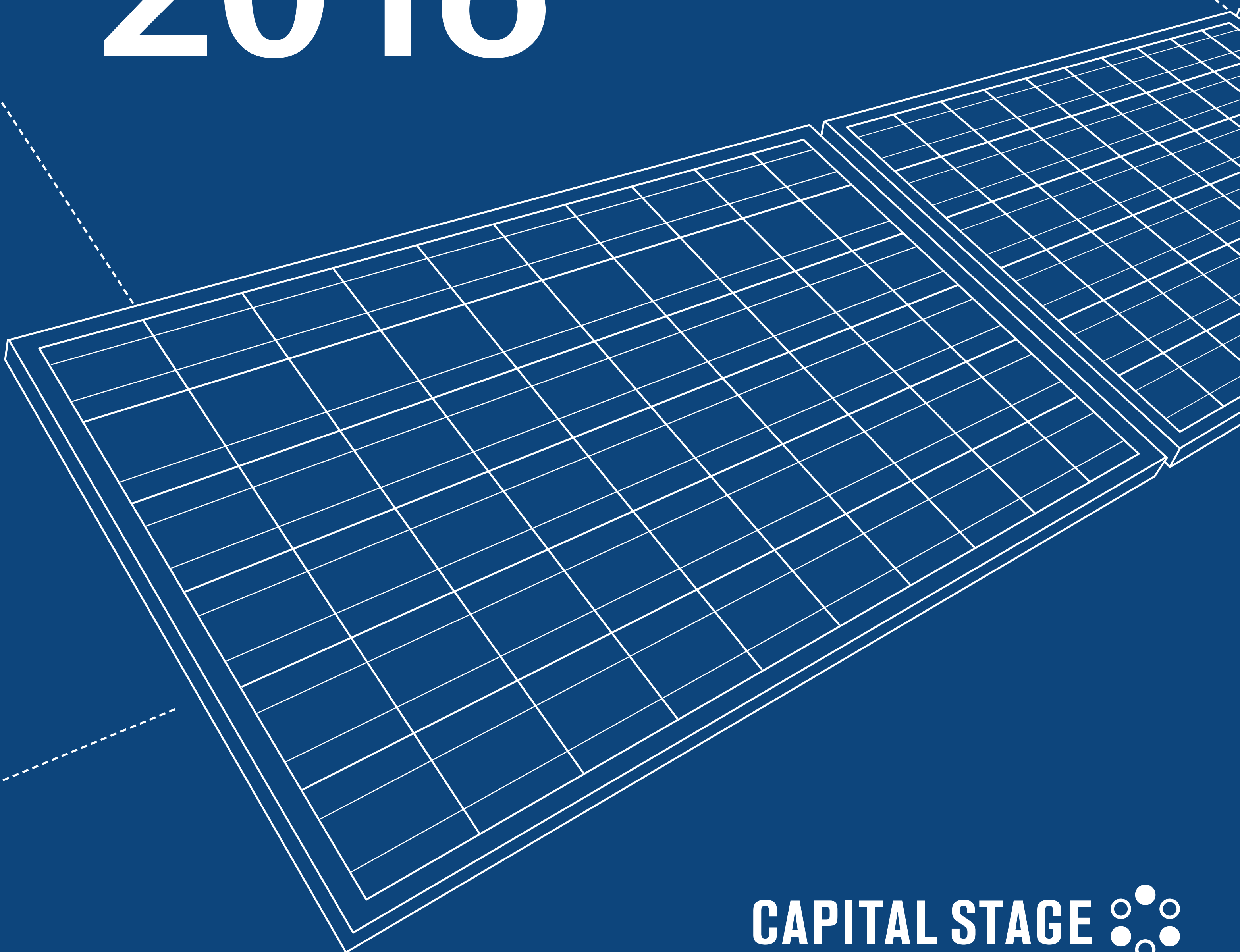
Annual Report
2016



CAPITAL STAGE
RENEWABLE ENERGIES

Key-Figures*

(in TEUR)	2012	2013	2014[1]	2015[1]	2016	+/- ggü. Vj.
Revenues	45,118	56,991	72,129	112,802	141,783	26%
EBITDA	27,101	35,764	55,384	86,826	106,064	22%
EBIT	16,271	21,698	34,576	55,397	61,589	11%
EBT	6,333	9,489	17,370	25,761	22,906	-11%
EAT	5,314	8,425	15,784	23,395	20,486	-12%
Balance sheet total	455,017	593,181	985,799	1,324,816	2,353,797	78%
Equity	130,262	207,401	243,479	256,994	608,556	137%
Cashflow from operating activities	27,108	36,018	55,906	74,501	103,755	39%

* The stated consolidated key-figures are based solely on the company's operating performance and do not include any measurement effects stamming from IFRS.

[1] Adjusted figures (see note 2).

Dear Shareholders,

Ladies and Gentlemen,

The 2016 financial year was a groundbreaking one that centred on the further qualitative growth of Capital Stage AG.

In addition to the continuous expansion of our operating business and the acquisition and operation of solar and wind parks, we reached a new milestone in October 2016 with the takeover of CHORUS Clean Energy AG ("CHORUS"). We now have the perfect conditions to continue and build upon our solid and sustainable growth course in the future.

At the time the report was prepared, we were already in possession of more than 95 per cent of the shares in CHORUS and had included its earnings in the consolidated financial statements for the 2016 financial year from its acquisition date (the beginning of the fourth quarter of 2016). The complete merger of the two companies offers us the opportunity to simplify structures and to realise benefits from synergy. For this reason, we informed CHORUS in March 2017 of our intention to execute a squeeze-out. The annual shareholders' meeting of CHORUS is expected to decide in favour of transferring the shares belonging to minority shareholders to Capital Stage AG in exchange for appropriate cash considerations (squeeze-out request).

A total generation capacity of more than 1.2 GW from 160 solar and 44 wind parks makes the Capital Stage Group one of Europe's largest independent power producers in the renewable energies sector. With market capitalisation of some EUR 800 million as of March 2017, we are also Germany's largest publicly listed company in the solar and wind energy sector. The successful merger also furthered the regional diversification of Capital Stage. Finland, Austria and Sweden have now been added to the core regions of Germany, France, Italy and the United Kingdom in our country portfolio.

In 2016 the cumulative electricity production (in TWh) from solar and wind park installations of the existing Capital Stage Group portfolio as a whole reached a new record figure of 1.5 terawatt-hours. That is enough electricity to power approximately 480,000 average households for an entire year. At the same time, this reduces environmentally harmful CO_2 emissions by more than 950,000 tonnes. Also, the high availability of the solar and wind installations of more than 95 per cent in the reporting period makes the Capital Stage Group an important part of the European energy revolution, making a significant contribution to safe and environmentally friendly electricity production.

Our new-found strength now puts us in a position to take advantage of new opportunities which will make long-term positive contributions to the value of the Capital Stage Group. At the same time, the public perception of our Company has been significantly improved. In turn, this not only bolsters our position with regard to acquisitions but also opens doors to a broader range of international investors for financing purposes. Furthermore, the takeover of CHORUS meant the expansion of our scope of services through the addition of the Asset Management segment. Asset Management gives institutional investors access to attractive investments in renewable energies and therefore provides Capital Stage with further potential for growth beyond the operation of its own installations. Asset Management includes a wide range of services, including – in addition to direct investment opportunities – participation in special funds in the renewable energy sector pursuant to the laws of Luxembourg. As of the end of March 2017, the Asset Management segment manages a total of seven solar parks and 20 wind parks for third parties. We plan to build upon this business segment within the Capital Stage Group and, for the current 2017 financial year, we already expect an increase in earnings contributions from this segment.

The appointment of Holger Götze to the Management Board of Capital Stage AG in mid-October 2016 is yet another sign that the two companies have been successfully integrated. To this point, Holger Götze was the CEO of CHORUS. As the Chief Operating Officer (COO) on the Capital Stage Management Board, he is responsible for the operating business of the Group. Moreover, Christine Scheel and Peter Heidecker – who had previously served on the supervisory board of CHORUS – were added to the Supervisory Board of Capital Stage. At the end of the reporting period, there was one further change to the Management Board of Capital Stage AG: following the successful takeover of CHORUS, Professor Klaus-Dieter Maubach, Chief Executive Officer (CEO) of Capital Stage AG, informed the Supervisory Board that he would be resigning his position on the Management Board for personal reasons as of the end of 2016. He will, however, remain closely associated with the Company: Klaus-Dieter Maubach is expected to be voted onto the Company's Supervisory Board at the next annual shareholders' meeting of Capital Stage AG. During the reporting period, the management contract of Dr Christoph Husmann – chief financial officer (CFO) of Capital Stage AG since October 2014 – was extended for an additional three years.

In the 2016 financial year, we made use of a wide range of financial instruments in order to realise our growth. In April 2016, we successfully placed a capital increase in the amount of approximately ten per cent of the available authorised capital, thereby generating gross proceeds of nearly EUR 50 million. Additionally, in October 2016 we significantly increased share capital by some EUR 43.6 million through the issue of new shares as part of the takeover of CHORUS Clean Energy AG. The takeover of the majority of the shares in CHORUS was therefore carried out as a pure share exchange, which prevented the liquidity from suffering. With regard to borrowing, we consistently took advantage of the extremely low interest rates by securing various lines of credit with banks for the purpose of future growth. Altogether, the Company had funds for the financing of new solar and wind parks amounting to some EUR 60 million as of the end of March 2017. Factoring in the usual leverage at project level, this corresponds to a total potential investment volume of about EUR 250 million. We will continue to use a broad spectrum of financial instruments to finance our growth course in the future as well.

The 2016 financial year was exceedingly successful for Capital Stage AG: due to the significant expansion of our portfolio, we increased revenue by around 26 per cent to approximately EUR 141.8 million. The adjusted operating earnings before interest, taxes, depreciation and amortisation (EBITDA) increased to more than EUR 106.1 million. In total for the 2016 financial year, the Capital Stage Group generated adjusted operating earnings before interest and taxes (EBIT) in the amount of some EUR 61.6 million. The increase in the cash flow from operating activities, which increased by EUR 20.8 million compared to the previous year to some EUR 103.8 million, was especially pleasing. Furthermore, the equity ratio improved to greater than 25 per cent with total assets of nearly EUR 2.4 billion.

And you, our honoured shareholders, will be benefiting from the successful development of Capital Stage AG once again this year. For the 2016 financial year, we recommend the distribution of a dividend in the amount of EUR 0.20 per voting share which, as in years past, will be granted as an optional dividend.

Renewable energies continue to be a worldwide megatrend and a growth market. The beginning of the end of the fossil fuel era was marked by the ratification of the Paris Agreement, which is aimed at significantly reducing global warming, and putting its commencement into force. Climate goals cannot be reached without a global transition to renewable energy sources for the production of electricity.

The worldwide expansion in renewable energies, their independence from economic fluctuations, the continued low interest rates and the lack of alternative investments with comparable risk–opportunity profiles are proof that we are on the right path with regard to the strategic direction of the business model. Today Capital Stage is positioned more strongly than ever before in this dynamic growth sector: we are perfectly positioned as one of Europe’s largest independent power producers in the renewable energy sector. Capital Stage has all the resources and structures at its disposal necessary for continuing the dynamic growth from the past years and for taking up a leading role in the further development of the industry.

In keeping with our risk-averse investment strategy, we will continue to grow our existing portfolio of solar and wind parks in future and, in doing so, will continuously review regional opportunities for expansion. In the Asset Management business segment, we will offer institutional investors attractive investment opportunities in the renewable energy sector. What is more, we will carefully review additional acquisition opportunities as they arise with regard to their potential for added value for the Capital Stage Group.

On the basis of our current portfolio, we expect an increase in revenue to more than EUR 200 million for the current 2017 financial year. Furthermore, we expect to be able to generate an operating EBITDA of more than EUR 150 million. For the Group, we expect additional growth in operating EBIT to more than EUR 90 million, and a figure of more than EUR 140 million for cash flow from operating activities. Thanks to their excellent quality, the Management Board expects the technical availability of the installations in the portfolio to remain above 95 per cent in the 2017 financial year.

We thank you, our honoured shareholders, for the trust you placed in us over this past year. We hope that you will continue to accompany us on our path towards profitable and sustainable growth in the 2017 financial year.

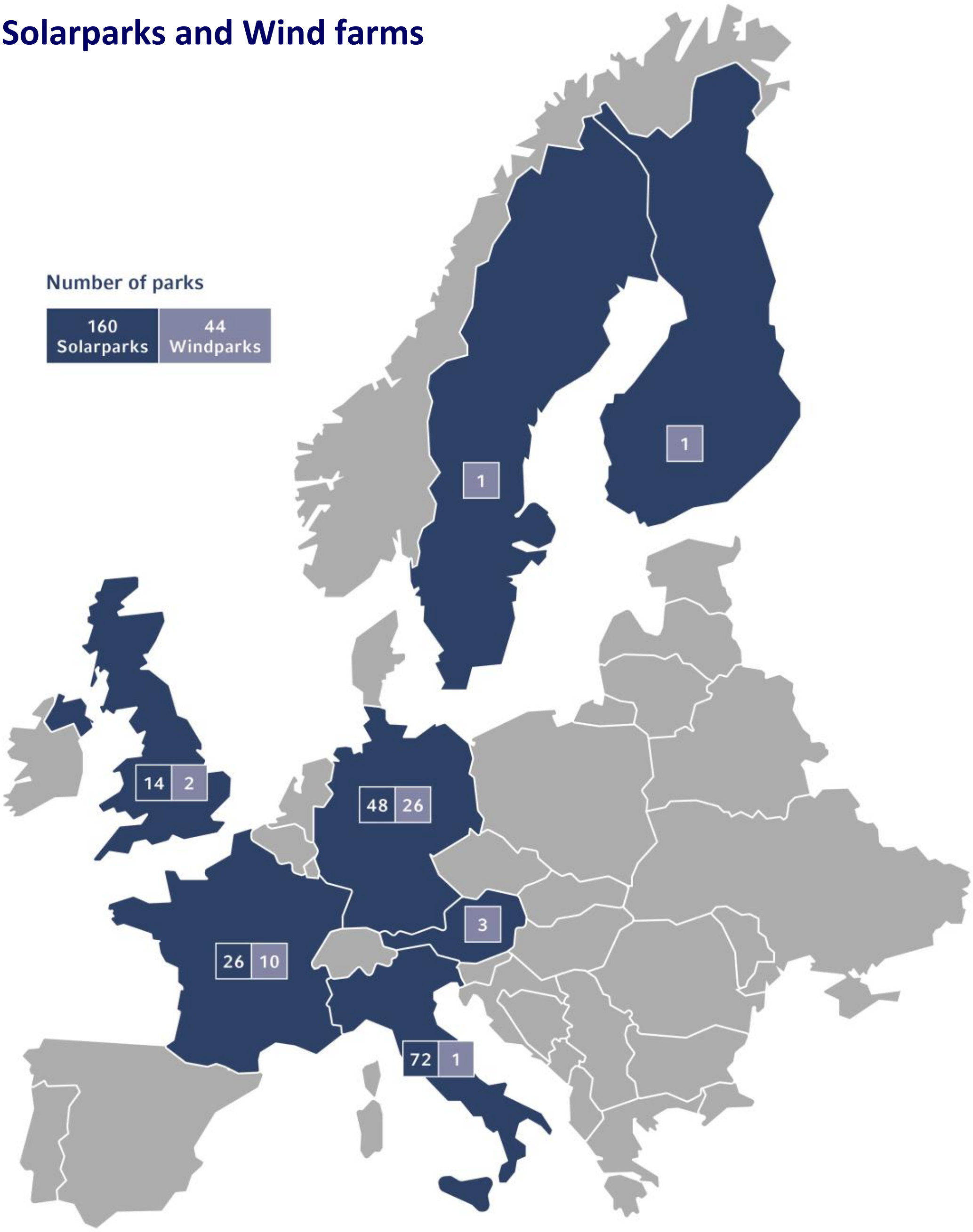
Hamburg, in March 2017

The Management Board

Dr Christoph Husmann, CFO

Holger Götze, COO

Solarparks and Wind farms



Portfolio overview

	Solar		Wind		
in MW	Capital Stage	Asset Management	Capital Stage	Asset Management	Total
Germany	251	7	183	134	**575**
France	202	12	36	73	**323**
Italy	154	7	6	-	**167**
UK	88	-	-	18	**106**
Austria	-	-	30	-	**30**
Finland	-	-	-	13	**13**
Sweden	-	-	-	10	**10**
Total	695	26	255	248	**1,224**

The Capital Stage share

Key financial figures	
Listed since	28.07.1998
Subscribed capital (27.03.2017)	126,523,660.00 EUR
Number of shares (27.03.2017)	126.52 Mio.
Stock market segment	Prime Standard
Dividend per share 2014	0.15 EUR
Dividend per share 2015	0.18 EUR
Dividend per share 2016 *	0.20 EUR
52-week high	7.32 EUR
52-week low	5.65 EUR
Share price (27.03.2017)	6.20 EUR
Market capitalization (27.03.2017)	784.45 Mio. EUR
Indices	SDAX, HASPAX, PPVX, Solar Energy Stock Index
Trading centres	XETRA, Frankfurt am Main, Hamburg
ISIN	DE 0006095003
Designated Sponsor	Oddo Seydler Bank AG

* Subject to approval at the Annual General Meeting on 18 May 2017

The 2016 stock market year

The German stock market developed positively on the whole in the 2016 financial year, which is somewhat surprising considering the outlook at the beginning of the year. The DAX stock index started the year off very poorly and dropped to its lowest point of 8,752.87 points in mid February. In particular, the drop in oil prices below the psychologically important mark of 30 US-Dollars per barrel and the disappointing economic data coming out of China in connection with the setbacks on the stock markets there were responsible for this. The leading German index declined some 2,000 points in the first six weeks of the 2016 financial year alone. However, it managed to recoup half of the points lost within the first quarter of the year.

The decisions by the European Central Bank (ECB) to reduce the prime rate to zero per cent for the first time as well as to include corporate bonds in its bond-buying programme were welcomed by the markets and met with an increase in the DAX. The result of the Brexit referendum on 24 June 2016, which was a surprise for most market participants, caused a significant – albeit not sustained – interruption to the positive developments.

The DAX proved volatile during the second half-year, but was still clearly trending upwards with regard to stock prices. In particular the announcement by the European monetary watchdogs that they would continue their expansive monetary policy in 2017 as well as the stabilisation of oil prices gave positive momentum, which even the results of the US presidential election in November 2016 could not put a damper on.

On 30 December 2016, the final trade date of the year, the DAX finished at 11,481 points, which represents growth of 6.9 per cent compared with the year-end mark from 2015. The SDAX, in which the Capital Stage share is listed, largely followed the development of the DAX and even proved slightly more positive throughout most of the stock market year. On the final trade date, however, the SDAX closed the year at a more modest mark of 9,519.43 points, thereby recording growth of 4.6 per cent.

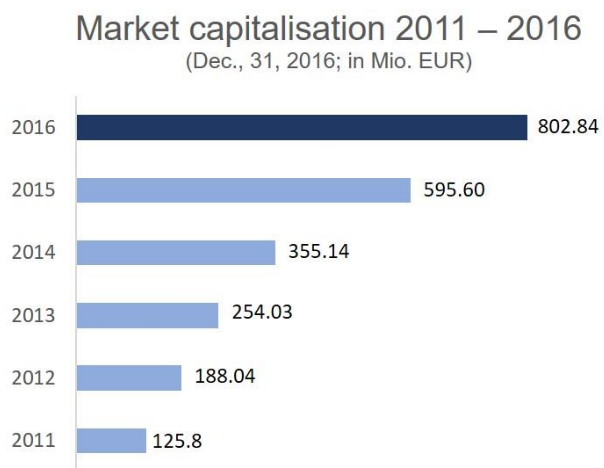
Source: Thomson-Reuters

The Capital Stage share in the 2016 stock market year

The Capital Stage share began the new 2016 stock market year at EUR 7.66 and finished at EUR 6.35 at the end of the reporting period. The Capital Stage share reached its peak of EUR 7.91 on 6 January 2016. At the beginning of the year, the stock price development was significantly influenced by the starkly reduced equity ratio due to the complete utilisation of the funds from the strategic partnership with Gothaer Versicherungen. Following the recovery of the share price after the successful implementation of a small capital increase – and the improved equity ratio as a result of this – the share price was once again negatively affected by the announcement of the takeover of CHORUS Clean Energy. The share price picked up its pace and increased through the middle of October after the extraordinary shareholders' meeting and its 99 per cent approval of the capital increase. Following the registration of the Capital Stage shares in the depository banks of the former CHORUS shareholders, active trading of Capital Stage shares ensued, which ultimately led to a further downward development of the share price.

Market capitalisation and trading volume in the 2016 stock market year

On 30 December 2016, the market capitalisation of Capital Stage amounted to some EUR 803 million (31 December 2015: EUR 596 million). Capital increases were carried out in April 2016, also notably in connection with the takeover of CHORUS Clean Energy AG, in order to execute the offer to exchange shares. The number of shares therefore increased significantly during the reporting period from 75,483,512 no-par-value bearer shares at the end of 2015 to 126,431,995 shares on 31 December 2016.



The liquidity of the Capital Stage share was approximately at the level of the previous year: During the 2016 stock market year, an average of 102,626 Capital Stage shares were traded per day (previous year: 100,534) on the electronic trading platform XETRA.

Coverage – Capital Stage share evaluated as a "buy" by all covering analysts

At the beginning of March 2017, six banks and analysts actively covered the share of Capital Stage AG. The institutions covering the share are Macquarie, M.M. Warburg & CO, WGZ Bank/DZ Bank – which have now merged – ODDO SEYDLER BANK, Bankhaus Lampe and, since March 2017, Berenberg Equity Research. Other well-known banks and equities analysts have announced their intention to cover the Capital Stage share. All six of the analyst banks recommend the Capital Stage share as a "buy". On average, the share's price target is given by the above-mentioned institutions as EUR 8.20. The lowest target price is EUR 7.15 and the highest EUR 9.00.

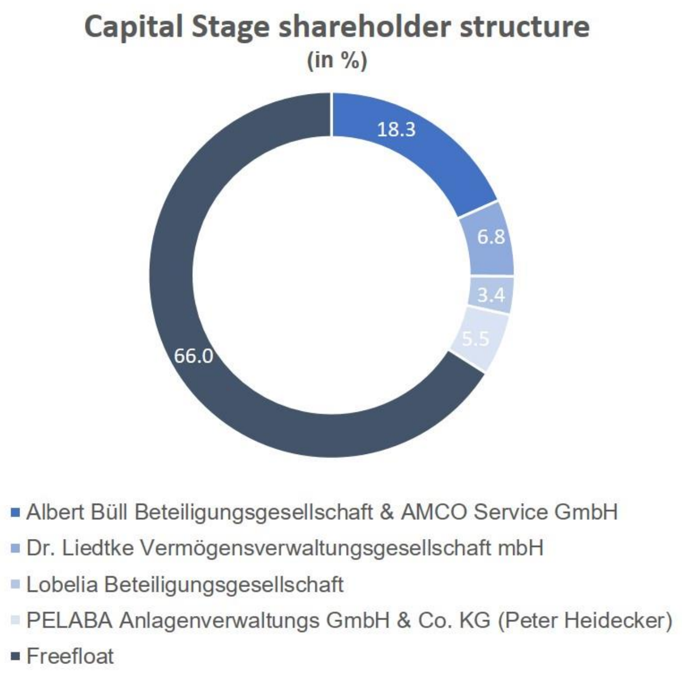
Capital Stage publishes the latest target share prices issued by analysts and institutions in the Investor Relations section of its website under "Research".

Changes to shareholder structure

There were several minor changes to the shareholder structure of Capital Stage AG in the reporting period. Significant major shareholders – who are also represented on the Supervisory Board of the company – took part in the capital increase in April 2016 in order to maintain the stability of their share of the company or to slightly increase it. Numerous shareholders have been added through the takeover of CHORUS.

As of March 2017, the shareholdings broke down as follows:

- Büll family (AMCO Service GmbH, Albert Büll Beteiligungsgesellschaft mbH), 18.30 per cent
- Dr Liedtke Vermögensverwaltung GmbH, 6.94 per cent
- Dr Kreke family (founding family of Douglas), 3.45 per cent
- PELABA Anlagenverwaltungs GmbH & Co. KG (Peter Heidecker), 5.52 per cent
- Free float, 65.79 per cent



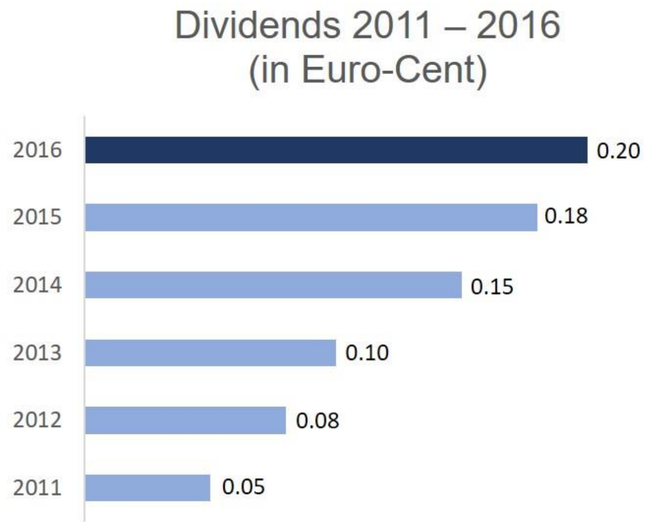
Takeover offer for all shares in CHORUS Clean Energy ("CHORUS")

In May 2016, Capital Stage had announced it would issue a public takeover offer for all shares in CHORUS Clean Energy AG, which Capital Stage AG then published on 28 July 2016. The offer provided for a pure share exchange wherein three (3) CHORUS shares were exchanged for five (5) Capital Stage shares. By the end of the scheduled grace period for the offer, on 5 October 2016, 94.42 per cent of CHORUS shareholders had chosen to exchange their shares. The offer was therefore successful and Capital Stage AG's takeover of more than 94 per cent of CHORUS Clean Energy AG complete. More than 26 million CHORUS shares in total were submitted in exchange for Capital Stage shares. Subsequently, more than 43.6 million new Capital Stage shares were issued on the basis of the exchange ratio.

Annual and extraordinary shareholders' meetings

Capital Stage AG's annual shareholders' meeting was held on 25 May 2016 in Hamburg. The participating shareholders and their representatives corresponded to approximately 58.48 per cent of share capital. The various items on the agenda were all approved by a large majority.

Furthermore, the shareholders present at the annual shareholders' meeting followed the recommendation of the Management Board and Supervisory Board to use a portion of the balance sheet profit from the 2015 financial year to pay out a dividend in the amount of EUR 0.18 per share. The dividend was once again offered as a share dividend, which means that shareholders could choose between payment in cash or in Capital Stage AG shares.



On 30 May 2016, Capital Stage announced a public voluntary takeover offer for all outstanding shares in CHORUS Clean Energy AG to be exchanged for shares in Capital Stage AG. As a result, Capital Stage called an extraordinary shareholders' meeting on 8 July 2016 in Hamburg. At this meeting, the potential increase in the company's share capital in light of the upcoming share exchange was approved by a 99.9 per cent majority. As a result, Capital Stage published the paperwork for the bid on 28 July 2016.

Information on the Annual General Meetings of Capital Stage can be found in the Investor Relations section of the company website under "Annual General Meeting".

Questions and information

In line with our ethos of transparent capital market communication, all relevant information pertaining to Capital Stage AG is published and made available in the Investor Relations section of the company website www.capitalstage.com. Furthermore, the Investor Relations division is always happy to receive any further questions and suggestions you may have.

We look forward to hearing from you!

Capital Stage AG

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Capital Stage AG financial calendar 2017	
Date	**Financial event**
18.05.17	Ordinary shareholders' meeting
31.05.17	Interim report for the first quarter of 2017
01.06.17	Quirin Champions 2017, conference, Frankfurt am Main
31.08.17	Semi-annual financial report 2017
27.-29.11.2017	German Equity Forum, Frankfurt am Main
30.11.17	Interim report for the third quarter of 2017

Supervisory Board report

Dear Shareholders,

In the 2016 financial year , the Supervisory Board performed its duties and tasks, as defined by the law, the Company 's Articles of Association and its Rules of Procedure, in full. It provided the Management Board with regular advice on running the Company and continuously provided support in management decisions that were of significance to the Group. It also subjected the risk management and compliance departments to a review and concluded that these departments met their requirements completely. The Supervisory Board was directly involved in all decisions of fundamental importance to the Company. To the extent required by the law, the Articles of Association and the Rules of Procedure, the Supervisory Board approved individual business transactions.

The Management Board complied with its duty of disclosure by reporting in full to the Supervisory Board promptly and on a regular basis – both in writing and verbally – concerning the economic and financial position of the Company, the pipeline, investment projects and the risk management and compliance departments. The Supervisory Board discussed all measures that required approval in detail with the Management Board. The chairperson of the Supervisory Board was also provided with detailed information in the intervening periods between Supervisory Board meetings and consequently was always aware of any matters of importance to the Company and the Group. The Management Board and the Supervisory Board regularly consulted with regard to the Group's strategic alignment and progress .

Ten Supervisory Board meetings were held over the course of the 2016 financial year, of which four were regular and six were extraordinary meetings. All members of the Management Board were present at all meetings, insofar as no alternative arrangements had been made by the chairperson of the Supervisory Board. The Management Board provided comprehensive reports to the members of the Supervisory Board in advance of each Supervisory Board meeting. Where decisions required the approval of the Supervisory Board, the documents included extensive presentations on the decision-making process.

In addition, the Supervisory Board made 14 resolutions by circulation of documents. These resolutions by the Supervisory Board related to discussions had during the meetings and the detailed documents provided to the Supervisory Board. The object of the Supervisory Board resolutions made by circulation of documents were, among others, an increase of share capital, loans and the acquisition of wind and solar parks in Germany, France, the United Kingdom and Italy.

Focus of discussions

During the four regular meetings, held on 31 March 2016, 25 May 2016, 27 September 2016 and 14 December 2016, and also during the six extraordinary meetings on 13 January 2016, 20 January 2016, 2 March 2016, 11 May 2016, 27 June 2016 and 15 November 2016, the Supervisory Board examined the verbal and written reports of the Management Board in depth.

The merger with CHORUS Clean Energy AG that was carried out in the 2016 financial year was a particular point of focus in terms of the deliberations and resolutions of the Supervisory Board. In its meetings, the Supervisory Board discussed in detail with the Management Board the background to and details of the transaction, its financing, the merger agreement between the two companies and the voluntary takeover bid presented to the shareholders. Following the successful acquisition of 94.42 per cent of the CHORUS Clean Energy AG shares, reports from the Management Board on the progress of the merger between the two companies were a focal point of the Supervisory Board meetings.

Other particular focal points of the meetings were the further development of the PV Parks and Wind Farms segments and the financing of future projects. The Management Board regularly presented investment opportunities and provided updates on the current state of negotiations. In this process, the Management Board communicated the details of the financial terms of the projects to the Supervisory Board and clarified the associated opportunities and risks. In addition, extensive discussions took place concerning the potential for raising capital for the purpose of financing further growth.

The Management Board reported on the progress of the portfolio at all regular Supervisory Board meetings. On the basis of a country analysis performed in the four core markets (Germany, Italy, France and the United Kingdom), the further development of these markets was again discussed in terms of both the PV and the wind sectors. Developments in other target markets were likewise examined.

The Supervisory Board also deliberated on and adopted resolutions on matters including the following:

- the acquisition of additional shares in CHORUS Clean Energy AG available on the market,

- the appointment of Mr Holger Götze to the Management Board and the reappointment of Dr Christoph Husmann,
- the rules of procedure for the Management Board and the business division plan.

Attendance at Supervisory Board meetings

All the members of the Supervisory Board attended five of the ten meetings in the financial year. One member was not in attendance at three of the meetings. Two Supervisory Board members did not attend two of the meetings. None of the Supervisory Board members attended fewer than half of the meetings.

Personnel committee meetings

The personnel committee comprises Dr Manfred Krüper, Alexander Stuhlmann, Albert Büll and Professor Fritz Vahrenholt. Last year, the committee held three meetings. The focal point of the personnel committee meetings was the addition of Mr Holger Götze to the Management Board as well as the extension of the contract with Dr Christoph Husmann. Decisions on personnel matters taken during the plenary meeting were finalised in the personnel committee meeting.

Audit committee meetings

The members of the audit committee are Mr Alexander Stuhlmann (chairman), Dr Manfred Krüper and Professor Fritz Vahrenholt. The audit committee held three meetings in 2016. The audit committee used the meetings to closely examine the results of the review process performed by the FREP, the review report, the change in auditors carried out in the 2016 financial year and the internal audit reports on the subjects of payments and the duty of disclosure on the part of the Management Board and Supervisory Board.

Corporate governance

The Supervisory Board also examined the corporate governance exercised during the reporting period. Together with the Management Board, the Supervisory Board submitted the annual statement of compliance with section 161 of the German Stock Corporation Act (Aktiengesetz – AktG), pursuant to the guidelines of the German Corporate Governance Code. The full declaration can be viewed at all times on the Capital Stage AG website. Further deliberations on the implementation of recommendations contained in the German Corporate Governance Code can be found in the corporate governance report.

The Supervisory Board received no indications that members of the Supervisory and Management Boards had any conflicts of interest.

The results of the Supervisory Board’s assessment of the efficiency with which it performed its own activities – in particular the frequency of its meetings, the preparation and execution thereof and the provision of information – were positive.

Audit and adoption of the annual financial statements, approval of the consolidated financial statements

The Hamburg branch of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt, Germany, acted as the auditor and Group auditor. The auditor provided an unqualified audit opinion for the annual financial statements of Capital Stage AG as well as for the financial statements of the Capital Stage Group. The auditor’s report, which was heard during the Supervisory Board meeting on 31 March 2017, addressed the topics of commissioning and review, the 2016 audit schedule, the economic climate, legal and financial aspects, the initial consolidation of CHORUS Clean Energy AG, the audit points of focus as dictated by the Supervisory Board and the findings and results of the audit.

In its meeting on 31 March 2017, in which the auditors also participated, the Supervisory Board discussed in detail the annual financial statements, within the framework of both commercial law and the consolidated financial statements of Capital Stage AG, as well as the combined management report. The Management Board’s recommendations on the use of the distributable profit were also discussed in the course of this meeting. The consolidated financial statements, pursuant to the IFRS, the combined management report for Capital Stage AG and the Group and the annual financial statements of Capital Stage AG, as well as the auditors’ reports were all released in good time to all members of the Supervisory Board. The auditors presented their principal findings and were available to answer any questions raised afterwards. As the conclusive result of its own review, the Supervisory Board raised no objections and acknowledged and approved the auditor’s report.

The Supervisory Board has examined and duly approved the Capital Stage AG annual financial statements, the consolidated financial statements and the combined management report, as well as the proposal for the appropriation of the distributable profit in accordance with the statutory provisions. Pursuant to section 172 of the German Stock Corporation Act, the annual financial statements have consequently been adopted, while the consolidated financial statements were approved for publication on 31 March 2017. In conclusion, the Supervisory Board endorsed the Management Board's proposal for the use of distributable profit for 2016, being the distribution of a dividend of EUR 0.20 per share entitled to dividends. The dividend will be paid in cash or in the form of shares in Capital Stage AG. Details of the cash distribution and how shareholders can select a share option over a cash payout are explained in a document that will be sent to shareholders together with the invitation to the Annual General Meeting. It will include information on the number and type of shares as well as the reasons for and details of the offer.

The dividend and the remaining sum to be carried forward, as stated in the proposal for the allocation of profit, are based on the share capital entitled to receive dividends of EUR 126,431,995.00, divided into 126,431,995 shares, as of 31 December 2016.

The number of shares entitled to dividends may change before the date of the resolution on the appropriation of distributable profit is adopted. In this event, the Management Board and Supervisory Board will put forward a corresponding modification to the proposal on the appropriation of profits at the Annual General Meeting, which will provide for a distribution of EUR 0.20 per share entitled to dividends, as before. This does not affect the offer to receive the dividend in the form of shares rather than in cash. The amendment shall be performed as follows: If the number of shares entitled to dividends, and consequently the total dividend, decreases, the amount to be carried forward to the new account shall increase accordingly. If the number of shares entitled to dividends, and consequently the total dividend, increases, the amount to be carried forward to the new account decreases accordingly.

Changes to the Supervisory Board

Pursuant to the resolution of the Annual General Meeting on 8 July 2016, on the basis of the voluntary takeover bid accepted by more than 94 per cent of the shareholders in CHORUS Clean Energy AG, Ms Christine Scheel and Mr Peter Heidecker were elected as additional members of the Supervisory Board, effective from 20 October 2016.

Changes to the Management Board

Mr Holger Götze was appointed as an additional member of the Management Board, effective from 18 October 2016. Professor Klaus-Dieter Maubach left the Management Board as of 31 December 2016. The contract with Dr Christoph Husmann was extended such that his appointment to the Management Board does not expire until 2020.

The Supervisory Board would also like to take this opportunity to thank the Management Board and all of the Capital Stage Group's employees for their commitment and their personal contribution to a successful 2016.

Hamburg, 31 March 2017

On behalf of the Supervisory Board

M. Krüper

Dr Manfred Krüper

Corporate governance report

The principles of corporate governance are an integral component of our responsible, value-oriented approach to management and internal control at the Capital Stage Group. The Management Board and Supervisory Board work together closely in relationship based on trust with the aim of achieving a sustainable rise in corporate value, as well as building the confidence that shareholders, employees and business partners have in the way the company is managed and supervised. Transparent reporting and close attention to shareholders' interests are two manifestations of the level of responsibility embraced by the Management Board and Supervisory Board.

Directors' dealings

Transactions involving securities by management staff (directors' dealings) must be disclosed pursuant to article 19 of the German Market Abuse Ordinance (Marktmissbrauchsverordnung). In 2016, the members of the Management Board and Supervisory Board as well as other senior executives complied with the applicable duties of disclosure under the Securities Trading Act and the German Market Abuse Ordinance with respect to transactions involving shares in Capital Stage. The relevant notifications on these transactions in 2016 are published online at www.capitalstage.com/investor-relations/directors-dealings.

