sheet date (expected loss model). The modified rules on hedge accounting, which make it easier to designate hedging relationships, also have no effect.

In May 2014, the IASB published IFRS 15 "Revenue from Contracts with Customers". IFRS 15 replaces the previous standards and interpretations IAS 11 "Construction Contracts", IAS 18 "Revenue", IFRIC 13 "Customer Loyalty Programmes", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 18 "Transfers of Assets to Customers" and SIC-31 "Revenue – Exchange of Advertising Services". IFRS 15 establishes a comprehensive framework for determining whether, to what extent and when revenue is recognised. A uniform, five-stage revenue recognition model will be introduced, which is to be applied to all contracts with customers. The standard also requires the disclosure of a range of quantitative and qualitative information.

Energiekontor applies IFRS 15 "Revenue from Contracts with Customers" for the first time as of January 1, 2018.

There are no effects on the net assets, financial position and results of operations, as Energiekontor continues to record the various contractual relationships with a customer from the construction and sale of a wind or solar park and from services directly connected with the establishment and sale of the associated project company as a uniform transaction with a uniform revenue recognition date. Due to their indissoluble inner connection, the individual contractual services cannot be realised independently of each other. In connection with the construction and sale of wind and solar parks, the goods and services flow together into the combined, independently distinguishable product "wind park" or "solar park". The entire transaction price is therefore not allocated to separate performance obligations. The date of revenue recognition is the date on which control of the wind or solar farm commodity passes to the customer, i. e. cumulatively with the transfer of economic ownership of the operating company and the takeover of the wind farm or solar park.

Independently identifiable services, such as those in connection with ongoing technical and commercial operations management and the provision of innovation consulting services, continue to be recorded separately.

3.2. Published IFRS adopted by the EU and not yet applied

In January 2016, the IASB published the final standard IFRS 16 "Leases". IFRS 16 essentially relates to the lessee and leads to the general recognition of all leases and the associated contractual rights and obligations in the lessee's balance sheet. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

Energiekontor will apply IFRS 16 for the first time for the financial year beginning January 1, 2019.

IFRS 16 grants an option not to recognize the right of use and the lease liability for leases with a term of up to twelve months (short-term leases) and for leases for low-value assets. Energiekontor will make use of these options.

Management is currently reviewing the applicability of IFRS 16 for the lease agreements for land areas for wind and solar parks. Since the essential prerequisite for a lease within the meaning of this standard is the right of control over the use of the identified asset, but in the case of leased wind farm land the control rights remain with the land owners who use the land for their own rights for agricultural or other purposes, Energiekontor is of the opinion that the plant operator lacks the essential right for the assumption of a lease within the meaning of IFRS 16 to make decisions which determine the type and use of the land during the useful life.

IFRS 16 will therefore not have any material impact on the net assets, financial position and results of operations.

If IFRS 16 is nevertheless to be applied for the 2019 financial year, this will have the following effects on the net assets, financial position and results of operations:

- a. Increase in total assets due to capitalization of rights of use and simultaneous recognition of leasing liabilities as liabilities. The increase in the balance sheet total will reduce the equity ratio accordingly.

- b. Increase in depreciation by the amounts attributable to the rights of use as well as increase in interest expenses with simultaneous reduction in lease expenses previously recorded under other operating expenses.
- c. Increase (improvement) in key figures EBITDA and EBIT
- d. Increase in operating cash flow with simultaneous reduction in cash flow from financing activities

IFRIC 23, Uncertainties in Income Tax Treatment, was issued by the IASB in June 2017.

The interpretation clarifies the requirements for the recognition and measurement of uncertain income tax items. In assessing uncertainties, an entity shall assess whether it is probable that the tax jurisdiction will accept the income tax treatment. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019; early adoption is permitted. Energiekontor will apply IFRIC 23 from January 1, 2019. The application is not expected to have a material impact on the earnings, financial and asset situation, as Energiekontor's previous accounting practice generally complies with the provisions of IFRIC 23.

3.3. Published IFRS not yet adopted by the EU and not yet applied

In May 2017, the IASB published IFRS 17 "Insurance Contracts". IFRS 17 replaces the currently applicable standard IFRS 4 and is intended to increase transparency and comparability with regard to recognition, measurement, disclosure and disclosures for insurance contracts with insurers. IFRS 17 is expected to be effective for annual periods beginning on or after January 1, 2021 at the latest. IFRS 17 is not relevant for Energiekontor.

In addition, further standards and interpretations were adopted that are not expected to have a material impact on Energiekontor's net assets, financial position and results of operations.

III. Consolidation principles and scope of consolidation

1. Principles

The parent company is Energiekontor AG, Bremen (hereinafter also referred to as 'the Company' or 'AG').

In addition to Energiekontor AG, the consolidated financial statements as of December 31, 2018 include domestic and foreign companies in which Energiekontor AG as of December 31, 2018 directly or indirectly has the power to govern their financial and operating policies so that the companies of the Group derive benefit from the activities of these companies.

Subsidiaries held for sale (project companies) are also included in the consolidated financial statements. Project companies in this sense are the wind and solar park operating companies typically established by the Energiekontor Group in the legal form of a limited partnership (GmbH & Co. KG). The project companies are fully consolidated not only until the shares in the project company are sold, but also until the material benefit from the project company is fully realized, i. e. until the wind or solar park is substantially completed and handed over ready for operation. At this time, the project company is deconsolidated, especially as the operating revenues that continue to be realised regularly after completion no longer represent a significant benefit or risk factor within the meaning of IFRS as opposed to the formation, distribution and construction process.

In the income statement, this means, among other things, that sales to project companies are not recognized as sales and profits until completion.

In addition to the purchase price for the wind or solar park, this also affects commissions and other fees in connection with sales, management in the start-up phase, project planning, the legal and economic concept and all other services provided up to the completion of the wind or solar park.

These sales only lead to a sales and earnings contribution if the sale of the shares in the company and the completion and acceptance of the wind/solar park have taken place cumulatively.

As a result of full consolidation, the revenues and partial profits accrued to third parties until completion are not realised according to the percentage of completion (PoC) method in accordance with IAS 11 as part of the partial realisation of profits, but only at the time of completion (completed contract) to the extent that the further prerequisites for deconsolidation are met.

If shares in limited partnerships have already been sold as of the balance sheet date, but the transfer of the wind farm or solar park by Energiekontor to the limited partnership has been agreed and has not yet taken place, deconsolidation and revenue and profit recognition only take place at the time the wind farm resp. the solar park is transferred. For those companies whose shares have already been sold and which are nevertheless to be consolidated in accordance with these principles until the wind or solar farms to be supplied by Energiekontor have been accepted, the current external income and expenses are included in the income statement and the balance of these amounts is shown under liabilities, so that the current results of such project companies are neutral in earnings as long as no negative capital would result from any losses. Losses in excess of this amount generally have an effect on the Group, but this was not the case in the reporting period or in the previous year.

Deferred tax assets must be recognised on intercompany profits eliminated within the Group.

Until the date of deconsolidation, the limited partnerships regularly incur external financing expenses in the construction phase from the date of loan disbursement by the banks, which are booked as interest expenses in the Group for the projects sold in the financial year until the date of deconsolidation.

Shares in associated companies over which the AG directly or indirectly exerts a significant influence and which were not acquired for the purpose of resale in the near future are accounted for using the equity method in accordance with IAS 28 (one-line consolidation). Under the equity method, investments in an associate are recognised in the balance sheet at cost plus post-acquisition changes in the Group's share of the net assets of the associate.

The goodwill associated with an associate is included in the carrying amount of the investment and is not amortized.

When applying the equity method, the Group determines whether it is necessary to recognise an additional impairment loss in respect of the Group's net investment in the associate.

Companies are also included according to the principles of proportionate consolidation in accordance with IFRS 11 (Joint Operations). These are exclusively wind farm infrastructure companies which have no significant influence on the net assets, financial position and results of operations.

Minority interests in the equity of subsidiaries attributable to minority interests are shown separately within equity ("minority interests in equity") if the minority interests in the equity of corporations exist. To the extent that minority interests in the equity of partnerships, which also include limited partnerships, exist, these must be reported as liabilities in accordance with IAS 32.

As of the balance sheet date of the reporting period, there were minority interests in limited partnerships ("liabilities to limited partners outside the Group"). Where the companies in which these investments are held are intended to remain in the Group, they are reported under non-current liabilities.

Due to the full consolidation of the project companies to be carried out by the time the wind/solar park is completed, the third-party limited partners' shares in these project companies to be reported as borrowed capital are generally reported under current liabilities because they remain in the Group only temporarily (also under the item "Liabilities to external limited partners"). As of the balance sheet date, however, no project company with assets under construction whose shares had already been sold had to be consolidated.

Depending on the legal form of the company in which the investment is held, minority interests in the earnings of subsidiaries are shown separately in the income statement as an allocation of earnings (in the case of a corporation) or in the financial result (in the case of a partnership). In the period under review, as in the previous year, earnings allocations were shown exclusively in the financial result.

Capital consolidation is performed in accordance with IFRS 3 ("Business Combinations") using the purchase method (purchase accounting or acquisition method). The acquisition costs of the acquired shares are offset against the pro rata net assets of the subsidiary attributable to the parent company and revalued at fair value at the time of acquisition.

The cost of the acquisition corresponds to the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the transaction date. They also include the fair values of any recognized assets or liabilities resulting from a contingent consideration agreement. Acquisition-related costs are expensed as incurred.

Assets, liabilities and contingent liabilities identifiable in a business combination are measured initially at their fair values at the acquisition date.

For each acquisition, the Group determines on an individual basis whether the non-controlling interest in the acquiree is measured at fair value or at its proportionate share of the net assets of the acquiree. Goodwill is measured as the excess of the cost of the acquisition over the Group's interest in the net assets measured at fair value at the date of acquisition, the amount of non-controlling interests in the acquiree and the fair value of any previously held equity interests at that date. If the cost of acquisition is less than the fair value of the net assets of the acquired subsidiary, the difference is recognised directly in the income statement.

Goodwill was already fully amortised in previous years and was not required to be recognised either on the balance sheet date or in the previous year's financial statements.

At the time of the sale of shares in consolidated companies or the loss of control over these companies, they are removed from the scope of consolidation. As part of deconsolidation, the pro rata assets and liabilities attributable to the Group are eliminated at amortized cost, including any existing goodwill.

The difference between the balance of assets and liabilities and the proceeds from the sale of the shares is recognised in the income statement of the Group. The income and expenses incurred from the beginning of the respective financial year until the date on which the company is deconsolidated are reported in the consolidated income statement.

Intragroup expenses and income as well as receivables and liabilities between consolidated companies are eliminated, as are intercompany profits.

Income tax effects are taken into account in consolidation entries recognised in profit or loss and deferred taxes are recognised.

2. Companies included

A separate list of the Group's shareholdings within the meaning of Section 313 (2) HGB and the method of inclusion in the consolidated financial statements is provided in Note IX. In addition to the parent company Energiekontor AG, the scope of consolidation includes the other companies listed there. All Group companies are consolidated. The separate list also includes any exemption resolutions pursuant to Sections 264 (3) and 264b HGB.

Shares in uncontrolled companies exist only in wind farm infrastructure companies that are consolidated at equity or proportionately (joint operations) and do not account for a significant share of the Group's activities and cash flows.

3. Change in scope of consolidation

3.1. initial consolidation

As a result of being a start up, the following companies had to be included in the scope of consolidation in 2018 (first-time consolidation).

- Energiekontor Bau I GmbH
- Energiekontor Bau II GmbH
- Energiekontor Bau III GmbH
- Energiekontor Bau IV GmbH
- Energiekontor Bau V GmbH
- Energiekontor Bau VI GmbH
- Energiekontor Bau VII GmbH
- Energiekontor Bau VIII GmbH
- Energiekontor Bau IX GmbH
- Energiekontor Bau X GmbH
- Energiekontor Finanzanlagen VI GmbH & Co. KG
- Energiekontor Finanzierungsdienste VII GmbH
- Energiekontor France SAS

- Energiekontor Infrastruktur I GmbH & Co. KG
- Energiekontor Infrastruktur II GmbH & Co. KG
- Energiekontor Infrastruktur III GmbH & Co. KG
- Energiekontor Infrastruktur IV GmbH & Co. KG
- Energiekontor Infrastruktur V GmbH & Co. KG
- Energiekontor Infrastruktur VI GmbH & Co. KG
- Energiekontor Infrastruktur VII GmbH & Co. KG
- Energiekontor Infrastruktur VIII GmbH & Co. KG
- Energiekontor Infrastruktur IX GmbH & Co. KG
- Energiekontor Infrastruktur X GmbH & Co. KG
- Energiekontor US Texas SP 11 LLC
- Energiekontor US Texas SP 12 LLC
- Energiekontor US Texas SP 13 LLC
- Energiekontor US Texas SP 14 LLC
- Energiekontor US Texas SP 15 LLC
- Energiekontor US Dakota WP 2 LLC
- Energiekontor US Dakota WP 3 LLC
- Energiekontor US Dakota WP 4 LLC
- Energiekontor US Dakota WP 5 LLC
- Energiekontor US Dakota WP 6 LLC

There were no differences arising from first-time consolidation in connection with acquisitions, as the above transactions relate exclusively to start-ups.

3.2. Initial consolidations not yet performed

The following companies were founded in 2018 but are not included in the scope of consolidation for reasons of materiality (IFRS framework).

- Energiekontor UK GL GmbH
- Energiekontor UK CO GmbH
- Energiekontor UK PI GmbH
- Energiekontor UK LO GmbH
- Energiekontor Neue Energie GmbH
- Energiekontor WSB 1 GmbH
- Energiekontor WP Booßen GmbH
- Energiekontor Projekt 1 GmbH
- Energiepark Waldfeucht WP SeBo II GmbH & Co. KG
- Energiepark UK CO GmbH & Co. KG
- Energiekontor Neue Energie 1 GmbH & Co. KG
- Energiekontor Neue Energie 2 GmbH & Co. KG
- Energiekontor Neue Energie 3 GmbH & Co. KG
- Energiekontor Neue Energie 4 GmbH & Co. KG
- Energiekontor Neue Energie 5 GmbH & Co. KG
- Energiekontor Neue Energie 6 GmbH & Co. KG
- Energiekontor Neue Energie 7 GmbH & Co. KG
- Energiekontor Neue Energie 8 GmbH & Co. KG
- Energiekontor Neue Energie 9 GmbH & Co. KG
- Energiekontor Neue Energie 10 GmbH & Co. KG
- Energiekontor Neue Energie 11 GmbH & Co. KG
- Energiekontor Neue Energie 12 GmbH & Co. KG

- Energiekontor Neue Energie 13 GmbH & Co. KG
- Energiepark Jülich-Barmen-Merzhausen WP JBM GmbH & Co. KG
- Energiepark Jülich-Ost WP JO GmbH & Co. KG
- Energiepark UK GL GmbH & Co. KG
- Energiekontor Solar 6 GmbH & Co. KG
- Energiekontor Solar 7 GmbH & Co. KG
- Energiekontor Solar 8 GmbH & Co. KG
- Energiekontor Solar 9 GmbH & Co. KG
- Energiekontor Solar 10 GmbH & Co. KG
- Energiekontor Solar 11 GmbH & Co. KG
- Energiekontor Solar 12 GmbH & Co. KG
- Energiekontor Solar 13 GmbH & Co. KG
- Energiekontor Solar 14 GmbH & Co. KG
- Energiekontor Solar 15 GmbH & Co. KG
- WP Booßen GmbH & Co. KG

There were no differences arising from first-time consolidation in connection with takeovers, as the above transactions relate exclusively to newly founded companies.

3.3. Deconsolidation

Due to the sale of subsidiaries in the reporting period, deconsolidation had to be carried out for subsequent project companies held by third parties.

- Energiepark Debstedt 2 RE WP DE GmbH & Co. KG
- Energiepark Hammelwarder Moor WP HAM GmbH & Co. KG
- Energiepark Hemelingen WP HEM GmbH & Co. KG

The revenues and expenses generated in connection with the construction and sale of the wind farms and solar parks included in these companies are reported in the income statement.

4. Segment reporting

According to IFRS 8, operating segments are to be defined on the basis of the internal reporting on group divisions, which is regularly reviewed by the company's chief operating decision maker with regard to decisions on the allocation of resources to these segments and the assessment of their profitability. Information reported to the Management Board as the chief operating decision maker for the purpose of allocating resources to the Group's operating segments and evaluating their performance relates to the types of goods or services produced or rendered.

The allocation of assets and liabilities as well as income and expenses to the individual business segments is reported in tabular form.

IV. Accounting and valuation principles, currency translation

The financial statements of the Company and its domestic and foreign subsidiaries are generally prepared using uniform accounting policies. This essentially also applies to the annual financial statements of associated companies.

The consolidated financial statements 2018 of the Energiekontor Group prepared by Energiekontor AG as the parent company have been prepared in accordance with uniform accounting and valuation principles. The standards of the International Accounting Standards Board (IASB) valid on the balance sheet date are applied.

1. Profit and loss account

The consolidated income statement has been prepared using the nature of expense method.

2. Government grants

Government grants are recognised when there is reasonable assurance that the Company will comply with the conditions attaching to them. Government grants are recognised in the income statement as other operating income, as scheduled, especially as the related expenses intended to compensate for the grants were generally incurred in prior periods. Grants received for the acquisition of property, plant and equipment are recognized as deferred income under other liabilities.

Advantages from public loans (e. g. interest-subsidised loans from the KfW banking group) are to be assessed with regard to the reduction in conditions such as government grants. Subsidized liabilities are measured at the present value of the payments to be made; the difference to the amount paid out represents the present value of the subsidy and is carried as deferred income under non-current liabilities.

The reversal takes place over the term of the interest subsidy. In the year under review, promotional amounts of EUR 731 thousand (previous year: EUR 0 thousand) were booked for KfW loans taken out.

3. Realization of sales revenues and other income

The revenue types and realization principles are as follows.

Revenue is recognized net and is recognized when the goods or services have been delivered or the material risks and rewards of ownership have passed to the Group. In addition, the payment must be sufficiently probable.

Revenue from long-term construction contracts for the construction of wind/solar parks for operating companies is not recognised on the basis of the percentage of completion (IAS 11) due to the consolidation of these companies until completion of the wind / solar park (see above), but only when the risks and rewards have been completed and transferred and thus at the time of deconsolidation or completion (CCM – completed contract method).

The revenues for the services in connection with the sale of wind/solar parks (management in the process of establishment, sales and capital procurement, economic and legal planning) are realised in accordance with the CCM procedure at the same time as the sale of the wind/solar park.

Revenues from the sale of energy generated by our own wind farms are recognised at the time the electricity is delivered using the CCM method.

Revenues for operational management and other commercial and technical services are also recognized in accordance with the CCM method at the time the services are rendered in full.

Depending on the substance of the underlying contracts, royalties and royalties are either recognized immediately or deferred and recognized pro rata temporis.

Dividend income is recognised when the right to receive payment is established. This is usually the distribution resolution.

For all types of sales, from the Group's point of view, sales to project companies (wind or solar park operating companies in the stage up to the completion of the park) are not recognized until the deconsolidation date at the earliest, i.e. the date on which the shares in the company are sold (cumulatively) and the wind/solar park has been completed.

4. Currency translation

Financial statements of foreign subsidiaries and associates whose currency is not the euro are translated into euro using the functional method and non-monetary items are translated regularly at the exchange rate at the date of initial recognition. Equity items are translated at historical exchange rates. Monetary items are translated at the closing rate and all income and expense items are translated at average exchange rates for the period at the time of the transaction. In accordance with the treatment of the Group's own foreign currency transactions, the described conversions are made into the reporting and functional currency of the Group (euro) with an effect on income. The translations and translation differences are recognised in the income statement under other comprehensive income ("other operating income" or "other operating expenses").

5. Goodwill

Goodwill was already fully amortised in previous years.

6. Other intangible assets

Other intangible assets comprise the software used in the Group. The Company amortises intangible assets with finite useful lives on a straight-line basis over their estimated useful lives to their estimated residual carrying amounts. The expected useful life for software is generally three to five years.

7. Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and impairment losses. The Group's own land attributable to the "Power generation in Group-owned wind farms" segment is not investment property, but is used exclusively for the Group's own operating purposes (operation of wind farms). The cost of property, plant and equipment may also include the estimated future costs of deconstruction and renaturation, although any future disposal proceeds expected on deconstruction are not netted. If changes in the current market-based discount rate, including changes in the interest rate effect and for the liability for specific risks, result in an adjustment to the provisions to be recognised for the deconstruction, such changes shall be added to or deducted from the cost of the wind farm in the current period, but deducted up to a maximum of the carrying amount of the asset (any additional reductions in the provision shall be recognised in profit or loss).

At the time of any necessary increase in the value of property, plant and equipment as a result of the increase in provisions for dismantling and renaturation costs, the carrying amounts of property, plant and equipment are reviewed for impairment by determining their value in use. Any resulting impairments are recognised as expenses.

In the case of acquisitions in foreign currencies, subsequent changes in exchange rates do not affect the carrying amount at original cost.

Subsequent acquisition and production costs are only if it is probable that the Group will derive future economic benefits from them and the costs of the asset can be reliably determined.

In the case of self-constructed property, plant and equipment (wind farms) that qualify as non-current assets (qualifying long-term assets), the production costs are determined on the basis of the directly attributable individual costs and appropriate overheads.

Since at the beginning of the planning and construction phase for wind farms it is generally not yet possible to predict whether a wind farm will remain in the Group's portfolio or be sold, the total project-related production costs of all projects are initially recorded as cost of sales and other relevant expense items (in particular personnel expenses, other operating expenses and interest expenses), and uniformly capitalised as inventories (unfinished products and services) at the end of the year if the necessary conditions are met. As a rule, "assets under construction" are not capitalized before completion.

At the time of completion, in those cases where it has finally been determined that a wind or solar farm is to be transferred to the Group's own portfolio, the construction costs are transferred to fixed assets without affecting net income. In the year under review, this related to the British New Rides wind farm and the Garzau solar park.

If wind or solar parks included in fixed assets are to be sold, they are transferred to current assets with no effect on income. As in the previous year, this was not the case in the reporting period.

In the case of one-off public grants or subsidies for the acquisition or production of assets (investment grants), the acquisition or production costs are reduced by the amount of the grants. For ongoing public subsidies in the form of loan subsidies, a separate deferred income item is carried as a liability, which is reversed over the subsidy period depending on the term.

Income subsidies that are no longer matched by future expenses are recognized in the income statement and reported under other operating income. Assets are depreciated over their estimated remaining useful lives. The Company uses the straight-line method of depreciation.

The useful lives and depreciation methods used are reviewed in each period and adjusted if necessary.

Specifically, the carrying amounts for current straight-line depreciation are based on the following assumed useful lives:

Technical equipment and machinery (wind farms):
10 to 20 years

Operating and office equipment as a rule:
3 to 13 years

8. Impairment of property, plant and equipment

All assets recognized in the balance sheet are tested for impairment at the balance sheet date. A review is performed during the year if events or circumstances (triggering events) occur that indicate a possible impairment. Impairment testing is performed at the level of cash-generating units; with regard to the wind farms in the portfolio, each wind farm represents a cash-generating unit in its own right. In addition to current depreciation, the carrying amount of property, plant and equipment is written down if necessary due to impairment if there is a probable permanent impairment as a result of changed circumstances. Impairment is determined by comparing the carrying amount of the respective assets with the recoverable amount.

The recoverable amount is the higher of an asset's value in use and its fair value less costs to sell. If, as a result, an impairment loss is required for such assets, it is the difference between the carrying amount and the lower recoverable amount. If the fair value cannot be determined, the recoverable amount corresponds to the value in use of the asset. This value in use is the amount obtained by discounting its estimated future cash flows.

As soon as there are indications that the reasons for the impairment losses no longer exist, the need for a full or partial reversal of the impairment loss is reviewed.

However, a reversal of an impairment loss recognised as income in the income statement in the form of an increase in value or a reduction of prior impairment is only recognised to the extent that the carrying amount that would have been determined, net of depreciation effects, had no impairment loss been recognised in prior years, not been exceeded.

Impairment losses on property, plant and equipment are reported in the income statement under "Depreciation".

9. Investments in affiliated companies

Shares in affiliated companies are generally included in full consolidation. This inclusion in the consolidated balance sheet takes place with retroactive effect at the time of acquisition.

10. Receivables from associated companies

Receivables from associated companies are reported separately in the consolidated financial statements as financial instruments under non-current assets.

11. Joint operations

Insofar as joint operations exist with third parties on the joint use of infrastructure, cabling, etc. for wind farms, the rights to the assets and liabilities for liabilities are accounted for on a pro rata basis in accordance with the principles of proportionate consolidation (IFRS 11). The joint agreements with third parties existing in the reporting period and in the previous year and their pro rata valuations have no material effect on the net assets, financial position and results of operations.

12. Financial instruments

12.1. Concept of financial instruments

Financial instruments are all contracts that result in the recognition of a financial asset and financial liability of the company or an equity instrument in another company. The financial assets of the Company mainly include cash and cash equivalents, available-for-sale financial assets, trade receivables, receivables from associates and other receivables such as loans.

The financial liabilities of the Company mainly include bonds, liabilities to banks, other financial liabilities, trade payables and other liabilities, including the limited partnerships qualifying as debt under IAS 32, and derivative financial instruments (cash flow hedges) in the form of interest rate swaps and interest rate/currency swaps) with a negative market value, which are also to be accounted for.

12.2. Accounting treatment of financial instruments

Financial instruments are recognised in the balance sheet as soon as the Company becomes a party to a financial instrument. Assets, i.e. purchases or sales for which the delivery of the asset must take place within the time frame prescribed for the respective trading venue or defined by conventions, are recognised on the trading day.

Financial assets are derecognised when the Group's claims to cash flows from the financial instrument expire or when the financial instrument is transferred to another party, including control or all material risks and rewards.

Financial liabilities are derecognised when the Group's obligations specified in the contract expire or are waived or terminated.

Financial instruments are initially recognised at fair value, which corresponds to their fair value. Financial instruments that are not measured at fair value through profit or loss are measured including transaction costs.

Financial assets and liabilities are subsequently measured according to the category to which they are allocated (cash and cash equivalents, available-for-sale financial assets, trade receivables, other receivables, liabilities from bonds, liabilities to banks, trade payables, other financial liabilities, other miscellaneous liabilities or derivative financial liabilities).

If amortized cost is used for financial assets that are not measured at fair value through profit or loss, the carrying amounts are reviewed at each balance sheet date to determine whether there is any evidence of impairment. The amount recognised is the amount at which a financial asset or financial liability was measured at initial recognition, including transaction costs not recognised in profit or loss, less any interim amortisation and impairment losses for impairment or uncollectability. In the case of short-term receivables and liabilities, the amortised cost is generally identical to the nominal amount or the repayment amount.

Individual value adjustments are made for expected default risks. These are used to reduce the gross receivable if specific facts become known that indicate that a debtor is unable to meet its financial obligations to a sufficient extent.

The assessment of the appropriateness of the allowance for doubtful receivables is the responsibility of the decentralized collection management and is based, among other things, on the maturity structure of the receivables balances, on empirical values from receivables that have already been derecognized, on customer creditworthiness and conspicuous changes in payment behaviour, and on indications of financial difficulties on the part of the debtor, that measure a sustained or significant decline in the fair value of the financial asset below amortised cost, any concession to the borrower for economic or legal reasons related to the borrower's financial difficulties or, more generally, the determination of the disappearance of an active market for the financial asset.

The amount of an impairment loss is determined by the difference between the carrying amount of the asset and the expected future cash flows discounted at the original effective interest rate of the financial asset to determine the present value, which is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the underlying event can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss.

Impairment losses on trade receivables and some of the other assets are recognised using allowance accounts.

Cash and cash equivalents comprise all liquid assets that have a remaining term of less than three months at the time of acquisition or investment. Cash and cash equivalents are measured at cost in Energiekontor.

Trade receivables and other receivables are measured at amortised cost less any impairment. Non-interest-bearing or low-interest receivables with maturities of more than one year are discounted.

Securities and receivables from associated companies (limited partnership interests) are classified as available-for-sale financial assets (other non-derivative financial assets in the available-for-sale category). Energiekontor reports them at fair values if they can be reliably determined. After taking deferred taxes into account, Energiekontor reports unrealised price gains under other components of equity (fair value measurement under). This reserve is released when the asset is disposed of. If the fair value of available-for-sale financial assets falls below cost and there is objective evidence that the asset is impaired, Energiekontor records the loss and recognises it in the consolidated income statement.

In making its assessment of possible impairments, the Company takes into account all available information, such as market conditions and prices, investment-specific factors and the duration and extent of the decline in value below cost.

Reversals of impairment losses are recognised in profit or loss if, after the recognition of an impairment loss as an expense at a later measurement date, events occur that result in an objective increase in fair value.

