

*ANNUAL REPORT 2017*  
*(Extract from the German original version)*

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# CONSOLIDATED KEY FIGURES

## Income statement

in EUR million	2017	2016
Revenue	149.9	201.8
Total output	202.1	166.7
EBITDA (EBIT plus depreciation and amortisation)	49.6	72.1
EBIT (EBT plus financial result)	32.9	53.8
EBT (earnings before tax)	16.7	35.5
Consolidated net income	11.9	25.3
Earnings per share (EPS) in EUR	0.82	1.74

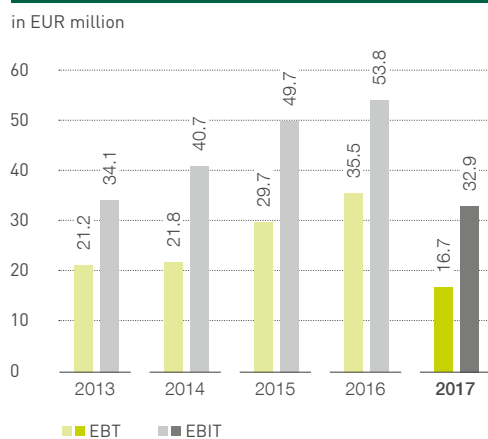
## Balance sheet

in EUR million	2017	2016
Plant and equipment (wind farms)	193.7	170.9
Equity	70.2	69.5
Total assets	361.7	361.4
Equity ratio	19.4 %	19.2 %
Notional equity ratio (see also explanation in Management Report, page 37)	20.7 %	20.5 %

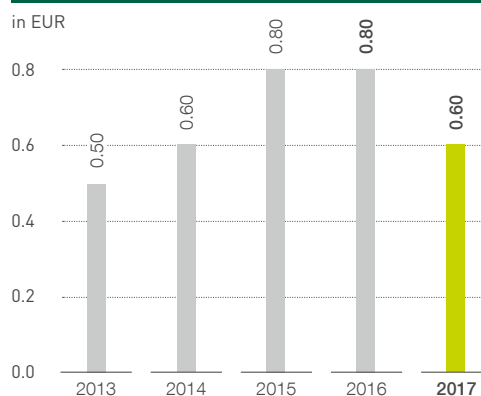
## Cashflow

in EUR million	2017	2016
Cash flow from operating activities (operating cash flow)	4.4	92.9
Cash and cash equivalents at end of period	69.0	118.5

## EBT and EBIT



## Dividend per share



Please see note on page 81 regarding pro-forma figures.

# TABLE OF CONTENTS

## **4 – Company performance**

- 4 › Letter to our shareholders
- 8 › The Energiekontor shares

## **11 – 2017 Management report**

- 12 › The foundations of the Group
- 21 › Economic report
- 44 › Report of opportunities and risks
- 53 › Other disclosures
- 55 › Forecast report

## **61 – Consolidated financial statements (IFRS)**

- 62 › Consolidated income statement
- 63 › Consolidated statement of comprehensive income
- 64 › Consolidated balance sheet
- 66 › Consolidated statement of changes in equity
- 68 › Consolidated cash flow statement
- 70 › Segment report 2017

## **77 – Separate financial statements of the AG (German GAAP: HGB)**

- 78 › Balance sheet
- 80 › Profit and loss statement

Legal information



# SHORT PORTRAIT OF ENERGIEKONTOR AG

For the last 25 years, Energiekontor has stood for a sound approach to business and a wealth of experience in wind power. Formed in Bremerhaven in 1990, the Company was one of the pioneers in the industry and is now one of the leading German project developers. Its core business covers the planning, construction and operational management of wind farms in Germany and abroad, and was expanded to include solar power in 2010. Energiekontor also currently owns and operates 34 wind farms with total rated power of around 260 megawatts (as of 31 December 2017). Now, Energiekontor AG intends to extend its pioneering role to commercial aspects and to realise wind farms and solar parks at pure market prices without state subsidies in all target markets as quickly as possible.

In addition to its headquarters in Bremen, Energiekontor also maintains offices in Bremerhaven, Hagen im Bremischen, Aachen, Bernau (near Berlin) and Dortmund. The Company also has branch offices in England (Leeds), Scotland (Glasgow), Portugal (Lisbon) and the Netherlands (Nijmegen). The formation of additional branch offices in the US and France is currently (end of 2017) underway. Our track record speaks for itself: 117 wind farms in operation, with total rated power of around 930 megawatts (as of 31 December 2017). This corresponds to an investment volume of about EUR 1.5 billion.

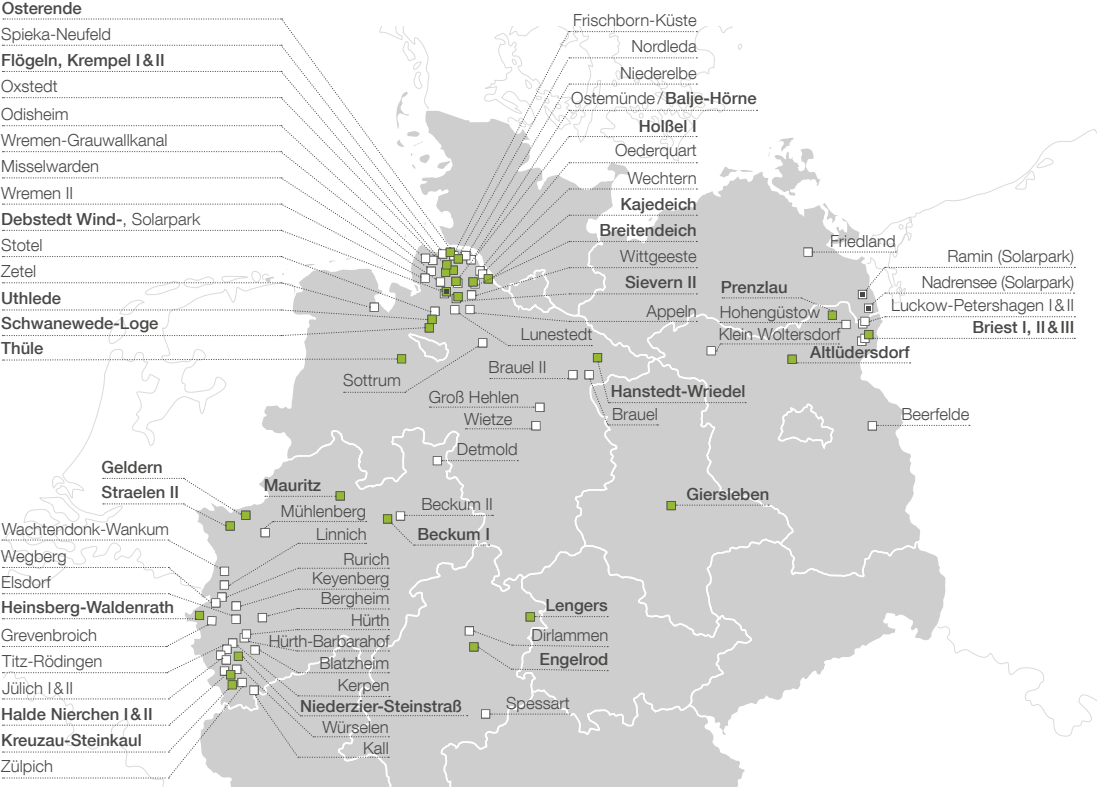
Energiekontor went public on 25 May 2000. The shares of Energiekontor AG (WKN 531350/ISIN DE0005313506) are listed in the General Standard segment of the Frankfurt Stock Exchange and can be traded on all German stock exchanges.

## 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:	51,5% management and supervisory bodies; 48,5% free float; 0,0% Energiekontor AG
Research:	Dr Karsten von Blumenthal, First Berlin Arash Roshan Zamir, Warburg Research
Designated Sponsor:	Oddo Seydler Bank AG
Financial calendar:	12 April 2018: Publication of 2017 Annual Report 15 May 2018: Publication of Q1 / 2018 Interim Report 23 May 2018: Annual General Meeting of Energiekontor AG 31 August 2018: Publication of H1 / 2018 Interim Report 15 November 2018: Publication of Q3 / 2018 Interim Report 26–28 November 2018: German Equity Forum, Frankfurt a. M.
Investor Relations:	Dr Stefan Eckhoff; phone: +49 (0)421-3304-0 e-mail: IR@energiekontor.de; website: www.energiekontor.de

# REALISED WIND FARMS AND SOLAR PARKS

## Germany



## Great Britain



## Portugal



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

# Letter

## TO OUR SHAREHOLDERS

Dear shareholders, business partners  
investors and employees,

Given the significant additions to Group-owned wind farms from own developments, Energiekontor AG's earnings for the 2017 financial year were in line with expectations. Group EBT amounted to EUR 16.7 million (previous year: EUR 35.5 million) and consolidated net income came to EUR 11.9 million (previous year: EUR 25.3 million). At EUR 202.1 million, the Group's total output in the reporting year was well above the previous year (previous year: EUR 166.7 million), which underlines the Company's sustained high productivity and ability to create value.

The significant decline in earnings compared to the previous year can largely be attributed to the fact that about half of all wind farms developed by Energiekontor in 2017 were added to the Group's own portfolio. The potential margins, which would be realised as profits if the projects were sold, remain as hidden reserves in Property, plant and equipment. The group-owned plants continuously generate profits over the years. Energiekontor prefers this strategy of sustainable growth, which also safeguards the business for the long term, to short-term profit-taking. As Energiekontor has consistently followed this strategy in the 2017 financial year, the difference to the previous year is particularly striking. In order to expand the Group's own portfolio of wind farms and solar parks, Energiekontor intends to maintain this strategy in the coming years.

With that in mind, the operating business of Energiekontor AG was largely on track in the 2017 financial year. The Group completed and commissioned ten projects and sold three wind farms and three single turbines to investors. Merely the third turbine in the Hammelwarder Moor wind farm and the Garzau-Garzin solar park were only finalised at the beginning of 2018. Together with the projects Bremen-Hemeligen and Debstedt II, which are still under construction, Energiekontor has implemented all wind farms that were granted a permit before the end of 2016 and are therefore remunerated at a higher tariff in accordance with the transitional provisions of EEG 2017.

In Germany, the introduction of the auction scheme for onshore wind in 2017 led to a sharp drop in prices. Exceptions for citizens' energy initiatives led to some distortion of competition, which the legislator intends to remedy in the current financial year 2018 by introducing changes to the procedure. And in fact the average bidding price slightly increased again in the auction held in February 2018 compared to the last auction in 2017. Nevertheless, at 4.73 euro cent/kWh, the price is still significantly lower than the wind power tariff only one year ago. We have been seeing a similar trend in the solar power sector for nearly three years.

These developments did not come as a surprise for Energiekontor, however, as the Group has been bracing itself for the price competition for a long time. Our employees have been adjusting many key levers in agile



— PETER SZABO —  
CHAIRMAN OF THE  
MANAGEMENT BOARD



— GÜNTER ESCHEN —  
MEMBER OF THE  
MANAGEMENT BOARD



— TORBEN MÖLLER —  
MEMBER OF THE  
MANAGEMENT BOARD

project management structures to significantly reduce costs along the entire value chain. Thanks to various efficiency measures, Energiekontor is able to develop wind and solar projects that are economically viable despite the increase in margin pressure.

Our work is driven by a vision, which is also part of our mission statement: to cover the entire electricity need with 100 percent renewable energy. We are convinced that the expansion of renewable energy sources will gain strong momentum as soon as the electricity from these sources is able to directly compete with conventional energy sources at free market conditions. Energiekontor wants to make an important contribution here and assume a pioneering role in realising the first wind farms and solar parks with generation costs below the levelized cost of electricity of fossil and nuclear power plants. This pioneering role simultaneously ensures that we occupy a strong competitive position within the industry.

Energiekontor will probably implement the first projects without any state subsidies in the UK. As the British government already withdrew most subsidies for onshore wind in 2015, the profitability of these projects is based on long-term power purchase agreements with large companies as end-users (end-user PPAs). We already have many years of experience with such PPAs, and have gained the trust of large industrial partners. This should not only help Energiekontor with the upcoming realisation of large-scale wind farms in regions with strong winds in Scotland but also in other markets.

In the US for example, wind farm and solar park developments also rely on PPAs. The tax incentive programme in the US (Tax Credits), which is still in force, will expire in the coming years, and we expect that wind farms and solar parks in the US will exclusively be based on the conclusion of PPAs in the future. In the western part of Texas, Energiekontor has already secured sites for PV projects with a capacity of more than 600 MW.

Our US team is driving project development from our office in Austin, with the objective of being able to sell first project rights in the current financial year. In the north of the United States, Energiekontor picked South Dakota as the target region for the acquisition of potential wind farm sites. Despite the fact that expansion targets have already been reached and despite the protectionist activities of the Trump administration, several US states have decided to move away from conventional energy sources and towards renewables. After China, the US is the country with the second largest new installation rates for renewable energy. Although the world's first large wind farms and solar parks were already erected decades ago in the southwest of the USA, the transition to renewable energy sources in the US has only just begun.

In the Netherlands, Energiekontor is working together with a community cooperative to develop a first wind farm with up to eight turbines in the southeast of the country. In France, Energiekontor will soon open an office in Toulouse to intensify the business acquisition of suitable solar sites in the southwestern region and of potential wind sites in the north of the country.

As some projects in Germany will have to be submitted for regulatory approval again with improved parameters in the wake of the sharp decline in prices, and the planned wind farms in Scotland will not generate any profits yet in 2018, the current financial year is a year of transition for Energiekontor. With a project pipeline that has reached nearly 3,000 MW and the objective of realising wind farms and solar parks without any state subsidies not only in the Anglo-Saxon countries in the near future, Energiekontor should return to its growth path from 2019. We want to further expand our solar business and establish successful activities in the new national markets. In doing so, we will uphold our principles and focus on gradually building up our own local project development activities in every region – this includes the Netherlands, France and the US. We will talk to land owners, residents and business partners in their own language in order to build knowledge and trust for long-term partnerships. We will be fully committed to our vision of “100% renewable energy” and yet stay focused on our core competencies to not dissipate our energy but to use team spirit and collegiality, space for creativity and the ability to act autonomously with a sound financial base for sustainable growth.

We would like to extend our thanks to all employees and business partners and look forward to an exciting and successful future.

Bremen, April 2018

Management Board



**Peter Szabo**  
Chairman of the  
Management Board



**Günter Eschen**  
Member of the  
Management Board



**Torben Möller**  
Member of the  
Management Board





## THE ENERGIEKONTOR SHARES

### General information on the shares

#### a) Name and registered office of the Company

Energiekontor AG, Mary-Somerville-Straße 5  
28359 Bremen, Telephone: +49 421-3304-0

Energiekontor AG also maintains offices in Bremerhaven, Hagen im Bremischen, Aachen, Dortmund and Bernau (near Berlin). The Company also has branch offices in England (Leeds), Scotland (Glasgow), Portugal (Lisbon), the Netherlands (Nijmegen) and the US (Austin/Texas).

#### b) Company objects

(1) The Company's object is to plan, develop, construct, sell and operate turbines and projects in the field of energy and environment and to sell electrical power, all including the corresponding financing and trading activities.

(2) The Company is entitled to expand its activities to other branches of trading and to acquire similar enterprises or enterprises of the same type in Germany and abroad, to acquire interests in such enterprises and to establish branch offices and subsidiaries.

(3) Furthermore, the Company is entitled to get involved in similar business areas and to conduct all business activities that are suited to promote, directly or indirectly, the Company purposes or any business activities in connection with these purposes.

#### c) Share capital

The Company's subscribed capital (share capital) as entered in the commercial register amounts to EUR 14,578,160 as of 31 December 2017 and is divided into 14,578,160 bearer ordinary shares.

#### d) Financial year

The Company's financial year is the calendar year.

### Authorised capital

Following expiration of the existing authorised capital on 24 May 2016, new authorised capital was created at the Annual General Meeting on 26 May 2016. This also enables the Company to issue preferred shares in the scope of future capital increases.

Subject to the consent of the Supervisory Board, the Executive Board was authorised to increase the Company's share capital by up to EUR 7,326,580 on one or several occasions until 23 May 2021 by issuing up to 7,326,580 new bearer ordinary and/or preferred shares with or without voting rights for cash and/or contributions in kind (authorised capital 2016).

The authorisation includes the authority to, if preferred shares are issued on multiple occasions, issue additional preferred shares (with or without voting rights) that precede the previously issued preferred shares or rank equally to them in the distribution of profits or Company assets. Here, the shareholders must generally be granted a subscription right. However, subject to the consent of the Supervisory Board, the Executive Board is authorised to exclude the shareholders' legal subscription right (for the exact terms and conditions, see resolution in the invitation to the Annual General Meeting on 26 May 2016 at [www.energiekontor.de](http://www.energiekontor.de) > Investor Relations > Hauptversammlung).

This authorisation has not been used to date.

### Contingent capital

The General Meeting on 28 May 2014 resolved to grant options for a total of 500,000 new, bearer ordinary shares and to thus increase the Company's contingent share capital by a total of EUR 500,000.00 (contingent capital 2014 I). The contingent capital increase will only be realised to the extent that holders of subscription rights granted by the Company under the Stock Option Program 2014 actually exercise their subscription rights and the Company does not use treasury shares to fulfil such subscription rights. The new shares start

participating in the Company's profits from the start of the financial year in which the corresponding option is exercised. Pursuant to the Stock Option Program 2014, subscription rights for up to 500,000 Company shares may be issued exclusively to members of the Executive Board until 31 December 2018. Subject to the subscription right conditions issued by the Supervisory Board, each subscription right entitles its holder to acquire one bearer ordinary share of Energiekontor AG.

100,000 subscription rights were issued to the Executive Board under the stock option plan in 2014.

## Share buy-back programme

In line with the resolution of the General Meeting on 25 May 2011 and another resolution passed on 21 May 2015, a total of 200,335 shares were repurchased by Energiekontor AG between the commencement of the share buy-back programme and 31 December 2017, 14,800 thereof in the 2017 financial year; the purpose was to retire treasury shares and to thus reduce share capital. After the decreases of share capital in September 2014 and November 2017, Energiekontor AG held 885 shares on 31 December 2017.