Based on the transactions disclosed pursuant to the Securities Trading Act and the Market Abuse Ordinance, on 31 December 2016 the Management Board was in possession of notifiable assets under Item 6.2 of the German Corporate Governance Code. On this date, the Management Board was entitled to voting rights amounting to 0.056 per cent of the shares of Capital Stage AG. This includes shares amounting to 0.024 per cent of the shares in Capital Stage AG which were attributable to former Management Board chairman Professor Klaus-Dieter Maubach, who resigned from the Management Board of Capital Stage AG at his own request effective on 31 December 2016. The notifiable holdings of members of the Supervisory Board under item 6.2 of the German Corporate Governance Code amounted to some 9.34 per cent on 31 December 2016, based on the transactions disclosed pursuant to section 15a of the Securities Trading Act as well as article 19 of the Market Abuse Ordinance.

No conflicts of interest

There were no conflicts of interest between members of the Management Board and the Supervisory Board. A policy is in place whereby any such conflict is immediately communicated to the Supervisory Board. In the opinion of the Supervisory Board, the same body has a sufficient number of independent members. As a result of a scheduled efficiency audit, the Supervisory Board determined that its work is organised in an efficient manner and that cooperation between the Management Board and the Supervisory Board is smooth. No contracts for consulting, other services or employment were entered into between a member of the Supervisory Board and the Company during the reporting period.

Remuneration report

The remuneration report, or rather, the consolidated financial statements of Capital Stage AG contains specific information regarding the share option programmes and similar share-based incentive schemes employed by the Company, as well as a detailed presentation of the remuneration of the Management Board and Supervisory Board.

Independence of the auditor

Prior to the submission of a proposal to the Annual General Meeting for the appointment of an auditor for the 2017 annual accounts, the Supervisory Board will obtain a declaration from the auditor. The declaration includes a statement that no relationships of a business, financial, personal or any other nature that could cast doubt on the independence of the auditor exist between the auditing company, its institutions and the chief auditors on the one hand, and the Company and its executive bodies on the other hand. The declaration shall also include a statement confirming that no significant consulting services were provided by the auditing company in the previous financial year and that no such services had been agreed to for the 2017 financial year.

Corporate governance statement pursuant to section 289a, 315, paragraph 5, of the HGB
Description of the work and the structure of the Management Board and Supervisory Board

The corporate governance statement submitted pursuant to sections 289a and 315, paragraph 5, of the HGB is part of the combined management report of Capital Stage AG and the Group. The following figures therefore apply for Capital Stage AG and the Capital Stage Group unless otherwise noted.

Management Board

Before the merger with CHORUS Clean Energy AG in October 2016, the Management Board of Capital Stage AG consisted of two members, including one chairman. Since the merger with CHORUS Clean Energy AG in October 2016 up to the end of the financial year, the Management Board has comprised three members and one chairperson. Rules of procedure govern the various responsibilities within the Management Board and the manner in which its members work together. When appointing Management Board members and other executive roles, an effort is made to ensure that women are adequately represented.

The additional appointments of Management Board members can be found in the explanatory notes to the separate financial statements of the Company and the consolidated financial statements.

Supervisory Board

The Supervisory Board monitors the activities of the Management Board and offers recommendations in accordance with the provisions of company law and the internal rules of procedure. Since the merger with CHORUS Clean Energy AG in October 2016, the Supervisory Board of Capital Stage AG comprises eight qualified members representing the shareholders of Capital Stage AG. As chairperson of the Supervisory Board, Dr Manfred Krüper coordinates its tasks, heads Supervisory Board meetings and attends to the affairs of the Supervisory Board with outside parties. Each member of the Supervisory Board is independent and has many years of business experience. The members were duly elected by the shareholders at the Annual General Meeting. The chairperson of the Supervisory Board has never been a member of the Management Board of Capital Stage AG.

The Supervisory Board has established rules of procedure.

The Supervisory Board has not set any specific goals in respect of optimising its composition. Since October 2016, the composition of the Supervisory Board has been exceptionally well-suited to the specific situation at Capital Stage AG. There is consequently no need to optimise the composition of its members.

The Supervisory Board members are required to disclose any existing conflicts of interest regarding individual decisions to the chairperson of the Supervisory Board. In its report to the Annual General Meeting the Supervisory Board sets out whether any conflicts of interest arose and how they were resolved. If a Supervisory Board member has a substantial – and not merely a temporary – conflict of interest, this ought to result in the termination of his or her mandate.

The Supervisory Board members have no business or personal relationship with Capital Stage AG that could represent a conflict of interest and a resultant restricted level of independence.

Contracts for consulting, other services or employment between a member of the Supervisory Board and the Company are subject to the approval of the Supervisory Board.

Specific information on the tasks of the Supervisory Board can be found in its report on the relevant pages of the Annual Report.

Capital Stage AG has taken out directors and officers liability (D&O) insurance for the members of the Supervisory Board which, in line with international standards, does not include an excess. Furthermore, Capital Stage AG is of the opinion that an agreement to pay an excess would not be appropriate in respect of raising the sense of responsibility with which the members of the Supervisory Board perform their assigned tasks and functions.

The additional appointments of Supervisory Board members can be found in the explanatory notes to the separate financial statements of the Company and the consolidated financial statements.

Committees

The Supervisory Board has formed a personnel committee and an audit committee. The relevant committee chairs regularly report to the Supervisory Board on the committees' activities.

The central role of the personnel committee is to prepare any matters relating to personnel that are to be decided by the Supervisory Board. Specifically, these include overseeing the selection process for the Management Board, appointing members, drafting and negotiating executive employment contracts and granting share options to Management Board members and high-performance staff at Capital Stage AG. The personnel committee also functions as a nomination committee.

The audit committee is responsible for monitoring the accounting process, the effectiveness of the internal control system, risk management, the internal auditing system and the final audit, particularly the independence of the external auditor, as well as any additional services rendered by the external auditor.

The Supervisory Board has decided not to form additional committees, considering them superfluous in a structural sense. because it functions as a single body, the work of the Supervisory Board guarantees the efficiency of its work and, in particular, that complex issues are properly dealt with. The creation of committees for other matters would result in increased organisational costs for both the Supervisory Board members and the Company. Moreover, due to the Company's size and the number of Supervisory Board members, the Supervisory Board working together as a whole has proved to be a practical solution.

Cooperation between the Management Board and Supervisory Board

In accordance with statutory requirements, a dual management system is in place at Capital Stage AG with a clear separation between management and supervisory positions. The Management Board has sole responsibility for running the Company. The Supervisory Board of Capital Stage AG is composed of members elected by the Annual General Meeting and is active in a supervisory and advisory capacity. The two bodies are strictly separated in terms of their members and with respect to their responsibilities.

The Management Board and Supervisory Board work closely together in a relationship of trust for the benefit of Capital Stage AG. The Management Board develops the strategic direction in which it envisages Capital Stage AG heading, discusses it with the Supervisory Board and ensures that strategy is implemented in the Company. The Management Board provides a prompt and continuous stream of comprehensive information to the Supervisory Board, covering all aspects of business development, strategy, planning and risk management at Capital Stage AG. In particular, the chairperson of the Management Board is in regular contact with the chairperson of the Supervisory Board. Whenever there is an event of major significance that requires an assessment of the current situation, future developments or the general management of the Company, the chairperson of the Management Board forthwith informs the chairperson of the Supervisory Board. When it comes to fundamentally crucial matters, the Articles of Association contain stipulations on how they shall be approved or these are determined by the Supervisory Board, and the Supervisory Board is required to adhere thereto. Such matters include decisions or measures that alter substantially the financial position or profitability of the Company.

As a result of the close relationship between the Management Board and Supervisory Board, the Supervisory Board has waived the requirement for any additional deliberations on biannual and quarterly financial reports prior to publication. Such a requirement would not elicit any additional information for the Supervisory Board, but would result in further organisational costs for both the Supervisory Board members and the Company.

Provisions on the equal participation of women and men in leadership positions, pursuant to section 76 (4) and section 111 (5) of the German Stock Corporation Act (AktG)

In respect of the gender balance on the Supervisory Board and the Management Board of the Company, the Supervisory Board has set targets pursuant to the German law on the equal participation of women and men in executive positions (FührposGleichberG). The law states that these targets have to be met by 30 June 2017. As of the deadline the target for the number of women on the Supervisory Board stands at zero percent, as the tenure of the sitting members of the Supervisory Board does not end until the Annual General Meeting, which resolves on whether to formally approve their actions for the 2016 financial year. A target of zero percent was also set in respect of the members of the Management Board. The Management Board consisted of two members as of 18 October 2016, and three members from 18 October to 31 December 2016. Professor Maubach resigned his position in the Management Board effective on 31 December 2016. The appointments of the remaining two members of the Management Board extend beyond 30 June 2017.

In respect of the number of women in the senior management tier below the Management Board, the Management Board of Capital Stage AG has set a target of 20 percent as of the 30 June 2017 deadline.

Relevant information on corporate governance policy

The Company's corporate governance principles are based on the German Corporate Governance Code. The Management Board and Supervisory Board constantly refer to the recommendations and suggestions of the Code and monitor its implementation, taking into account the annual declaration of compliance that must be submitted by the Management Board and Supervisory Board. The current declaration of compliance is also published on our website www.capitalstage.com/investor-relations under the "Corporate Governance Code" section.

Our listed subsidiary, CHORUS Clean Energy AG, has also submitted a declaration of compliance under the German Corporate Governance Code. The declaration of compliance for our listed subsidiary can be found on its website at www.chorus.de/en/investor-relations/corporate-governance/declaration-of-compliance/.

The shareholders of Capital Stage AG are regularly kept updated on the Company's position and any significant changes to the corporate sphere. In order to provide comprehensive and timely information that is accessible to all parties, Capital Stage AG focuses on online publications. Shareholders are informed of important dates via the financial calendar. This is included in the annual report and can be found online at www.capitalstage.com/investor-relations/finanzkalender.

Reports on the financial situation and results of Capital Stage AG are presented in the annual report, the half-yearly financial report and quarterly financial reports.

Any events that occur at Capital Stage AG outside of the regular reporting intervals and that are likely to have a significant effect on the price of Company shares are announced in ad hoc reports.

Ad hoc notifications and press releases can be found at www.capitalstage.com/ad-hoc-presse/ad-hoc-mitteilungen.

Good corporate governance also involves a responsible approach to risks. The Management Board ensures that an appropriate risk management system is in place and controls the Group's overall risk position. The Supervisory Board is regularly informed about existing risks and their development by the Management Board. Details on risk management can be found in the combined report under the 'Risk report" section.

Annual General Meeting

The shareholders of Capital Stage AG exercise their rights at the Annual General Meeting and use their voting rights.

Shareholders have the opportunity to cast their votes at the Annual General Meeting, either in person, by nominating a proxy of their choice or by sending an authorised representative of the Company who is bound by their written instructions. However, the Articles of Association contain no provisions for postal voting.

Accounting and auditing

An auditor is selected by the Annual General Meeting in accordance with the statutory provisions. A detailed explanation of the rules for Group accounting can be found in the notes to the consolidated financial statements.

Declaration of the Management Board and Supervisory Board of Capital Stage AG regarding the recommendations of the governmental commission of the German Corporate Governance Code pursuant to section 161 of the German Stock Corporation Act (AktG)

Capital Stage AG complies with the recommendations of the German Corporate Governance Code, which was revised on 5 May 2015 and published in the Federal Gazette (Bundesanzeiger) on 12 June 2015, with the following exceptions (numbers in parentheses represent the respective item in the Corporate Governance Code):

- The directors and officers liability insurance for the Supervisory Board does not include an excess (3.8).

For members of the Supervisory Board, there is directors and officers liability insurance that does not include an excess, which conforms to international standards. Furthermore, Capital Stage AG is of the opinion that an agreement to pay an excess would not be appropriate in respect of raising the sense of responsibility with which the members of the Supervisory Board perform their assigned tasks and functions.

- The monetary remuneration of Management Board members who resigned effective on 31 December 2016 is comprised only of fixed portions (4.2.3).

Remuneration for Professor Klaus-Dieter Maubach, who was appointed to the Management Board in November 2015 and who resigned effective on 31 December 2016, contains no variable performance-related components pursuant to item 4.2.3, paragraph 2, sentence 2, of the German Corporate Governance Code. The Supervisory Board of the Company was of the opinion that, due to the size of the Company and the Supervisory Board's duty of care for monitoring, there was no necessity for a variable component of remuneration and, therefore, an automatic cap of the respective maximum Management Board remuneration could be achieved at the same time.

- The Supervisory Board has quoted no specific targets for its composition. There is no limit for the length of a Supervisory Board member's tenure (5.4.1).

Since October 2016, the Supervisory Board of Capital Stage AG has operated in a current composition that is extremely well suited to the specific situation of Capital Stage AG. There is no need to optimise the composition. For this reason, the Supervisory Board has not defined any targets in this respect.

- Half-yearly and any quarterly financial reports are to be discussed by the Management Board with the Supervisory Board or its audit committee before publication (7.1.2).

The Supervisory Board is always informed promptly and extensively by the Management Board about current developments of the assets position, financial position and operating results. Due to the close relationship between the Management Board and Supervisory Board, the Supervisory Board has waived the requirement for any additional deliberations on biannual and quarterly financial reports. Such a requirement would not elicit any additional information for the Supervisory Board, but would result in further organisational costs for both the Supervisory Board members and the Company.

- The interim financial reports should be publicly available within 45 days after the end of the reporting period (7.1.2).

In accordance with the statutory regulations, the interim financial reports are published within eight weeks after the end of the quarter. In view of the considerable difference between these deadlines and the additional expense and work that would be required, the Company's Management Board and Supervisory Board do not consider it reasonable to shorten the deadlines any further.

This declaration of compliance replaces the declaration from March 2016. Since March 2016, Capital Stage AG has complied with the recommendations of the version of the German Corporate Governance Code from 5 May 2015, with the exceptions stated in the declaration of compliance dated March 2016.

Hamburg, March 2017

On behalf of the Supervisory Board

Dr Manfred Krüper
Chairman

On behalf of the Management Board

Dr Christoph Husmann
Management Board

Holger Götze
Management Board

Management report and Group management report for the 2016 financial year

Management report and Group management report for the 2016 financial year

General information

The combined management report covers the Capital Stage Group (hereafter referred to as "the Group" or "Capital Stage") and the parent company, Capital Stage AG, which is based in Hamburg, Germany. It has been prepared according to the German Commercial Code (*Handelsgesetzbuch* – HGB) and German Accounting Standard (GAS) no. 20.

Capital Stage AG prepares its separate financial statements according to German Commercial Code accounting principles and the consolidated financial statements according to IFRS accounting principles. The management report and Group management report have been combined, whereas the assets position, financial position and results of operations are each disclosed separately.

Its share capital is EUR 126,431,995.00, divided into 126,431,995 shares with no par value. The average number of shares in circulation (undiluted) in the reporting period was 89,498,004 (previous year: 74,545,502).

Unless stated otherwise, all disclosures in this report relate to 31 December 2016 or to the financial year from 1 January to 31 December 2016.

As part of the merger of Capital Stage and CHORUS Clean Energy AG (hereafter referred to as "CHORUS"), the Group reviewed processes and accounting procedures. During this review process, accounting carried out in the past was adjusted, which has resulted in a change of the previous year's figures pursuant to IAS 8. More detailed information in this regard is presented in note 2.

In the following, all information that deviates from the figures presented in the 2015 annual report due to this adjustment have been marked with a superscript "1" ([1]). In tables, the superscript 1 has been placed next to the year (column heading); in text blocks, the superscript 1 has been placed directly behind the corresponding figure.

Operating principles of the Group

Business model

Capital Stage AG is listed in the SDAX segment of Deutsche Börse and makes use of the various opportunities offered by the generation of power from renewable energy sources. As an independent operator of environmentally friendly and emission-free power plant capacities, Capital Stage has continued to expand its generation portfolio since 2009 and is one of Europe's largest independent producers of electricity in the renewable energy sector. The Group's core business is the acquisition and operation of solar parks and onshore wind parks. When acquiring new installations, the Group generally focuses on turnkey projects or existing installations with guaranteed feed-in tariffs or long-term power purchase agreements and which are built in geographical regions that stand out due to a stable economic environment and reliable investment and operating conditions. Solar parks and wind parks can therefore generate reliable returns and predictable cash flows.

Moreover, since the takeover of CHORUS Clean Energy AG in October 2016, Capital Stage has offered attractive opportunities for institutional investors to invest in facilities for the production of renewable energies. Asset management includes all services in this business segment – that is, the initiation of funds and/or the individual design and structuring of other investments for professional investors within the renewable energies sector as well as the operation of the facilities owned by these investors.

In addition, with the wholly owned subsidiary Capital Stage Solar Service GmbH, the Group constantly ensures the highest possible technical availability of the solar parks and wind parks. The experience and expertise of the technical business unit is also used as part of the investment processes to, among other things, check the structural quality and technical capacity of the parks to be acquired.

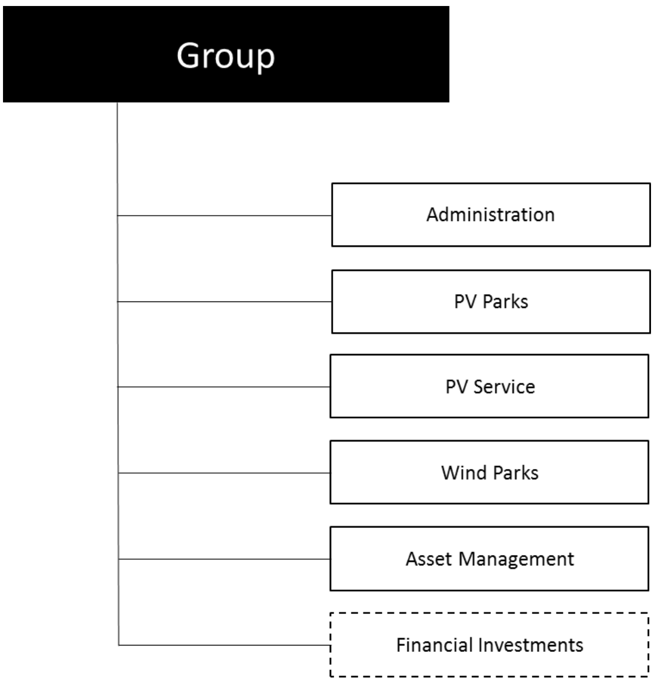
Thanks, in particular, to the successful business combination of Capital Stage AG and CHORUS Clean Energy AG in October 2016, the generation portfolio was significantly expanded. Capital Stage currently operates a total of 160 solar parks and 44 wind parks with a capacity in excess of 1.2 GW in Germany, Italy, France, the United Kingdom, Austria, Finland and Sweden. Of those, the Group manages seven solar parks and 20 wind parks as part of their third-party asset management segment. By focusing our efforts on generating electricity from renewable sources, the Capital Stage Group is making an important contribution to the transition towards sustainable and clean energy production. The electricity production of Capital Stage and CHORUS reached a total of some 1.5 terawatt-hours (TWh) in 2016 (2015: 1.0 TWh). The amount of electricity from solar energy is sufficient to provide nearly 480,000 average households with electricity for one whole year. At the same time, this reduces environmentally harmful CO_2 emissions by more than 950,000 tonnes. The amount of electricity produced by the Group in 2016 and reflected in revenue amounts to 940 GWh (previous year: 600 GWh).

In future, the Group will continue to adhere to an acquisition strategy aimed at growth. This means that a good and reliable regional location, an experienced team of project developers and general contractors, the use of first-rate components, sound financing and, last but not least, attractive yields will continue to form the basis of our risk-averse investment strategy.

Group structure

Capital Stage AG is the parent company of the Capital Stage Group. In addition to Capital Stage AG, a total of 199 subsidiaries (previous year: 99) are included directly or indirectly in the consolidated financial statements as of 31 December 2016.

This diagram shows the Group’s segments as of 31 December 2016:



Administration	This segment comprises the Group´s parent company Capital Stage AG as well as the companies CHORUS Clean Energy AG, CHORUS CleanTech 1. Fonds Invest GmbH and CHORUS Cleantech 2. Fonds Invest GmbH.
PV Parks	The segment comprises all the solar parks in Germany, Italy and France and the UK, as well as any holding companies.
PV Service	This segment consists of Capital Stage Solar Service GmbH.
Wind Parks	This includes all the wind parks in Germany, Italy and - since the 4th. quarter of 2016 - also France and Austria as well as the associated holding companies.
Asset Management	This segment comprises the nusiness field of Asset-Management for institutional investors.
Financial investments	This segment has been discontinued. It existed up until 20 October 2015, the date on which Helvetic Energy GmbH and its parent company, Calmatopo Holding AG, were sold.

Internal management system at Capital Stage

Capital Stage's main objective is profitable growth and therefore to increase the enterprise value. The Management Board is notified on a weekly basis about current developments affecting the implementation and monitoring of targets. These include technical and commercial aspects of the portfolio assets, such as cumulative power production and the technical availability of facilities but also the integration of newly acquired solar parks or wind parks into the Capital Stage Group. Potential investment opportunities are also discussed by the Management Board and the free liquidity available for investment purposes is determined. The liquidity of the operational solar parks and wind parks is monitored continuously. This permanent, forthright dialogue enables the Management Board to respond quickly to events and to take action accordingly.

A forecast for the following financial year is published along with the annual report. It is based on detailed bottom-up planning by the individual Group companies. The published forecast is reviewed every quarter and adjusted as necessary by the Management Board.

The earnings indicators EBITDA and EBIT for Capital Stage include significant valuation effects resulting from the application of IFRS. These include the differences determined in the course of purchase price allocations (PPA) when solar parks and wind parks are consolidated for the first time. These effects are highly unpredictable because they relate to future investments and are subject to various project-specific parameters.

Capital Stage therefore publishes an earnings figure adjusted for these effects, because this reflects the operating profitability and development of the Company in a much more transparent and sustainable way.

The earnings forecast included in the forecast for 2017 is also based on these adjusted performance indicators.

The key financial indicators used within the Group are aligned with the interests and demands of shareholders and include in particular:

- Operating cash flow
- Technical availability of installations
- Revenue
- Adjusted operating EBITDA
- Adjusted operating EBIT

Performance against the indicators related to technical availability of installations, kilowatt-hours produced and revenue are presented in a weekly performance report and discussed with the Management Board.

In accordance with IAS 7, cash flow from operating activities is calculated using the indirect method. All interest payments are shown in the cash flow from financing activities. Tax payments are included in cash flow from operating activities.

Investment decisions focus particularly on an expected internal rate of return (IRR), which indicates the return on capital employed and the return on the investment over a period of several years. Operating return on equity (ROE) is also an important performance indicator for investment decisions. It shows the relationship between adjusted operating earnings after interest and tax (operating EAT) and invested capital. Qualitative and strategic criteria such as stable feed-in systems, high-quality components and attractive financing terms are also taken into consideration.

The figures of adjusted operating EBITDA and adjusted operating EBIT are each derived from the IFRS earnings indicators EBITDA and EBIT and are adjusted for the following factors.

Operating EBITDA = IFRS-EBITDA less the following effects:

- Income and expenses from the disposal of financial investments and other operating income
- Other non-cash income (primarily profit from business combinations (badwill) and the reversal of interest rate advantages from subsidised loans (government grants) as well as non-cash non-period income
- Share-based remuneration and other non-operating expenses
- Selected one-time expenses (e.g. from the takeover of CHORUS Clean Energy AG)

Operating EBIT = IFRS EBIT less the following effects:

- Effects already eliminated from operating EBITDA
- Amortisation of intangible assets acquired as part of business combinations
- Impairment losses from impairment testing of assets resulting from PPA
- Depreciation of step-ups on property, plant and equipment acquired as part of business combinations

The financial performance indicators for Capital Stage AG are essentially identical to those used for the Group. For Capital Stage AG, adjustments to EBITDA and EBIT primarily relate to effects from the disposal of financial investments, from currency translation and from other non-cash income. Revenue and the technical availability of installations are not among the performance indicators, however, because they are of no – or no significant – importance for Capital Stage AG.

Macroeconomic framework

Underlying economic conditions

Global economic growth stays at previous year's level

In the 2016 financial year, global economic growth remained at approximately the same level as the previous year, with above all geopolitical crises and political events having a negative impact on economic development. In addition to the refugee crisis and the threat of terrorist attacks, the significant uncertainty was caused by the continuing conflict in Syria, the deposition of President Dilma Rousseff's government in Brazil, an attempted military coup in Turkey, the British Brexit referendum, a constitutional referendum in Italy and – last but not least – the result of the presidential election in the United States. On top of this, the Chinese economy was in a state of transition towards an economy more heavily supported by internal economic growth which, to date, has been accompanied by a decrease in the high rates of growth in previous years. In the eurozone, however, the German economy proved once again to be an important stabilising factor.

For the US economy, the International Monetary Fund (IMF) expects total economic growth for 2016 of 1.6 per cent (2015: 2.6 per cent). In the eurozone, economic growth in the 2016 financial year should have ended up at around 1.7 per cent (2015: 2.0 per cent). Compared to the previous year, the German economy gained momentum and achieved growth of 1.9 per cent in 2016 (2015: 1.7 per cent).

Expansive monetary policy

Due to weaker economic growth worldwide and the lower risk of inflation associated with it, monetary policy remained expansive on the whole in 2017 as well. While the US Federal Reserve did indeed raise the prime rate in 2016 by 0.25 per cent to between 0.5 and 0.75 per cent, the prime interest rate was still lower than predicted for the overall forecast for the 2016 financial year. The European Central Bank also steered clear of interest rate hikes in 2016 and, instead, announced that it would continue its current bond-buying programme through at least December 2017 at a scale of EUR 80 billion per month.

The euro aims for parity with the US dollar

At the start of 2016, one euro was worth around 1.09 US dollars. As the year progressed, the euro was subjected to initial pressure, but was able to increase in value slightly compared to the US dollar due to the slowdown of the US economy. The euro–dollar exchange rate reached an interim high of 1.15 US dollars per euro. But with the surprising results of the Brexit referendum, the euro once again lost value compared to the US dollar and dropped to a rate of approximately 1.10 US dollars per euro. The result of the US presidential election in November 2016 caused mild short-term flight away from the US dollar, which strengthened the euro. This effect, however, was not long-lived. As the year continued, the euro's value fell to around 1.05 US dollars per euro by the end of 2016.

Initially, the value of the euro compared to the British pound (GBP) increased slightly in the first half of 2016. Significant depreciation of the British pound compared to the euro was recorded following the surprising results of the Brexit referendum on 23 June 2016. This resulted in the British pound losing nearly 20 per cent of its value compared to the euro. The British pound has not made a significant recovery since then, with an exchange rate of 0.85 pounds per euro at the end of the reporting period.

Uncertainty causes high volatility in stock markets

Investors had to endure another roller coaster ride in the 2016 financial year. Uncertainty regarding global economic development and various political events caused a high level of volatility on the financial markets. As a result, the leading German index DAX suffered initially, reaching a low for the year of 8,752 points at the beginning of February 2016. The DAX was able to recover as 2016 continued, however, but this recovery was also accompanied by volatility. Various political events such as the Brexit referendum and the results of the US presidential election were primarily responsible for this. Altogether, the DAX was still able to record an increase of 6.9 per cent compared to the previous year. The SDAX, Germany's stock index for the small-cap segment, for the most part followed along with the DAX, albeit with slightly weaker growth. At the end of the year the SDAX was at 9,519 points, leaving it around 4.6 per cent above the level of the end of the previous year.

The US Dow Jones Index also showed a relatively high level of volatility throughout the 2016 financial year. The second half-year was smooth sailing, particularly thanks to improved US economic figures as well as the expectation of government investment programmes resulting from the US presidential election. For the year, the Dow Jones showed solid growth of 13 per cent and finished the 2016 financial year at 19,762 points.

The renewable energy market

The future belongs to renewable energy

The UN Climate Change Conference in Le Bourget, near Paris, in December 2015 marked a historic occasion: for the first time, all 195 participating nations came together for a worldwide climate protection agreement. The primary objective of the agreement is to limit the continued increase in global warming to well below two degrees – if possible, to 1.5 degrees. The Paris Agreement on climate protection went into effect in November 2016.

According to climate researchers, the emission of greenhouse gases such as CO_2 is the main cause behind global warming. For this reason, by the second half of the century at the latest, the amount of greenhouse gas emissions is to be reduced to a level corresponding to that which the environment has the capacity to absorb.

Experts believe that this objective cannot be achieved without a global transition to renewable energy. The Paris Agreement on climate protection therefore signals no less than the end of the fossil fuel era and sends a clear signal to the markets: the future belongs to renewable energy.

This means that the worldwide expansion of renewable energy will continue over the coming decades. Since 2013, worldwide construction of renewable energy plants has exceeded that of coal, gas and nuclear plants put together (in terms of the power output). Photovoltaic and wind energy have therefore become the new key technologies of the 21st century.

While planning or construction for around two-thirds of coal power plants has been halted since 2010, the expansion of renewable energies continued growing in 2016. In the photovoltaic sector, 2016 saw the installation of new facilities around the globe with generation capacity of some 70 GW according to the German Solar Association. The worldwide installed generation capacity therefore broke the 300 GW mark for the first time (2015: 230 GW). According to calculations of the Global Wind Energy Council, a total of approximately 54 GW of new wind capacity was installed worldwide in 2016. At the end of 2016, the worldwide installed generation capacity in the wind sector amounted to nearly 490 GW (2015: 432 GW).

At the same time, technological advancements and higher output from the installations have contributed to a reduction in wind energy costs by around 50 per cent since 2009 and in solar energy costs around 90 per cent. Both technologies are therefore becoming more and more economically attractive and, in some regions, are already in operation completely without government subsidies and in the freely competitive market.

Since the ratification of the Paris Agreement at the latest, renewable energies have been playing a more prominent role for government and institutional investors. The Norwegian pension fund, insurance companies AXA and Allianz, the Church of England and the Rockefeller Foundation are merely a few examples of public and private investors that have already begun to withdraw their funds from companies and investments in the fossil fuels sector.

Capital Stage has been successfully betting on the worldwide megatrend of renewable energy since 2009. In doing so, the Group's core business is the acquisition and operation of (ground-mounted) solar parks and (onshore) wind parks. The Company follows a risk-averse business model and, when acquiring new installations, generally focuses on turnkey projects or existing installations with guaranteed feed-in tariffs or long-term power purchase agreements. What is more, Capital Stage only invests in geographic regions that stand out due to their stable political and economic conditions as well as reliable investment and framework conditions. Through CHORUS Clean Energy AG, which specialises in the management of institutional investors within the Capital Stage Group as part of the Asset Management business segment, Capital Stage manages the entire value process for direct investments and participating interests in renewable energy installations for institutional investors.

According to the most recent figures in March 2017, the Capital Stage's portfolio consists of 160 solar parks and 44 wind parks. Of those, seven solar parks and 20 wind parks are held for third parties as part of the Asset Management business segment. As of March 2017, Capital Stage is active in the following countries: Germany, France, Finland, the United Kingdom, Italy, Austria and Sweden. As of March 2017, the total generation capacity of the portfolio – including the installations held as part of Asset Management – totals more than 1.2 GW.

This makes Capital Stage one of Europe's largest independent producers of electricity from renewable energy sources and Germany's largest independent solar park operator.

The output from renewable energies produced by Capital Stage in 2016 increased by more than 56 per cent, from around 600 GWh in 2015 to nearly 940 GWh of electricity in 2016, thus setting a new record for energy generation. Taking electricity production from CHORUS Clean Energy for the entirety of 2016 into consideration, the output of electricity from renewable energy sources totalled some 1.5 TWh (previous year: 1.0 TWh).

The renewable energy market in core regions

As of March 2017, Capital Stage is only active in European countries that are also current members of the European Union. The European Union has also ratified the Paris Agreement on climate protection, thereby committing itself to the achievement of the objectives laid out therein. At the same time, prior to the Paris Agreement, the European Union had already established its own objectives regarding climate change policy by the year 2030 as part of its climate and energy policies. These are:

- reduction of greenhouse gas emissions by at least 40 per cent (compared to 1990 levels)
- increase of share of energy from renewable sources to at least 27 per cent
- increase of energy efficiency by at least 27 per cent

These objectives are intended to be achieved through national and cooperative measures on a European level. In order to create comparable conditions within the European community, the EU has issued, among others, environmental and energy subsidy guidelines with which the national subsidy programmes for renewable energies are to comply. In April 2014, it was determined that, beginning in 2017, the funding of renewable energies within the EU will be carried out on the basis of tendering processes. As a result, there has been a change to funding mechanisms in EU member states over the past few years. While long-term feed-in tariffs previously formed the core of subsidy systems, the funding models in many countries have been developed further and complemented by control mechanisms which resemble those of the free market. In general, there is a choice between a premium model and a quota model. For the premium model, the investment incentive is provided by a bonus in addition to the current market price. The quota model, by contrast, obliges power companies to include a fixed quota of electricity from renewable sources in their supply. How they meet this quota – whether they produce the renewable power themselves or buy it on the market – is generally left up to them. Certificates document that the obligation has been met. In both models, the amount of the subsidy will be primarily determined by an auction process in the future. These mechanisms are often combined with other instruments such as tax incentives for investment in renewable energies.

The climate and energy policies of the European Union will therefore continue to rely on the expansion of renewable energies, which means that the market for renewable energies in Europe, and thus in our core regions, will remain a growth market.

For the Capital Stage Group, this also means greater opportunities for the acquisition and operation of solar and wind parks within the European core regions. Additionally, with its focus on already existing installations and turnkey projects, Capital Stage is not directly dependent on the continued expansion of renewable energy facilities. The Company can therefore focus its acquisition strategy on promising investments from the existing portfolios in the core regions.

Germany – Introduction of tendering models with EEG 2017

Germany is considered a pioneer in the energy revolution and has been funding renewable energies from the outset. The production capacity of facilities already in operation is therefore comparatively high, especially with regard to international comparison. In Germany at the end of 2016, these figures amounted to around 41 GW of photovoltaic energy and 46 GW of wind energy. The proportion from renewable energy sources of the total electricity consumption in Germany amounted to more than 32 per cent in 2016. By the year 2025, 40 to 45 per cent of electricity consumed in Germany should stem from renewable energy sources.

In Germany, the provision and the remuneration for electricity produced from renewable energy sources is governed by the Renewable Energy Act (EEG). Until 31 December 2016, the EEG was valid in its version from 21 July 2014 (EEG 2014), which stipulated that grid operators are required to connect renewable energy installations immediately to their grid and to give them priority, as well as to purchase all electricity produced by these renewable energy installations. Operators of installations that generate their electricity from renewable energy sources are paid fixed remuneration determined in the EEG for a period of 20 years.

Since 2015, the subsidy of ground-mounted solar parks is carried out through competitive tendering processes. The winning bid in the tendering process then determines the resulting subsidy amount, which is then also fixed for a period of 20 years. Since the introduction of this tendering model, there have been six tendering processes in the solar sector. Throughout the process, the average subsidy amount sank from EUR 0.0917 per kilowatt-hour in the first round of tenders to EUR 0.0690 per kilowatt-hour in the sixth and final round of tenders in 2016.

All new installations are required to be directly marketed. In the market premium model in use, the operator of an installation that generates electricity using renewable energy sources receives a market premium in addition to the market price they receive for electricity purchased by third parties. The market premium compensates for the difference between the market price received and the previously guaranteed feed-in tariff.

The subsidisation of electricity from wind energy was governed by EEG 2014 for the entirety of 2016. This provided for the subsidy of wind energy installations at a rate of EUR 0.0850 per kilowatt-hour for five years from their commencement of operations; after expiration of the five-year period, the subsidy fell to EUR 0.0455 per kilowatt-hour. The subsidy has a period of 20 years.

So that expansion is governed, as far as possible, by market mechanisms both in the solar and in the wind sectors, a so-called breathing lid was introduced. The breathing lid provides for the reduction of remuneration if expansion happens too quickly and an increase in remuneration if expansion happens too slowly. The expansion corridor ranges from 2,400 to 2,600 MW per year.

Beginning with the effectiveness of EEG 2017 as of 1 January 2017, subsidies for onshore wind farms are also determined via a tendering process.

France – Doubling capacity by 2023

By enacting the law on the energy transition (*Projet de loi relatif à la transition énergétique pour la croissance verte*) in July 2015, the French National Assembly officially rang in the energy revolution in France and, at the same time, ended the nuclear era of French energy policy. The new law aims, among other things, to significantly cut greenhouse gas emissions and significantly increase the share of total electricity production that comes from renewable energies. The aim is for 32 per cent of all energy produced in France to come from renewable sources by 2030. In the meantime, the intermediate goal of 23 per cent is to be reached by 2020. At the same time, the country plans to reduce the share of nuclear power from the current level of 75 per cent down to 50 per cent within ten years. In order to reach these targets, the French government plans to provide substantial subsidies to the expansion of renewable energies.

In October 2016, the French Ministry of the Environment, Energy and the Sea (MEEM) published the multi-year programme plan for energy (*Programmation plurianuelle de l'energie – PPE*). The PPE coming into effect is a decisive step towards the implementation of the law on the energy transition. With concrete objectives and measures, the PPE is the guide for diversification of the French energy mix to take place from 2016 to 2023. Among others, the PPE stipulates the following objectives for 2023:

- reduction of final energy consumption by 12.6 per cent compared to 2012
- increase in installed renewable energy capacity by more than 70 per cent, which includes the following expansion goals by 2023: increase in installed capacity in onshore wind to 21.8 to 26 GW, in solar to 18.2 to 20.2 GW and in offshore wind to 3 GW
- increase in the generation of renewable heat by 50 per cent

In order to achieve the objectives laid out in the PPE by the year 2023, the solar sector would need to be expanded by an average of 1.5 GW per year. In the onshore wind sector, average growth would be in the range approaching 1.8 GW.

Since May 2016, ground-mounted PV parks in France have been supported by an accompanying market premium that is paid out in addition to the market price as part of the direct marketing of electricity.

In December 2016, the French government also implemented new payment structures and mechanisms for the funding of onshore wind energy. The system is now transforming from one that required the purchase of electricity generated by wind at a guaranteed price to one that is made up of market price and subsidy components. This applies for all projects larger than 500 kW; in the future, operators of such installations must offer their electricity on the market and will receive a subsidy in addition to the market price in the form of a payment – the so-called *complément de rémunération*. Previously there was a fixed minimum price of at least EUR 0.082 per kilowatt-hour for a period of 15 years. Facilities that were approved before 1 January 2016 will continue to benefit from the tariff applicable since 2014.