With the exception of derivative financial instruments, Energiekontor measures liabilities from bonds and liabilities to banks at amortised cost. Costs in connection with raising capital (bonds, German Government securities and bank loans) are spread over the term of the contract using the effective interest method.

Financial liabilities regularly give rise to a right of return in cash or another financial asset to another party. Financial liabilities measured at amortized cost primarily include other financial liabilities, trade payables and parts of other miscellaneous liabilities.

After initial recognition, these financial liabilities are measured at amortized cost, bonds using the effective interest method if necessary.

Derivative financial instruments such as interest rate swaps are carried at fair value by Energiekontor. Derivatives with a positive fair value are reported as financial assets and derivatives with a negative fair value as financial liabilities.

Cash flow hedges are used to hedge future cash flows in connection with a recognized asset, liability or highly probable future cash flow.

The effective portion of changes in the fair value of derivative instruments designated as cash flow hedges (interest rate and cross-currency interest rate swaps) is recognised in other components of equity (fair value measurement), net of deferred taxes.

Only cash flow hedges that meet the strict hedge accounting requirements of IAS 39 are recognized in the balance sheet. If the criteria for a hedging relationship are met, the designation of the financial instrument used, the related hedged item, the hedged risk and the assessment of the degree of effectiveness of the hedging instruments used are documented.

In order to assess the effectiveness of the hedging relationship with respect to offsetting the risks arising from changes in cash flows with respect to the hedged risk, the effectiveness of the hedging relationship is examined as of the balance sheet date.

If the hedging relationship is classified as ineffective or the criteria for hedge accounting are no longer met, the reserve is released to income. Reference is made to the further explanations in the notes to the balance sheet and the balance sheet items, which contain a list of the categorisation of financial instruments at the Energiekontor Group (point VI. 2).

Interest rate swaps have negative fair values due to lower capital market interest rates. As they were concluded exclusively as long-term interest rate hedging instruments together with the underlying transactions (financing loans) (cash flow hedging) and value realisation before expiry of the fixed-interest term thus secured is not possible, these market values are only theoretical values for Energiekontor – irrespective of a positive or negative development – and are therefore neither regarded by the company management as a liability nor – in the event of a positive development – as an asset. The value of the swaps to be shown in the consolidated balance sheet in accordance with IAS 39 is therefore eliminated for segment reporting purposes on the basis of the applicable “management approach”.

13. Taxation

13.1. Current taxes

The current tax expense is determined on the basis of taxable income for the year. The taxable income differs from the annual result from the income statement because it excludes expenses and income that are not taxable or not tax-deductible. The liabilities of the Energiekontor Group for current tax expenses were calculated on the basis of the tax rates applicable in the respective countries in which subsidiaries and operating facilities are maintained, or on the basis of the tax rates that will apply shortly from the balance sheet date.

13.2. Deferred taxes

Deferred taxes result from different valuations in the IFRS and tax balance sheets of the Group companies and from consolidation measures to the extent that these differences offset each other over time. The Company applies IAS 12 (Income Taxes). According to the liability method contained therein, deferred tax assets and liabilities are recognized with future

tax effects resulting from the differences between IFRS accounting and the respective country-specific tax accounting of asset and liability items.

The effects of tax rate changes on deferred taxes are recognized in the income statement in the reporting period in which the legislative process underlying the tax rate change is largely completed.

In addition, deferred tax assets are recognized for tax loss carryforwards to the extent that it is probable that they will be utilized in the foreseeable future.

In order to assess the probability of the realization of such tax claims, regularly updated tax planning calculations must be carried out. In addition, the respective national tax regulations as well as those applicable in the territory of the EU according to the current case law of the European Court of Justice must be included.

Deferred taxes are divided into tax assets (deferred tax assets) and tax liabilities (deferred tax liabilities). In the classification of the balance sheet according to maturity aspects, deferred taxes are generally classified as non-current. The Company also made use of the offsetting option for deferred tax assets and liabilities to the extent permitted in the reporting period.

14. Inventories

Inventories, which include project and planning services for wind farm and solar projects, are carried at cost using the average cost method plus directly attributable ancillary costs. Financing costs on inventories are capitalized to the extent that they relate to inventories eligible for capitalization.

Inventory allowances are recognized when the net realizable value is less than the cost recognized in the balance sheet.

15. Receivables from long-term construction contracts

Due to the consolidation practice, according to which operating companies for which wind / solar parks are erected are not deconsolidated when the limited partner shares are sold (change of ownership), but only when the wind/solar park is completed, the method of partial profit recognition (IAS 11 – Construction Contracts) is de facto of no significance for group accounting.

16. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances and all liquid assets with a remaining term of less than three months at the time of acquisition or investment. Cash and cash equivalents are measured at amortized cost.

17. Minority interests

Under IFRS, minority interests, resp. Group external interests, are generally reported separately under equity in a separate item.

However, as the subsidiaries in which these minority interests are held are limited partnerships, the application of IAS 32 leads to a disclosure of this economic equity that deviates from German commercial law.

According to the IFRS applicable to this effect, the limited liability capital of minority interests is considered debt capital. The subsidiaries in which minority interests are held are exclusively limited partnerships. According to IAS 32, the termination options of limited partners are a decisive criterion for the distinction between equity and liabilities. Financial instruments that grant the holder (here: the limited partner) the right to terminate the contract and thus oblige the company to transfer cash and cash equivalents or other financial assets in the event of termination are therefore, contrary to the undisputed economic substance in Germany, a financial liability from the perspective of IFRS as equity and thus debt. Due to the existing termination rights of the limited partners of the subsidiaries, the "net assets of the limited partners" corresponding to the total amount of minority interests in the balance sheet must therefore not be recognised in equity but at present value in debt in accordance with IAS 32. This item is valued at the present value of the "net assets of limited partners" determined in accordance with IFRS.

Correspondingly, the profit shares attributable to the limited partners are to be recorded as financial expenses or income.

18. Accruals

Provisions for legal or constructive obligations are recognised in the balance sheet if the company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Discounting should always be performed if the effect of the discount is material. The carrying amount of provisions takes into account the amounts required to cover future payment obligations, identifiable risks and uncertain obligations of the Group.

Allocations to provisions are generally recognized in the income statement.

This does not apply to the formation of provisions in connection with dismantling and renaturation costs. In these cases, the carrying amount of the related property, plant and equipment must be increased by the present value of the legal obligations from the deconstruction. The calculation basis for calculating the present value of the provisions consists of the term to the expected deconstruction, the plant-specific deconstruction and renaturation costs expected today, which are extrapolated for the application of the nominal interest calculation (purchasing power equivalence) to the expected deconstruction costs taking into account an expected inflation rate of 2 percent p. a., and the respective discount rate related to the remaining term.

The discount rate was determined in the financial year on the basis of the interest rates for listed German Government securities with matching maturities, increased by a risk premium of 3 percent (credit spread).

Expected realisation proceeds are not taken into account in the measurement of provisions for dismantling and renaturation, even if their realisation is probable from today's perspective and the proceeds can be estimated in the same way as the costs of dismantling the plants. In principle, provisions are recognised in the first year in which the provision is recognised, with no effect on income, by way of an asset/liability swap on the balance sheet. The additional capitalized amount is depreciated over the remaining useful life of the property, plant and equipment.

The differences in the calculation of provisions compared with the previous year resulting from the application of the current discount rates are offset against the acquisition / manufacturing costs of the wind farms with no effect on profit and amount

to a total of EUR 496 thousand in the financial year (previous year: EUR –239 thousand). A positive or negative difference to the carrying amount arising from the fulfilment of the obligation is recognised in the income statement. The annual interest accrued to adjust the present value of the provisions is recognized in the income statement under financial expenses. Additions due to compounding amount to EUR 439 thousand (previous year: EUR 423 thousand).

Tax and other provisions are calculated on the basis of prudent business judgement. All information known up to the date of the balance sheet preparation is taken into account.

19. Liabilities

Financial liabilities, with the exception of derivative financial instruments, are measured at amortized cost, bonds using the effective interest method if necessary. Any difference between the amount disbursed and the amount repayable at maturity (discount, loan discount) is amortized by first recognizing the collection amount and then gradually updating it to the final repayment amount by continuously compounding the interest.

Receivables and liabilities denominated in foreign currencies are translated at closing rates. Liabilities to banks in foreign currencies are translated at the buying rate on the balance sheet date.

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the consolidated financial statements under "Other disclosures" (Part VIII.).

An exception to the contingent liabilities is the SWAP of the Mafomedes wind farm, which must be recognised as a liability as part of the company acquisition (IFRS 3.23). This is carried at fair value as a contingent liability.

20. Significant accounting judgements and main sources of estimates

20.1. The need for estimates

In applying the above accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that cannot be readily determined from other sources. The estimates and underlying assumptions were based on past experience and other factors considered relevant. The actual values may differ from the estimates.

The assumptions on which the estimates are based are subject to regular review. Changes in estimates that affect only one period are only taken into account in this period. Changes in estimates affecting the current and subsequent reporting periods are taken into account accordingly in this and subsequent periods.

20.2. Main sources of estimation uncertainty

In the following, the most important forward-looking assumptions and other significant sources of estimation uncertainty at the balance sheet date that could give rise to a significant risk of causing a material adjustment to the reported amounts of assets and liabilities within the next financial year are disclosed.

20.2.1. Value retention of technical installations (wind farms)

The Group's own wind farms totalling EUR 204,001 thousand (previous year: EUR 193,692 thousand) are capitalised in the consolidated balance sheet as at December 31, 2018. In order to determine any impairment of these assets as part of the regular impairment tests, it is necessary to determine the value in use of the cash-generating units to which the respective wind farms belong.

The calculation of value in use requires the estimation of future cash flows from the cash-generating unit and a suitable discount rate for the present value calculation by means of discounted cashflow valuations. The estimates to be used mainly consist of the future wind and radiation conditions influencing the amount of the electricity yields, the remuneration rates for the sale of the energy, the technical service life of the wind or solar plants, the follow-up financing interest rates as well as the other cost parameters of a wind farm resp. solar park such as repairs. These estimates also reflect the assumptions and observable input factors that market participants would use in pricing wind farms. The risks inherent in the discounted cash flow valuation method consist in particular in unfavourable future developments that deviate from the assessments of management and market participants, such as lower wind offers, higher interest rates and operating costs, lower energy prices and possible further unfavourable parameter developments.

20.2.2. Impairment of inventories (work in progress)

The consolidated balance sheet as of December 31, 2018 includes inventories of EUR 38,481 thousand (prior year: EUR 47,006 thousand). These result from the capitalisation of project-related costs incurred as part of the wind/solar park project development. Management has assessed the recoverability of the capitalized costs at the balance sheet date and has taken into account the necessary write-downs. In the valuation of inventories, the future chances of realising projects and the value of the expected future cash flows are key estimates.

20.2.3. Deferred tax assets

Deferred tax assets are recognized for all unused tax loss carryforwards and timing differences to the extent that it is probable that taxable profit will be available against which the unused tax loss carryforwards can be utilized, or there is convincing evidence that the unused tax loss carryforwards can be utilized. Significant portions of the deferred tax assets arose in the wind farm operating companies, which use maximum depreciation permitted for tax purposes, and in the foreign planning companies, which bear considerable start-up costs for the respective market and project development. In order to determine the amount of deferred tax assets, management estimates the expected timing and amount of future taxable income and future tax planning strategy (timing of taxable profits, consideration of tax risks, etc.). The respective national and EU tax law bases, which are subject to ongoing adjustments, also have a significant impact on this.

21. Determination of fair values

Many of the Group's accounting policies and disclosures require the determination of fair values for financial and non-financial assets and liabilities.

The Energiekontor Group has established a control framework for the determination of fair values. This includes a valuation team that has general responsibility for monitoring all material fair value measurements and reports directly to the Management Board. The valuation team regularly reviews the key input factors and the valuation adjustments. When information from third parties is used to determine fair values, the valuation team reviews the evidence obtained from the third parties to conclude that such valuations meet the requirements of IFRSs, including the level in the fair value hierarchy to which those valuations are assigned.

In determining the fair value of an asset or liability, the Group uses observable market data as far as possible. Based on the input factors used in the valuation techniques, the fair values are assigned to different levels in the fair value hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities
- Level 2: Valuation parameters other than quoted prices included in Level 1 but observable for the asset or liability either directly (i.e. as a price) or indirectly (i. e. derived from prices)
- Level 3: Valuation parameters for assets or liabilities that are not based on observable market data.

If the input factors used to determine the fair value of an asset or liability can be assigned to different levels of the fair value hierarchy, the fair value measurement in its entirety is assigned to the level of the fair value hierarchy that corresponds to the lowest input factor that is material to the measurement overall. Transfers between different levels of the fair value hierarchy are recognised at the end of the reporting period in which the change occurs.

Further information on the assumptions used to determine fair values can be found in the notes to the financial statements under the description of the respective assets and liabilities.

V. Notes to the Profit and Loss Account

The following figures are shown under the corresponding items in the income statement. Unless otherwise specified, all information is given in TEUR.

1. Sales proceeds

Group sales in the project planning and sales segment (wind, solar) relate to German wind farms.

The activities attributable to the business development, innovation and other segment are predominantly performed almost exclusively in Germany.

Sales revenues in the Power Generation segment from the Group's own wind farms (in short: power generation) are realised in wind farms in Germany, Portugal and the United Kingdom.

In detail, sales revenues break down by segment as follows:

EUR thousand	2018	2017
Segments and related revenues		
Project planning and sale (wind, solar)	52,920	97,044
Power generation in the Group's own wind and solar farms	53,528	49,080
Business development, innovation and others	3,706	3,741
Revenues all segments	110,186	149,865

2. Changes in inventories and other own work capitalized

This item, amounting to EUR 18,516 thousand (previous year: EUR 52,211 thousand), includes the changes in the Group-wide inventories of unfinished projects as of the balance sheet date as well as the production costs of wind farms manufactured in-house and included in the fixed assets, which are to remain in the Group's portfolio.

If wind farms allocated to fixed assets are sold and accordingly allocated to current assets, this leads to a corresponding reduction in inventories.

EUR thousand	2018	2017
Transfer of wind farms to fixed assets	27,041	39,477
Changes in inventories of unfinished projects	-8,525	12,734
Changes in inventories and own-account services	18,516	52,211

The unfinished expansion of the British wind farm Witherwick (Witherwick Extension), which is included in the balance sheet under fixed assets, accounted for expenses of EUR 5,827 thousand as of the balance sheet date, which are included in the above acquisition value.

Impairment losses on inventories (wind farm projects) already included in the changes in inventories amounted to EUR 1,163 thousand in the fiscal year (prior year: EUR 2,696 thousand).

As the construction costs for wind farms that may remain in the Group's portfolio are also booked under current cost of sales and other cost items (other operating expenses, personnel expenses and interest expenses), the project-related portfolio must be capitalised until the time of completion and the decision to sell.

At the time of completion of the wind farm, the previous year's work in progress capitalised for this purpose is first derecognised. At the same time, this amount, plus the production costs still incurred until completion, is capitalised under property, plant and equipment by reclassifying the finished wind farms as fixed assets if they remain in the Group for the purpose of electricity generation. In the year under review, the British wind farm New Rides and the solar park Garzau were two acquisitions of self-produced parks into the company's own portfolio.

For the Witherwick wind farm, which was previously included in fixed assets, the construction costs for the expansion (Witherwick Extension) are reported directly under Group fixed assets.

Capitalisation of wind farms produced in-house by transfer to fixed assets always takes place without affecting net income, as does any reverse transfer from fixed to current assets.

3. Other operating income

Other operating income breaks down as follows:

EUR thousand	2018	2017
Release of provisions	3,028	2,804
Misc. other operating income	191	225
Net income from currency translation	96	2,666
Damages / insurance refunds	48	51
Other operating income	3,363	5,746

4. Cost of materials and purchased services

The group-wide expenses incurred for the planning and production of wind/solar park projects amount to EUR 60,631 thousand (previous year: EUR 127,923 thousand). This includes, among other things, the costs incurred for the construction of the parks, which have been transferred to the company's own portfolio.

5. Personnel expenditure

Personnel expenses of EUR 13,667 thousand (prior year: EUR 11,830 thousand) increased due to the increase in the number of employees in the fiscal year and are broken down as follows:

EUR thousand	2018	2017
Salaries	11,687	10,100
Social security contributions and expenses	1,980	1,730
personnel expenditure	13,667	11,830

Taking into account the expenses for the sale of bonds (recognized directly in equity), total personnel expenses amounted to EUR 13,667 thousand (prior year: EUR 12,241 thousand).

The average number of employees is 161 (previous year: 148). Of these, an average of 24 employees (previous year: 19) were employed by foreign subsidiaries.

6. Write-offs

The Group's own wind farms accounted for EUR 18,495 thousand (prior year: EUR 16,657 thousand), or the lion's share, of the total depreciation and amortisation of EUR 18,546 thousand (prior year: EUR 16,704 thousand). Detailed information on fixed assets and depreciation can be found in the statement of changes in fixed assets (cf. point VI. 1). As in the previous year, no impairment losses on property, plant and equipment were recognized in the reporting period.

7. Other operating expenses

Other operating expenses comprise the following expense items:

EUR thousand	2018	2017
Repairs and maintenance of wind farms	6,390	8,117
Lease payments for wind and solar farms	3,039	2,508
Administrative expenses	1,514	1,182
Legal, tax, audit and other consultancy fees, legal costs	1,470	1,504
Fees, charges, contributions	1,155	1,190
Project-related expenses (incl. planning, travel expenses, etc.)	1,091	1,157
Occupancy costs	634	575
Advertising and selling expenses	629	715
Insurances	614	967
Electricity consumption of wind turbines	397	345
Misc. other operating expenses	212	215
other operating expenses	17,144	18,475

8. Net interest

Net interest income in the Group is as follows:

EUR thousand	2018	2017
Interest and similar income	783	190
Interest and similar expenses	-13,255	-16,414
Net interest	-12,472	-16,223
Investment income	7	0
Investment income	7	0
Financial result	-12,465	-16,223

There was no interest income from financial assets not measured at fair value through profit or loss. Changes from the market valuation of fully effective cash flow hedged derivatives (interest rate and cross-currency interest rate swaps) in the amount of the accumulated negative market values of EUR -2,545 thousand (previous year: negative market values of EUR -3,454 thousand), netted against the related deferred taxes, were recognized directly in equity. Changes are due to the disposal of hedged liabilities, falling residual maturities, changes in capital market interest rates and future interest and exchange rate forecasts that affect market values. The swaps were concluded exclusively to hedge interest rate and currency risks arising from long-term wind farm financing, which is why the negative market values cannot be realised before the maturity of the derivatives or can only be realised in exceptional cases. As a result of the gradual reduction in the reference figures for payer interest rate swaps, the impact on earnings will also be successively reduced in the following reporting periods. Effective interest is included in the amount of EUR 652 thousand (prior year: EUR 353 thousand).

Interest income of EUR 783 thousand (prior year: EUR 190 thousand) relates to current financial assets with variable interest rates. Of the interest expense, EUR 107 thousand (prior year: EUR 1,531 thousand) relates to current financial liabilities with variable interest rates. The interest expenses reported relate exclusively to debt items measured at amortized cost.

9. Income taxes

The Group's total tax expense is as follows:

EUR thousand	2018	2017
Current (actual) taxes	1,537	2,519
Deferred taxes	1,395	2,260
Total tax expenditure	2,932	4,778

9.1. Actual taxes

This item includes trade and corporate income taxes payable in Germany, the solidarity surcharge and comparable income tax expenses in the foreign companies.

9.2. Deferred taxes

Deferred taxes due to temporary differences between the carrying amounts in the tax balance sheets and the carrying amounts in the consolidated balance sheet exist in the following amounts.

EUR thousand	31.12.2018		31.12.2017	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Valuation of property, plant and equipment	373	14,860	208	13,564
Losses carried forward	10,871	0	10,621	0
Fair value measurement IFRS 9	759	5	1,030	18
Elimination of intercompany profits	0	0	655	0
Valuation of inventories	0	1,121	0	1,352
Valuation of financial instruments (effective interest method)	0	919	0	893
Other reasons for deviation	82	0	134	0
Subtotal before netting	12,084	16,905	12,648	15,827
Amounts eligible for netting	-6,319	-6,319	-6,186	-6,186
Deferred taxes (after netting)	5,765	10,585	6,462	9,641

The decisive factor for the assessment of the recoverability of deferred tax assets is the assessment of the probability of the reversal of the valuation differences and the usability of the loss carryforwards, which led to deferred tax assets.

This is dependent on the generation of future taxable profits during the periods in which tax valuation differences reverse and tax loss carryforwards can be utilized.

The Group's tax loss carryforwards consist of Energiekontor AG, the wind farm operators and the foreign planning and construction companies and are broken down as follows:

EUR thousand	31.12.2018		31.12.2017	
	Germany	Abroad	Germany	Abroad
Loss carryforwards				
with formation of deferred tax assets				
Trade tax losses carried forward	53,541	0	54,702	0
Losses carried forward corporation tax	12,204	7,406	10,429	6,898
without formation of deferred tax assets				
Trade tax losses carried forward	4,748	0	3,963	0
Loss carryforwards corporation tax	0	3,845	5	3,761

In the reporting period, the Company assumes that sufficient positive taxable income will be available to realize the capitalized tax asset for the tax loss carryforwards for which deferred tax assets were recognized due to future business activities. Based on past experience and the expected taxable income situation, it is assumed that the corresponding benefits from deferred tax assets can be realized to this extent. The loss carryforwards resulting mainly from the wind farm operating companies affect trade tax at the level of the wind farm operating companies themselves and corporation tax at the level of Energiekontor AG. They do not result from unplanned business developments, but in particular from increased initial tax depreciation. If it does not appear sufficiently certain that losses can be realised, possibly within the time limit existing abroad, they are not capitalised.

Insofar as deferred tax assets are capitalised for loss carryforwards, there is no time limit for the possibility of carrying forward in Germany and the United Kingdom. In Portugal, there is also a tax carryforward possibility for losses, the use of which is limited to twelve years.

The deferred tax amounts of EUR 754 thousand (prior year: EUR 1,012 thousand) offset directly in equity (fair value reserve) were recognized directly in equity.

9.3. Tax reconciliation

(Effective Tax Rate Reconciliation)

In fiscal year 2018 and according to the current legal situation, the corporate income tax rate in Germany is expected to remain at 15 percent plus the solidarity surcharge of 5.5 percent of the corporate income tax burden in subsequent years. This results in an effective corporate income tax rate of 15.83 percent. Including trade tax, which averages 14.00 percent, the total tax rate for the fiscal year was 29.83 percent.

The reconciliation from the expected tax expense to the reported income tax expense is shown below. The calculation of the expected tax expense is based on the application of the total domestic tax rate of 29.83 percent (previous year: 29.83 percent). There is therefore no effect from a change in the tax rate.

The following overview shows the reasons for the difference between the expected (calculated) and the actual tax expense:

EUR thousand	2018	2017
Income tax expense arithmetical	2,867	4,971
Income taxes for other periods	251	-160
Effects from partnerships	188	68
Deactivated and lost tax loss carryforwards	148	301
Non-deductible operating expenses	135	48
Tax-free results and other neutral gains	0	-13
Different tax law / tax rates abroad	-657	-436
Actual tax expense	2,932	4,778

10. Earnings per share

At the end of the financial year, 14,578,160 (previous year: 14,578,160) shares were subscribed. Of these, 14,548,240 (previous year: 14,577,275) shares were outstanding, taking into account the shares repurchased for the purpose of cancellation but not yet cancelled. Taking into account an exact daily weighting, an average of 14,571,623 (previous year 14,584,874) shares were outstanding in the fiscal year. As in the previous year, there were no dilution effects in the financial year, so that "undiluted earnings per share" and "diluted earnings per share" are identical.

	2018	2017
Group result in EUR	6,679,845	11,887,834
Weighted average number of shares outstanding	14,571,623	14,584,874
Basic / diluted earnings per share in EUR	0.46	0.82

11. Financial risks and financial instruments

In principle, the Energiekontor Group is exposed to interest rate, liquidity and currency risks as well as credit and default risks in the case of assets.

Interest rate risks are hedged by means of hedging derivatives in addition to long-term fixed interest rate agreements (for wind farm financing). The wind farm operating companies concerned have taken out variable loans (3-month EUR-EURIBOR telerate) and converted them into fixed-interest loans, for which interest rate hedges are concluded by means of interest rate swaps (synthetic fixed-interest loans). The Group is not exposed to interest rate risks during the term of the hedging derivatives. Changes in interest rates only affect the value of derivatives if they are considered separately, as required by IAS 39. To this end, such decoupled effects of changes in interest rates are presented using sensitivity analyses, which reflect the effects of changes in market interest rates on interest payments, interest income and expenses, other income components and equity.

As of the balance sheet date, the interest rate swaps with no effect on income had a negative fair value of EUR –2,545 thousand (prior year: EUR –3,454 thousand) as a result of lower capital market interest rates the conclusion of the agreement, calculated according to a mark-to-market valuation (MTM).

The negative fair values of derivative financial instruments are reported under “Other financial liabilities”. The market value of such assets and liabilities is determined on the basis of parameters for which either directly or indirectly derived quoted prices are available on an active market and is based on financial mathematical simulation models of forecast currency and interest rate developments. From the management’s point of view, the market values of these swaps are purely theoretical values, especially as a sale or realisation of the market values prior to the scheduled expiry of the fixed interest period hedged with the derivatives is not possible or can only be considered in exceptional cases. Where loans linked to interest rate swaps are refinanced, they shall always be fully effective and related.

The negative market values of synthetic fixed-interest loans are economically comparable with early repayment penalties payable in the event of loan termination for traditional fixed-interest loans, which in turn would not be accounted for under IFRS.

With regard to the interest rate swaps, the effective interest expense of the underlying transactions hedged with the aforementioned payer swap hedges corresponds to the interest rate level hedged for the underlying transaction in each case, so that retrospectively the effectiveness is fully ensured. As a

result, these financial instruments are not subject to interest rate risks relating to the income statement or equity. Gains and losses from the fair value measurement of derivatives are therefore recognized directly in equity after offsetting against the related deferred tax liabilities or assets.

If the market interest rate had been 100 basis points higher (lower) at the balance sheet date, a fair value of EUR 0 thousand (EUR 0 thousand) would result. The reference figures for the underlying transactions of the wind park financings amount to EUR 0 thousand (previous year: EUR 114,885 thousand), if converted to EUR.

The terms of interest rate hedges and interest rate currency hedges generally correspond to those of the hedged underlying transactions. At the balance sheet date, the Group had derivative instruments with a maximum maturity until March 2037 in its portfolio to hedge interest rate and currency risks arising from wind farm financing.

Further currency risks of the British subsidiaries are generally not hedged.

Liquidity risks are countered by the timely and sufficient agreement of credit lines that are not exhausted and by the issue of bonds.

Credit and default risks are reflected in the balance sheet by means of value adjustments if necessary. They are limited to the amounts shown on the assets side of the balance sheet.

VI. Notes to the balance sheet

The following figures are shown under the corresponding items in the balance sheet. Unless otherwise specified, all information is given in EUR thousand.

1. Fixed assets

The composition and development of fixed assets in the current year and the previous year are shown in the following statement of changes in fixed assets.

None of the assets listed here are held for sale (non-current assets held for sale) or allocated to discontinued operations, so no separate disclosure is required.

Fixed Asset 2018

EUR thousand	Acquisition / manufacturing costs			
	01.01.2018	Additions	Disposals	31.12.2018
I. Goodwill				
Goodwill	5,200	0	0	5,200
II. Other intangible assets				
Other intangible assets	285	26	0	311
III. Property, plant and equipment				
1. Land and buildings	734	0	0	734
2. Technical equipment (wind / solar parks)	307,907	28,911	107	336,711
a. of which in operation	307,907	23,085	107	330,884
b. of which under construction	0	5,827	0	5,827
3. Other equipment, factory and office equipment	548	96	0	644
	309,189	29,007	107	338,089
IV. Financial assets				
Participations	25	1	0	26
Total	314,699	29,034	107	343,625

Fixed Asset 2017

EUR thousand	Acquisition / manufacturing costs			
	01.01.2017	Additions	Disposals	31.12.2017
I. Goodwill				
Goodwill	5,200	0	0	5,200
II. Other intangible assets				
Other intangible assets	284	1	0	285
III. Property, plant and equipment				
1. Land and buildings	693	41	0	734
2. Technical equipment (wind / solar parks)	268,487	40,029	608	307,907
a. of which in operation	268,487	40,029	608	307,907
b. of which under construction	0	0	0	0
3. Other equipment, factory and office equipment	505	47	5	548
	269,685	40,117	613	309,189
IV. Financial assets				
Participations	53	0	28	25
Total	275,222	40,118	641	314,699

	Depreciations			Book value		
	01.01.2018	Additions	Disposals	31.12.2018	31.12.2018	31.12.2017
	5,200	0	0	5,200	0	0
	284	3	0	287	23	1
	0	0	0	0	734	734
	114,216	18,495	0	132,710	204,001	193,692
	114,216	18,495	0	132,710	198,174	193,692
	0	0	0	0	5,827	0
	415	48	0	463	181	133
	114,631	18,542	0	133,173	204,916	194,558
	0	0	0	0	26	25
	120,115	18,546	0	138,661	204,965	194,584

	Depreciations			Book value		
	01.01.2017	Additions	Disposals	31.12.2017	31.12.2017	31.12.2016
	5,200	0	0	5,200	0	0
	274	10	0	284	1	10
	0	0	0	0	734	693
	97,559	16,657	0	114,216	193,692	170,928
	97,559	16,657	0	114,216	193,692	170,928
	0	0	0	0	0	0
	379	37	1	415	133	126
	97,938	16,694	1	114,631	194,558	171,747
	0	0	0	0	25	53
	103,411	16,704	1	120,115	194,584	171,810

1.1. Goodwill

Goodwill was already fully amortised in previous years and was not required to be recognised either on the balance sheet date or in the previous year's financial statements.