## Directors' dealings

On 29 June 2017, the company founders and Supervisory Board members of Energiekontor AG, Dr Bodo Wilkens (Chairman of the Supervisory Board) and Günter Lammers, notified the Company pursuant to Art. 19 MAR (Market Abuse Regulation) that they have both sold part of their Energiekontor shares each equalling around 3 percent of total share capital to institutional investors via private placement on 27 June 2017. They stated that the transaction was aimed at increasing the freefloat and potentially also the liquidity and attractiveness of the Energiekontor shares, while diversifying their private assets.

The member of the Supervisory Board, Darius Oliver Kianzad, and the members of the Management Board, Peter Szabo (Chairman), Günter Eschen and Torben Möller did not hold any shares of the Company in the period under review.

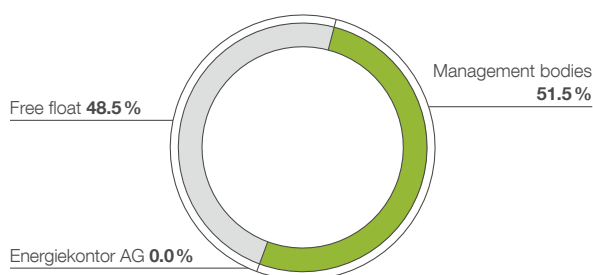
## Shareholder structure

The Executive Board is not aware of any direct or indirect shareholdings (Sec. 315 (4) No. 3 German Commercial Code (HGB)) in excess of 10 percent, with the exception of the shareholdings stated below, which changed after the aforementioned transaction compared to the Annual Report 2016:

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

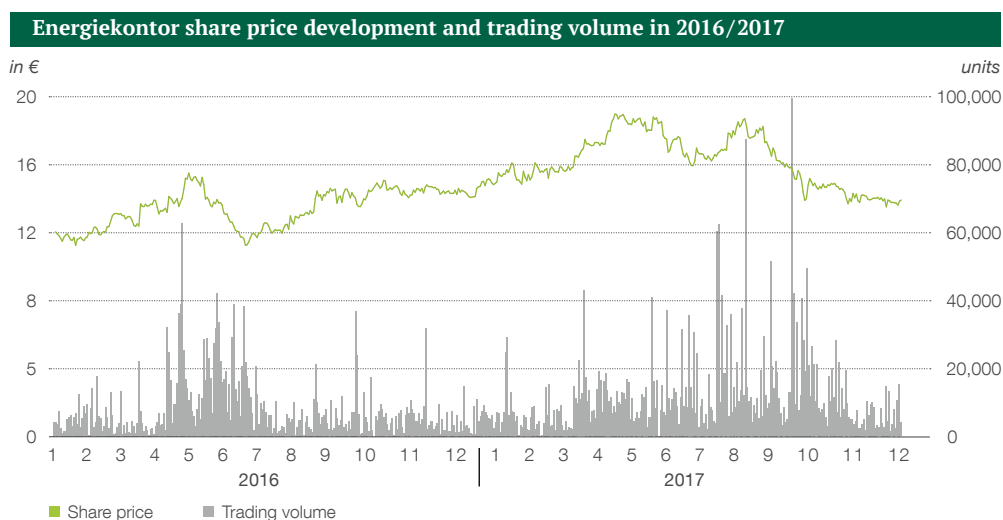
Considering the decrease in share capital performed in November 2017, the shareholder structure of Energiekontor AG as of 31 December 2017 was as follows:

### Shareholder structure as of 31 December 2017



## Share price development and trading volume of Energiekontor AG in 2016/2017

The following chart shows the development of the closing price of the shares in Frankfurt (green) as well as the total daily stock trading volume of Energiekontor AG at all German exchanges (grey) over a period of two years between 1 January 2016 and 31 December 2017.



## Share trading and market capitalisation in the 2017 financial year

The following table shows the highs and lows per month as well as the average closing prices (Frankfurt) of the Energiekontor share in the 2017 financial year. The average market capitalisation per month was then determined based on the average total trading volume and the average closing prices.

### Share trading and average market capitalisation of Energiekontor AG

2017 Month	High (EUR)	Low (EUR)	Average closing price (EUR)	Average trading volume per day (units)	Average market capitalisation (EUR m)
January	16.45	15.01	15.59	9,175	228.5
February	16.40	15.15	15.76	5,765	230.9
March	17.83	15.80	16.48	10,432	241.4
April	<b>19.40</b>	17.41	18.05	12,708	264.5
May	19.37	17.94	18.80	12,597	<b>275.5</b>
June	19.21	16.09	17.55	15,118	257.1
July	17.33	16.24	16.87	19,455	247.2
August	19.19	17.22	18.28	20,514	267.9
September	17.89	15.02	16.43	<b>23,869</b>	240.8
October	15.71	14.14	15.00	20,012	219.8
November	15.31	14.00	14.51	9,766	212.7
December	14.50	<b>13.81</b>	14.17	7,727	206.6

Source: Oddo Seydler

2017

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**MANAGEMENT REPORT**  
**AND GROUP MANAGEMENT REPORT**

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**12**  
THE FOUNDA-  
TIONS OF  
THE GROUP

**21**  
ECONOMIC  
REPORT

**43**  
POST-CLOSING  
EVENTS

**44**  
REPORT OF  
OPPORTUNITIES  
AND RISKS

---

**53**  
OTHER  
DISCLOSURES

**55**  
FORECAST  
REPORT

**60**  
RESPONSIBILITY  
STATEMENT

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Pursuant to Sec. 315 (3) German Commercial Code (HGB) together with Sec. 298 (3) HGB, the Management Report of Energiekontor AG, Bremen, as the parent company of Energiekontor Group, and the Management Report of the Energiekontor Group have been combined. Provided that no further restrictive information is given, the following statements apply to both Energiekontor AG and the Group.



## 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 more than 25 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 2017 financial year, the Energiekontor Group had developed and installed 620 wind turbines with total rated power of 930 MW at 117 wind farms in Germany, the UK and Portugal as well as three ground-mounted solar arrays rated at around 20 MW in Germany. Total capital spending on these projects amounts to about EUR 1.5 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 around 260 MW at the end of 2017.

The Company is active in the national markets of Germany, the UK, Portugal, the Netherlands, the US and France.

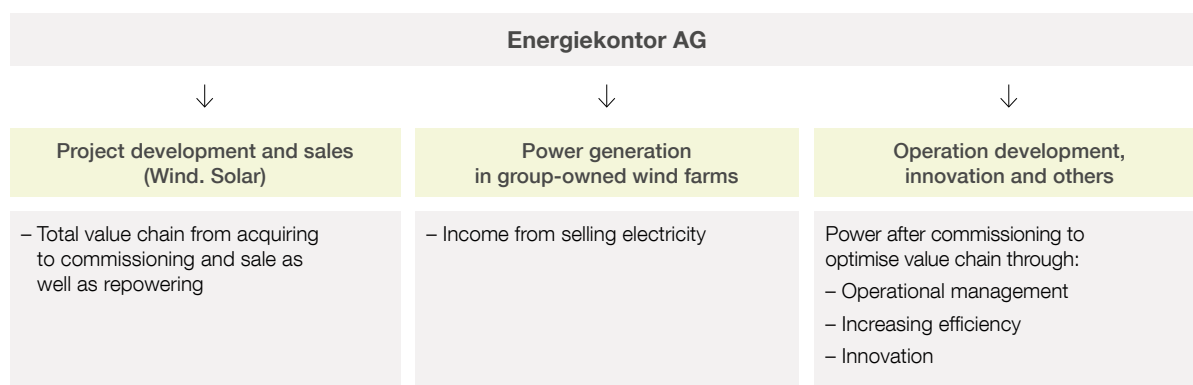
Business operations of the Energiekontor Group are handled by three divisions. Segment reporting also follows this same structural model:

- 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 259.2 MW at the end of the 2017 financial year.

## Group-owned wind farms (reference date: 31 December 2017)

Name of the wind farm	Total rated power / MW
Debstedt	3.0
Breitendeich	6.0
Sievern (Tandem II)	2.0
Briest (Tandem II)	7.5
Briest II	1.5
Geldern	3.0
Mauritz-Wegberg (Energiekontor holds 88.52 percent)	7.5
Halde Nierchen I	5.0
Halde Nierchen II	4.0
Osterende	3.0
Nordleda (Energiekontor holds 51 percent)	6.0
Kajedeich	4.1
Engelrod	5.2
Krempel	14.3
Schwanewede	3.0
Giersleben	11.3
Beckum	1.3
Balje-Hörne	3.9
Hanstedt-Wriedel	16.5
Lengers	4.5
Krempel II	6.5
Prenzlau	1.5
Flögeln	9.0
Altüdersdorf	13.5
Thüle	14.0
Kreuzau-Steinkaul	5.5
Niederzier-Steinstraß	8.3
Heinsberg-Waldenrath	7.2
<b>Wind farms in Germany</b>	<b>178.1</b>
Marão	10.4
Montemuro	10.4
Penedo Ruivo	13.0
Mafomedes	4.2
<b>Wind farms in Portugal</b>	<b>38.0</b>
Hyndburn	24.6
Witherwick	18.5
<b>Wind farms in the UK</b>	<b>43.1</b>
<b>Total</b>	<b>259.2</b>

### 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

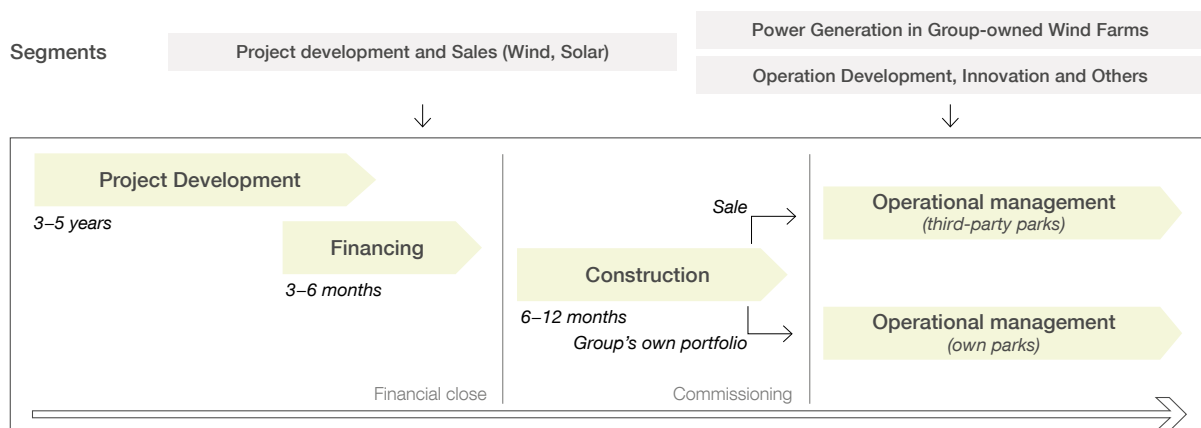
Regardless of whether the developed projects are sold or included in the Group's portfolio, Energiekontor typically assumes responsibility for commercial and technical operational management, thus generating an ongoing cash flow for the Company.

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.

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





Installation is carried out with the blade attached, i.e. without dismantling 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. Back in 1990 when the first Electricity Feed-in Act (StrEG) was introduced, renewable energies were still widely regarded as a rather crazy eco-idealist idea. Initially, especially the large power companies, that have meanwhile come to play a major role in renewable energies, were highly critical of these modern technologies. Today, more than a quarter of a century later, renewable energies have evolved into sophisticated, established and recognised technologies, making a significant contribution to energy production in many industrial nations. In Germany alone, the share of renewable energies already accounts for about 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.

Renewable energies will be able to sustainably cover 100 percent of the energy market once the levelized cost of electricity from renewable energy falls below the cost of generating electricity from fossil and nuclear resources. Energiekontor not only wants to participate in the energy transition but, in order to push forward the breakthrough of renewable energy sources, it also wants to take on a leading role as the pioneer realising one of the first wind or solar parks with a lower levelized cost of energy than conventional energy.

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, 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. At present, Energiekontor is venturing into the following new foreign markets:

- the Netherlands (wind)
- France (solar, wind)
- the US (solar, wind)

In the Netherlands, the Company is developing onshore wind farms, while the initial focus in France and the US will primarily be on solar energy. Following the first successful acquisitions, Energiekontor has made good progress in project development, especially in the Netherlands and the US. Sites have been secured and own offices opened in both of these countries, where project development will be coordinated and driven forward by newly employed native speakers in designated local companies.

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% 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.

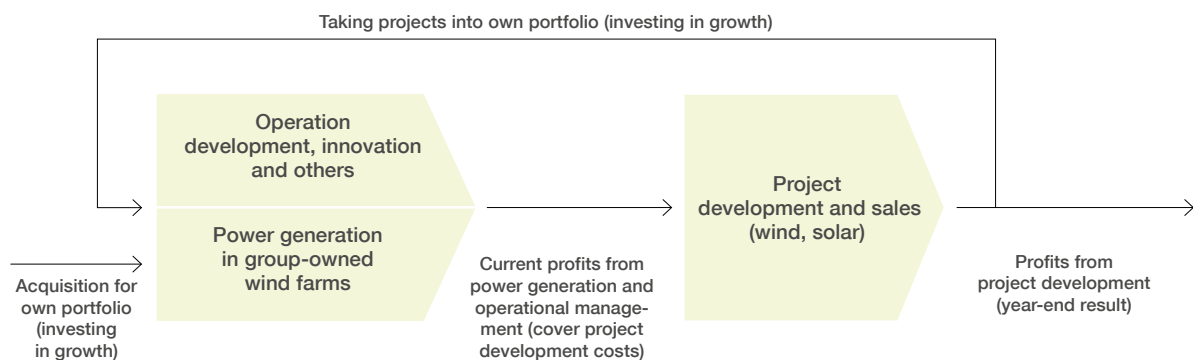
### Room for initiative and organisational decentralisation

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 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

## Growth model of Energiekontor AG



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.

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.

## 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 7 percent. In Portugal permits were already granted in 2013 for 26 turbines in the 1.3 MW class, and in the meantime sixteen 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 1.5 MW and 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, primarily for its own wind farms, in order to improve the profitability of the sites.

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. Currently, Energiekontor is testing prototypes of a new Vortex generator at its own wind farms, which is supposed to prevent

flow separation at the root of the rotor blade. 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.

## Management 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 financial result is already taken into consideration; EBT is determined as follows:

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

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

As expected, global economic activity has stabilised in 2017. In January 2018, the International Monetary Fund (IMF) even increased its estimates from October 2017 once again<sup>1</sup>. Accordingly, global economic growth in 2017 is now estimated to have reached 3.7 percent (previous year: 3.2 percent).

The established national economies are expected to have accelerated their economic growth from 1.7 percent in 2016 to 2.3 percent in 2017 and 2018, with the US spearheading these growth dynamics. Driven by the tax reform, the IMF anticipates impetus for the US economy with growth rates of 2.3 percent in 2017 and an expected 2.7 percent in 2018, compared to 1.5 percent in 2016; a trend that is expected to be sustained until 2020. However, Germany is also expected to see further growth of 2.3 percent in 2018, which clearly exceeds the 2016 level (1.9 percent), but is slightly below the 2017 forecast of 2.5 percent.

The trend of a gradual slowdown in growth after the strong economic year 2017 is also projected for other European countries as well as Japan and Canada. This also applies to the People's Republic of China, where GDP is expected to increase by 6.8 percent in 2017, followed by a reduction to a still respectable 6.6 and 6.4 percent in the subsequent two years. The estimates for this region are, however, higher than one year ago.

Industry growth in the renewable energy sector is still expected to be led by China for both wind and solar power, followed by the US. Together, the two countries cover significantly more than half of 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 remains with regard to the Brexit in Europe and protective tariffs in the US.

The international goals for environmental protection and sustainable energy production continue to be the main drivers for the continued industry growth. The EU member states have undertaken to meet 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 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. This has led to a significant decline in the remuneration for energy from wind farms and solar parks in 2017, particularly in Germany. Generally, the goal is to lead the renewable energy market to 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

New wind power installations worldwide amounted to 53 GW in 2017, slightly down compared to the previous year (approx. 55 GW). China (+19.5 GW) and the US (+7.0 GW) continue to lead the field with regard to new installations of wind turbine systems. New installations were lower in both countries, however, than in the previous year (China 2016: +23.3 GW, USA 2016: +8.2 GW)<sup>2</sup>.

While new wind power capacity installed in Asia and North America declined for the third year in a row, new installations in Europe increased in 2017. Germany saw the largest increase in new wind power installations since the start of wind power development with +6.6 GW, whereof +5.3 GW pertained to the expansion of onshore wind power, followed by the UK with new capacity of +4.3 GW<sup>3</sup>. On balance, i.e. taking into account decommissioning and repowering of old

1) International Monetary Fund (IMF): "World Economic Outlook, Update" from 22 January 2018

2) Global Wind Energy Council (GWEC): "Global Wind Statistics 2017" from 14 February 2018

3) Deutsche WindGuard: "Status des Windenergieausbaus an Land in Deutschland, Jahr 2017"

turbines, new onshore-capacity in Germany amounted to about 4.9 GW in 2017. The third strongest increase in new wind power installations in Europe was recorded in France (+1.7 GW).

Accumulated total rated power is similar to the previous year. With installed wind power capacity of around 188 GW in China and roughly 89 GW in the US, these two countries account for more than half of all wind turbines installed worldwide at the end of 2017. Germany had a total wind power capacity of about 56 GW at the end of 2017, about 51 GW thereof onshore. Worldwide installed power climbed to a total of nearly 540 GW in 2017 (487.7 GW in the previous year)<sup>2</sup>.