Finland – Share of renewable energy to grow to 50 per cent

The Finnish government has announced a goal to increase the share of renewable energy from its current level of 30 per cent to 50 per cent by the year 2020. This is significantly higher than the target figure set out by the European Union.

At the outset, Finland had implemented a system of feed-in tariffs based on the example of the German Renewable Energy Act (EEG), which is legally regulated by production subsidies for electricity generated from renewable sources. The subsidy limits for wind farms (2.5 GW) have since been reached. The Finnish government is currently working on future subsidy mechanisms with similarity to the free market.

United Kingdom – Brexit causes uncertainty among investors

The United Kingdom's stated goal is to transition to a low-carbon economy. To do this, the country will rely on a mixture of renewable energies, new nuclear plants and natural gas. As part of the Climate Change Act in 2008, the United Kingdom established target figures which the country plans to meet by 2050. This means the reduction of greenhouse gas emissions – compared to the reference value from 1990 – by 34 per cent by 2020 and by 80 per cent by 2050. In previous years, a critical stepping stone on the way to achieving these targets had been the subsidising, and therefore the expansion, of renewable energies.

The decision in June of 2016 to withdraw from the European Union also changed the framework conditions for British energy policy. The EU guidelines on climate and energy policy were indeed implemented into national British legislation and, as a result, will continue to be enforced even after the withdrawal from the EU; however, uncertainty with regard to investment is expected to increase on the whole.

To this point, potential subsidies in the United Kingdom were dependent upon the generation capacity of the installation and the operational phase of the project. Ground-mounted solar parks with a capacity of up to 5 MW will continue to benefit from a guaranteed feed-in tariff over a period of 20 years. Ground-mounted solar parks with a capacity of over 5 MW have to compete with other established technologies for contracts ("contracts for difference" – CFD) via the competitive granting programme introduced by the government.

As part of a CFD, producers of renewable electricity receive a guaranteed price for their power generated over the life of the CFD. The payment received is calculated by subtracting the market reference price from the base price set out in the CFD. But the electricity producer still has to sell the power they generate via power purchase agreements with buyers.

In the wind energy sector, the United Kingdom plans to rely particularly on the expansion of offshore capacities: at the end of 2016, construction of the largest offshore wind park in the world – Hornsea Project Two in the North Sea – was approved. The total generation capacity of the offshore wind park near the British coast will thus exceed 1.8 GW.

Onshore wind farms are no longer being subsidised as of April 2016, but existing installations will be granted a right of continuance.

Italy – Tendering for 800 MW of wind energy in 2016

In the past, photovoltaic installations in Italy received a fixed feed-in tariff for a term of 20 years depending on the corresponding Conto Energia subsidy, and generated additional income from selling the electricity. Until the end of 2013, it was purchased at a guaranteed minimum price. Following the discontinuation of the Conta Energia subsidies in 2014, newly installed photovoltaic installations now have to compete with the conditions of the market and feed in their electricity at the market price. Operators can market their electricity themselves or sell it at the market price to Gestore dei Servizi Energetici (GSE).

Other renewable energy projects such as wind energy can continue to draw subsidies on the basis of a ministerial decree. However, these subsidies are capped with an annual maximum of subsidy costs at EUR 5.8 billion; once this cap has been reached, no more subsidies will be issued. The decree was valid until 31 December 2016; additional ordinances are expected to be published for 2017 and beyond. The decree provides for, among other things, expansion in onshore wind of 60 MW with regard to installations with capacities of up to 5 MW and, for installations with greater than 5 MW in capacity, expansion of 800 MW in total for 2016. Tenders for the 800 MW of expansion capacity have been accepted since the end of November 2016 as part of an auction process.

In August 2014, the Italian government also issued a retrospective restatement of the feed-in tariff for solar power, with effect from 1 January 2015. Owners of solar parks with an output of more than 200 kW that were paid in accordance with Conto Energia had to accept a reduction of the feed-in tariff of some eight per cent. Many PV park operators and investors – including Capital Stage – have filed a protest of this decision and taken the issue to the Italian higher administrative court. After precedential proceedings over the course of 2015, the ruling of the administrative court of the Lazio region cast doubt on the constitutionality of the retroactive reductions of the feed-in tariffs for solar parks. The case against these reductions has now been sent to the Italian Constitutional Court (*Corte Costituzionale*) for further arguments. In its decision issued at the beginning of December 2016, however, the Corte Costituzionale declared the doubt about the constitutionality of the decision to be unfounded.

Thanks to Capital Stage's conservative investment criteria and the fact that country risk was factored into the return expectations for photovoltaic installations in Italy, the Italian solar parks in the Capital Stage portfolio are still financially attractive and able to operate at a profit after the retroactive reduction in the feed-in tariff. The retroactive cut in the feed-in tariff basically corroborates the higher country risk that Capital Stage assigns to Italy and thus the higher return on capital required for its Italian acquisitions.

Sweden – Expansion target for renewable energy increased

As a rule, renewable energy in Sweden is subsidised through a quota model. As such, energy producers and companies that consume large amounts of electricity are required to draw an annually increasing proportion of their electricity from renewable sources. To do so, they purchase green electricity certificates produced by the green electricity facilities. Using these certificates, they demonstrate how much electricity each year – either delivered to end consumers or consumed themselves – was generated from renewable sources. A mutual market in neighbouring Norway for these certificates has also been in existence since 2012.

In October 2014, a red–green coalition in Stockholm took the reins of official business. According to Minister President Stefan Löfven, Sweden aims to generate at least 30 TWh of its electricity from alternative sources by 2020. In this context, Sweden and Norway agreed in March 2015 to increase expansion targets for renewable energies by nearly eight per cent by 2020.

Austria – Proportion of renewable energies to increase to 34 per cent by 2020

For the purchase of electric power from wind installations, the feed-in tariff comes to EUR 0.0904 per kilowatt-hour in total for applications made in 2016 and EUR 0.0895 per kilowatt-hour in total for applications made in 2017. The term is 13 years from conclusion of the contract. The term of the tariff begins once purchase of green electricity by the office for green electricity processing has commenced. Prior to this, the green electricity may be sold at the market price without resulting in a reduction of the term of the tariff. In Austria, ground-mounted PV parks and installations larger than 200 kWp have not been subsidised since 2015.

Course of business

Manor Farm solar park

On 17 March 2016, Capital Stage acquired 100 per cent of the shares in a solar park near the town of Horton in the United Kingdom. The solar park has a production capacity of almost 5 MWp and was connected to the grid in December 2015. The seller of the solar park is the project developer F&S solar concept, which is headquartered in Euskirchen, Germany. Capital Stage expects the park to make revenue contributions of approximately TGBP 500 (approx. TEUR 580) from its first year of full operation onwards. The park has a long-term power purchase agreement with the internationally active Danish energy-trading company Neas Energy. The total investment volume is around EUR 6 million.

Capital increase carried out

On 20 April 2016, the Management Board of Capital Stage AG, on the basis of authorised capital 2014 and with the approval of the Supervisory Board, decided to increase the company's share capital by up to EUR 7,243,940.00 from EUR 75,483,512.00 to EUR 82,727,452.00 by issuing 7,243,940 new bearer shares for subscription in cash with no subscription rights for existing shareholders. The new shares have dividend rights from 1 January 2016 onwards.

The capital increase was carried out in full at a price of EUR 6.75 per share. The new shares were placed with international institutional investors as well as major shareholders represented on the Supervisory Board and – to a lesser extent – the Management Board of the company. Following the capital increase, share capital amounted to EUR 82,727,452.00, divided into 82,727,452 no-par-value bearer shares. The capital increase was entered in the commercial register of the Hamburg district court on 22 April 2016. Through the capital increase, the company generated gross proceeds in the amount of EUR 48,896,595.00. These funds are intended both for the continuation of the growth course via acquisitions on the project level as well as for the sustainable maintenance of a sound balance sheet structure.

Due to the issuance of a dividend to shareholders, share capital increased by EUR 104,568.00 from EUR 82,727,452.00 to EUR 82,832,020.00. This measure was entered in the commercial register on 1 July 2016.

Acquisition of the German onshore wind park Debstedt

On 19 May 2016, Capital Stage signed a contract for the acquisition of a German onshore wind park near Bremerhaven. The wind park consists of four wind turbines in total and has a production capacity of 18 MW. The wind park was sold by the Bremen-based company Energiekontor AG. The park was initially in its deployment phase and was fully up and running by the end of December 2016. Additionally, the park benefits from a guaranteed feed-in tariff of EUR 0.0840 per kilowatt-hour for three of the wind turbines and EUR 0.0830 per kilowatt-hour for the remaining turbine. Capital Stage expects the wind park to make revenue contributions of nearly EUR 4 million from its first year of full operation onwards. The total investment volume for the acquisition, including debt, is approximately EUR 40 million. Initially, Capital Stage has acquired a 49 per cent participating interest in the wind park. The acquisition of the remaining 51 per cent was carried out as scheduled with the commissioning of the wind park in December 2016.

Acquisition of the British solar park Caddington II

At the end of May 2016, Capital Stage acquired a further British solar park with a generation capacity of around 5 MWp. Total investment volume of the acquisition was around EUR 6.3 million (GBP 4.8 million). The park's seller is the Euskirchen-based project developer F&S solar concept (F&S), from whom Capital Stage has already acquired three British solar parks. The solar park newly acquired by Capital Stage is in south-east England in the county of Bedfordshire. The park has been connected to the British electricity grid since March 2016, and a long-term power purchase agreement was once again concluded with the internationally active Danish energy-trading company Neas Energy. Capital Stage expects the park to make revenue contributions of approximately TGBP 460 (approx. TEUR 540) from its first year of full operation onwards. F&S will initially assume technical management of the park for a period of two years; after this period, it will be transferred to Capital Stage Solar Service GmbH. The solar park was initially acquired from the company's own funds. In February 2017, the park was successfully refinanced via a standard stock financing arrangement.

Announcement of a public voluntary takeover offer for all shares in CHORUS Clean Energy AG

On 30 May 2016, by resolution of the Management Board and Supervisory Board, Capital Stage announced a public voluntary takeover offer for all outstanding shares in CHORUS Clean Energy AG to be exchanged for shares in Capital Stage. This merger will result in one of Europe's largest independent solar and wind energy operators. Hamburg will be the headquarters of the combined company.

With a total capacity of more than 1 GW (without further acquisitions), the combined company will assume an excellent position as an independent operator of solar and wind park facilities. With the takeover, Capital Stage is actively shaping the consolidation of the sector in Germany and Europe and setting the stage for continued growth. The business combination increases the potential for new acquisitions and facilitates the expansion into new geographical markets within and outside Europe, such as North America. Together, the two companies already hold a strong position in their shared core markets of Germany, Italy and France, which are complemented by additional installations in the United Kingdom, Austria, Finland and Sweden. Moreover, the combined company benefits from a balanced and diversified portfolio of wind and solar capacities.

The third-party technical management of the parks in the CHORUS portfolio will be gradually transferred to Capital Stage. At the same time, Capital Stage will make use of its network and many years of experience in renewable energy in order to continue expansion of the asset management for institutional investors.

As part of the exchange offer, CHORUS shareholders received five (5) Capital Stage shares for every three (3) CHORUS shares. The new Capital Stage shares have dividend rights from 1 January 2016 onwards.

The exchange ratio is based on the equity of CHORUS at EUR 11.50 per share as well as the volume-weighted average price of the Capital Stage share from the three months prior to the announcement of the exchange offer (according to information from the German Federal Financial Supervisory Authority (BaFin)) in the amount of EUR 6.90. This represents a premium of 36 per cent on top of the volume-weighted average price of CHORUS shares (according to BaFin) over the three months prior to the announcement of the exchange offer of EUR 8.48 per share.

At the extraordinary shareholders' meeting on 8 July 2016 in Hamburg, Capital Stage shareholders approved – by a majority of 99 per cent of share capital present – the issue of new Capital Stage shares against contribution in kind.

On 28 July 2016, Capital Stage published the documentation for the exchange offer as part of the takeover offer for all shares in CHORUS Clean Energy AG which was announced on 30 May 2016. The offer documentation was prepared based on the German Securities Acquisition and Takeover Act (WpÜG) and its publication was authorised by the German Federal Financial Supervisory Authority (BaFin). From the time of the publication of the bid, CHORUS shareholders were able to redeem every three (3) CHORUS shares for five (5) Capital Stage shares. The first deadline for acceptance was midnight (CET) on 16 September 2016.

The takeover offer was subject to the condition that at least 50 per cent plus one (1) share of the CHORUS shares be submitted for exchange, as well as the successful entry of Capital Stage's increase in real capital, which was necessary for the exchange, into the commercial register. Even before the publication of the documentation of the offer, Peter Heidecker – supervisory board chairman and largest shareholder of CHORUS – and members of the CHORUS Management Board had contractually guaranteed Capital Stage AG the acceptance of the exchange offer for their shares (in total, nearly 15 per cent) in CHORUS as well as their voting rights. Additionally, as part of an extraordinary shareholders' meeting on 8 July 2016, the shareholders of Capital Stage approved by clear majority the real capital increase necessary for the exchange. During the so-called fence-sitting phase, a total of 94.42 per cent of shareholders had exchanged their CHORUS shares for Capital Stage shares. CHORUS Clean Energy AG will be included in the Capital Stage AG group of consolidated companies for the first time from October 2016. The acquisition will therefore be recognised for the first time in the present consolidated financial statements as of 31 December 2016.

Acquisition of the German wind park Breitendeich

On 12 July 2016, Capital Stage acquired a wind park with a total capacity of some 6.4 MW. The park is located in Lower Saxony, between Cuxhaven and Wischhafen, and will comprise a total of two Senvion 114 G-3.25 wind turbines with a hub height of 120 metres. The park is a so-called re-powering wind park, which involves replacing old wind park installations with new ones. The park commenced full operation by the end of December 2016. The total investment volume, including debt, is approximately EUR 13.5 million. Due to the re-powering status, long-term data regarding the wind directly on-site – some of which goes back as far as ten years – can be used for the revenue calculations. In addition, the wind park benefits from a guaranteed feed-in tariff in the amount of EUR 0.0840 per kilowatt-hour over a period of 20 years, adjusted for the direct marketing expenses. Capital Stage thus expects the newly acquired wind park to make revenue contributions of more than EUR 1.4 million in the first full year of operation. With this additional wind park acquisition from Bremen-based Energiekontor AG, the two companies are successfully continuing their partnership which was announced in November 2015. Capital Stage had already acquired wind parks from Energiekontor AG in November 2015 and May 2016. A subsidiary of Energiekontor AG will also assume responsibility for the commercial and technical operation of the recently acquired wind park.

Acquisition of an Italian solar park portfolio

In February 2016, Capital Stage signed a contract for the acquisition of a portfolio of Italian solar parks in the Piedmont region. The seller of the solar park portfolio is a project developer and operational management company based in Spain. The solar park portfolio consists of four solar parks and has a capacity of 16.9 MWp. The transaction for two of the four solar parks was completed on 13 July 2016. The transaction for the remaining two solar parks was completed in February 2017.

Acquisition of the German wind park Grevenbroich

On 10 August 2016, Capital Stage acquired an additional German wind park with a total capacity of some 7.5 MW. The wind park was sold by the Bremen-based company Energiekontor AG. The park is located in North Rhine-Westphalia near the city of Grevenbroich. The total investment volume for the wind park acquired, including debt, is nearly EUR 20 million. The park is a so-called re-powering wind park, which involves replacing old wind park installations with new ones. The park commenced full operation in December 2016. The wind park consists of a total of three General Electric 2.5-120 wind turbines with a hub height of 120 metres. Due to the re-powering status, long-term data regarding the wind directly on-site – some of which goes back as far as ten years – can be used for the revenue calculations. In addition, the wind park benefits from a guaranteed feed-in tariff in the amount of EUR 0.0848 per kilowatt-hour over a period of 20 years. Capital Stage thus expects the newly acquired wind park to make revenue contributions of approximately EUR 2.0 million in the first year following commissioning. Initially, Capital Stage has acquired a 49 per cent participating interest in the wind park. The acquisition of the remaining 51 per cent was carried out as scheduled with the commissioning of the wind park in December 2016.

Business combination with CHORUS Clean Energy AG

More than 94 per cent of CHORUS shareholders have opted for the public voluntary takeover offer by Capital Stage within the official deadline for acceptance. On 14 September 2016, before the end of the scheduled acceptance deadline, the minimum acceptance rate of 50 per cent plus one (1) share was reached; in fact, with a result of 84.23 per cent on 16 September 2016, this minimum was significantly exceeded by the end of the scheduled acceptance deadline. At the end of the extended acceptance deadline on 5 October 2016, the acceptance rate was 94.42 per cent.

More than 26 million CHORUS shares in total were therefore submitted for exchange for Capital Stage shares. This means that more than 43 million new Capital Stage shares were issued from a capital increase based on an exchange ratio of five Capital Stage shares for every three CHORUS shares.

The business combination of Capital Stage and CHORUS results in one of the leading independent operators of solar and wind park facilities in Europe with a total capacity of more than 1 GW, which is enough generation capacity to provide more than 500,000 homes with electricity annually. The takeover strengthens our market position, increases our efficiency and paves the way for additional growth.

CHORUS Clean Energy AG will be included in the Capital Stage group of consolidated companies for the first time from October 2016. Because the acquisition and the initial consolidation of CHORUS took place in October 2016, the takeover of CHORUS is reflected for the first time in the financial figures of the present consolidated financial statements. Revenue from CHORUS is for the period from October to December 2016.

Successful execution of the capital increase against contribution in kind following conclusion of public voluntary takeover offer to the shareholders of CHORUS Clean Energy AG

On 20 October 2016, in connection with the public voluntary takeover offer to the shareholders of CHORUS Clean Energy AG, Capital Stage announced the successful execution of the capital increase against contributions in kind in the amount of approximately EUR 43.6 million through the issue of approximately 43.6 million new shares. The basis for the capital increase is the decision made by the extraordinary shareholders' meeting of Capital Stage on 8 July 2016. The capital increase was entered in the commercial register on 18 October 2016.

As a result of the capital increase, share capital of Capital Stage increased by EUR 43,599,975.00 from EUR 82,832,020.00 to EUR 126,431,995.00 through the issue of 43,599,975 new no-par-value bearer shares, each representing EUR 1.00 of share capital. The contributions in kind comprise 26,159,985 no-par-value bearer shares in CHORUS, each representing EUR 1.00 of share capital. The new shares have dividend rights from the 2016 financial year onwards.

The new shares successfully entered trading on 19 October 2016 on the regulated market (Prime Standard) of the Frankfurt Stock Exchange under the ISIN DE0006095003 or under the SIN 609500.

Changes in the Management and Supervisory Boards of Capital Stage

The Supervisory Board of Capital Stage appointed Holger Götze (born in 1969) to the Management Board of Capital Stage with immediate effect (at the time the capital increase was entered in the commercial register) in accordance with the business combination agreement of both companies from 30 May 2016. As the chief operating officer (COO) of Capital Stage, Holger Götze is primarily responsible for operations. Simultaneously, Holger Götze resigned his previous position as member and chairman of the Management Board of CHORUS.

Due to the changes to the Articles of Association which were concluded by the Annual General Meeting on 8 July 2016 and entered into the commercial register on 20 October 2016, the Supervisory Board was expanded by two seats to a total of eight members.

The new Supervisory Board positions were filled by Christine Scheel (born in 1956) and Peter Heidecker (born 1958) with immediate effect. Ms Scheel and Mr Heidecker were already approved for this post by a large majority at the extraordinary shareholders’ meeting of Capital Stage AG on 8 July 2016.

On 18 November 2016, Professor Klaus-Peter Maubach, Chief Executive Officer (CEO) of Capital Stage AG, informed the Supervisory Board of the company that he will resign his Management Board membership of his own volition as of 31 December 2016. According to Professor Maubach, the reasons for his decision were exclusively private and personal. The Supervisory Board regretfully accepted his decision. It is the wish of the Supervisory Board, and in particular the majority shareholders represented on the Supervisory Board, that Professor Maubach be elected as a further member of the Supervisory Board at the next Annual General Meeting of Capital Stage AG. Professor Maubach has declared himself willing to accept this position.

With Dr Christoph Husmann, whose appointment was extended by three more years through to 30 September 2020, as chief financial officer (CFO) and Holger Götze, former CEO of CHORUS Clean Energy AG, as COO, the Management Board of the company remains in good hands.

Acquisition of a solar park in the United Kingdom

In October 2016, Capital Stage acquired an additional British solar park with a total capacity of 5 MW. The park has a fixed guaranteed feed-in tariff with a term of 20 years, is already in operation and has been connected to the grid since December 2015. The park lies in south-west England in the county of Devon near the city of Exeter. There is a guaranteed purchase obligation at a feed-in tariff of around GBP 0.1114 (approx. EUR 0.13) per kilowatt-hour. The park was sold by HCE Europe Limited (HCE), a subsidiary of Indian project developer Hindustan Cleanenergy Limited. Total investment volume for the acquisition was around EUR 6.5 million (GBP 5.7 million). Capital Stage expects the park to make revenue contributions of approximately TEUR 700 (approx. TGBP 600) from its first year of full operation onwards. Technical operations will be managed by a subsidiary of HCE for two years. Afterwards, technical management of the park will be transferred to Capital Stage Solar Service GmbH, a wholly owned subsidiary of Capital Stage AG. Capital Stage is responsible for the commercial management. The solar park was initially financed from the company’s own funds. It is later planned to be refinanced by means of typical financing on a project level.

Expansion of the French solar park portfolio by 60 MW by the end of 2017

As previously announced in March 2016, the company will expand its French solar park portfolio by more than 60 MW by the end of 2017. To this end, the company secured the typical financing of the parks on a project level on 17 November 2016 together with its French partner Luxel, a project developer and independent electricity producer headquartered in Pérols in southern France. The concluded financing amounts to around EUR 50 million and has been made available by French banking group Crédit Agricole. As is typical, the financing of the solar parks consists of non-recourse loans on the level of the individual park companies. Luxel is primarily responsible for construction of the parks in close collaboration with Capital Stage. The French solar parks have guaranteed feed-in tariffs with a term of 20 years. Capital Stage expects the first park (5 MW) to be fully up and running by the second quarter of 2017, and the last park (10 MW) by the end of 2017. Contributions to revenue made by the new French parks – from their first full year of operation respectively – will cumulatively amount to EUR 6.2 million.

Performance against targets in 2016

In the forecast included in the 2015 management report, the Management Board of Capital Stage predicted that, regarding the operating KPIs adjusted for non-cash IFRS effects, the positive revenue and earnings trend would continue in the 2016 financial year.

Group	Forecast in AR 2015	2016 actual (operating)	2015 actual (operating)	% (yoy)
in EUR m				
Revenue	>130	141.8	112.8	+25.7
EBITDA	>100	106.1	86.8	+22.2
EBIT	>60	61.6	55.4	+11.2
Operating Cashflow	>93	103.8	74.5	+39.3
Technical availability of installations in %	>95	98.0		

In spite of below-average wind compared to the long-term average, the revenue forecasts were significantly exceeded once again in the 2016 financial year, with both the solar park portfolio and the wind park portfolio recording substantial growth. This is due to the expansion of the portfolio both in the wind and solar sectors, as well as the takeover of CHORUS in October 2016 in particular. As a rule, there is greater uncertainty in forecasting for the wind segment than for the PV segment, because wind is subject to heavier fluctuations from year to year than the amount of sunshine. While the existing parks in the wind park portfolio were mostly below expectations due to weather conditions – for example, the wind parks Olbersleben and Gauaschach were approximately 13 per cent below forecasts – the parks in the international solar park portfolio exceeded forecast figures. For example, the biggest solar park in Brandenburg, in which Google holds a 49 per cent stake, was 13 per cent over plan. The German solar parks Rassnitz, Asperg Erste (Rödgen) and Lochau were all some 13 per cent above expectations, and the Italian solar parks Notaresco and Camporota some six per cent. By exceeding its forecast figures by approximately four per cent, existing French park Aquitaine also contributed to the positive development. In the wind segment, the existing Italian park Vitalba was a positive highlight and exceeded its targets by nearly seven per cent.

Comparison of the actual figures for 2016 presented in the table with those forecast in the 2015 annual report is only possible to a certain extent – in particular, due to the inclusion of CHORUS Clean Energy from the fourth quarter of 2016. Without the takeover of CHORUS Clean Energy, revenue for Capital Stage AG would have been slightly below the forecast figure due to below-average wind; however, Capital Stage AG would have achieved the key figures of EBITDA, EBIT and operating cash flow.

For the purpose of comparison, Capital Stage published an adjusted forecast for the 2016 financial year in its ad hoc notification on 21 November 2016. In this adjusted forecase, the Management Board of Capital Stage AG expected an increase in revenue of more than EUR 140 million for the 2016 financial year. The operating earnings before interest, taxes, depreciation and amortisation (operating EBITDA) were expected to increase to over EUR 140 million. The projected operating earnings before interest and taxes (operating EBIT) should increase to over EUR 60 million. Cash flow from operating activities is expected to come in at more than EUR 98 million. The forecast figures presented here were adjusted by one-time special expenses in connection with the takeover of CHORUS Clean Energy by Capital Stage AG in the amount of approximately EUR 6 million in the operating earnings indicators (EBITDA and EBIT) as well as approximately EUR 8 million in cash flow from operating activities.

Capital Stage was able to exceed the adjusted forecast from 21 November 2016. As stated in the ad hoc notification, key indicators EBITDA and EBIT were adjusted by one-time special expenses in the amount of some EUR 4.6 million in connection with the takeover of CHORUS Clean Energy AG. Less these expenses, the operating EBITDA rose to EUR 106.1 million and the operating EBIT rose to EUR 61.6 million.

Operating financial income is characterised by the acquisition of new solar parks and wind parks, whose financing is carried out to a significant extent by borrowing. Additionally, due to its takeover in October 2016, the inclusion of CHORUS Clean Energy AG in the group of consolidated companies has had an effect on the Group, causing the operating financial income to go up from TEUR –29,636 the previous year to TEUR –38,683 in the 2016 financial year. This includes the financial results for CHORUS in the fourth quarter of 2016 in the amount of TEUR –3,812. Of this increase, TEUR –1,377 is also allotted to interest expenses for the mezzanine capital of Gothaer Versicherungen, which were only partially accrued in the previous year.

Adjusted for one-time expenses as part of the takeover of CHORUS Clean Energy (EUR 8,5 million), operating cash flow increased from EUR 74.5 million in the previous year to EUR 103.8 million in the 2016 financial year.

Segment development

PV Parks segment

The German solar park portfolio was about four per cent above plan on a cumulative basis. This was primarily attributable to the German solar parks Brandenburg, Asperg Erste (Rödgen), Rassnitz and Lochau (12 per cent above plan respectively). The Italian portfolio of solar parks was two per cent above plan cumulatively, which is attributable in particular to the solar parks Notaresco, Fano Solar 2 and Camporota. This also includes – for the period from October to December 2016 – the solar parks acquired as part of the takeover of CHORUS in October 2016. The British and French solar park portfolios were both slightly below target.

Actual power fed into the grid by solar parks in the Group's own portfolio amounted to 555,813 MWh in the 2016 financial year (previous year: 477,797 MWh). Of that, a total of 21,280 MWh for the fourth quarter of 2016 is attributable to CHORUS companies. Compared to the previous year, electricity production increased by some 16 per cent. Of the power fed in, 29 per cent (previous year: 32 per cent) is attributable to solar parks in Germany, 32 per cent (previous year: 37 per cent) to solar parks in France, 25 per cent (previous year: 20 per cent) to solar parks in Italy and 14 per cent (previous year: 11 per cent) to solar parks in the United Kingdom.

Solar parks acquired in 2016:

Manor Farm solar park, Group share: 100 %

On 17 March 2016, Capital Stage acquired 100 per cent of the shares in a solar park near the town of Horton in the United Kingdom. The solar park has a production capacity of almost 5 MWp and was connected to the grid in December 2015. The seller of the solar park is the project developer F&S solar concept, which is headquartered in Euskirchen, Germany. Capital Stage expects the park to make revenue contributions of approximately TGBP 500 (approx. TEUR 580) from its first year of full operation onwards. The park has a long-term power purchase agreement with the internationally active Danish energy-trading company Neas Energy. The total investment volume is around EUR 6 million.

Caddington II solar park, Group share: 100 %

At the end of May 2016, Capital Stage acquired a further British solar park with a generation capacity of around 5 MW. Total investment volume of the acquisition is around EUR 6.3 million (GBP 4.8 million). The park's seller is the Euskirchen-based project developer F&S solar concept (F&S), from whom Capital Stage has already acquired three British solar parks. The solar park newly acquired by Capital Stage is in south-east England in the county of Bedfordshire. The park has been connected to the British electricity grid since March 2016, and a long-term power purchase agreement was once again concluded with the internationally active Danish energy-trading company Neas Energy. Capital Stage expects the park to make revenue contributions of approximately TGBP 460 (approx. TEUR 540) from its first year of full operation onwards. F&S will initially assume technical management of the park for a period of two years; after this period, it will be transferred to Capital Stage Solar Service GmbH. The solar park was initially acquired from the company's own funds. In February 2017, the park was successfully refinanced via a standard stock financing arrangement.

Solar park portfolio Ribaforada and Eguzki, Group share: 100 %

In February 2016, Capital Stage signed a contract for the acquisition of a portfolio of Italian solar parks in the Piedmont region. The seller of the solar park portfolio is a project developer and operational management company based in Spain. The solar park portfolio consists of four solar parks and has a capacity of 16.9 MWp. The transaction for two of the four solar parks was completed on 13 July 2016. The transaction for the remaining two solar parks was completed in February 2017.

Cullompton solar park, Group share: 100 %

In October 2016, Capital Stage acquired an additional British solar park with a total capacity of 5 MW. The park has a fixed guaranteed feed-in tariff with a term of 20 years, is already in operation and has been connected to the grid since December 2015. The park lies in south-west England in the county of Devon near the city of Exeter. There is a guaranteed purchase obligation at a feed-in tariff of around GBP 0.1114 (approx. EUR 0.13) per kilowatt-hour. The park was sold by HCE Europe Limited (HCE), a subsidiary of Indian project developer Hindustan Cleanenergy Limited. Total investment volume for the acquisition is around EUR 6.5 million (GBP 5.7 million). Capital Stage expects the park to make revenue contributions of approximately TEUR 700 (approx. TGBP 600) from its first year of full operation onwards. Technical operations will be managed by a subsidiary of HCE for two years. Afterwards, technical management of the park will be transferred to Capital Stage Solar Service GmbH, a wholly owned subsidiary of Capital Stage AG. Capital Stage is responsible for the commercial management. The solar park was initially financed from the company's own funds. It is later planned to be refinanced by means of typical financing on a project level.

Solar park portfolio in France, Group share: 100 %

As previously announced in March 2016, the company will expand its French solar park portfolio by more than 60 MW by the end of 2017. To this end, the company secured the typical financing of the parks on a project level on 17 November 2016 together with its French partner Luxel, a project developer and independent electricity producer headquartered in Pérols in southern France. The concluded financing amounts to around EUR 50 million and has been made available by French banking group Crédit Agricole. As is typical, the financing of the solar parks consists of non-recourse loans on the level of the individual park companies. Luxel is primarily responsible for construction of the parks in close collaboration with Capital Stage. The French solar parks have guaranteed feed-in tariffs with a term of 20 years. Capital Stage expects the first park (5 MW) to be fully up and running by the second quarter of 2017, and the last park (10 MW) by the end of 2017. Contributions to revenue made by the new French parks – from their first full year of operation respectively – will cumulatively amount to EUR 6.2 million.

Solar park portfolio of CHORUS Clean Energy AG

Thanks to the successful business combination between Capital Stage AG and CHORUS Clean Energy AG in October 2016, the solar park portfolio was expanded by 55 parks in Germany and Italy, not including the solar parks managed for third parties by CHORUS Clean Energy AG as part of their Asset Management segment.

Wind Parks segment

As of 31 December 2016, the wind park portfolio of Capital Stage comprised a total of 24 wind parks with a total generation capacity of 255 MW, with parks located in the countries of Germany, Italy, France and Austria. Wind speeds were below the long-term average, so on a cumulative basis the wind park portfolio was below plan as of 31 December 2016.

Wind parks acquired in 2016:

Windpark Debstedt, Group share: 100 %

On 19 May 2016, Capital Stage signed a contract for the acquisition of a German onshore wind park near Bremerhaven. The wind park consists of four wind turbines in total and has a production capacity of 18 MW. The wind park was sold by the Bremen-based company Energiekontor AG. The park was initially in its deployment phase and was fully up and running by the end of December 2016. The park benefits from a guaranteed feed-in tariff of EUR 0.0840 per kilowatt-hour for three of the wind turbines and EUR 0.0830 per kilowatt-hour for the remaining turbine. Capital Stage expects the wind park to make revenue contributions of nearly EUR 4 million from its first year of full operation onwards. The total investment volume for the acquisition, including debt, is approximately EUR 40 million. Initially, Capital Stage has acquired a 49 per cent participating interest in the wind park. The acquisition of the remaining 51 per cent was carried out as scheduled with the commissioning of the wind park in December 2016.

Windpark Breitendeich, Group share: 100 %

On 12 July 2016, Capital Stage acquired a wind park with a total capacity of some 6.4 MW. The park is located in Lower Saxony, between Cuxhaven and Wischhafen, and will comprise a total of two Senvion 114 G-3.25 wind turbines with a hub height of 120 metres. The park is a so-called re-powering wind park, which involves replacing old wind park installations with new ones. The park commenced full operation by the end of December 2016. The total investment volume, including debt, is approximately EUR 13.5 million. Due to the re-powering status, long-term data regarding the wind directly on-site – some of which goes back as far as ten years – can be used for the revenue calculations. In addition, the wind park benefits from a guaranteed feed-in tariff in the amount of EUR 0.0840 per kilowatt-hour over a period of 20 years, adjusted for the direct marketing expenses. Capital Stage thus expects the newly acquired wind park to make revenue contributions of more than EUR 1.4 million in the first full year of operation. With this additional wind park acquisition from Bremen-based Energiekontor AG, the two companies are successfully continuing their partnership which was announced in November 2015. Capital Stage had already acquired wind parks from Energiekontor AG in November 2015 and May 2016. A subsidiary of Energiekontor AG will also assume responsibility for the commercial and technical operation of the recently acquired wind park.

Windpark Grevenbroich, Group share: 100 %

On 10 August 2016, Capital Stage acquired an additional German wind park with a total capacity of some 7.5 MW. Once again, the wind park was sold by the Bremen-based company Energiekontor AG. The park is located in North Rhine-Westphalia near the city of Grevenbroich. The total investment volume for the wind park acquired, including debt, is nearly EUR 20 million. The park is a so-called re-powering wind park, which involves replacing old wind park installations with new ones. The park commenced full operation in December 2016. The wind park consists of a total of three General Electric 2.5-120 wind turbines with a hub height of 120 metres. Due to the re-powering status, long-term data regarding the wind directly on-site – some of which goes back as far as ten years – can be used for the revenue calculations. In addition, the wind park benefits from a guaranteed feed-in tariff in the amount of EUR 0.0848 per kilowatt-hour over a period of 20 years. Capital Stage thus expects the newly acquired wind park to make revenue contributions of approximately EUR 2.0 million in the first year following commissioning. Initially, Capital Stage has acquired a 49 per cent participating interest in the wind park. The acquisition of the remaining 51 per cent was carried out as scheduled with the commissioning of the wind park in December 2016.

Wind park portfolio of CHORUS Clean Energy AG

Thanks to the successful business combination between Capital Stage AG and CHORUS Clean Energy AG in October 2016, the wind park portfolio was expanded by 15 parks in Germany, France, and Austria, not including the wind parks managed for third parties by CHORUS Clean Energy AG as part of their Asset Management segment.

PV Service segment

Capital Stage Solar Service GmbH, Group share: 100 %

Earnings after taxes came in at TEUR 967 in the 2016 financial year and were therefore down TEUR 200 from the previous year’s level (TEUR 1,167). The decrease in earnings is largely due to restructuring of the transfer prices within the Group. Since 2016, the transfer of fees for the commercial operation provided by Capital Stage AG are directly invoiced by the AG. While revenue and other income recorded a decrease of TEUR 163, depreciation and amortisation as well as expenses for materials and personnel and other expenses increased by TEUR 36. At TEUR –19, the financial result was approximately at the same level as the previous year (TEUR –17). The Company has assumed responsibility for the technical operation of nearly all the Capital Stage Group solar parks in Germany as well as most of the Italian parks. The volume of Group assets under management amounts to approximately 190 MWp as of 31 December 2016.

From 2012 onwards, Capital Stage Solar Service GmbH also took over contracts for the technical operation of parks not belonging to the Capital Stage Group. The parks in question are located in Saxony-Anhalt, Thuringia, Brandenburg and northern Italy. The volume of non-Group assets under management comes to around 18 MWp.

Asset Management segment

The successful business combination between Capital Stage AG and CHORUS Clean Energy AG has resulted in the acquisition of a new segment for the Group. Asset management includes all services for third-party investors – that is, the initiation of funds and/or the individual design and structuring of other investments for professional investors within the renewable energies sector as well as the operation of the facilities owned by these investors. As of 31 December 2016, the portfolio comprises a total of seven solar parks and 20 wind parks in the countries of Germany, Italy, France, the United Kingdom, Finland and Sweden.