1.2. Other intangible assets

This is software to be capitalized and amortized on an ongoing basis.

1.3. Properties

This item includes all properties held and used for the operation of wind and solar farms and thus attributable to the "Power generation in Group-owned wind and solar farms" segment, which are carried at amortised cost of EUR 734 thousand (prior year: EUR 734 thousand) as of the balance sheet date.

1.4. Technical installations (wind and solar farms)

The additions to the New Rides wind farm and the Garzau solar park added value in the year under review. Changes in the provisions for deconstruction of the entire wind farm

portfolio also had a corresponding effect. The residual book values of all wind farms in the Group amounted to EUR 204,001 thousand at the balance sheet date (previous year: EUR 193,692 thousand). The assets reported here are generally assigned by way of security within the framework of long-term financing agreements. Additions from construction costs for the expansion of the British wind farm Withernwick, which was not completed until the following year, are included at EUR 5,827 thousand.

1.5. Other equipment, factory and office equipment

The balance sheet figure of EUR 181 thousand (previous year: EUR 133 thousand) includes office furniture and equipment at the various locations in Germany and abroad.

2. Financial instruments

The following is an overview of the categorisation of the financial instruments of the Energiekontor Group as of the balance sheet date. There were no reclassifications either in the financial year or in the previous year.

EUR thousand

	Carrying amount Balance sheet 31.12.2018				
	Book value 31.12.2018	Continuing acquisition costs	Fair value not affecting net incomel	Fair value not affecting net incomel	Fair Value 31.12.2018
Asset and debt values					
Assets					
Cash and cash equivalents	73,291	73,291			73,291
Trade receivables and services	19,123	19,123			19,123
Other accounts receivable	666	666			666
Financial investments in Equity instruments	26	26			26
Available-for-sale financial assets	5,061		5,061		5,061
Debts					
Bonds	84,780	84,780			84,780
Liabilities to banks	138,450	138,450			138,450
Other financial liabilities	1,040	1,040			1,040
Trade accounts payable and services	5,489	5,489			5,489
Other miscellaneous liabilities	4,415	4,176		238	4,653
Derivative financial liabilities with hedging relationship	2,545		2,545		2,545

Cash and cash equivalents in the amount of EUR 25,364 thousand (previous year EUR 41,710 thousand) were offset against liabilities to banks.

Before netting, cash and cash equivalents amounted to EUR 98,655 thousand (previous year EUR 110,712 thousand). Liabilities to banks before netting amount to EUR 163,814 thousand (previous year EUR 182,418 thousand).

The netting was based on the compensation agreements concluded with the banks and the assignment of account balances in the context of debt financing with the same bank.

A financial asset is allocated to the available-for-sale category if it cannot be allocated to the other categories (residual value). Spot transactions of financial assets are recognized on the trade date.

EUR thousand

Carrying amount Balance sheet 31.12.2017

Asset and debt values	Book value 31.12.2017	Continuing acquisition costs	Fair value not affecting net income ¹	Fair value affecting net income	Fair Value 31.12.2017
Assets					
Cash and cash equivalents	69,002	69,002			69,002
Trade receivables and services	26,216	26,216			26,216
Other accounts receivable	634	634			634
Financial investments in Equity instruments	25	25			25
Available-for-sale financial assets	10,159		10,159		10,159
Debts					
Bonds	86,202	86,202			86,202
Liabilities to banks	140,708	140,708			140,708
Other financial liabilities	2,659	2,659			2,659
Trade accounts payable and services	8,383	8,383			8,383
Other miscellaneous liabilities	9,504	9,158		346	9,850
Derivative financial liabilities with hedging relationship	3,454		3,454		3,454

3. Receivables from associated companies

This item includes minority interests in partnerships accounted for using the equity method.

4. Other receivables and financial assets

This item includes deposits, accruals and prepayments for future expenses with a term of more than one year.

5. Deferred taxes

Deferred taxes result from different valuations in the IFRS and tax balance sheets of the Group companies and from consolidation measures to the extent that these differences offset each other over time.

According to the liability method (IAS 12), the tax rates applicable on the balance sheet date or already adopted and known for the future are applied.

Deferred tax assets and liabilities are offset to the extent that the relevant conditions are met.

The composition of deferred tax assets before and after netting with deferred tax liabilities is shown in Note 9.2 to the income statement.

6. Inventories

The inventories totalling EUR 38,481 thousand (prior year: EUR 47,006 thousand) relate to capitalized planning services for wind and solar park projects to be realized as well as construction costs incurred in connection with the construction of wind and solar parks (work in progress and services).

Unscheduled write-downs on inventories in the amount of EUR 1,163 thousand (previous year EUR 2,696 thousand) were necessary in the fiscal year. These are included in changes in inventories and other own work capitalised and relate exclusively to the project planning and sales segment (wind, solar).

Depreciation relates to projects that are no longer being pursued due to inefficiency or inability to obtain approval.

Financing costs relating to project and construction costs are capitalized to the extent that they relate to inventories eligible for capitalization (IAS 23.27). Accordingly, EUR 3,759 thousand (prior year: EUR 4,533 thousand) was capitalized in the fiscal year; the average financing cost rate was 4.5 percent (prior year: 6.0 percent).

Due to the non-activation under tax law, deferred tax liabilities must be taken into account in this respect.

7. Accounts receivable from deliveries and services

This item of EUR 19,123 thousand (prior year: EUR 26,216 thousand) is comprised exclusively of receivables arising as of the balance sheet date, which are generally received no later than 90 days after the balance sheet date. To the extent that the receivables result from the sale of wind farm operating companies, they had already been received by the time the annual financial statements were prepared. They also relate to energy supply companies and companies for which the Group is responsible for commercial management and payment processing, which means that their solvency and the need for an impairment loss for any default risks can be reliably assessed. In addition, the default probabilities of receivables from wind farm operating companies are classified as low, as the projects are generally financed with binding commitments. A value adjustment is therefore not necessary as a rule. Reference is made to the disclosures on the provision of loan collateral in Note VI. 20.

8. Other receivables and financial assets

Other receivables and financial assets of EUR 1,178 thousand (prior year: EUR 1,162 thousand) mainly comprise prepaid expenses and other current monetary assets.

9. Income tax receivables

This item of EUR 480 thousand (prior year: EUR 7,064 thousand) mainly includes trade tax and corporation tax refund claims due to the payment of high advance payments.

10. Cash and cash equivalents

Of the cash and cash equivalents of EUR 98,655 thousand (prior year: EUR 69,002 thousand) available at the balance sheet date, a total of EUR 1,244 thousand (prior year: EUR 2,064 thousand) has been pledged to banks for security purposes (guarantee lines granted).

11. Subscribed capital

The issued and outstanding share capital of Energiekontor AG at the balance sheet date in the amount of EUR 14,548,240.00 was reduced accordingly compared with the previous year (EUR 14,577,275.00) by further share repurchases. The subscribed and registered capital of EUR 14,578,160.00 as of the balance sheet date, is divided into 14,578,160 no-par value ordinary shares (no-par value shares with a notional par value of EUR 1.00 each).

12. Own shares

By resolution of the Annual General Meeting on May 21, 2015, the Company is authorised pursuant to section 71 (1) no. 8 AktG to acquire treasury shares up to a total of 10 percent of the current share capital. This authorisation shall expire on May 20, 2020.

On the basis of this resolution, a total of 29,035 shares (previous year: 14,800 shares) were repurchased in the financial year for the purpose of capital reduction. The portion of acquisition costs exceeding the nominal capital per share is offset against other revenue reserves.

The cancellation and capital reduction of 75,000 repurchased shares took place in November 2017.

13. Capital reserve

The capital reserve of EUR 40,458 thousand comprises of the premiums achieved at the IPO and the capital increases of Energiekontor AG in 2000 and 2001, respectively, less the related costs (after taxes) and has increased compared with the previous year (EUR 40,428 thousand) by the pro rata fair value of EUR 30 thousand of the subscription rights granted under the 2014 share option programme.

14. Authorized and conditional capital

Please refer to the comments in the annual financial statements of Energiekontor AG.

15. Reserves for changes in equity not affecting net income

15.1. Currency translation

The cumulative differences from currency translation of EUR –61 thousand at the end of the previous year, which reduced equity accordingly in previous years, did not change in the financial year. They are only released to income at the time of the partial disposal of the British subsidiaries. This relates to the currency conversions carried out within the Group in previous years.

15.2. Fair value valuation

This equity item in the amount of EUR –1,775 thousand (prior year: EUR –2,381 thousand) is recognized at fair value and comprises the negative fair value of interest rate and cross-currency interest rate swaps totalling EUR –2,545 thousand (prior year: EUR –3,454 thousand) as well as valuation differences on German Government securities held as of the balance sheet date. The negative market values declined accordingly compared with the previous year due to the effect of the fall in the exchange rate of the British pound against the euro and the development of interest rates.

These values are recognized directly in equity after offsetting against the related deferred tax assets or liabilities.

The reserve is made up as follows:

EUR thousand	2018	2017
Value of interest-rate and interest / currency swaps	–2,545	–3,454
Adjustment of market value of German Government securities	16	61
Deferred tax assets and liabilities	754	1,012
Balance at December 31	–1,775	–2,381

16. Revenue reserves

Retained earnings of EUR 40,140 thousand (prior year: EUR 39,717 thousand) comprise the unchanged statutory reserve of EUR 15 thousand and other retained earnings of EUR 40,125 thousand (prior year: EUR 39,702 thousand).

Other revenue reserves developed as follows in the financial year:

EUR thousand	2018	2017
Balance at January 1	39,702	30,149
Offset against acquisition costs for repurchased own shares that exceeded nominal capital	-374	-237
Partial appropriation of profits	0	9,790
Balance at December 31	39,329	39,702

The partial appropriation of profit in the fiscal year of EUR 9,790 thousand includes EUR 3,024 thousand of the allocation to retained earnings by the Annual General Meeting on May 23, 2017 and EUR 6,766 thousand of the allocation to retained earnings by the Board of Management and the Supervisory Board on April 9, 2018.

17. Accumulated consolidated results

Accumulated consolidated earnings developed as follows in the financial year:

EUR thousand	2018	2017
Balance at January 1	-22,049	-12,477
Profit distributions	-8,745	-11,670
Consolidated result	6,680	11,888
Allocations to retained earnings	0	-9,790
Balance at December 31	-24,115	-22,049

18. Other provisions and accrued liabilities

This non-current item consists exclusively of provisions for dismantling and renaturation costs for wind turbines and substations included in the Group's portfolio. The costs expected to be incurred in different amounts, depending on the type of plant, are discounted to their present value depending on the expected time of the respective dismantling and adjusted annually in line with the development of the present value by compounding.

In the year under review, discounting was performed on the basis of the different terms of the obligations up to the probable date of their reduction using discount rates of between 2.44 percent and 3.90 percent before taking inflation discounts into account. An expected inflation rate of 2.00 percent p. a. (previous year: 2.00 percent) has been taken into

account for the application of the nominal interest rate calculation to the expected dismantling costs.

Provisions developed as follows in the previous year and in the reporting period:

EUR thousand	2018	2017
Provisions for dismantling and renaturation January 1	12,603	12,099
Additions in the current year due to accrued interest	439	423
Additions/ disposals present value (change in production costs, interest rate)	496	-239
Additions in connection with completion/ acquisitions	593	455
Additions/ disposals present value (change in production costs, dismantling costs)	728	-135
Provisions for dismantling and renaturation December 31	14,859	12,603

19. Bond capital

The following bonds and the interest claims are securitized for the entire term of the respective bonds in the form of a bearer collective bond, which is deposited with Clearstream Banking AG, Frankfurt.

The bonds contain no conversion rights or other equity elements and are freely tradable. The bonds of Energiekontor Finanzierungsdienste GmbH & Co. KG, Energiekontor Finanzanlagen II GmbH & Co. KG, Energiekontor Finanzanlagen III GmbH & Co. KG, Energiekontor Finanzanlagen IV GmbH & Co. KG, Energiekontor Finanzanlagen V GmbH & Co. KG as well as Energiekontor Finanzanlagen VI GmbH & Co. KG are also admitted to the regulated unofficial market on the Frankfurt Stock Exchange.

The Issuer may give notice of termination prior to maturity by giving eight weeks' notice to the end of the quarter, but the bondholders may only give notice if payments are suspended, the issuer becomes illiquid or insolvent.

The bonds classified as maturity values in accordance with IFRS do not have any embedded derivative features. They must be recognised at fair value in the form of the present value of the cash flows from borrowings.

Step-up interest rate bond I of EUR 10,100 thousand

In 2010, Energiekontor Finanzierungsdienste GmbH & Co KG (issuer) issued a convertible bond in the amount of EUR 10,100 thousand, divided into 10,100 bearer bonds of EUR 1,000 each under the securities identification number (WKN) A1CRY6.

The interest as well as the repayment of the invested capital takes place in two stages. Until the first partial repayment of 25 percent of the nominal amount on April 1, 2015, the investor received an interest rate of 6.0 percent; for the remaining term until April 1, 2020, the annual interest rate increases to 6.5 percent.

The issuer exercised its contractual right to call the bond during the financial year and redeemed the bond in the amount of EUR 4,098 thousand early as of December 31, 2018.

Taking into account the first partial repayment on April 1, 2015, the partial redemption on March 31, 2017 and the partial redemption on December 31, 2018, the bond is therefore no longer recognized as of the balance sheet date (prior year: EUR 4,098 thousand).

Step-up interest rate bond IV of EUR 11,250 thousand

In 2012, Energiekontor Finanzierungsdienste GmbH & Co KG issued a convertible bond in the amount of EUR 11,250 thousand, divided into 11,250 bearer bonds of EUR 1,000 each, under the securities identification number (WKN) A1MLW0, with interest starting on July 1, 2012. The interest as well as the repayment of the invested capital takes place in two stages.

Until the first partial repayment of 20 percent of the nominal amount on June 30, 2018, the investor received an interest rate of 6.0 percent; for the remaining term until June 30, 2022, the annual interest rate increased to 6.5 percent.

The first partial repayment of EUR 2,055 thousand, which was reported under current liabilities in the previous year's financial statements, was made as scheduled in the financial year.

Taking into account the first partial redemption on April 3, 2017 and the first partial repayment on June 30, 2018, the bond had a value of EUR 8,222 thousand at the balance sheet date (prior year: EUR 10,277 thousand).

Corporate bond 2013 for EUR 7,000 thousand

In 2013, Energiekontor AG issued a further convertible bond in the amount of EUR 7,000 thousand, divided into 7,000 bearer bonds of EUR 1,000 each under the securities

identification number (WKN) A1R029, which was also subscribed in full. Investors received a return of 7 percent of the nominal value of the subscribed capital.

The bond matured on June 30, 2018 at nominal value and was repaid in full. The bond reported under current liabilities in the previous year at EUR 7,000 thousand was therefore no longer recognized as of the balance sheet date.

Step-up interest rate bond VI of EUR 6,135 thousand

In 2013, Energiekontor Finanzanlagen GmbH & Co KG issued a convertible bond in the amount of EUR 6,135 thousand, divided into 6,135 bearer bonds of EUR 1,000 each under the securities identification number (WKN) A1YCQW, with interest starting on January 1, 2014. The interest as well as the repayment of the invested capital takes place in two stages. Until the first partial repayment of 20 percent of the nominal amount on December 31, 2019, the investor receives an interest rate of 6.0 percent; for the remaining term until December 31, 2023, the annual interest rate will increase to 6.5 percent.

In the financial year, the issuer made full use of its contractual right of termination and redeemed the bond in the amount of EUR 6,135 thousand early as of December 31, 2018.

The bond reported under liabilities in the previous year at EUR 6,135 thousand was therefore no longer recognized as of the balance sheet date.

Step interest bond VII of EUR 9,560 thousand

In 2014, Energiekontor Finanzanlagen II GmbH & Co KG issued a convertible bond in the amount of EUR 9,560 thousand, divided into 9,560 bearer bonds of EUR 1,000 each, under the securities identification number (WKN) A12T6G, with interest started on January 1, 2015. The interest as well as the repayment of the invested capital takes place in two stages.

Until the first partial repayment of 30 percent of the nominal amount on December 31, 2019, the investor receives an interest rate of 5.5 percent; for the remaining term until December 31, 2022, the annual interest rate will increase to 6.0 percent. The first repayment tranche of EUR 2,868 thousand was recognized as a current asset as of the balance sheet date.

The bond has a total nominal value of EUR 9,560 thousand at the balance sheet date (prior year: EUR 9,560 thousand). According to the effective interest method, the value at the balance sheet date was EUR 9,496 thousand (prior year: EUR 9,443 thousand).

Step-up interest rate bond VIII in the amount of EUR 11,830 thousand

In 2015, Energiekontor Finanzanlagen III GmbH & Co KG issued a convertible bond in the amount of TEUR 11,830, divided into 11,830 bearer bonds of EUR 1,000 each, under the securities identification number (WKN) A14J93, with interest started on July 1, 2015. The interest as well as the repayment of the invested capital takes place in two stages. Until the first partial repayment of 25 percent of the nominal amount on June 30, 2020, the investor receives an interest rate of 5.0 percent; for the remaining term until June 30, 2023, the annual interest rate will increase to 5.5 percent.

The bond has a value of EUR 11,830 thousand at the balance sheet date (prior year: EUR 11,830 thousand). According to the effective interest method, the value at the balance sheet date was EUR 11,404 thousand (prior year: EUR 11,277 thousand).

Corporate bond 2015 for EUR 6,000 thousand

In 2015, Energiekontor AG issued a further EUR 6,000,000,000 convertible bond under the securities identification number (WKN) A1611S, divided into 6,000 partial bearer bonds of EUR 1,000 each. Investors receive a return of 5.25 percent of the nominal value of the subscribed capital. The bond matures on January 1, 2021 for repayment at nominal value.

As in the previous year, the bond had a value of EUR 6,000 thousand at the balance sheet date. According to the effective interest method, the value at the balance sheet date was EUR 5,892 thousand (prior year: EUR 5,837 thousand).

Step-up interest rate bond IX of TEUR 10,950

In 2016, Energiekontor Finanzanlagen IV GmbH & Co KG issued a convertible bond in the amount of EUR 10,950 thousand, divided into 10,950 bearer bonds of EUR 1,000 each, under the securities identification number (WKN) A16861, with interest starting on March 1, 2016. The interest as well as the repayment of the invested capital takes place in two stages. Until the first partial repayment in the amount of 30 percent of the nominal amount on February 28, 2022, the investor will receive an interest rate of 5.0 percent; for the remaining term until February 28, 2026, the annual interest rate will increase to 5.5 percent.

As in the previous year, the bond had a value of EUR 10,950 thousand at the balance sheet date. According to the effective interest method, the value at the balance sheet date was EUR 10,604 thousand (previous year: EUR 10,523 thousand).

Step-up interest rate bond X of EUR 22,730 thousand

In 2017, Energiekontor Finanzanlagen V GmbH & Co KG issued a convertible bond in the amount of EUR 22,730 thousand, divided into 22,730 bearer bonds of EUR 1,000 each, under the securities identification number (WKN) A2DADL, with interest started on November 1, 2017. Interest and repayment of the capital invested are effected in four stages.

Until the first partial repayment of 20 percent of the nominal amount on October 31, 2022, the investor receives an interest rate of 4.0 percent, until the second partial repayment of 10 percent of the nominal capital on October 31, 2027, the investor will receive an interest rate of 4.3 percent, until the third partial repayment of 20 percent of the nominal capital on October 31, 2032, the investor will receive an interest rate of 4.7 percent, for the remaining term until October 31, 2035, the annual interest rate will increase to 5.0 percent.

The bond has a value of EUR 22,730 thousand (prior year: EUR 22,730 thousand) as of the balance sheet date. According to the effective interest method, the value at the balance sheet date was EUR 21,860 thousand (prior year: EUR 21,702 thousand).

Corporate bond 2018 for EUR 9,000 thousand

In 2018, Energiekontor AG issued a further convertible bond in the amount of EUR 9,000 thousand, divided into 9,000 bearer bonds of EUR 1,000 each under the securities identification number (WKN) A2E4HA. Investors receive a return of 4.0 percent of the nominal value of the subscribed capital. The bond matures on January 31, 2023 for repayment at nominal value.

The bond has a value of EUR 9,000 thousand (previous year EUR 0 thousand) on the balance sheet date. According to the effective interest method, the value at the balance sheet date was EUR 8,659 thousand (prior year: EUR 0 thousand).

Step interest rate bond XI of EUR 9,000 thousand

In 2018, Energiekontor Finanzanlagen VI GmbH & Co KG issued a convertible bond in the amount of EUR 9,000 thousand, divided into 9,000 bearer bonds of EUR 1,000 each, under the securities identification number (WKN) A2LQQD, with interest started on November 1, 2018. Interest and repayment of the invested capital is carried out in three stages.

Until the first partial repayment of 15 percent of the nominal amount on November 1, 2024, the investor will receive an interest rate of 4.0 percent; until the second partial repayment of 20 percent of the nominal capital on November 1, 2030, the investor will receive an interest rate of 4.5 percent; for the

remaining term until November 1, 2036, the annual interest rate will increase to 5.0 percent.

The bond has a value of EUR 9,000 thousand (previous year EUR 0 thousand) on the balance sheet date. According to the effective interest method, the value at the balance sheet date was EUR 8,643 thousand (prior year: EUR 0 thousand).

Total liabilities from non-current and current bond capital amounted to EUR 87,292 thousand (prior year: EUR 88,580 thousand) as of the balance sheet date, of which EUR 2,868 thousand (prior year: EUR 9,055 thousand) is due for repayment in 2019, taking into account the bonds called by the Energiekontor Group in the prior year. According to the effective interest method, the total value at the balance sheet date was EUR 84,780 thousand (prior year: EUR 86,202 thousand).

After the expiration of the aforementioned maturities of the respective bonds, interest rate risks exist, depending on the development of market interest rates, to the extent that these are replaced by bond issues, bank loans or other forms of financing. No follow-up financing is required for the bonds called prematurely.

20. Liabilities to banks

The interest rates for liabilities to banks under fixed-interest agreements are between 0.60 percent and 9.00 percent (previous year between 0.60 percent and 9.00 percent). The variable interest rates are between 0.69 percent and 4.20 percent (previous year between 0.69 percent and 2.22 percent). With regard to these variable interest conditions, which are regularly adjusted at intervals of less than one year, the Company is exposed to interest rate risk. The total liabilities to banks of EUR 163,814 thousand (prior year: EUR 140,708 thousand) include current portions of EUR 20,459 thousand (prior year: EUR 14,678 thousand). Amounts with maturities of more than one year are shown under non-current assets in the balance sheet.

The repayments of long-term loans due within one to five years amount to EUR 59,742 thousand (prior year: EUR 59,333 thousand), loans with a term of more than five years amount to EUR 84,343 thousand (prior year: EUR 77,046 thousand).

Terms of more than five years consist exclusively of investment financing for wind farms. The expected remaining terms for wind farm financing until full repayment range between 1 and 20 years (previous year between 1 and 19 years). After expiry of the respective fixed-interest periods, which still have

residual terms of between 1 and 20 years (previous year: between 1 and 19 years), interest rate risks also exist there, depending on the development of market interest rates.

Long-term liabilities to banks in the amount of EUR 118,947 thousand (EUR 138,294 thousand in the previous year were secured accordingly) are secured as follows:

Real estate liens (land charges) on land owned by Group companies, assignment by way of security of all wind farms operated by the Group and, if applicable, of the transformer stations, and assignment of all claims and receivables of these wind farm operating companies to secure long-term investment financing, including by assignment of all rights and claims to remuneration from electricity fed into the grid from grid connection or grid connection companies. Electricity purchase contracts, direct marketing contracts, concluded insurance contracts for wind turbines and substations, contracts for the supply and erection of wind turbines, maintenance contracts for the wind turbines, all permit contracts and agency agreements necessary for the operation of wind turbines and the transmission of energy, reimbursement of value-added tax to German tax authorities, through the transfer of ownership of wind turbines and substations, including all ancillary and additional equipment and accessories, by granting the Bank rights of entry into the usage agreements for the construction and operation of wind turbines and transformer stations, by issuing a declaration of commitment for the creation and maintenance of capital service reserves and credit balances to secure guarantees, by pledging capital service reserves and credit balances to secure dismantling obligations, and by pledging shares in wind farm infrastructure companies.

The assets assigned as collateral relate to wind farms and shares in wind farm infrastructure (carrying amount EUR 204,001 thousand / previous year EUR 193,692 thousand), receivables from electricity sales (carrying amount EUR 12,340 thousand / previous year EUR 12,320 thousand). Pledged bank balances, to the extent that they have not already been offset against liabilities, have a carrying amount of EUR 1,244 thousand (previous year EUR 2,064 thousand) at the balance sheet date.

As of the balance sheet date, the Group had credit lines available including long-term commitments totalling EUR 197,977 thousand (prior year: EUR 204,346 thousand), of which EUR 138,450 thousand (prior year: EUR 140,708 thousand) were utilized.

21. Liabilities due to limited partners outside the Group

Liabilities to non-Group limited partners in the non-current area consist of the shares of non-Group minority shareholders amounting to EUR 1,040 thousand (previous year: EUR 1,664 thousand) in wind farm operating companies whose wind farms are intended to remain in the Group's portfolio. These companies have the legal form of limited partnerships, which is why this item is accounted for as debt in accordance with IAS 32 at the present value of the net assets of the limited partners. Minority interests are recorded under financial expenses.

Short-term liabilities include liabilities to non-Group limited partners amounting to EUR 0 thousand (previous year: EUR 994 thousand). In the previous year, this was an advance payment from a minority shareholder outside the Group for a project that will be completed and deconsolidated in the current year.

22. Other financial liabilities

This item includes the negative fair values of interest rate and currency swaps totalling EUR 2,545 thousand (prior year: negative fair values of EUR 3,454 thousand) to be reported as a liability. The interest rate and currency swaps are based on the underlying transactions (wind farm financing) and have terms of more than twelve months. The items relate to cash flow hedges recognised directly in equity, the market value of which was determined on the basis of parameters for which either directly or indirectly derived quoted prices are available on an active market.

This item also includes a swap from a previous company acquisition amounting to EUR 238 thousand (previous year: EUR 346 thousand), which has been recognised in profit or loss due to the hedging relationship having been released in the meantime. They are recognised at fair value.

23. Other liabilities

For the long-term provision of capacities at the substations included in the Group's assets, third parties received usage fees in the form of one-off payments, which are to be distributed evenly over the entire term of the provision of use and which will be recognised in profit on a pro rata basis in the future. The amount not yet reversed and discounted at the balance sheet date is shown here.

24. Tax accruals

Tax provisions include provisions for current income taxes. The balance sheet value developed as follows:

EUR thousand	2018	2017
Tax provisions on January 1	1,046	9,996
Consumption	-1,035	-9,980
Additions	1,169	1,030
Balance at December 31	1,180	1,046

25. Other provisions and accrued liabilities

Other provisions developed as follows:

EUR thousand	01.01.2018	Usage 2018	Dissolution 2018	Addition 2018	31.12.2018
Legal disputes, lawsuits	29	29	0	145	145
Legal and consultancy costs	534	478	13	572	615
Personnel costs	1,871	1,867	0	1,969	1,973
Project-related provisions	9,684	6,809	2,620	8,802	9,057
Others	2,541	2,014	395	1,581	1,714
Other provisions and accrued liabilities	14,660	11,197	3,028	13,069	13,504

EUR thousand	01.01.2017	Usage 2017	Dissolution 2017	Addition 2017	31.12.2017
Legal disputes, lawsuits	29	0	0	0	29
Legal and consultancy costs	602	527	10	469	534
Personnel costs	2,051	2,047	1	1,868	1,871
Project-related provisions	8,300	5,351	2,604	9,339	9,684
Others	1,673	1,374	189	2,430	2,541
Other provisions and accrued liabilities	12,656	9,299	2,804	14,107	14,660

The personnel-related provisions mainly include provisions for profit-sharing, overtime and unused vacation.