### Germany

Germany is – in the course of its energy transition scheme – planning to generate 40–45 percent of its required power from renewable energy sources by 2025; by 2035 this figure is supposed to reach 55 to 60 percent. By 2050, the share of electricity generated from renewable energy sources in gross electricity consumption will even be increased to a minimum of 80 percent<sup>4</sup>. The newly formed German government has announced that it wants to adhere to the objective of being able to cover 65 percent of German energy needs with power from renewable sources by 2030.

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 6 percent of gross electricity consumption in 2000 to more than a third in 2017.

The new EEG 2017 became effective at the beginning of 2017. Pursuant to the Act, subsidies for renewable energy sources are granted via a market-based auction scheme for new permissions since 1 January 2017.

The auction process will be 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 will 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. For the first auction rounds in 2017, the highest bid price for the 100 percent reference site was set at 7 euro cent/kWh.

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 still applies to all wind farms that obtained permission before 31 December 2016 and will start operations before 31 December 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. was 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 amended 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.

4) Website of the Federal Ministry for Economic Affairs and Energy (BMWi)



Pursuant to the transitional provision of the EEG 2017, all wind farms that received permission by the end of 2016 and are commissioned before the end of 2018 will receive the old tariff with gradual reductions depending on the date of completion. In 2017, for instance, the state subsidies (basic remuneration and the higher initial tariff) for wind farms that obtained permission before 31 December 2016 were gradually lowered by 1.05 percent per month over a period of six months from 1 March 2017. From 1 October 2017, the value to be used for the calculations was reduced by 2.4 percent every quarter in accordance with the aforementioned flexible cap and the annual new onshore wind turbine installations. In 2017, the degression cascade corresponds to a reduction in remuneration from 8.38 euro cent/kWh as of 1 January 2017 to 7.68 euro cent/kWh as of 1 December 2017. The objective of this degression system over one year is rapid commissioning of projects that have already been given permission and the harmonisation of subsidies to the remuneration that is to be expected as a result of the auctions.

The first three onshore wind auctions were held in May (800 MW), August (1,000 MW) and November (1,000 MW) of 2017. The amount of subsidised onshore wind power has been capped at 2,800 MW p.a. This also applies to 2018 and 2019 (auctions for 700 MW each in February, May, August and October). From 2020, total capacity is to be increased to 2,900 MW.

All three auctions of the year 2017 were heavily oversubscribed. Average weighted bidding prices dropped from 5.71 euro cent/kWh in the May auction and 4.28 euro cent/kWh in August to 3.82 euro cent/kWh in November. This means that remuneration for onshore wind power more than halved within one year. 93 percent of the projects (65 out of 70) awarded in the auction in May 2017 were citizens' energy initiatives. In August, the proportion amounted to 95 percent and in November to 99 percent. The reason for this result, which is disillusioning from a professional project developer's point of view, was a special regulation (prequalification requirement) in the German Renewable Energy Sources Act (EEG): while project developers must provide financial collateral of EUR 30,000/MW and may only participate in auctions with approved projects, citizens' energy initiatives need no permission and the bid bond they must provide is reduced by 50 percent. The German Renewable Energy Sources Act (EEG) stipulates a 30-month deadline

for realising the projects. Citizen cooperatives have another 24 months to implement their projects. In addition, citizen cooperatives do not get the bid price but the highest price awarded in the relevant auction round, while project developers' remuneration is based on the bid price (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 reestablish a plurality of actors. In fact, uniform conditions apply to all bidders in the market in the first half of 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. Both measures are expressly welcomed by Energiekontor AG, as they prevent strategic bidding and ensure swift and efficient project realisation.

In the first auction held in February 2018, this led to a merely marginal increase in the average bidding price to 4.73 euro cent/kWh with only slight oversubscription. Just 19 out of a total of 83 projects awarded went to citizens' energy initiatives.

Total rated power of the wind turbines approved by the end of 2016 and entered into the system register in due time amounted to 9.1 GW. 5.3 GW thereof went into operation in 2017. Deducting the permissions that were withdrawn in the amount of about 0.5 GW, this leaves turbines with total rated power of around 3.3 GW expected to go into operation in the course of 2018 in accordance with the transitional provision<sup>3</sup>.

As the majority of projects awarded in the 2017 auctions will only have to be completed within five years, there is still a risk that there will be an insufficient number of new wind farms in Germany in 2018 and 2019 for the country to reach its expansion targets. The newly formed German government is therefore considering to increase the auction volumes in the auction rounds in August and October 2018 from currently 700 MW to far more than 1,000 MW.

Moreover, special auctions are planned for wind and solar projects in 2018 and 2019, with a capacity of 2 GW each. In addition, two joint auctions will be held in April and November 2018, where the two technologies will compete with one another. These auctions provide for projects with total rated power of 400 MW which is, however, supposed to be deducted again from the auction volume in 2019.

The extremely low price level at the moment despite the federal government's mitigation measures presents the entire sector with major economic challenges in 2018 and thereafter at all value creation stages of project realisation. From Energiekontor AG's point of view, the parameters of some of the planned wind farms must be re-designed in order to make the projects economically profitable, which can lead to delays in the implementation. At the same time, however, these change processes will also generate market opportunities for project developers such as Energiekontor AG. This includes for example potential cooperation with smaller developers, who have limited financial leeway for a successful participation in auctions.

Irrespective of the future development of bidding prices in connection with the auction procedure, Energiekontor has always aimed to pioneer the sector as the first project developer to realise projects in which the levelized cost of electricity is below that of conventional power plants, thus helping renewable energy sources to achieve a breakthrough. Especially in the light of the current situation it is becoming increasingly obvious that this objective is also the right approach to ensure our continued competitive power.

## UK

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.

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. Currency fluctuations would mainly impact income from Energiekontor's own British wind farms if generated cash flow were to be converted to euro and distributed to the parent company in Germany. In sum, the short term will be plagued with a degree of uncertainty over the possible effects of Brexit on the domestic European market, and investments from other EU member states in the UK might be restrained for the time being. In the medium term, however, Energiekontor still does not expect it to have any lasting effects on the project business in the field of renewable energy sources.

## Portugal

Portugal is considered to be one of the most advanced European countries when it comes to environmental, climate and energy policies. The ambitious plans of the Portuguese government envisage that 31 percent of total energy consumption in Portugal is to be covered by renewable energy from 2020. In 2015, the share already amounted to around 25 percent<sup>5</sup>. In 2016, hydro power, wind and solar energy as well as other renewable energy sources contributed far more than half of the overall power generation volume in Portugal<sup>6</sup>.

5) Sara Stefanini: "Portugal's clean-power problem", article published on 5 September 2016

6) Website of the Portuguese Renewable Energy Association, APREN (Associação Portuguesa de Energias Renováveis)

Nonetheless, Portugal is in danger of missing its targets for 2020, as the development of renewable energy sources has been stagnating for years. 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 developers can therefore only apply for licenses at market price conditions (MIBEL). As in Germany, energy suppliers in Portugal are legally obliged to purchase wind energy.

Increased environmental protection and nature conservation requirements represent a hurdle at many sites. 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

The Dutch government is planning to expand onshore wind power to 6,000 MW by 2020. This means that the capacity available at the end of 2015 would be more or less doubled. By the end of 2020, 14 percent of total energy consumption is to be generated from renewable energy sources; the percentage is to be raised to 16 percent by 2023.

State subsidies for renewable energy in the Netherlands are currently regulated by the “Stimulerend Duurzame Energieproductie” (SDE+), which is based on an auctioning system, similar to the German EEG. Subsidies for onshore wind power have been differentiated according to wind speeds since 2015. Depending on the wind speed, the maximum remuneration (trading price of electricity + premium) ranges roughly between 5.4 euro cent/kWh and 7.3 euro cent/kWh. The subsidy period is 15 years, with an extension option of one year, depending on the extent to which the annual promotion fund for wind farms has been utilised.

Permission, feasibility study, wind resource assessment and option agreements must be produced to obtain subsidies. A fixed annual budget of EUR 8 billion is provided until 2020. The subsidies are granted in several phases, in which the developer can submit an application for each wind category. As soon as the subsidy cap has been reached, the project is tendered in a free auction, in which all of the technologies compete for the remaining subsidies and the lowest bid is processed first. The permissions are granted by the individual provinces and municipalities. Only projects larger than 100 MW need to be authorised by state and provinces together.

#### France

The French renewable energies legislation “Loi relative à la transition énergétique pour la croissance verte” (in short: LTE) was adopted in August 2015; with this legislation, France sets ambitious objectives for the expansion of renewable energies. The share of renewable energy sources in final energy consumption is to be raised to 23 percent by 2020 and to 32 percent by 2030 (at the end of 2016 it stood at 16.0 percent according to Eurostat)<sup>7</sup>. In addition, the share of nuclear energy in the electricity mix is to be reduced to 50 percent (expected to be completed in 2030 or 2035).

With new installations of nearly +1.7 GW in 2017<sup>8</sup>, France wants to expand its onshore wind power capacity from currently about 13.5 GW to 14.3 GW in 2018 and 21.8–26.0 GW in 2023.

In the course of 2016, the remuneration terms for onshore wind power were defined in more detail. Based on the German blueprint, France introduced a mandatory direct marketing scheme for onshore wind farms, which is to replace the previous tariff model. Wind farm operators receive a “gradual” market bonus in addition to the respective market price, which corresponds to the delta between the technology-specific reference tariff plus a management bonus of 0.28 euro cent/kWh and the average weighted market revenue per calendar month (based on Epex Spot Day Ahead)<sup>9</sup>.

7) Ministère de l'Environnement, de l'Énergie et de la Mer: “Chiffres clés des énergies renouvelables – Édition 2016”, February 2017

8) French-German Office for Renewable Energy (DFBEW): “Windenergie an Land – aktuelle Entwicklungen”, March 2018

9) French-German Office for Renewable Energy (DFBEW): “Neuordnung der Fördermechanismen für erneuerbare Energien in Frankreich (Stand: Februar 2017)” March 2017 and answer given to a written question submitted.

A distinction is made between two categories in the reference tariff system referred to as Guichet Ouvert (GO): the first category comprises all onshore wind projects for which a planning application was filed between 1 January and 31 December 2016. Energy generated in these wind farms is remunerated for a time period of 15 years, in the first ten years with a reference tariff of 8.2 euro cent/kWh and in the five years thereafter, depending on the output, with 2.8–8.2 euro cent/kWh.

The second category comprises all new turbines not included in the first category. In accordance with the tariff decision Te 2017 from 6 May 2017, this applies only to turbines under 3 MW or wind farms with a total output of up to 18 MW. Useful life is 20 years with a reference tariff of 7.2 euro cent/kWh (rotor diameter <80 metres) to 7.4 euro cent/kWh (rotor diameter >100 metres) plus the management bonus of 0.28 euro cent/kWh until the individually determined annual production ceiling has been reached. Thereafter, the reference tariff drops to 4.0 euro cent/kWh.

In response to pressure from the EU, France also introduced a parallel auctioning system (Appel d'Offre or AO). In the first auction round in December 2017 with a volume of 500 MW (900 MW were submitted in total), the average bidding price amounted to 6.54 euro cent/kWh. Around one third of these projects also receive a citizen participation bonus of up to 0.3 euro cent/kWh. Whether or not the auctioning system actually leads to increased competition is currently under review. For the time being, France is running both systems (GO and AO) for fear of not being able to reach its expansion targets otherwise. According to the assessment of the French Ministry and representatives of the wind power sector, this exception will not last longer than one to two years, though.

### United States

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. In California and New York, the RPSs are set to 50 percent, for example, to be reached by 2030. Hawaii has set itself the most ambitious target with 100 percent by 2045. However, the sharp drop in prices, particularly of PV modules, is reducing the relevance of RPSs. In some states, the expansion of renewable energy sources is continued for economic reasons, although the RPS targets have already been reached. This shows that the energy transition towards power supply based on renewable energies has also reached the US.

Like in the UK, power purchase agreements (PPAs), i.e. contracts between a project company and an industrial customer or an energy supplier, determine the profitability of the project. The PPAs are usually issued in privately organised tender procedures or negotiated directly. The US does not have a centralised subsidy system like a feed-in tariff either. However, there is an option to be registered as a "qualified facility". In this case, the grid operator has to buy the electricity at cost ("avoided cost"). There are also subsidy systems at state, local and federal level. Local subsidy programmes do not play a major role for projects of energy supplier dimension.

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".

PTC takes effect in the first ten years of operation, i.e. tax credit is given on profits from the sale of electricity generated with wind turbine systems. This typically involves an agreement with a tax equity investor (TEI) who is able to use the PTCs for tax purposes as partner or operator of the facility. Depending on the construction start of the wind farm, the PTC will gradually be reduced in the coming years (by 40 percent in 2018 and 60 percent in 2019)<sup>10</sup>.

10) Website of the US Department of Energy (DoE)

In addition, an accelerated depreciation scheme is in place, the Modified Accelerated Cost Recovery System (MACRS). In the US, investing in a facility that uses renewable energy sources gives rise to a special depreciation entitlement over five years. In addition, 50 percent of eligible investment costs can be written off in the first year. The MACRS then only apply to the remaining 50 percent of the investment. While the MACRS are supposed to be maintained, the special depreciation of 50 percent is gradually phased out: to 40 percent in 2018, 30 percent in 2019 and 0 percent in 2020.

Meeting the Renewable Portfolio Standards is ensured via so-called Renewable Energy Credits (RECs). The RECs are tradable, similar to emission certificates in Europe. One REC is granted for 1 MWh. However, the price of an REC is currently only 1 USD/MWh (voluntary market), and as a result its impact is minimal at the moment.

Having carried out intensive grid integration studies, Energiekontor has initially opted for the relatively undeveloped and wind-rich western part of South Dakota. The Southwest Power Pool (SPP), an umbrella organisation combining several power suppliers and grid operators, facilitates the distribution of power generated in the region to several mid-western states and as far as to the border of Texas. As in Europe, developers in South Dakota also need a planning permission to build wind farms.

In addition to import duties on foreign steel, which could temporarily impact the prices of wind turbines, the Energiekontor Group does not expect further political intervention at the moment that could have a negative impact on the renewable energies market in the US.

Energiekontor expects that – following expiry of the tax credits – the profitability of new projects in the US will depend solely on the successful conclusion of PPAs, as in the UK. As long as these can be concluded at price levels below those for power generated in conventional power plants, the expansion of renewable energy sources in the US is expected to progress dynamically.

## Solar

As is the case with wind power, China also dominates the global market for new PV installations. Total rated power of newly installed capacity amounted to some 53 GW<sup>11</sup> in 2017 (previous year: 34 GW). On an accumulated basis, total PV output in China therefore amounted to around 139 GW at the end of 2017. As with wind power, the US also comes second in the PV market with an estimated 12 GW<sup>12</sup> of new installations (previous year: approx. 15 GW<sup>13</sup>). With estimated new installations of around 100 GW, total PV capacity worldwide is estimated to amount to about 400 GW at the end of 2017.

In Germany, PV capacity of approx. 1.8 GW was added in 2017. In the previous year, new PV capacity had still been about 2.3 GW. This took total capacity of installed PV plants in Germany up to about 45 GW at the end of 2017<sup>14</sup>.

In Energiekontor's core markets, the geographic conditions in southern Portugal are very good for the use of solar power, but here the current restrictions described in the "Wind" chapter apply. In the UK, the development of PV projects for Energiekontor is largely limited to potentially using the grid connection of a wind farm for a solar park on the same site. Other than that, the solar activities of the Energiekontor Group mainly focus on Germany, France and the US.

### 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<sub>p</sub> are determined in a tendering procedure. Since

11) PV Magazin: "Knapp 53 Gigawatt Photovoltaik-Zubau in China 2017", press release dated 22 January 2018

12) Solar Energy Industry Association (SEIA): "U.S. Solar Market Notches Another Quarter of 2 GW Growth, But Uncertainty Holds Back Installations", 14 December 2017

13) Solar Energy Industry Association (SEIA): "U.S. Solar Market Has Record-Breaking Year, Total Market Poised to Triple in Next Five Years", 9 March 2017

14) Website of Fraunhofer Institute for Solar Energy Systems (ISE): Energy Charts as of 31 January 2018

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 auction held in February 2018, the average volume-weighted price of bids accepted fell again to 4.33 euro cent/kWh. Applications submitted exceeded the available auction volume of 200 MW nearly three-fold.

PV park areas are determined by the German Renewable Energy Sources Act (EEG). The potential sites are largely limited to conversion areas and strips of land (110 metre wide) alongside motorways and railway tracks. Another prerequisite for the acceptance of a bid in the auction is a decision to draw up a development plan and an initial security of 5,000 euro per MW provided when placing the bid. If the bid is accepted, an interim security of EUR 45,000 per MW (EUR 20,000 if such resolution has been adopted as per the articles of association) must be added, which is to ensure the bid is genuine; this process is comparable to wind power auctions.

Maintaining the profitability of the projects despite increasing margin pressure rests on efficiency enhancements and price reductions along the entire value chain. In this context, it is positive that the EU has decided to abolish the protective tariffs and the associated minimum prices for PV modules from China in the late summer of 2018.

### France

Compared to new installations of nearly 0.9 GW to 8.0 GW of installed PV capacity at the end of 2017, the capacity for PV power in France is to be expanded to 10.2 GW by 2018 and to 18.2–20.2 GW by 2023.

Since 2016, remuneration for power generated with ground-mounted solar arrays in the size of 500 kW<sub>p</sub> to 17 MW<sub>p</sub> is determined in auction processes in France. Six auction rounds with 500 MW each are planned for between

2017 to mid-2019. The auction volume has been divided into three plant categories: 300 MW for ground-mounted solar arrays with a capacity between 5 MW<sub>p</sub> and 17 MW<sub>p</sub> (Category 1), 135 MW for ground-mounted solar arrays with a capacity between 500 kW<sub>p</sub> and 5 MW<sub>p</sub> (Category 2) and 65 MW for roof-mounted solar arrays with a capacity between 500 kW<sub>p</sub> and 10 MW<sub>p</sub> (Category 3).