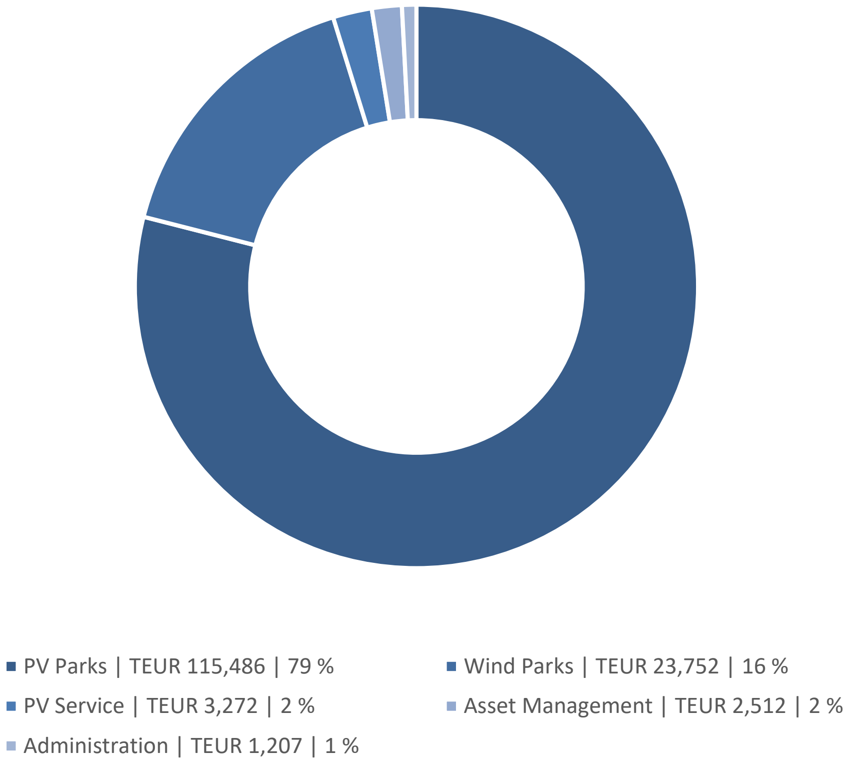
In the fourth quarter of 2016 – that is, since the inclusion of CHORUS Clean Energy AG in the group of consolidated companies for the Capital Stage Group in October 2016 – earnings after taxes were TEUR 4,483. Primarily other expenses and depreciation and amortisation totalling TEUR 1,488 had the opposite effect of revenue in the amount of TEUR 2,512 and financial income in the amount of TEUR 3,704.

Earnings, net assets and financial position of the Capital Stage Group

Earnings position

In the 2016 financial year, the Group generated revenue of TEUR 141,783 (previous year: TEUR 112,802). The growth of some 26 % is due to the expansion of both the solar park portfolio as well as the wind park portfolio. Compared to the previous year, the Italian solar parks generated income that was EUR 11.1 million higher. The German and British solar parks contributed to grow as well, with sales growth of EUR 2.1 million and EUR 2.6 million respectively. Due to adverse weather conditions, the French solar parks fell short of the previous year’s revenue level by EUR 1.4 million. Altogether, the parks acquired as part of the takeover of CHORUS Clean Energy generated revenue of EUR 6.1 million, thereby contributing to the overall increase in revenue. The wind park portfolio was able to record a sales surplus of EUR 11.9 million, of which EUR 5.5 million results from CHORUS wind parks. Moreover, revenue also includes income of EUR 2.5 million from Asset Management. Sales revenues are made up of revenue from feeding electricity into the grid, from the operation of parks owned by third parties and from revenue from Asset Management.

Revenue by segment is as follows:



Revenue for the PV Service segment includes TEUR 2,873 (previous year: TEUR 3,027) in revenue from affiliates, which is eliminated in the consolidated financial statements. This relates to technical management services which Capital Stage Solar Service GmbH provides for the Group's own solar parks and wind parks. Revenues for the PV Parks and Wind Parks segments include TEUR 0 each (previous year: TEUR 695 and TEUR 31 respectively) in Group-internal revenue to be eliminated. Revenue for the Administration and Asset Management segments represents charges to internal cost centres in the amount of TEUR 1,569 (previous year: TEUR 176) and TEUR 4 (previous year: TEUR 0), which are eliminated in the consolidated financial statements.

The Group generated other income of TEUR 29,399 (previous year: TEUR 19,216)[1]. In accordance with IFRS 3, the Capital Stage Group carried out provisional purchase price allocations as of the acquisition dates for the solar parks and wind parks in 2016 in order to incorporate the assets acquired and debts assumed into the consolidated financial statements. In the course of the purchase price allocations, all the assets acquired and debts assumed of which the Group was aware at this time were identified and measured at fair value. This gave rise to a negative difference of TEUR 21,093 (previous year: TEUR 12,009)[1] through profit or loss in the reporting year. This also includes adjustments to the provisional purchase price allocations within the valuation period as per IFRS 3.45 for solar parks acquired in 2015 and 2016 totalling TEUR –1,028. Compared with the provisional purchase price allocations and the presentation in the interim financial reports for 2016, there were also changes to non-current assets totalling TEUR –1,138, to deferred tax assets totalling TEUR 1, deferred tax liabilities totalling TEUR –331 and to financial liabilities totalling TEUR 3. Reasons for the adjustments were contained in the submitted final acquisition balance sheets, changes to measurement parameters, a subsequent purchase price adjustment and the revaluation of financial liabilities and non-current assets.

The eight PPAs from the 2016 financial year are still provisional, because the technical reviews and the related final budgets, which form the basis for the valuation of the intangible assets, have also not yet been completed.

The cost of materials for the reporting year totalled TEUR 1,326 (previous year: TEUR 921). The increase stems mainly from greater expenses for electricity used due to the expansion of the portfolio of solar parks and wind parks.

Personnel expenses increased from TEUR 5,758 in the 2015 financial year to TEUR 8,541 in the reporting year. This increase is to a lesser extent due to the expansion of the team of Capital Stage AG brought on by growth and primarily the personnel increase associated with the takeover of CHORUS Clean Energy AG in October 2016. In the 2016 financial year, TEUR 162 (previous year: TEUR 181) from the share option programme was recognised as personnel expenses. This item arose from the valuation of the options at their fair value on their respective dates of issue; it covers the first through the fourth tranche as well as the sixth tranche of the programme.

As of 31 December 2016, the Capital Stage Group employed 93 people excluding the Management Board (previous year: 46). The increase results primarily from the takeover of CHORUS Clean Energy AG as well as the expansion of the team of Capital Stage AG brought on by growth.

Other expenses in the 2016 financial year came to TEUR 37,562 (previous year: TEUR 23,565). This mainly consists of costs of TEUR 27,741 for operating solar parks and wind parks (previous year: TEUR 19,065). The increase stems primarily from the portfolio expansion and the fact that some solar parks and wind parks were only included *pro rata temporis* in 2015. Expenses were incurred for, among other things, the technical and commercial management, repairs and maintenance, rent, insurance, grounds maintenance and ongoing operation, which includes, among other things, costs for vehicles, costs for IT and telecommunications and the remuneration of the Supervisory Board. Costs for transactions, due diligence and (legal) advice in the amount of TEUR 6,297 include a total of TEUR 4,597 for one-time expenses incurred in connection with the takeover of CHORUS Clean Energy AG. Of that, TEUR 2,827 relate to expenses with effect on profit or loss for transaction costs at Capital Stage AG and TEUR 1,770 to expenses at CHORUS Clean Energy AG. Other operating taxes of TEUR 1,817 were incurred (previous year: TEUR 2,493) and include, among others, land tax as well as a tax on companies connected to the grid in France.

In the 2016 financial year, the Group reported earnings before interest, taxes, depreciation and amortisation (EBITDA) of TEUR 123,752 (previous year: TEUR 101,773)[1]. The EBITDA margin was 87 per cent (previous year: 90 per cent)[1]. Without the one-time costs from the takeover, the EBITDA margin would have been 90 per cent.

Depreciation and amortisation of TEUR 64,028 (previous year: TEUR 47,888) consists principally of depreciation of photovoltaic installations and wind turbines and amortisation of intangible assets. The increase stems partly from the newly acquired solar and wind parks and those only consolidated *pro rata temporis* the previous year. In the previous year, this included amortisation in the total amount of TEUR 6,967 from the one-time adjustment of the useful life of the electricity feed-in contracts to the length of the legally regulated term of the subsidy.

As of the reporting date, the Company had carried out impairment tests for goodwill. The impairment tests were based on the future discounted cash flows and resulted in an impairment loss of TEUR 517.

Earnings before interest and taxes (EBIT) increased from TEUR 53,885[1] in the previous year to TEUR 59,724 in the 2016 financial year. This represents an EBIT margin of around 42 per cent (previous year: 48 per cent)[1]. Without the one-time costs from the takeover, the EBIT margin would have been 45 per cent.

Financial income rose from TEUR 1,722 the previous year to TEUR 5,654 in the reporting year. This includes income from changes in the market values of interest rate swaps in the amount of TEUR 2,921. Financial expenses of TEUR 54,407 were incurred (previous year: TEUR 34,887). This includes in particular the interest expenses for the non-recourse loans to finance installations in the park companies, expenses from currency translation and interest expenses in connection with the mezzanine capital of Gothaer Versicherungen.

Earnings before taxes (EBT) therefore came to TEUR 10,950 (previous year: TEUR 20,721)[1]. The EBT margin was approximately eight per cent (previous year: 18 per cent)[1].

The consolidated income statement shows tax income for 2016 of TEUR 857 (previous year: TEUR 5,522)[1], which is attributable to non-cash deferred taxes and effective tax payments. Current tax expenses of TEUR 2,420 (previous year: TEUR 2,366) relate largely to foreign solar parks (TEUR 1,595; previous year: TEUR 1,623). Deferred tax expenses of TEUR 3,277 (previous year: TEUR 7,889)[1]. The deferred tax expenses result primarily from the amortisation of the electricity feed-in contracts and from the recognition of deferred tax assets on tax loss carry-forwards that increased due to the utilisation of additional depreciation for tax purposes.

Altogether, this results in Group earnings after taxes (EAT) of TEUR 11,807 (previous year: TEUR 26,157)[1].

Group earnings after taxes (EAT) are made up of earnings attributable to shareholders of the parent company of TEUR 11,399 (previous year: TEUR 25,635[1]) and earnings attributable to non-controlling interests of TEUR 408 (previous year: TEUR 521).

Comprehensive income for the Group of TEUR 10,033 (previous year: TEUR 27,004)[1] is made up of Group earnings after taxes and changes in other reserves shown in equity of TEUR 1,773 (previous year: TEUR 847). In addition to the hedge reserve (incl. the corresponding deferred tax effects) in the amount of TEUR –2,573 (previous year: TEUR 646), other reserves include the currency translation reserve in the amount of TEUR 991 (previous year: TEUR 201) as well as the effects from the valuation of available-for-sale financial assets with no effect on profit or loss in the amount of TEUR –191 (previous year: TEUR 0).

Basic earnings per share (after non-controlling interests) were EUR 0.13 (previous year: EUR 0.34)[1]. The average number of shares in circulation in the reporting period was 89,498,004 (previous year: 74,545,502). Diluted earnings per share were EUR 0.13 (previous year: EUR 0.34)[1].

Determining the operating KPIs (adjusted for IFRS effects)

As outlined in the chapter on the internal management system at Capital Stage, Group IFRS accounting is influenced by non-cash valuation effects and the resulting depreciation and amortisation. In addition, non-cash interest effects and deferred taxes impair a transparent view of the operating earnings situation as per IFRS.

in TEUR	Notes	2016	2015[1]
Revenue	3.18; 5.1	141,783	112,802
Other income	5.2	29,399	19,216
Cost of materials	5.3	-1,326	-921
Personnel expenses of which TEUR -162 (previous year: EUR -181) in share-based remuneration	5.4	-8,541	-5,758
Other expenses	5.5	-37,562	-23,565
Adjusted for the following effects:			
Income from the disposal of financial investments and other non-operating income		-713	-41
Other non-cash income (primarily profit from business combinations [badwill] and the reversal of interest rate advantages from subsidised loans [government grants] as well as non-cash non-period income)		-25,133	-17,995
Other non-operating expenses*		7,997	2,907
Share-based remuneration		162	181
Adjusted operating EBITDA		**106,064**	**86,826**
Depreciation or amortization	5.6	-64,028	-47,888
Adjusted for th following effects:			
Amortisation of intangible assets (electricity feed-in contracts) acquired as part of business combinations		19,841	14,749
Depreciation of step-ups on property, plant and equipment acquired as part of business combinations		-288	1,710
Adjusted operating EBIT		**61,589**	**55,397**
Financial result	5.7	-48,774	-33,165
Adjusted for the following effects:			
Other non-cash interest and similar expenses and income (primarily arising from effects of currency translation, effective interest rate calculation, swap valuation and interest cost from subsidised loans [government grants])		10,091	3,529
Adjusted operating EBT		**22,906**	**25,761**
Tax income	5.8	857	5,522
Adjusted for the following effects:			
Deferred taxes (non-cash items)		-3,277	-7,889
Adjusted operating EAT		**20,486**	**23,395**

* The adjusted other non-operating expenses totalling TEUR 7,997 include one-time expenses stemming from the takeover of CHORUS Clean Energy AG in the amount of TEUR 4,597. Therefore, the EBITDA and EBIT presented are comparable to the ad hoc notification from 21 November 2016.

Financial position and cash flow

The change in cash and cash equivalents in the reporting period was TEUR 74,069 (previous year: TEUR -35,929) and is made up as follows:

Net cash flow from operating activities increased by approximately 28 %, from TEUR 74,501 the previous year to TEUR 95,263 in the reporting year. It consisted largely of cash inflows from the operating business of the solar parks and wind parks. Also included here are changes in assets and liabilities not attributable to investing or financing activities.

Cash flow from investing activities of TEUR -19,252 (previous year: TEUR -85,879) and primarily consist of payments for the acquisition of solar and wind parks (TEUR –34,447) and payments received for the disposal of consolidated companies at CHORUS in the fourth quarter of 2016 (TEUR 15,196). The decrease in cash flow which was used for investment purposes results from a reduction in growth in 2016. This decrease is due to the Company concentrating on the takeover of CHORUS which, because it was financed via share exchange, is not presented in the cash flow statement. Furthermore it must be noted that, due to the nearly complete investment of the mezzanine capital from Gothaer Versicherungen in 2015, the share of the Company's own funds once again increased in 2016.

Cash flow from financing activities amounted to TEUR -101 (previous year: TEUR -23,262) and included proceeds from capital increases in the amount of TEUR 48,897.

In the 2016 financial year, TEUR 70,167 (previous year: TEUR 173,617) was raised in the form of loans. Non-current loans of TEUR 25,737 were taken out to finance solar and wind parks (previous year: TEUR 27,411); this also includes the working capital loan taken out in the amount of TEUR 20,000. As of the reporting date, Capital Stage has drawn the entirety of the EUR 150 million from Gothaer Versicherungen in mezzanine capital which was made available to the Company in 2014 within the framework of a long-term strategic partnership over a period of 20 years.

Total interest payments and repayments for the Group's loans resulted in a cash outflow of TEUR –100,601 in 2016 (previous year: TEUR -182,253). In the previous year, this included the refinancing of the Grid Essence solar park portfolio in the United Kingdom.

A decision was made at the annual shareholders' meeting of Capital Stage AG on 25 May 2016 to distribute a dividend of EUR 0.18 per entitled share. This represents an increase of 20 per cent over the previous year (EUR 0.15 per share). Capital Stage AG once again gave its shareholders the option of receiving the dividend either wholly or partially in cash or in the form of shares. The Management and Supervisory Boards of Capital Stage AG generated the shares required to fulfil the resolution on appropriation of profit on the basis the authorised share capital against contribution in kind. To this end, the Management Board resolved on 25 May 2016, with the approval of the Supervisory Board granted on the same day, to increase the Company's share capital by up to EUR 1,838,388.00 from EUR 82,727,452.00 by issuing up to 1,838,388 new bearer shares with a nominal value of EUR 1.00 of total share capital each (the "new shares"), with subscription rights and against a contribution in kind. In total, 104,568 new bearer shares were issued. The new shares have dividend rights from 1 January 2016 onwards. The capital increase was entered in the commercial register on 1 July 2016. This measure therefore resulted in a share capital increase of EUR 104,568.00, going from EUR 82,727,452.00 to EUR 82,832,020.00.

Assets position

As of 31 December 2016, equity amounted to TEUR 608,556 (31 December 2015: TEUR 256,994)[1]. The increase in the amount of TEUR 351,562, or 137 per cent, is primarily the result of the capital increases carried out during the 2016 financial year. An increase in equity totalling TEUR 47,983 under consideration of issue costs results from the capital increase for subscription in cash carried out in April 2016. The capital increase in return for shares carried out in October 2016 as part of the voluntary public takeover offer to the shareholders in CHORUS Clean Energy AG resulted in an increase in equity of TEUR 293,236 under consideration of issue costs. Operating earnings also had an increasing effect on equity. The equity ratio is 25.85 % (previous year: 19.40 %)[1].

Total assets increased from TEUR 1,324,816[1] the previous year to TEUR 2,353,797 in the reporting year.

As of 31 December 2016, the Group held intangible assets worth TEUR 593,270 (31 December 2015: TEUR 176,250). During the (partially still ongoing) preliminary purchase price allocation process for the solar parks and wind parks acquired or consolidated for the first time in 2016, the electricity feed-in contracts between the parks and the energy supply companies and the exclusive licenses were valued, leading to the capitalisation of intangible assets amounting to TEUR 447,695 (31 December 2015: TEUR 45,710). TEUR 384,787 of this is attributable to intangible assets which were capitalised within the context of the purchase price allocation for CHORUS. The asset is to be written down over the life of the guaranteed feed-in tariff, which is generally a period of 20 years.

Goodwill stood at TEUR 22,292 as of 31 December 2016 (31 December 2015: TEUR 7,361). The increase is primarily due to the acquisition of CHORUS in the fourth quarter of 2016, which resulted in goodwill in the amount of TEUR 15,448. As of the reporting date, Capital Stage carried out an impairment test for the goodwill of the Grid Essence solar park portfolio allocated to the individual portfolio companies. The impairment test was based on forecast discounted free cash flows and resulted in an impairment loss of TEUR 517, which was recognised through profit or loss in the reporting year.

The increase in the value of property, plant and equipment to TEUR 1,331,845 (31 December 2015: TEUR 958,096) primarily stems from the solar and wind parks acquired as part of the takeover of CHORUS. Over the course of the financial year, additional installations were also acquired and/or constructed.

Deferred tax assets were recognised on tax loss carry-forwards. Furthermore, pursuant to Section 7g of the German Income Tax Act (EStG), accelerated depreciation is used for parks in Germany and either accelerated depreciation or degressive depreciation pursuant to the corresponding tax law of the country where the park is located. The resulting losses can in some cases be carried forward and set off against taxes.

Current assets increased from TEUR 145,228 the previous year to TEUR 265,560 as of 31 December 2016. As of the reporting date, this includes liquid funds amounting to TEUR 188,979 (31 December 2015: TEUR 99,368).

The cash includes reserves for debt servicing and projects of TEUR 63,177 (31 December 2015: TEUR 47,010) in the solar parks and wind parks which the Company can only dispose of in agreement with the lending banks.

As of 31 December 2016, the Group had bank and leasing liabilities of TEUR 1,429,362 (31 December 2015: TEUR 916,552). These loans and leases relate to funding for solar parks and wind parks and the mezzanine capital provided by Gothaer Versicherungen in November 2014. This also includes liabilities from listed notes for the Grid Essence portfolio including accrued interest in the amount of TEUR 44,093 as well as liabilities from debenture bonds in the amount of TEUR 23,000. This does not include amounts recognised under other liabilities totalling TEUR 12,505 (previous year: TEUR 13,423), which comprises interest advantages from low-interest government loans (KfW) and is to be accounted for in accordance with IAS 20 and shown separately. The increase results primarily from liabilities to banks for the solar and wind parks newly acquired as part of the takeover of CHORUS in October 2016. Non-current liabilities from the mezzanine capital amounted to TEUR 150,000 as of 31 December 2016 (previous year: TEUR 133,020). Liability for almost all debt related to the parks is limited (non-recourse financing).

The rise in deferred tax liabilities relates to the capitalised intangible assets as well as the recognition of property, plant and equipment at fair value in connection with the purchase price allocations undertaken in the financial year.

Trade liabilities of TEUR 23,693 (31 December 2015: TEUR 11,180) are primarily invoices for the construction of solar parks and wind parks.

Segment reporting

Inter-segmental expenses and income chiefly arise in connection with technical operation and commercial management services, as well as interest income and expenses in relation to internal Group loans. These loans are normally granted as bridge financing for VAT and investments in solar park projects.

Administration

Earnings for the Administration segment totalled TEUR -10,626 (previous year: TEUR -8,800). Personnel expenses and other expenses developed in the opposite direction of revenue, which increased by TEUR 1,031 from TEUR 176 in the previous year to TEUR 1,207 in the reporting year. Other expenses include in particular legal and consulting costs that were incurred in connection with the takeover of CHORUS.

PV Parks

Revenue from the solar parks increased in the 2016 financial year by some 14 per cent to TEUR 115,486 (previous year: TEUR 101,186). The solar parks acquired as part of the takeover of CHORUS Clean Energy, which were consolidated for the first time as of 1 October 2016, contributed to the increase with their revenue from the fourth quarter amounting to TEUR 6,074. Furthermore, the increase is the result of the solar parks acquired during the 2015 reporting period in Italy whose recognised revenue was generated for an entire year the first time in 2016. This caused revenue of the solar park portfolio to increase by TEUR 5,931. The OPDE solar park portfolio, which was acquired in 2016, contributed TEUR 2,297 to this increase in revenue. However, revenue from the portfolio in the United Kingdom also went up by some EUR 2,583 million. Other income of TEUR 19,502 (previous year: TEUR 17,206)[1] is mostly connected with negative differences from business combinations as defined in IFRS 3. This was offset by the costs for operation of the solar parks as well as other expenses of TEUR 24,267 (previous year: TEUR 21,715), depreciation and amortisation of PV installations and electricity feed-in contracts of TEUR 50,874 (previous year: TEUR 39,672), depreciation of goodwill totalling TEUR 517 (previous year: TEUR 652) and financial expenses relating primarily to the financing of parks in the amount of TEUR 56,264, including the corresponding currency effects (previous year: TEUR 38,154). The increase in expenses is mainly due to the solar parks that were acquired in 2016 or only consolidated *pro rata temporis* the previous year, as well as to the higher depreciation and amortisation associated with this. For the most part, the increase in financial income from TEUR 7,771 in the previous year to TEUR 53,350 in 2016 is based on distributions from companies allocated to this segment. Altogether the PV Parks segment generated a net income of TEUR 54,751 (previous year: TEUR 27,968)[1].

PV Service

In the PV Service segment, revenue and other income, less the cost of materials, of TEUR 3,173 (previous year: TEUR 3,728) are offset by personnel expenses and other expenses of TEUR 2,103 (previous year: TEUR 2,246). After deducting depreciation and amortisation, the financial result and taxes, net profit came to TEUR 1,983 (previous year: TEUR 2,582).

Wind Parks

The Wind Parks segment has undergone very positive developments. During the reporting period, revenue and other income in the amount of TEUR 33,077 (previous year: TEUR 13,543) were recognised. A revenue increase of TEUR 7,816 was achieved, through the acquisition of the Lunestedt wind park portfolio and the Dahme-Wahlsdorf wind park in the fourth quarter of 2015. The wind parks acquired as part of the takeover of CHORUS Clean Energy – due to their first-time consolidation as of 5 October 2016 – contributed to the increase with their revenue from the fourth quarter amounting to TEUR 5,484. Other income is mostly connected with negative differences from business combinations as defined in IFRS 3. Expenses for operating and managing the parks came to TEUR 7,792 (previous year: TEUR 2,996). Depreciation on wind turbines and amortisation of electricity feed-in contracts totalling TEUR 12,271 were recognised (previous year: TEUR 7,421). Financial expenses of TEUR 7,836 were incurred (previous year: TEUR 3,871), mainly for non-current loans. Altogether the Wind Parks segment generated net income of TEUR 11,312 (previous year: TEUR 1,757).

Financial Investments

In September 2015, the Management Board of Capital Stage made the decision to sell the subsidiaries Helvetic Energy GmbH and Calmatopo Holding AG. The sale was completed on 20 October 2015. The Financial Investments segment will be discontinued. The information contained in this report are only previous years' figures.

Notes to the separate financial statements for Capital Stage AG (HGB)

The annual financial statements of Capital Stage AG for the 2016 financial year have been drawn up in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch* – HGB) and the Stock Corporation Act (*Aktiengesetz* – AktG).

Earnings position

Capital Stage AG generated revenue in the reporting year of TEUR 1,083 (previous year: TEUR 1,187). This revenue stems from charging the expenses of accounting, management, administration and operation of solar parks to the companies in the Capital Stage Group.

Other operating income amounted to TEUR 551 (previous year: TEUR 259).

Personnel expenses came to TEUR 5,819 (previous year: TEUR 4,775). The increase is once again mainly due to the growth-inducing expansion of the team at Capital Stage AG.

Other operating expenses of TEUR 8,371 were incurred (previous year: TEUR 3,059). Expenses related to the costs of the capital increase in the amount of TEUR 4,809 (previous year: TEUR 69) significantly contributed to this increase. Other expenses also include the expenses for remuneration of the Supervisory Board, office space, costs for accounting and auditing, costs for stock market listing (annual report, Annual General Meeting, investor relations, statutory publications) and legal expenses.

Financial income rose to TEUR 35,938 in 2016 (previous year: TEUR 28,116). This includes distributions from subsidiaries, primarily from Capital Stage Solar IPP GmbH of TEUR 24,410 (previous year: TEUR 19,654) as well as of five additional Italian subsidiaries of TEUR 843 (previous year: TEUR 0). In addition interest income on loans to affiliates of TEUR 9,707 (previous year: TEUR 7,263) is included in the financial income. Capital Stage AG received income of TEUR 967 (previous year: TEUR 1,167) from the control and profit transfer agreement between Capital Stage AG and Capital Stage Solar Service GmbH signed during the 2012 financial year.

Financial expenses of TEUR 5,293 were incurred (previous year: TEUR 1,170). These primarily stem from impairments due to foreign currency receivables totalling TEUR 4,593 (previous year: TEUR 1,084).

Tax income recognised for Capital State AG amounts to TEUR 729 (previous year: expenses in the amount of TEUR 451).

Capital Stage AG reported a net profit for the year of TEUR 18,694 (previous year: TEUR 20,005). This corresponds to earnings per share of EUR 0.15 (previous year: EUR 0.27).

Net assets and financial position

Shareholders' equity increased from TEUR 215,180 the previous year to TEUR 538,415 as of 31 December 2016. The increase primarily results from capital increases carried out in the 2016 financial year following a small capital increase at the beginning of the year, from the share dividends from the middle of the year and the share exchange due to the takeover offer to the shareholders in CHORUS Clean Energy AG and from the net income for the year. The equity ratio on the reporting date stood at 92.1 per cent (previous year: 89.4 per cent).

Total assets rose from TEUR 240,685 by TEUR 343,655 to TEUR 584,340. On the assets side, the increase was principally due to the acquisition of additional financial assets, granting loans to subsidiaries and providing them with short-term liquidity for the acquisition of further solar parks and wind parks. On the liabilities side, liabilities to financial institutions significantly contributed to the increase. Additionally, the capital reserve increased due to the capital increases which were carried out. Moreover, the balance sheet profit increased due to the positive results.

In 2016, cash flow from operating activities came to TEUR 16,103 (previous year: TEUR 13,122). Increased distributions from Capital Stage Solar IPP GmbH were the main reason for the increase.

Investing activities yielded a cash flow of TEUR –23,422 (previous year: TEUR –1,492). This primarily consists of payments for the acquisition of further shares in affiliated capital companies and payments for loans to affiliates.

Cash flow from financing activities amounted to TEUR 5,619 (previous year: TEUR –24,629). The capital increases carried out in 2016 resulted in an inflow of funds totalling TEUR 48,897 (previous year: TEUR 688). In the 2016 financial year, a dividend of EUR 0.18 per share was distributed to the shareholders of Capital Stage AG (previous year: EUR 0.15 per share). Shareholders had the option of receiving the dividend either fully in cash or (partly) in the form of shares in Capital Share AG.

Shareholders representing more than 5.7 per cent of outstanding share capital chose to receive shares. Cash distributions of the dividends in the amount of TEUR 14,232 were made to shareholders in June 2016 (previous year: TEUR 2,211). Issuing and repayments of loans to affiliates resulted in cash outflows of TEUR 48,507 (previous year: TEUR 46,071).

Events after the reporting date

Apart from the matters mentioned below, there have been no significant changes in the operating environment for the Capital Stage Group in the period between the reporting date 31 December 2016 and the time the separate and consolidated financial statements for 2016 were drawn up.

Following successful takeover of CHORUS Clean Energy AG, the Capital Stage Group significantly expands the Asset Management segment and is planning the establishment of an additional SICAV special fund

During the 2016 financial year, the Capital Stage Group benefited from the expansion of its Asset Management segment. CHORUS Clean Energy AG, the Capital Stage Group's specialist for managing institutional investors, was able to expand its portfolio of solar and wind parks managed for third parties to more than 273 MW in the 2016 financial year (2015: 173 MW).

For 2017, the Capital Stage Group is planning to establish an additional Luxembourg special fund via its subsidiary which will invest in renewable energy installations in Europe.

Capital Stage acquires share package from institutional investor in CHORUS Clean Energy AG in exchange for the issue of new shares in Capital Stage AG

In February 2017, Capital Stage AG acquired an additional 54,999 shares in CHORUS Clean Energy AG – which amounts to some 0.2 per cent of the share capital in CHORUS – from an institutional investor in CHORUS Clean Energy AG. Capital Stage's participating interest in CHORUS now comes to approximately 95.0037 per cent following Capital Stage's acquisition via the market of an additional 105,735 shares in CHORUS.

The acquisition of the additional shares in CHORUS is structured as a share exchange where five (5) shares in Capital Stage are granted for every three (3) shares in CHORUS. This rate of exchange therefore corresponds to the rate which was used for the voluntary public takeover offer made by Capital Stage AG in October 2016.

In order to create the new Capital Stage shares, Capital Stage carried out a capital increase of EUR 91,665.00 in return for stock which involved the utilisation of its authorised capital and excluded the subscription rights of its shareholders. The capital increase was entered into the commercial register on 21 March 2017. As a result, Capital Stage's equity capital has increased from EUR 126,431,995.00 to EUR 126,523,660.00.

Acquisition of a 5.0 MWp solar park portfolio in Italy

On 8 March 2017, Capital Stage acquired five solar parks in the Italian region of Apulia with a total generation capacity of nearly 5.0 MWp. The total investment volume, including loans taken on in relation to projects, is approximately EUR 19.5 million. The five solar parks are located in the sunny Apulia region in south-eastern Italy. The five parks were connected to the grid in 2010 and 2011 and have been in continuous operation since that time. The sellers in the transaction were Energiequelle GmbH, De Energy S.r.l. (Dextella Group) and Stern Energy S.p.A. The parks benefit from guaranteed feed-in tariffs averaging EUR 0.3054 per kilowatt-hour. Capital Stage expects the solar parks to make revenue contributions of some EUR 2.6 million from their first full year of operation.

Capital Stage is planning a squeeze-out of CHORUS Clean Energy AG

On 8 March 2017, Capital Stage AG submitted a so-called squeeze-out request to the Management Board of CHORUS Clean Energy AG, which would involve a resolution at the annual shareholders' meeting of CHORUS Clean Energy AG for the transfer of the shares of minority shareholders to Capital Stage AG in exchange for an appropriate cash settlement. With this measure, Capital Stage officially initiated the squeeze-out process at CHORUS Clean Energy AG.

There were no other significant events after the end of the financial year.

Personnel

In 2016, there were an average of 85 employees at the Group (previous year: 66), of which 36 were employed at Capital Stage AG, 13 at Capital Stage Solar Service GmbH and 36 at CHORUS Clean Energy AG.

At the end of 2016, there were 93 employees in the Group. The increase in the number of employees is primarily due to the takeover of CHORUS Clean Energy AG in October 2016. As of 31 December 2016, a total of 45 employees and three Management Board members were employed at Capital Stage AG, as well as 34 employees and three Management Board members at CHORUS Clean Energy AG. Of those, a total of 11 employees work in the investments department, 27 in finance and controlling, 24 in asset management, two in IR/PR and 15 in administration and staffing. In addition to the technical managing director, there were 13 employees working in the areas of technology and administration at Capital Stage Solar Service GmbH.

There were changes in the composition of the Management Board of Capital Stage AG during the 2016 financial year. With Capital Stage AG's takeover of CHORUS Clean Energy AG, Holger Götze resigned as chairman of the Management Board of CHORUS Clean Energy AG and was appointed to the Management Board Capital Stage AG effective on 18 October 2016. Furthermore, Professor Klaus-Dieter Maubach resigned at his own request as chairman of the Management Board of the Company effective on 31 December 2016.

Supervisory Board

The Supervisory Board, which since the close of the Annual General Meeting on 20 June 2012 has consisted of Dr Manfred Krüper (chairman), Alexander Stuhlmann (deputy chairman), Albert Büll, Dr Cornelius Liedtke, Dr Jörn Kreke and Professor Fritz Vahrenholt, was expanded by two seats to a total of eight members due to the changes to the Articles of Association which were concluded by the Annual General Meeting on 8 July 2016 and entered into the commercial register on 20 October 2016.

The new Supervisory Board positions are occupied by Christine Scheel (born 1956) and Peter Heidecker (born 1958) with immediate effect. Ms Scheel and Mr Heidecker were already approved for this post by a large majority at the extraordinary shareholders' meeting of Capital Stage AG on 8 July 2016.

Remuneration report

Management Board remuneration

To create long-term incentives, Dr Husmann (Management Board member) is granted share options under the share option programme, which was decided by the Annual General Meeting in 2012. Since 2013, options have been granted as part of the share option programme AOP 2012. The subscription rights attached to the share options may only be exercised after a vesting period of four years. The subscription price (exercise price) is the arithmetic mean of the closing price of Capital Stage AG shares in Xetra trading on the Frankfurt Stock Exchange (or a comparable successor system) on the last five trading days preceding the date on which the options are granted. A condition for the exercise of subscription rights is that the performance target has been met. To reach the performance target for AOP 2012, the price of shares in Capital Stage AG in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange must exceed the exercise price by at least 30 per cent during the ten trading days preceding the date on which the subscription rights are exercised. The applicable exercise period is deemed to be the period in which the relevant subscription rights may first be exercised, the performance target having been reached or exceeded.

Details of the share option programmes and the valuation process can be found in the notes to the consolidated financial statements.

Management Board members receive a gross annual salary for their services. Dr Husmann and Mr Götze also receive an annual performance-related bonus. The annual bonus for the previous financial year is determined by the Supervisory Board, taking the Company's earnings and financial position as well as Dr Husmann's and Mr Götze's personal performance into account respectively. The annual bonus becomes due for payment immediately after the Supervisory Board meeting in which the corresponding annual financial statements are approved and the bonus is fixed. Additionally, the Supervisory Board granted Dr Christoph Husmann supplementary remuneration for the 2016 financial year amounting to EUR 100,000 for the initiation and realisation of the acquisition of CHORUS Clean Energy AG as well as its successful integration into the Group.

No substantially different contractually agreed compensation payments will be made in case employment of the Management Board members is terminated.

In the event of a change of control or a capital increase in return for shares that leads to a significant change in the group of shareholders, Management Board Chairman Professor Klaus-Dieter Maubach is granted the right to resign his chairmanship with a notice period of one month from the end of a month and to terminate his employment contract effective on that same date. The Company is also granted this special right to terminate. A change of control exists if a third party or persons acting in concert within the meaning of Section 2, paragraph 5, of the WpÜG obtain – via the acquisition of shares or other means – at least 30 per cent of voting rights within the meaning of Section 29, paragraph 2, of the WpÜG. A capital increase in return for shares that leads to a significant change in the group of shareholders exists if, in exchange for investment in kind, at least 25 per cent new shares in the Company are issued to one or more new shareholders with regard to equity capital of the Company at the time the new shares were issued. Should Professor Klaus-Dieter Maubach or the Company exercise their special right of termination, Professor Klaus-Dieter Maubach is entitled to a severance payment in the amount of six monthly salaries.

The following table shows the individual salaries of the members of the Management Board for the 2016 financial year pursuant to Section 314 (1), no. 6a, of the “German Commercial Code (*Handelsgesetzbuch* – HGB)”.

in EUR	Annual salary	Other benefits	Short-term variable remuneration	Long-term variable remuneration	**Total 2016**	Total 2015
Professor Klaus-Dieter Maubach	840,000.00	45,743.59	0.00	0.00	**885,743.59**	147,065.41
Dr Christoph Husmann	300,000.00	7,873.32	425,000.00	215,107.89	**947,981.21**	852,627.66
Holger Götze*	61,666.67	11,413.83	59,375.00	0.00	**132,455.50**	0.00
Total	**1,201,666.67**	**65,030.74**	**484,375.00**	**215,107.89**	**1,966,180.30**	999,693.07
Previous year**	706,666.70	34,650.13	800,000.00	314,937.90	1,856,254.73	

* Pro rata representation of all remuneration components from 18 October 2016.

** The previous year’s figures contain the remuneration for Felix Goedhart.

The fixed salary is the fixed annual salary paid to the members of the Management Board. Other benefits consist of a company car, reimbursement of travel costs and other benefits. The bonus is shown as short-term variable remuneration.

The figure shown in this table for the long-term variable remuneration corresponds to the fair value at the time that it was granted (pursuant to IFRS 2). As was the case in the previous year, the members of the Management Board were not granted any loans or advances during the 2016 financial year.

Professor Klaus-Dieter Maubach exercised his special right to terminate (change-of-control clause) during the 2016 financial year. For this reason, Professor Klaus-Dieter Maubach is entitled to a severance payment in the amount of EUR 420,000.00, which corresponds to six payments of his monthly salary.

In the 2016 financial year, Dr Christoph Husmann was granted 150,000 share options with a fair value at the time of their issue in the amount of EUR 215,108.

The following two tables display the benefits allocated and inflow of Capital Stage AG pursuant to 4.2.5, appendix tables 1 and 2, of the German Corporate Governance Code (benefits allocated and inflow).