The release of project-related provisions mainly results from the elimination of follow-up costs from the construction and sale of wind farms that have already been realised and sold.

VII. Segment Reporting 2018 (IFRS)

1. Principles of segment reporting

Based on the organisational and reporting structures at Energiekontor, business activities are organised in the business segments Project Development and Sales (Wind, Solar) (or, in short, Project Development and Sales), Power Generation in Group-owned Wind Farms (or, in short, Power Generation) and Operation Development, Innovation and Others (or, in short, Others).

The allocation to these segments depends on the different product groups on offer.

The commercial and technical operational management services offered are reported in the Operation Development, Innovation and Others segment, as are services in connection with repowering of third-party wind farms.

Financial information derived from the internal control system is reported separately for these Group units to the Management Board, who regularly reviews this information to be able to assess the business performance and decide on the allocation of resources.

Financial information derived from the internal control system is reported separately for these Group units to the Management Board, who regularly reviews this information to be able to assess the business performance and decide on the allocation of resources.

The fair values of interest hedging instruments (interest / currency swaps) that are based on mathematical simulation models and take into account forecasts of currency and interest developments are purely arithmetic and are not shown in segment reporting as they are not relevant to Company management and segment reporting.

The accounting principles laid out in item II. General accounting principles also apply to the reportable segments.

2. Group segments

Project development and Sales (Wind, Solar)

The Project Development and Sales (Wind, Solar) segment covers the entire value chain up to the sale of wind farms and solar parks developed by the Group itself, i.e. the development, project development, realisation and sale of wind farms

and solar parks in Germany, the UK and Portugal as well as the sale of shares in operating companies founded by the Group and repowering of Group-owned wind turbines. Usually wind farms and solar parks are sold in the way that a separate company is incorporated for each farm or park as a German GmbH & Co. KG (limited partnership with a limited liability company as sole general partner), which enters into all legal relationships required to construct and operate the farm or park (farm or park operator).

The sale of the wind farm or solar park by the Group is then effected via the sale of shares in the corresponding limited partnership.

All services rendered by Group companies in connection with the project development and sale of solar parks or onshore wind farms are also included in this segment. Specifically, this refers to the services that are required for the construction and sale of projects in connection with economic planning and the contractual and legal implementation, project management, company management in the foundation phase, sales and marketing measures and the procurement of own and external funds for the wind farm operators.

Since these services are directly related to the sale of the wind farm or solar park and are therefore an inseparable element of the project development and sales stage of the value chain, the management always assesses these services in connection with the construction and sale of the corresponding wind farm or solar park.

As such, these services do not constitute an independent operating segment in terms of IFRS 8, the financial information of which must be reported separately from the construction and sale and reviewed and assessed separately by the chief operating decision makers with regard to business performance criteria.

Power generation in the Group's own wind/solar parks

In recent years, more and more shares in wind farm operators have not been sold to third parties but remain in the Group to secure reliable income from these wind farms in the long term. In addition to self-constructed wind farms, third-party facilities are also acquired to expand the wind farm portfolio. The corresponding Power Generation segment now includes the generation of energy in Group-owned wind farms and the sale of electricity to regional energy suppliers.

Operation Development, Innovation and Others

This segment includes all services rendered after the wind farms and solar parks are completed that aim to optimise the operating profit margin as from the time of commissioning. This comprises, in particular, technical and commercial operational management as well as services in connection with the replacement of facilities for power generation with new and more efficient facilities (repowering), measures to reduce costs, extend the service life (e.g. by way of preventive maintenance) and increase earnings (e.g. by direct marketing of electricity, rotor blade extension, etc.).

3. Transfers between segments

There are regular transfers between the individual segments of the Group. These transactions between segments are consolidated and fully eliminated in Group accounting.

3.1. Transfers between Project Development and Sales (Wind, Solar) > Power Generation

Transfers between the Project Development and Sales (Wind, Solar) and the Power Generation in Group-owned Wind Farms segments mostly refer to wind farms that are developed and constructed without being sold to third parties but, instead, to a Group subsidiary that uses the wind farm to generate and sell energy in the long term. The actual acquisition cost is recognised and depreciated at the level of the separate financial statements. At the level of the consolidated financial statements, the profits of the involved Group companies pertaining to the construction price and the other fees are fully eliminated, so that only the production costs are capitalised and depreciated in the consolidated financial statements. As the internally generated hidden reserves in wind farms (difference between fair values and carrying amounts) may not be recognised in the consolidated financial statements, they have to be eliminated again for Group accounting purposes. The segment report only contains the figures that were adjusted accordingly.

The reverse transfer from the Power Generation segment to the Project Development and Sales (Wind/Solar) segment is also recognised directly in equity and is utilised whenever a wind farm previously classified as a fixed asset is to be sold and thus must be allocated to current assets.

3.2. Transfers between Operation Development, Innovation and Others > Power Generation

Transfers between the Operation Development, Innovation and Others and the Power Generation in Group-owned Wind Farms segments refer to optimisation and innovation services as well as commercial and technical operational management services rendered by Group subsidiaries to wind farm operators.

Income and expenses recognised in the relevant segments are also eliminated in the scope of reconciliation to Group income in the Reconciliation and consolidation item.

4. Reconciliation of segment assets and liabilities

Segment assets and liabilities that are broken down in the following segment report relate to gross assets and liabilities as follows:

EUR thousand	2018	2017
Gross assets according to balance sheet	348,437	361,713
Deferred and current tax assets	-6,245	-13,526
Segment assets	342,193	348,187
Gross liabilities according to balance sheet	280,038	291,481
Neutralisation of cash flow hedges from wind farm financing (interest and currency swaps)	-2,783	-3,799
Deferred and current tax liabilities	-11,771	-10,733
Segment liabilities	265,483	276,949
Gross assets according to balance sheet	68,400	70,232
Neutralisation of cash flow hedges from wind farm financing (interest and currency swaps)	2,783	3,799
Deferred and current taxes on balance	5,527	-2,794
Segment net assets	76,709	71,238

The figures pertaining to assets and liabilities allocated to the segments were also adjusted for tax items as adjusted in internal reporting and the mathematical fair values of cash flow hedges (interest/currency swaps).

5. Profit and loss account by segment

EUR thousand	Project planning and sale (wind, solar)		Power generation in Group-owned wind/solar parks	
	2018	2017	2018	2017
Revenues				
Revenues	52,920	97,044	53,528	49,080
Revenues with other segments	0	0	70	76
Total revenues	52,920	97,044	53,598	49,156
Changes in inventories and other assets Own work capitalised *	18,900	51,993	2	0
Total output	71,820	149,037	53,600	49,156
Other operating income	2,840	2,960	523	2,785
Operating output	74,659	151,997	54,123	51,942
Cost of materials and services purchased	-60,294	-127,390	-7	-68
Personnel expenses	-11,500	-9,864	-791	-691
Other operating expenses	-4,545	-4,658	-13,591	-14,722
EBITDA	-1,680	10,085	39,735	36,461
Depreciation of property, plant and equipment and amortization of intangible assets	-49	-49	-18,497	-16,655
EBIT	-1,729	10,036	21,238	19,806
Income from investments	7	0	0	0
Interest and similar income	427	190	356	1
Interest and similar expenses	-3,348	-5,107	-9,890	-11,307
EBT	-4,643	5,119	11,704	8,500

Operation Development, Innovation and Others		Total before reconciliation/ consolidation		Reconciliation		Energiekontor Group	
2018	2017	2018	2017	2018	2017	2018	2017
3,738	3,741	110,186	149,865	0	0	110,186	149,865
2,106	1,940	2,176	2,016	-2,176	-2,016	0	0
5,844	5,681	112,362	151,881	-2,176	-2,016	110,186	149,865
-386	218	18,516	52,211	0	0	18,516	52,211
5,458	5,898	130,878	204,091	-2,176	-2,016	128,702	202,076
0	1	3,363	5,746	0	0	3,363	5,746
5,458	5,899	134,241	209,838	-2,176	-2,016	132,065	207,822
-330	-465	-60,631	-127,923	0	0	-60,631	-127,923
-1,376	-1,275	-13,667	-11,830	0	0	-13,667	-11,830
-1,185	-1,111	-19,320	-20,491	2,176	2,016	-17,144	-18,475
2,567	3,048	40,622	49,593	0	0	40,622	49,593
0	0	-18,546	-16,704	0	0	-18,546	-16,704
2,567	3,048	22,076	32,889	0	0	22,076	32,889
0	0	7	0	0	0	7	0
0	0	783	190	0	0	783	190
-17	0	-13,255	-16,414	0	0	-13,255	-16,414
2,550	3,048	9,612	16,666	0	0	9,612	16,666

6. Assets by segments

EUR thousand	Project planning and sale (wind, solar)		Power generation in Group-owned wind/solar parks		Company development, innovation and Others		Energiekontor Group	
	2018	2017	2018	2017	2018	2017	2018	2017
Long-term segment assets								
Other intangible assets	23	1	0	0	0	0	23	1
Assets								
Land and buildings	0	0	734	734	0	0	734	734
Technical equipment (wind and solar parks)	0	0	204,001	193,692	0	0	204,001	193,692
Other equipment, factory and office equipment	181	132	0	1	0	0	181	133
Participating interests	26	25	0	0	0	0	26	25
Receivables and financial assets	59	48	35	11	0	0	95	58
Long-term segment assets	289	205	204,770	194,437	0	0	205,059	194,642
Short-term segment assets								
Inventories	38,047	46,188	137	135	297	683	38,481	47,006
Receivables and financial assets	7,298	14,145	12,555	13,037	448	196	20,301	27,378
Securities	5,061	10,159	0	0	0	0	5,061	10,159
Cash and cash equivalents	61,189	59,613	10,708	7,721	1,394	1,668	73,291	69,002
Short-term segment assets	111,595	130,105	23,400	20,893	2,139	2,546	137,133	153,545
Total segment assets	111,884	130,310	228,170	215,330	2,139	2,546	342,193	348,187

7. Liabilities and net assets by segment

EUR thousand	Project planning and sale (wind, solar)		Power generation in Group-owned wind/solar parks		Company development, innovation and Others		Energiekontor Group	
	2018	2017	2018	2017	2018	2017	2018	2017
Long-term segment liabilities								
Provisions for dismantling and renaturation	0	0	14,859	12,603	0	0	14,859	12,603
Financial liabilities	28,979	33,951	174,085	170,047	344	0	203,409	203,998
Liabilities vis-à-vis external limited partners	0	0	1,040	1,664	0	0	1,040	1,664
Other liabilities	0	0	3,184	2,576	0	0	3,184	2,576
Long-term segment liabilities	28,979	33,951	193,169	186,891	344	0	222,492	220,842
Short-term segment liabilities								
Provisions	11,920	12,310	1,522	2,332	62	17	13,504	14,660
Financial liabilities	4,462	10,707	16,175	13,027	1	0	20,639	23,734
Liabilities from deliveries and services	3,306	6,877	2,152	1,430	30	76	5,489	8,383
Liabilities vis-à-vis external limited partners	0	994	0	0	0	0	0	994
Other liabilities	2,629	6,263	662	1,846	66	227	3,358	8,336
Short-term segment liabilities	22,318	37,152	20,513	18,636	160	320	42,991	56,107
Total segment liabilities	51,297	71,103	213,681	205,526	504	320	265,483	276,949
Segment net assets	60,586	59,208	14,489	9,804	1,634	2,226	76,709	71,238

8. Capital expenditure by segment

EUR thousand	Project planning and sale (wind, solar)		Power generation in Group-owned wind/solar parks		Company development, innovation and Others		Energiekontor Group	
	2018	2017	2018	2017	2018	2017	2018	2017
Segment investments								
Segment investments	5,949	48	23,085	40,070	0	0	29,034	40,118

9. Additional geographical indications

The customers of the domestic and foreign wind and solar parks realised by the Company in the “Project Planning and Sales (Wind/Solar)” segment are exclusively German companies. The remaining amount of EUR 21,903 thousand is attributable to Luxembourg and EUR 59,657 thousand to the United Kingdom.

The operational management services provided under “other operating segments” are also provided exclusively in Germany.

Additional information on geographical areas is only relevant to the “Power Generation” segment, as this segment affects foreign markets to the extent that the Energiekontor Group also receives electricity revenues from Portuguese energy supply companies and British electricity consumers.

Electricity revenues are therefore broken down according to the location of the wind farms.

EUR thousand	2018	2017
Location of the wind/solar parks		
Germany	25,355	24,549
Portugal	8,672	8,860
Great Britain	19,500	15,672
Electricity sales	53,528	49,080

The carrying amounts of property, plant and equipment are distributed geographically as follows.

EUR thousand	2018	2017
Location of the wind/solar parks		
Germany	115,731	112,470
Portugal	22,299	25,282
Great Britain	65,971	55,940
Book values of wind/solar parks	204,001	193,692

10. Information about important customers

In the “Project Planning and Sales (Wind/Solar)” and “Power Generation” segments, sales revenues totalling EUR 59,455 thousand were generated with three customers.

VIII. Other information

1. Capital management

The capital management objectives of the Energiekontor Group are to ensure the continued existence of the Company and financial flexibility for the long-term maintenance of business operations and the exercise of strategic options. Maintaining a stable rating, securing liquidity and limiting financial risks are objectives of the financial policy and set important framework conditions for the capital management of the Energiekontor Group. The responsible committees of the Energiekontor Group decide on the capital structure of the balance sheet, the equity base, the appropriation of the balance sheet profit, the amount of the dividend, the financing of investments, the build-up and reduction of bank liabilities and the issue of bond capital. Similarly, decisions of the committees on the purchase and sale of wind farms and on the transfer of self-produced wind farms to the Company's own portfolio serve to pursue the purposes described above. When considering the Group's equity ratio and debt-equity ratio, it should be noted that the Group's own wind farms have considerable hidden reserves in their balance sheets, which is why an analysis of these assets based on market values would result in even better key figures.

A further significant aspect in connection with the equity ratio is that, in contrast to German accounting law, international IFRS require the fair values of interest rate hedging derivatives to be reported, even if these represent a valuation unit with the underlying transactions to be hedged and do not represent payment obligations even in the case of negative fair values.

The Energiekontor Group pursues the long-term hedging of its wind farm financing against interest and currency risks, for which it concludes corresponding derivatives (currency and interest swaps) as hedging measures, which represent fixed interest agreements from an economic point of view (variable underlying transaction + interest swap = fixed interest rate). The fact that capital market interest rates have fallen, coupled with corresponding forecasts for the future, has led to negative market values for swaps. According to IFRS (IAS 39), these negative values must be removed from the overall context of financing and accounted for, even though they represent a valuation unit with the underlying transactions and, in the opinion of management, should not be separated and accounted for separately from them from an economic point of view.

2. Contingent liabilities

As of December 31, 2018, there were EUR 2,172 thousand (prior year: EUR 2,274 thousand) in temporary or unlimited guarantees in favour of third parties from group companies of the Energiekontor Group.

3. Other financial obligations

Other financial commitments were entered into by group companies of the Energiekontor Group in the following amounts:

EUR thousand	2019	2020 to 2023
From rental agreements for business premises	532	438
From leases for wind farm land	4,449	19,198
From leasing contracts	381	883
Other financial obligations	5,363	20,519

In four cases, Energiekontor AG has optionally committed to repurchase shares in wind farm operating companies in the amount of 10 to 20 percent of the fixed price of the original construction contracts in the years 2025 to 2029.

The lease agreements for the wind and solar park areas have residual terms of between 2 and 20 years, with extension options of up to 25 years

in almost all cases in favour of the Group's leasing companies. The total lease payments for which the Group is obliged to pay amount to approximately EUR 71 million, based on the contractual minimum lease terms without extensions. In addition, for a total of nine wind farm operating companies and for the investment company 3LänderFonds, the respective general partner companies – all 100% subsidiaries of Energiekontor AG – have optionally committed to repurchase a total of between 20 and 30 percent of the respective total limited liability capital at the capitalised earnings value less a marketing discount in annually limited tranches.

None of the above repurchase options are expected to have a negative impact on the Group's results if the beneficiaries exercise the options; therefore there is no need for a provision in this respect.

4. Related party disclosures

Related parties of the Group within the are generally defined as companies and persons if there is a controlling relationship, joint management or significant influence between the Group and them. This therefore includes

- the fully consolidated companies listed under “Consolidated companies” over which Energiekontor AG exercises a direct or indirect controlling influence,
- the associated companies,
- the companies to be included in the consolidated financial statements as joint operations,
- the non-consolidated companies over which an influence exists through management functions,
- the members of the Management Board and senior executives of Energiekontor AG,
- the Supervisory Boards of Energiekontor AG

and their relatives.

All transactions of the Group with related parties and their relatives during the financial year are explained below.

The business model of the Energiekontor Group encompasses the entire spectrum of project planning and sales of wind/solar parks as well as ongoing services to wind/solar park operators; the main business transactions are conducted with the project companies founded by Energiekontor AG. In principle, wind and solar projects are sold in such a way that these wind and solar parks are “jacketed” by a special purpose entity founded by Energiekontor AG in the form of a GmbH & Co. KG, so that the sale of the wind/solar park is not formally an “asset deal” but a “share deal” in the form of the sale of shares in this special purpose entity. In this respect, this special purpose entity is also the contractual partner of both Energiekontor AG and the property development company of the Energiekontor Group in the establishment and construction phase for all contracts in connection with the park construction (construction contract and services in connection with economic and technical planning, financing and sales).

Even after the parks have been built and the shares in these companies have been sold to third parties, in some cases subsidiaries of Energiekontor AG continue to perform management and executive functions for these project companies on the basis of long-term contracts and thus continue to exert influence on these companies.

Fully consolidated companies

The conclusion of contracts with subsidiaries of Energiekontor AG in connection with the construction of the wind and solar parks and other services in this phase takes place at times when the project company is a related party within the meaning of IAS 24.

The intra-group transactions between Energiekontor AG and the subsidiaries majority-owned by Energiekontor AG and thus consolidated in the consolidated financial statements are fully eliminated in the consolidated financial statements by means of consolidation.

Associated companies

Relationships to associated companies exist only in the form that these companies manage infrastructure companies of wind farms operated by the Energiekontor Group.

Management functions

In the cases in which, after the construction of the wind/solar park and the sale of the shares to third parties, subsidiaries of Energiekontor AG perform management and business management tasks for these companies on the basis of long-term contracts, these companies remain related parties of Energiekontor AG within the meaning of IFRS (IAS 24), as it is assumed that the Group can exercise a significant influence over these companies even without a capital investment. Such influence is assumed to be exerted by the position of a member of a governing body as well as by participation in the entrepreneurial decision-making process by the general partner companies belonging to the Group which exercise management control. "Being close" in the sense of IAS 24 is therefore seen in the existence of this significant influence, even if there is no majority of voting rights and the scope of discretion in the implementation of the management measures is regularly significantly restricted by contracts and the obligation to give instructions to the owners of the companies.

On the basis of this interpretation of IFRS, the transactions described and thus almost all of the Group's business activities (with the exception of the electricity generation segment in the Group's own wind and solar farms) typically consist of remunerated transactions with project companies and thus with related parties as defined by IAS 24.

With regard to the requirement for numerical disclosures on transactions with related parties, reference is therefore made at this point to the income statement and segment reporting, which provide all information on the amounts of business transactions conducted with related parties within the meaning of this consideration.

Nevertheless, all services in connection with these transactions are always rendered at arm's length conditions, which are also customary among third parties.

Since June 5, 2003, Energiekontor AG and the Supervisory Board members Dr. Wilkens and Lammers have had consultancy agreements with a fee volume of EUR 60 thousand each in the financial year (previous year: EUR 60 thousand).

Management Board, Senior Executives and Supervisory Board

All paid transactions between the Energiekontor Group and the Management Board and the Supervisory Board are listed and explained in full in the Notes. The remuneration and shareholdings of the Supervisory Board and the Management Board are shown in Note 5.

There were no remunerated transactions with executive employees apart from the existing and customary employment contracts with them, nor were there any transactions with members of these groups of persons.

5. Members and remuneration of governing bodies, shareholdings of governing bodies, miscellaneous

5.1. Management Board

Members of the Management Board were during the fiscal year:

- **Dipl.-Kaufm. Peter Szabo**, Businessman, Oldenburg
- **Dipl.-Ing. Günter Eschen**, Engineer, Saterland
- **Dipl.-Ing. Torben Möller**, Engineer, Achim

Each member of the Management Board represents the Company together with another member of the Management Board or an authorized signatory. The exemption from the restrictions of § 181 BGB is granted.

The members of the Management Board received total remuneration of EUR 1,064 thousand (prior year: EUR 975 thousand) for their activities in the fiscal year. The variable portion of this amounts to EUR 315 thousand (previous year EUR 355 thousand). Subscription rights under a stock option plan were not granted in 2018. Reference is also made to the remuneration report in the management report.

At the Annual General Meeting on May 26, 2016, it was resolved to make use of the opt-out option provided for in Sections 286 (5) and 314 (3) HGB. On the basis of this resolution, the disclosure of the remuneration of each individual member of the Management Board in the annual financial statements and consolidated financial statements of the Company for the fiscal years up to and including 2020, as provided for in section 285 sentence 1 no. 9 letter a) sentences 5 to 8 HGB and section 314 (1) no. 6 letter a) sentences 5 to 8 HGB, is dispensable.

5.2. Supervisory Board

Supervisory Board members were:

- **Dipl.-Wirtsch.-Ing. Dr. Bodo Wilkens**,
Engineer, Darmstadt, Chairman
Dr. Wilkens is also a member of the Supervisory Board of the following unlisted company:
Energiekontor Ocean Wind AG, Bremen (Chairman)

- **Günter Lammers**,
Businessman, Geestland, Deputy Chairman
Mr. Lammers is also a member of the Supervisory Board of the following unlisted company:
Energiekontor Ocean Wind AG, Bremen
- **Dipl.-Volkswirt Darius Oliver Kianzad**,
management consultant, Essen
Mr. Kianzad is also a member of the Supervisory Board of the following unlisted company:
Energiekontor Ocean Wind AG, Bremen

The members of the Supervisory Board received EUR 90 thousand in Supervisory Board remuneration in the year under review (previous year: EUR 90 thousand).

5.3. Shareholdings of the Board Members

As of December 31, 2018, the members of the executive bodies held the following interests in the AG:

Name, Function	shares/slice
Dr. Bodo Wilkens, Chairman of the Supervisory Board	3,759,835
Günter Lammers, Deputy Chairman of the Supervisory Board	3,752,474

6. Information on the remuneration of the auditors

The fee for the audit of the annual financial statements of Energiekontor AG including the bookkeeping and the management report as well as the monitoring system to be set up in accordance with section 91 (2) of the AktG for the financial year from January 1 to December 31, 2018 and for the audit of the consolidated financial statements and the management report in accordance with IFRS principles amounts to EUR 105 thousand (previous year: EUR 105 thousand) and for other confirmation services to EUR 2 thousand (previous year: EUR 16 thousand).

7. Supplementary report

At the end of March 2019, Energiekontor was able to obtain the financing commitment and loan evaluation for the Waldfeucht wind farm (13.5 MW) and thus start construction. Thus, Energiekontor has a total of three wind farms under construction in the first quarter of 2019 with the British wind farm Withernwick II (8.2 MW) and the German wind farms Bultensee (3.4 MW) and Waldfeucht, which are to be commissioned in 2019.

In the UK, the Overhill project with a total output of 36 MW received approval in the first quarter of 2019 after submission with optimized project parameters.

In the solar segment, the Gefrees (4.8 MWp) and Karstädt (3.8 MWp) projects successfully participated in the tenders of the Federal Network Agency in February and March 2019.

On April 3, Energiekontor announced that a new share buy-back programme with a volume of 300,000 shares or EUR 9,000,000 will start on April 23, 2019. This replaces the current share buyback program, under which up to 100,000 shares may be repurchased.

8. Declaration pursuant to Section 161 AktG

In March 2019, the Board of Management and the Supervisory Board of Energiekontor AG issued the declaration on the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG) and made it available to shareholders by way of publication on the Company's website (www.energiekontor.de) on the Internet.

9. Disclosure

The complete annual financial statements and the consolidated financial statements of Energiekontor AG, which were issued with an unqualified audit certificate by the auditor, PKF Deutschland GmbH, Stuttgart branch, will be published in the Federal Gazette. It can be requested as a special print from Energiekontor AG. It can be downloaded from the Internet at www.energiekontor.de.

The annual financial statements and the consolidated financial statements for the previous year were published in the Federal Gazette on June 25, 2018.

10. Exemption pursuant to Section 264 (3) and Section 264 b of the German Commercial Code (HGB)

All subsidiaries included in the consolidated financial statements of Energiekontor AG that meet the legal requirements for this purpose have made use of the provisions of § 264 (3) and § 264 b of the German Commercial Code (HGB) regarding exemption from the obligation to prepare, audit and disclose the annual financial statements and management report for the financial year. Energiekontor AG as the parent company has agreed to the exemptions without exception. The resolutions of the subsidiaries pursuant to Section 264 (3) HGB are disclosed pursuant to Section 325 HGB. The companies which have made use of the exemption are shown in the list of shareholdings within the meaning of Section 313 (2) and (4) HGB in Note IX of the notes to the consolidated financial statements.

11. Dividends

The following dividends were resolved and paid or proposed by Energiekontor AG.