In the three auctions held in 2017, 79, 77 and again 77 projects with a focus on Southern France were awarded contracts. The average prices of bids accepted fell for Category 1 from 6.25 euro cent/kWh in February to 5.53 euro cent/kWh in December and from 6.81 euro cent/kWh to 6.31 euro cent/kWh in Category 2. Out of the projects that were awarded contracts, 83 percent are based on citizen participation with a bonus of 0.3 euro cent/kWh<sup>15</sup>.

Direct marketing is also being introduced in the PV sector. Accordingly, each plant is granted a market premium in addition to the electricity exchange market price. A minimum and a maximum price is determined for each category.

### United States

At the end of 2017, total PV capacity in the US amounted to more than 50 GW<sup>12</sup>, which is only slightly more than in Germany, a country almost 28 times smaller than the US.

The state subsidy measures are largely identical with those described in the “Wind” chapter. Instead of Production Tax Credits, tax incentives in the PV sector are granted via so-called Investment Tax Credits (ITC), however.

ITCs allow investors to deduct 30 percent of the invested system costs from their tax load. Depending on when the construction of PV projects is started, the ITC will be reduced to 26 percent in 2020 and 22 percent in 2021. From 2022, the plan is for just 10 percent to be deductible. In order to use the ITC for a project, either an investor is needed who is able to activate 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.

15) French-German Office for Renewable Energy (DFBEW): “Barometer Photovoltaik in Frankreich (Stand: März 2018)”

With regard to the development of solar projects, Energiekontor is focusing on the western and central part of Texas. This region boasts excellent solar radiation conditions with global radiation of partly far more than 2,000 kWh/m<sup>2</sup> a (kilowatt hours per square metre and year), i.e. approximately twice as much as at very good German sites. The levelized cost of electricity of solar parks is therefore correspondingly lower. The power grid in West Texas is very well developed, and the need for electricity is high due to several large cities in the region.

Like for wind turbines, power purchase agreements (PPAs), i.e. a contract between a project company and an industrial customer (end-user PPA) or a grid operator, form the basis for the profitability of a solar park in the US. Energiekontor sees significant potential for end-user PPAs, especially with large data centres in the area.

In contrast to other states, developers do not need a separate planning permission from the authorities to build a solar park in Texas. However, in order to build on a piece of land, the developer needs to obtain the rights of use for the land (surface rights) and agreements with the owners concerning the subsurface rights (mineral rights), while conducting a number of surveys and studies (environment, nature conservation, grid, etc.) to ensure that the project complies with the law. In addition, the developer needs to find an agreement with the authorities regarding tax rebates, i.e. exemption arrangements for local taxes. Unlike energy generated in the wind projects planned in South Dakota for example, energy from the solar parks in Texas can only be sold within the region covered by the Texan network operator ERCOT.

The Trump administration introduced duties on the import of cells and polycrystalline PV modules from several Asian countries at the beginning of 2018 that will be applicable in the next four years. The import duties are to be reduced over a period of four years from 30 percent to 15 percent. Moreover, for PV cells, they only apply as from a certain quota. According to expert estimates, the duties will only account for less than 10 percent of total investment. In order to keep the economic impact of the import duties as low as possible, some Asian module producers are already reacting by reducing prices and building up production capacity in the US.

## Business development 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 2017. Nearly all of the projects that were approved until the end of 2016 and thus still receive the old subsidies under the German Renewable Energy Sources Act (EEG) were completed. Energiekontor did not participate in the newly introduced auctions for onshore wind energy in the 2017 financial year.

All in all, the Group completed and commissioned ten projects with total rated power of 66 MW until the end of 2017 and signed contracts of sale for three wind farms and three single turbines with total capacity of 33 MW. The Company incorporated three of the developed wind farms into its own portfolio.

The following section gives a detailed account of the business performance by region. In the wind business, all projects in **Germany** except for one wind farm were completed as scheduled in the 2017 financial year.

In the key region of **Lower Saxony**, a wind farm including three 3.4 MW turbines with hub heights of 119 metres was finished just before the end of the financial year. The farm is located in Odisheim in the district of Cuxhaven near the Elbe estuary and was sold to an investor in October 2017. A wind farm with the same specifications (10.2 MW) named Hammelwarder Moor was built near the city of Brake in 2017. Two of the three turbines were completed in the autumn of 2017, while completion of the third turbine was delayed into the first quarter of 2018 due to a motion filed with the local district authorities.

The financial close for the expansion of the Debstedt repowering wind farm by a single turbine was reached at the beginning of November 2017. The wind farm itself had already been sold and commissioned with three turbines in 2016. The sold turbine will be erected in 2018.

In the key region of **North Rhine-Westphalia**, Energiekontor Group implemented a total of five wind farms this year. The single turbine Wachtendonk-Wankum (2.5 MW) sold to a public utility already went into operation at the end of June 2017.

This was followed at the end of August and at the end of September by the Kreuzau-Steinkaul project (5.5 MW) and Niederzier-Steinstraß (8.3 MW). In autumn, the 7.2 MW Heinsberg-Waldenrath wind farm was completed and commissioned. The decision was taken to put all three wind farms in Energiekontor AG's own portfolio.

Although construction of the two-turbine wind farm Hürth-Barbarahof (5.0 MW) was delayed until the late summer of 2017 due to the construction time window under environmental law, the wind farm, which had already been sold to an investor, was commissioned just before year-end.

The cooperation with Thüga Erneuerbare Energien in the key region of **northern North Rhine-Westphalia** was cancelled at the end of the first half of 2017, but Energiekontor is continuing to develop the projects planned in the scope of this cooperation.

The Klein Woltersdorf wind turbine (2.4 MW) in the key region of **Brandenburg** that was already sold in 2016 went into operation at the end of the first quarter of 2017 and was transferred to the buyer. The two single turbines Briest III (3.2 MW) and Luckow-Petershagen (2.75 MW) also went into operation at the end of May and at the end of June, respectively. Both projects were sold to an investor.

This key region also boasts the largest wind farm completed in the 2017 financial year, the Hohengüstow II project in the Uckermark district which was erected on an old wind energy site where only one of the old turbines remained. By autumn 2017, Energiekontor had erected six turbines with rated power of 3.2 MW each and a total height of 110 or 134 metres as well as a transformer station. Three of the new wind turbine systems were transferred to the operator of the old wind farm. The other three were sold to an investor in August 2017.

Supported by several freelancers, Energiekontor has been pressing ahead with acquisition activities for potential wind farm sites in the key region of **Thuringia**. The Company cooperates with a large German energy supplier in this region where Energiekontor was awarded the seal of "Fair Wind Energy Thuringia" back in 2016.

In the **UK**, Energiekontor realised several projects that were still subject to the fixed feed-in tariffs (FiT) under old law. Now, after the subsidies for onshore wind in the UK have expired, the focus is on developing large-scale projects in wind-rich regions, especially Scotland, on the basis of power purchase agreements (PPA).

The Witherwick II project approved at the end of 2016 was still in the planning stage in 2017. It is an expansion of the Group-owned Witherwick wind farm. An equivalent project, the Hyndburn II wind farm expansion, had already been granted permission at the end of June 2015. This project was delayed due to unsolved issues with the air traffic control authority which, however, are expected to be resolved in the course of 2018.

Planning permission for the Pencarreg project (approx. 5 MW) in Wales had also been granted in the first quarter of 2016. However, in order to improve the profitability of this project, new permission with improved parameters was applied for in the 2017 financial year.

Overall, the Energiekontor Group is concentrating on developing its product pipeline in Scotland in the next few years. In 2017, applications were filed there for two further projects with a total of 73 MW, while several additional projects were published for public consultation. In addition, Energiekontor managed to contractually secure further locations in Scotland.

Acquisition activities secured sites for more than 470 MW (exclusivity / options) in the UK in 2017. This takes total rated power of the projects for which the Energiekontor Group secured exclusivity in England and Scotland up to more than 800 MW. The majority of these sites is in Scotland.

Since **Portugal** has not auctioned grid connections for several years, the activities of the Energiekontor Group in Portugal are mostly limited to the management of existing turbines as well as rotor blade extension (for further information see section c) Operation Development, Innovation and Others).

In the first auctioning round of the year in Germany, in February 2017, Energiekontor's **Solar** division was awarded its third photovoltaic project since the introduction of the auctioning procedure in 2015. On this basis, Energiekontor intends to realise a solar park with roughly 6 MW<sub>p</sub> in 2018. The project is currently in the area development planning stage.



The development of the Garzau-Garzin project with about 10 MW<sub>p</sub> approved in 2017 and awarded in the April auction in 2016 suffered delays due to supply bottlenecks at the module producer. Therefore, construction did not commence until the end of 2017, but was completed in the first quarter of 2018.

To be able to submit additional projects in the upcoming solar auctions, the Company also initiated acquisition activities in Schleswig-Holstein to add further options besides the key regions of Brandenburg and Mecklenburg-Western Pomerania. Bavaria and Baden-Württemberg were added as new target regions in the 2017 financial year.

Moreover, the Company is continuing to pursue the option of buying solar projects that have already received planning permission in neighbouring countries.

Energiekontor Group further expanded its personnel resources in the course of the financial year in order to explore the **new markets**. An office was opened in the town of Nijmegen (**Netherlands**) in the middle of 2016. From here, the Group will coordinate the project development activities for wind farms together with local experts. Contracts for the first installation sites have already been signed there. There are concrete plans for a project in the southeast of the country, where up to eight turbines are to be built in cooperation with a community cooperative. The community wants to be completely energy-neutral by 2050 and sees the planned wind farm as an important milestone towards this target.

In 2017, Energiekontor also made significant progress in the **US** where suitable sites were identified for wind projects in South Dakota and solar projects in West Texas. For the time being, however, Energiekontor is focusing on solar projects, as these require less time for realisation. Energiekontor successfully negotiated rights of use with land owners in 2017 for developing photovoltaic projects with a capacity of several hundred megawatts. A separate company was founded in the first half of 2017 for the US activities. In the second half of 2017, Energiekontor employed an expert from the US as project manager. He is based in Austin, from where he will gradually build up a team and drive project development with the help of freelance staff. Contracts for sites totalling about 300 MW were signed in 2017, followed by another 300 MW in the first quarter of 2018. The team conducted the required grid integration studies and registered several projects in the

so-called grid queue, which grants priority handling over projects submitted at a later stage.

Talks with landowners in **France** about land use rights are also progressing well with the support of freelancers. Regions in the northwest were found to be suitable for wind projects, whereas the southwest of the country was identified for the development of solar parks. As in the US, Energiekontor will also begin in France by concentrating on solar projects. The Group chose the Toulouse region as a suitable centre of its further activities.

### b) Power Generation in Group-owned Wind Farms

In line with the Company's growth strategy, according to which about half of all in-house developed projects (with regard to expected margin) are expected to be included in the Group's own portfolio, the Management at Energiekontor AG decided at the end of 2017 to transfer the Kreuzau-Steinkaul (5.5 MW), Niederzier-Steinstraß (8.3 MW) and Heinsberg-Waldenrath (7.2 MW) projects in North Rhine-Westphalia to Group ownership.

Otherwise, 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.

Wind conditions were below-average in the first half of 2017, but were partly compensated for by early autumn storms and a December with high wind levels in the second half of the year. In the end, income from operating the Group's wind farms in Germany was therefore only slightly below the expectations for an average wind year and above the previous year. Although the wind situation in the UK was actually slightly above average, income remained at the same level as in the previous year due to currency effects. Income in Portugal was far lower than anticipated.

### c) Operation 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. Energiekontor has already entered into negotiations with interested industrial consumers in this respect.

In the 2017 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.

Technical innovation work still focused on rotor blade extension. Following the turbine type AN Bonus 1.0, rotor blade extensions were mainly installed in 1.3 MW turbines in Portugal. Permission for converting 26 wind turbines in Portugal had already been granted in November 2013 and, following a successful test and optimisation phase, the first wind farm consisting of ten turbines, Penedo Ruivo, was

equipped with rotor blade extension in the autumn of 2016. In 2017, the rotor blades of another six turbines were extended in two more Group-owned wind farms in Portugal. The remaining ten turbines are to be retrofitted in 2018 and are expected to consistently generate a more than 5 percent higher yield.

Furthermore, Energiekontor conducted initial tests with the so-called Vortex generator to improve blade aerodynamics in the 2017 financial year. The generator is supposed to avoid flow separation and related friction losses at the root of the rotor blade, allowing for additional yields between 1.5 and 4.0 percent.

### Overall Conclusion

The operating business was largely in line with the planning in the 2017 financial year. Net income (EBT) of Energiekontor AG and of the Group thus met the forecasts.

In the Project Development and Sales (Wind and Solar) segment, most of the projects approved before the end of 2016 and thus subject to the higher feed-in tariffs under the transitional provision of the 2017 German Renewable Energy Sources Act (EEG) were successfully completed in the 2017 financial year.

Construction and commissioning of the Garzau-Garzin solar park, in turn, was postponed to 2018. This was owed to delivery problems on the part of the original module supplier, which made it necessary to change the supplier at short notice, delaying completion of the solar park into 2018. The third turbine at the Hammelwarder Moor wind farm was also delayed until the beginning of 2018. The single turbine Debstedt II and the wind farm Hemelingen, two further projects approved before the end of 2016, will also be built in the 2018 financial year as scheduled.

Just under half of the projects commissioned in 2017 were sold to investors, while the others were included in the Group's own portfolio or are still recognised as inventories, as not all turbines in the wind farm were commissioned at the end of 2017. If all wind farms had been completed and sold, Group EBT could have reached the level of the two preceding years as announced in the previous year's Annual Report. However, as only half of the projects were sold, reported EBT in the Project Development and Sales (Wind, Solar) segment and reported Group EBT decreased vis-à-vis 2016 in line with the forecast.

Income in the Power Generation in Group-owned Wind Farms segment was below expectations overall and differed in the individual countries where Energiekontor operates wind farms. The wind yield in Germany and Portugal was below the long-term average, even though it was slightly better in Germany than in the previous year. Despite the favourable wind conditions in the UK, income from power generation was only at the previous year's level due to currency effects. Below the line, the segment EBT came out below expectations, although lower depreciation and amortisation and interest rates compared to the previous year brought about a significant improvement.

Due to the further expansion of the Group's own portfolio and the overall increase in the number of wind farms under management, income from operational management rose moderately. Therefore, segment EBT in the Operation Development, Innovation and Others segment was in line with expectations and the forecast.

A look at the consolidated figures of the entire Group shows that the targets of Energiekontor AG and of the Group as well as of the operating segments and the profit centres were basically reached in the 2017 financial year. Slight shortfalls were recorded with respect to earnings and surplus cash targets because commissioning of the two aforementioned projects was postponed into the first quarter of 2018. Group EBT is nevertheless still in line with the forecast.

As anticipated, Company growth slowed down temporarily in 2017. Acquisition activities in Germany and the UK as well as the new national markets Netherlands, France and the US took the overall pipeline of projects in different development stages up to nearly 3,000 MW. This paves the way for further successful Company growth in the years to come.

## Financial position, financial performance and results of Group operations

### Results of Group operations

The 2017 financial year was another successful year for the Energiekontor Group. Seven wind farms, one of which was completed just after the end of the financial year, and four single turbines were erected in the year under review. The sale of three German wind farms and four single turbines had a positive effect on the consolidated balance sheet and the income statement. Three more wind farms in Germany were transferred to Group ownership, further expanding the Group-owned portfolio in keeping with Energiekontor's growth strategy. 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	2017	2016
<b>Consolidated net income</b>	<b>11,888</b>	<b>25,334</b>
plus tax expenses	4,778	10,162
<b>EBT</b>	<b>16,666</b>	<b>35,496</b>
plus financial result	16,223	18,254
<b>EBIT</b>	<b>32,889</b>	<b>53,750</b>
plus depreciation and amortisation	16,704	18,316
<b>EBITDA</b>	<b>49,593</b>	<b>72,066</b>

For the pro-forma key figures shown above and used in this report (EBIT, EBITDA, etc.), please refer to the explanation on page 81.

Despite project implementations in the wind sector, Group revenue declined to EUR 149,865 thousand (previous year: EUR 201,764 thousand). Consolidated revenue in the financial year comprises revenue in the Project Development and Sales (Wind, Solar) segment in the amount of EUR 97,044 thousand (previous year: EUR 148,655 thousand), the Power Generation in Group-owned Wind Farms segment in the amount of EUR 49,080 thousand (previous year: EUR 49,899 thousand) and the Operation Development, Innovation and Others segment in the amount of EUR 3,741 thousand (previous year: EUR 3,210 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 97,044 thousand (previous year: EUR 148,655 thousand).

Revenue in the **Power Generation in Group-owned Wind Farms** segment decreased year-on-year to EUR 49,080 thousand (previous year: EUR 49,899 thousand); this was due, in particular, to last year's sale of the Gayton le Marsh wind farm in the UK, which had still been part of the Group portfolio until the fourth quarter of 2016. Income from operating Group-owned wind farms in Germany was only slightly below the expectations for an average wind year and above the previous year. Although the wind situation in the UK was actually slightly above average, income remained at the same level as in the previous year due to currency effects. Income in Portugal was lower than anticipated.

Revenue in the **Operation Development, Innovation and Others** segment was mainly driven by revenue from operational management services and amounted to EUR 3,741 thousand (previous year: EUR 3,210 thousand).

The **Changes in inventories and other work performed and capitalised** item amounting to EUR 52,211 thousand (previous year: EUR -35,015 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** increased on the back of positive effects from foreign currency translation.

EUR thousand	2017	2016
Reversal of provisions	2,804	2,831
Net income from foreign currency translation	2,666	1,357
Misc. other operating income	225	97
Compensation of damages/ insurance settlement	51	196
<b>Other operating income</b>	<b>5,746</b>	<b>4,481</b>

Because of increased construction activities in the year under review, the **cost of raw materials and supplies** and **purchased services** rose accordingly to EUR 127,923 thousand (previous year: EUR 70,523 thousand).

**Personnel expenses** rose to EUR 11,830 thousand (previous year: EUR 10,922 thousand) in line with the increase in staff.