Remuneration granted all amounts in EUR	Professor Klaus-Dieter Maubach CEO Joined: 01.11.2015/ Left: 31.12.2016			
	2015	2016	2016 (Min)	2016 (Max)
Fixed salary	140,000.00	840,000.00	840,000.00	840,000.00
Other benefits	7,065.41	45,743.59	45,743.59	45,743.59
Total	**147,065.41**	**885,743.59**	**885,743.59**	**885,743.59**
Short-term variable remuneration	0.00	0.00	0.00	0.00
Long-term variable remuneration	0.00	0.00	0.00	0.00
Total	**0.00**	**0.00**	**0.00**	**0.00**
Retirement benefit expenses	0.00	0.00	0.00	0.00
Total remuneration	**147,065.41**	**885,743.59**	**885,743.59**	**885,743.59**

Remuneration granted all amounts in EUR	Dr Christoph Husmann Management Board member Joined: 01.10.2014			
	2015	2016	2016 (Min)	2016 (Max)
Fixed salary	300,000.00	300,000.00	300,000.00	300,000.00
Other benefits	7,873.32	7,873.32	7,873.32	7,873.32
Total	**307,873.32**	**307,873.32**	**307,873.32**	**307,873.32**
Short-term variable remuneration	200,000.00	300,000.00	0.00	500,000.00
Long-term variable remuneration	0.00	0.00	0.00	0.00
AOP2012*	144,754.34	215,107.89	0.00	215,107.89
Total	**344,754.34**	**515,107.89**	**0.00**	**715,107.89**
Retirement benefit expenses	0.00	0.00	0.00	0.00
Total remuneration	**652,627.66**	**822,981.21**	**307,873.32**	**1,022,981.21**

* No maximum amount for the long-term variable remuneration has been agreed.

Remuneration granted all amounts in EUR	Holger Götze - COO Management Board member Joined: 18.10.2016			
	2015	2016	2016 (Min)	2016 (Max)
Fixed salary	0.00	61,666.67	61,666.67	61,666.67
Other benefits	0.00	11,413.83	11,413.83	11,413.83
Total	**0.00**	**73,080.50**	**73,080.50**	**73,080.50**
Short-term variable remuneration	0.00	31,250.00	0.00	62,500.00
Long-term variable remuneration	0.00	0.00	0.00	0.00
Total	**0.00**	**31,250.00**	**0.00**	**62,500.00**
Retirement benefit expenses	0.00	0.00	0.00	0.00
Total remuneration	**0.00**	**104,330.50**	**73,080.50**	**135,580.50**

Inflow all amounts in EUR	Professor Klaus-Dieter Maubach CEO Joined: 01.11.2015 / Left: 31.12.2016		Dr. Christoph Husmann Joined: 01.10.2014		Holger Götze Joined: 18.10.2016	
	2016	2015	2016	2015	2016	2015
Annual salary	840,000.00	140,000.00	300,000.00	300,000.00	61,666.67	0.00
Other benefits	45,743.59	7,065.41	7,873.32	7,873.32	11,413.83	0.00
Total	**885,743.59**	**147,065.41**	**307,873.32**	**307,873.32**	**73,080.50**	**0.00**
Short-term variable remuneration	-	-	425,000.00	400,000.00	59,375.00	0.00
Long-term variable remuneration	-	-	-	-	-	-
AOP2012	-	-	-	-	-	-
Total	-	-	**425,000.00**	**400,000.00**	**59,375.00**	**0.00**
Retirement benefit expenses	-	-	-	-	-	-
Total remuneration	**885,743.59**	**147,065.41**	**732,873.32**	**707,873.32**	**132,455.50**	**0.00**

Supervisory Board remuneration

The Supervisory Board chairperson receives fixed remuneration in the amount of EUR 50,000; the deputy chairperson receives EUR 37,500. The other members of the Supervisory Board are entitled to fixed remuneration in the amount of EUR 25,000. Additionally, the chairpersons of committees receive remuneration of EUR 15,000 and other members of these committees receive EUR 10,000.

Total provisions for remuneration for the Supervisory Board's activities during the reporting year amounted to TEUR 278. Pursuant to section 15, paragraph 1, of the Articles of Association, the remuneration paid to Supervisory Board members will be set by the Annual General Meeting at amounts not less than TEUR 15 for each member, TEUR 30 for the chairperson and TEUR 22.5 for the deputy chairperson. The sums set aside are based on the remuneration assigned by the 2016 Annual General Meeting for the 2015 financial year. The total deferred remuneration also includes the total remuneration for the personnel committee in the amount of TEUR 43 and for the audit committee, which was newly formed in the 2015 financial year, in the amount of TEUR 35.

in EUR	Supervisory board remuneration		Remuneration for commitee participation		Total	
	2016	2015	2016	2015	2016	2015
Dr Manfred Krüper	50,000	50,000	25,000	25,000	75,000	75,000
Alexander Stuhlmann	37,500	37,500	25,000	25,000	62,500	62,500
Dr Cornelius Liedtke	25,000	25,000	-	-	25,000	25,000
Albert Büll	25,000	25,000	10,000	10,000	35,000	35,000
Dr Jörn Kreke	25,000	25,000	-	-	25,000	25,000
Professor Dr Fritz Vahrenholt*	25,000	25,000	17,500	10,000	42,500	35,000
Christine Scheel**	6,250	0	0	-	6,250	0
Peter Heidecker**	6,250	0	0	-	6,250	0
Total	**200,000**	**187,500**	**77,500**	**70,000**	**277,500**	**257,500**

* Pro rata representation of remuneration for staff committee activities from 1 April 2016.

** Pro rata representation of remuneration for the fourth quarter of 2016.

Other information

Disclosure of barriers to takeovers pursuant to Section 298, paragraph 4, and Section 315, paragraph 4, of the HGB

- On 31 December 2016, the Company's subscribed capital was EUR 126,431,995 divided into 126,431,995 no-par-value bearer shares.
- There are no restrictions on voting rights or carry-overs.
- Pursuant to Section 21, paragraph 1 or paragraph 1a, of the German Securities Trading Act (*Wertpapierhandelsgesetz* – WpHG), Capital Stage AG has been notified of the following direct or indirect capital shares which exceed ten per cent of the voting rights:

  Capital Stage AG, Hamburg, Germany, was notified on 21 October 2016 pursuant to Section 21, paragraph 1, of the WpHG that the share of the voting rights in Capital Stage AG, Hamburg, Germany, held by Albert Büll GmbH, Hamburg, Germany, exceeded the 3, 5, 10 and 15 per cent thresholds on 18 October 2016 and amounted to 17.57 per cent of the voting rights (20,209,664 voting rights), with 17.57 per cent of the voting rights (20,209,664 voting rights) being attributed to Albert Büll GmbH pursuant to Section 22, paragraph 1, no. 1, of the WpHG. Of those – pursuant to Section 22, paragraph 1, sentence 1, no. 1, of the WpHG – a total of 4.45 per cent of the voting rights were attributed to Albert Büll Holding GmbH & Co. KG, Hamburg, Germany, from Albert Büll Beteiligungsgesellschaft mbH, Hamburg, Germany, and 13.21 per cent of the voting rights were attributed to Albert Büll Holding GmbH & Co. KG from AMCO Service GmbH, Hamburg, Germany pursuant to Section 22, paragraph 2, of the WpHG.
- In the event that a person who, as of 14 November 2014, was not a shareholder of Capital Stage AG required to report pursuant to Section 21 of the WpHG acquires more than 50 per cent of the voting rights in Capital Stage AG, Gothaer Versicherungen AG has a right to terminate the mezzanine capital contract concluded on 14 November 2014 for extraordinary circumstances. This right to terminate also gives Gothaer Versicherungen the right to require Capital Stage AG to repay the drawn mezzanine capital. The mezzanine capital drawn as of 31 December 2016 amounted to TEUR 150,000.
- There are no shares with special rights.
- There are no voting right controls of any kind whatsoever.
- The Management Board is appointed and dismissed in accordance with the provisions of the German Stock Corporation Act (*Aktiengesetz* – AktG) (Section 84 ff.).
- All changes to the Articles of Association require a resolution of the Annual General Meeting. Rights to make changes which only concern the wording may be granted to the extent laid down in the Articles of Association.
- Any authorisation to increase the share capital and issue shares granted to the Management Board by the Annual General Meeting is governed by the provisions of sections 4 and 6 of the Articles of Association. For further details, the reader is referred to the detailed account of the share capital set out in the notes to the financial statements.
- In the event of a change of control or a capital increase in return for shares that leads to a significant change in the group of shareholders, Management Board Chairman Professor Klaus-Dieter Maubach is granted the right to resign his chairmanship with a notice period of one month from the end of a month and to terminate his employment contract effective on that same date. The Company is also granted this special right to terminate. A change of control exists if a third party or persons acting in concert within the meaning of Section 2, paragraph 5, of the WpÜG obtain – via the acquisition of shares or other means – at least 30 per cent of voting rights within the meaning of Section 29, paragraph 2, of the WpHG. A capital increase in return for shares that leads to a significant change in the group of shareholders exists if, in exchange for investment in kind, at least 25 per cent new shares in the Company are issued to one or more new shareholders with regard to equity capital of the Company at the time the new shares were issued. Should Professor Klaus-Dieter Maubach or the Company exercise their special right of termination, Professor Klaus-Dieter Maubach is entitled to a severance payment in the amount of six monthly salaries. Professor Maubach made use of this right granted to him and resigned his post effective on 31 December 2016.

Principle characteristics of the internal control system with respect to the financial accounting process

The Management Board of Capital Stage is responsible for preparing the financial statements and the management report for Capital Stage AG according to the German Commercial Code (HGB) and the German Stock Corporation Act (*Aktiengesetz* – AktG). The consolidated financial statements are also prepared in accordance with International Financial Reporting Standards (IFRS) and the consolidated management report in accordance with German Accounting Standard (GAS), no. 20.

To ensure the accuracy and completeness of the details given in the reporting as well as the correctness of the financial accounting methods employed, the Management Board has established a suitable internal control system.

The internal control system has been designed to ensure the prompt, uniform and accurate recording in accounts of all business processes and transactions, as well as to guarantee compliance with statutory requirements and financial accounting regulations. Changes to laws, financial accounting standards and other pronouncements are analysed continuously for their relevance to and impact on the separate financial statement and consolidated financial statements. Furthermore, the internal auditing system is based on a series of monitoring activities integrated into business processes. These integrated monitoring activities include organisational safeguards and ongoing automatic measures such as separation of functions, restriction of access and organisational instructions regarding matters such as powers of representation, as well as checks built into working processes. The efficacy of these internal control systems is further secured through process-independent monitoring activities.

The accounting for all our fully consolidated companies, with the exception of the companies in Italy, France, the United Kingdom and Switzerland and eight of the wind parks, is carried out centrally, as are the consolidation activities. Systemic controls are monitored by employees and supplemented by manual checks. The consolidation measures are carried out with the aid of a standardised consolidation system.

The personnel involved in financial accounting processes also receive regular training.

The Supervisory Board of Capital Stage is responsible for regularly monitoring the effectiveness of the control and supervision systems. It receives regular reports from the Management Board on the subject. In this context, an auditing firm was tasked with auditing the internal controlling and monitoring systems in the 2016 financial year regarding the processes for “reporting obligations of the Management Board to the Supervisory Board” as well as “payments”. The results of the internal audit were presented to the Management Board and Supervisory Board in an internal audit report.

Opportunity report

Conservative investment strategy

Since 2009, the Capital Stage Group has been investing in and operating ground-mounted solar parks and onshore wind parks and is a comprehensive service provider for investments in the renewable energy sector. With an existing portfolio of 204 solar and wind parks currently with a total generation capacity of some 1.2 GW, Capital Stage is one of Europe’s largest independent electricity producers in the renewable energy sector.

Climate change, environmental pollution and resource scarcity, as well as a continually growing global population with ever-increasing energy needs, have led to a worldwide change in thinking with regard to energy and climate protection policies. The beginning of the end of fossil fuels being used for electricity production began no later than with the ratification of the UN’s Paris Agreement, whose primary objective is the limitation of the annual increase in global warming. We are now faced with a worldwide energy revolution that will involve a transition to renewable forms of energy production – renewable energies are thus a global megatrend.

This dynamic and rapidly growing market environment offers Capital Stage new opportunities on an ongoing basis. Systematically identifying and exploiting these opportunities, while simultaneously recognising and minimising risks, forms the basis for the Company’s sustainable growth. Opportunities can also present themselves within the Company, which could contribute to greater efficiency and profitability of the Capital Stage Group for example. The employees of the Capital Stage Group are the foundation for identifying, analysing and successfully implementing these opportunities – they not only have outstanding technical knowledge, but above all they also contribute to the Group’s success with their many years of expertise and experience.

The Capital Stage Group will continue to focus its efforts on the sectors of ground-mounted PV installations and onshore wind farms as well as on the Asset Management segment and acting as a service provider for investments in the renewable energy sector. To do so, Capital Stage relies on a conservative and risk-averse business model. By concentrating on existing installations and turnkey projects, Capital Stage is able to benefit from both existing solar and wind power facilities as well as the continuing growth of the market. At the same time, this allows increased risks in the project and construction phases to be avoided. Capital Stage has high standards of quality with regard to the legal certainty and economic stability of the countries in which it invests and the technical components of the parks as well as their condition and construction. In general, Capital Stage only invests in solar and wind parks that benefit from long-term feed-in tariffs and certainty with regard to their ability to market the electricity produced.

Opportunities from economic development

The economic environment has no direct impact on the Company's business, or rather the earnings, net assets, financial position or cash flow of the Capital Stage Group. In general, only solar and wind parks that have long-term feed-in tariffs with the corresponding level of marketability of the power produced are acquired. Such parks are, for the most part, not affected by fluctuations in economic growth.

A weak economy may sometimes give rise to opportunities for the Capital Stage Group to make acquisitions on the secondary market for solar parks and wind parks, as this could increase pressure on some market participants to sell. As a result, conditions for the Capital Stage Group as an investor would improve with the response of the prices for such assets on the secondary market.

Due to the low correlation with economic fluctuations, the market for renewable energy is attractive for institutional investors such as insurance companies in particular, as they rely on income that can be calculated over the long term and that will remain relatively constant. This means weaker economic development could also have a positive effect on the expansion of the Asset Management segment of the Capital Stage Group.

Opportunities from the continued low-interest environment

Weak economic development is typically associated with low interest rates, which in turn reduces the costs of capital acquisition for the Capital Stage Group as well as the loan financing costs on a project level.

Capital Stage is actively taking advantage of the low-interest environment and assesses opportunities to refinance existing loans at more favourable conditions for the long term on an ongoing basis. In the previous year, for example, project financing loans totalling EUR 76 million were refinanced at significantly lower interest rates.

Furthermore, the Asset Management segment benefits from the lower interest rates in general, since investment products with comparable risk–opportunity ratios often offer lower yields, thereby increasing the relative attractiveness of investments in renewable energies.

Opportunities from meteorological developments

The output performance of solar and wind parks depends on meteorological conditions. A positive deviation from the forecast long-term average hours of sunshine or wind has a direct short-term impact on the Company's earnings and financial position as well as its cash flow. However, meteorological predictions and forecasts have become increasingly accurate over the past few years, which means that significant deviations are uncommon. With regard to sunshine in particular, forecasts today are extremely accurate, while wind forecasts remain somewhat more volatile. On the whole, Capital Stage assumes that – in particular for newly acquired parks – future deviations between target and actual figures will continue to decrease on average.

Opportunities from the regulatory environment

The agreement concluded at the UN Climate Change Conference in Paris in December 2015 established clear objectives which the group of nations hopes to achieve in order to counteract the threat of climate change. It signals the beginning of a worldwide energy revolution, as the objectives cannot be achieved without a transition to renewable energy sources for electricity production. Supranational organisations and national governments will subsequently formulate targets for the expansion of renewable energy and support the achievement of these targets through corresponding subsidy programmes. Emerging and developing countries in particular have a lot of catching up to do, and they will be provided with the necessary support for the energy revolution within the framework of the UN climate agreement. According to Bloomberg New Energy

Finance, global investments in this field nearly reached US-Dollar 300 billion in 2016 alone, so it remains a growth market with high percentage rates of growth in the double digits.

Capital Stage invests both in existing solar and wind parks as well as turnkey installations, which enables the Company to benefit from the continued expansion of renewable energy around the world as well as the existing portfolio of facilities. Furthermore, the various subsidy mechanisms support the profitability of solar and wind parks in general. The global need for the expansion of renewable energy can therefore make new regions and countries an attractive investment for Capital Stage, which in turn would make increased geographic diversification logical and possible.

Opportunities from geographic diversification

The Company continuously monitors and reviews developments in renewable energies and corresponding opportunities in other regions. The Company principally concentrates on countries with developed economies in (western) Europe – but also in North America (United States, Canada) – which have stable economic and regulatory environments and ideally which subsidise renewable energies by means of feed-in tariffs financed by levies on consumers. Geographic diversification contributes to further reducing risk in the existing portfolio by increasing independence from the sunshine or wind in individual regions as well as theoretically plausible retroactive adjustments to the subsidy programmes and amounts. Furthermore, entering markets in new countries gives the Company additional potential for growth outside its previous core markets. With the acquisition of CHORUS Clean Energy AG, the geographic diversity was expanded with the markets in Finland, Sweden and Austria.

Opportunities from large portfolio volumes in the core regions

Capital Stage is active in European core markets which have been investing in the renewable energy sector for some time and thus already have an existing portfolio of solar parks and wind parks. With a focus on turnkey solar and wind parks that are already connected to the grid and in operation, Capital Stage benefits from the large number of existing installations in core regions. Over the short to medium term, the Company is therefore not dependent on the construction of new solar parks or wind farms.

Opportunities from innovation

The renewable energy sector has enjoyed a period of ongoing innovation. This has increased the efficiency of existing technologies and also brought new technologies to market that will increase or extend the productivity of future projects. Many government subsidies for expanding renewable energies are aimed at creating additional incentives for further innovation by means of integrated degression models. Moreover, the production costs for technical components of solar and wind parks have been reduced significantly through innovative and new manufacturing processes as well as economies of scale. In some regions, renewable energies have already achieved grid parity and compete with conventional power plants in the free market. Experts expect the prices for technical components to continue to drop over the coming years. Thanks to installations that are more economical and yet feature better technology and are of a higher quality, the profitability and geographic feasibility of the technologies should continue to increase and should result in additional opportunities for the Capital Stage Group. The establishment of even newer technologies, such as battery storage technology, could bring completely new business opportunities as well as decrease the level of dependence on meteorological aspects with regard to energy production.

Opportunities from business relations and partnerships

Capital Stage has operated wind and solar parks since 2009 and has established itself in the industry as a reliable and competent market participant. With currently 204 solar and wind parks and a total generation capacity of some 1.2 GW, Capital Stage is one of Europe's largest independent power producers (IPP). The Capital Stage share is listed in the SDAX index in the Prime Standard of the Deutsche Börse. Thanks to its size and its proven performance from the existing portfolio already in operation, Capital Stage is seen as a reliable and competent business partner in the market. Over the years, the Capital Stage Group has managed to establish for itself a broad and reliable network of renowned project developers, general contractors, operators, business partners, service providers, brokers, advisers, banks and many more. The renown and positive perception of the Company increased once again, thanks in no small part to the takeover of CHORUS Clean Energy AG. As a result, there is hardly an installation for sale in the size segment of solar and wind parks which Capital Stage focuses on that is not offered to the Company. In fact, many parks are offered to the Company in advance and exclusively. The continuously growing renown and good reputation of the Company grows the circle of potential business partners and investors on an ongoing basis – as well as for the Asset Management segment for institutional clients.

Opportunities related to market consolidation

In October 2016, Capital Stage successfully issued a takeover offer for CHORUS Clean Energy AG. The combination of the two companies resulted in one of the largest independent power producers (IPP) in Europe. Its new size has not only increased the notoriety of the Company with regard to acquisitions, but also created new opportunities that each company would not have been able to realise on their own – for example the acquisition of larger installations of entry into new markets outside of Europe. Moreover, Capital Stage has thus placed itself at the pinnacle of the consolidation of the industry and intends to actively shape the sector in the future. From this position of leadership, the Company is keeping various strategic options open and is seen as a strong partner and buyer of solar and wind power installations or operators of these facilities.

Opportunities related to Company size

Today, after the takeover of CHORUS Clean Energy, Capital Stage is one of Europe’s largest independent power producers (IPP), which means that the perception of the Company in relation to financing and investments on the capital market has improved. The higher market capitalisation, the increase in total assets of the Capital Stage Group, the solid equity ratio and improved liquidity with regard to the share grant Capital Stage access to new forms of growth financing and groups of investors. This, in turn, increases the chance the Company has to secure favourable financing for additional growth with low impact on equity and, if necessary, improve its ability to successfully and completely carry out capital measures. Capital Stage is currently already assessing various options for financing its continued growth.

Risk management system

Risk management process

The risk management system at the Capital Stage Group is an element of all planning, controlling and reporting systems in the individual companies and at a Group level. It comprises the systematic identification, valuation, management, documentation and monitoring of risks. In this regard, Capital Stage defines risk as the potential endangerment from events or actions which could prevent the Group or individual companies from achieving their stated objectives.

The risk management system of the Capital Stage Group leads to targeted activities in the individual companies and/or on a Group level. It is therefore an integral component of processes within the Group. Using the risk management system, the management of the Capital Stage Group ensures that the Company achieves stated objectives continuously and over the long term and, at the same time, established an appropriate level of risk awareness throughout the Group.

The risk management process within Capital Stage provides for the following organisational levels: employee, risk owner, risk manager, Management Board. In their daily work, employees comply with the requirements of risk management, all while keeping an eye on current developments and reporting to the corresponding risk owner. Severe and suddenly occurring changes can be reported ad hoc. Risk owners validate, supplement, compile and report on the risks they have been made aware of. They can be found in the areas of strategy, legal, HR, IT, sales, operations, finance and investments. The risk manager is the central point of contact and report recipient of the individual risk reports. The Management Board is the report recipient for ad hoc notifications and, additionally, is kept up to date by regular reports from the risk manager. Based on the information available to them, the Management Board resolves the necessary measures and changes and therefore bears responsibility for the risk management for the Capital Stage Group as a whole.

Furthermore, risks are presented according to the net representation method. As a result, the risks are presented after risk management strategies have already come to bear. Reporting on the opportunities and risks in the management report comprises a time frame of one year from the reporting date. The risks associated with solar parks and wind parks, the two main business areas of Capital Stage, are homogeneous.

Risk identification and risk assessment

In various weekly meetings, risks are identified and assessed.

In deal meetings, which take place on a weekly basis, the risks are discussed and reviewed with regard to processes. The Management Board and the investment team regularly take part in the discussions. During these discussions, the investment team provides information about new investment opportunities and the progress made on integrating investments already made.

As part of regular operations meetings, the operations team presents all the technical and commercial aspects of the parks' current operations. These include the availability of the facilities and cumulative power production. Each segment is discussed individually so that specific countermeasures can be taken at short notice as necessary.

Additionally, a meeting of Company management is held once a week in which, in addition to the members of the Management Board, the heads of the investment, finance and controlling, legal and compliance, investor relations/communications and corporate finance take part. In these meetings, all topics related to interfaces within the Group are discussed and measures coordinated.

For ongoing business, Capital Stage has – in its wholly owned subsidiary Capital Stage Solar Service GmbH – its own unit for technical management and maintenance of the solar parks and wind parks. Systems which allow constant monitoring of performance are built in to the solar parks and wind parks. In the monitoring process, this information is relayed to Capital Stage Solar Service GmbH which can then react immediately to the development of errors and downtime in the operation of the installations.

While preparing the annual financial statements, an additional risk inventory was carried out by the Management Board as well as the department heads and risk owners. All already existing risks and potential new risks were discussed and evaluated. The risk classification system described above was also agreed.

Risk measurement

Identified risks are evaluated based on their probability of occurrence and effect and assigned to risk classes ("high", "medium", "low") using the combination (multiplication) of the two factors. Both probability of occurrence and effect are assessed a score on a scale from 1 ("very low") to 10 ("very high"). The values for probability of occurrence and for effect are multiplied, which results in a risk index ranging from 1 to 100. For this purpose, the evaluation of an effect is associated with the estimated cost or income loss that would occur if the corresponding risk were to arise.

New risk classes have been added since the previous year. Risks with a score of up to 19 points are classified as "low risks". Medium risks are those with a score of 20 to 50 points, and risks assessed scores from 51 to 100 are classified as "high risks". The "high" and "medium risks" are given particular attention and form the focus of the strategies related to dealing with risks. Additionally, classification of existing and growth risks has been introduced. This is intended to determine whether an identified risk would impact existing business or merely impact the further growth of the Capital Stage Group. During risk measurement, only existing risks are evaluated using probability of occurrence and effect; Growth risks are only assigned a probability of occurrence, as unrealised growth and the associated unrealised future profits are disproportionately more difficult to quantify than the amount of damage related to a risk from a current business activity.

Risk classes

Risk class "Growth risk"

Risks in this class may impact the future growth of the Capital Stage Group.

Risk class "High"

Risks in this class have a high probability of occurrence in combination with a significant effect on the Capital Stage Group and Capital Stage AG. In general, risks from class 1 from the previous year's risk report were assigned to this class. Deviations from this are listed below.

Risk class "Medium"

Risks in this class have a high probability of occurrence in combination with relatively little effect, or a low probability of occurrence in combination with a significant effect, on the Capital Stage Group and Capital Stage AG. In general, risks from classes 2 and 3 from the previous year's risk report were assigned to this class. Deviations from this are listed below.

Risk class "Low"

Risks in this class have a low probability of occurrence in combination with relatively little effect on the Capital Stage Group and Capital Stage AG. In general, risks from class 4 from the previous year's risk report were assigned to this class. Deviations from this are listed below.

Risk management

The Capital Stage Group has various strategies to reduce and avoid risk by taking appropriate countermeasures. The Group focuses on existing parks in order to reduce the risk of the project phase. It has warranties from manufacturers for the unlikely event of a decline in performance and insurance contracts to cover the loss of income. Furthermore, project reserves for the solar parks and wind parks have been set aside from current cash flow and can be drawn on if components need to be replaced. Downtime is minimised by real-time online monitoring. Monitoring is carried out either by the Capital Stage Group itself or by respected partners. To minimise financing risks, the Group ensures that the financing banks do not have any recourse to companies other than the respective borrowers. Financing arrangements are generally on a non-recourse basis, in which the collateral for the bank is limited to the park in question. Meteorological risks are factored into the calculations for the wind parks in the form of safety margins, as wind power can fluctuate widely from year to year. Long-term statistical analyses show that, on average, years with less sunshine are balanced by sunnier years. Independent yield surveys are also obtained in most cases. Interest rate swaps may be used to hedge interest rate risks and enable reliable calculation and planning.

Risk report

Risk management for the Capital Stage Group and Capital Stage AG entails defining the following risks, evaluating them according to their probability of occurrence and impact and then dividing them into risk classes.

Overall risk

The risk section of the management report presents a comprehensive view of the main risks affecting Capital Stage AG and the Capital Stage Group as of the reporting date 31 December 2016. In the reporting period, these risks were continuously identified, analysed and managed as part of an active risk management system. At the time this report was prepared, the Management Board of Capital Stage AG was not aware of any risks that would jeopardise the continued existence of Capital Stage AG or the Group.

Disclosures on significant changes in risk

Capital Stage identifies, analyses, evaluates and monitors each risk to the Company on a running and comprehensive basis. In the following risk report, significant risks to the Company are presented, explained and classified. Moreover, the Company's measures and strategies for avoiding and/or minimising these risks are presented.

The new definitions of the individual risk classes necessitate the transfer of risks from the previous year into the new classification system. The following risks were classified according to the above-mentioned information: Risk class – "high": no risk has been assigned to this class; risk class – "medium": currency risk; tax risk; downtime; meteorological risk (sun); meteorological risk (wind); risk class – "low": interest risk; economic and sectoral risk.

The following risks have been omitted, newly added or assigned to a new risk class other than as described above:

Risk	Risk class	Change in comparison with 31 December 2015	Reason
Financing risks (listed notes)	n/a	This risk has been omitted; it was formerly grouped in risk class 4	The documents have been submitted
Sales risks related to the expansion of asset management activities	Growth risk	Risk added with the takeover of CHORUS Clean Energy AG	Lower prices for energy from conventional sources, difficult economic conditions and changes to the legal framework for renewable energies could cause investing in renewable energies less attractive for institutional investors
Project financing risk	Growth risk	Previously risk class 1	This risk concerns the continued growth of the Capital Stage Group and is therefore classified as a growth risk
Risks associated with the Group's capital procurement	Growth risk	Previously risk class 2	This risk concerns the continued growth of the Capital Stage Group and is therefore classified as a growth risk
Risks related to investments and investing activities	Growth risk	Risk has been newly added	Further competitors could enter the market and compete with Capital Stage for attractive investment opportunities
Risks from existing covenant agreements	Low existing risk	Previously risk class 2	Regular monitoring of the covenants contained in contracts keeps the effect of this risk to a minimum
Dependence on national programmes to subsidise renewable energy	Low existing risk	Previously risk class 2	Renewable energies remain a megatrend; the effect is limited by diversified investments in various countries
Solar park and wind park planning and construction risks	Low existing risk	Previously risk class 2	The core business of the Capital Stage Group is the operation of completed or already operating solar and wind parks, so the effect of these risks is low
Technical risks and loss of capacity	Low existing risk	Previously risk class 2	Technical risks are limited to a few components; a myriad of measures for the limitation of this risk (selection of components, project reserves for component replacement, manufacturer warranties, etc.) and the expertise of Capital Stage Solar Service GmbH limit the effects of this risk
Risks from investment calculations	Low existing risk	Previously risk class 2	Expertise from many years of experience and a comprehensive portfolio, independent consultants and sensitivity and plausibility analyses in the due diligence process limit the potential effects of these risks
Dependence on qualified personnel	Low existing risk	Previously risk class 3	A myriad of measures for the limitation of this risk (development of a motivated and family-friendly working environment, individual financial and non-financial incentives, etc.) reduce the probability of occurrence of this risk

Financial risks

Project financing risk: "Growth risk" – Medium probability of occurrence

The construction and commissioning of solar and wind parks come with correspondingly high investment costs. In general, these are financed through borrowing on project-related loans which, depending on the geographic region, can make up as much as 80 per cent of the total investment. Limits to the provision of corresponding loans as well as stricter covenant requirements on behalf of the financing banks could make the financing of future project significantly more difficult or even impossible.

As a result, the number of attractive investment opportunities for the Capital Stage Group would decrease accordingly and the potential growth of the Company would be slowed significantly.

For this reason, the Capital Stage Group maintains close relationships with financial institutions within Europe that have been active in this sector for many years. Additionally, by dividing the financing needs of the Group's projects across several different banks, a particular dependence on individual institutions is avoided. At the same time, its current total of 204 solar and wind parks provide Capital Stage with the perfect proof that its investment concept on a project level is sound business as well as sustainable. Moreover, through the investment in CHORUS Clean Energy during the reporting period, the Capital Stage Group joined the ranks of one of Europe's largest independent power producers in the renewable energy sector and, in terms of market capitalisation, is Germany's largest exchange-listed company in the solar and wind energy sector. The new size of the Company comes with improved financial strength and a higher level of recognition, which should have a generally positive influence on the conclusion of individual and new project financing agreements.

The continued low-interest environment in Europe, the lack of alternative investments with comparable risk–opportunity profiles and corresponding competition for these projects among the financial institutions currently offer the Company an excellent position from which to secure project financing at favourable conditions. Moreover, the Capital Stage Group has also managed to renegotiate existing financing arrangements with banks, thereby securing more favourable terms.

In spite of this, the Capital Stage Group still monitors and reviews compliance with the covenants for all existing and newly added project financing agreements on an ongoing basis. Also, the Company reviews existing financing alternatives.

This led to the debt portion of project financing for a British solar park being structured as listed notes in the United Kingdom. The notes were acquired by an institutional investor.

Risks associated with the Group's capital procurement: "Growth risk" – Low probability of occurrence
Investments in the Capital Stage Group's own portfolio of solar and wind power installations are financed partially through borrowing for the respective project and partially through equity from the investment funds of the Capital Stage Group. Should the Capital Stage Group's equity not be sufficient in the future, this would have a negative effect on the Company's continued growth course expected by all market participants.

In the past, these investment funds have been generated by Capital Stage AG primarily through capital increases and, in 2014, supplemented by a strategic partnership with Gothaer Versicherungen in the amount of EUR 150 million and the successful placement of a debenture bond in the amount of EUR 23 million. In the 2016 financial year, Capital Stage AG raised its share capital by some 67 per cent compared to 31 December 2015 in April through a minor capital increase as well as in the process of the implementation of the takeover offer for CHORUS Clean Energy AG, which was structured as a pure share exchange.

However, sourcing growth capital entirely through loans leads to additional leverage on a project level, a corresponding increase in financial liabilities on a Group level and, unless appropriate measures are taken, a reduction in the equity ratio of the Capital Stage Group. At Capital Stage, preservation of financial stability takes priority. For this reason, the Capital Stage Group made a conscious decision to not expand its partnership for additional mezzanine capital with Gothaer Versicherungen or to enter into another similar contract. However, the Group intentionally carried out smaller borrowing measures: as such, Capital Stage took out a working capital loan from the IKB Deutsche Industriebank AG in October 2016 in the amount of EUR 20 million as well as a committed credit line with HSH Nordbank AG in the amount of EUR 25 million.

Through the takeover of CHORUS Clean Energy, the Capital Stage Group is one of Europe's largest independent power producers in the renewable energy sector and, in terms of market capitalisation, Germany's largest exchange-listed company in the solar and wind energy sector. This has also significantly improved the perception of the Company in the international capital markets. This means that Capital Stage will be able to choose from a broader range of financing options for its continued growth in the future. The Company reviews alternative options for financing growth (including mezzanine capital) that can be recognised as equity rather than borrowed funds pursuant to the International Financial Reporting Standards (IFRS) without giving the investors voting rights or influence over the Company. Various options are already being considered at this time. Furthermore, Capital Stage is keeping its option open to carry out a capital increase for organic growth in particular.

Generally speaking, the takeover of CHORUS Clean Energy has increased the probability of successfully placing any potential capital increase for Capital Stage. Reasons for this include the higher level of recognition, increased total assets, an improved equity ratio as well as increased liquidity of the share, higher market capitalisation and the listing in the SDAX index of Deutsche Börse.

Capital Stage is therefore very confident in its ability to successfully generate liquid funds for additional growth in the future.

Tax risk: Risk class "Medium"
Due to the various entities subject to taxes within Germany, the United Kingdom, France, Austria and Italy (tax groups and taxation at the individual-company level) as well as various legal forms within the Capital Stage Group, the tax structure is – at least in part – very complex. In particular, restrictions on so-called interest barriers, taxation of dividends and minimum tax rates for offsetting losses are of significant relevance according to the tax laws of each country.

The German – as well as the Italian, French, Austrian and British – solar and wind park companies have only limited tax loss carry-forwards from project start-up phases. In addition, further tax loss carry-forwards are generated by German parks' use of accelerated depreciation in accordance with Section 7g of the German Income Tax Act (EStG). Due to accelerated depreciation for tax purposes or degressive tax depreciation, corporate tax loss carry-forwards are generated for the foreign parks as well. Their use results in no or only limited tax liability for the first few years on account of the minimum tax rates. After using these loss carry-forwards on an individual company level, the Group also has the option of using existing loss carry-forwards of the German holding companies via profit transfer agreements with the various German subsidiaries. A higher income tax burden should only be expected once the various represented loss carry-forwards have been used.

For carrying out company transactions, income taxes incurred and any changes in tax law, as part of tax due diligence and an investment calculation, are analysed with the help of experts on the corresponding tax law and therefore play a role in the investment decision.

Capital Stage AG provides intra-Group services to subsidiaries, both in the form of actual services as well as the issuance of loans. Capital Stage AG has the necessary documentation of offset prices which was prepared with the help of experts. There is a risk that the German and/or foreign financial authorities will not recognise the transfer prices or will object to the intra-Group offset prices within the Capital Stage Group as well as due to the integration of the new sub-Group CHORUS Clean Energy AG.

Even if the Company is of the opinion that the tax risks were sufficiently accounted for through corresponding provisions, additional tax burden can result from the process of subsequent external audits. However, the Group ensures that tax-relevant amounts are discussed in detail with tax advisers at regular intervals. If existing tax regulations are changed, or if a change is planned, the Group must analyse the effects of this change as soon as possible and, if needed, make the appropriate preparations.

Currency risk: Risk class "Medium"

Capital Stage operates ground-mounted PV parks in the United Kingdom with a generation capacity of around 88 MW. Investments and revenue in foreign currencies are subject to exchange rate fluctuations between the currencies from the moment when these are converted to the other currency. The value of the British pound has already decreased significantly in relation to the euro after the passing of the Brexit referendum in favour of the United Kingdom's withdrawal from the EU. As a precaution even before the British referendum, Capital Stage had hedged the income from British solar parks against exchange rate fluctuations with a fixed exchange rate valid through the first quarter of 2018. On a project level, the income and expenses of the British solar parks are structured in the local currency (British pound). The translation from British pounds to euros is not carried out until the profits of the British PV parks are recognised with effect on cash flow.

Additionally, Capital Stage issued loans in British pounds to its subsidiaries, or rather project companies, in the United Kingdom. The loans are therefore also subject to fluctuations in the exchange rate between the British pound and the euro; however, these fluctuations do not directly lead to exchange rate losses recognised in profit or loss.

Furthermore, as part of the Asset Management business segment, the Capital Stage Group actively manages two wind parks in the United Kingdom and one wind park in Sweden, both of which are outside of the eurozone. This does not expose the Company to any currency risk, however, as Capital Stage does not operate these parks on its own behalf, but rather for third parties.

Capital Stage follows an active risk management strategy, whereby the Company monitors the development of the British pound on an ongoing basis and, if necessary, enters into hedges – as was the case in the run-up to the Brexit referendum.

Risks from existing covenant agreements: Risk class "Low"

The mezzanine capital contract concluded in November 2014 with Gothaer Versicherungen contains standard agreements (covenants) regarding meeting defined financial KPIs. There is a fundamental risk that these covenants are not met, which would, in principle, authorise the immediate repayment of the drawn mezzanine capital. This would lead to significant strain on the earnings, net assets and financial position of Capital Stage.

Additionally, the contract on the debenture bonds issued in December 2015 contains contractual riders which obligate Capital Stage to meet defined financial KPIs. Here, the fundamental risk exists that the covenants are not complied with by the Company, resulting in principle in the loan issuer rightfully making the loans due for repayment with immediate effect. This would lead to significant strain on the earnings, net assets and financial position of Capital Stage AG.