EUR thousand	2018	2017
Declared and paid dividends		
Dividend of Euro 0.60 per ordinary share entitled to dividend (2017: Euro 0.80) with 14,575,569 (previous year: 14,587,174) dividend-bearing shares	8,745	11,670

	General meeting	
EUR thousand	2019	2018
Proposed dividends		
Dividend of Euro 0.40 per subscribed ordinary share (2018: Euro 0.60) for 14,578,160 (previous year: 14,578,160) subscribed shares	5,831	8,747

IX. List of participations

Direct and indirect shareholdings of Energiekontor AG

Company name	Share in %	Earnings 2018 in EUR thousand ²	Equity capital 31.12.2018 in EUR thousand ¹
Construtora da nova Energiekontor – Parquet Eólicos, Unipessoal Lda., Lissabon, Portugal	100.00	–5	59
EER GbR, Worpswede ⁷	28.60	0	100
EK HDN Projektentwicklung GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor – WSB – GmbH, Bremerhaven ⁴	100.00	162	186
Energiekontor Anlagen GmbH&Co. Offshore KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Aufwind 2 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Aufwind 4 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Aufwind 5 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Aufwind 6 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Aufwind 8 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Aufwind 9 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Aufwind 10 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Aufwind GmbH, Bremerhaven ⁴	100.00	–3	1
Energiekontor Bau I GmbH, Bremerhaven ⁴	100.00	–1	11
Energiekontor Bau II GmbH, Bremerhaven ⁴	100.00	–1	11
Energiekontor Bau III GmbH, Bremerhaven ⁴	100.00	–1	11
Energiekontor Bau IV GmbH, Bremerhaven ⁴	100.00	–1	11
Energiekontor Bau V GmbH, Bremerhaven ⁴	100.00	–1	11
Energiekontor Bau VI GmbH, Bremerhaven ⁴	100.00	–1	11
Energiekontor Bau VII GmbH, Bremerhaven ⁴	100.00	–1	11
Energiekontor Bau VIII GmbH, Bremerhaven ⁴	100.00	–1	11
Energiekontor Bau IX GmbH, Bremerhaven ⁴	100.00	–1	11
Energiekontor Bau X GmbH, Bremerhaven ⁴	100.00	–1	11
Energiekontor Finanzanlagen GmbH&Co. KG, Bremerhaven ⁵	100.00	–22	155
Energiekontor Finanzanlagen II GmbH&Co. KG, Bremerhaven ⁵	100.00	–15	303
Energiekontor Finanzanlagen III GmbH&Co. KG, Bremerhaven ⁵	100.00	11	308
Energiekontor Finanzanlagen IV GmbH&Co. KG, Bremerhaven ⁵	100.00	66	320
Energiekontor Finanzanlagen V GmbH&Co. KG, Bremerhaven ⁵	100.00	190	208
Energiekontor Finanzanlagen VI GmbH&Co. KG, Bremerhaven ⁵	100.00	–96	4
Energiekontor Finanzierungsdienste GmbH&Co. KG, Bremerhaven ⁵	100.00	–48	543
Energiekontor Finanzierungsdienste II GmbH, Bremerhaven ⁴	100.00	–2	–4
Energiekontor Finanzierungsdienste III GmbH, Bremerhaven ⁴	100.00	–3	–1

1) Equity under commercial law

2) Annual result under commercial law, if applicable after execution of the profit and loss transfer agreement (SAB) with Energiekontor AG

3) Energiekontor AG has concluded a control and profit and loss transfer agreement with these companies

4) Subsidiary in the legal form of a GmbH which is exempt from the publication obligation

5) Subsidiary in the legal form of a GmbH & Co. KG or UG & Co. KG, which is exempt from the publication obligation

6) (6) Joint venture (joint operation)

7) Associated company, accounted for using the equity method

Company name	Share in %	Earnings 2018 in EUR thousand ²	Equity capital 31.12.2018 in EUR thousand ¹
Energiekontor Finanzierungsdienste IV GmbH, Bremerhaven ⁴	100.00	-2	-1
Energiekontor Finanzierungsdienste V GmbH, Bremerhaven ⁴	100.00	-2	3
Energiekontor Finanzierungsdienste VI GmbH, Bremerhaven ⁴	100.00	-3	2
Energiekontor Finanzierungsdienste VII GmbH, Bremerhaven ⁴	100.00	-3	9
Energiekontor Finanzierungsdienste-Verwaltungs GmbH, Bremerhaven ⁴	100.00	-2	-5
Energiekontor France SAS, Toulouse, Frankreich	100.00	-211	-201
Energiekontor Guardao GmbH, Bremerhaven ⁴	100.00	-2	-11
Energiekontor Guardao GmbH & Co. WP GU KG, Bremerhaven ⁵	100.00	0	0
Energiekontor III EnergiAS Alternativas, Unipessoal Lda., Lissabon, Portugal	100.00	8	-24
Energiekontor Infrastruktur I GmbH & Co. KG, Bremerhaven ⁵	100.00	-15	-15
Energiekontor Infrastruktur II GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Infrastruktur III GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Infrastruktur IV GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Infrastruktur V GmbH & Co. KG, Bremerhaven ⁵	100.00	-1	0
Energiekontor Infrastruktur VI GmbH & Co. KG, Bremerhaven ⁵	100.00	-1	0
Energiekontor Infrastruktur VII GmbH & Co. KG, Bremerhaven ⁵	100.00	-1	0
Energiekontor Infrastruktur VIII GmbH & Co. KG, Bremerhaven ⁵	100.00	-1	0
Energiekontor Infrastruktur IX GmbH & Co. KG, Bremerhaven ⁵	100.00	-1	0
Energiekontor Infrastruktur X GmbH & Co. KG, Bremerhaven ⁵	100.00	-1	0
Energiekontor Infrastruktur Solar GmbH & Co. KG, Bremerhaven ⁵	100.00	513	37
Energiekontor Infrastruktur und Anlagen GmbH, Bremerhaven ^{3,4}	100.00	0	26
Energiekontor Innovations GmbH, Bremerhaven ⁴	100.00	44	150
Energiekontor Mafomedes GmbH, Bremerhaven ⁴	100.00	-2	0
Energiekontor Mafomedes GmbH & Co. WP MF KG, Bremerhaven ⁵	97.90	-537	2,713
Energiekontor Mafomedes ÜWP MF GmbH & Co. KG, Bremerhaven ⁵	100.00	-259	1,033
Energiekontor Management 1 GmbH, Bremerhaven ⁴	100.00	0	4
Energiekontor Management GmbH & Co. KG, Bremerhaven ⁵	100.00	84	-71
Energiekontor Management Hagen 1 GmbH, Hagen ⁴	100.00	0	4
Energiekontor Management Hagen GmbH & Co. KG, Hagen ⁵	100.00	36	32
Energiekontor Montemuro GmbH, Bremerhaven ⁴	100.00	1	34
Energiekontor Montemuro GmbH & Co. WP MONT KG, Bremerhaven ⁵	100.00	-250	-3,888
Energiekontor Neue Energie 1 GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Neue Energie 2 GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Neue Energie 3 GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Neue Energie 4 GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Neue Energie 5 GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Neue Energie 6 GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0

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6) (6) Joint venture (joint operation)

7) Associated company, accounted for using the equity method

Company name	Share in %	Earnings 2018 in EUR thousand ²	Equity capital 31.12.2018 in EUR thousand ¹
Energiekontor Neue Energie 7 GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Neue Energie 8 GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Neue Energie 9 GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Neue Energie 10 GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Neue Energie 11 GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Neue Energie 12 GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Neue Energie 13 GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Neue Energie GmbH, Bremerhaven ⁴	100.00	-3	10
Energiekontor NL B.V., Nijmegen, Niederlande	100.00	-278	-356
Energiekontor Ocean Wind AG, Bremen ⁴	100.00	-2	39
Energiekontor Ocean Wind GmbH & Co. Projektentwicklungs KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Ocean Wind Verwaltungs GmbH, Bremerhaven ⁴	100.00	0	8
Energiekontor Offshore Anlagen GmbH, Bremerhaven ⁴	100.00	0	9
Energiekontor Offshore Bau GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Offshore GmbH, Bremerhaven ⁴	100.00	0	18
Energiekontor Ökofonds GmbH, Bremerhaven ⁴	100.00	0	29
Energiekontor Ökofonds GmbH & Co. Tandem I KG, Bremerhaven ⁵	100.00	-4	4,471
Energiekontor Ökofonds GmbH & Co. Tandem II KG, Bremerhaven ⁵	100.00	-3	2,187
Energiekontor Ökofonds GmbH & Co. WP 4 KG, Bremerhaven ⁵	100.00	3	2,442
Energiekontor Ökofonds GmbH & Co. WP BD KG, Bremerhaven ⁵	100.00	-17	-1,294
Energiekontor Ökofonds GmbH & Co. WP Elni KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Ökofonds GmbH & Co. WP GEL KG, Hagen ⁵	100.00	0	-1,818
Energiekontor Ökofonds GmbH & Co. WP MA KG, Bremerhaven ⁵	88.52	209	-1,642
Energiekontor Ökofonds GmbH & Co. WP Nordergründe KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Ökowind 11 GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Ökowind 8 GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Ökowind 9 GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Ökowind GmbH, Bremerhaven ⁴	100.00	-2	1
Energiekontor Penedo Ruivo GmbH, Bremerhaven ⁴	100.00	1	42
Energiekontor Penedo Ruivo GmbH & Co. WP PR KG, Bremerhaven ⁵	100.00	256	-4,399
Energiekontor Portugal – Energia Eólica Lda., Lissabon, Portugal	99.00	-274	1,280
Energiekontor Portugal Marao GmbH, Bremerhaven ⁴	100.00	1	37
Energiekontor Portugal Marao GmbH & Co. WP MA KG, Bremerhaven ⁵	100.00	-91	-3,582
Energiekontor Portugal Trandeiras GmbH, Bremerhaven ⁴	100.00	1	46
Energiekontor Projekt 1 GmbH, Bremerhaven ⁴	100.00	-3	10
Energiekontor Schönberg GmbH, Bremerhaven ⁴	100.00	-2	-8

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6) (6) Joint venture (joint operation)

7) Associated company, accounted for using the equity method

Company name	Share in %	Earnings 2018 in EUR thousand ²	Equity capital 31.12.2018 in EUR thousand ¹
Energiekontor Seewind GmbH, Bremerhaven ⁴	100.00	-2	4
Energiekontor Sobrado GmbH, Bremerhaven ⁴	100.00	0	25
Energiekontor Solar 1 GmbH&Co. KG, Bremerhaven ⁵	100.00	-48	-48
Energiekontor Solar 2 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Solar 3 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Solar 4 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Solar 5 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Solar 6 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Solar 7 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Solar 8 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Solar 9 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Solar 10 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Solar 11 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Solar 12 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Solar 13 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Solar 14 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Solar 15 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Solar Bau GmbH, Bremerhaven ⁴	100.00	-2	1
Energiekontor Solar GmbH, Bremerhaven ⁴	100.00	-2	-6
Energiekontor UK BU GmbH, Bremerhaven ⁴	100.00	-2	-1
Energiekontor UK CO GmbH, Bremerhaven ⁴	100.00	-3	10
Energiekontor UK Construction Ltd., Leeds, Großbritannien	100.00	199	4,627
Energiekontor UK FM GmbH, Bremerhaven ⁴	100.00	3	56
Energiekontor UK GL GmbH, Bremerhaven ⁴	100.00	-3	10
Energiekontor UK GmbH, Bremerhaven ⁴	100.00	1	44
Energiekontor UK HY 2 GmbH, Bremerhaven ⁴	100.00	-2	0
Energiekontor UK HY GmbH, Bremerhaven ⁴	100.00	-2	-10
Energiekontor UK HY GmbH&Co. WP Hyndburn KG, Bremerhaven ⁵	100.00	5.969	2,785
Energiekontor UK LI GmbH, Bremerhaven ⁴	100.00	-2	-4
Energiekontor UK LO GmbH, Bremerhaven ⁴	100.00	-3	10
Energiekontor UK LO GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor UK Ltd., Leeds, Großbritannien	100.00	-185	10,945
Energiekontor UK NR GmbH, Bremerhaven ⁴	100.00	-3	2
Energiekontor UK PE GmbH, Bremerhaven ⁴	100.00	-2	5
Energiekontor UK PI GmbH, Bremerhaven ⁴	100.00	-3	10
Energiekontor UK PI GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor UK WI EXT GmbH, Bremerhaven ⁴	100.00	-2	7

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6) (6) Joint venture (joint operation)

7) Associated company, accounted for using the equity method

Company name	Share in %	Earnings 2018 in EUR thousand ²	Equity capital 31.12.2018 in EUR thousand ¹
Energiekontor UK WI GmbH, Bremerhaven ⁴	100.00	-2	-9
Energiekontor UK WI GmbH&Co. Withernwick KG, Bremerhaven ⁵	100.00	802	555
Energiekontor Umwelt GmbH, Bremerhaven ⁴	100.00	-1	16
Energiekontor Umwelt GmbH&Co. WP BRI KG, Bremerhaven ⁵	100.00	499	-722
Energiekontor Umwelt GmbH&Co. WP DE KG, Bremerhaven ⁵	100.00	171	-1,306
Energiekontor Umwelt GmbH&Co. WP GRE II KG, Bremerhaven ⁵	96.19	90	38
Energiekontor Umwelt GmbH&Co. WP SCHLO KG, Hagen ⁵	100.00	14	-618
Energiekontor Umwelt GmbH&Co. WP SIE X KG, Bremerhaven ⁵	100.00	91	-744
Energiekontor US Dakota WP 1 LLC, Dakota, USA	100.00	-64	-64
Energiekontor US Dakota WP 2 LLC, Dakota, USA	100.00	0	0
Energiekontor US Dakota WP 3 LLC, Dakota, USA	100.00	0	0
Energiekontor US Dakota WP 4 LLC, Dakota, USA	100.00	0	0
Energiekontor US Dakota WP 5 LLC, Dakota, USA	100.00	0	0
Energiekontor US Dakota WP 6 LLC, Dakota, USA	100.00	0	0
Energiekontor US Holding Inc., Chicago, USA	100.00	-18	-18
Energiekontor US Inc., Chicago, USA	100.00	-65	-59
Energiekontor US Texas SP 1 LLC, Texas, USA	100.00	-1	-1
Energiekontor US Texas SP 2 LLC, Texas, USA	100.00	-1	-1
Energiekontor US Texas SP 3 LLC, Texas, USA	100.00	-181	-181
Energiekontor US Texas SP 4 LLC, Texas, USA	100.00	-181	-181
Energiekontor US Texas SP 5 LLC, Texas, USA	100.00	-202	-202
Energiekontor US Texas SP 6 LLC, Texas, USA	100.00	-181	-181
Energiekontor US Texas SP 7 LLC, Texas, USA	100.00	0	0
Energiekontor US Texas SP 8 LLC, Texas, USA	100.00	-181	-181
Energiekontor US Texas SP 9 LLC, Texas, USA	100.00	0	0
Energiekontor US Texas SP 10 LLC, Texas, USA	100.00	0	0
Energiekontor US Texas SP 11 LLC, Texas, USA	100.00	0	0
Energiekontor US Texas SP 12 LLC, Texas, USA	100.00	0	0
Energiekontor US Texas SP 13 LLC, Texas, USA	100.00	0	0
Energiekontor US Texas SP 14 LLC, Texas, USA	100.00	0	0
Energiekontor US Texas SP 15 LLC, Texas, USA	100.00	0	0
Energiekontor Windfarm GmbH, Bremerhaven ⁴	100.00	-2	-3
Energiekontor Windfarm GmbH&Co. WP 1 KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Windfarm GmbH&Co. WP 2 KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Windfarm GmbH&Co. WP 5 KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Windfarm GmbH&Co. WP 15 KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Windfarm ÜWP ALU GmbH&Co. KG, Hagen ⁵	100.00	-378	-1,320

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7) Associated company, accounted for using the equity method

Company name	Share in %	Earnings 2018 in EUR thousand ²	Equity capital 31.12.2018 in EUR thousand ¹
Energiekontor Windfarm ÜWP SCHLUE GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Windfarm ZWP THÜ GmbH & Co. KG, Hagen ⁵	100.00	-1,357	-5,254
Energiekontor Windinvest GmbH, Bremerhaven ⁴	100.00	-2	-6
Energiekontor Windinvest GmbH & Co. ÜWP KRE KG, Hagen ⁵	100.00	319	2,033
Energiekontor Windinvest GmbH & Co. ÜWP LE KG, Hagen ⁵	100.00	-249	-1,284
Energiekontor Windinvest GmbH & Co. ZWP BE KG, Hagen ⁵	100.00	3	376
Energiekontor Windinvest GmbH & Co. ZWP Langendorf KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Windkraft GmbH, Bremerhaven ⁴	100.00	12	219
Energiekontor Windkraft GmbH & Co. WP NL KG, Bremerhaven ⁵	51.32	327	574
Energiekontor Windpark BRW 1 GmbH & Co. WP I KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Windpark GmbH & Co. Giersleben KG, Hagen ⁵	100.00	-919	-5,150
Energiekontor Windpower GmbH, Bremerhaven ⁴	100.00	-2	-11
Energiekontor Windpower GmbH & Co. ÜWP 5 KG, Bremerhaven ⁵	100.00	329	851
Energiekontor Windpower GmbH & Co. ÜWP B KG, Bremerhaven ⁵	100.00	0	13
Energiekontor Windpower GmbH & Co. ÜWP ENG KG, Hagen ⁵	100.00	82	1,076
Energiekontor Windpower GmbH & Co. ÜWP GRE II KG, Bremerhaven ⁵	100.00	-1	-146
Energiekontor Windpower GmbH & Co. ÜWP HN II KG, Hagen ⁵	100.00	-69	-760
Energiekontor Windpower GmbH & Co. ÜWP HN KG, Hagen ⁵	100.00	-120	-1,897
Energiekontor Windpower GmbH & Co. ÜWP OE-Osterende KG, Hagen ⁵	100.00	172	-29
Energiekontor Windpower GmbH & Co. WP 20 KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Windpower GmbH & Co. WP 5 KG, Bremerhaven ⁵	100.00	0	8
Energiekontor Windpower GmbH & Co. WP BRIEST II KG, Bremerhaven ⁵	100.00	-34	-677
Energiekontor Windpower GmbH & Co. WP KJ KG, Hagen ⁵	100.00	-81	-169
Energiekontor Windpower Improvement GmbH & Co. KG, Bremerhaven ⁵	100.00	-470	47
Energiekontor Windregion GmbH, Hagen ⁴	100.00	-3	-1
Energiekontor Windstrom GmbH, Bremerhaven ⁴	100.00	-2	-2
Energiekontor Windstrom GmbH & Co. UW Uthlede-Süd KG, Bremerhaven ⁵	100.00	-26	-105
Energiekontor Windstrom GmbH & Co. ÜWP HW KG, Hagen ⁵	100.00	-575	-6,033
Energiekontor Windstrom GmbH & Co. ÜWP KRE II KG, Hagen ⁵	100.00	-466	-1,767
Energiekontor Windstrom GmbH & Co. WP 15 KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Windstrom GmbH & Co. WP 5 KG, Bremerhaven ⁵	100.00	-25	-104
Energiekontor Windstrom GmbH & Co. ZWP HÖ KG, Hagen ⁵	100.00	-225	-1,737
Energiekontor Windstrom ÜWP SCHWA GmbH & Co. KG, Hagen ⁵	100.00	-22	-135
Energiekontor Windstrom ZWP PR GmbH & Co. KG, Hagen ⁵	100.00	-248	-856
Energiekontor WP Booßen GmbH, Bremerhaven ⁴	100.00	-3	10

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7) Associated company, accounted for using the equity method

Company name	Share in %	Earnings 2018 in EUR thousand ²	Equity capital 31.12.2018 in EUR thousand ¹
Energiekontor WPI GmbH, Bremerhaven ⁴	100.00	-2	1
Energiekontor WSB 1 GmbH, Bremerhaven ⁴	100.00	0	0
Energiepark Alfstedt WP ALF GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiepark Beckum-Repowering WP BE 1 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiepark Beckum-Repowering WP BE 2 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiepark Beerfelde GmbH&Co. WP BF II KG, Bremerhaven ⁵	100.00	0	0
Energiepark Beiersdorf-Freudenberg WP BF GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiepark Bramstedt GmbH&Co. WP BRA KG, Bremerhaven ⁵	100.00	0	0
Energiepark Bultensee WP BULT GmbH&Co. KG, Bremerhaven ⁵	100.00	-9	-9
Energiepark Eggersdorf GmbH&Co. WP EGG KG, Bremerhaven ⁵	100.00	0	0
Energiepark Elstorf NDS WP ELS GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiepark Erfstadt-Erp I GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiepark Erfstadt-Erp II GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiepark Flögel Stüh GmbH&Co. WP FLÖ KG, Bremerhaven ⁵	100.00	501	1.604
Energiepark Garzau-Garzin SP GG GmbH&Co. KG, Bremerhaven ⁵	100.00	69	3
Energiepark Jacobsdorf WP Jaco GmbH&Co. KG, Bremerhaven ⁵	100.00	-8	0
Energiepark Jülich-Barmen-Merzenhausen WP JBM GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiepark Jülich-Ost WP JO GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiepark Karstädt SP KA GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiepark Krempel GmbH&Co. RE WP KRE KG, Bremerhaven ⁵	100.00	0	0
Energiepark Kreuzau WP ST GmbH&Co. KG, Bremerhaven ⁵	100.00	-146	-334
Energiepark Nartum WP NART GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiepark Niederzier WP ST I GmbH&Co. KG, Bremerhaven ⁵	100.00	-268	-247
Energiepark Oerel WP OER GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiepark Solar GmbH&Co. SP Berlin KG, Bremerhaven ⁵	100.00	0	0
Energiepark Solar GmbH&Co. SP Worms KG, Bremerhaven ⁵	100.00	0	0
Energiepark Stinstedt WP STIN GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiepark UK CO GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiepark UK GA GmbH, Bremerhaven ⁴	100.00	-2	-4
Energiepark UK GL GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiepark UK NR GmbH&Co. KG, Hagen ⁵	100.00	-877	-876
Energiepark UK OV GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiepark UK PE GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiepark UK WI EXT GmbH&Co. KG, Bremerhaven ⁵	100.00	-5	0
Energiepark UK WP HY II GmbH&Co. KG, Bremerhaven ⁵	100.00	1	0
Energiepark Waldenrath WP HE GmbH&Co. KG, Bremerhaven ⁵	100.00	-153	-542

1) Equity under commercial law

2) Annual result under commercial law, if applicable after execution of the profit and loss transfer agreement (SAB) with Energiekontor AG

3) Energiekontor AG has concluded a control and profit and loss transfer agreement with these companies

4) Subsidiary in the legal form of a GmbH which is exempt from the publication obligation

5) Subsidiary in the legal form of a GmbH & Co. KG or UG & Co. KG, which is exempt from the publication obligation

6) (6) Joint venture (joint operation)

7) Associated company, accounted for using the equity method

Company name	Share in %	Earnings 2018 in EUR thousand ²	Equity capital 31.12.2018 in EUR thousand ¹
Energiepark Waldfeucht WP SeBo GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiepark Waldfeucht WP SeBo II GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiepark Winterberg-Altenfeld WP WA GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiepark WP Bützfleth GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiepark WP Völkersen GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiepark Zülpich WP Fü GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Hafen Wind Hamburg GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Infrastrukturgemeinschaft Flögeln GbR, Bremerhaven ⁶	50.00	0	0
Nordergründe Treuhand GmbH, Bremerhaven ⁴	100.00	-1	3
Windpark Flögeln GmbH, Bremerhaven ⁴	100.00	-2	-8
WP Booßen GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
WPS-Windkraft GmbH, Bremerhaven ⁴	100.00	-2	0
Netzanschluss Badingen GbR, Bremerhaven ⁶	37.29	-93	177
Netzanschluss Mürow Oberdorf GbR, Bremerhaven ⁶	30.19	-35	-195
Netzanschluß Stadorf GbR, Cuxhaven ⁶	50.00	0	1,064

1) Equity under commercial law

2) Annual result under commercial law, if applicable after execution of the profit and loss transfer agreement (SAB) with Energiekontor AG

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5) Subsidiary in the legal form of a GmbH & Co. KG or UG & Co. KG, which is exempt from the publication obligation

6) (6) Joint venture (joint operation)

7) Associated company, accounted for using the equity method

Bremen, April 3, 2019



Peter Szabo
Vorstandsvorsitzender



Günter Eschen
Vorstand



Torben Möller
Vorstand

Please note that the auditor's opinion is only binding in the German version

INDEPENDENT AUDITORS' REPORT

to Energiekontor AG, Bremen

Audit opinions

We have audited the consolidated financial statements of Energiekontor AG, Bremen, and its Subsidiaries (the Group), comprising the consolidated balance sheet as of December 31, 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the fiscal year from January 1, 2018 to December 31, 2018 and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Energiekontor AG for the business year from January 1, 2018 to December 31, 2018, which is combined with the management report of Energiekontor AG.

In accordance with legal requirements, we have not audited the content of the disclosures made in the "Other information" section of our audit opinion.

In our opinion, based on the findings of our audit,

- the accompanying consolidated financial statements comply in all material respects with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the additional requirements of German law pursuant to §315e Abs. 1 HGB and give a true and fair view of the net assets and financial position of the Group as of December 31, 2018 and of its results of operations for the financial year from January 1, 2018 to December 31, 2018 in accordance with these requirements, and
- the group management report provides a suitable understanding of the Group's position as a whole. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and suitably presents the opportunities and risks of future development. Our audit opinion on the group management report does not extend to the content of the corporate governance statement referred to in the section "Other information".

In accordance with section 322 (3) sentence 1 of the HGB, we declare that our audit has not led to any objections to the correctness of the consolidated financial statements and the group management report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and the group management report in accordance with §317 HGB and the EU Auditor's Regulation (No. 537/2014; hereinafter "EU-APrVO") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility under these rules and principles is further described in the section "Responsibility of the auditor for the audit of the consolidated financial statements and the group management report" of our audit opinion. We are independent of the Group companies in accordance with European law and German commercial and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements. In addition, we declare pursuant to Article 10 (2) (f) EU-APrVO that we have not provided any prohibited non-audit services pursuant to Article 5 (1) EU-APrVO. 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 the group management report.

Particularly important audit issues in the audit of the consolidated financial statements

Those matters of particular importance in our audit are those matters which, in our dutiful judgment, were most significant in our audit of the consolidated financial statements for the financial year from January 1, 2018 to December 31, 2018. These matters have been considered in connection with our audit of the consolidated financial statements as a whole and in the determination of our audit opinion thereon; we do not express a separate opinion on these matters.

1. Revenue recognition and accruals

The consolidated income statement shows sales revenues of EUR 110.2 million. These mainly relate to the sale of electricity and the construction of wind and solar parks for operating companies. This area is therefore a significant part of our business activities.

Since revenue from the construction of wind farms and solar parks for operating companies is recognized upon completion and transfer of risks and rewards and thus at the time of deconsolidation or completion, this is a matter of relevant significance in the context of our audit.

The risk for the consolidated financial statements

In our opinion, revenue recognition and accrual accounting is an area with a significant risk of material misrepresentation, including a possible risk that managers may circumvent controls, and is therefore a particularly important audit matter, since several cumulative requirements must be met for the time of preparation and revenue recognition vis-à-vis project companies (wind or solar park operating companies in the stage up to completion of the park) as well as the time of deconsolidation. Due to the size of the projects, the inaccurate period allocation of a sold park would have a significant impact on sales, inventories and earnings.

Our approach to the audit

Based on the findings of our audit of the previous year's financial statements and of the Company's economic and legal environment, we examined the methods, procedures and control mechanisms for project management in the bidding and execution phases of long-term construction contracts as part of our audit.

The focus here was on the analysis of the contractual basis and contractual conditions against the background of meeting the criteria for revenue recognition in accordance with IFRS 15 for all material transactions. In the case of the major projects scheduled for completion in the last quarter before and the first quarter after the balance sheet date, we examined whether the conditions for revenue recognition had been met, i. e. whether the wind/solar farm had been completed and commissioned and (cumulatively) the shares in the company had been sold. The focus was on the analysis of the various share purchase agreements and commissioning and acceptance protocols in order to ensure the key date of the share transfer and thus the correct realisation of sales.

Reference to further information

With regard to the information provided by the legal representatives on accounting and valuation issues, we refer to the notes to the consolidated financial statements, Point IV. 3 "Recognition of sales and other income".

2. Value adjustments on wind and solar parks in the portfolio

Wind farms and solar parks for which it is decided at the end of the project not to sell them are transferred to the Company's own portfolio for electricity generation. With regard to the wind and solar parks in the portfolio, each park represents a cash-generating unit in its own right. In addition to current depreciation, the carrying amount of property, plant and equipment is written down, if necessary, if impairment losses are expected to be permanent as a result of changed circumstances.

The risk for the consolidated financial statements

Impairment is determined by comparing the carrying amount of the respective assets with the recoverable amount. This recoverable amount is based on various value-determining factors such as the term of the lease agreements, subsequent further use including repowering, income and expenditure accounting including changes in electricity prices and wind or solar radiation as well as financing costs.

The determination of these value-determining factors involves to a large extent discretionary decisions and uncertainties. There is a risk for the consolidated financial statements that future cash flows or other parameters may not be correctly estimated and that the valuation may be incorrect and that the allowances may not be recognized or may not be recognized to a sufficient extent. Due to the uniqueness of each individual wind farm, the fair value cannot be derived from market values.

Our approach to the audit

The planned revenues are the product of the quantities of electricity sold and the price per kilowatt hour (kWh). We coordinated the prices with the contract documents. Insofar as the term extends beyond the end of the contract, we have analytically checked the prices – also taking into account possible repowering. We have reviewed the plausibility of sales volumes on the basis of past experience. We have examined plan expenses analytically and on a test basis, comparing them with the underlying financing. We have tracked in detail the discount rate, a mixed rate of equity and debt financing (WACC) weighted according to the individual company. We have checked the mathematical calculation model and recalculated individual projects in random samples. We discussed our queries directly with the commercial management.

Reference to further information

Please refer to Note IV. 8 "Impairment of property, plant and equipment" in the notes to the consolidated financial statements for accounting and valuation information.

3. Provisions for demolition costs of wind and solar parks

Please refer to Note IV. 18 "Provisions" in the notes to the consolidated financial statements for accounting and valuation information. Provisions are recognised under non-current liabilities for the dismantling and renaturation of wind and solar parks in the portfolio. In these cases, the carrying amount of the related property, plant and equipment must be increased by the present value of the legal obligations from the deconstruction.

The risk for the consolidated financial statements

Provisions are calculated on the basis of a number of assumptions that are uncertain and at the discretion of the Management Board. In doing so, the expected dismantling and renaturation costs must be estimated and discounted to the current balance sheet date, taking inflation into account. Estimated costs in particular can change considerably over time. Corresponding adjustments – with the exception of discount rates – are recognised in profit or loss and can have a significant impact on profit or loss.

Our approach to the audit

We check the plausibility of the expected demolition costs at the time the wind energy and solar plants are dismantled and coordinate the expert opinion values with the individual installation. Finally, we check the discount rate used, including the inflation rate taken into account and the credit spread used to take risk into account, the correct inclusion of the previous year's figures for the change in the current financial year, changes in the portfolio of wind and solar parks, other renaturation costs and the expected year of deconstruction as well as the arithmetical correctness.

Reference to further information

Please refer to Note IV. 18 "Provisions" in the notes to the consolidated financial statements for information on accounting and valuation issues.

Other information

The legal representatives are responsible for the other information. The other information includes:

- the declaration on corporate governance contained in the group management report and the oath on the balance sheet of the legal representatives, and
- the remaining parts of the annual report, with the exception of the audited consolidated financial statements, the group management report and our audit opinion.

In connection with our audit, we have the responsibility to read the other information and to assess whether the other information is free of material misstatement.

- have material discrepancies with the consolidated financial statements, with the group management report or with the knowledge acquired during the audit, or
- appear to be displayed incorrectly in some other way.

Responsibility of the legal representatives and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The legal representatives are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as adopted by the EU, and the additional requirements of German law pursuant to § 315e Abs. 1 HGB, and for the presentation of the net assets, financial position and results of operations of the Group in accordance with these requirements. In addition, management is responsible for internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. They are also responsible for disclosing matters relating to the continuing operation of the entity, if relevant. In addition, they are responsible for accounting under the going concern assumption unless there is an intention to liquidate the group or cease operations or there is no realistic alternative.