EUR thousand	2017	2016
Salaries	10,100	9,289
Social security contributions and benefit expenses	1,730	1,632
<b>Personnel expenses</b>	<b>11,830</b>	<b>10,922</b>

The **Depreciation and amortisation of property, plant and equipment and intangible assets** shown in the amount of EUR 16,704 thousand (previous year: EUR 18,316 thousand) mainly refers to scheduled depreciation and amortisation of Group-owned wind farms.

EUR thousand	2017	2016
Depreciation of wind farms and plant and equipment	16,657	18,265
Depreciation of operational and office equipment	37	36
Amortisation of intangible assets	10	13
Depreciation of buildings	0	2
<b>Depreciation and amortisation</b>	<b>16,704</b>	<b>18,316</b>

The decline in depreciation of property, plant and equipment versus the previous year is mainly due to the Gayton le Marsh wind farm, which was sold at the end of the previous year and thus still belonged to the Group's own portfolio for part of that year.

Repair, maintenance and lease expenses for Group-owned wind farms, selling expenses in connection with the issuance of bonds, expenses from currency translation as well as legal and consultancy fees contributed primarily to **Other operating expenses** of EUR 18,475 thousand (previous year: EUR 17,719 thousand).

EUR thousand	2017	2016
Repair and maintenance expenses wind farms	8,117	7,014
Lease payments for wind farms	2,508	2,709
Legal, tax, audit and other consultancy fees, litigation expenses	1,504	1,429
Fees, dues and contributions	1,190	1,177
Administrative expenses	1,182	1,151
Project-related expenses (incl. planning, travel costs, etc.)	1,147	1,595
Insurance	967	1,112
Advertising and selling expenses	715	298
Occupancy expenses	575	510
Electricity procurement from wind power plants	345	374
Misc. other operating expenses	215	316
Deconsolidation losses	10	34
<b>Other operating expenses</b>	<b>18,475</b>	<b>17,719</b>

**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 farms, construction period interest expenses for the wind 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 16,414 thousand (previous year: EUR 18,443 thousand).

EUR thousand	2017	2016
<b>Total interest and other income</b>	<b>190</b>	<b>162</b>
Interest expenses to banks for capex loans	6,504	8,161
Interest expenses for bond capital	5,969	6,980
Financing expenses for other debt capital (external limited partners)	192	219
Other interest expenses	3,749	3,083
<b>Interest expenses</b>	<b>16,414</b>	<b>18,443</b>
<b>Interest result</b>	<b>-16,223</b>	<b>-18,281</b>
<b>Income from investments</b>	<b>0</b>	<b>28</b>
<b>Financial result</b>	<b>-16,223</b>	<b>-18,254</b>

## Financial performance of the Group

Financial management at the Energiekontor Group focuses on the efficient and sustainable use of existing financial resources, taking into account the expected development of the sector.

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, a step-up bond in the amount of EUR 22,730 thousand was successfully issued by Energiekontor Finanzanlagen IV GmbH & Co. KG. Energiekontor used part of the cash flow from the successful business activities in the previous year to prematurely deleverage the wind farm portfolio during the year under review. Together with recurring bond repayments, Energiekontor made repayments to bondholders amounting to EUR 51,650 thousand in the year under review.

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 farms, amounted to EUR 126,029 thousand at the end of the financial year (previous year: EUR 90,308 thousand).

Cash and cash equivalents increased to EUR 69,002 thousand as at the reporting date (previous year: EUR 118,528 thousand). The Other securities portfolio, which mainly consists of German federal bonds, remained largely unchanged at EUR 10,159 thousand in the financial year (previous year: EUR 10,305 thousand).

**Liabilities to banks** climbed to EUR 140,708 thousand as of the reporting date (previous year: EUR 107,010 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	2017	2016
Non-current liabilities to banks	126,029	90,308
Current liabilities to banks	14,678	16,702
<b>Liabilities to banks</b>	<b>140,708</b>	<b>107,010</b>

**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 234,190 thousand (previous year: EUR 230,910 thousand) and break down as follows:

EUR thousand	2017	2016
<b>Non-current financial liabilities</b>		
Liabilities to banks	126,029	90,308
Liabilities from bond capital	77,146	87,289
Other financial liabilities	4,622	5,911
Liabilities to external limited partners	1,664	1,667
<b>Non-current financial liabilities</b>	<b>209,462</b>	<b>185,175</b>
<b>Current financial liabilities</b>		
Liabilities to banks	14,678	16,702
Liabilities from bond capital	9,055	28,507
Liabilities to external limited partners	994	526
<b>Current financial liabilities</b>	<b>24,728</b>	<b>45,735</b>
<b>Total financial liabilities</b>	<b>234,190</b>	<b>230,910</b>

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 -3,454 thousand (previous year: EUR -4,513 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.

## Financial position of the Group

At EUR 70,232 thousand, equity is at the level of the previous year (previous year: EUR 69,477 thousand). As total assets also remained nearly unchanged at EUR 361,713 thousand (previous year: EUR 361,351 thousand), the equity ratio rose only moderately to 19.4 percent (previous year: 19.2 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 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. In IAS 39, IFRS require 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 20.7 percent (previous year: 20.5 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 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.

Following the transfer of three German wind farms into Group ownership, **Non-current assets** rose to EUR 201,104 thousand (previous year: EUR 179,591 thousand). Non-current assets break down to the following balance sheet items and are explained below.

EUR thousand	2017	2016
Property, plant and equipment	194,558	171,747
Deferred tax assets	6,462	7,721
Receivables and other financial assets	58	60
Investments	25	53
Other intangible assets	1	10
<b>Non-current assets</b>	<b>201,104</b>	<b>179,591</b>

**Other intangible assets** include software licences 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, three newly erected German wind farms were capitalised. This was the main reason for additions to Property, plant and equipment amounting to EUR 40,117 thousand (previous year EUR 9,653 thousand). Disposals in Property, plant and equipment (wind farms) amounted to a mere EUR 608 thousand in the year under review (previous year: EUR 43,161 thousand, primarily from the sale of the Gayton le Marsh wind farm).

Taking into account scheduled depreciation in the period under review of EUR 16,657 thousand (previous year: EUR 18,265 thousand), the balance sheet item Plant and equipment of the wind farm operators amounts to EUR 193,692 thousand (previous year: EUR 170,928 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 30 thousand as of the reporting date (previous year: EUR 31 thousand).

Deferred tax assets of the Group are recognised at EUR 6,462 thousand (previous year: EUR 7,721 thousand) and explained in detail in the Notes (only available in German language). Deferred tax liabilities of EUR 6,186 thousand (previous year: EUR 4,225 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 81,447 thousand (previous year: EUR 52,926 thousand).

**Inventory** reported under current assets of EUR 47,006 thousand (previous year: EUR 34,272 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 18,224 thousand to EUR 27,378 thousand in the year under review.

Income tax receivables (current) in the amount of EUR 7,064 thousand (previous year: EUR 430 thousand) include corporation tax and trade tax credits.

**Non-current liabilities** amount to EUR 234,282 thousand (previous year: EUR 208,322 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	2017	2016
Provisions for decommissioning and restoration	12,603	12,099
Non-current financial liabilities	209,462	185,175
Other non-current liabilities	2,576	2,698
Deferred tax liabilities	9,641	8,350
<b>Non-current liabilities</b>	<b>234,282</b>	<b>208,322</b>

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



EUR thousand	2017	2016
Provisions for decommissioning and restoration as of 1 January	12,099	12,861
Addition from accumulation of interest in the current year	423	383
Additions and depreciation of present values (changes in production costs, interest rate)	-239	824
Additions related to completion/acquisitions	455	164
Reduction of present values (changes in production costs/decommissioning costs)	-135	-649
Reduction due to sale and repowering	0	-1,484
<b>Provisions for decommissioning and restoration as of 31 December</b>	<b>12,603</b>	<b>12,099</b>

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 57,199 thousand (previous year: EUR 83,551 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	2017	2016
Project-related provisions	9,684	8,300
Personnel-related provisions	1,871	2,051
Provisions for legal disputes	29	29
Legal, tax and other consultancy fees	534	602
Provisions	2,541	1,673
<b>Other provisions</b>	<b>14,660</b>	<b>12,656</b>

**Current accounts payable** rose from EUR 6,241 thousand in the previous year to EUR 8,383 thousand in the year under review.

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

## Financial position, financial performance and results of operations of the 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:

in EUR thousand	2017	2016
<b>Revenue</b>	<b>24,662</b>	<b>51,649</b>
<b>EBITDA</b> (EBIT plus depreciation of fixed assets)	<b>13,604</b>	<b>44,056</b>
<b>EBIT</b> (EBT plus financial result)	<b>13,557</b>	<b>44,009</b>
<b>EBT</b> (earnings before taxes)	<b>22,167</b>	<b>39,558</b>
<b>Net income</b>	<b>15,513</b>	<b>28,653</b>
<b>Equity</b>	<b>103,797</b>	<b>100,205</b>
<b>Total assets</b>	<b>179,284</b>	<b>165,245</b>
<b>Equity ratio in %</b>	<b>57.9</b>	<b>60.6</b>

### Energiekontor AG's results of operations

In the financial year under review, Energiekontor AG generated positive **Earnings before taxes (EBT)** in the amount of EUR 22,167 thousand (previous year: EUR 39,558 thousand).

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

in EUR thousand	2017	2016
<b>Profit or loss for the year</b>	<b>15,513</b>	<b>28,653</b>
plus income taxes	6,654	10,905
<b>EBT</b>	<b>22,167</b>	<b>39,558</b>
less/plus financial result	-8,610	4,451
<b>EBIT</b>	<b>13,557</b>	<b>44,009</b>
plus depreciation and amortisation of fixed assets	47	47
<b>EBITDA</b>	<b>13,604</b>	<b>44,056</b>

Both **Total output** of EUR 26,461 thousand (previous year: EUR 51,784 thousand) and Total operating output of EUR 27,615 thousand (previous year: EUR 55,091 thousand) refer primarily to the successful realisation of wind energy projects in Germany. **Total operating output** includes revenue, changes in inventory and other operating income.

in EUR thousand	2017	2016
<b>Revenue</b>	<b>24,662</b>	<b>51,649</b>
Changes in inventory	1,799	135
<b>Total output</b>	<b>26,461</b>	<b>51,784</b>
Other operating income	1,154	3,307
<b>Total operating output</b>	<b>27,615</b>	<b>55,091</b>

The difference to 2016, when **Revenue** was significantly higher than in the year under review, is due primarily to the sale of the British Gayton le Marsh wind farm and planning proceeds in connection with a high amount of planning permissions granted at the end of 2016.

On the back of business development and planning activities, **Inventories** rose by EUR 1,799 thousand (previous year: EUR 135 thousand) irrespective of successful project realisations.

**Other operating income** decreased in the 2017 financial year to EUR 1,154 thousand (previous year: EUR 3,307 thousand). This item includes, in particular, income from the reversal of provisions, currency translation and write-ups of financial assets written down in earlier periods.

in EUR thousand	2017	2016
Income from reversal of financial asset impairments (write-ups)	539	514
Income from foreign currency translation	387	883
Reversal of provisions	83	1,836
Misc. other operating income	83	57
Subsidies	38	0
Insurance benefits	25	17
<b>Other operating income</b>	<b>1,154</b>	<b>3,307</b>

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 11,063 thousand (previous year: EUR 6,969 thousand); these expenses are shown in **Cost of materials**.

**Personnel expenses** increased to EUR 10,513 thousand (previous year: EUR 9,806 thousand) in line with the gradual and constant increase in headcount in the course of the year.

**Other operating expenses** pertain primarily to general administrative expenses, selling expenses, legal and consultancy costs and increased moderately to EUR 4,898 thousand (previous year: EUR 4,435 thousand). The increase was mainly caused by higher selling expenses.

in EUR thousand	2017	2016
Administration and other costs	1,443	1,355
Selling expenses	1,322	450
Legal and consultancy costs, litigation expenses	1,094	963
Occupancy expenses	529	468
Project-related expenses	215	868
Insurance, fees and contributions	164	262
Employee travel costs	89	69
Expenses resulting from currency translation differences	41	0
<b>Other operating expenses</b>	<b>4,898</b>	<b>4,435</b>

Because of higher earnings from construction activities, Energiekontor AG received **Income from profit and loss transfer agreements with affiliated companies** (i.e. Infrastruktur- und Anlagen GmbH) in the amount of EUR 12,463 thousand (previous year: EUR 10,176 thousand) in the reporting year.

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

The **Interest result** of EUR –875 thousand (previous year: EUR –1,058 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:

in EUR thousand	2017	2016
Income from other long-term securities and loans	320	576
of which from affiliated companies	149	261
Interest and similar income	354	99
of which from affiliated companies	277	37
Interest and similar expenses	-1,549	-1,733
of which to affiliated companies	-216	-125
<b>Interest result</b>	<b>-875</b>	<b>-1,058</b>
Income from investments	9,997	375
of which from affiliated companies	9,997	375
Depreciation of financial assets	-512	-3,768
<b>Financial result</b>	<b>8,610</b>	<b>-4,451</b>

The **Financial result** includes **Income from investments** amounting to EUR 9,997 thousand (previous year: EUR 375 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 512 thousand (previous year: EUR 3,768 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.

### Energiekontor AG's financial performance

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 13,000 thousand (previous year: EUR 21,000 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 (available in German language only).

**Cash and cash equivalents** and **Securities** amount to EUR 46,023 thousand (previous year: EUR 89,661 thousand) as of the reporting date. The decline was caused primarily by financing of portfolio wind farms via capital increases and loans taken out to repay existing loans for the premature deleveraging of the portfolio. Further funds were utilised to repay a corporate bond and to make considerable tax payments for the 2016 financial year and tax prepayments for the current financial year. The securities item includes German federal bonds maturing in 2018 and 2019. In the reporting year, no bank balances (previous year: EUR 10,176 thousand) were offset against the current bank liabilities for which these balances serve as security.

in EUR thousand	2017	2016
Cash in hand and bank balances	35,799	79,437
Securities	10,224	10,224
<b>Cash and cash equivalents and securities</b>	<b>46,023</b>	<b>89,661</b>

### Energiekontor AG's financial position

Offset against the dividend payment and expenditure for share buy-backs, positive net income lifted **Equity** to EUR 103,797 thousand (previous year: EUR 100,205 thousand) in the reporting year.

Equity developed as follows in the period under review:

in EUR thousand	2017	2016
Equity as of 1 January	100,205	83,512
Profit or loss for the year	15,513	28,653
Dividend for previous year	-11,670	-11,682
Payments for share buy-backs	-251	-278
<b>Equity as of 31 December</b>	<b>103,797</b>	<b>100,205</b>

As of the balance sheet date, equity contained the following components:

in EUR thousand	2017	2016
Issued capital (nominal)	14,577	14,592
Capital reserves	41,237	41,237
Statutory reserve	15	15
Other retained earnings	39,221	29,667
Net income	8,747	14,694
<b>Equity as of 31 December</b>	<b>103,797</b>	<b>100,205</b>

The 2017 equity ratio of 57.9 percent is slightly lower than in the previous year (previous year: 60.6 percent).

**Fixed assets** refer mainly to financial assets and rose to EUR 82,684 thousand (previous year: EUR 40,523 thousand) in the year under review, mainly owed to capital increases and loans to subsidiaries.

in EUR thousand	2017	2016
Intangible assets	1	10
Tangible assets	131	123
<b>Financial assets</b>		
Shares in affiliated companies	53,364	38,160
Loans to affiliated companies	29,134	2,148
Investments	54	82
<b>Fixed assets</b>	<b>82,684</b>	<b>40,523</b>

**Shares in affiliated companies** increased, mainly due to the aforementioned capital increases to finance portfolio wind farms and the premature deleveraging via the repayment of existing loans. **Loans to affiliated companies** refer to financial and capital receivables from German and foreign wind farm operators, planning and construction companies and German affiliates. Most of these bear interests, and the non-interest bearing part thereof is recognised at present value.

Given lower cash and cash equivalents, **Current assets** decreased to EUR 96,600 thousand despite the higher inventories (previous year: EUR 124,722 thousand).

in EUR thousand	2017	2016
Inventories	13,289	11,491
Receivables and other assets		
Trade receivables	790	424
Receivables from affiliated companies	29,299	22,917
Other assets	7,179	184
Securities	10,224	10,224
Cash in hand and bank balances	35,799	79,437
Prepaid expenses	19	46
<b>Current assets</b>	<b>96,600</b>	<b>124,722</b>

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

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 7.179 thousand (previous year: EUR 184 thousand) mainly refer to tax and loan receivables.

Provisions for taxes in the amount of EUR 0 thousand (previous year: EUR 9,223 thousand) and other provisions for litigation expenses, legal and consultancy fees and personnel costs, especially for leave, overtime and performance-related bonuses and provisions for smaller transactions add up to total **Provisions** as recognised in the balance sheet of EUR 2,488 thousand (previous year: EUR 12,184 thousand).

**Liabilities** increased to EUR 60,450 thousand (previous year: EUR 45,274 thousand), due mainly to higher liabilities within the Group on the back of loans in the amount of EUR 22,720 thousand taken out from a Group-owned financing company to refinance portfolio wind farms. Liabilities from bonds are reduced by EUR 8,000 thousand in line with the planned repayment of corporate bonds issued in 2012. 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.

in EUR thousand	2017	2016
Bonds	13,000	21,000
Liabilities to banks		2
Trade payables	1,225	644
Liabilities to affiliated companies	39,376	18,069
Other liabilities	6,849	5,558
<b>Liabilities</b>	<b>60,450</b>	<b>45,274</b>

## Employees

A total of 139 permanent employees were working for the Energiekontor Group as of 31 December 2017 (previous year: 132), with an additional 27 temporary employees, students and interns (previous year: 19). The Company also employs 28 freelancers (previous year: 25). 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.