Furthermore, the project companies of the solar and wind parks generally have a project financing loan in connection with the development and construction of the respective park. These contracts also contain covenants with which the respective project company must comply. To minimise financing risks for the Capital Stage Group, Capital Stage ensures that, on a project company level, the financing banks do not have any recourse to companies other than the respective borrowers. For this reason, financing arrangements are generally on a non-recourse basis, in which the collateral for the bank is limited to the park in question. A violation of the covenants contained in these contracts could result in the early termination of the respective loan agreement by the financing bank, which would in turn cause the remainder of the borrowed amount to become due immediately. In order to counteract these risks, all existing contracts – and in particular compliance with the covenants contained therein – are monitored and reviewed by Capital Stage on a regular basis. This enables negative developments to be recognised early on and actively managed before a violation of the contractually agreed covenant is violated.

Interest rate risk: Risk class "Low"
The financing strategy of the Capital Stage Group for the acquisition of suitable solar and wind parks includes a market-typical portion of borrowed funds in the form of a loan. The solar parks and wind parks are financed by debt at fixed and variable rates of interest and with terms ranging from 10 to 17 years. Our calculations allow for sharp rises in interest rates when fixed interest rate periods come to an end. An increase in interest rates after expiration of the fixed interest rate period that exceeds the rate contained within the calculations could result in decreased profitability of individual solar and wind parks.

In the case of variable-interest loans, the Group considers the use of interest rate hedging instruments – so-called swaps – to permit reliable long-term calculations and planning. The Company represents corresponding interest rate hedges through a cash flow hedge. A majority of the existing interest rate hedges meet the conditions for hedge accounting pursuant to IAS 39. Changes in the effective portion of the market values are therefore recognised in equity without effect on profit or loss.

In November 2014, the Capital Stage Group agreed a long-term strategic partnership with Gothaer Versicherungen. The primary component of this agreement was the provision of mezzanine capital in the amount of EUR 150 million by Gothaer Versicherungen to Capital Stage for the purpose of investing these funds in solar and wind parks. Gothaer Versicherungen receives a fixed base interest rate over the entire term for the provision of the mezzanine capital; this interest rate is supplemented by a success-dependent variable component. The term for the mezzanine capital made available is a period of 20 years. Repayment occurs through the maturity date via a savings plan where contributions are taken from the income generated by the solar and wind parks acquired using the mezzanine capital.

In December 2015, Capital Stage issued debenture bonds for the first time totalling EUR 23 million with an average yield of 2.32 per cent. The debenture bond issue comprises two tranches; one tranche has a term of seven years and the other a term of ten years. The interest rates of both tranches are fixed. Additionally, the Company has access to working capital and guaranteed credit lines which have interest and term structures that are standard for the market.

The currently low interest rates contribute to a very moderate level of interest risk overall. According to announcements from the European Central Bank, monetary policy in the eurozone will continue to be expansive. As part of active risk management, the Capital Stage Group monitors and remains informed on the costs of capital procurement on an ongoing basis and, through the refinancing of existing loans and fixed interest rate agreements, lowers the risk potential risk even further.

Strategic risks

Risks related to investments and investing activities: "Growth risk" – Low probability of occurrence
Identifying and securing investment opportunities in solar and wind parks (or similar operating companies), as well as driving the successful integration of newly acquired companies, are crucial to the success of the Capital Stage Group. As part of the strategy directed at sustainable growth, the Company plans to acquire additional suitable solar and wind parks.

Due to the highly attractive market of renewable energies and the comparably low barriers to market entry, additional competitors may well enter into the market and compete with Capital Stage for attractive investment opportunities.

Its status as one of Europe's largest independent power producers in the renewable energy sector, a high level of industry expertise and growing financial strength result in a more competitive position for the Capital Stage Group when it comes to identifying and realising promising investments, even in the face of increasing competition.

Dependence on national programmes to subsidise renewable energy: Risk class "Low"
The success of solar power generation and power generation from wind energy is generally closely linked with national programmes for the subsidisation of renewable energy. The greatest risks to Capital Stage's business model are retroactive changes which have an adverse impact on existing investments. There were no retrospective restatements of or intervention in the subsidies for solar energy and wind power in any of the core regions of the Group during the reporting period. Also, no future retrospective interventions were resolved or discussed politically with the correspondingly high probability of occurrence. In contrast, the Capital Stage Group includes forward-looking adjustments to subsidy mechanisms or subsidy amounts fully in investment calculations and would be entirely reflected in the purchase price offered.

Generally speaking, the dependence of renewable energies on public subsidies has continued to decline in recent years. Technical advancements, valuable experiences and economies of scale have lead to a quite significant drop in prices, especially in the solar and wind sectors. Today, solar and wind energy have already achieved grid parity in many regions and no longer require government subsidies. Government subsidies, for example in the form of feed-in tariffs, have also been continuously reduced over the past few years in the European core regions of the Capital Stage Group; however, renewable energies have managed to continue their march unencumbered because production costs have also dropped dramatically in the same time period. Experts expect further cost savings in the coming years, and new technologies such as battery storage technology could enable the electricity produced to be used even more efficiently.

National and international climate targets as agreed at the UN Climate Change Conference in Paris in December 2015 among others cannot be achieved without the continued expansion of renewable energies. Currently more than 100 countries have subsidy programmes for renewable energies, and, at the same time, many large government and institutional investors have already withdrawn their funds from the fossil fuel sector. The ongoing improvement in the profitability – and thus the competitiveness – of producing electricity from renewable sources has been a significant contributor to this trend in recent years.

Capital Stage still expects renewable energy to remain a global megatrend in the coming years and that there will not be a reduction in electricity production from primarily fossil fuel sources. Thanks to the geographic diversification of the existing portfolio across several countries, potential negative effects of changes in national legislation – in particular retroactive changes – on the earnings, net assets and financial position of the Capital Stage Group have been reduced overall.

Economic and sectoral risk: Risk class "Low"
The sub-market for renewable energies on which the Group focuses is a growth sector worldwide. Due to the guaranteed feed-in tariffs (FIT) or long-term private power purchase agreements (PPA), as well as the purchase obligation set forth in the German EEG for example, the operation of solar parks and wind parks is not exposed to economic volatility.

On the contrary, weak economic development can even lead to an increased offering of solar parks and wind farms, as companies or private investors might seek to dispose of these assets for economic reasons and a lack of liquidity. What is more, weak economic development is often accompanied by lower interest rates, which would result in lowered financing costs on a Group and project level.

To nevertheless respond swiftly and appropriately to economic and sectoral risk, the Group keeps the relevant markets under observation. This entails studying a variety of trade publications and attending congresses, trade fairs and specialist conferences, as well as membership in trade associations. In addition, the Company stays in close and regular contact with business partners, experts and industry representatives from its network.

Operating risks

Sales risks related to the expansion of asset management activities: "Growth risk" – Medium probability of occurrence
CHORUS Clean Energy AG, the Capital Stage Group's specialist for managing institutional investors, offers institutional and professional investors who would like to invest in the renewable energy sector structured investment opportunities (e.g. special funds, bond structures, direct investments). Institutional investors such as these, in particular insurance companies and/or financial institutions, are subject to regulations that protect the interests of their beneficiaries. The investment options of European insurance companies are further limited by EU guidelines such as Solvency II, the new capital requirement for insurance companies and pension funds. These and other unforeseeable regulatory changes to legislation could limit the ability of institutional and professional investors to invest in renewable energies.

Also, lower prices for energy from conventional sources, difficult economic conditions and changes to the legal framework for renewable energies could make investing in renewable energies less attractive for institutional investors.

Under these circumstances, it could become more difficult for the Capital Stage Group to convince institutional investors to make additional investments in (special) funds and/or direct investments in renewable energy projects. The result of such a development would be a decrease in future revenue from this business segment, which is made up of up-front fees and asset management fees.

In the opinion of the Capital Stage Group, the market environment has continued to develop favourably for institutional investors in the renewable energy sector. Significant reductions in the cost of technical components of solar and wind power plants have increased the profitability of these investments. Today, conventional power plants are no longer more profitable and are subject to political uncertainty. Since the UN Climate Change Conference in Paris in December 2015, there has been no doubt that the global expansion of renewable energies will continue over the coming years. This means that the market for renewable energies remains an important growth market with growth rates in the double digits and is also largely independent of economic fluctuations. And because of the continuing low-interest environment, there are hardly any comparable investment classes available that offer a similar risk–opportunity profile. Against this backdrop, sales risks are currently low and Capital Stage is confident that it will be able to establish and expand the Asset Management business segment as a sustainable third pillar of revenue.

Furthermore, the Company continuously optimises its sales activities and is constantly working on growing its spectrum of potential investors, for example to include differently regulated customer segments such as insurance companies, pension funds, utilities, foundations and church organisations. Additionally, further geographic expansion of the business segment's activities is planned which has already been partially realised during the current financial year.

Downtime: Risk class "Medium"
Solar parks and wind parks may break down due to technical faults in the park's installations or in the power substation, or may be disconnected from the grid temporarily by the energy provider to enable maintenance work. There is a risk that this downtime may be prolonged if the faults are not noticed and the accompanying technical defects eliminated promptly.

We are able to take prompt countermeasures in relation to the risk of solar park and wind power plant downtime thanks to the fact that the installations are operated and monitored either by the Capital Stage Group itself or by experienced external partners, and any downtime or technical problems are detected or identified promptly via a real-time online monitoring system. In addition to these measures, all our installations are insured against the risk of operational interruptions, and the Group also has appropriate insurance against risks arising from third-party operations – for instance, faulty maintenance or repair work – and is covered for any loss, damage or consequential loss suffered as a result. Manufacturers generally give an availability guarantee for the wind turbines. There is also insurance cover against other damage to the installations.

Meteorological risk (solar): Risk class "Medium"
The output of (ground-mounted) solar parks is dependent in the short to medium term on meteorological circumstances that could have an adverse impact on results. Forecasts for sunshine could prove to be inaccurate, and climatic changes – for example from global climate change and environmental pollution – could potentially lead to weather conditions being different than in previous years and their deviation from the existing forecasts as well as the meteorological averages. However, statistical analysis of the weather data shows that, in the long run, years in which sunshine is in short supply and years of above-average sunshine will balance out.

As part of the return calculations for the acquisition of new solar parks, Capital Stage relies on its own experience along with external forecasts of the expected sunshine. Additionally, the potential effects of deviations from these forecasts on the return calculations are reviewed as part of sensitivity analyses. Furthermore, the diversification of the existing portfolio of solar parks reduces dependence on meteorological conditions in one particular region.

Meteorological risk (wind): Risk class "Medium"
Generally speaking, generation capacity in the wind energy sector is subject to greater fluctuations than the solar power sector. Fluctuations in the wind energy sector may be up to 20 per cent per year. Capital Stage addresses this risk by taking the greater volatility of wind parks into account by applying a safety margin in its return calculations for (onshore) wind parks that could be newly acquired as well as simulating and considering worst-case scenarios. Capital Stage also relies here on its own experience and external forecasts of the expected wind power.

Nevertheless, such fluctuations cannot be completely ruled out. As a result, there is a risk that the performance of individual wind parks could be below the original forecast targets. Due to the geographic diversification of the existing portfolio in the Wind Parks segment, as well as its small proportion of the revenue of the Capital Stage Group, the overall risk associated with this is acceptable for the Group.

Solar park and wind park planning and construction risks: Risk class "Low"

Planning of solar parks and wind parks is subject to a significant risk inherent in obtaining regulatory approval and permission for the construction and operation of new installations for the production of electricity from renewable sources.

For this reason, the Capital Stage Group has made the conscious decision to focus its core business on the operation of newly constructed and/or already operating solar and wind parks, which carries significantly less risk.

Nevertheless, it cannot be ruled out that, in individual cases – for example, in order to secure attractive investment opportunities in an early phase – the Group might invest in a project at an earlier point in time.

In these cases, the Group can rely on its comprehensive experience in commercial and technical management of its existing parks as well as the few development projects from the past, thus enabling the Group to recognise potential risks early on and further reduce those risks. Moreover, contracts concluded with sellers generally define the condition of the park at the time of transfer and include provisions allowing withdrawal from the contract if conditions are not met.

Technical risks and loss of capacity: Risk class "Low"

The technical risks of the installed solar parks are low and limited to a few significant components. These risks are greater in the case of wind parks, since the moving parts are subject to wear and fatigue.

In dealing with solar parks and wind parks, the Capital Stage Group therefore pays great attention to the choice of its partners and the quality of the components used and installed. The Group only considers acquiring projects or parks built by large, reputable project planners and manufacturers who have been established in the industry for many years. All parks undergo a comprehensive review process (technical due diligence). Additionally, the Capital Stage Group has a wholly owned subsidiary – Capital Stage Solar Service GmbH – that specialises in the technical management of solar parks and can carry out assessments of the parks on-site as part of the due diligence process. For wind parks, the Group uses experienced and respected external service providers.

In the unlikely event of a loss of capacity or the failure of technical components during a park's operating phase, we are generally covered by manufacturers' warranties or general contractor guarantees, and we also have insurance contracts covering damages and loss of revenue. Verification of existing insurance coverage is also an established part of the entire due diligence process carried out for all new acquisitions.

Furthermore, liquidity is set aside in a project reserve for the solar parks and wind parks which, for example, can be drawn on if components need to be replaced. The project reserves are saved out of the parks' ongoing cash flow and maintained at amounts based on long-term experience.

Risks from investment calculations: Risk class "Low"

Prior to each new investment, a detailed return calculation for the respective solar or wind park is carried out. Valuations of solar parks and wind parks are based on long-term investment plans that are sensitive to changes in capital costs, operating costs and revenue. Changes in these factors may lead to a park becoming unprofitable in spite of the original calculation.

The calculations made in connection with the due diligence process take into account fluctuations of individual or multiple parameters from the carefully conducted sensitivity analyses. Additionally, plausibility checks are integrated into the calculation models of the Capital Stage Group. Furthermore, the Company's own valuations and assumptions are compared with the wind or solar forecasts from independent experts. Thanks to its comprehensive existing portfolio, Capital Stage can draw on its excellent expertise as well as past experience which are factored into return calculations for new investments.

Organisational risks

Dependence on qualified personnel: Risk class "Medium"

As of 31 December 2016, the Capital Stage Group had a total of 93 employees. The future growth and the sustainable success of the Capital Stage Group is significantly dependent upon the performance, abilities, experience and knowledge of its management and employees.

Generally speaking, the possibility of the loss of managers and employees in key positions having a negative influence on the earnings, net assets and financial position as well as the further development of the Company cannot be excluded. The same applies if the Capital Stage Group should be unable to continue successfully recruiting highly qualified employees in the future.

To address these risks, Capital Stage makes use of all-round talent management and aims to maintain and develop a motivational and family-friendly working environment. Annual performance reviews are conducted with every employee to discuss both past and future performance as well as expectations. Jointly defined targets are used to set monetary and/or non-monetary incentives and individual career development activities are agreed. Capital Stage thereby makes an active contribution to the qualifications and motivation of its employees and promotes their long-term commitment to the Company.

Furthermore, various measures were taken during the reporting period to prevent the loss of managers and technical staff during the course of the takeover of CHORUS Clean Energy AG and to ensure its successful integration into the Capital Stage Group.

Other risks

Other risks primarily consist of general risks (e.g. contract risks, operating risks), which are recorded and monitored regularly and on an ongoing basis as part of the internal control and risk management system (ICRM).

Forecast

The following statements include forecasts and assumptions that are not certain to materialise. If one or more of these forecasts or assumptions do not materialise, actual results and developments may differ significantly from the statements.

Capital Stage continues to rely on quality growth

At the time of this report’s preparation, the economic conditions and the socio-political environment provide the ideal framework for the continued sustainable growth of the Capital Stage Group.

The global expansion of renewable energies, the continued low interest rates, the independence from economic fluctuations and the lack of alternative investments with comparable risk–opportunity profiles support the strategic direction of the Capital Stage Group. Capital Stage will continue to focus on the acquisition of turnkey solar and wind parks, and those which are already connected to the grid, in politically stable regions which benefit from guaranteed feed-in tariffs or private power purchase agreements (PPA). Furthermore, as part of the Asset Management segment, Capital Stage will offer various investment opportunities in renewable energy installations for institutional investors, as well as drive the procurement of the corresponding funds. The market position of Capital Stage was significantly strengthened during the reporting period by the takeover of CHORUS Clean Energy AG. The Group’s strategic options and negotiating position have improved as a result, both with regard to acquisitions as well as capital procurement. With the successful transaction and the continued expansion of its generation portfolio to become one of Europe’s largest independent power producers, the Capital Stage Group was able to grow its reputation as a competent, reliable, trustworthy and efficient business partner and market participant during the reporting period.

In the future, Capital Stage will continue to rely on the qualitative expansion of its risk-averse business model consisting of the acquisition and operation of existing and turnkey solar and wind parks with long-term guaranteed feed-in tariffs as well as the associated certainty with regard to the ability to market the electricity generated. Capital Stage’s business model therefore allows for attractive yields with very stable and predictable cash flows. What is more, the Company is planning the further expansion of the Asset Management segment, through which Capital Stage – using its many years of experience and comprehensive expertise – offers institutional investors various opportunities to invest in renewable energy installations. For these services, Capital Stage receives an up-front fee as well as a performance-related management fee.

At the time this report was prepared in March 2017, the Company has a very promising project pipeline in the various core regions and, for some of the projects, has already agreed exclusive rights Moreover, the Company continuously monitors attractive opportunities which, for example, may involve entry into new markets. Additionally, in January 2017, Capital Stage announced that it would establish a further Luxembourg special fund for institutional investors that will invest in renewable energy installations in Europe.

Overview of expected development

On the basis of the continued favourable economic conditions and the growth strategy of the Capital Stage Group, the Management Board expects a further increase in revenue and earnings for the 2017 financial year.

Based on the existing portfolio of the Capital Stage Group of more than 1.2 GW as of 7 December 2016, the Management Board expects revenue to increase to more than EUR 200 million for the 2017 financial year. Operating EBITDA is forecast to rise to over EUR 150 million. Including depreciation and amortisation, the Group expects operating EBIT to increase to more than EUR 90 million. For operating cash flows, the Group expects a figure of greater than EUR 140 million. The technical availability of the installations should again exceed 95 per cent in the 2017 financial year.

This outlook is based on the following assumptions:

- no significant retroactive changes to legislation
- no significant deviations from weather forecasts with regard to the long-term average

The CHORUS Group was included in the group of consolidated companies of Capital Stage for the first time in the fourth quarter of the reporting period. The comparability of the figures with the previous year, the 2015 financial year, is therefore significantly limited, as the 2015 annual report reflects the Capital Stage Group before the addition of CHORUS Clean Energy AG. During the reporting period, expenses associated with the expansion of the Capital Stage portfolio increased significantly due to investments. Furthermore, other expenses include one-time and/or special effects which were incurred as a result of, among other things, the consulting activities as part of the takeover of CHORUS Clean Energy AG.

Capital Stage can meet the liquidity requirements of its operating business and other planned short-term investments from its available cash reserves together with the cash flow from operating activities forecast for 2017. If market conditions are favourable and concrete attractive acquisition opportunities are identified, other financing options such as loans or mezzanine capital at a Group and company level, as well as equity measures, cannot be ruled out if a need exists and they are financially advantageous.

For Capital Stage AG, which as holding company bears the administration expenses for the Group, the Management Board expects earnings before interest, taxes and depreciation and amortisation (EBITDA) for the 2017 financial year in the amount of some EUR –10.2 million and earnings before interest and taxes (EBIT) of approximately EUR –10.3 million. The lower results compared to the previous year should be considered in particular against the backdrop of the significant growth of the Company and the accompanying additional personnel needs, as well as the corresponding expansion of office space and IT infrastructure. As such, a further increase – albeit proportionately less than the growth of the Company – in personnel expenses by some ten per cent to approximately EUR 6.4 million is expected in the 2017 financial year.

Corporate governance statement pursuant to Section 289a of the HGB

The corporate governance statement contains the annual declaration of conformity, the corporate governance report, details of corporate governance practices and a description of the working practices of the Management Board and Supervisory Board. It is permanently available for inspection by shareholders on the Company's website at http://www.capitalstage.com. Accordingly, we have refrained from repeating it in the management report.

Our exchange-listed subsidiary CHORUS Clean Energy AG has also submitted a declaration of compliance with the German Corporate Governance Code. This can be viewed at the following website:

- Declaration of compliance of CHORUS Clean Energy AG

  http://www.chorus.de/en/investor-relations/corporate-governance/declaration-of-compliance/

Hamburg, 31 March 2017

Capital Stage AG

Management Board

Dr Christoph Husmann	Holger Götze
CFO	COO

Consolidated statement of comprehensive income

of Capital Stage AG for the period from 1 January to 31 December 2016
according to International Financial Reporting Standards (IFRS)

in TEUR	Notes	2016	2015[1]
Revenue	3.18; 5.1	141,783	112,802
Other income	5.2	29,399	19,216
Cost of Materials	5.3	-1,326	-921
Personell expenses	5.4	-8,541	-5,758
- of which in share-based remuneration		-162	-181
Other expenses	5.5	-37,562	-23,565
Earnings before interest, taxes, depreciation and amortization (EBITDA)		**123,752**	**101,773**
Depreciation and amortization	5.6	-64,028	-47,888
Earnings before interest and taxes (EBIT)		**59,724**	**53,885**
Financial income	5.7	5,654	1,722
Financial expenses	5.7	-54,407	-34,887
Earnings from financial assets accounted for using the equity method		-21	0
Earnings before taxes on income (EBT)		**10,950**	**20,721**
Taxes on income	5.8	857	5,522
Earnings from continued operations		**11,807**	**26,243**
Earnings from discontinued operations		0	-86
Earnings after taxes (EAT)		**11,807**	**26,157**
Items which can be reclassified to profit or loss			
Currency translation differences	5.9	991	201
Hedging of cash flows – effective part of the change in fair value	5.9	-3,991	910
Change in the market value of available-for-sale financial assets	5.9	-191	0
Income taxes on items which can be reclassified to profit or loss	5.9	1,418	-264
Consolidated comprehensive income		**10,033**	**27,004**
Additions to earnings for the period			
Shareholders of Capital Stage AG		11,399	25,635
Non-controlling interests		408	521
Additions to Group comprehensive income for the period			
Shareholders of Capital Stage AG		9,626	26,483
Non-controlling interests		408	521
Earnings per share	3.21		
Average shares issued during reporting period			
Undiluted		89,498,004	74,545,502
Diluted		89,563,016	74,614,969
Earnings per share from continued operations, undiluted (in EUR)		0.13	0.34
Earnings per share from discontinued operations, undiluted (in EUR)		0.00	0.00
Earnings per share from continued operations, diluted (in EUR)		0.13	0.34
Earnings per share from discontinued operations, diluted (in EUR)		0.00	0.00

[1] Adjusted figures (see note 2)

Consolidated balance sheet

as of 31 December 2016

according to International Financial Reporting Standards (IFRS)

Assets in TEUR	Notes	31.12.2016	31.12.2015[1]	01.01.2015[1]
Non-current assets				
Intangible assets	3.5; 3.7; 6.1; 20	593,270	176,250	145,425
Goodwill	3.6; 6.2; 20	22,292	7,361	2,623
Property, plant and equipment	3.7; 6.3; 20	1,331,845	958,096	675,648
Financial investments recognised using the equity method	6.4	730	0	0
Financial investments	3.9; 6.5	7,334	1	6
Other accounts receivable	3.10; 6.6	14,178	6,925	5,970
Deferred tax assets	3.13; 5.8	118,588	30,955	13,540
Total non-current assets		**2,088,237**	**1,179,588**	**843,212**
Current assets				
Inventories	3.12; 6.7	327	1,232	1,926
Trade receivables	3.14; 6.8	31,352	19,205	9,341
Non-financial assets	3.14; 6.9	17,025	11,560	10,022
Receivables from income taxes	3.13; 6.9	10,289	7,934	0
Other current receivables	3.14; 6.9	17,588	5,667	2,314
Cash and cash equivalents	3.15; 6.10	188,979	99,368	118,722
cash and cash equivalents	3.15; 6.10	125,802	52,358	88,596
Restricted cash and cash equivalents	3.15; 6.10	63,177	47,010	30,126
Non-current assets and disposal groups held for sale	3.16	0	262	262
Total current assets		**265,560**	**145,228**	**142,587**
Total assets		**2,353,797**	**1,324,816**	**985,799**

[1] Adjusted figures (see note 2).

Equity and liabilities in TEUR	Notes	31.12.2016	31.12.2015[1]	01.01.2015[1]
Equity				
Subscribed capital		126,432	75,484	73,834
Capital reserve		399,559	108,651	100,802
Reserve for equity-settled employee remuneration	3.19; 6.12	344	425	244
Other reserves		-3,967	-2,194	-3,041
Distributable profit		63,342	66,834	52,289
Non-controlling interests		22,846	7,794	7,811
Total equity	6.11	**608,556**	**256,994**	**231,939**
Non-current liabilities				
Non-current liabilities	3.17; 6.13	5,997	0	11,996
Non-current liabilities to non-controlling shareholders	3.17; 6.13	1,251,964	848,251	568,373
Non-current leasing liabilities	3.20; 6.13	71,976	16,000	16,954
Provisions for restoration obligations	3.17; 6.13	22,251	10,155	5,566
Other non-current liabilities	3.17; 6.13	13,081	12,627	12,629
Deferred tax liebilities	3.13; 5.8	217,951	89,057	72,326
Total non-current liabilities		**1,583,220**	**976,090**	**687,844**
Current liabilities				
Current liabilities to non-controlling shareholders	3.17; 6.13	12,573	11,780	0
Liabilities from income taxes	3.17; 6.13	3,906	2,703	935
Current financial liabilities	3.17; 6.13	102,771	55,554	41,400
Current leasing liabilities	3.20; 6.13	5,688	953	920
Trade payables	3.17; 6.13	23,693	11,180	13,284
Other current debt	3.17; 6.13	13,390	9,561	9,477
Total current liabilities		**162,021**	**91,732**	**66,016**
Total assets		**2,353,797**	**1,324,816**	**985,799**

[1] Adjusted figures (see note 2).

Consolidated cash flow statement

of Capital Stage AG, Hamburg,

for the period from 1 January to 31 December 2016

in TEUR	Notes	2016	2015[1]
Net profit/loss for the period		11,807	26,157
Depreciation and amortization of fixed assets	5.6	64,028	47,912
Other non-cash expenses		2,825	579
Other non-cash income		-24,795	-17,737
Financial income	5.7	-5,654	-1,722
Financial expenses	5.7	54,407	35,333
Taxes on income (recognized in income statement)	5.8	-857	-5,550
Taxes on income (actually paid)		-2,640	-6,746
Earnings from deconsolidation	4.3; 4.4	1,152	-589
Increase in other assets not attributable to investment or financing activities		-5,865	-2,516
Increase/decrease in other liabilities not attributable to investment or financing activities		856	-620
Cash flow from operating activities		**95,263**	**74,501**
Payments for the acquisition of consolidated companies less cash/proceeds	4.2	-21,088	-60,920
Refund of purchase price payments		330	0
Proceeds from the sale of consolidated companies	4.3	15,196	-293
Payments for investments in property, plant and equipment		-14,157	-24,605
Proceeds from the disposals of assets in property, plant and equipment		855	25
Payments for investments in intangible assets		-636	-92
Payments for investments in financial assets		-4	-10
Proceeds from the sale of financial assets		252	16
Cash flow from investing activities		**-19,252**	**-85,879**
Loan proceeds		70,167	173,617
Loan repayments		-65,039	-154,748
Interest received (cash items)		300	302
Interest paid (cash items)		-35,562	-27,505
Proceeds from capital increases		48,897	688
Payment for issued costs		-4,809	-69
Change in cash and cash equivalents with limited availability		1,629	-10,839
Dividends paid		-15,683	-4,708
Cash flow from financing activities		**-101**	**-23,262**
Change in cash and cash equivalents		75,910	-34,640
Change in cash due to exchange rate changes		-1,841	-1,289
Change in the financial funds		**74,069**	**-35,929**
As of 01.01.2016 (01.01.2015)	6.10	51,629	87,558
As of 31.12.2016 (31.12.2015)	6.10	125,698	51,629

[1] Adjusted figures (see note 2).

Group statement of changes in equity

in TEUR	Subscribed Capital	Capital reserve	Currency translation reserve	Hedge reserve	Reserves from changes in fair values
As of 31.12.2014	**73,834**	**100,802**	**-130**	**-2,911**	
Adjustment to the previous year's figures[1]					
As of 01.01.2015[1]	**73,834**	**100,802**	**-130**	**-2,911**	
Consolidated comprehensive income for the period[1]			201	646	
Dividends					
Income and expenses recorded directly in equity					
Receipts from fundraising	1,649	7,917			
Issuance costs		-69			
Non-controlling interests					
As of 31.12.2015[1]	**75,483**	**108,650**	**71**	**-2,265**	
As of 01.01.2016	**75,483**	**108,650**	**71**	**-2,265**	
Consolidated comprehensive income for the period			991	-2,622	-142
Dividends					
Amendments to accounting methods					
Income and expenses recorded directly in equity		651			
Changes from capital measures	50,949	295,087			
Transactions with shareholders recognised directly in equity		-21			
Issuance costs		-4,808			
Acquisition of shares from non-controlling interests					
As of 31.12.2016	**126,432**	**399,559**	**1,062**	**-4,887**	**-142**

[1] Adjusted figures (see note 2).

in TEUR		Reserve for equity-based employee remuneration	Distributable profit/loss	Non-controlling interests	Total
As of 31.12.2014		**244**	**63,829**	**7,811**	**243,479**
Adjustment to the previous year's figures[1]			-11,540		-11,540
As of 01.01.2015[1]		**244**	**52,289**	**7,811**	**231,939**
Consolidated comprehensive income for the period[1]			25,635	522	27,004
Dividends			-11,090	-539	-11,629
Income and expenses recorded directly in equity		181			181
Receipts from fundraising					9,566
Issuance costs					-69
Non-controlling interests				1	1
As of 31.12.2015[1]		**425**	**66,834**	**7,795**	**256,994**
As of 01.01.2016		**425**	**66,834**	**7,795**	**256,994**
Consolidated comprehensive income for the period		-243	11,399	408	9,790
Dividends			-14,891	-1,299	-16,190
Amendments to accounting methods		-243			-243
Income and expenses recorded directly in equity		162			813
Changes from capital measures					346,036
Transactions with shareholders recognised directly in equity					-21
Issuance costs					-4,808
Acquisition of shares from non-controlling interests				15,942	15,942
As of 31.12.2016		**344**	**63,342**	**22,846**	**608,556**

[1] Adjusted figures (see note 2)

Notes to the consolidated financial statements of Capital Stage AG, Hamburg, according to International Financial Reporting Standards (IFRS) as of 31 December 2016

Notes to the consolidated financial statements of Capital Stage AG, Hamburg, according to International Financial Reporting Standards (IFRS) as of 31 December 2016

1. General information

The Group's parent company, Capital Stage AG, was entered in the commercial register of Hamburg district court on 18 January 2002 with the register number HRB 63197. The Company's place of business is Große Elbstraße 59, 22767 Hamburg, Germany.

As defined in its Articles of Association, the business of Capital Stage AG comprises the independent operation of power generation facilities from renewable energy sources in Germany and abroad, by the Company itself or by its subsidiaries.

Furthermore, the business of Capital Stage AG includes the provision of commercial, technical or other services not subject to regulation or authorisation in connection with the acquisition, installation and operation of power generation facilities from renewable energy sources in Germany and abroad by the Company itself or by its subsidiaries, and the acquisition, holding, management and sale of equity investments in companies. Since the acquisition of CHORUS Clean Energy AG in October 2016, the Group also provides consulting and asset management services for institutional investors in the renewable energy sector.

The Company is entitled to take any action and engage in any transactions that serve the Company purpose. It may establish subsidiaries both in Germany and abroad, found other companies and acquire or invest in existing ones, as well as conclude inter-company agreements. It may purchase, use and transfer patents, trademarks, licences, distribution rights and other objects and rights. The purpose of subsidiaries and other financial investments may differ from the Company purpose of Capital Stage AG as long as it is appropriate for the Company's business objectives.

Capital Stage AG and its affiliates are subject to the consolidated financial statements. For a list of the consolidated entities, the reader is referred to the full ownership list in note 17.

The consolidated financial statements of Capital Stage AG were prepared in accordance with the IFRS of the International Accounting Standards Board (IASB) – including the interpretations of IFRS by the IFRS Interpretations Committee (IFRS IC) as applicable within the European Union and the applicable complementary statutory regulations pursuant to Section 315a, paragraph 1, of the German Commercial Code (*Handelsgesetzbuch* – HGB) – and published in the German Electronic federal gazette (*Bundesanzeiger*).

To improve clarity, various income statement and balance sheet items have been combined. These items are shown separately and explained in the notes. The income statement has been prepared according to the nature-of-expense method. The figures in the notes are given in euros (EUR), thousands of euros (TEUR) or millions of euros. Differences may arise in percentages and figures quoted in this report due to rounding.

As a rule, the consolidated financial statements are prepared using the acquisition cost principle. Excluded from this are certain financial instruments that are measured at their fair value.

The business activities of the Group are subject to seasonal influences, leading to fluctuations in revenue and results throughout the course of the year. Due to seasonal influences, revenue from the PV Parks segment is usually higher in the second and third quarters of a financial year than in the first and fourth quarters, whereas revenue and results from the Wind Parks segment tend to be higher in the first and fourth quarters of a financial year than in the second and third quarters.

2. Application of new and revised International Financial Reporting Standards (IFRS) and corrections in accordance with IAS 8

In the reporting year, the Group applied the following new and revised IFRS standards and interpretations which were adopted by the EU. This also includes the amendments published as part of the IASB's ongoing project for Annual Improvements to the IFRS. Unless otherwise indicated, the application of these revised standards and interpretations does not result in any significant effects on the presentation of the earnings, net assets and financial position of the Group.

In the 2016 financial year, the Group applied the following new and/or revised IFRS standards and interpretations for the first time:

Obligatory as of 31.12.2016			
New and amended standards and interpretations		Application obligatory in financial years beginning on or after the date mentioned	Status of EU endorsements (as of 31.12.2016)
IFRS 11	Amendment – Accounting of Acquisitions of Interests in Joint Operations	01.01.2016	Adopted
IFRS 10, IFRS 12, IAS 28	Amendment – Investment Entities: Applying the Consolidation Exception	01.01.2016	Adopted
IAS 1	Amendment – Disclosure Initiative	01.01.2016	Adopted
IAS 16, IAS 38	Amendment – Clarification of Acceptable Methods of Depreciation and Amortisation	01.01.2016	Adopted
IAS 16, IAS 41	Amendment – Agriculture: Bearer Plants	01.01.2016	Adopted
IAS 19	Amendment – Defined Benefit Plans: Employee Contributions	01.02.2015 (EU)	Adopted
IAS 27	Amendment – Equity Method in Separate Financial Statements	01.01.2016	Adopted
AIP	Annual Improvement Programme for IFRS: 2010–2012 cycle	01.02.2015	Adopted
AIP	Annual Improvement Programme for IFRS: 2012–2014 cycle	01.01.2016	Adopted

Standards, interpretations and amendments to standards and interpretations applicable for the first time in the reporting period which affect reported amounts and disclosures in the reporting period

The revisions have no or no material effect on accounting or on the annual report for Capital Stage AG.

New and amended IFRS and interpretations which are not yet obligatory and which the Group has not applied before the effective date

The IASB and IFRS IC also published the following new or amended standards and interpretations which will either not be applicable until a later date or which have not yet been endorsed by the European Commission. Capital Stage AG will not apply these standards earlier than required.

New and amended standards and interpretations		Application obligatory in financial years beginning on or after the date mentioned	Status of EU endorsements (as of 31.12.2016)
IFRS 9	New standard – Financial Instruments (2014)	01.01.2018	Adopted
IFRS 14	New standard – Regulatory Deferral Accounts	01.01.2016	Not yet adopted
IFRS 15	New standard – Revenue from Contracts with Customers	01.01.2018	Adopted
IFRS 16	New standard – Leases	01.01.2019	Not yet adopted
IFRS 10, IAS 28	Amendment – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Indefinitely delayed by IASB	Not yet adopted
IAS 7	Amendment – Disclosure Initiative	01.01.2017	Not yet adopted
IAS 12	Amendment – Recognition of Deferred Tax Assets for Unrealised Losses	01.01.2017	Not yet adopted
IFRS 2	Amendment – Classification and Measurement of Share-based Payment Transactions	01.01.2018	Not yet adopted
IFRS 15	Amendment – Clarifications to IFRS 15	01.01.2018	Not yet adopted
IAS 40	Transfers of Investment Property	01.01.2018	Not yet adopted
IFRS 4	Amendment – Application of IFRS 9 “Financial Instruments” in combination with IFRS 4 “Insurance Contracts”	01.01.2018	Not yet adopted
IFRIC 22	Foreign Currency Transactions and Advance Consideration	01.01.2018	Not yet adopted
AIP	Annual Improvement Programme for IFRS: 2014–2016 cycle	01.01.2017 or 01.01.2018	Not yet adopted

IFRS 9 – Financial Instruments (2014)

The new standard replaces the provisions previously contained in IAS 39 “Financial Instruments: Recognition and Measurement” for the classification and measurement of financial assets and also includes new regulations for hedge accounting. The provisions for the determination of impairments have been replaced by the so-called expected credit loss model.

No or only insignificant effects are expected to result from the reclassification of financial assets depending on the respective business model and the contractual cash flows associated with them. It is expected that financial assets currently classified as available for sale will be able to be classified in the category of measured at fair value with changes in value recognised in other comprehensive income (FVOCI).

The transition to the expected credit loss model is not expected to cause any significant effects on the consolidated financial statements of Capital Stage because, due to the Company’s business model, the majority of financial assets consists of trade receivables whose counterparties are semi-public grid operators and other similar organisations. In the reporting period, the default rate for trade receivables was zero per cent.

For the most part, recognition of financial liabilities remains identical for the Group. The new regulations only concern the recognition of financial liabilities for which the so-called fair-value option was used; the Group does not use this option.

The new provisions for hedge accounting offer Capital Stage the opportunity to direct its hedge accounting more pointedly towards economic risk management for the Group. At this time, the Group assumes that current hedging relationships will still qualify as hedging relationships under the first-time application of IFRS 9; for this reason, no effects on hedge accounting are expected.