In addition, the legal representatives are responsible for the preparation of the group management report, which as a whole provides a suitable view of the Group's position and is consistent with the consolidated financial statements in all material respects, complies with German legal requirements and suitably presents the opportunities and risks of future development. In addition, the legal representatives are responsible for the precautions and measures (systems) they have deemed necessary to permit the preparation of a group management report in accordance with the applicable German legal provisions and to provide sufficient and suitable evidence for the statements in the group management report.

The Supervisory Board is responsible for monitoring the Group's accounting process for preparing the consolidated financial statements and the Group management report.

Responsibility of the auditor for the audit of the consolidated financial statements and the group management report

Our objective is to obtain reasonable assurance whether the consolidated financial statements as a whole are free from material misstatement, whether intentional or unintentional, and whether the group management report as a whole provides a suitable view of the Group's position and is consistent, in all material respects, with the consolidated financial statements and the findings of our audit, complies with German legal requirements and suitably presents the opportunities and risks of future development, and to express an opinion that includes our audit opinion on the consolidated financial statements and the group management report.

Sufficient assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with § 317 HGB and the EU-APrVO and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always reveal a material misstatement. Misstatements can result from violations or inaccuracies and are regarded as material if it could reasonably be expected that they will individually or collectively influence the economic decisions of users made on the basis of these consolidated financial statements and the group management report.

During the audit, we exercise our best judgment and maintain a critical attitude. In addition

- we identify and evaluate the risks of material misstatement, whether intentional or not, of the consolidated financial statements and the group management report, plan and perform audit procedures in response to those risks, and obtain audit evidence sufficient and appropriate to provide a basis for our audit opinions. The risk that material misstatements will not be detected is greater for violations than for inaccuracies, as violations may involve fraudulent collusion, falsification, intentional incompleteness, misrepresentation, or the overriding of internal controls.
- we gain an understanding of the internal control system relevant to the audit of the consolidated financial statements and the precautions and measures relevant to the audit of the group management report to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- we evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the reasonableness of accounting estimates made and related disclosures made.
 - we draw conclusions about the appropriateness of the accounting principle applied by the legal representatives for the continuation of the business activity and, on the basis of the audit evidence obtained, whether there is a material uncertainty in connection with events or circumstances that could cast significant doubt on the Group's ability to continue as a going concern. If we conclude that there is a material uncertainty, we are required to express an opinion on the related consolidated financial statements and on the group management report or, if the information is inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. Future events or circumstances may, however, result in the Group no longer being able to continue its business activities.
 - we have assessed the overall presentation, the structure and the content of the consolidated financial statements, including the disclosures, as well as whether the consolidated financial statements present the underlying transactions and events in such a way that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRSs as adopted by the EU, and the additional requirements of German law pursuant to §315e Abs. 1 HGB.
 - we obtain sufficient suitable audit evidence for the accounting information of the companies or business activities within the Group to express an opinion on the consolidated financial statements and the group management report. We are responsible for the direction, monitoring and performance of the audit of the consolidated financial statements. We bear sole responsibility for our audit opinions.
 - we assess the consistency of the group management report with the consolidated financial statements, its legal pronouncements and the group management report as a whole.
 - we perform audit procedures on the forward-looking statements in the group management report as presented by the legal representatives. On the basis of sufficient and suitable audit evidence, we particularly verify the significant assumptions on which the forward-looking statements of the legal representatives are based and assess the proper derivation of the forward-looking statements from these assumptions. We do not express an independent opinion on the forward-looking statements or the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.
- Among other things, we discuss with those responsible for monitoring the planned scope and timing of the audit and significant findings of the audit, including any deficiencies in the internal control system that we identify during our audit.
- We make a declaration to those responsible for monitoring that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that are reasonably believed to affect our independence and the safeguards that have been put in place to that effect.
- From among the matters discussed with those responsible for monitoring, we identify those matters that were most significant in the audit of the consolidated financial statements for the current reporting period and are therefore the most important matters for the audit. We describe these matters in the auditor's report unless required to do so by law or other regulations.

Other statutory and other legal requirements

Other information according to Article 10 EU-APrVO

We were selected as auditors of the consolidated financial statements by the Annual General Meeting on May 23, 2018. We were appointed by the Supervisory Board on November 27, 2018. We have been the uninterrupted auditors of the consolidated financial statements of Energiekontor AG since the 2014 financial year.

We declare that the audit opinions contained in this opinion are consistent with the additional report to the Audit Committee pursuant to Article 11 EU-APrVO (Audit Report).

Responsible auditor

The auditor responsible for the audit is Julian Wenninger.

Stuttgart, April 3, 2019

PKF Deutschland GmbH
Wirtschaftsprüfungsgesellschaft

Julian Wenninger
Chartered accountant

Ralph Setzer
Chartered accountant



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INDEPENDENT
AUDITORS' REPORT

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BALANCE SHEET (HGB)

as at 31 December 2018

ASSETS	Item in the Notes for the AG, Sec. III.	31.12.2018 EUR	31.12.2017 EUR thousand
A. Fixed assets	(1.)		
I. Intangible assets			
Patents, licenses, trademarks and similar rights and assets	(1.1.)	623	1
II. Tangible assets			
Fixtures and fittings	(1.2.)	133,452	131
III. Financial assets	(1.3.)		
1. Shares in affiliated companies	(1.3.1.)	54,926,779	53,364
2. Loans to affiliated companies	(1.3.2.)	28,810,496	29,134
3. Investments		54,297	54
		83,791,572	82,552
B. Current assets	(2.)		
I. Inventories	(2.1.)		
1. Unfinished goods and work in progress		16,946,081	13,329
2. Payments received on account		-40,000	-40
		16,906,081	13,289
II. Receivables and other assets	(2.2.)		
1. Trade receivables		1,870,467	790
2. Receivables from affiliated companies		25,622,321	29,299
3. Other assets		541,636	7,179
		28,034,423	37,268
III. Other securities		5,087,271	10,224
IV. Cash in hand and bank balances	(2.3.)	45,123,069	35,799
C. Prepaid expenses	(2.4.)	5,184	19
Total assets		179,081,675	179,284

EQUITY AND LIABILITIES

	Item in the Notes for the AG, Sec. III.	31.12.2018 EUR	31.12.2017 EUR thousand
A. Equity	(3.)		
I. Issued capital			
1. Subscribed capital	(3.1.)	14,578,160	14,578
2. Nominal amounts/ arithmetic value for retirement of purchased shares	(3.2.)	-29,920	-1
		14,548,240	14,577
II. Capital reserves	(3.5.)	41,237,445	41,237
III. Retained earnings	(3.6.)		
1. Statutory reserve		15,000	15
2. Other retained earnings		38,847,071	39,221
		38,862,071	39,236
IV. Net income	(3.7.)	6,627,404	8,747
<i>Total equity</i>		101,275,160	103,797
B. Provisions	(4.)		
1. Provisions for taxes		209,359	0
2. Other provisions		3,360,512	2,488
		3,569,871	2,488
C. Liabilities	(5., 6., 7.)		
1. Bonds		15,000,000	13,000
2. Liabilities to banks		121	311
3. Trade payables		922,393	1,225
4. Liabilities to affiliated companies		40,674,663	39,376
5. Other liabilities		2,603,789	6,849
		59,200,965	60,450
D. Deferred tax liabilities	(8.)	15,035,679	12,549
Total liabilities		179,081,675	179,284

PROFIT AND LOSS STATEMENT (HGB)

1 January to 31 December 2018

	Item in the Notes for the AG, Sec. IV.	2018 EUR	2017 EUR thousand
1. Revenue	(1.)	17,913,375	24,662
2. Increase in inventories of finished goods and work in progress		3,616,645	1,799
3. Total output		21,530,020	26,461
4. Other operating income	(2.)	170,800	1,154
5. Cost of materials	(3.)		
a) Expenses for purchased services		5,816,181	11,063
6. Gross result		15,884,639	16,551
7. Personnel expenses			
a) Wages and salaries		9,923,260	9,099
b) Social security, pension and other benefits <i>of which EUR 97,168 (previous year: EUR 94 thousand) relating to pensions</i>		1,515,575	1,414
		11,438,836	10,513
8. Depreciation and amortisation			
a) Depreciation and amortisation of intangible and tangible fixed assets		41,402	47
9. Other operating expenses	(4.)	4,320,089	4,898
10. Income from investments <i>of which EUR 9,000,000 (previous year: EUR 9,997 thousand) from affiliated companies</i>	(5.)	9,007,348	9,997
11. Income from profit and loss transfer agreements with affiliated companies	(6.)	2,714,556	12,463
12. Income from other long-term securities and loans <i>of which EUR 1,511,136 (previous year: EUR 149 thousand) from affiliated companies</i>	(7.)	1,707,683	320
13. Interest and similar income <i>of which EUR 165,400 (previous year: EUR 277 thousand) from affiliated companies</i>	(9.)	228,368	354
14. Depreciation and amortisation of financial assets and securities classified as current assets	(8.)	1,973,455	512
15. Interest and similar expenses <i>of which EUR 1,302,890 (previous year: EUR 216 thousand) to affiliated companies</i>	(9.)	2,528,723	1,549
16. Net operating income		9,240,089	22,167
17. Tax on profit	(10.)	2,614,240	6,654
18. Profit or loss for the year		6,625,849	15,513
19. Profit carried forward			
a) Profit carried forward before appropriation		8,746,896	14,694
b) Dividend payments		-8,745,342	-11,670
c) Allocations to retained earnings by the General Meeting		0	-3,024
		1,554	0
20. Allocations to retained earnings		0	-6,766
21. Net income		6,627,404	8,747

ANNEX

to the annual financial statements of Energiekontor AG
for the 2018 financial year in accordance with HGB
principles

I. Basic principles of the financial statements

The annual financial statements of Energiekontor AG, Bremen (Bremen Local Court, HRB 20449 HB) are prepared in accordance with German commercial law accounting regulations as amended by the German Accounting Directive Implementation Act (BilRUG) and in accordance with German stock corporation law.

Where applicable, the accounting standards of the German Accounting Standards Committee e.V. valid on the balance sheet date were also applied. (DRSC).

The annual financial statements of Energiekontor AG are prepared in euros. The figures in the annual financial statements and in the notes are given in euros (EUR) and thousands of euros (EUR thousands). Figures in tabular form are calculated and totalled exactly, which can result in rounding differences in the totals.

For the sake of clarity and rationality of the financial statements, the additional disclosures required for each item in the balance sheet and profit and loss account are included in the notes. The income statement has been prepared using the nature of expense method.

II. Accounting and valuation principles, currency translation

The following accounting, valuation and currency translation principles were applied unchanged to the previous year.

1. Classification principles

The balance sheet items are comparable with those of the previous year. Any reclassifications of prior-year amounts made in individual cases are noted under the respective item.

2. Accounting policies

The annual financial statements include all assets, liabilities, prepaid expenses, expenses and income, unless otherwise required by law. The items on the assets side have not been offset against the items on the liabilities side of the balance sheet – or only to the extent permitted by law – expenses have not been offset against income and land rights have not been offset against land charges.

Fixed and current assets, shareholders' equity, liabilities and prepaid expenses are shown separately in the balance sheet and adequately broken down.

The fixed assets only show items that are intended to serve business operations on a permanent basis. Expenses for the formation of the company and for the procurement of equity as well as for intangible assets that were not acquired against payment were not included in the balance sheet. Provisions were only formed within the framework of § 249 HGB and deferred items were formed in accordance with the provisions of § 250 HGB. Contingent liabilities within the meaning of § 251 HGB may be stated separately below, as may the nature, purpose, risks and rewards of transactions not included in the balance sheet, to the extent necessary to assess the financial position.

3. Valuation methods

The carrying amounts of the opening balance sheet for the financial year are the same as those of the closing balance sheet for the previous financial year. The valuation was based on the going concern assumption. The assets and liabilities were valued individually. It has been carefully evaluated, in particular all foreseeable risks and losses incurred up to the balance sheet date have been taken into account, even if they only became known between the balance sheet date and the preparation of the annual financial statements. Profits are only recognized if they have been realized by the balance sheet date. Expenses and income for the financial year have been taken into account irrespective of the date of payment.

Intangible assets acquired for consideration are capitalized at cost and amortized on a straight-line basis over a maximum of five years or the longer contractual useful life.

Property, plant and equipment are valued at acquisition or production cost, less scheduled depreciation in the case of depreciable items; unscheduled depreciation is charged where necessary. Scheduled depreciation is based on the expected useful life of the asset. The useful lives range from three to 13 years. Interest on borrowings is not capitalized.

The useful lives and depreciation methods used are reviewed in each period. For asset acquisitions during the fiscal year, depreciation is recognized pro rata temporis from the month of acquisition. Assets with individual acquisition costs of up to EUR 800 are written off in full in the year of acquisition.

Shares in affiliated companies are reported under fixed assets under financial assets. Write-downs to a lower value are made on financial assets at the balance sheet date if the impairment is considered likely to be permanent.

Loans to affiliated companies relate to financial and capital receivables. They are stated at the lower of nominal value or fair value. Where loans are non-interest-bearing or low-interest, they are carried at their present value. The default risk is measured by the realization of the redemption schedules.

Reversals of impairment losses on property, plant and equipment and financial assets are reversed through profit-increasing write-ups, up to a maximum of the original acquisition

cost, insofar as the reasons for impairment in value for earlier write-downs no longer apply.

Inventories are valued at acquisition or production cost plus directly attributable ancillary costs in accordance with the lower of cost or market principle. Work in progress is recognized at cost. General administrative costs are not capitalized; borrowing costs are not included in production costs. Inventories are free of third-party rights.

Receivables and other assets are carried at their nominal value, non-interest-bearing or low-interest receivables at their present value. Receivables for which payment is expected after more than one year are discounted. Default risks are adequately taken into account by individual value adjustments.

Securities and cash and cash equivalents are carried at the lower of cost or market.

Treasury shares are offset against equity at cost plus incidental expenses. The acquisition costs for own shares are openly deducted from the subscribed capital in the amount of the nominal capital if they have not yet been retired. To the extent that treasury shares have already been redeemed, they have reduced the nominal capital by offsetting. The portion of the acquisition costs of treasury stock exceeding the nominal capital is offset against other revenue reserves.

Fixed Assets 2018

EUR thousand	Acquisition / Production costs			
	01.01.2018	Additions	Disposals	31.12.2018
I. Intangible assets				
Intellectual property rights and similar rights and assets	256	0	0	256
II. Property, plant and equipment				
Operating and office equipment	231	43	0	274
III. Financial assets				
1. Shares in affiliated companies	62,074	5,451	1,753	65,773
2. Loans to affiliated companies	29,603	2,363	2,849	29,118
3. Participating interests	54	1	0	54
	91,731	7,815	4,602	94,945
Total	92,219	7,858	4,602	95,475

Tax and other provisions are measured in accordance with prudent business judgment, take into account all discernible risks and uncertain obligations and are stated at the amount required to settle the obligation in accordance with prudent business judgment, based on future expected prices and costs at the time the obligation is fulfilled. All information known up to the date of the balance sheet preparation is taken into account.

Where discounting is required, it is carried out in accordance with § 253 para. 2 sentences 4 and 5 HGB in conjunction with the Provisions Discounting Ordinance (RückAbzinsV) on the basis of the interest rates published by the Deutsche Bundesbank.

Liabilities are carried at their settlement amount.

Bank balances in foreign currencies are translated at the mean spot exchange rate on the balance sheet date.

Receivables and liabilities denominated in foreign currencies are generally recognized at the mean spot exchange rate on the balance sheet date; in the subsequent measurement of assets denominated in foreign currencies and liabilities with a remaining term of more than one year, changes in value from currency translation are also treated taking into account the realization principle and the acquisition cost principle.

Deferred tax assets and liabilities are also to be recognized according to the balance sheet-oriented "temporary concept" for quasi-permanent differences between balance sheet items of the commercial balance sheet and the tax balance sheet and reported in a separate balance sheet item. Deferred tax liabilities are offset against deferred tax assets, whereby tax loss carryforwards are included in the recognition of deferred taxes to the extent that their cause is causally related to the occurrence of deferred tax liabilities. Otherwise, deferred tax assets on losses carried forward are only recognised to the extent that offsetting can be expected within the next five financial years. For valuation purposes, the individual company tax rates that will probably be valid at the time the differences are reduced are used. The amounts are not discounted.

III. Notes to the balance sheet

The following figures are shown under the corresponding items in the balance sheet. Unless otherwise specified, all information is given in EUR thousand.

1. Fixed assets

The composition and development of fixed assets are shown in the following fixed asset movement schedule (all figures in EUR thousand).

	Depreciation				Carrying amount		
	01.01.2018	Additions	Transfers	Disposals	31.12.2018	31.12.2018	31.12.2017
	255	0	0	0	256	1	1
	100	41	0	0	141	133	131
	8,711	1,973	162	0	10,846	54,927	53,364
	469	0	-162	0	307	28,810	29,134
	0	0	0	0	0	54	54
	9,180	1,973	0	0	11,153	83,792	82,552
	9,535	2,015	0	0	11,550	83,926	82,684

1.1. Intangible assets

The value concerns software modules.

1.2. Property, plant and equipment

These are mainly office and business equipment assets.

1.3. Financial assets

1.3.1. Shares in affiliated companies

Financial assets are generally carried at cost less any write-downs to the lower fair value.

Write-downs on investments in subsidiaries amounted to EUR 1,973 thousand (prior year: EUR 350 thousand).

Write-ups (reversals of impairment losses) amounted to EUR 0 thousand in the year under review (previous year: EUR 539 thousand).

The list of shareholdings is presented under VI.

1.3.2. Loans to affiliated companies

Loans to affiliated companies relate to financial and capital claims against domestic wind farm operating companies, against the Portuguese and English planning and construction companies and against German wind farm holding companies.

Depreciation on loans to affiliated companies amounted to EUR 0 thousand (previous year: EUR 162 thousand). As in the previous year, no write-ups were made on shares or loans.

The loans are interest-bearing and have a term of up to 17 years.

2. Current assets

2.1. Inventories

Inventories of unfinished goods and services totalling EUR 16,906 thousand (prior year: EUR 13,289 thousand) relate in particular to capitalized planning services for onshore wind and solar park projects to be realized. When the planning services are performed and the planning fees are realized, the corresponding inventories are released with a corresponding decrease in profit.

The recoverability of inventories generally depends on the future realization of these projects. If the probability of realisation of capitalised projects decreases, the planning services allocated to these projects are written down where necessary.

2.2. Receivables and other assets

Receivables and other assets are broken down by maturity as follows with regard to their composition, whereby there are no terms of more than five years.

This item includes EUR 1,870 thousand (prior year: EUR 790 thousand) in receivables from third parties in connection with planning and sales services and EUR 25,370 thousand (prior year: EUR 29,299 thousand) in receivables from subsidiaries in connection with planning activities, the provision of personnel, administrative income, profit transfers and loans.

Other assets consist mainly of tax and loan receivables.

EUR thousand	31.12.2018			31.12.2017		
	Total	of which with a remaining term		Total	of which with a remaining term	
		till 1 year	1 to 5 years		till 1 year	1 to 5 years
Trade receivables and services	1,870	1,870	0	790	790	0
Receivables from affiliated companies	25,622	22,272	3,351	29,299	28,546	753
of which from deliveries and services	11,242	11,242	0	9,458	9,458	0
Other Assets	542	537	5	7,179	7,076	103
	28,034	24,679	3,355	37,268	36,413	856

2.3. Cash on hand and bank balances

As in the previous year, no bank balances were netted with current bank liabilities in the business year.

Of the bank balances, an amount of EUR 1,244 thousand (prior year: EUR 2,064 thousand) is pledged as collateral for third-party liabilities.

2.4. Prepayments and accrued income

Prepaid expenses in the amount of EUR 5 thousand (prior year: EUR 19 thousand) relate to deferred interest, rental and license payments that were paid before the balance sheet date but are economically attributable to the following year.

3. Equity

3.1. Subscribed capital

The **registered** share capital (nominal capital) of Energiekontor AG on the balance sheet date corresponds to the subscribed capital of EUR 14,578 thousand and has not changed slightly compared with the previous year.

A further 29,035 shares (previous year: 14,800 shares) were repurchased in the year under review. The share capital of Energiekontor AG remains unchanged from the previous year at EUR 14,578,160.00 and is divided into 14,578,160 (previous year 14,578,160) no-par value ordinary bearer shares (no-par value shares with a notional par value of EUR 1.00 each). Taking into account the repurchased shares not yet retired, the **issued** capital at the balance sheet date amounts to EUR 14,548,240.00 (previous year EUR 14,577,275.00) and is divided into 14,548,240 no-par value ordinary shares (no-par value shares with a notional par value of EUR 1.00 each).

3.2. Nominal amount of shares acquired for cancellation (treasury shares)

By resolution of the Annual General Meeting on 27 May 2010, the Company was authorised in accordance with section 71 (1) no. 8 of the AktG to acquire its own shares up to a total of ten percent of the current share capital. This authorisation, which expired on 26 May 2015, was revoked and amended by resolution of the Annual General Meeting on 21 May 2015. Accordingly, the Company was again authorized pursuant to section 71 (1) no. 8 of the AktG to acquire treasury shares up to a total of ten percent of the current share capital. This authorisation shall expire on 20 May 2020.

On the basis of this resolution (reproduced in detail below) and the previous resolution, a total of 29,035 shares (previous year: 14,800 shares) were repurchased in the fiscal year for the purpose of cancellation for the purpose of capital reduction. The amount of share capital attributable to treasury shares not yet retired amounted to EUR 29,920 (previous year: EUR 885) as of the balance sheet date and was openly deducted from subscribed capital, as these shares were also acquired for the purpose of retiring and reducing capital.

The portion of acquisition costs exceeding the nominal capital per share was deducted from other revenue reserves.

Together with other treasury shares held by the Company or attributable to it pursuant to Sections 71 a et seq. of the German Stock Corporation Act (AktG), the acquired shares may at no time account for more than ten percent of the share capital. The authorization may not be used for the purpose of trading in treasury shares. The authorization may be exercised in whole or in part, once or several times, in pursuit of one or several purposes by the Company or by third parties for the account of the Company. The shares may be acquired on the stock exchange or by means of a public purchase offer addressed to all shareholders of the Company.

If the shares are acquired on the stock exchange, the consideration per share paid by the Company (excluding incidental acquisition costs) may not be more than 10 percent above or below the average closing price (XETRA trading or comparable successor system) for shares with the same securities reference number determined on the Frankfurt Stock Exchange during the last three trading days prior to the acquisition of the shares.

If the shares are purchased via a public purchase offer to all shareholders of the Company, the purchase price offered per share (excluding ancillary purchase costs) may not be more than 10 percent above or below the average closing price on the Frankfurt Stock Exchange on the three trading days prior to the date of publication of the offer. The purchase offer or the invitation to submit such an offer may provide for further conditions. The Management Board was also authorized, with the consent of the Supervisory Board, to sell acquired treasury shares under exclusion of shareholders' subscription rights in a manner other than via the stock exchange or an offer to all shareholders if the acquired treasury shares are sold at a price that is not significantly lower than the market price of Company shares of the same class at the time of the sale.

The exclusion of subscription rights is limited to a maximum of 10 percent of the Company's share capital existing at the time this authorization becomes effective and at the time this authorization is exercised. Shares issued during the term of this authorization on the basis of other authorizations in direct or analogous application of section 186 (3) sentence 4 of the AktG, excluding subscription rights, shall be counted towards this limit. In addition, the Management Board was authorized to sell acquired treasury shares to the exclusion of shareholders' subscription rights in a manner other than via the stock exchange or an offer to all shareholders to third parties in connection with the acquisition of companies, parts of companies, interests in companies, other assets, receivables, rights or know-how. The Management Board is authorized to redeem shares of the Company acquired on the basis of this authorization without such redemption or its implementation requiring a further resolution of the Annual General Meeting. The redemption leads to a capital reduction. The shares may also be redeemed in a simplified procedure without a capital reduction by adjusting the proportionate arithmetical amount of the remaining no-par value shares in the Company's share capital. The redemption may be limited to a portion of the acquired shares. The authorization to redeem shares may be exercised several times.

If the redemption is carried out using the simplified procedure, the Executive Board is authorized to adjust the number of no-par value shares in the Articles of Association. Measures taken by the Management Board on the basis of this resolution of the Annual General Meeting may only be taken with the consent of the Supervisory Board.

These authorizations to acquire, redeem, resell or otherwise utilize treasury shares may also be exercised in part in each case. The statutory subscription right of shareholders to own shares is excluded pursuant to Sections 71 (1) No. 8, 186 (3) and (4) AktG to the extent that these shares are used in accordance with the above authorizations.

The above authorizations to acquire treasury shares are valid until May 20, 2020.

3.3. Authorized capital

The Annual General Meeting of Energiekontor AG on May 26, 2016 created new authorised capital by cancelling the previously authorised capital. The Management Board was authorized, with the approval of the Supervisory Board, to increase the share capital by up to EUR 7,326,580.00 by issuing up to 7,326,580 new ordinary and/or preferred bearer shares with or without voting rights against cash and/or non-cash contributions on one or more occasions up to and including May 23, 2021 (Authorized Capital 2016). The authorization includes the authority to issue further preference shares (with or without voting rights) in the event of repeated issuance of preference shares, which take precedence over or equal to the previously issued preference shares in the distribution of profits or company assets.

In principle, shareholders are to be granted subscription rights. The new shares may also be acquired by one or more banks with the obligation to offer them to the shareholders for subscription.

However, the Management Board is authorized, with the consent of the Supervisory Board, to exclude the statutory subscription right of shareholders,

- to the extent necessary to compensate for fractional amounts;
- if the shares are issued against contributions in kind for the purpose of acquiring companies or interests in companies or parts of companies or for the purpose of acquiring receivables from the Company;
- if a capital increase against cash contributions does not exceed 10 percent of the share capital and the issue price of the new shares is not significantly lower than the stock exchange price (§ 186 (3) sentence 4 AktG); when exercising this authorization under exclusion of subscription rights pursuant to § 186 (3) sentence 4 AktG, the exclusion of subscription rights on the basis of other authorizations pursuant to § 186 (3) sentence 4 AktG must be taken into account.

The Management Board was authorised, with the approval of the Supervisory Board, to determine the further details of the capital increase and its implementation. The Supervisory Board was authorized to amend the wording of the Articles of Association in line with the utilization of the authorized capital.

As in the previous year, no use was made of these authorizations in the financial year under review.

3.4. Conditional capital and stock option program

The Annual General Meeting of Energiekontor AG on May 28, 2014 passed a resolution to conditionally increase the Company's share capital by up to EUR 500,000.00 by issuing up to 500,000 new bearer shares with a notional value of EUR 1.00 each as subscription shares. This resolution was entered in the commercial register on July 1, 2014. The conditional capital increase is intended exclusively for the purpose of granting subscription rights to members of the Company's Management Board within the framework of a stock option plan (Section 192 (2) no. 3 AktG). The conditional capital increase shall only be carried out to the extent that the subscription rights granted are exercised by the respective beneficiary. The new shares participate in the Company's profits from the beginning of the financial year in the course of which they are created by the exercise of subscription rights.

Under the stock option program 2014, subscription rights for up to 500,000 shares of the Company could be issued to members of the Management Board of the Company until December 31, 2018. Each subscription right entitles the holder to subscribe to one bearer share in Energiekontor AG in accordance with the subscription right conditions to be determined by the Supervisory Board. The term of the subscription rights is five years beginning at the end of the respective issue period. The stock options can only be exercised four years after the respective issue period and are not transferable. The Company is entitled to satisfy the subscription rights either by issuing shares from the conditional capital created for this purpose or by selling treasury shares.

In 2014, the Supervisory Board made partial use of this authorisation and granted Peter Szabo, a member of the Management Board, subscription rights to acquire 100,000 shares in the company. The exercise price is EUR 11.02272 per share, the waiting period ended in 2018. As in the previous year, no further subscription rights were granted in the financial year.

The Annual General Meeting of Energiekontor AG on May 23, 2018 resolved to conditionally increase the share capital of the Company by up to EUR 500,000.00 by issuing up to 500,000 new bearer shares with a notional value of EUR 1.00 each as subscription shares. The conditional capital increase is intended exclusively for the purpose of granting subscription rights to members of the Company's Management Board within the framework of a stock option plan (Section 192 (2) no. 3 AktG). The conditional capital increase shall only be carried out to the extent that the subscription rights granted are exercised by the respective beneficiary. The new shares

participate in the Company's profits from the beginning of the financial year in the course of which they are created by the exercise of the subscription rights.