## Changes to the Management Board

With effect from 1 July 2017, the Supervisory Board of Energiekontor AG appointed Torben Möller as the third member of the Management Board. Having successfully established the Repowering business as head of division, Mr Möller was also successful in handling the coordination of innovation and competitive measures, and the introduction of an agile project management system (Scrum). Based on these achievements, he was appointed Managing Director of several subsidiaries of Energiekontor AG last year.

In his capacity as a member of the Management Board, Mr Möller will be in charge of project development in the northern part of North-Rhine Westphalia and France (Wind and Solar) as well as the field of rotor blade extension in addition to more general tasks. The aim is to further expand and strengthen the repowering business in light of the increasing age of wind farms and to establish Energiekontor as a pioneer in reducing levelized cost of electricity from renewable energy sources.

## Post-closing events

At the beginning of February 2018, Energiekontor AG finally completed the Hammelwarder Moor wind farm (10.2 MW) and commissioned the last of the three turbines.

Construction and commissioning of the Garzau-Garzin solar park (10 MW) had begun at the end of 2017 and was also completed in March 2018. Further, Energiekontor started setting up the Bremen-Hemelingen wind farm (12.8 MW) and the single turbine for Debstedt II (4.5 MW) in February 2018. The Debstedt II single turbine is an extension of the Debstedt repowering wind farm, which had already been sold and commissioned with three turbines in 2016. Thus, Energiekontor is realising the last two projects that were approved before the end of 2016 and are therefore still subject to the old tariff system as per the transitional provisions of the 2017 German Renewable Energy Sources Act (EEG).

In the UK, the Pencarreg project (5 MW) obtained permission in March 2018 following a second application with adjusted project parameters.

The Group also reached the financial close for another project with nearly 9 MW rated power in March 2018. Construction and commissioning of the wind farm situated southwest of London in the county of Kent is expected to be completed in the current 2018 financial year.

## REPORT OF OPPORTUNITIES AND RISKS

### Energiekontor AG's opportunities

Basically, each risk stated in the second half of this chapter also offers an opportunity that results from the same circumstances as the risk. Energiekontor AG's opportunity management system is therefore closely aligned with the risk management system. The aim of the opportunity management is to recognise opportunities resulting from positive developments within the scope of business activities at an early stage and to implement suitable measures to make the most of these for the Company. Opportunity management considers opportunities that are relevant and feasible but not yet included in planning.

Therefore, this part has been included before the risk report and shall show examples of some opportunities for Energiekontor AG that result from the industry-specific market and 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 has been present in this market since the very beginning and has built up a strong position. 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 Netherlands, France and the US.

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 market expansion towards France, the Netherlands and the US as well as the exploration of other markets give Energiekontor the opportunity to further expand its diversification and to enter attractive markets with considerable development potential.

The activities in 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.

#### Contractual partners/Financing

Particularly in the UK, Energiekontor has been concluding PPAs directly with industrial customers for years. In the US, PPAs with energy suppliers are the usual method for selling electricity from renewable energy sources. And this method

is also moving into the focus of attention in Germany. 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.

Over the past 25 years, 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.

## Energiekontor AG's risks

Energiekontor has developed an extensive risk management system that is based on the detailed internal reporting and controlling processes. This management system is checked on a regular basis and adjusted to fit any new situations.

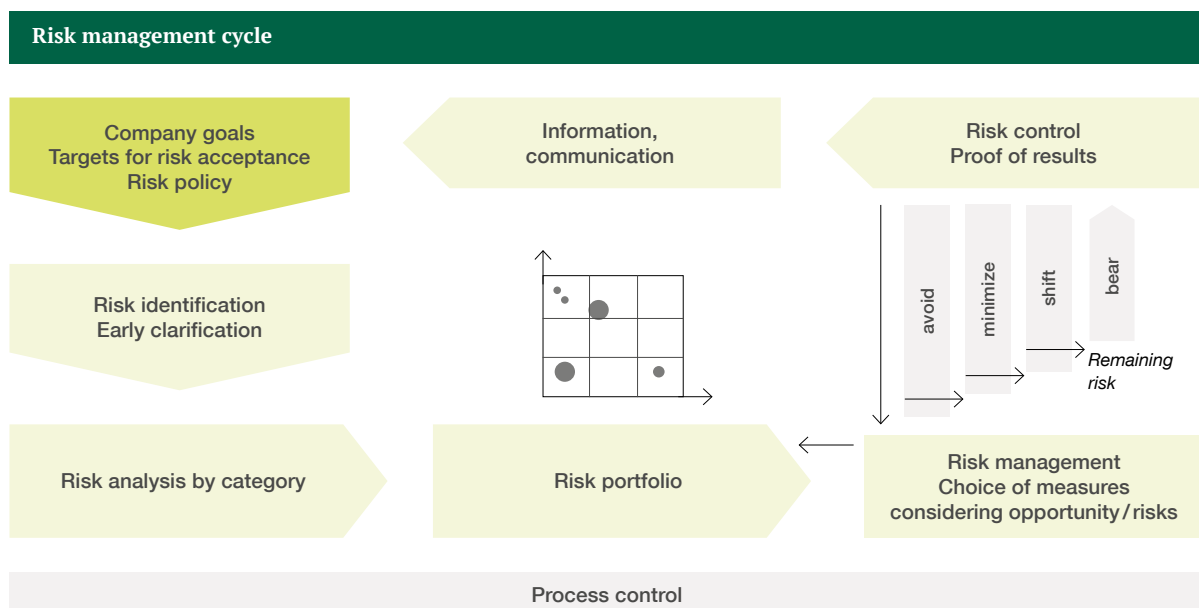
### Role and functions of the risk management

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 on-going 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 follows (cf. "Risk management cycle" figure).

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, 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.

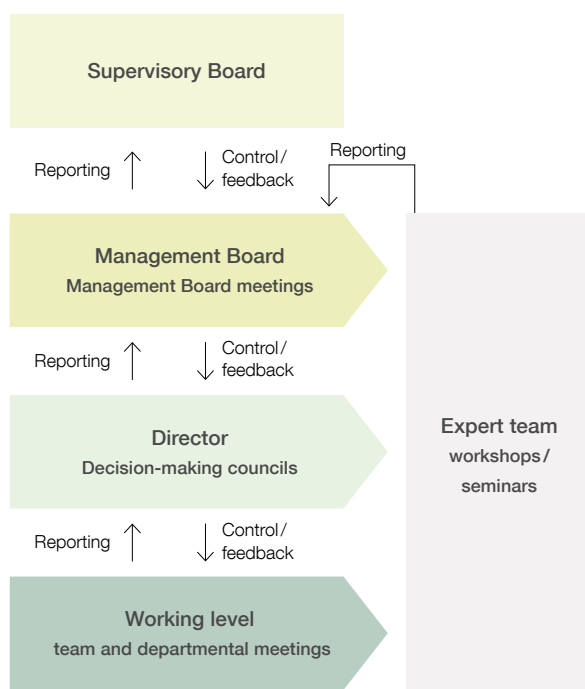
## Organisation of Energiekontor AG's risk management

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	Extent
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	medium/high
Wind	medium	medium/high
Suppliers/deadlines	medium/high	medium
Financing	medium	medium
Legal action	medium	medium
Organisation	low	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 economic situation of a project continues to depend mainly on the feed-in tariffs. A clear trend is visible across Europe whereby legal conditions are changed to align renewable energy sources to the competitive conditions of the electricity market. In Germany, remuneration continues to be regulated by the law giving precedence to renewable energies, the German Renewable Energy Sources Act (EEG), which has been revised radically in recent years. The current German Renewable Energy Sources Act (EEG) 2017 was resolved in August 2016 and entered into force on 1 January 2017. One central aspect of the revised German Renewable Energy Sources Act (EEG) is the introduction of an auctioning procedure to determine the amount of subsidies that will be granted. Whilst the auctioning system for onshore wind in Germany was introduced in 2017, the first German auction round for PV took place as early as in 2015. Since the auctioning system was introduced, the prices for electricity from both wind farms and solar parks have dropped considerably. Further amendments to the German Renewable Energy Sources Act (EEG) 2017 (limited annual expansion, single-stage reference yield model with fixed highest bidder price etc.), however, mean that the expansion of renewable energies could slow down, depending on the circumstances. In addition to the fixed tariff amount, the transition deadlines, terms and caps and the introduction of an auctioning procedure are important for Energiekontor Group. This should not affect grandfathering of old turbines, though.

Portugal and the UK as well as France and the Netherlands also have legal regulations concerning the remuneration of wind and solar energy. In the Netherlands and 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 US, 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.

### Market position risks

Energiekontor AG is confronted by strong competition in its core markets of Germany and the UK and the new markets US, the Netherlands 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 Netherlands or the US 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 US, mean that it is possible that these targets may not be reached at the growth rates envisaged, i.e. that growth of Energiekontor AG could be slower than expected and the growth targets cannot be achieved in the intended period.

### **Risks from the repayment of bond financing**

Overall, Energiekontor Group has, after deducting the bonds already repaid, attracted roughly EUR 97 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, that 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

The wind conditions at the specific sites is the deciding factor for a wind farm's results of operations. 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 years or an unexpected low wind 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 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 wind conditions is countered by respective safety discounts and worst case scenarios, so that the repayment of loans is not jeopardised in years where winds are 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.

## 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](http://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. 315 German Commercial Code (HGB)

The Management Board does not know of any

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

With regard to the composition of subscribed capital (Sec. 315 (4) No. 1 HGB) reference is made to the explanations in the Notes to the financial statements of the AG (only available in German language).

The Management Board is not aware of any direct or indirect shareholdings (Sec. 315 (4) No. 3 HGB) in excess of ten percent, with the exception of the shareholdings stated

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

Pursuant to Sec. 315 (4) 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. 315 (4) 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. 315 (4) No. 9 HGB).

Furthermore, no takeover offer has been made (Sec. 315 (4) 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 2017 financial year (previous year: EUR 873 thousand). The variable component thereof amounts to EUR 355 thousand (previous year: EUR 344 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 2017 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)

2018 will probably be a transitional year for the entire wind and solar energy sector. This is due primarily to the drastic price drop in the wake of the auctioning system for onshore wind energy introduced in Germany in 2017, which is still one of Energiekontor AG's most important markets. Even though many projects meet internal requirements regarding the significant reduction of price targets, some needed to be filed again for permission with changed parameters to ensure they remain profitable under the current market conditions. Although the project pipeline remains intact, commissioning of some of the projects may be postponed into the following financial year. Working towards its vision of 100 percent renewable energy supply, Energiekontor has long been developing efficiency measures along the entire value chain. Therefore, the Company should be able to further develop profitable projects even under the increasingly fierce competitive situation, meaning the overall pipeline with projects in various stages of development is still intact.

In the UK, Energiekontor has for many years been developing successful projects in Scotland, the first of which, however, will not be commissioned before 2019. This, too, is one of the reasons why Energiekontor expects results in the project development business to be slightly weaker in 2018 than in previous years, before business returns to its growth path again in 2019.

The management expects the following performance in the individual business units and national markets in 2018:

At the time this Annual Report is published, two wind farms in Bremen-Hemelingen and Debstedt II with total rated power of more than 17 MW are being built in **Germany**. Further projects with rated power of roughly 45 MW are in the permitting process. Due to the reasons stated above, it is necessary to re-plan several projects and submit them for approval once again. These projects will thus not have an effect on earnings before 2019.

Having completed all projects approved before the end of 2016, the Company is preparing the first projects for bidding at auctions in 2018. The first auction round for onshore wind in February 2018 showed a slight recovery of prices for onshore wind electricity that had fallen drastically in 2017. The average bidding price in the auction of 4.73 euro cent/kWh was clearly above the price from the last auction in 2017 (3.8 euro cent/kWh). One of the main reasons probably is that citizens' energy initiatives will no longer be granted special provisions regarding permission and completion period in the two first auctions in 2018. Moreover, the legislator has lifted the maximum value for bids, which would have been 5.0 euro cent/kWh based on the average price of bids accepted in 2017, to 6.3 euro cent/kWh to prevent a sharp downturn of further onshore wind installations. In addition, two joint wind and solar auctions are planned in April and November of 2018 with a total volume of 400 MW, followed by special auctions in 2019 and 2020 for 2 GW each in wind and solar energy.

These projects, however, will not have an effect on earnings before 2019.

In addition to its own project development activities, Energiekontor is negotiating with smaller project developers and citizens' energy initiatives that have won auctions or want to submit projects to auctions and need support for developing and setting up their wind farms.

Energiekontor has entered into a cooperation agreement with a renowned partner in the energy sector to tap into another key region. The aim is to generate additional project potential. Implementation of a first project is, however, not expected until 2020, due to legal requirements for construction.

In the **UK**, Energiekontor is realising projects in England and Wales, some of which have already been granted planning permissions some time ago. This includes, for instance, a project with total rated power of about 8 MW, which still has some project-related issues to be solved, and the Withernwick II wind farm with start of construction before the end of 2018. The Pencarreg project in Wales with total rated power of about 5 MW received permission with optimised project parameters after the end of the 2017 reporting period.

Energiekontor also achieved the financial close for another project with nearly 9 MW rated power shortly before this report was published. Energiekontor bought the rights to this project. In this case, the electricity generated is remunerated without a PPA based on a special statutory feed-in tariff for CIC (Community Interest Companies) projects. This wind farm is to be completed in 2018.

Energiekontor assumes that all future 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 the regional policy expressly welcomes and supports the further expansion of renewable energy sources. In the last two to three years, the Energiekontor Group secured sites here for wind farms comprising more than 800 MW. Projects totalling roughly 100 MW are expected to receive permission in 2018. However, the first turbines from this project pipeline will not be commissioned before 2019. After this, the geographic share in segment results could shift noticeable from Germany to Scotland in the project development business.

Energiekontor Group has a total pipeline for projects in Germany and the UK covering significantly more than 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.

In **Portugal**, the possibilities for further wind and solar activities are limited to applications for grid connections at pure market conditions, meaning the prices paid for electricity from approved plants would be based on the market price level. Portugal still has not made any plans for awarding grid capacities at higher feed-in tariffs. Therefore, Energiekontor's activities in Portugal are currently concentrating mainly on managing the existing wind farm portfolio. The wind farms in Portugal that have been equipped with rotor blade extension further provide important data for assessing the efficiency enhancement achieved by using this technology.

In the **Solar** market, both Germany and the UK introduced auctioning systems in 2015. In **Germany**, Energiekontor is concentrating on the key regions of Brandenburg and Mecklenburg-Western Pomerania. The Company is currently using an existing permission to realise a project that has already entered the area development planning stage before the end of the ongoing 2018 financial year in that region. Sites for potential solar parks are also being acquired in Schleswig-Holstein. Bavaria and Baden-Württemberg were added as new acquisition regions in the 2017 financial year. In Bavaria, a site has already been secured and the decision has been made to draw up a development plan. By entering into area development planning, Energiekontor has successfully completed its market entry in Bavaria.

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

The Company's overall strategy provides for significant expansion of solar activities in Germany and abroad. As such, Energiekontor intends to participate in the upcoming auctions in Germany.

Another important factor are the activities in the new markets France and the US, where the Company wants to first concentrate on solar activities. Meanwhile, Energiekontor has identified suitable locations in both countries.

In the **US**, Energiekontor has secured sites in West Texas for building photovoltaic energy plants in the range of several hundred megawatts. The first PPAs for these projects could be concluded in the ongoing 2018 financial year. The management plans to start selling project rights as from this stage rather than setting up the solar parks itself. This approach provides for faster profit and preserves available equity. Depending on the progress of the projects, the US business might start contributing to earnings as from 2018. According to internal calculations, the import duties introduced by the Trump administration and the gradual reduction of customs duties (this is explained in more detail in the US/Solar section in the Economic Report) will have no significant impact on the profitability of solar projects in Texas. First, because several Asian module producers have already announced that they will reduce prices and start building up in-house production capacity in the US. Second, various technical measures were identified that will help to improve the profitability of the projects and largely compensate for the effects of the duties.

Since the Group is planning to carry out the entire project planning itself in **France**, this market is not expected to contribute to earnings in 2018/2019.

In the **Netherlands**, the Energiekontor Group is focusing on onshore wind in line with the government promotion plans for renewable energy sources. After having contractually secured the first sites, Energiekontor is developing a project with up to eight turbines together with a community cooperative in the southeast of the country. However, given the relatively long project development periods for wind farms, we do not expect this market to contribute to sales in the next two years.

The fundamental objective of the Energiekontor Group is to stabilise and sustainably increase income from the project development business. Roughly half of revenue and earnings are to be generated abroad in the future.

#### b) Power Generation in Group-owned Wind Farms

The Power Generation in the Group-owned Wind Farms segment generates continuous income, thereby providing financial stability and the basis of sustainable Company growth in accordance with the Energiekontor Group's growth model. For this reason, the Group intends to systematically strengthen and expand this segment. In terms of the potential profit margin, about half of the projects developed by the Group in 2017 were transferred to Group ownership. This strategy of selling half the developed projects and incorporating the other half into the Group's own portfolio of wind farms and solar parks is to be adhered to in the next few years. This means that the profit margins of the projects become hidden reserves in property, plant and equipment rather than being realised as they would if the projects were sold. Nevertheless, this investment is amortised in the long run by means of steady income from the sale of electricity. Energiekontor thus gives long-term stable company growth priority over short-term profits.

The efficiency measures described under b) in the "Business development by segment" chapter (repowering, technical innovation such as rotor blade extension, optimisation of operating expenses, extension of useful life, and refinancing and repayment of loans) are to also help improve income in this segment and reduce costs over the coming years.

#### c) Operation Development, Innovation and Others

Despite fluctuating income due to changing wind years, the segment should see a rising liquidity and earnings trend in coming years. This is supported by the continuously climbing number of wind farms under operational management. To date, the Energiekontor Group continues to operate all of the wind farms it sells. It is also conceivable that this business will be expanded by taking over operational management of external wind farms. In the next few years, this business will be systematically established as a service of its own. The Company intends to offer its long-term experience in managing its own and external wind farms and its more recent innovative know-how for optimising its own turbines on the free market. This service will then be rolled out to all the markets in which Energiekontor is active.