The Group is currently reviewing what the qualitative effects of the first-time application of IFRS 9 will be. Capital Stage does not currently intend to apply IFRS 9 before its effective date.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 is a new standard that was published on 28 May 2014 and is applicable to reporting periods beginning on or after 1 January 2018. IFRS 15 defines when and how an IFRS reporter has to recognise revenue. Reporting entities are also required to provide users of financial statements with more informative, relevant disclosures than before. The standard provides a single, principles-based five-step model to be applied to all contracts with customers.

The Group primarily generates revenue through the sale of electricity. In addition, revenue is also generated by the service and asset management business divisions. The first-time application of IFRS 15 primarily leads to new regulations in the areas of multi-component contracts and principal–agent relationships. Because these areas are not relevant for Capital Stage, no effects are currently expected on the amount and time frame of revenue realisation. The new provisions do, however, significantly expand the qualitative and quantitative reporting requirements, which, unsurprisingly, will be reflected in the scope of the notes to the consolidated financial statements.

IFRS 16 – Leases

IFRS 16 was published in January 2016, and its application is not obligatory until financial years that begin on or after 1 January 2019. The new standard regulates the recognition, valuation, presentation and the reporting requirements regarding leases in financial statements of companies that report in accordance with IFRS. For the lessee, the standard stipulates a single accounting model. Under this model, all of the lessee's assets and liabilities from lease agreements are to be recognised in the balance sheet, unless the term is 12 months or less or it involves a low-value asset (choice of either). For accounting purposes, the lessor differentiates between finance and operating lease agreements. Here, the accounting model from IFRS 16 does not differ significantly from IAS 17 ("Leases"). The figures in the notes are more comprehensive in order to allow the addressee to evaluate the amount, time frame and uncertainties in connection with a lease agreement.

As of the reporting date, there are other financial obligations from lease and rental agreements in the amount of TEUR 147,749 (see note 9 on contingent liabilities and other obligations). Management currently expects that a large portion of these obligations will fall in the application areas of IFRS 16. For this reason, the Group expects a material increase in leasing liabilities and fixed assets at the time of first application. The equity ratio will decrease due to this balance sheet extension. In the future, depreciation and amortisation as well as interest expenses will be recognised in profit or loss rather than in leasing expenses, which should cause a significant improvement in EBITDA as well as EBIT. The altered accounting will cause the operating cash flow to improve and the cash flow from financing activities to worsen.

The Group is currently reviewing what the qualitative effects of the first-time application of IFRS 16 will be. Capital Stage does not currently intend to apply IFRS 16 before its effective date.

Capital Stage AG does not currently assume that application of the other new accounting standards, to the extent that they are adopted by the EU in this form, will have a significant effect on the consolidated financial statements.

Adjustments to the previous year's figures

As part of the merger of Capital Stage and CHORUS, the Group reviewed processes and accounting procedures, even from the past. In doing so, we have made adjustments to the acquisition accounting for purchase price allocations for French parks carried out in the past in light of the peculiarities of French tax law, as well as the accounting for one Italian park, which has resulted in a change to the previous year's figures pursuant to IAS 8.

In detail, the adjustments concern three adjusted purchase price allocations from 2014 and 2015. In 2014, the recognition of deferred tax liabilities for two purchase price allocations (France) was made up for (due to the discovery of intangible assets). Furthermore, deferred taxes were retroactively capitalised for an Italian solar park in 2015.

Because the figures from 2014 were adjusted due to the application of IFRS 5 in the 2015 financial year, the following changes relate to the figures presented in the 2015 annual report respectively.

The following adjustments to the previous year's figures are the result of these entries in 2014 and 2015 and the corresponding subsequent measurement: as of 1 January 2015, deferred tax liabilities increase by TEUR 11,540. The adjusted measurement led to a reduction of balance sheet profit by the same amount. This corresponds to a reduction of the earnings per share by EUR 0.16.

As of 31 December 2015, deferred tax assets are TEUR 6,289 higher compared to the previously published figures from the 2015 annual report. Deferred tax liabilities increased by TEUR 10,929 as of 31 December 2015. Subsequent measurement of the deferred taxes resulted in earnings from deferred taxes of TEUR 5,574 as well as additional other income in the amount of TEUR 1,326. Consolidated comprehensive income for 2015 increased in total by TEUR 6,900, which caused the earnings per share to increase by EUR 0.09.

The adjustments are all attributable to the PV Parks segment.

All adjustments concern non-cash IFRS measurement effects and therefore do not affect the operating performance indicators of the Group. The internal rate of return (IRR) and cash flows of the individual projects are not affected by these adjustments.

In the following, all information that deviates from the figures presented in the 2015 annual report due to this adjustment have been marked with a superscript 1 ([1]). In tables, the superscript 1 has been placed next to the year (column heading); in text blocks, the superscript 1 has been placed directly behind the corresponding figure.

3. Significant accounting policies and consolidation principles

3.1. Consolidation principles

The consolidated financial statements include Capital Stage AG and all significant subsidiaries controlled by Capital Stage AG both in Germany and abroad. An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement and has the ability to affect those returns through its power. In general, this involves control from the existence of a direct or indirect majority of voting rights. The results of subsidiaries acquired or disposed of over the course of the year are included in the Group income statement from the acquisition date or until the date of disposal. Intra-Group transactions are conducted on arm’s-length terms.

The effects of intra-Group transactions are eliminated. Loans and other receivables and liabilities among the consolidated companies are offset against each other. Interim profit and loss are eliminated and intra-Group income is offset by the corresponding expenses.

Companies over which Capital Stage AG has significant influence on the financial and business policies (affiliates) are measured according to the equity method, as are joint ventures which are controlled together with other companies. A joint venture is then classified as such if the parties which jointly control the venture have rights to the net assets of the venture. Changes to the shares of equity for the venture or joint venture that do not need to be recognised in the income statement are recognised directly in equity. The same accounting policies are applied in order to determine the share of equity held by Capital Stage AG in all companies according to the equity method.

The financial year for all subsidiaries included in the consolidated financial statements ended on 31 December 2016.

3.2. Business combinations

The acquisition of a business is accounted for using the partial goodwill method. The consideration received at the time of the business combination is carried at its fair value, which is determined by the sum of the fair values of the assets transferred at the time of exchange, the liabilities assumed from the former owners of the acquired entity and the equity instruments issued by the Group in exchange for gaining control of the acquired entity. The expenses associated with the business combination must be immediately recognised in the statement of comprehensive income.

The identifiable assets acquired and debt assumed are carried at fair value, with the following exceptions:

- Deferred tax assets and liabilities as well as assets or liabilities in connection with employee benefit agreements must be recognised and measured pursuant to IAS 12 (Income Taxes) and IAS 19 (Employee Benefits).
- Debt or equity instruments arising from share-based remuneration or the replacement of share-based remuneration by the Group must be measured at the time of acquisition and pursuant to IFRS 2 (Share-based Payment).
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately as income (under other operating income).

Non-controlling interests that present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The measurement option can be chosen again with each business combination. Other components of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

The holdings of non-controlling shareholders were measured proportionately to their overall shares of the values of the identifiable net assets.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value on the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts resulting from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

When accounting for business combinations, it may occur – due to technical aspects – that the technical date of initial consolidation slightly differs from the actual closing date.

3.3. Foreign currency translation

The consolidated financial statements are prepared in euros. The euro represents the functional and reporting currency of Capital Stage AG. The annual financial statements of included subsidiaries prepared in a foreign currency are converted to euros using the functional currency concept pursuant to IAS 21. The functional currency of foreign companies is determined by the primary economic environment in which they operate. Asset and liability items are converted using the exchange rate on the reporting date, while equity – with the exception of income and expenses directly recognised under equity – is converted at historical exchange rates. Until the disposal of the subsidiary, the resulting currency translation differences are displayed as a special item under equity and do not impact the result. The income statement items are converted to euros using weighted average exchange rates.

The following exchange rates form the basis for currency translation:

1 Euro =	Exchange rate		Average exchange rate	
	31.12.2016	31.12.2015	2016	2015
British pound (GBP)	0.8562	0.7340	0.8178	0.7320
US-Dollar (USD)	1.0541	1.0887	1.1065	1.1096

3.4. Critical accounting decisions and key sources of estimation uncertainties

In some cases during the preparation of the consolidated financial statements, estimates and assumptions are made which affect the use of accounting methods and the amount of the presented assets, liabilities, income and expenses. The actual amounts may differ from these estimates. The estimates, and the assumptions upon which they are based, are continuously evaluated. Adjustments to estimates are recognised prospectively.

Below, the most important forward-looking assumptions as well as the other principal sources of estimation uncertainties as of the end of the reporting period are discussed, which could give rise to a substantial risk within the coming financial year that a significant adjustment of the reported assets and liabilities will be required.

Economic life of property, plant and equipment and intangible assets

When measuring property, plant and equipment and intangible assets, the expected useful life of the assets must be estimated; in doing so, contractual agreements, knowledge of the industry and management estimates are taken into account. Further disclosures can be found in note 3.5: (intangible assets) and note 3.6 (property, plant and equipment.

Impairment in goodwill

To determine the existence of an impairment in goodwill, the value in use of the group of cash-generating units to which the goodwill is allocated must be determined. The calculation of the value in use necessitates the estimation of future cash flows from the group of cash-generating units as well as an appropriate capitalisation interest rate for the cash value calculation. If the actual expected future cash flows are lower than previously estimated, this could result in a significant impairment.

The carrying amount of the goodwill was TEUR 22,292 as of 31 December 2016 (previous year: TEUR 7,361) under consideration of an impairment in the amount of TEUR 517 recognised in 2016 (previous year: TEUR 652). Details on impairment calculations can be found in note 6.2.

Business combinations

As part of business combinations, all identifiable assets and liabilities are recognised at fair value during their initial consolidation. The recognised fair values are subject to estimation uncertainties. If intangible assets are identified, the fair values are determined using generally acknowledged valuation methods. The valuations form the basis for the company’s planning, which also takes into account contractual agreements and management estimates. The discount rate (WACC) applied in connection with the valuation of intangible assets was between 2.19 and 5.35 per cent (previous year: 3.08 to 5.36 per cent). The range is primarily due to the various interest levels in the individual markets, the development of the interest rates during the financial year and the differences in the remaining useful life of intangible assets.

The acquisition of solar and wind parks already connected to the grid is treated like a business combination because, in the opinion of the Group, the requirements of an existing business operation exist.

Control over the entities Windkraft Sohland GmbH & Co. KG, BOREAS Windfeld Greußen GmbH & Co. KG, Windkraft Olbersleben II GmbH & Co. KG and Windkraft Kirchheilingen IV GmbH & Co. KG

The wind parks mentioned above are structured as general partnerships (GmbH & Co. KG). The general partner, and therefore personally liable partner, in each case is BOREAS Management GmbH, Reichenbach. The general partner has no share of the partnership assets, does not participate in profits or losses and has made no contribution. Limited partners are Capital Stage Wind IPP GmbH, Hamburg (with an interest of more than 50 per cent), and BOREAS Energie GmbH, Dresden (with an interest of less than 50 per cent). Capital Stage holds no interest in the general partner.

IFRS 10 states that control is always assumed when the parent company is exposed to the risk of variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee and thus is influenced by these factors when engaging in the relevant activities. For a wind park, the relevant operating and financing activities are planning and managing liquidity and making decisions on maintenance contracts and necessary repairs.

The partnership is managed by the general partner. Despite this, the partnership agreement states that the relevant decisions described above are made at the partnership meeting by simple majority. Capital Stage holds a direct or indirect majority of voting rights in all the wind parks mentioned above (with an interest of more than 50 per cent in each case) and can therefore exercise a significant influence over its operating and financial activities.

Capital Stage is therefore not restricted to the supervisory role typical for a limited partner, but actively makes all relevant decisions. If a decision does not require a vote at the partnership meeting, the general partner prepares proposals which are approved, amended or rejected by Capital Stage.

Capital Stage therefore exercises control over the partnership, because it has the power to direct its financial and operating activities and by means of its interest of more than 50 per cent can generate an inflow of economic benefits from these activities.

The wind parks mentioned above are therefore included in full in the consolidated financial statements.

Control of CHORUS CleanTech GmbH & Co. Solarpark Bitterfeld KG

Capital Stage controls CHORUS CleanTech GmbH & So. Solarpark Bitterfeld KG with a 34.07 per cent share through the exercise of the management of the company as well as the company which holds the majority of the remaining shares.

3.5. Intangible assets

With the exception of the goodwill, all the intangible assets have limited useful lives and are valued at their acquisition costs less scheduled straight-line amortisation. They are amortised on the basis of their useful economic lives.

If the recoverable amount is below the carrying amount, the assets are impaired. If the reasons for unscheduled depreciation recognised in the past cease to apply, the impairments are reversed.

Depreciation of electricity feed-in contracts is carried out for, at most, the legally regulated term of the subsidy for the corresponding wind or solar park, which is generally 20 years. Project rights are amortised over 13 to 30 years, in line with the useful lives of the photovoltaic and wind power installations and the existing land leases, while other intangible assets are amortised over prospective useful lives of three to five years.

3.6. Goodwill

Goodwill resulting from a business combination is recognised at its acquisition cost less any necessary impairments and is shown separately in the consolidated balance sheet.

For impairment test purposes, the goodwill must be allocated to the Group's cash-generating units (or groups thereof) that are expected to draw benefit from the synergies created by the business combination.

Cash-generating units to which a portion of the goodwill is allocated must be subjected to annual impairment tests. However, if there are indications that a unit has lost value, it will be tested more frequently. If the recoverable amount which a cash-generating unit can earn is lower than its carrying amount, the corresponding impairment loss must first be assigned to the carrying amount of any goodwill allocated to that unit and thereafter pro rata to the unit's other assets on the basis of their respective values. Any impairment of the goodwill will be recognised directly in the income statement. Any impairment of goodwill may not be recovered in future periods.

When disposing of a cash-generating unit, the portion of the goodwill attributable to it will be taken into account in determining the profit or loss on the deconsolidation.

3.7. Property, plant and equipment

Property, plant and equipment are valued at their amortised cost less cumulative depreciation. Profit or loss from the disposal of assets is recognised as either other income or other expenses. The depreciation period and method are reviewed at the end of each financial year.

Property, plant and equipment are depreciated over their prospective useful lives *pro rata temporis*. The useful lives recognised for property, plant and equipment range from 2 to 30 years. The range for photovoltaic and wind power installations is 18 to 30 years, and 2 to 15 years for other office and business equipment.

3.8. Impairment losses for property, plant and equipment and intangible assets with the exception of goodwill

The impairment test is carried out at least once per year to determine whether there is evidence of an impairment. Should such indications be identified, the recoverable amount of the asset is estimated in order to determine the scope of any potential impairment loss.

The recoverable amount is the higher of either the fair value less costs to sell or the value in use of an asset or of a cash-generating unit. When determining the value in use, the estimated future cash flows from continued use of the asset and from its ultimate disposal are discounted with an input VAT interest rate. This input VAT interest rate takes into consideration the current market estimation of the time value of the money, on the one hand, and the risks inherent to the asset, on the other hand, as long as the estimated future cash flows were not adjusted.

If the recoverable amount for the individual asset cannot be estimated, the recoverable amount for the cash-generating unit to which the asset belongs is estimated.

If the estimated recoverable amount of an asset or a cash-generating unit falls below the carrying amount, the carrying amount of the asset or the cash-generating unit is reduced to the recoverable amount. The impairment loss of a cash-generating unit first reduces the carrying amount of any goodwill allocated to the cash-generating unit, then proportionately the other assets of the unit according to the carrying amount of each individual asset. The impairment loss is immediately recognised in profit or loss.

If the reasons for a previously recognised impairment no longer apply, the carrying amount of the asset or the cash-generating unit is increased to the most recent estimation of the recoverable amount. The increase of the carrying amount may not exceed the value that would have been determined if no impairment loss has been recognised in previous years. An increase in value of a cash-generating unit is to be allocated to the assets of the unit, with the exception of goodwill, proportionately according to the carrying amount of these assets.

3.9. Primary financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition are to be included for all financial assets and financial liabilities not subsequently measured at fair value through profit or loss. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities subsequently measured at fair value through profit or loss are recognised immediately in profit or loss.

3.9.1. Financial assets

Financial assets are divided into the following categories:

- Financial assets measured at fair value through profit or loss (FAHfT)
- Financial investments held to maturity (HtM)
- Available-for-sale financial assets (AfS)
- Loans and receivables (L&R)

The classification depends on the nature and purpose of the financial assets and is determined at purchase. The recognition and derecognition of financial assets is carried on the trade date if the supply is within the usual time frame for the affected market.

As of both the reporting date and the reporting date of the previous year, there are no financial investments held to maturity (HtM).

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and opportunities of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and opportunities of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received or receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial assets measured at fair value through profit or loss

Financial assets are classified as at FAHfT when the financial asset is either held for trading or it is designated at FAHfT.

A financial asset is classified as held for trading if

- it has been acquired principally for the purpose of selling it in the near term or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated at FAHfT upon initial recognition if

- such designation eliminates or significantly reduces a valuation or recognition inconsistency that would otherwise arise or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 (Financial Instruments: Recognition and Measurement) permits the entire combined contract (asset or liability) to be designated at FAHfT.

Available-for-sale financial assets (AfS)

Available-for-sale financial assets (AfS) are non-derivative equity instruments that are classified as either AfS or not L&R or FAHfT. Financial assets in the AfS category are carried at their fair value as at the end of each corresponding reporting period. Investments in non-listed shares that are not traded on an active market are also classified as financial assets in the AfS category and carried at their fair value as at the end of the corresponding reporting period. Equity instruments in the AfS category that do not have a listed market price on an active market and whose fair value cannot be reliably determined are carried at their acquisition cost less any impairments at the end of the corresponding reporting period. All changes in value for equity instruments in the AfS category are recognised in other comprehensive income. If a financial investment is disposed of or an impairment is determined, the profit or loss previously accumulated in other comprehensive income is reclassified in the income statement accordingly. Dividends on equity instruments in the AfS category are recognised with effect on profit or loss if the Group is entitled to the dividends.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Loans and receivables (including loans, trade receivables, other receivables, bank balances and cash in hand) are valued at amortised acquisition cost on the basis of the effective interest method, unless they are held for trading. If there is any doubt as to the recoverability of loans and receivables, they are carried at acquisition cost less any appropriate impairments. An impairment of trade receivables is recognised if objective factors indicate that the outstanding receivables cannot be recovered in full. The impairments are recognised directly in the income statement. Cash in hand is carried at its nominal value.

Impairment of financial assets

Financial assets, other than those at FAHFT, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected. For AfS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

In the case of financial assets in the AfS category, objective indications of an impairment are assumed if there is a significant or constant decrease in the fair value of the security to below its acquisition cost.

Objective indications that all other financial assets are impaired include in particular:

- Substantial financial difficulties on the part of the issuer or counterparty
- Breach of contract, such as default or delayed interest or principal payments
- Increased probability that the borrower will become insolvent or enter restructuring proceedings

For financial assets measured at acquisition cost, the impairment loss is equal to the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the original effective interest rate of the financial asset.

For financial assets measured at acquisition cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease is objectively related to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the acquisition cost would have been had the impairment not been recognised.

3.9.2. Financial liabilities and equity instruments

Debt and equity instruments issued by a Group entity are classified in accordance with the substance of the contractual arrangements and their definitions as financial liabilities or equity instruments.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its debt. Equity instruments issued by a Group entity are recognised at the proceeds received, net of direct issue costs. Issue costs are those costs that would not have arisen if the equity instrument had not been issued.

Repurchase of the Company’s own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issuance or retirement of the Company’s own equity instruments.

Financial liabilities

Financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instruments.

Financial liabilities are categorised either as financial liabilities measured at fair value through profit or loss (FAHFT) or as other financial liabilities (AC).

Initial recognition of financial liabilities is carried out at fair value. For financial liabilities which are subsequently not recognised at fair value, the direct transaction costs of the acquisition are also recognised.

Transaction costs directly attributable to the issue of financial liabilities and measured at fair value through profit or loss are recognised immediately in profit or loss.

Other financial liabilities

Other financial liabilities (including financial debt as well as trade and other liabilities) are subsequently measured at amortised acquisition cost using the effective interest method.

The effective interest method is a method of calculating the amortised acquisition cost of a financial liability and of allocating interest expenses to the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including any fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligation(s) is (are) discharged or cancelled, or it (they) expires (expire). The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

3.9.3. Fair value measurement

A series of accounting and valuation methods and Group figures require the measurement of the fair value of financial and non-financial assets and liabilities.

To the greatest extent possible for the measurement of the fair value of an asset or a liability, the Group makes use of information observable on the market. Depending on the availability of observable parameters and the significance of these parameters for measuring fair value as a whole, the fair value measurement is assigned to level 1, 2 or 3. This fair value hierarchy is defined as follows:

- Input parameters for level 1 are quoted prices (unadjusted) on active markets for identical assets or liabilities that the Company can access on the measurement date.
- Input parameters for level 2 are listed prices other than those used for level 1, which can either be observed for the asset or liability directly or indirectly, or which can be derived indirectly from other prices.
- Input parameters for level 3 are unobservable inputs for the asset or liability.

Assets and liabilities consistently measured at fair value are reclassified from one level to another if necessary – for example, if an asset is no longer traded on an active market or is traded for the first time.

3.10. Derivative financial instruments

The Group uses derivative financial instruments to manage its interest rate and currency risks. Derivative financial instruments are measured at fair value both upon their initial recognition as well as during subsequent recognition. If derivative financial instruments are not a component of an effective hedging relationship (hedge accounting), they must be categorised pursuant to IAS 39 as held for trading.

As far as possible, the Group generally designates derivatives as hedging instruments in a hedging relationship when they are traded or acquired. Since the main terms of the hedged loans (interest period, interest rate, interest calculation method, repayment of nominal amounts) typically match the interest rate swaps exactly, the Group assumes that an effective hedging relationship can be proven prospectively. In the case of Forward-Starting-Swaps, management assumes that the underlying financing arrangements can be continued at a variable rate of interest when the fixed-interest period comes to an end.

At the beginning of the hedge, both the hedging relationship and the Group's risk management objectives and strategies with regard to the hedge are formally defined and documented. The documentation includes the definition of the hedging instruments, the hedged items and the type of hedged risk (interest rate risk for the base interest rate concerned). In addition, the documentation includes a description of how the Group intends to monitor the effectiveness of the hedging relationship at inception and in subsequent periods, and of whether the hedges were effective over the entire period of the hedging relationship. A hedging relationship is considered to be effective as long as its effectiveness can be shown retrospectively to be within a range of 80 to 125 per cent.

The effective part of the change in the fair value of derivative financial instruments which were classified as cash flow hedges is recognised, adjusted for deferred taxes, in equity without effect on profit or loss. The ineffective part is recognised directly through profit or loss.

Changes in the market value of derivative financial instruments which are not part of a hedging relationship are recognised directly through profit or loss within the financial result.

3.11. Collateral

The financial liabilities of the solar and wind parks are primarily non-recourse loans. The entities included in the group of consolidated companies have for the most part furnished the financing banks or other creditors with collateral for their financial liabilities and, where applicable, contingent liabilities. As is customary with this kind of financing, the property, plant and equipment as well as all rights and future receivables have been assigned to the banks. The current value of the collateral furnished therefore corresponds to the carrying amount of the assets or the reserves (see subsection 6.10), or it involves immaterial assets (e.g. a right of subrogation in regard to the feed-in contracts). The principal collateral provided is as follows:

- Enforceable land charges (property, plant and equipment)
- Pledging of capital servicing and project reserve accounts (restricted cash and cash equivalents)
- Assignment of the various companies' rights to payment of the electricity feed-in tariff (sales)
- Assignment of payment and remuneration claims against third parties arising from direct marketing contracts (sales)
- Assignment of goods stored in a specific place (SAV)
- Pledging of shareholdings (group of consolidated companies)
- Pledging of other receivables

3.12. Inventories

The inventories mainly comprise replacement parts for the energy generation installations and merchandise. They are carried at the lower value between acquisition or construction cost and net realisable value. The net realisable value is determined by the expected sale proceeds less the estimated costs until completion and the estimated necessary operating costs.

3.13. Taxes on income

Income tax expenses represent the sum of current tax expenses and deferred taxes.

Current and deferred taxes are recognised in the Group income statement, unless they are connected to items which are recognised either in other comprehensive income or directly in equity. In this case, the current and deferred taxes are also recognised in other comprehensive income or directly in equity.

Current taxes

The actual tax rebates and tax liabilities are valued at the amount which is expected to be paid by or to the tax authorities as part of the rebate or liability. The tax rates and legislation valid on the reporting date are applied.

Deferred taxes

Deferred taxes must be determined in relation to temporary differences between the IFRS carrying amount of an asset or liability and its tax base. In general, deferred tax liabilities are recognised for all taxable temporary differences; deferred tax assets are recognised to the extent that it is probable that taxable profits are available for which deductible temporary differences can be used. Deferred tax assets from tax loss carry-forwards that have not yet been used are capitalised to the extent that is probable within the planning period of five years that they will be able to be offset against available taxable income in the future. Additionally, further stipulations of IAS 12 are to be observed in the case of a debt carry-forward in deferred taxes, as well as if the existing tax loss carry-forwards cannot be used within the planning period of five years.

Deferred tax assets and liabilities are offset against each other if the Group has a legally enforceable right to offset the actual tax rebates against the actual tax liabilities and these are related to income taxes due to the same tax authorities for the same taxable entity.

Deferred tax liabilities and tax rebates are determined using the respective company- and country-specific tax rates expected to be valid at the time the liability is settled or the asset is realised.

The tax offsetting and reconciliation as well as additional information can be found in note 5.8 (taxes on revenue and income).

3.14. Trade receivables and other assets

Trade receivables are initially carried at their fair value, which generally corresponds to the nominal amount. They are subsequently valued at their amortised acquisition cost. Impairments are recognised on the basis of past experience through the classification of receivables and other assets according to their age and other objective information relating to their value.

3.15. (Restricted) cash and cash equivalents

The cash and cash equivalents comprise cash in hand, bank balances and time deposits which have a high degree of liquidity and a total term of up to three months. These sums are not subject to interest rate risk and are carried at their nominal values. This does not apply to capital servicing and project reserves, which serve as collateral for the solar and wind parks' lending banks and can only be used in agreement with the lending banks. These are classified as restricted cash but do not form part of cash and cash equivalents pursuant to IAS 7.

3.16. Assets held for sale and associated liabilities

Individual non-current assets or groups of assets and any associated liabilities (disposal groups) are presented in this category if they can be sold in their current condition and their disposal is highly probable. A disposal group requires that the assets and liabilities are intended to be sold in a single transaction or as part of an overall plan.

A discontinued operation is a component of an entity which is either intended for sale or has already been sold and which can be clearly separated from the entity's other activities, both from an operating perspective and for the purposes of financial reporting. A discontinued operation must also represent a separate major line of business or a geographical area of operations for the Group.

No further depreciation and amortisation is recognised for non-current assets held for sale, either singly or as part of a disposal group or as discontinued operations. They are held at the lower of their carrying amount and fair value less costs of disposal. If fair value less is lower than the carrying amount, they are written down accordingly.

The result of measuring assets held for sale at fair value less costs of disposal and profits and losses on the disposal of discontinued operations, along with the result of operations from these units, are recognised separately in the consolidated income statement as the result from discontinued operations. However, the result of valuing individual assets held for sale and disposal groups is recognised in depreciation, amortisation and impairment.

3.17. Liabilities, provisions and financial liabilities

When first recognised on the balance sheet, financial liabilities are carried at fair value. Subsequent valuation is carried out at amortised acquisition cost using the effective interest method. Other liabilities are carried at their settlement value if, due to their short-term nature, the time value of the money is negligible. Financial debt of the solar parks and wind parks consists of non-recourse loans, i.e. the solar and wind installations constitute the sole collateral for each individual loan.

Other non-current provisions are carried at their prospective settlement value with no discounting; they cover all identifiable obligations at the balance sheet date which are based on business transactions or events occurring before the balance sheet date and whose extent or due date is uncertain. The settlement values calculated are those with the highest likelihood of occurrence.

Non-current provisions are discounted at a suitable risk-free interest rate.

Provisions are only recognised if there is a corresponding legal or constructive obligation towards third parties and the associated probability of occurrence is greater than 50 per cent. The requirements for the creation of provisions are that it is likely that settlement of the obligation is associated with the outflow of resources and that the amount of the provision can be reliably estimated.

3.18. Revenue

Revenue is recognised at the fair value of the consideration received or due. Revenue from the sale of goods and electricity is recognised if the following conditions are met:

- The material risks and opportunities arising from ownership of the goods are transferred to the buyer.
- Neither the right of disposal normally associated with ownership nor effective control over the purchased goods and products is withheld.
- The amount of the sales revenue can be reliably determined.
- It is likely that economic benefit will be derived from the transaction.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from the sale of goods and electricity is therefore generally recognised when the goods and electricity have been supplied and legal title has been transferred.

Section 33g of the German Renewable Energy Sources Act (*Erneuerbare-Energien-Gesetz – EEG)* provided for the introduction of the so-called market premium on 1 January 2012. The market premium is paid by the grid operator to operators of installations producing electricity from renewable sources who opt to sell their electricity directly on the electricity exchange rather than following the EEG remuneration model. On the electricity exchange, installation operators receive the regular market price, which is lower than the remuneration guaranteed under the EEG. The difference between the EEG remuneration and the mean monthly market price on the electricity exchange is then equalised by the market premium. The actual volume of directly marketed electricity is measured via meter readings.

The market premium and the flexibility premium paid by the grid operator to installation operators pursuant to sections 33g and 33i of the EEG constitute genuine subsidies and, as such, are not subject to VAT.

Financial income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income must be recognised if it is likely that the economic benefit will flow to the Group and the amount of the revenue can be reliably determined. Interest income must be accrued or deferred on the basis of the outstanding nominal amount via the applicable effective interest rate. The effective interest rate is the exact rate by which the expected future payments over the lifetime of the financial asset will be discounted from the net carrying value of that asset on initial recognition.

3.19. Share option programme

Share options (equity-settled share-based payment transactions) are measured at their fair value at the time they are granted. The fair value of the obligation is recognised as personnel expenses over the vesting period, and a capital reserve is recognised at the same time (reserve for equity-settled employee remuneration). The options issued are measured using a binomial option price model.

3.20. Leasing

In a lease relationship, economic ownership of leased assets is attributed to the contractual partner who bears the significant risks and opportunities that are associated with the leased asset.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability towards the lessor must be shown on the consolidated balance sheet as an obligation arising from finance leases. The lease payments are thus divided into interest expenses and payment of lease liabilities in such a way as to ensure a constant rate of repayment of the outstanding liability. Interest expenses are recognised directly in the income statement.

Expenses from operating leases are recognised linearly in the income statement over the term of the respective contracts.

The Group has financed solar installations via lease agreements whereby the material risks and opportunities are transferred to Capital Stage, thus establishing finance leases. The solar installations in the various solar parks are used as collateral for the corresponding liabilities.

A portion of the finance lease information shown concerns sale and leaseback transactions. If income was generated as part of these transactions, this is separated and distributed in profit or loss across the lease term.

3.21. Earnings per share

Basic earnings per share are calculated by dividing the earnings attributable to shareholders by the weighted average number of shares in circulation during the period. The “diluted” earnings per share are calculated by dividing the weighted average earnings of the issued shares for the period attributable to the owner of shares, plus the number of exercisable options. The options are taken into consideration from the date on which the performance target is permanently reached or exceeded.

3.22. Borrowing costs

Borrowing costs in direct connection with the construction of qualified assets that accrue from the beginning of construction until the commencement of operations are capitalised and subsequently amortised with the corresponding asset. The financing cost rate is determined using the specific financing costs of external funds borrowed for the construction of a qualified asset. Other borrowing costs are recognised as current expenses.

3.23. Government grants

An advantage from a government loan (e.g. subsidised loans from the KfW banking group) at an interest rate below the market rate is treated like a government grant and valued using the difference between payments received and the fair value of a loan at market rates. The interest rate advantage is shown as deferred income and used with effect on the result over the term of the subsidised interest rate of the loan.

3.24. Segment reporting

During the reporting period, the focus of the Capital Stage Group’s business activities did not change significantly from the previous year, remaining on the operation of existing solar parks and wind parks and the expansion of the portfolio. Moreover, the business activities of the Group were expanded during the 2016 financial year through the acquisition of CHORUS Clean Energy AG and the addition of the Asset Management segment. Accordingly, the allocation of consolidated assets and debts to the various segments was slightly altered compared to the previous year. The Group’s segments are Administration, PV Parks, PV Service, Wind Parks and Asset Management, with the Asset Management segment having been newly added over the course of the 2016 financial year.

The PV Parks segment comprises the German, Italian, French and British solar parks plus any holding companies. In the reporting year, the following 68 companies were included for the first time:

- Capital Stage Caddington II Ltd.	- CHORUS Solar Banna 5. S.r.l.
- Capital Stage Cullompton Ltd.	- CHORUS Solar Banna 5. S.r.l. & Co. PP4 S.a.s.
- Capital Stage Manor Farm Ltd.	- CHORUS Solar Banna 5. S.r.l. & Co. S.a.s. Beta
- Ribaforada 3 S.r.l.	- CHORUS Solar Banna 5. S.r.l. & Co. Torino Uno S.a.s.
- Ribaforada 7 S.r.l.	- CHORUS Solar Italia Centrale 5. S.r.l.
- Atlantis Energy di Chorus Solar Italia Centrale 5. S.r.l. & Co. S.a.s.	- CHORUS Solar Puglia 3. S.r.l.
- Cagli Solar di Chorus Solar Italia Centrale 5. S.r.l. & Co. S.a.s.	- CHORUS Solar Puglia 3. S.r.l. & Co. Casarano S.a.s.
- CHORUS CleanTech GmbH & Co. Solardach Betze KG	- CHORUS Solar Puglia 3. S.r.l. & Co. Matino S.a.s.
- CHORUS CleanTech GmbH & Co. Solarpark Bitterfeld KG	- CHORUS Solar Puglia 3. S.r.l. & Co. Nardò S.a.s.
- CHORUS CleanTech GmbH & Co. Solarpark Bockelwitz KG	- CHORUS Solar S.r.l.

- CHORUS CleanTech GmbH & Co. Solarpark Burgheim KG	- CHORUS Solar S.r.l. & Co. Foggia Cinque S.a.s.
- CHORUS CleanTech GmbH & Co. Solarpark Denkendorf KG	- CHORUS Solar S.r.l. & Co. Foggia Due S.a.s.
- CHORUS CleanTech GmbH & Co. Solarpark Eisleben KG	- CHORUS Solar S.r.l. & Co. Foggia Nove S.a.s.
- CHORUS CleanTech GmbH & Co. Solarpark Gardelegen KG	- CHORUS Solar S.r.l. & Co. Foggia Otto S.a.s.
- CHORUS CleanTech GmbH & Co. Solarpark Greiz KG	- CHORUS Solar S.r.l. & Co. Foggia Quattro S.a.s.
- CHORUS CleanTech GmbH & Co. Solarpark Gut Werchau KG	- CHORUS Solar S.r.l. & Co. Foggia Sei S.a.s.
- CHORUS CleanTech GmbH & Co. Solarpark Kemating KG	- CHORUS Solar S.r.l. & Co. Foggia Sette S.a.s.
- CHORUS CleanTech GmbH & Co. Solarpark Neuenhagen KG	- CHORUS Solar S.r.l. & Co. Foggia Tre S.a.s.
- CHORUS CleanTech GmbH & Co. Solarpark Pasewalk KG	- CHORUS Solar S.r.l. & Co. S.a.s.
- CHORUS CleanTech GmbH & Co. Solarpark Richelbach KG	- CHORUS Solar Toscana 5. S.r.l.
- CHORUS CleanTech GmbH & Co. Solarpark Rietschen KG	- CHORUS Solar Toscana 5. S.r.l. & Co. Ternavasso Due S.a.s.
- CHORUS CleanTech GmbH & Co. Solarpark Rüdersdorf KG	- CHORUS Solar Toscana 5. S.r.l. & Co. Ternavasso Uno S.a.s.
- CHORUS CleanTech GmbH & Co. Solarpark Ruhland KG	- Collechio Energy di Chorus Solar 5. S.r.l. & Co. S.a.s.
- CHORUS CleanTech GmbH & Co. Solarpark Scheibenberg KG	- Energia & Sviluppo di Chorus Solar 5. S.r.l. & Co. S.a.s.
- CHORUS CleanTech GmbH & Co. Solarpark Vilseck KG	- La Rocca Energy di Chorus Solar 3. S.r.l. & Co. S.a.s.
- CHORUS CleanTech GmbH & Co. Solarpark Warrenzin KG	- Le Lame di Chorus Solar Toscana 5. S.r.l. & Co. S.a.s.
- CHORUS CleanTech GmbH & Co. Solarparks Niederbayern KG	- Lux Energy di Chorus Solar 5. S.r.l. & Co. S.a.s.
- CHORUS Solar 3. S.r.l.	- San Giuliano Energy di Chorus Solar Toscana 5. S.r.l. & Co. S.a.s.
- CHORUS Solar 3. S.r.l. & Co. S.a.s.	- San Martino Energy di Chorus Solar 5. S.r.l. & Co. S.a.s.
- CHORUS Solar 3. S.r.l. & Co. S.a.s. 2	- Solarpark Gelchsheim GmbH & Co. KG
- CHORUS Solar 5. S.r.l.	- Solarpark Gnannenweiler GmbH & Co. KG
- CHORUS Solar 5. S.r.l. & Co. S.a.s. Alpha	- Solarpark Staig GmbH & Co. KG
- CHORUS Solar Banna 3. S.r.l.	- Sun Time Renewable Energy di Chorus Solar 3. S.r.l. & Co. S.a.s.
- CHORUS Solar Banna 3. S.r.l. & Co. Torino Due S.a.s.	- Treponti di Chorus Solar 3. S.r.l. & Co. S.a.s.

The following company from the PV Parks segment was deconsolidated during the 2016 financial year:

- CPV Labecede SARL

The segment's principal business activity is electricity production. The segment's revenue comes chiefly from either the feed-in tariffs paid by the various local providers, long-term purchase agreements with private companies or the market premium paid for direct marketing of electricity on the energy markets.