Under the stock option program 2018, subscription rights for up to 500,000 shares of the Company may be issued to members of the Management Board of the Company until April 30, 2023. Each subscription right entitles the holder to subscribe to one no-par value bearer share in Energiekontor AG in accordance with the subscription conditions to be determined by the Supervisory Board. The term of the subscription rights is five years starting from the end of the respective issue period. The stock options can only be exercised four years after the respective issue period and are not transferable. The Company is entitled to satisfy the subscription rights either by issuing shares from the conditional capital created for this purpose or by selling treasury shares.

No subscription rights were granted in the financial year.

3.5. Capital reserve

The capital reserve of EUR 41,237 thousand, which remained unchanged from the previous year, is composed of the premiums achieved when Energiekontor AG went public or increased its capital in 2000 and 2001.

3.6. Revenue reserves

The statutory revenue reserve of Energiekontor AG remains unchanged at EUR 15 thousand.

The other revenue reserves of the AG developed as follows:

EUR thousand	2018	2017
Balance at January 1	39,221	29,667
Offset against acquisition costs for repurchased own shares that exceeded nominal capital	-374	-237
Withdrawal from retained earnings	0	9,790
Balance at December 31	38,847	39,221

The partial appropriation of profit in the previous year of EUR 9,790 thousand included EUR 3,024 thousand of the allocation to retained earnings by the Annual General Meeting on May 23, 2017 and EUR 6,766 thousand of the allocation to retained earnings by the Management Board and Supervisory Board on April 9, 2018.

3.7. Balance sheet profit

The balance sheet profit as at December 31, 2018 is as follows:

EUR thousand	2018	2017
Balance at January 1	8,747	14,694
Dividend payment	-8,745	-11,670
Transfer in the revenue reserve by AGM	0	-3,024
Net income for the year	6,626	15,513
Transfer in the revenue reserves by Management Board and Supervisory Board	0	-6,766
Balance at December 31	6,627	8,747

4. Accruals

The tax provisions include the provision for corporate income tax for the current year for which no tax assessment has yet been made.

The composition and development of provisions are shown in the table below.

Statement of changes in provisions 2018

EUR thousand	01.01.2018	Consumption 2018	Disbandment 2018	Additions 2018	31.12.2018
Tax provisions (excluding deferred taxes)	0	0	0	209	209
Other provisions and accrued liabilities					
Project-related costs	239	83	3	560	713
Legal costs	0	0	0	145	145
Annual financial statement, legal and consulting costs	242	170	0	240	312
Annual report	80	80	0	80	80
Supervisory Board remunerations	70	70	0	90	90
Personnel costs (vacation, overtime, professional association, profit sharing)	1,756	1,618	1	1,719	1,857
Miscellaneous	100	0	0	63	164
Other provisions and accrued liabilities	2,488	2,022	3	2,898	3,361

As in the previous year, the provisions do not include any long-term portions.

5. Liabilities

Liabilities at the balance sheet dates are broken down by maturity as follows:

EUR thousand	31.12.2018				31.12.2017			
	Total	of which with a remaining term of			Total	of which with a remaining term of		
		till 1 year	1 to 5 years	more than 5 years		till 1 year	1 to 5 years	more than 5 years
Bonds	15,000	0	15,000	0	13,000	7,000	6,000	0
Liabilities to banks	1	1	0	0	0	0	0	0
Liabilities from trade accounts payable	922	922	0	0	1,225	1,225	0	0
Liabilities to connected companies	40,675	4,165	11,300	25,209	39,376	6,034	10,621	22,720
of which from deliveries and services	271	271	0	0	594	594	0	0
Other liabilities	2,604	2,604	0	0	6,849	6,849	0	0
of which taxes	2,238	2,238	0	0	5,134	5,134	0	0
of which within the scope of social security	17	17	0	0	32	32	0	0
	59,201	7,691	26,300	25,209	60,449	21,108	16,621	22,720

As in the previous year, no bank loans secured by current account balances were netted with the corresponding credit accounts in the financial year under review. Liabilities with maturities of more than five years were not recognized in either the reporting period or the prior-year period.

Bonds

In 2013, Energiekontor AG issued a further convertible bond in the amount of EUR 7,000 thousand, divided into 7,000 bearer bonds of EUR 1,000 each under the securities identification number (WKN) A1R029, which was also subscribed in full. Investors received a return of 7 percent of the nominal value of the subscribed capital. The bond matured on June 30, 2018 at nominal value and was repaid in full. The bond reported under current liabilities in the previous year at EUR 7,000 thousand was therefore no longer recognized as of the balance sheet date.

In 2015, Energiekontor AG issued a further EUR 6,000,000,000 convertible bond under the securities identification number (WKN) A1611S, divided into 6,000 partial bearer bonds of EUR 1,000 each. Investors receive a return of 5.25 percent of the nominal value of the subscribed capital. The bond matures on January 1, 2021 for repayment at nominal value. As in the previous year, the bond had a value of EUR 6,000 thousand at the balance sheet date.

In 2018, Energiekontor AG issued a further convertible bond in the amount of EUR 9,000 thousand, divided into 9,000 bearer bonds of EUR 1,000 each under the securities identification number (WKN) A2E4HA. Investors receive a return of 4.0 percent of the nominal value of the subscribed capital. The bond matures on January 31, 2023 for repayment at nominal value. The bond has a value of EUR 9,000 thousand (previous year EUR 0 thousand) on the balance sheet date.

The total volume of bonds as of the balance sheet date therefore amounts to EUR 15,000 thousand (prior year: EUR 13,000 thousand). The aforementioned bonds and the interest claims are securitized for the entire term of the respective bonds in a bearer collective bond deposited with Clearstream Banking AG, Frankfurt. The bonds contain no conversion rights or other equity elements and are freely tradable. The Issuer may give notice of termination prior to maturity by giving eight weeks' notice to the end of the quarter, but the bondholders may only give notice if payments are suspended, the Issuer becomes insolvent or the Issuer becomes insolvent.

6. Contingent liabilities

As of December 31, 2018, Energiekontor AG had provided temporary and unlimited guarantees amounting to EUR 2,172 thousand (previous year: EUR 2,274 thousand). Of this amount, EUR 879 thousand (prior year: EUR 1,194 thousand) relates to guarantees in favour of Group companies.

As in the past, the risk of the guarantees being called upon is considered to be low due to the good net assets, financial position and results of operations of the companies concerned.

In four cases, Energiekontor AG remains optionally obliged to buy back shares in three domestic wind farm operating companies in the amount of up to 10 percent and shares in one foreign wind farm operating company in the amount of up to 20 percent of the fixed price of the original construction contracts in the years 2025 to 2029. In the event that the wind farm operating companies exercise the option in the future, the Company may incur payment obligations of EUR 1,537 thousand at the end of 2025 and EUR 2,449 thousand in the years after 2028. In each case, the maximum nominal values due are stated, the present value of which is significantly lower in accordance with the maturities.

If the options are exercised, however, the Company will take over the limited partner's shares in these wind farm operating companies in return for the payments. As the Company assumes that the shares will retain their full value at the terms offered, no risks are expected from such repurchases.

Limited partner's interests give rise to contingent liabilities within the meaning of §§ 171 (1) and, if applicable, 172 (4) HGB. The liability amounts pursuant to § 171 (1) HGB result from the respective difference between the liability contribution entered in the commercial register on the one hand and the contribution actually paid on the other.

The following overview shows the contingent liabilities arising from the limited partnership interests.

EUR thousand	Limited partners' contributions			
	according to articles of partnership	into the commercial register	registered thereupon	paid in liability i.a.w. Section 171
Total amounts	80,800	80,800	29,199	51,600

There are payment obligations (not called in) to subsidiaries in the amount of EUR 17,152 thousand from contributions not yet made as of the balance sheet date.

Due to the scheduled development of the net assets, financial position and results of operations of the companies, liability claims are not to be expected.

As of December 31, 2018, collateral existed for third-party liabilities from the assignment of twelve shares in affiliated companies (previous year: eleven). As of the balance sheet date, these are reported under financial assets with a total carrying amount of EUR 899 thousand (prior year: EUR 1,218 thousand).

7. Other financial obligations

Other financial obligations consist of rental agreements for the business premises in Bremen, Bremerhaven and the other domestic and foreign branches and of leasing agreements for vehicles, furniture and IT hardware and software.

in EUR thousand	2019	2020 bis 2023
from rental agreements	430	295
from maintenance and service contracts	49	161
from leasing contracts	332	723
Other financial obligations	811	1,178

8. Deferred tax liabilities

According to the balance sheet-oriented "temporary concept", deferred tax assets and liabilities must also be recognised for quasi-permanent differences between balance sheet items in the commercial balance sheet and the tax balance sheet and reported in a separate balance sheet item. This includes in particular the different valuations of investments in subsidiaries in the commercial and tax balance sheets. Deferred tax assets on losses carried forward must also be taken into account if their cause is causally connected with the occurrence of deferred tax liabilities. Otherwise, deferred tax assets on losses carried forward are only recognised to the extent that offsetting can be expected within the next five financial years.

As of the balance sheet date, the following deferred taxes were recognized:

EUR thousand	31.12.2018		31.12.2017	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Valuation differences in investments, loans, Receivables from subsidiaries	98	16,952	140	14,243
Losses carried forward	1,818	0	1,553	0
Subtotal before netting	1,917	16,952	1,693	14,243
Amounts eligible for netting	-1,917	-1,917	-1,693	-1,693
Deferred taxes (after netting)	0	15,036	0	12,549

A rate of 15.8 percent for corporation tax (including solidarity surcharge) and a rate of 16.2 percent for trade tax were applied as tax rates to be expected at the time of dissolution:

As of the balance sheet date, the aforementioned deferred tax assets for loss carryforwards expected to be utilized within the next five financial years included EUR 11,490 thousand in offset losses from subsidiaries for corporate income tax purposes.

IV. Notes to the Profit and Loss Account

The following figures are shown under the corresponding items in the income statement. Unless otherwise specified, all information is given in EUR.

The income statement has been prepared using the nature of expense method.

1. Sales proceeds

Sales are mainly generated in Germany. Sales revenues consist of proceeds from the sale of shares in companies in wind farms, from services in connection with construction, economic planning and contractual and legal processing, project management, management in the start-up phase, sales and advertising activities and the procurement of equity and debt for the wind farm operating companies, from planning services to obtain building permits for wind farm projects, as well as from accounting proceeds and intra-Group proceeds for the provision of personnel and project coordination.

in EUR thousand	2018	2017
Income from		
Construction, planning, distribution	12,728	19,313
Administration, provision of personnel	4,985	5,149
Accounting	200	199
Proceeds	17,913	24,662

2. Other operating income

Other operating income breaks down as follows:

in EUR thousand	2018	2017
Other operating income	83	83
Income from currency translation	51	387
Insurance indemnities	34	25
Reversal of provisions	3	83
Income from reversals of impairment losses on financial assets (write-ups)	0	539
Subsidies	0	38
Other operating income	171	1,154

3. Cost of materials

The cost of purchased services in connection with wind farm project planning (expert opinions, planning costs, public fees, etc.) amounted to EUR 5,816 thousand in the fiscal year (previous year: EUR 11,063 thousand).

4. Other operating expenses

Other operating expenses mainly include general administrative, legal and consulting expenses, project-related expenses as well as advertising and similar costs.

in EUR thousand	2018	2017
Administration and other costs	1,332	1,443
Legal and consulting costs	1,249	1,094
Selling expenses	693	1,322
Occupancy costs	543	529
Project-related expenses	229	215
Insurance, fees, contributions	208	164
Travel expenses for employees	36	89
Expenses from exchange rate differences	31	41
Other operating expenses	4,320	4,898

5. Income from investments

The income results from profit allocations from subsidiaries of Energiekontor AG.

6. Income and expenses from profit and loss transfer agreements with affiliated companies

The income results from the profit transfer of the subsidiary Energiekontor Infrastruktur und Anlagen GmbH, which is associated with a profit transfer and control agreement with the company.

7. Income from other securities and loans held as financial assets

This item shows the interest income generated from long-term loans to subsidiaries.

8. Depreciation on financial assets

Write-downs on shares in subsidiaries amounted to EUR 1,973 thousand in the year under review (previous year: EUR 350 thousand). In the year under review, loans to affiliated companies were written down by EUR 0 thousand (previous year: EUR 162 thousand).

9. Net interest

Net interest income developed as follows:

in EUR thousand	2018	2017
Income from other securities and loans held as financial assets	1,708	320
of which from affiliated companies	1,511	149
Other interest and similar income	228	354
of which from affiliated companies	165	277
Interest and similar expenses	-2,529	-1,549
thereof to affiliated companies	-1,303	-216
Net interest	-593	-875

10. Taxes on income and earnings

For the fiscal year, the total tax burden (corporate income tax and trade tax) for the fiscal group amounts to EUR 3,043 thousand (prior year: EUR 6,654 thousand). This tax expense of EUR 608 thousand (prior year: EUR 1,539 thousand) relates to the result from ordinary activities and EUR -51 thousand (prior year: EUR 148 thousand) to tax payments for prior years. The total expenses are composed as follows:

in EUR thousand	2018	2017
Actual tax expense	128	1,687
Deferred tax expense	2,486	4,968
Tax expense	2,614	6,654

V. Other information

1. Staff

In the year under review, Energiekontor AG employed an annual average of 137 (previous year: 129) salaried employees, excluding trainees.

2. Board members and remuneration, shareholdings

2.1. Management Board

Members of the Management Board were during the fiscal year:

- **Dipl.-Kaufm. Peter Szabo**, Business graduate, Oldenburg
- **Dipl.-Ing. Günter Eschen**, Engineer, Saterland
- **Dipl.-Ing. Torben Möller**, Engineer, Achim

Each member of the Management Board represents the Company together with another member of the Management Board or an authorized signatory. The exemption from the restrictions of § 181 BGB is granted.

The members of the Management Board received total remuneration of EUR 1,064 thousand (prior year: EUR 975 thousand) for their activities in the fiscal year. The variable portion of this amounts to EUR 315 thousand (previous year: EUR 355 thousand). Reference is also made to the remuneration report in the management report.

At the Annual General Meeting on May 26, 2016, it was resolved to make use of the opt-out option provided for in Sections 286 (5) and 314 (3) HGB. On the basis of this resolution, the disclosure of the remuneration of each individual member of the Management Board in the annual financial statements and consolidated financial statements of the Company for the fiscal years up to and including 2020, as provided for in section 285 sentence 1 no. 9 letter a) sentences 5 to 8 HGB and section 314 (1) no. 6 letter a) sentences 5 to 8 HGB, is dispensable.

2.2. Supervisory board

were members of the Supervisory Board

- **Dipl.-Wirtsch.-Ing. Dr. Bodo Wilkens**, Engineer, Darmstadt, Chairman
Dr. Wilkens is also a member of the Supervisory Board of the following unlisted company:
Energiekontor Ocean Wind AG, Bremen (Chairman)

- **Günter Lammers, Businessman,**
Geestland, Deputy Chairman
Mr. Lammers is also a member of the supervisory board of the following unlisted company:
Energiekontor Ocean Wind AG, Bremen
- **Dipl.-Volkswirt Darius Oliver Kianzad,**
management consultant, Essen
Mr. Kianzad is also a member of the supervisory board of the following unlisted company:
Energiekontor Ocean Wind AG, Bremen

As in the previous year, the members of the Supervisory Board received EUR 90 thousand in Supervisory Board remuneration in the year under review. In addition, the Supervisory Board members Dr. Wilkens and Lammers have concluded consultancy agreements with the Company which provide for an annual fee of EUR 60 thousand each, as in the previous year.

2.3. Shareholdings of members of governing bodies

As of December 31, 2018, the members of the executive bodies held the following interests in the AG:

Function	Name	Shares
Chairman of the Supervisory Board	Dr. Bodo Wilkens	3,759,835
Deputy Chairman of the Supervisory Board	Günter Lammers	3,752,474

2.4. Other

The members of executive bodies of Energiekontor AG as well as all executive bodies of affiliated companies in Germany and abroad are indemnified by Energiekontor AG or its affiliated companies against third-party claims to the extent permitted by law. For this purpose, the Company maintains a financial loss liability group insurance policy for board members and managing directors of the Energiekontor Group. It shall be concluded or renewed annually. The insurance covers the personal liability risk in the event that the group of persons is held liable for pecuniary loss while carrying out their activities.

No transactions were conducted with related parties at non-standard market conditions during the financial year.

Neither board members nor their relatives were granted any advances or loans.

3. Information on Subsidiaries

Point VI. of the Notes contains a list of the companies in which Energiekontor AG directly or indirectly holds a majority interest (subsidiaries or affiliated companies pursuant to Section 271 (2) HGB).

4. Fees for the audit of the annual financial statements and the consolidated financial statements

The fee for the audit of the annual financial statements of Energiekontor AG including the bookkeeping and the management report as well as the monitoring system to be set up in accordance with Section 91 (2) AktG for the financial year from January 1 to December 31, 2018 and for the audit of the consolidated financial statements and the management report in accordance with IFRS principles is as follows EUR 105 thousand (previous year EUR 105 thousand) and for other confirmation services EUR 2 thousand (previous year EUR 16 thousand).

5. Declaration pursuant to Section 161 AktG

In March 2019, the Board of Management and the Supervisory Board of Energiekontor AG issued the declaration on the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG) and made it available to shareholders by way of publication on the company's website (www.energiekontor.de) on the Internet.

6. Disclosure

The annual financial statements for the previous year were published in the Federal Gazette on June 25, 2018.

7. Exemption options pursuant to Sections 264 (3) and 264 b of the German Commercial Code (HGB)

In accordance with Sections 264 (3) and 264 b of the German Commercial Code (HGB), subsidiaries that are fully consolidated in the consolidated financial statements and meet other legal requirements do not disclose their annual financial statements.

Energiekontor AG has agreed to the exemption. The exempt subsidiaries are listed in the consolidated financial statements.

8. Supplementary report

At the end of March 2019, Energiekontor was able to obtain the financing commitment and loan evaluation for the Waldfeucht wind farm (13.5 MW) and thus start construction. Thus, Energiekontor has a total of three wind farms under construction in the first quarter of 2019 with the British wind farm Withernwick II (8.2 MW) and the German wind farms Bultensee (3.4 MW) and Waldfeucht, which are to be commissioned in 2019.

In the UK, the Overhill project with a total output of 36 MW received approval in the first quarter of 2019 after submission with optimized project parameters.

In the solar segment, the Gefrees (4.8 MW_p) and Karstädt (3.8 MW_p) projects successfully participated in the tenders of the Federal Network Agency in February and March 2019.

On April 3, Energiekontor announced that a new share buy-back programme with a volume of 300,000 shares or EUR 9,000,000 will start on April 23, 2019. This replaces the current share buyback program, under which up to 100,000 shares may be repurchased.

9. Proposal for the appropriation of profits

The net profit for 2018 of EUR 6,625,849.41 and the profit carried forward of EUR 1,554.35 resulted in a balance sheet profit of Energiekontor AG of EUR 6,627,403.76.

The Management Board and the Supervisory Board propose that from the net retained profits for the 2018 financial year of EUR 5,831,264.00

a) to use an amount of EUR 5,831,264.00 to pay a dividend of EUR 0.40 per no-par value share entitled to dividends and

b) to carry forward to new account the arithmetical amount attributable to treasury shares from the dividend distribution in accordance with subsection a) above.

c) den aus der Dividendenausschüttung gemäß lit. a) auf eigene Aktien rechnerisch entfallenden Betrag auf neue Rechnung vorzutragen.

The distribution corresponds to a dividend of EUR 0.40 per share on the subscribed capital of EUR 14,578,160.00, divided into 14,578,160 shares.

VI. List of participations

Direct and indirect shareholdings of Energiekontor AG

Company name	Share in %	Earnings 2018 in EUR thousand ²	Equity capital 31.12.2018 in EUR thousand ¹
Construtora da nova Energiekontor – Parquet Eólicos, Unipessoal Lda., Lissabon, Portugal	100.00	-5	59
EER GbR, Worpswede ⁷	28.60	0	100
EK HDN Projektentwicklung GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor – WSB – GmbH, Bremerhaven ⁴	100.00	162	186
Energiekontor Anlagen GmbH&Co. Offshore KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Aufwind 2 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Aufwind 4 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Aufwind 5 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Aufwind 6 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Aufwind 8 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Aufwind 9 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Aufwind 10 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Aufwind GmbH, Bremerhaven ⁴	100.00	-3	1
Energiekontor Bau I GmbH, Bremerhaven ⁴	100.00	-1	11
Energiekontor Bau II GmbH, Bremerhaven ⁴	100.00	-1	11
Energiekontor Bau III GmbH, Bremerhaven ⁴	100.00	-1	11
Energiekontor Bau IV GmbH, Bremerhaven ⁴	100.00	-1	11
Energiekontor Bau IX GmbH, Bremerhaven ⁴	100.00	-1	11
Energiekontor Bau V GmbH, Bremerhaven ⁴	100.00	-1	11
Energiekontor Bau VI GmbH, Bremerhaven ⁴	100.00	-1	11
Energiekontor Bau VII GmbH, Bremerhaven ⁴	100.00	-1	11
Energiekontor Bau VIII GmbH, Bremerhaven ⁴	100.00	-1	11
Energiekontor Bau X GmbH, Bremerhaven ⁴	100.00	-1	11
Energiekontor Finanzanlagen GmbH&Co. KG, Bremerhaven ⁵	100.00	-22	155
Energiekontor Finanzanlagen II GmbH&Co. KG, Bremerhaven ⁵	100.00	-15	303
Energiekontor Finanzanlagen III GmbH&Co. KG, Bremerhaven ⁵	100.00	11	308
Energiekontor Finanzanlagen IV GmbH&Co. KG, Bremerhaven ⁵	100.00	66	320
Energiekontor Finanzanlagen V GmbH&Co. KG, Bremerhaven ⁵	100.00	190	208
Energiekontor Finanzanlagen VI GmbH&Co. KG, Bremerhaven ⁵	100.00	-96	4
Energiekontor Finanzierungsdienste GmbH&Co. KG, Bremerhaven ⁵	100.00	-48	543
Energiekontor Finanzierungsdienste II GmbH, Bremerhaven ⁴	100.00	-2	-4
Energiekontor Finanzierungsdienste III GmbH, Bremerhaven ⁴	100.00	-3	-1

1) Equity under commercial law

2) Annual result under commercial law, if applicable after execution of the profit and loss transfer agreement (SAB) with Energiekontor AG

3) Energiekontor AG has concluded a control and profit and loss transfer agreement with these companies

4) Subsidiary in the legal form of a GmbH which is exempt from the publication obligation

5) Subsidiary in the legal form of a GmbH&Co. KG or UG&Co. KG, which is exempt from the publication obligation

6) Joint venture (joint operation)

7) Associated company, accounted for using the equity method

Company name	Share in %	Earnings 2018 in EUR thousand ²	Equity capital 31.12.2018 in EUR thousand ¹
Energiekontor Finanzierungsdienste IV GmbH, Bremerhaven ⁴	100.00	-2	-1
Energiekontor Finanzierungsdienste V GmbH, Bremerhaven ⁴	100.00	-2	3
Energiekontor Finanzierungsdienste VI GmbH, Bremerhaven ⁴	100.00	-3	2
Energiekontor Finanzierungsdienste VII GmbH, Bremerhaven ⁴	100.00	-3	9
Energiekontor Finanzierungsdienste-Verwaltungs GmbH, Bremerhaven ⁴	100.00	-2	-5
Energiekontor France SAS, Toulouse, Frankreich	100.00	-211	-201
Energiekontor Guardao GmbH, Bremerhaven ⁴	100.00	-2	-11
Energiekontor Guardao GmbH & Co. WP GU KG, Bremerhaven ⁵	100.00	0	0
Energiekontor III EnergiAS Alternativas, Unipessoal Lda., Lissabon, Portugal	100.00	8	-24
Energiekontor Infrastruktur I GmbH & Co. KG, Bremerhaven ⁵	100.00	-15	-15
Energiekontor Infrastruktur II GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Infrastruktur III GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Infrastruktur IV GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Infrastruktur IX GmbH & Co. KG, Bremerhaven ⁵	100.00	-1	0
Energiekontor Infrastruktur Solar GmbH & Co. KG, Bremerhaven ⁵	100.00	513	37
Energiekontor Infrastruktur und Anlagen GmbH, Bremerhaven ^{3,4}	100.00	0	26
Energiekontor Infrastruktur V GmbH & Co. KG, Bremerhaven ⁵	100.00	-1	0
Energiekontor Infrastruktur VI GmbH & Co. KG, Bremerhaven ⁵	100.00	-1	0
Energiekontor Infrastruktur VII GmbH & Co. KG, Bremerhaven ⁵	100.00	-1	0
Energiekontor Infrastruktur VIII GmbH & Co. KG, Bremerhaven ⁵	100.00	-1	0
Energiekontor Infrastruktur X GmbH & Co. KG, Bremerhaven ⁵	100.00	-1	0
Energiekontor Innovations GmbH, Bremerhaven ⁴	100.00	44	150
Energiekontor Mafomedes GmbH, Bremerhaven ⁴	100.00	-2	0
Energiekontor Mafomedes GmbH & Co. WP MF KG, Bremerhaven ⁵	97.90	-537	2,713
Energiekontor Mafomedes ÜWP MF GmbH & Co. KG, Bremerhaven ⁵	100.00	-259	1,033
Energiekontor Management 1 GmbH, Bremerhaven ⁴	100.00	0	4
Energiekontor Management GmbH & Co. KG, Bremerhaven ⁵	100.00	84	-71
Energiekontor Management Hagen 1 GmbH, Hagen ⁴	100.00	0	4
Energiekontor Management Hagen GmbH & Co. KG, Hagen ⁵	100.00	36	32
Energiekontor Montemuro GmbH, Bremerhaven ⁴	100.00	1	34
Energiekontor Montemuro GmbH & Co. WP MONT KG, Bremerhaven ⁵	100.00	-250	-3,888
Energiekontor Neue Energie 1 GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Neue Energie 10 GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Neue Energie 11 GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Neue Energie 12 GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Neue Energie 13 GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Neue Energie 2 GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0

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5) Subsidiary in the legal form of a GmbH & Co. KG or UG & Co. KG, which is exempt from the publication obligation

6) Joint venture (joint operation)

7) Associated company, accounted for using the equity method

Company name	Share in %	Earnings 2018 in EUR thousand ²	Equity capital 31.12.2018 in EUR thousand ¹
Energiekontor Neue Energie 3 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Neue Energie 4 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Neue Energie 5 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Neue Energie 6 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Neue Energie 7 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Neue Energie 8 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Neue Energie 9 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Neue Energie GmbH, Bremerhaven ⁴	100.00	-3	10
Energiekontor NL B.V., Nijmegen, Niederlande	100.00	-278	-356
Energiekontor Ocean Wind AG, Bremen ⁴	100.00	-2	39
Energiekontor Ocean Wind GmbH&Co. Projektentwicklungs KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Ocean Wind Verwaltungs GmbH, Bremerhaven ⁴	100.00	0	8
Energiekontor Offshore Anlagen GmbH, Bremerhaven ⁴	100.00	0	9
Energiekontor Offshore Bau GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Offshore GmbH, Bremerhaven ⁴	100.00	0	18
Energiekontor Ökofonds GmbH, Bremerhaven ⁴	100.00	0	29
Energiekontor Ökofonds GmbH&Co. Tandem I KG, Bremerhaven ⁵	100.00	-4	4,471
Energiekontor Ökofonds GmbH&Co. Tandem II KG, Bremerhaven ⁵	100.00	-3	2,187
Energiekontor Ökofonds GmbH&Co. WP 4 KG, Bremerhaven ⁵	100.00	3	2,442
Energiekontor Ökofonds GmbH&Co. WP BD KG, Bremerhaven ⁵	100.00	-17	-1,294
Energiekontor Ökofonds GmbH&Co. WP Elni KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Ökofonds GmbH&Co. WP GEL KG, Hagen ⁵	100.00	0	-1,818
Energiekontor Ökofonds GmbH&Co. WP MA KG, Bremerhaven ⁵	88.52	209	-1,642
Energiekontor Ökofonds GmbH&Co. WP Nordergründe KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Ökowind 11 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Ökowind 8 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Ökowind 9 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Ökowind GmbH, Bremerhaven ⁴	100.00	-2	1
Energiekontor Penedo Ruivo GmbH, Bremerhaven ⁴	100.00	1	42
Energiekontor Penedo Ruivo GmbH&Co. WP PR KG, Bremerhaven ⁵	100.00	256	-4,399
Energiekontor Portugal – Energia Eólica Lda., Lissabon, Portugal	99.00	-274	1,280
Energiekontor Portugal Marao GmbH, Bremerhaven ⁴	100.00	1	37
Energiekontor Portugal Marao GmbH&Co. WP MA KG, Bremerhaven ⁵	100.00	-91	-3,582
Energiekontor Portugal Trandeiras GmbH, Bremerhaven ⁴	100.00	1	46
Energiekontor Projekt 1 GmbH, Bremerhaven ⁴	100.00	-3	10
Energiekontor Schönberg GmbH, Bremerhaven ⁴	100.00	-2	-8