A key focus of innovation activities continues to be rotor blade extension. Based on the successful development for 1 MW wind turbine systems, the 1.3 MW class was certified. After successful tests on Group-owned 1 MW turbines, the first wind farm and another six 1.3 MW turbines have been equipped with rotor blade extensions in Portugal. This is to be followed by ten more turbines in 2018. The technology is also being developed for turbines of the 1.5 MW and 2.0 MW classes and will enter the prototype stage in the near future.

One example for a not exclusively technical innovation measure is to optimise the wind farms for operation beyond the legally regulated period of 20 years. The "Continued Operation – 20 years plus" team established at the beginning of 2016 has taken on a pioneering role in this field and has, since its inception, obtained permission for 17 wind farms with terms of up to 35 years. Targeted innovation and efficiency measures ensure that these wind farms will continue to operate profitably in the future. Energiekontor generally strives for a total operating life of the wind farms of 30 to 35 years.

#### Group-level

Assuming that 100 percent of the energy need will be covered by renewable energy sources, Energiekontor is striving to realise the first wind farms and solar parks with levelized cost of electricity lower than that of conventional energy sources in order to help the renewable energies achieve better market penetration. All the Group's departments have been preparing for this for years by developing various

efficiency measures along the entire value chain. The cost cutting measures also give the Company a competitive edge, ensuring a good position within the sector despite fiercer competition and increasing price pressure.

In Germany, the prices paid for electricity from renewable energies have declined sharply since the auctions for solar energy were introduced at the beginning of 2015 and for onshore wind at the beginning of 2017. Given the aforementioned cost-cutting efficiency measures and experiences with auctioning procedures in Portugal as well as three tenders for solar projects having been won in auctions in Germany since 2015, the management of the Energiekontor Group is very optimistic that it will also be successful in the upcoming onshore wind power auctions. However, as some of the projects will need to be redesigned and submitted for permission again, commissioning may be delayed until the following year.

In addition to participating in future auctions, Energiekontor is also striving to conclude PPAs with large industrial customers. Energiekontor has many years of positive experience with PPAs in the UK, where it has gained the trust of large industrial partners. Meanwhile, PPAs are the only possibility to profitably operate onshore wind farms in the UK since all the subsidies were cancelled through exclusion from the CFD system. Therefore, Energiekontor is focusing on Scotland for new project development, where wind conditions are excellent for realising large-scale wind farms without state subsidies. The Scottish market is expected to make the first contributions to earnings in 2019.

Based on the aforementioned reasons, the management of Energiekontor expects that 2018 will be a transitional year in that the Company will probably not commission the same capacity as in the years before. About half of the commissioned wind farms and solar parks are then to be included in the Group's own portfolio. In doing so, the margins that would be realized in the event of a sale are included in property, plant and equipment as hidden reserves. However, the effect is of a short-term nature and will be compensated for by higher income from the sale of electricity in the years to come. By constantly expanding the Group portfolio of wind farms and solar parks, Energiekontor gives long-term business aspects priority over short-term profit.

Therefore, the Power Generation in Group-owned Wind Farms segment is of crucial importance for the further growth path of the Energiekontor Group. Despite wind-related fluctuations in income, revenue generated in this segment is easier to forecast than revenue generated in project development. Income from the sale of energy is a stable foundation for liquidity planning in the Group. Power Generation in Group-owned Wind Farms is therefore the strategic core segment of the Energiekontor AG. Liquidity surpluses generated from the operation of own wind farms are to be increased in the coming years by continuously expanding the Group-owned wind farm portfolio and by resolutely implementing the efficiency measures developed by the Group; the expansion will primarily be based on taking over turnkey wind farm projects from Energiekontor's own project development activities. The decision to take over wind farms into the Group's own portfolio always depends on the specific situation and project parameters.

The solar energy sector has undergone drastic change in Germany in recent years. Following a sluggish phase because of the sharp decline in prices and punitive tariffs, the development and turn-key implementation of PV projects has become more attractive again. On the one hand, the introduction of the auctioning procedure provides for new opportunities. On the other hand, the EU has decided to abolish the protective tariffs and the associated minimum prices for PV modules from China in the late summer of 2018.

Moreover, the management intends to expand its scope for the future implementation of PV projects by tapping into the French and the US markets. In the US, in particular, the plans are becoming more concrete after Energiekontor and its local team have managed to secure sites for setting up PV parks with total rated power of more than 600 MW in West Texas. Besides the option of concluding PPAs with major utilities in the scope of auctions, Energiekontor is also negotiating with large industrial companies in order to conclude end-user PPAs, following the proven "British model". As soon as the Company concludes a PPA, the project rights are to be sold to an investor, probably in several tranches. Therefore, some of these activities might already be reflected in 2018 earnings. The US business thus provides for additional upside potential in the 2018 financial year as the possible earnings contribution is not yet accounted for in the Company's current planning for 2018.

However, the Group is not expecting any earnings contributions from the Netherlands and France in 2018, as the lead times of the wind farms and solar parks developed in these regions will take the usual three to five years from acquiring sites to turnkey completion.

Given the well-filled project pipeline in Germany, Scotland, Texas Solar, the Netherlands and France, the management of Energiekontor AG assumes that Company growth will gain dynamic momentum from 2019.

The continuation of the Group's integrated and proven structures and work processes such as flat hierarchies and cost-conscious management as well as the utilisation of diverse banks, financial instruments, turbine manufacturers, service providers and consultants contribute to the Group's sustainable and long-term future success. In addition, the strong liquidity position of the Group creates room for flexible actions in order to operate successfully in the market.

In addition to regulatory uncertainty, project-specific or situation-specific issues can naturally lead to delays – as has been the case in the past – with regard to future permissions, financing of already approved projects and commissioning. The main risks and critical external factors are delays in permitting processes and in project implementation (e.g. for weather reasons, delays in supply or insufficient availability of erection devices).

The management's objective is to continue improving the basis for sustainable company growth by gradually and sustainably increasing total output and Group EBT in the coming years. The planned measures include intensifying the acquisition efforts in all planning areas (Germany, Solar, Repowering, UK and new foreign markets) and increasing efficiency by implementing commercial and technical optimisation measures, especially in the field of electricity generation in Group-owned wind farms and operational management. This is to be supplemented by a gradual and controlled increase in the headcount in the key growth areas. Given policy changes and further reductions in renewable energy subsidies in all relevant target markets, the growth process might not always follow a straight path, and it cannot be ruled out that the Company might experience fluctuations in earnings.

All in all, the Management Board assumes that the 2018 financial year will be a year of transition with reported Group EBT below the EBT of 2017. This is due primarily to the onshore wind auctioning procedure introduced in Germany in 2017, which led to a certain degree of competitive distortion and undesirable effects. Energiekontor and many other project developers were forced to fundamentally change the planning and permission of projects already approved to be able to profitably realise these projects on the basis of the massively lower feed-in tariffs. Accordingly, many of the projects planned in 2018 are experiencing unplanned delays. However, due to the excellent project pipelines in Germany and abroad and Energiekontor's progress in realising projects on the basis of PPAs without state subsidies and the expected first earnings contributions from the new foreign markets, the Management Board currently assumes that, from 2019, the growth path will return to the level seen in recent years, and that 2018 is an exception caused by the general external conditions. Expectations for the individual segments in 2018 can be summarised as follows:

Given moderate project realisation activities in 2018, the Project Development and Sales (Wind, Solar) segment is expected to achieve a lower segment EBT in 2018 than in the previous year.

Assuming a basically normal wind year and further economic measures, the Power Generation in Group-owned Wind Farms segment is expected to achieve a slightly higher segment EBT than in the previous year, especially as the wind farms transferred to Group ownership in 2017 should also make a positive contribution to earnings.

The Operation Development, Innovation and Others segment is now expected to show a slight increase in revenue and EBT. This is driven by additional efficiency measures as well as a quantitative increase in wind farm operation activities compared to the previous year. As the operational management remuneration is linked to the electricity production in all wind farms, positive earnings effects of the planned portfolio expansion could however be offset by negative effects of a below-average wind year.

## 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 2018

Executive Board



**Peter Szabo**  
Chairman of the  
Management Board



**Günter Eschen**  
Member of the  
Management Board



**Torben Möller**  
Member of the  
Management Board

# **CONSOLIDATED**

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# **FINANCIAL**

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## **STATEMENTS (IFRS)**

**62**  
CONSOLIDATED  
INCOME  
STATEMENT (IFRS)

**63**  
CONSOLIDATED  
STATEMENT OF  
COMPREHENSIVE  
INCOME

**64**  
CONSOLIDATED  
BALANCE  
SHEET (IFRS)

---

**66**  
CONSOLIDATED  
STATEMENT  
OF CHANGES  
IN EQUITY

**68**  
CONSOLIDATED  
CASH FLOW  
STATEMENT

**70**  
SEGMENT  
REPORT

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## CONSOLIDATED INCOME STATEMENT (IFRS)

1 January to 31 December 2017

EUR thousand	Item in the Notes Sec. V. <sup>1</sup>	2017	2016
<b>1. Revenue</b>	(1.)	<b>149,865</b>	<b>201,764</b>
2. Changes in inventories and other work performed and capitalised	(2.)	52,211	-35,015
<b>3. Total output</b>		<b>202,076</b>	<b>166,749</b>
4. Other operating income	(3.)	5,746	4,481
<b>5. Total operating output</b>		<b>207,822</b>	<b>171,230</b>
6. Cost of raw materials and supplies and purchased services	(4.)	-127,923	-70,523
7. Personnel expenses	(5.)	-11,830	-10,922
8. Depreciation and amortisation	(6.)	-16,704	-18,316
9. Other operating expenses	(7.)	-18,475	-17,719
10. <i>Operating expenses</i>		-174,933	-117,480
<b>11. Operating profit (EBIT)</b>		<b>32,889</b>	<b>53,750</b>
12. Income from investments in affiliated companies		0	28
13. <i>Income from investments</i>		0	28
14. Interest and similar income		190	162
15. Interest and similar expenses		-16,414	-18,443
16. <i>Interest result</i>	(8.)	-16,223	-18,281
<b>17. Earnings before taxes (EBT)</b>		<b>16,666</b>	<b>35,496</b>
18. Income taxes	(9.)	-4,778	-10,162
<b>19. Consolidated net income</b>		<b>11,888</b>	<b>25,334</b>
<b>Disclosure of earnings per share (EPS), in accordance with IAS 33*</b>	(10.)		
Undiluted number of shares (weighted)		14,584,874	14,600,558
Diluted number of shares (weighted)		14,584,874	14,600,558
Basic earnings per share		0.82	1.74
Diluted earnings per share		0.82	1.74

\* 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 2017.

1) Only available in the German "Geschäftsbericht 2017".



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 January to 31 December 2017

EUR thousand	2017	2016
<b>Consolidated net income</b>	<b>11,888</b>	<b>25,334</b>
<b>Unrealised profits/losses from derivative financial instruments</b>		
Unrealised profits/losses from derivative financial instruments (before taxes)	1,059	3,417
Reclassified to profit or loss (before taxes)	0	4,509
Deferred taxes on unrealised profits/losses and reclassifications	-316	-2,364
<b>Unrealised profits/losses from derivative financial instruments (after taxes)</b>	<b>743</b>	<b>5,562</b>
<b>Unrealised gains from available-for-sale financial assets</b>		
Unrealised gains (before taxes)	-86	92
Taxes on unrealised gains and reclassifications	26	-28
<b>Unrealised gains from available-for-sale financial assets (after taxes)</b>	<b>-60</b>	<b>65</b>
<b>Items that may be reclassified subsequently to profit or loss</b>	<b>683</b>	<b>5,627</b>
<b>Total comprehensive income</b>	<b>12,571</b>	<b>30,961</b>
Shares attributable to Energiekontor AG's shareholders	12,571	30,961

## CONSOLIDATED BALANCE SHEET (IFRS)

as of 31 December 2017

### ASSETS

EUR thousand	Item in the Notes Sec. VI. <sup>1</sup>	31.12.2017	31.12.2016	
<b>A. Non-current assets</b>				
I.	Other intangible assets	(1.2.)	1	10
II.	Property, plant and equipment			
	1. Land, land improvements and buildings	(1.3.)	734	693
	2. Plant and equipment (wind farms)	(1.4.)	193,692	170,928
	3. Other equipment, operational and office equipment	(1.5.)	133	126
			194,558	171,747
III.	Investments		25	53
IV.	Receivables and other financial assets			
	1. Receivables from affiliated companies	(3.)	29	29
	2. Other receivables and financial assets	(4.)	30	31
			58	60
V.	Deferred tax liabilities	(5. und V.9.2)	6,462	7,721
	<b>Total non-current assets</b>		<b>201,104</b>	<b>179,591</b>
<b>B. Current assets</b>				
I.	Inventory	(6.)		
	Unfinished goods and work in progress		47,006	34,272
II.	Receivables and other financial assets			
	1. Accounts receivable	(7.)	26,216	17,469
	2. Other receivables and financial assets	(8.)	1,162	755
			27,378	18,224
III.	Income tax receivables	(9.)	7,064	430
IV.	Securities		10,159	10,305
V.	Cash and cash equivalents	(10.)	69,002	118,528
	<b>Total current assets</b>		<b>160,609</b>	<b>181,759</b>
<b>Total assets</b>			<b>361,713</b>	<b>361,351</b>

## EQUITY AND LIABILITIES

EUR thousand	Item in the Notes Sec. VI. <sup>1</sup>	31.12.2017	31.12.2016
<b>A. Equity</b>	(11.–17.)		
I. Issued capital			
1. Subscribed capital (nominal capital)	(11.)	14,578	14,653
2. Treasury shares (to be retired)	(12.)	-1	-61
		14,577	14,592
II. Capital reserves	(13.)	40,428	40,323
III. Other reserves (not affecting earnings)			
1. Foreign currency translation	(15.1.)	-61	-61
2. Fair value measurement (IAS 39)	(15.2.)	-2,381	-3,064
		-2,441	-3,124
IV. Retained earnings	(16.)		
1. Legal reserves		15	15
2. Other retained earnings		39,702	30,149
		39,717	30,164
V. Accumulated income	(17.)	-22,049	-12,477
<b>Total equity</b>		<b>70,232</b>	<b>69,477</b>
<b>B. Non-current liabilities</b>			
I. Other provisions	(18.)		
Provisions for decommissioning and restoration		12,603	12,099
II. Financial liabilities			
1. Bond capital	(19.)	77,146	87,289
2. Liabilities to banks	(20.)	126,029	90,308
3. Liabilities to external limited partners	(21.)	1,664	1,667
4. Other financial liabilities	(22.)	4,622	5,911
		209,462	185,175
III. Other liabilities	(23.)	2,576	2,698
IV. Deferred tax liabilities		9,641	8,350
<b>Total non-current liabilities</b>		<b>234,282</b>	<b>208,322</b>
<b>C. Current liabilities</b>			
I. Provisions for taxes	(24.)	1,046	9,996
II. Other provisions	(25.)	14,660	12,656
III. Financial liabilities			
1. Bond capital	(19.)	9,055	28,507
2. Liabilities to banks	(20.)	14,678	16,702
3. Liabilities to external limited partners		994	526
		24,728	45,735
IV. Accounts payable		8,383	6,241
V. Other liabilities		8,336	8,852
VI. Income tax liabilities		46	71
<b>Total current liabilities</b>		<b>57,199</b>	<b>83,551</b>
<b>Total equity and liabilities</b>		<b>361,713</b>	<b>361,351</b>

1) Only available in the German "Geschäftsbericht 2017".

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS) 2017

EUR thousand	Share capital outstanding	Capital reserves	Foreign currency translation reserve
<b>As of 31.12.2015</b>	<b>14,612</b>	<b>40,308</b>	<b>-61</b>
<b>Changes in 2016 financial year</b>			
Allocations to retained earnings			
Dividend distribution			
Repurchase of treasury shares/retirement	-20		
Differences from stock option plan measurement		15	
Differences from fair value measurement			
Differences from deferred taxes on fair value measurement			
Consolidated net income			
<b>As of 31.12.2016</b>	<b>14,592</b>	<b>40,323</b>	<b>-61</b>
<b>Changes in 2017 financial year</b>			
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			
<b>As of 31.12.2017</b>	<b>14,577</b>	<b>40,428</b>	<b>-61</b>

1) From measurement of securities at fair value

2) From unrealised gains/losses from cash flow hedges

	Fair value reserve (avail- able for sale) <sup>1</sup>	Fair value reserve (cash flow hedges) <sup>2</sup>	Retained earnings	Accumulated income	Total	Number of shares thousand
	38	-8,729	16,421	-12,130	50,460	14,612
			14,000	-14,000		
				-11,682	-11,682	
			-257		-278	-20
					15	
	92	7,926			8,018	
	-28	-2,364			-2,392	
				25,334	25,334	
	<b>103</b>	<b>-3,167</b>	<b>30,164</b>	<b>-12,477</b>	<b>69,477</b>	<b>14,592</b>
			9,790	-9,790		
				-11,670	-11,670	
			-237		-251	-15
					105	
	-86	1,059			973	
	26	-316			-290	
				11,888	11,888	
	<b>43</b>	<b>-2,424</b>	<b>39,717</b>	<b>-22,049</b>	<b>70,232</b>	<b>14,577</b>

## CONSOLIDATED CASH FLOW STATEMENT

1 January to 31 December 2017 (IFRS)

EUR thousand	2017	2016
<b>1. Cash flow from operating activities</b>		
Net income before interest and taxes	32,889	53,777
Non-cash expenses and income		
Write-downs on intangible assets and property, plant and equipment	16,704	18,316
Adjustment of non-cash currency gains/losses	-2,666	-1,357
Non-cash measurement (write-downs on inventories)	2,696	4,536
Non-cash adjustments due to effective interest method taken to profit or loss	-604	113
Gains/losses on disposals	0	36
Other non-cash expenses/income in equity	105	15
<b>Profit before changes in net working capital</b>	<b>49,124</b>	<b>75,437</b>
Changes in net working capital		
Accounts receivable and other assets	-9,069	-219
Changes in income from project development and sales	-21,255	35,336
Accounts payable	2,142	1,761
Other current liabilities and provisions	1,956	-10,688
Other non-current liabilities and provisions	698	-1,458
Income taxes paid	-19,158	-7,297
<b>Cash flow from operating activities</b>	<b>4,438</b>	<b>92,871</b>

EUR thousand	2017	2016
<b>2. Cash flow from investing activities</b>		
Payments for investments in intangible assets	-1	0
Payments for investments in property, plant and equipment	-33,707	-6,885
Interest expense for the production of qualifying assets (IAS 23.8)	-2,467	-1,489
Interest received	190	162
<b>Cash flow from investing activities</b>	<b>-35,984</b>	<b>-8,212</b>
<b>3. Cash flow from financing activities</b>		
Interest expenditure	-13,579	-16,441
Proceeds related to bonds	-413	11,020
Payments to bondholders	-28,507	-6,600
Proceeds from taking out loans	69,996	30,552
Payments for redeeming loans	-36,223	-78,016
Dividends paid	-11,670	-11,682
Payments for repurchase of treasury shares	-251	-278
<b>Cash flow from financing activities</b>	<b>-20,646</b>	<b>-71,444</b>
<b>4. Total cash flow</b>	<b>-52,192</b>	<b>13,215</b>
Currency-related changes to cash and cash equivalents (valuation)	2,666	1,357
<b>5. Net change in cash and cash equivalents</b>	<b>-49,526</b>	<b>14,571</b>
Cash and cash equivalents at beginning of period	118,528	103,957
<b>Cash and cash equivalents at end of period</b>	<b>69,002</b>	<b>118,528</b>
<b>6. Components of cash and cash equivalents</b>		
Cash	69,002	118,528
<b>Cash and cash equivalents at end of period</b>	<b>69,002</b>	<b>118,528</b>

## Segment report 2017 (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.

As the data reported regularly to the management is compiled using pre-tax data (up to the EBT level), the income statements at segment level do not include expenses and income from income taxes.

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 Group-owned Wind Farms**

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	2017	2016
Gross assets as per the balance sheet	361,713	361,351
Deferred and current tax assets	-13,526	-8,151
<b>Segment assets</b>	<b>348,187</b>	<b>353,199</b>
Gross liabilities as per the balance sheet	291,481	291,874
Neutralisation of cash flow hedges from wind farm financing (interest/currency swaps)	-3,799	-5,023
Deferred and current tax liabilities	-10,733	-18,417
<b>Segment liabilities</b>	<b>276,949</b>	<b>268,434</b>
Gross net assets as per the balance sheet	70,232	69,477
Neutralisation of cash flow hedges from wind farm financing (interest/currency swaps)	3,799	5,023
Deferred and current net taxes	-2,794	10,265
<b>Net segment assets</b>	<b>71,238</b>	<b>84,765</b>

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. Income statement by segment

EUR thousand	Project Development and Sales (Wind, Solar)		Power Generation in Group-owned Wind Farms	
	2017	2016	2017	2016
<b>Revenue</b>				
Revenue	97,044	148,655	49,080	49,899
Revenue with other segments	0	0	76	151
<b>Total revenue</b>	<b>97,044</b>	<b>148,655</b>	<b>49,156</b>	<b>50,050</b>
Changes in inventories and other work performed and capitalised*	51,993	-35,109	0	14
<b>Total output</b>	<b>149,037</b>	<b>113,546</b>	<b>49,156</b>	<b>50,064</b>
Other operating income	2,960	2,769	2,785	1,697
<b>Total operating output</b>	<b>151,997</b>	<b>116,316</b>	<b>51,942</b>	<b>51,760</b>
Cost of raw materials and supplies and purchased services	-127,390	-69,795	-68	-146
Personnel expenses	-9,864	-9,076	-691	-723
Other operating expenses	-4,658	-4,263	-14,722	-14,591
<b>EBITDA</b>	<b>10,085</b>	<b>33,182</b>	<b>36,461</b>	<b>36,300</b>
Depreciation and amortisation of intangible assets and property, plant and equipment	-49	-49	-16,655	-18,265
<b>EBIT</b>	<b>10,036</b>	<b>33,133</b>	<b>19,806</b>	<b>18,035</b>
Income from investments	0	28	0	0
Interest and similar income	190	157	1	5
Interest and similar expenses	-5,107	-5,042	-11,307	-13,397
<b>EBT</b>	<b>5,119</b>	<b>28,276</b>	<b>8,500</b>	<b>4,643</b>

\* The Project Development and Sales (Wind, Solar) segment includes EUR 2,696 thousand (previous year: EUR 4,536 thousand) non-cash measurement from write-downs on inventories.

Operation Development, Innovation and Others		Total before reconciliation/ consolidation		Reconciliation		Energiekontor Group	
2017	2016	2017	2016	2017	2016	2017	2016
3,741	3,210	149,865	201,764	0	0	149,865	201,764
1,940	2,024	2,016	2,175	-2,016	-2,175	0	0
<b>5,681</b>	<b>5,234</b>	<b>151,881</b>	<b>203,939</b>	<b>-2,016</b>	<b>-2,175</b>	<b>149,865</b>	<b>201,764</b>
218	80	52,211	-35,015	0	0	52,211	-35,015
<b>5,898</b>	<b>5,314</b>	<b>204,091</b>	<b>168,924</b>	<b>-2,016</b>	<b>-2,175</b>	<b>202,076</b>	<b>166,749</b>
1	15	5,746	4,481	0	0	5,746	4,481
<b>5,899</b>	<b>5,329</b>	<b>209,838</b>	<b>173,405</b>	<b>-2,016</b>	<b>-2,175</b>	<b>207,822</b>	<b>171,230</b>
-465	-582	-127,923	-70,523	0	0	-127,923	-70,523
-1,275	-1,122	-11,830	-10,922	0	0	-11,830	-10,922
-1,111	-1,041	-20,491	-19,895	2,016	2,175	-18,475	-17,719
<b>3,048</b>	<b>2,584</b>	<b>49,593</b>	<b>72,066</b>	<b>0</b>	<b>0</b>	<b>49,593</b>	<b>72,066</b>
0	-2	-16,704	-18,316	0	0	-16,704	-18,316
<b>3,048</b>	<b>2,582</b>	<b>32,889</b>	<b>53,750</b>	<b>0</b>	<b>0</b>	<b>32,889</b>	<b>53,750</b>
0	0	0	28	0	0	0	28
0	0	190	162	0	0	190	162
0	-5	-16,414	-18,443	0	0	-16,414	-18,443
<b>3,048</b>	<b>2,577</b>	<b>16,666</b>	<b>35,496</b>	<b>0</b>	<b>0</b>	<b>16,666</b>	<b>35,496</b>

## 6. Assets by segment

EUR thousand	Project Development and Sales (Wind, Solar)		Power Generation in Group-owned Wind Farms		Operation Development, Innovation and Others		Energiekontor Group	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>Non-current segment assets</b>								
Other intangible assets	1	10	0	0	0	0	1	10
Property, plant and equipment								
Land, land improvements and buildings	0	0	734	693	0	0	734	693
Plant and equipment (wind farms)	0	0	193,692	170,928	0	0	193,692	170,928
Other equipment, operational and office equipment	132	125	1	1	0	0	133	126
Investments	25	53	0	0	0	0	25	53
Receivables and financial assets	48	48	11	12	0	0	58	60
<b>Non-current segment assets</b>	<b>205</b>	<b>236</b>	<b>194,437</b>	<b>171,634</b>	<b>0</b>	<b>0</b>	<b>194,642</b>	<b>171,870</b>
<b>Current segment assets</b>								
Inventory	46,188	33,672	135	135	683	465	47,006	34,272
Receivables and financial assets	14,145	9,623	13,037	8,571	196	30	27,378	18,224
Securities classified as current assets	10,159	10,305	0	0	0	0	10,159	10,305
Cash and cash equivalents	59,613	93,894	7,721	23,605	1,668	1,029	69,002	118,528
<b>Current segment assets</b>	<b>130,105</b>	<b>147,494</b>	<b>20,893</b>	<b>32,311</b>	<b>2,546</b>	<b>1,523</b>	<b>153,545</b>	<b>181,329</b>
<b>Total segment assets</b>	<b>130,310</b>	<b>147,730</b>	<b>215,330</b>	<b>203,946</b>	<b>2,546</b>	<b>1,523</b>	<b>348,187</b>	<b>353,199</b>

## 7. Liabilities and net assets by segment

EUR thousand	Project Development and Sales (Wind, Solar)		Power Generation in Group-owned Wind Farms		Operation Development, Innovation and Others		Energiekontor Group	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>Segment liabilities</b>								
Provisions for decommissioning and restoration	0	0	12,603	12,099	0	0	12,603	12,099
Financial liabilities	33,951	29,093	170,047	149,392	0	0	203,998	178,485
Liabilities to external limited partners	0	0	1,664	1,667	0	0	1,664	1,667
Other liabilities	0	0	2,576	2,698	0	0	2,576	2,698
<b>Non-current segment liabilities</b>	<b>33,951</b>	<b>29,093</b>	<b>186,891</b>	<b>165,857</b>	<b>0</b>	<b>0</b>	<b>220,842</b>	<b>194,949</b>
<b>Current segment liabilities</b>								
Provisions	12,310	11,182	2,332	1,469	17	4	14,660	12,656
Financial liabilities	10,707	19,402	13,027	25,807	0	0	23,734	45,209
Accounts payable	6,877	5,180	1,430	1,033	76	28	8,383	6,241
Liabilities to external limited partners	994	526	0	0	0	0	994	526
Other liabilities	6,263	8,799	1,846	0	227	53	8,336	8,852
<b>Current segment liabilities</b>	<b>37,152</b>	<b>45,089</b>	<b>18,636</b>	<b>28,310</b>	<b>320</b>	<b>85</b>	<b>56,107</b>	<b>73,485</b>
<b>Total segment liabilities</b>	<b>71,103</b>	<b>74,182</b>	<b>205,526</b>	<b>194,167</b>	<b>320</b>	<b>85</b>	<b>276,949</b>	<b>268,434</b>
<b>Net segment assets</b>	<b>59,208</b>	<b>73,548</b>	<b>9,804</b>	<b>9,779</b>	<b>2,226</b>	<b>1,438</b>	<b>71,238</b>	<b>84,765</b>

## 8. Capital expenditure by segment

EUR thousand	Project Development and Sales (Wind, Solar)		Power Generation in Group-owned Wind Farms		Operation Development, Innovation and Others		Energiekontor Group	
	2017	2016	2017	2016	2017	2016	2017	2016
Segment capital expenditure								
<b>Segment capital expenditure</b>	<b>48</b>	<b>45</b>	<b>40,661</b>	<b>9,609</b>	<b>0</b>	<b>0</b>	<b>40,709</b>	<b>9,653</b>

## 9. Additional geographical information

The buyers of the domestic and foreign wind farms and solar parks realised by the Company and recognised in the Project Development and Sales segment all are German companies.

Likewise, the operational management services allocated to the Other operating segments are all rendered in Germany.

Additional information on geographical segments is only relevant in the Power Generation segment, as this segment deals with foreign markets in that the Energiekontor Group earns electricity income from Portuguese utilities as well as British electricity buyers.

Therefore, electricity income is broken down in accordance with the wind farm location as follows:

EUR thousand	2017	2016
<b>Country where the wind farm is located</b>		
Germany	25,549	21,407
Portugal	8,860	8,067
UK	15,672	20,425
<b>Electricity income</b>	<b>49,080</b>	<b>49,899</b>

The carrying amounts of property, plant and equipment are broken down to geographical regions as follows:

EUR thousand	2017	2016
<b>Country where the wind farm is located</b>		
Germany	112,470	82,843
Portugal	25,282	28,406
UK	55,940	59,678
<b>Carrying amounts of the wind farms</b>	<b>193,692</b>	<b>170,928</b>

## 10. Disclosures regarding important customers

In the Project Development and Sales and in the Power Generation segments, three customers account for revenue totalling EUR 82,502 thousand.

# ***SEPARATE FINANCIAL STATEMENTS***

***OF THE AG (HGB)***

***78***

**BALANCE SHEET**

***80***

**PROFIT AND LOSS STATEMENT**



## BALANCE SHEET (HGB)

as at 31 December 2017

<b>ASSETS</b>	Item in the Notes for the AG, Sec. III. <sup>1</sup>	<b>31.12.2017 EUR</b>	<b>31.12.2016 EUR thousand</b>
<b>A. Fixed assets</b>	(1.)		
I. Intangible assets			
Patents, licenses, trademarks and similar rights and assets	(1.1.)	868	10
II. Tangible assets			
Fixtures and fittings	(1.2.)	131,399	123
III. Financial assets	(1.3.)		
1. Shares in affiliated companies	(1.3.1.)	53,363,891	38,160
2. Loans to affiliated companies	(1.3.2.)	29,134,209	2,148
3. Investments		53,560	82
4. Other loans	(1.3.3.)	0	0
		<b>82,551,660</b>	<b>40,390</b>
<b>B. Current assets</b>	(2.)		
I. Inventories	(2.1.)		
1. Unfinished goods and work in progress		13,329,436	11,531
2. Payments received on account		-40,000	-40
		<b>13,289,436</b>	<b>11,491</b>
II. Receivables and other assets	(2.2.)		
1. Trade receivables		790,213	424
2. Receivables from affiliated companies		29,299,192	22,917
3. Other assets		7,178,827	184
		<b>37,268,232</b>	<b>23,525</b>
III. Other securities		10,223,871	10,224
IV. Cash in hand and bank balances	(2.3.)	35,799,498	79,437
<b>C. Prepaid expenses</b>	(2.4.)	19,188	46
<b>Total assets</b>		<b>179,284,152</b>	<b>165,245</b>

1) Only available in the German "Geschäftsbericht 2017".



<b>LIABILITIES</b>	Item in the Notes for the AG, Sec. III. <sup>1</sup>	<b>31.12.2017 EUR</b>	<b>31.12.2016 EUR thousand</b>
<b>A. Equity</b>	(3.)		
I. Issued capital			
1. Subscribed capital	(3.1.)	14,578,160	14,653
2. Nominal amounts/ arithmetic value for retirement of purchased shares	(3.2.)	-885	-61
		<u>14,577,275</u>	<u>14,592</u>
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		39,220,698	29,667
		<u>39,235,698</u>	<u>29,682</u>
IV. Net income	(3.7.)	8,746,896	14,694
<i>Total equity</i>		<u>103,797,314</u>	<u>100,205</u>
<b>B. Provisions</b>	(4.)		
1. Provisions for taxes		0	9,223
2. Other provisions		2,487,833	2,962
		<u>2,487,833</u>	<u>12,184</u>
<b>C. Liabilities</b>	(5., 6., 7.)		
1. Bonds		13,000,000	21,000
2. Liabilities to banks		311	2
3. Trade payables		1,224,664	644
4. Liabilities to affiliated companies		39,375,603	18,069
5. Other liabilities		6,849,097	5,558
		<u>60,449,675</u>	<u>45,274</u>
<b>D. Deferred tax liabilities</b>	(8.)	12,549,330	7,582
<b>Total liabilities</b>		<u><b>179,284,152</b></u>	<u><b>165,245</b></u>

1) Only available in the German "Geschäftsbericht 2017".

## PROFIT AND LOSS STATEMENT (HGB)

1 January to 31 December 2017

	Item in the Notes for the AG, Sec. IV.	2017 EUR	2016 EUR thousand
<b>1. Revenue</b>	(1.)	<b>24,661,965</b>	<b>51,649</b>
2. Increase in inventories of finished goods and work in progress		1,798,656	135
<b>3. Total output</b>		<b>26,460,621</b>	<b>51,784</b>
4. Other operating income	(2.)	1,154,259	3,307
5. Cost of materials	(3.)		
a) Expenses for purchased services		11,063,411	6,969
<b>6. Gross result</b>		<b>16,551,469</b>	<b>48,122</b>
7. Personnel expenses			
a) Wages and salaries		9,099,320	8,527
b) Social security, pension and other benefits <i>of which EUR 94,078 (previous year:     EUR 92 thousand) relating to pensions</i>		1,413,763	1,279
		<b>10,513,083</b>	<b>9,806</b>
8. Depreciation and amortisation			
Depreciation and amortisation of intangible and tangible fixed assets		46,579	47
9. Other operating expenses	(4.)	4,897,833	4,435
10. Income from investments <i>of which EUR 9,997 (previous year: EUR 375 thousand) from affiliated companies</i>	(5.)	9,997,213	375
11. Income from profit and loss transfer agreements with affiliated companies	(6.)	12,463,211	10,176
12. Income from other long-term securities and loans <i>of which EUR 149,091 (previous year: EUR 261 thousand) from affiliated companies</i>	(7.)	319,546	576
13. Interest and similar income <i>of which EUR 276,824 (previous year: EUR 37 thousand) from affiliated companies</i>	(9.)	354,323	99
14. Depreciation and amortisation of financial assets and securities classified as current assets	(8.)	511,999	3,768
15. Interest and similar expenses <i>of which EUR 216,326 (previous year: EUR 125 thousand) to affiliated companies</i>	(9.)	1,548,858	1,733
<b>16. Net operating income</b>		<b>22,167,410</b>	<b>39,558</b>
17. Tax on profit	(10.)	6,654,368	10,905
<b>18. Profit or loss for the year</b>		<b>15,513,042</b>	<b>28,653</b>
19. Profit carried forward			
a) Profit carried forward before appropriation		14,693,581	11,723
b) Dividend payments		-11,669,739	-11,682
c) Allocations to retained earnings by the General Meeting		-3,023,842	0
		<b>0</b>	<b>41</b>
20. Allocations to retained earnings		-6,766,146	-14,000
<b>21. Net income</b>		<b>8,746,896</b>	<b>14,694</b>

1) Only available in the German "Geschäftsbericht 2017".

# LEGAL INFORMATION

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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.

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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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