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5) Subsidiary in the legal form of a GmbH&Co. KG or UG&Co. KG, which is exempt from the publication obligation

6) Joint venture (joint operation)

7) Associated company, accounted for using the equity method

Company name	Share in %	Earnings 2018 in EUR thousand ²	Equity capital 31.12.2018 in EUR thousand ¹
Energiekontor Seewind GmbH, Bremerhaven ⁴	100.00	-2	4
Energiekontor Sobrado GmbH, Bremerhaven ⁴	100.00	0	25
Energiekontor Solar 1 GmbH&Co. KG, Bremerhaven ⁵	100.00	-48	-48
Energiekontor Solar 10 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Solar 11 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Solar 12 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Solar 13 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Solar 14 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Solar 15 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Solar 2 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Solar 3 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Solar 4 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Solar 5 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Solar 6 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Solar 7 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Solar 8 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Solar 9 GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Solar Bau GmbH, Bremerhaven ⁴	100.00	-2	1
Energiekontor Solar GmbH, Bremerhaven ⁴	100.00	-2	-6
Energiekontor UK BU GmbH, Bremerhaven ⁴	100.00	-2	-1
Energiekontor UK CO GmbH, Bremerhaven ⁴	100.00	-3	10
Energiekontor UK Construction Ltd., Leeds, Großbritannien	100.00	199	4,627
Energiekontor UK FM GmbH, Bremerhaven ⁴	100.00	3	56
Energiekontor UK GL GmbH, Bremerhaven ⁴	100.00	-3	10
Energiekontor UK GmbH, Bremerhaven ⁴	100.00	1	44
Energiekontor UK HY 2 GmbH, Bremerhaven ⁴	100.00	-2	0
Energiekontor UK HY GmbH, Bremerhaven ⁴	100.00	-2	-10
Energiekontor UK HY GmbH&Co. WP Hyndburn KG, Bremerhaven ⁵	100.00	5.969	2,785
Energiekontor UK LI GmbH, Bremerhaven ⁴	100.00	-2	-4
Energiekontor UK LO GmbH, Bremerhaven ⁴	100.00	-3	10
Energiekontor UK LO GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor UK Ltd., Leeds, Großbritannien	100.00	-185	10,945
Energiekontor UK NR GmbH, Bremerhaven ⁴	100.00	-3	2
Energiekontor UK PE GmbH, Bremerhaven ⁴	100.00	-2	5
Energiekontor UK PI GmbH, Bremerhaven ⁴	100.00	-3	10
Energiekontor UK PI GmbH&Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor UK WI EXT GmbH, Bremerhaven ⁴	100.00	-2	7

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5) Subsidiary in the legal form of a GmbH&Co. KG or UG&Co. KG, which is exempt from the publication obligation

6) Joint venture (joint operation)

7) Associated company, accounted for using the equity method

Company name	Share in %	Earnings 2018 in EUR thousand ²	Equity capital 31.12.2018 in EUR thousand ¹
Energiekontor UK WI GmbH, Bremerhaven ⁴	100.00	-2	-9
Energiekontor UK WI GmbH & Co. Withernwick KG, Bremerhaven ⁵	100.00	802	555
Energiekontor Umwelt GmbH, Bremerhaven ⁴	100.00	-1	16
Energiekontor Umwelt GmbH & Co. WP BRI KG, Bremerhaven ⁵	100.00	499	-722
Energiekontor Umwelt GmbH & Co. WP DE KG, Bremerhaven ⁵	100.00	171	-1,306
Energiekontor Umwelt GmbH & Co. WP GRE II KG, Bremerhaven ⁵	96.19	90	38
Energiekontor Umwelt GmbH & Co. WP SCHLO KG, Hagen ⁵	100.00	14	-618
Energiekontor Umwelt GmbH & Co. WP SIE X KG, Bremerhaven ⁵	100.00	91	-744
Energiekontor US Dakota WP 1 LLC, Dakota, USA	100.00	-64	-64
Energiekontor US Dakota WP 2 LLC, Dakota, USA	100.00	0	0
Energiekontor US Dakota WP 3 LLC, Dakota, USA	100.00	0	0
Energiekontor US Dakota WP 4 LLC, Dakota, USA	100.00	0	0
Energiekontor US Dakota WP 5 LLC, Dakota, USA	100.00	0	0
Energiekontor US Dakota WP 6 LLC, Dakota, USA	100.00	0	0
Energiekontor US Holding Inc., Chicago, USA	100.00	-18	-18
Energiekontor US Inc., Chicago, USA	100.00	-65	-59
Energiekontor US Texas SP 1 LLC, Texas, USA	100.00	-1	-1
Energiekontor US Texas SP 10 LLC, Texas, USA	100.00	0	0
Energiekontor US Texas SP 11 LLC, Texas, USA	100.00	0	0
Energiekontor US Texas SP 12 LLC, Texas, USA	100.00	0	0
Energiekontor US Texas SP 13 LLC, Texas, USA	100.00	0	0
Energiekontor US Texas SP 14 LLC, Texas, USA	100.00	0	0
Energiekontor US Texas SP 15 LLC, Texas, USA	100.00	0	0
Energiekontor US Texas SP 2 LLC, Texas, USA	100.00	-1	-1
Energiekontor US Texas SP 3 LLC, Texas, USA	100.00	-181	-181
Energiekontor US Texas SP 4 LLC, Texas, USA	100.00	-181	-181
Energiekontor US Texas SP 5 LLC, Texas, USA	100.00	-202	-202
Energiekontor US Texas SP 6 LLC, Texas, USA	100.00	-181	-181
Energiekontor US Texas SP 7 LLC, Texas, USA	100.00	0	0
Energiekontor US Texas SP 8 LLC, Texas, USA	100.00	-181	-181
Energiekontor US Texas SP 9 LLC, Texas, USA	100.00	0	0
Energiekontor Windfarm GmbH, Bremerhaven ⁴	100.00	-2	-3
Energiekontor Windfarm GmbH & Co. WP 1 KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Windfarm GmbH & Co. WP 15 KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Windfarm GmbH & Co. WP 2 KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Windfarm GmbH & Co. WP 5 KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Windfarm ÜWP ALU GmbH & Co. KG, Hagen ⁵	100.00	-378	-1,320

1) Equity under commercial law

2) Annual result under commercial law, if applicable after execution of the profit and loss transfer agreement (SAB) with Energiekontor AG

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4) Subsidiary in the legal form of a GmbH which is exempt from the publication obligation

5) Subsidiary in the legal form of a GmbH & Co. KG or UG & Co. KG, which is exempt from the publication obligation

6) Joint venture (joint operation)

7) Associated company, accounted for using the equity method

Company name	Share in %	Earnings 2018 in EUR thousand ²	Equity capital 31.12.2018 in EUR thousand ¹
Energiekontor Windfarm ÜWP SCHLUE GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Windfarm ZWP THÜ GmbH & Co. KG, Hagen ⁵	100.00	-1,357	-5,254
Energiekontor Windinvest GmbH, Bremerhaven ⁴	100.00	-2	-6
Energiekontor Windinvest GmbH & Co. ÜWP KRE KG, Hagen ⁵	100.00	319	2,033
Energiekontor Windinvest GmbH & Co. ÜWP LE KG, Hagen ⁵	100.00	-249	-1,284
Energiekontor Windinvest GmbH & Co. ZWP BE KG, Hagen ⁵	100.00	3	376
Energiekontor Windinvest GmbH & Co. ZWP Langendorf KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Windkraft GmbH, Bremerhaven ⁴	100.00	12	219
Energiekontor Windkraft GmbH & Co. WP NL KG, Bremerhaven ⁵	51.32	327	574
Energiekontor Windpark BRW 1 GmbH & Co. WP I KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Windpark GmbH & Co. Giersleben KG, Hagen ⁵	100.00	-919	-5,150
Energiekontor Windpower GmbH, Bremerhaven ⁴	100.00	-2	-11
Energiekontor Windpower GmbH & Co. ÜWP 5 KG, Bremerhaven ⁵	100.00	329	851
Energiekontor Windpower GmbH & Co. ÜWP B KG, Bremerhaven ⁵	100.00	0	13
Energiekontor Windpower GmbH & Co. ÜWP ENG KG, Hagen ⁵	100.00	82	1,076
Energiekontor Windpower GmbH & Co. ÜWP GRE II KG, Bremerhaven ⁵	100.00	-1	-146
Energiekontor Windpower GmbH & Co. ÜWP HN II KG, Hagen ⁵	100.00	-69	-760
Energiekontor Windpower GmbH & Co. ÜWP HN KG, Hagen ⁵	100.00	-120	-1,897
Energiekontor Windpower GmbH & Co. ÜWP OE-Osterende KG, Hagen ⁵	100.00	172	-29
Energiekontor Windpower GmbH & Co. WP 20 KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Windpower GmbH & Co. WP 5 KG, Bremerhaven ⁵	100.00	0	8
Energiekontor Windpower GmbH & Co. WP BRIEST II KG, Bremerhaven ⁵	100.00	-34	-677
Energiekontor Windpower GmbH & Co. WP KJ KG, Hagen ⁵	100.00	-81	-169
Energiekontor Windpower Improvement GmbH & Co. KG, Bremerhaven ⁵	100.00	-470	47
Energiekontor Windregion GmbH, Hagen ⁴	100.00	-3	-1
Energiekontor Windstrom GmbH, Bremerhaven ⁴	100.00	-2	-2
Energiekontor Windstrom GmbH & Co. UW Uthlede-Süd KG, Bremerhaven ⁵	100.00	-26	-105
Energiekontor Windstrom GmbH & Co. ÜWP HW KG, Hagen ⁵	100.00	-575	-6,033
Energiekontor Windstrom GmbH & Co. ÜWP KRE II KG, Hagen ⁵	100.00	-466	-1,767
Energiekontor Windstrom GmbH & Co. WP 15 KG, Bremerhaven ⁵	100.00	0	0
Energiekontor Windstrom GmbH & Co. WP 5 KG, Bremerhaven ⁵	100.00	-25	-104
Energiekontor Windstrom GmbH & Co. ZWP HÖ KG, Hagen ⁵	100.00	-225	-1,737
Energiekontor Windstrom ÜWP SCHWA GmbH & Co. KG, Hagen ⁵	100.00	-22	-135
Energiekontor Windstrom ZWP PR GmbH & Co. KG, Hagen ⁵	100.00	-248	-856
Energiekontor WP Booßen GmbH, Bremerhaven ⁴	100.00	-3	10
Energiekontor WPI GmbH, Bremerhaven ⁴	100.00	-2	1
Energiekontor WSB 1 GmbH, Bremerhaven ⁴	100.00	0	0

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6) Joint venture (joint operation)

7) Associated company, accounted for using the equity method

Company name	Share in %	Earnings 2018 in EUR thousand ²	Equity capital 31.12.2018 in EUR thousand ¹
Energiepark Alfstedt WP ALF GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiepark Beckum-Repowering WP BE 1 GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiepark Beckum-Repowering WP BE 2 GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiepark Beerfelde GmbH & Co. WP BF II KG, Bremerhaven ⁵	100.00	0	0
Energiepark Beiersdorf-Freudenberg WP BF GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiepark Bramstedt GmbH & Co. WP BRA KG, Bremerhaven ⁵	100.00	0	0
Energiepark Bultensee WP BULT GmbH & Co. KG, Bremerhaven ⁵	100.00	-9	-9
Energiepark Eggersdorf GmbH & Co. WP EGG KG, Bremerhaven ⁵	100.00	0	0
Energiepark Elstorf NDS WP ELS GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiepark Erfstadt-Erp I GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiepark Erfstadt-Erp II GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiepark Flögel Stüh GmbH & Co. WP FLÖ KG, Bremerhaven ⁵	100.00	501	1.604
Energiepark Garzau-Garzin SP GG GmbH & Co. KG, Bremerhaven ⁵	100.00	69	3
Energiepark Jacobsdorf WP Jaco GmbH & Co. KG, Bremerhaven ⁵	100.00	-8	0
Energiepark Jülich-Barmen-Merzenhausen WP JBM GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiepark Jülich-Ost WP JO GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiepark Karstädt SP KA GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiepark Krempel GmbH & Co. RE WP KRE KG, Bremerhaven ⁵	100.00	0	0
Energiepark Kreuzau WP ST GmbH & Co. KG, Bremerhaven ⁵	100.00	-146	-334
Energiepark Nartum WP NART GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiepark Niederzier WP ST I GmbH & Co. KG, Bremerhaven ⁵	100.00	-268	-247
Energiepark Oerel WP OER GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiepark Solar GmbH & Co. SP Berlin KG, Bremerhaven ⁵	100.00	0	0
Energiepark Solar GmbH & Co. SP Worms KG, Bremerhaven ⁵	100.00	0	0
Energiepark Stinstedt WP STIN GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiepark UK CO GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiepark UK GA GmbH, Bremerhaven ⁴	100.00	-2	-4
Energiepark UK GL GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiepark UK NR GmbH & Co. KG, Hagen ⁵	100.00	-877	-876
Energiepark UK OV GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiepark UK PE GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiepark UK WI EXT GmbH & Co. KG, Bremerhaven ⁵	100.00	-5	0
Energiepark UK WP HY II GmbH & Co. KG, Bremerhaven ⁵	100.00	1	0
Energiepark Waldenrath WP HE GmbH & Co. KG, Bremerhaven ⁵	100.00	-153	-542
Energiepark Waldfeucht WP SeBo GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiepark Waldfeucht WP SeBo II GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0

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7) Associated company, accounted for using the equity method

Company name	Share in %	Earnings 2018 in EUR thousand ²	Equity capital 31.12.2018 in EUR thousand ¹
Energiepark Winterberg-Altenfeld WP WA GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiepark WP Bützfleth GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiepark WP Völkersen GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Energiepark Zülpich WP FÜ GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Hafen Wind Hamburg GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
Infrastrukturgemeinschaft Flögeln GbR, Bremerhaven ⁶	50.00	0	0
Nordergründe Treuhand GmbH, Bremerhaven ⁴	100.00	-1	3
Windpark Flögeln GmbH, Bremerhaven ⁴	100.00	-2	-8
WP Booßen GmbH & Co. KG, Bremerhaven ⁵	100.00	0	0
WPS-Windkraft GmbH, Bremerhaven ⁴	100.00	-2	0
Netzanschluss Badingen GbR, Bremerhaven ⁶	37.29	-93	177
Netzanschluss Mürow Oberdorf GbR, Bremerhaven ⁶	30.19	-35	-195
Netzanschluß Stadorf GbR, Cuxhaven ⁶	50.00	0	1,064

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Bremen, April 3, 2019



Peter Szabo
Chairman of the
Management Board



Günter Eschen
Management Board
Member



Torben Möller
Management Board
Member

Please note that the auditor's opinion is only binding in the German version

INDEPENDENT AUDITORS' REPORT

to Energiekontor AG, Bremen

Audit opinions

We have audited the annual financial statements of Energiekontor AG, Bremen, comprising the balance sheet as at December 31, 2018 and the income statement for the fiscal year from January 1, 2018 to December 31, 2018, as well as the notes to the financial statements, including a description of the accounting policies used. In addition, we have audited the management report of Energiekontor AG for the business year from January 1, 2018 to December 31, 2018, which is combined with the group management report of Energiekontor AG.

In accordance with German legal requirements, we have not audited the content of the disclosures made in the "Other information" section of our audit opinion.

In our opinion, based on the findings of our audit, the annual financial statements

- the accompanying annual financial statements comply in all material respects with the requirements of German commercial law applicable to corporations and give a true and fair view of the net assets and financial position of the Company as of December 31, 2018 and of its results of operations for the fiscal year from January 1, 2018 to December 31, 2018 in accordance with German principles of proper accounting and German commercial law; and
- The accompanying combined management report as a whole provides a suitable view of the Company's position. In all material respects, this combined management report is consistent with the annual financial statements, complies with German legal requirements and suitably presents the opportunities and risks of future development. Our audit opinion on the management report does not extend to the content of the corporate governance statement referred to in the section "Other information".

In accordance with section 322 (3) sentence 1 of the HGB, we declare that our audit has not led to any objections to the correctness of the annual financial statements and the combined management report.

Basis for the audit opinions

We conducted our audit of the annual financial statements and the combined management report in accordance with § 317 HGB ("Handelsgesetzbuch": German Commercial Code) and the EU Auditor's Directive (No. 537 / 2014; hereinafter "EU-APrVO") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility under these rules and principles is further described in the section "Auditor's responsibility for the audit of the annual financial statements and the combined management report" of our audit opinion. We are independent of the Company in accordance with European and German commercial and professional regulations and have performed our other German professional duties in accordance with these requirements. In addition, we declare pursuant to Article 10 (2) (f) EU-APrVO that we have not provided any prohibited non-audit services pursuant to Article 5 (1) EU-APrVO. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and the combined management report.

Particularly important audit issues in the audit of the annual accounts

The most important matters in our audit are those that, in our dutiful judgment, were most significant in our audit of the financial statements for the year from January 1, 2018 to December 31, 2018. These matters have been considered in connection with our audit of the financial statements as a whole and in the preparation of our opinion thereon; we do not express a particular opinion on these matters.

1. Recognition of revenue and accruals

The income statement shows sales revenues of EUR 17.9 million. These are mainly fees for planning services, proceeds from the sale of shares in wind farm operating companies and intragroup proceeds from administrative activities and the provision of personnel.

The risk for the annual financial statements

In the area of planning services for the establishment, sale and procurement of capital, economic and legal planning, we see the risk of a material misrepresentation, including the possible risk of managers circumventing controls and thus a particularly important audit issue, since the planning fees to the project companies (wind or solar park operating companies) can only be invoiced once certain conditions have been met and the planning services have been provided in accordance with the contract. Due to the size of the projects, the incorrect period allocation of a service package billed too early or too late would have a significant impact on sales and earnings.

Our approach to the audit

As part of our audit, we examined the internal methods, procedures and control mechanisms in the various phases of project management based on our knowledge of the Company's economic and legal environment. In the case of the major projects, we checked whether the conditions for revenue recognition were met at a settlement date in the last quarter before the balance sheet date and in the first quarter after the balance sheet date. Project planning and financing agreements were reviewed in order to ensure that the service provision date and thus the criteria for revenue recognition were met. Our audit did not give rise to any objections with regard to the sales revenues and accruals.

Reference to further information

The Company's disclosures on inventories are contained in Section III, item of the Notes. In addition, the risks relating to the realization of projects are listed in the "Opportunity and Risk Report" of the combined management report.

2. Valuation of shares in affiliated companies

In the financial statements of Energiekontor AG, investments in more than 250 affiliated companies amounting to EUR 54.9 million (equivalent to 30.7 percent of the balance sheet total) are reported under the item "Financial assets". The main carrying amounts relate to operating companies whose main assets and liabilities are wind turbines and their financing.

The risk for the annual financial statements

Shares in affiliated companies are generally carried at cost in accordance with German commercial law valuation regulations, less write-downs to the lower fair value if necessary. The fair values are reviewed in impairment tests based on various value-determining factors, such as the term of the lease agreements, subsequent reuse including repowering, income and expense accounting including changes in electricity prices and wind or solar radiation, as well as financing costs.

The determination of these value-determining factors depends to a large extent on how the legal representatives estimate the future cash flows and on the discount rates used in each case. The valuation therefore involves a high degree of judgment and uncertainty. For the financial statements, there is a risk that future cash flows or other parameters may not be correctly estimated and that the valuation may be incorrect and that the allowances may not be recognized or may not be recognized to a sufficient extent. Against this background, in particular due to the high complexity of the valuation and the material significance for the net assets and financial position of the Company, this matter was of particular importance in the context of our audit.

Our approach to the audit

The planned revenues are the product of the quantities of electricity sold and the price per kilowatt hour (kWh). Within the framework of our audit, we coordinated the prices with the contract documents. Insofar as the term extends beyond the end of the contract, we have analytically checked the prices – also taking into account possible repowering. We have reviewed the plausibility of sales volumes on the basis of past experience. We have examined plan expenses analytically and on a test basis, comparing them with the underlying financing. We have tracked the discount rate, a mixed rate of equity and debt financing (WACC) weighted for each individual company, in detail. We have reviewed the mathematical calculation model and recalculated it on a sample basis for individual investments. Among other things, we based our calculations on a comparison with general and industry-specific market expectations and on explanations provided by the legal representatives on the key value drivers underlying the expected cash flows. We discussed our queries with the commercial management.

Reference to further information

Please refer to the Notes, Section III, Item 1.3 “Financial assets”.

3. Valuation of inventories

The balance sheet item “Inventories” includes work in progress amounting to EUR 16.9 million (equivalent to 9.5 percent of the balance sheet total). These are capitalised planning services for wind and solar park projects to be realised. When the planning services are performed and the planning fees are realized, the corresponding inventories are used to reduce inventories.

The recoverability of inventories generally depends on the future realization of these projects. If the probability of realisation of capitalised projects decreases, the planning services allocated to these projects are written down where necessary.

The risk for the annual financial statements

In the area of inventory valuation, we see the risk of a material misstatement due to inadequate or excessive recording of costs on the corresponding projects. There is also the risk that a project will not be realized and that necessary write-downs will not be made. Against the background of frequent regulatory changes, the assessment of recoverability is subject to discretionary powers and therefore entails risks.

Against the background of the significance of the amount of work in progress and the highly discretionary assessments of recoverability by the legal representatives, we believe that this matter was of particular importance in the context of our audit.

Our approach to the audit

As part of our audit, we have built on our knowledge and audit results from previous years. We have dealt with the process of recording times on projects and their evaluation as well as the recording of further internal and external costs. We have examined the individual projects by reviewing documents and protocols to determine whether realisation is planned and realistic or whether write-downs have been made on the planning services assigned to these projects. In addition, we discussed the recoverability of work in progress for individual projects with the commercial management of Energiekontor AG.

We also inspected all minutes of meetings of the legal representatives and the Supervisory Board with regard to possible indications of a need for value adjustments.

Reference to further information

The Company's disclosures on inventories are contained in Section III Item 2.1 of the Notes.

Other information

The legal representatives are responsible for the other information. The other information includes:

- the corporate governance statement contained in the combined management report and the oath on the balance sheet of the legal representatives, and
- the remaining parts of the annual report, with the exception of the audited annual financial statements, the combined management report and our audit opinion.

In connection with our audit, we have the responsibility to read the other information and to assess whether the other information is free of material misstatement.

- have material discrepancies with the annual financial statements, the combined management report or the knowledge acquired during the audit, or
- appear to be displayed incorrectly in some other way.

Responsibility of the legal representatives and the Supervisory Board for the annual financial statements and the combined management report

The legal representatives are responsible for the preparation and fair presentation of the annual financial statements in accordance with German principles of proper accounting and in all material respects comply with the requirements of German commercial law applicable to corporations, and for the presentation of a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. In addition, the legal representatives are responsible for the internal controls that they have determined to be necessary in accordance with German generally accepted accounting principles to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the legal representatives are responsible for assessing the Company's ability to continue as a going concern. They are also responsible for disclosing matters relating to the continuing operation of the entity, if relevant. In addition, they are responsible for accounting for continuing operations on the basis of the same accounting policy, except to the extent that this is contrary to fact or law.

In addition, the legal representatives are responsible for the preparation of the combined management report, which as a whole provides a suitable view of the Company's position and is consistent with the annual financial statements in all material respects, complies with German legal requirements and suitably presents the opportunities and risks of future development. Furthermore, the legal representatives are responsible for the precautions and measures (systems) that they have deemed necessary to enable the preparation of a combined management report in accordance with the applicable German legal provisions and to provide sufficient suitable evidence for the statements in the combined management report.

The Supervisory Board is responsible for monitoring the Company's accounting process for the preparation of the annual financial statements and the combined management report.

Responsibility of the auditor for the audit of the annual financial statements and the combined management report

Our objective is to obtain reasonable assurance whether the annual financial statements as a whole are free from material misstatement, whether intentional or unintentional, and whether the combined management report as a whole provides a suitable view of the Company's position and is consistent, in all material respects, with the annual financial statements and the findings of our audit, complies with German legal requirements and presents fairly the opportunities and risks of future development, and to express an opinion that includes our audit opinion on the annual financial statements and the combined management report.

Sufficient assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with §317 HGB and the EU-APrVO and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always reveal a material misstatement. Misstatements can result from violations or inaccuracies and are regarded as material if it could reasonably be expected that they would individually or collectively influence the economic decisions of users made on the basis of these annual financial statements and combined management report.

During the audit, we exercise our best judgment and maintain a critical attitude. In addition

- we identify and evaluate the risks of material misstatement, whether intentional or not, of the annual financial statements and the combined management report, plan and perform audit procedures in response to those risks, and obtain audit evidence sufficient and appropriate to provide a basis for our audit opinions. The risk that material misstatements will not be detected is greater for violations than for inaccuracies, as violations may involve fraudulent collusion, falsification, intentional incompleteness, misrepresentation, or the overriding of internal controls.
- we gain an understanding of the internal control system relevant to the audit of the annual financial statements and of the procedures and measures relevant to the audit of the combined management report to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those systems

- we evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the reasonableness of accounting estimates made and related disclosures made.
- we draw conclusions about the appropriateness of the accounting principle applied by the legal representatives for the continuation of the company's activities and, on the basis of the audit evidence obtained, whether there is any material uncertainty in connection with events or circumstances that could cast significant doubt on the company's ability to continue as a going concern. If we conclude that there is a material uncertainty, we are required to draw attention in our opinion to the related disclosures in the annual financial statements and the combined management report or, if the disclosures are inappropriate, to modify our respective opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. Future events or circumstances may, however, result in the Company being unable to continue its business activities.
- we express an opinion on the overall presentation, the structure and the content of the annual financial statements, including the disclosures, as well as on whether the annual financial statements present the underlying transactions and events in such a way that the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting.
- we assess the consistency of the combined management report with the annual financial statements, its legal pronouncements and the overall view of the Company's position conveyed by it.
- we perform audit procedures on the forward-looking statements presented by the legal representatives in the combined management report. On the basis of sufficient and suitable audit evidence, we particularly verify the significant assumptions on which the forward-looking statements of the legal representatives are based and assess the proper derivation of the forward-looking statements from these assumptions. We do not express an independent opinion on the forward-looking statements or the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.

Among other things, we discuss with those responsible for monitoring the planned scope and timing of the audit and significant findings of the audit, including any deficiencies in the internal control system that we identify during our audit.

We make a declaration to those responsible for monitoring that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that are reasonably believed to affect our independence and the safeguards that have been put in place to that effect.

From among the matters discussed with those responsible for monitoring, we identify those matters that were most significant in the audit of the annual financial statements for the current reporting period and are therefore the most important matters for the audit. We describe these matters in the auditor's report unless required to do so by law or other regulations.

Other statutory and other legal requirements

Other information according to Article 10 EU-APrVO

We were selected as auditors by the Annual General Meeting on May 23, 2018. We were appointed by the Supervisory Board on November 27, 2018. We have been the uninterrupted auditors of Energiekontor AG since the 2014 financial year.

We declare that the audit opinions contained in this opinion are consistent with the additional report to the Audit Committee pursuant to Article 11 EU-APrVO (Audit Report).

Responsible auditor

The auditor responsible for the audit is Julian Wenninger.

Stuttgart, April 3, 2019

PKF Deutschland GmbH
Wirtschaftsprüfungsgesellschaft

Julian Wenninger
Chartered accountant

Ralph Setzer
Chartered accountant

LEGAL INFORMATION

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Note on pro-forma key figures (EBIT, EBITDA, cash flow)

The EBIT and EBITDA figures used in this report as well as the cash flow figures are examples of so-called pro-forma key figures. Pro-forma key figures are not governed by national accounting rules, the German Commercial Code (HGB) or the international financial reporting requirements pursuant to the International Financial Reporting Standards (IFRS). As this terminology is not legally defined, other companies may not calculate pro-forma key figures in the same way as the Energiekontor Group; therefore, the Energiekontor Group's pro-forma key figures are only comparable to a limited extent with such or similarly named information from other companies. The pro-forma key figures stated in the Annual Report should, therefore, not be considered in isolation or as an alternative to operating profit, net income, consolidated net income or other Energiekontor Group figures presented in the financial statements.

Forward-looking statements

This report contains forward-looking statements. These statements, including information regarding the expectations and views of the management of Energiekontor AG, do not constitute historical facts. They are based on current plans, assessments and forecasts of the Company management. Investors should not place unqualified trust in these statements. Forward-looking statements must be interpreted in connection with the time and the environment in which they were made. The Company does not assume any obligation to update the forward-looking statements in this report to account for new information or future events. This does not affect the Company's obligation to comply with its legal disclosure and reporting duties. Forward-looking statements always carry a certain degree of risk and uncertainty. Numerous factors may cause actual or future events to differ significantly from the forward-looking statements in this report.

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