The PV Service segment is responsible for the development of the plant operations company Capital Stage Solar Service GmbH. The principal business activities of the segment are the technical operation of both the Group's and external solar parks. The revenue earned by this segment chiefly comes from plant operation charges.

The wind parks and the associated holding companies and general partners are included in the Wind Parks segment. In the reporting year, the following 20 companies were included for the first time:

- Energiepark Breitendeich RE WP BD GmbH & Co. KG	- CHORUS Wind Appeln GmbH & Co. KG
- Energiepark Debstedt GmbH & Co. RE WP KG	- CHORUS Wind Zellertal GmbH & Co. KG
- Energiepark Grevenbroich RE WP GRE GmbH & Co. KG	- Ferme Eolienne de Maisontiers-Tessonniere S.A.S.
- Centrale Eolienne de Bihy SARL	- Ferme Eolienne de Glenay S.A.S.
- CHORUS CleanTech GmbH & Co. Windpark Hellberge KG	- Ferme Eolienne de Marsais 1 S.A.S.
- CHORUS CleanTech GmbH & Co. Windpark Ruhlkirchen KG	- Ferme Eolienne de Marsais 2 S.A.S.
- CHORUS CleanTech GmbH & Co. Windpark Stolzenhain KG	- Infrastruktur Amöneburg-Roßdorf GmbH & Co. KG
- CHORUS CleanTech 7. Solarinvest GmbH	- Windpark Herrenstein GmbH
- CHORUS Wind Amöneburg GmbH & Co. KG	- Windpark Pongratzer Kogel GmbH
- CHORUS Wind Hürth GmbH & Co. KG	- Windpark Zagersdorf GmbH

The following companies from the Wind Parks segment were deconsolidated during the 2016 financial year:

- Ferme Eolienne de Glenay S.A.S.	- CHORUS Wind Zellertal GmbH & Co. KG

The segment's principal business activity is electricity production. The segment's revenue comes chiefly from either the feed-in tariffs paid by the various local providers or the market premium paid for direct marketing of electricity on the energy markets.

The newly added Asset Management segment comprises the following 12 companies:

- CHORUS Clean Energy Advisor GmbH	- CHORUS GmbH
- CHORUS Clean Energy Assetmanagement GmbH	- CHORUS Vertriebs GmbH
- CHORUS Clean Energy Invest GmbH	- Windpark Breberen GmbH
- CHORUS Clean Energy Verwaltungs GmbH	- Windpark Lairg Management GmbH
- CHORUS CleanTech Management GmbH	- Windpark Lairg Services GmbH
- CHORUS Energieanlagen GmbH	- Windpark Lairg Verwaltungs GmbH

This segment's principal business activity is the commercial services for the managed portfolio as well as consulting services. The consulting services include the establishment of funds for professional investors as well as customised and structured investments for these investor groups in the renewable energy sector. Following the structuring of investments, Capital Stage also provides asset management services for the institutional funds and other investment vehicles for professional investors and the operating companies held by them.

Activities carried out by Capital Stage AG for all the companies in the Group are pooled in the Administration segment. Along with Capital Stage AG, the Administration segment comprises the following three companies:

- CHORUS Clean Energy AG	- CHORUS CleanTech 2. Fonds Invest GmbH
- CHORUS CleanTech 1. Fonds Invest GmbH	

The segment reporting is done in accordance with the accounting methods applied in the consolidated financial statements and is based on the internal reporting system.

The assets, provisions and liabilities presented in the consolidated balance sheet have been allocated to the appropriate segments. The investments presented in the segment reporting relate to acquisitions of property, plant and equipment and financial assets.

Intra-segment business transactions are conducted on the same conditions as ones with external third parties.

The various segments' revenues from third parties were as follows: TEUR 115,486 in the PV Parks segment, TEUR 23,752 in the Wind Parks segment, TEUR 2,508 in the Asset Management segment and TEUR 398 in the PV Service segment. Around 43 per cent of revenue is generated in Germany (previous year: 43 per cent), one per cent in Austria (previous year: zero per cent), 25 per cent in Italy (previous year: 21 per cent), 24 per cent in France (previous year: 29 per cent) and seven per cent in the United Kingdom (previous year: seven per cent). Out of total assets (intangible assets and property, plant and equipment) amounting to TEUR 1,925,114 (previous year: TEUR 1,134,347), TEUR 940,130 (previous year: TEUR 474,978) are situated in Germany, TEUR 34,393 (previous year: TEUR 0) in Austria, TEUR 450,931 (previous year: TEUR 244,549) in Italy, TEUR 380,828 (previous year: TEUR 296,909) in France and TEUR 118,833 (previous year: TEUR 117,910) in the United Kingdom.

The reconciliation of revenues between the segments and overall Group revenue is mainly attributable to the elimination of intra-Group plant operation charges and commercial services.

The difference between the overall carrying amount of the various segments' assets and the total carrying amount of the Group's assets is largely attributable to debt consolidation.

3.25. Risk management

The Capital Stage Group's risk management system is designed to detect potential risks at an early stage and evaluate them precisely. Risk identification is therefore of great importance for the Capital Stage Group. For detailed information on the various types and classes of risk, the reader is referred to the risk report within the management report.

4. Subsidiaries

4.1. Disclosures on subsidiaries

Details on the subsidiaries as of the reporting date are shown in the following table:

Segment	Place of business	Number of wholly owned subsidiaries	
		31.12.2016	31.12.2015
PV Parks	Germany	44	24
	Italy	69	27
	France	10	10
	United Kingdom	19	16
Wind Parks	Germany	17	7
	France	4	0
	Austria	3	0
PV Service	Germany	1	1
Asset Management	Germany	12	0
Administration	Germany	3	0
Total		**182**	**85**

Segment	Place of business	Number of not wholly owned subsidiaries	
		31.12.2016	31.12.2015
PV Parks	Germany	4	1
	France	7	8
Wind Parks	Germany	5	4
	Italy	1	1
Total		**17**	**14**

Details on non-wholly owned subsidiaries in which the Group holds significant non-controlling interests

The following table contains details on the non-wholly owned subsidiaries of the Group, in which the Group holds significant non-controlling interests. Intra-Group transactions have not been eliminated from the amounts shown.

Subsidiaries	Equity interests and share of voting rights of non-controlling interests in %		Profit or loss attributable to non-controlling interests in TEUR		Cumulative non-controlling interests in TEUR	
	2016	2015	2016	2015	31.12.2016	31.12.2015
Solarpark Brandenburg (Havel) GmbH	49	49	500	549	6,347	7,146
Parco Eolico Monte Vitalba S.r.l.	15	15	56	-116	720	664
Solaire Ille SARL	15	15	71	61	113	42
Centrale Photovoltaique SauS 06 SARL	15	15	82	33	92	10
CHORUS Clean Energy AG	5.36		-290	-	15,653	-
other immaterial subsidiaries					-79	-68
Total non-controlling interests					**22,846**	**7,794**

Condensed financial information about the subsidiaries in which the Group holds non-controlling interests is shown below. The condensed financial information represents amounts before elimination of intra-Group transactions.

Solarpark Brandenburg (Havel) GmbH, Germany	31.12.2016 in TEUR	31.12.2015 in TEUR
Current assets	2,777	3,801
Non-current assets	38,405	40,534
Current liabilities	2,151	2,121
Non-current liabilities	29,084	30,637
Net assets	9,947	11,577
Carrying amount of non-controlling interest	6,347	7,146
	2016	**2015**
Revenue	5,105	5,305
Annual net profit	1,020	1,120
Comprehensive income	1,020	1,120
Profit or loss attributed to non-controlling interest	500	549
	2016	**2015**
Dividends paid to non-controlling interests	1,299	539
Cash flow from operating activities	4,565	4,894
Cash flow from investing activities	-7	-24
cash flow from financing activities	-5,641	-4,248
Net change in cash and cash equivalents	**-1,083**	**622**

Parco Eolico Monte Vitalba S.r.l., Italy	31.12.2016 in TEUR	31.12.2015 in TEUR
Current assets	1,666	1,333
Non-current assets	6,510	7,653
Current liabilities	2,098	2,293
Non-current liabilities	1,293	2,285
Net assets	4,785	4,408
Carrying amount of non-controlling interest	720	664
	2016	**2015**
Revenue	1,628	1,587
Annual net profit	376	-776
Comprehensive income	376	-776
Profit or loss attributed to non-controlling interest	56	-116
	2016	**2015**
Cash flow from operating activities	514	1,448
cash flow from financing activities	-561	-893
Net change in cash and cash equivalents	**-47**	**555**

Solaire Ille SARL, France	31.12.2016 in TEUR	31.12.2015 in TEUR
Current assets	1,641	2,259
Non-current assets	12,040	12,322
Current liabilities	4,431	4,855
Non-current liabilities	8,497	9,445
Net assets	753	281
Carrying amount of non-controlling interest	113	42
	2016	**2015**
Revenue	1,537	1,556
Annual net profit	472	410
Comprehensive income	410	410
Profit or loss attributed to non-controlling interest	71	61
	2016	**2015**
Cash flow from operating activities	1,443	1,241
Cash flow from investing activities	-1,004	-1,170
cash flow from financing activities	54	-1,340
Net change in cash and cash equivalents	**493**	**-1,269**

Centrale Photovoltaique SauS 06 SARL, France	31.12.2016 in TEUR	31.12.2015 in TEUR
Current assets	1,231	812
Non-current assets	12,902	13,000
Current liabilities	4,498	3,734
Non-current liabilities	9,021	10,010
Net assets	614	68
Carrying amount of non-controlling interest	92	10
	2016	**2015**
Revenue	1,561	1,606
Annual net profit	546	221
Comprehensive income	546	221
Profit or loss attributed to non-controlling interest	82	33
	2016	**2015**
Cash flow from operating activities	1,143	1,631
Cash flow from investing activities	-35	-5,096
cash flow from financing activities	-916	1,679
Net change in cash and cash equivalents	**192**	**-1,786**

CHORUS Clean Energy AG, Germany (including subsidiaries)	31.12.2016 in TEUR	31.12.2015 in TEUR
Current assets	90,400	0
Non-current assets	798,009	0
Current liabilities	53,883	0
Non-current liabilities	519,301	0
Net assets	315,225	0
Carrying amount of non-controlling interest	15,653	0
	2016	**2015**
Revenue	13,704	0
Annual net profit	-5,409	0
Other comprehensive income	142	0
Comprehensive income	-5,267	0
Profit or loss attributed to non-controlling interest	-290	0
	2016	**2015**
Cash flow from operating activities	8,163	0
Cash flow from investing activities	37,731	0
cash flow from financing activities	-3,646	0
Net change in cash and cash equivalents	**42,248**	**0**

The reader is also referred to the full ownership list in chapter 17.

4.2. Business combinations

The purchase price allocations (PPA) used for first-time consolidation are provisional, because circumstances may come to light in some cases after the PPA has been carried out that would result in adjustments being made up to one year after the acquisition. All eight PPAs are still provisional, because the technical reviews and the related final budgets, which form the basis for the valuation of the intangible assets, have also not yet been completed.

In addition to the operation of installations, the acquisition of existing solar parks and wind parks, as well as those currently under construction, is part of the business activities of the Group and therefore represents the primary reason for the acquisitions.

Business combinations in the 2016 financial year

Capital Stage Manor Farm Ltd.

in TEUR	Carrying amount before PPA	Fair value according to preliminary PPA
Intangible assets	0	868
Property, plant and equipment	5,905	5,905
Deferred tax assets	0	31
Cash and cash equivalents	12	12
Debt and provisions	5,937	6,045
Deferred tax liabilities	0	252
Identified acquired net assets	**-20**	**519**
Determining the amount of the difference		
Purchase price for acquired shares		129
Purchase price for acquired financial liabilities		5,642
Total purchase price		**5,771**
Identified acquired net assets		519
Acquired finacial libilities (shareholder loans)		5,642
Badwill (-)		**-390**
Net outflow of cash from the acquisition		5,759

This transaction refers to the 100 per cent acquisition of a solar park in the English Midlands near the town of Horton. The park was consolidated for the first time as of 31 March 2016. The business combination was carried out by applying the purchase (partial goodwill) method. The revaluated shareholders' equity at the time of initial consolidation was TEUR 519. There were no receivables on the acquisition date. The best estimate, on the acquisition date, of the anticipated unrecoverable portion of the contractual cash flows was TEUR 0. There were no contingent assets or liabilities. The incidental transaction costs totalled TEUR 79. Revenue of TEUR 439 and a loss of TEUR 43 have been recognised from the acquired company since the date of first consolidation. Had the company been consolidated at the beginning of 2016, projections show that the consolidated financial statements would have reflected additional revenue of TEUR 439 and a loss of TEUR 67 from this company. The purchase price for the shares and an assumed company loan amounted to TEUR 5,771 and was fully discharged in cash.

During the valuation period as per IFRS 3.45, the Company adjusted the purchase price allocation due to the now finalised measurement of the intangible assets. The table above shows the adjusted valuation of assets acquired and debts assumed. The main changes compared to the figures presented in the half-yearly financial report for 2016 are a decrease of TEUR 200 in intangible assets and a decrease of TEUR 58 in deferred tax liabilities. This resulted in a decrease in badwill of TEUR 142.

Capital Stage Caddington II Ltd.

in TEUR	Carrying amount before PPA	Fair value according to preliminary PPA
Intangible assets	0	1,724
Current assets	6,164	6,164
Deferred tax assets	0	32
Current assets	110	110
Cash and cash equivalents	1	1
Debt and provisions	6,232	6,340
Deferred tax liabilities	0	500
Identified acquired net assets	**43**	**1,190**
Determining the amount of the difference		
Purchase price for acquired shares		130
Purchase price for acquired financial liabilities		5,761
Total purchase price		**5,891**
Identified acquired net assets		1,190
Acquired finacial libilities (shareholder loans)		5,761
Badwill (-)		**-1,060**
Net outflow of cash from the acquisition		5,890

This transaction refers to the 100 per cent acquisition of a solar park in south-east England in the county of Bedfordshire. The park was consolidated for the first time as of 31 May 2016. The business combination was carried out by applying the purchase (partial goodwill) method. The revaluated shareholders’ equity at the time of initial consolidation was TEUR 1,190. The current receivables assumed as a result of the transaction, mainly comprising trade receivables, have a fair value of TEUR 110. The best estimate, on the acquisition date, of the anticipated unrecoverable portion of the contractual cash flows was TEUR 0. There were no contingent assets or liabilities. The incidental transaction costs totalled TEUR 49. Revenue of TEUR 324 and a profit of TEUR 278 have been recognised from the acquired company since the date of first consolidation. Had the company been consolidated at the beginning of 2016, projections show that the consolidated financial statements would have reflected additional revenue of TEUR 434 and a profit of TEUR 309 from this company. The purchase price for the shares and an assumed company loan amounted to TEUR 5,891 and was fully discharged in cash.

During the valuation period as per IFRS 3.45, the Company adjusted the purchase price allocation due to the now finalised measurement of the intangible assets. The table above shows the adjusted valuation of assets acquired and debts assumed. The main changes compared to the figures presented in the half-yearly financial report for 2016 are a decrease of TEUR 182 in intangible assets and a decrease of TEUR 53 in deferred tax liabilities. This resulted in a decrease in badwill of TEUR 129.

Ribaforada 3 S.r.l. and Ribaforada 7 S.r.l.

in TEUR	Carrying amount before PPA	Fair value according to preliminary PPA
Intangible assets	923	40,164
Property, plant and equipment	7,727	14,875
Current assets	8,515	2,877
Deferred tax assets	870	9,673
Cash and cash equivalents	1,120	1,120
Debt and provisions	13,106	38,631
Deferred tax liabilities	0	12,865
Identified acquired net assets	**6,049**	**17,213**
Determining the amount of the difference		
Purchase price for acquired shares		6,691
Purchase price for acquired financial liabilities		12,551
Total purchase price		**19,242**
Identified acquired net assets		17,213
Acquired finacial libilities (shareholder loans)		12,551
Badwill (-)		**-10,522**
Net outflow of cash from the acquisition		18,122

This transaction concerns the 100 per cent acquisition of two solar parks in the Italian region of Piedmont, situated between Turin and Genoa. The parks' initial consolidation was on 13 July 2016. The business combination was carried out by applying the purchase (partial goodwill) method. The revaluated shareholders' equity at the time of initial consolidation was TEUR 17,213. The current receivables assumed as a result of the transaction, mainly comprising trade receivables and tax receivables, have a fair value of TEUR 2,877. The best estimate, on the acquisition date, of the anticipated unrecoverable portion of the contractual cash flows was TEUR 0. There were no contingent assets or liabilities. The incidental transaction costs totalled TEUR 167. Revenue of TEUR 2,297 and a profit of TEUR 273 have been recognised from the acquired company since the date of first consolidation. Had the companies been consolidated at the beginning of 2016, projections show that the consolidated financial statements would have reflected additional revenue of TEUR 5,250 and a profit of TEUR 911 from these companies. The purchase price for the shares and assumed company loans amounted to TEUR 19,242 and was fully discharged in cash.

Capital Stage Cullompton Ltd.

in TEUR	Carrying amount before PPA	Fair value according to preliminary PPA
Intangible assets	0	1,914
Property, plant and equipment	5,848	5,855
Current assets	1,534	1,534
Deferred tax assets	0	16
Debt and provisions	7,231	7,332
Deferred tax liabilities	0	325
Identified acquired net assets	**151**	**1,662**
Determining the amount of the difference		
Purchase price for acquired shares		540
Earn-Out		59
Purchase price for acquired financial liabilities		6,855
Total purchase price		**7,454**
Identified acquired net assets		1,662
Acquired finacial libilities (shareholder loans)		6,855
Badwill (-)		**-1,063**
Net outflow of cash from the acquisition		7,396

This transaction refers to the 100 per cent acquisition of a solar park in south-west England in the county of Devon. The park was consolidated for the first time as of 28 October 2016. The business combination was carried out by applying the purchase (partial goodwill) method. The revaluated shareholders' equity at the time of initial consolidation was TEUR 1,662. The current receivables assumed as a result of the transaction, mainly comprising trade receivables and tax receivables, have a fair value of TEUR 1,534. The best estimate, on the acquisition date, of the anticipated unrecoverable portion of the contractual cash flows was TEUR 0. There were no contingent assets or liabilities. The incidental transaction costs totalled TEUR 134. Revenue of TEUR 37 and a loss of TEUR 48 have been recognised from the acquired company since the date of first consolidation. Had the company been consolidated at the beginning of 2016, projections show that the consolidated financial statements would have reflected additional revenue of TEUR 660 and a profit of TEUR 202 from this company. The purchase price for the shares and an assumed company loan amounted to TEUR 7,454 and was fully discharged in cash.

As part of the transaction, an agreement was made regarding a contingent consideration. Depending on performance of the solar park, this agreement can result in either an increase or decrease of the purchase price. The reference time period for determination of performance is two years. The amount of TEUR 59 represents the estimated fair value of this obligation at the time of acquisition. The range is from TEUR -156 to TEUR 156.

Energiepark Debstedt GmbH & Co. RE WP KG

in TEUR	Carrying amount before PPA	Fair value according to preliminary PPA
Intangible assets	0	9,344
Property, plant and equipment	29,337	29,066
Current assets	3,334	3,334
Deferred tax assets	0	1,010
Cash and cash equivalents	171	171
Debt and provisions	34,884	36,001
Deferred tax liabilities	0	2,800
Identified acquired net assets	**-2,042**	**4,124**
Determining the amount of the difference		
Purchase price for acquired shares		1
Purchase price for acquired financial liabilities		7,960
Total purchase price		**7,961**
Identified acquired net assets		4,124
Acquired financial liabilites (shareholder loans)		7,960
Badwill (-)		**-4,123**
Net outflow of cash from the acquisition		7,790

This transaction refers to the 100 per cent acquisition of a German onshore wind park near Bremerhaven. The park was consolidated for the first time as of 31 December 2016. The business combination was carried out by applying the purchase (partial goodwill) method. The revaluated shareholders' equity at the time of initial consolidation was TEUR 4,124. The current receivables assumed as a result of the transaction, mainly comprising trade receivables and tax receivables, have a fair value of TEUR 3,334. The best estimate, on the acquisition date, of the anticipated unrecoverable portion of the contractual cash flows was TEUR 0. There were no contingent assets or liabilities. The incidental transaction costs totalled TEUR 20. Since their date of initial consolidation, sales of TEUR 0 and a result of TEUR 0 have been recognised by the entities acquired. Had the company been consolidated at the beginning of 2016, projections show that the consolidated financial statements would have reflected additional revenue of TEUR 0 and a loss of TEUR 1,986 from this company. The purchase price for the shares and an assumed company loan amounted to TEUR 7,961 and was fully discharged in cash.

Energiepark Breitendeich RE WP BD GmbH & Co. KG

in TEUR	Carrying amount before PPA	Fair value according to preliminary PPA
Intangible assets	0	4,114
Property, plant and equipment	12,710	12,657
Current assets	1,255	1,255
Deferred tax assets	0	366
Debt and provisions	14,860	15,132
Deferred tax liabilities	0	1,243
Identified acquired net assets	**-895**	**2,017**
Determining the amount of the difference		
Purchase price for acquired shares		1
Purchase price for acquired financial liabilities		2,966
Total purchase price		**2,967**
Identified acquired net assets		2,017
Acquired financial liabilites (shareholder loans)		2,966
Badwill (-)		**-2,016**
Net outflow of cash from the acquisition		2,967

This transaction refers to the 100 per cent acquisition of a German wind park located between Cuxhaven and Wischhafen. The park was consolidated for the first time as of 31 December 2016. The business combination was carried out by applying the purchase (partial goodwill) method. The revaluated shareholders' equity at the time of initial consolidation was TEUR 2,017. The current receivables assumed as a result of the transaction, mainly comprising trade receivables and tax receivables, have a fair value of TEUR 1,255. The best estimate, on the acquisition date, of the anticipated unrecoverable portion of the contractual cash flows was TEUR 0. There were no contingent assets or liabilities. The incidental transaction costs totalled TEUR 17. Since their date of initial consolidation, sales of TEUR 0 and a result of TEUR 0 have been recognised by the entities acquired. Had the company been consolidated at the beginning of 2016, projections show that the consolidated financial statements would have reflected additional revenue of TEUR 26 and a loss of TEUR 874 from this company. The purchase price for the shares and an assumed company loan amounted to TEUR 2,967 and was fully discharged in cash.

Energiepark Grevenbroich RE WP GRE GmbH & Co. KG

in TEUR	Carrying amount before PPA	Fair value according to preliminary PPA
Intangible assets	0	5,441
Property, plant and equipment	18,887	18,822
Current assets	1,558	1,558
Deferred tax assets	0	468
Debt and provisions	21,529	21,865
Deferred tax liabilities	0	1,724
Identified acquired net assets	**-1,084**	**2,700**
Determining the amount of the difference		
Purchase price for acquired shares		1
Purchase price for acquired financial liabilities		4,806
Total purchase price		**4,807**
Identified acquired net assets		2,700
Acquired financial liabilites (shareholder loans)		4,806
Badwill (-)		**-2,699**
Net outflow of cash from the acquisition		4,807

This transaction refers to the 100 per cent acquisition of a German wind park near the city of Grevenbroich in North Rhine-Westphalia. The park was consolidated for the first time as of 31 December 2016. The business combination was carried out by applying the purchase (partial goodwill) method. The revaluated shareholders' equity at the time of initial consolidation was TEUR 2,700. The current receivables assumed as a result of the transaction, mainly comprising trade receivables and tax receivables, have a fair value of TEUR 1,558. The best estimate, on the acquisition date, of the anticipated unrecoverable portion of the contractual cash flows was TEUR 0. There were no contingent assets or liabilities. The incidental transaction costs totalled TEUR 17. Since their date of initial consolidation, sales of TEUR 0 and a result of TEUR 0 have been recognised by the entities acquired. Had the company been consolidated at the beginning of 2016, projections show that the consolidated financial statements would have reflected additional revenue of TEUR 155 and a loss of TEUR 1,058 from this company. The purchase price for the shares and an assumed company loan amounted to TEUR 4,807 and was fully discharged in cash.

CHORUS Clean Energy AG

CHORUS Clean Energy AG, which was acquired during the reporting period along with its subsidiaries, was fully consolidated in accordance with the principles of IFRS 3 for the first time in the consolidated financial statements as of 31 December 2016. The primary business purpose of CHORUS Clean Energy AG is the acquisition and management of solar and wind parks. Furthermore, CHORUS Clean Energy AG provides consulting and asset management services for institutional investors in the renewable energy sector. In addition to expected benefits from increased efficiency and synergy, as well as an improved financial structure, the primary reasons for the takeover relate to the expansion of the market position in the renewable energy sector with a current portfolio for the entity as a whole consisting of 204 solar and wind parks, of which 177 are owned by the Group.

On 28 July 2016, Capital Stage published the documents for its voluntary public takeover offer (in the form of an exchange offer) to the shareholders in CHORUS Clean Energy AG for the acquisition of all no-par-value bearer shares in CHORUS Clean Energy AG. Capital Stage AG offered the shareholders of CHORUS Clean Energy AG five Capital Stage shares in exchange for three shares in CHORUS Clean Energy AG. The takeover offer was subject to a minimum acceptance rate of 50 per cent plus one share, which ultimately was exceeded. The acceptance period ran from 28 July 2016 to midnight on 16 September 2016. The additional acceptance period ran from 22 September 2016 to midnight on 5 October 2016. The acceptance rate was 94.42 per cent. At the end of the additional acceptance period, the Company had gained control of CHORUS Clean Energy AG and its subsidiaries.

The total acquisition costs of the business combination (fair value of the considerations transferred) amounted to TEUR 296,480. The acquisition costs, that is the considerations granted for the assets acquired and liabilities assumed from CHORUS Clean Energy AG, are measured according to the value of the shares issued in the Company – the new Capital Stage shares. The takeover was carried out by the issue of 43,599,975 new shares in the Company. On the acquisition date, the price of the Capital Stage share was EUR 6.80, which results in a purchase price for 94.42 per cent of shares in CHORUS Clean Energy AG of TEUR 296,480. Initial consolidation was carried out on 5 October 2016.

The acquisition costs can be allocated to the assets acquired and liabilities assumed, measured at their fair values, as follows:

in TEUR	Carrying amount before PPA	Fair value according to preliminary PPA
Intangible assets	226,984	396,925
Financial assets	8,383	8,383
Property, plant and equipment	398,246	385,099
Other accounts receivable	6,439	6,439
Current assets	28,712	28,712
Deferred tax assets	10,921	29,639
Cash and cash equivalents	32,401	32,401
Restricted cash	17,889	17,889
Debt and provisions	490,124	527,918
Deferred tax liabilities	27,627	79,940
Identified acquired net assets 100 %	**212,224**	**297,629**
Determining the amount of the difference		
Purchase price for acquired shares (94.4235 %)		296,480
Non controlling interests		16,597
Identified acquired net assets 100 %		297,629
Goodwill (+)		**15,448**
Net inflow of cash from the acquisition		32,401

A total of TEUR 8,492 in legal, consulting and other costs was incurred as part of the execution of the takeover. A portion amounting to TEUR 3,895 of these costs is attributable to the capital increase for the new shares required for the exchange offer. These costs were deducted from the capital reserve with no effect on profit or loss. The remaining portion concerns incidental costs related to the acquisition transaction in the amount of TEUR 4,597 which was recognised as an expense and presented within other operating expenses in the income statement. No contingent considerations or assets for compensation payments were agreed.

The current receivables assumed as a result of the transaction, mainly comprising trade receivables and tax receivables, have a fair value of TEUR 25,950. The best estimate, on the acquisition date, of the anticipated unrecoverable portion of the contractual cash flows was TEUR 0. There were no contingent assets or liabilities.

For the measurement of the non-controlling interests, the option contained in IFRS 3.19 was used which entails measuring the non-controlling interests proportionally with the net assets, not including goodwill in the amount of TEUR 15,448.

This goodwill results primarily from increases in efficiency and synergy benefits as well as an improved financial structure. No tax deductibility is expected for the goodwill resulting from the acquisition.

The business combination resulted in a net cash inflow of TEUR 32,401 because no consideration in the form of cash was paid due to the transaction being based on a share exchange.

Since their date of initial consolidation, sales of TEUR 13,704 and a result of TEUR –5,552 have been recognised from the CHORUS Group. Had CHORUS Clean Energy AG and its subsidiaries been consolidated at the beginning of 2016, projections show that the consolidated financial statements would have reflected additional revenue of TEUR 62,751 and a loss of TEUR –225 from this company.

Reasons for the realisation of badwill
This badwill was largely generated by the advantages that Capital Stage has over other potential purchasers. These advantages particularly include very strong liquidity and therefore the possibility of repaying the sellers' existing short-term loans promptly.

Business combinations often require participation in a public sale process whereby the purchase price is significantly influenced by the bids made by competitors. However, the Group acquisitions result only from exclusive negotiations with the seller, which has a significant influence on the realisation of badwill. Additionally, public and structured sale processes take longer than exclusive negotiations. Many sellers prefer the quick and predictable conclusion of the transaction with a very small time period from contract signing to closing – i.e. payment of the purchase price – over a time-consuming and structured sale process, because this often results in a highest-bidding buyer who is unknown and possibly unable to pay, which results in a timely closing not being possible.

Another aspect for the generation of badwill is the discount that can be obtained when a portfolio of assets is acquired. This block discount reflects the greater speed of sale and associated savings in personnel, administration and transaction costs achieved through a portfolio sale rather than individual sales of the assets concerned.

Each year, the Group receives a multitude of solar and wind parks to analyse. During a clearly defined filtering process, these offers are reduced to the most attractive ones which are deemed worthy of additional scrutiny in the short term. Its many years of experience and competent staff enable the Group to review and execute business combinations in a very short space of time. As the business relationships go back a long way in some cases, the sellers also have a high degree of trust in Capital Stage. Experience shows that this filtering process leads to between eight and ten transactions over the course of a year. Because several solar and wind parks could be acquired as part of a single transaction, this corresponds to the acquisition of around 20 solar and wind parks per year.

Finalisation of purchase price allocations for the companies Treia 1 Holding S.r.l., Progetto Marche S.r.l., Centrale Fotovoltaica Treia 1 S.a.s. di Progetto Marche S.r.l., Centrale Fotovoltaica Camporota S.r.l., Centrale Fotovoltaica Santa Maria in Piana S.r.l. and GE.FIN Energy Oria Division
During the valuation period as per IFRS 3.45, the company finalised the purchase price allocation in the first half of 2016, as the complete acquisition balance sheets and a purchase price adjustment are now available. The main changes to the provisional purchase price allocation and the figures presented in the 2015 annual report are decreases in intangible assets of TEUR 665, in property, plant and equipment of TEUR 91, in deferred tax assets of TEUR 219 and in the purchase price of TEUR 263. This results in a total reduction of badwill by TEUR 780.

Overall impact of the business combinations on the Group's results
Consolidated comprehensive income for the period from 1 January to 31 December 2016 includes losses of TEUR –5,092 from the companies included in the consolidated financial statements for the first time during this period. The sales revenue recognised as of 31 December 2016 includes TEUR 16,802 from the newly consolidated subsidiaries. If the business combinations had taken place on 1 January 2016, projections show that Group revenues as of 31 December 2013 would have been TEUR 52,914 greater and consolidated comprehensive income would have been TEUR 2,305 higher.

The badwill for the business combinations and adjustments to provisional purchase price allocations comes to TEUR 21,093 in total for the 2016 financial year (previous year: TEUR 12,009)[1]. From the business combinations, goodwill in the amount of TEUR 15,448 was recognised (previous year: TEUR 6,348).

Business combinations after the reporting date
On 15 February 2016, Capital Stage signed a contract for the acquisition of a portfolio of Italian solar parks in the Piedmont region. The solar park portfolio consists of four solar parks and has a capacity of 16.9 MWp. The seller of the solar park portfolio is project developer and operational management company OPDE, based in Spain. The solar parks commenced operations between April and December 2011 and benefit from an average guaranteed feed-in tariff of EUR 0.2730 per kilowatt-hour for a remaining term of 15 years. Capital Stage expects the solar park portfolio to make revenue contributions of EUR 8.6 million from its first year of full operation onwards. The total investment volume for the acquisition, including debt, is approximately EUR 65.4 million. The existing financing for the project is being retained. The transaction for two of the four solar parks was completed on 13 July 2016. The two remaining parks have not yet been included in the consolidated financial statements because their acquisition is still subject to standard conditions precedent as of the reporting date. The transaction for these remaining two solar parks was completed on 3 February 2017.

On 8 March 2017, Capital Stage acquired five solar parks in the Italian region of Apulia with a total generation capacity of nearly 5.0 MWp. The total investment volume, including loans taken on in relation to projects, is approximately EUR 19.5 million. The five solar parks are located in the sunny Apulia region in south-eastern Italy. The five parks were connected to the grid in 2010 and 2011 and have been in continuous operation since that time. The sellers in this transaction were Energiequelle GmbH, De Energy S.r.l. (Dextella Group) and Stern Energy S.p.A. The parks each have an output of between 0.93 MW and 0.99 MW. The parks benefit from guaranteed feed-in tariffs averaging EUR 0.3054 per kilowatt-hour. The total investment volume, including loans taken on in relation to projects, is approximately EUR 19.5 million. Capital Stage expects the solar parks to make revenue contributions of some EUR 2.6 million from their first full year of operation.

Business combinations in the previous year

In the 2015 financial year, the following companies were added to the group of consolidated entities via business combinations:

- Capital Stage Venezia Beteiligungs GmbH, Germany
- SP 07 S.r.l., Italy
- SP 09 S.r.l., Italy
- SP 10 S.r.l., Italy
- SP 11 S.r.l., Italy
- SP 13 S.r.l., Italy
- SP 14 S.r.l., Italy
- Capital Stage Caddington Ltd., United Kingdom
- Foxburrow Farm Solar Farm Ltd., United Kingdom
- Grid Essence UK Ltd., United Kingdom
- Blestium Ltd., United Kingdom
- Bypass Nurseries LSPV Ltd., United Kingdom
- Clawdd Ddu Farm Ltd., United Kingdom
- Trewidland Farm Ltd., United Kingdom
- Trequite Farm Ltd., United Kingdom
- IOW Solar Ltd., United Kingdom
- GlenSolar IQ Ltd., United Kingdom
- MonSolar IQ Ltd., United Kingdom
- Treia 1 Holding S.r.l., Italy
- Centrale Fotovoltaica Treia 1 S.a.s. di Progetto Marche S.r.l., Italy
- Progetto Marche S.r.l., Italy
- Centrale Fotovoltaica Camporota S.r.l., Italy
- Centrale Fotovoltaica Santa Maria in Piana S.r.l., Italy
- GE.FIN Energy Oria Division S.r.l., Italy
- Solarpark Golpa GmbH & Co. KG, Germany
- Sowerby Lodge Ltd., United Kingdom
- Energiepark Lunestedt GmbH & Co. WP HEE KG, Germany
- Energiepark Lunestedt GmbH & Co. WP LUN KG, Germany
- Energiekontor Windstrom GmbH & Co. UW Lunestedt KG, Germany

4.3. Disposals of subsidiaries and participating interests

The Group sold the Ferme Eolienne de Glenay S.A.S. wind park in France to a utility company, with effect on 31 December 2016. Capital Stage will continue to oversee the management of the wind park as part of its asset management activities. Income from the deconsolidation resulting from the sale of the companies amounts to TEUR –328 and was recognised in other operating expenses. As of the reporting date, the purchase price for the wind park had not yet been entirely collected.

The outflow and deconsolidation effects from this transaction are as follows:

Dispatched assets and liabilities	in TEUR
Assets	74,750
Liabilities	54,533
Disposed Net assets	**20,217**
Total consideration received	19,889
Disposed net assets	20,217
Deconsolidation profit	**-328**
Net cash outflow from the disposal	14,511

In December 2016, use was made of the contractual right to withdraw for the CHORUS Wind Zellertal GmbH & Co. KG wind park, which resulted in the park’s deconsolidation as of the end of the year. The income from deconsolidation amounts to TEUR –824 and was recognised in other operating expenses. Additionally, the Group receives interest in the amount of TEUR 64 on the capital used.

Both companies are allocated to the Wind Parks segment and originate from the takeover of CHORUS Clean Energy AG in October 2016.

4.4. Discontinued operations

No Company divisions were classified as discontinued operations in the 2016 financial year.

The Financial Investments segment was classified as a discontinued operation in the previous year and completely disposed of in October 2015.

4.5. Significant restrictions

CSG IPP GmbH is subject to the following significant restrictions within the meaning of IFRS 12.13 resulting from the mezzanine capital agreement with Gothaer Lebensversicherung AG (hereafter known as “Gothaer”). Investments in connection with the mezzanine capital are subject to various investment criteria defined by a committee made up of equal numbers of representatives of Capital Stage and Gothaer. Furthermore, for the duration of the mezzanine agreement, the shares in CSG IPP GmbH may not be pledged or subjected to any other charges and the entity may not be party to any cash-pooling contract. This does not apply to contracts between CSG IPP GmbH and the subsidiaries of CSG IPP GmbH. Significant measures, such as the dissolution or liquidation of CSG IPP GmbH, require the unanimous approval of the committee. Gothaer has a pre-emption right in the event that Capital Stage should intend to sell its interest in CSG IPP GmbH. Furthermore, the mezzanine agreement has strict rules governing the distribution of available liquidity. The carrying amount of the assets in the consolidated financial statements as of the reporting date is TEUR 19,679 (previous year: TEUR 13,353) and the carrying amount of the liabilities is TEUR 156,202 (previous year: TEUR 134,418).

5. Notes to the consolidated statement of comprehensive income

5.1. Revenue

TEUR 141,783

Previous year: TEUR 112,802

Revenue is recognised when the work or services are performed and a price has been agreed or is determinable and payment thereof appears probable. The breakdown of revenue is shown in the segment reporting.

5.2. Other income

TEUR 29,399

Previous year: TEUR 19,216[1]

Other income mainly consists of income recognised through profit or loss of TEUR 21,093 from the initial consolidation of solar parks and wind parks (previous year: TEUR 12,009)[1]. This also includes adjustments to provisional purchase price allocations within the measurement period pursuant to IFRS 3.45. In the course of the provisional purchase price allocation process, all acquired assets and liabilities were identified and their fair value determined. This resulted in differences which were recognised in the 2016 income statement. This item still includes income from the reversal of deferred accrual items (government grants) in the amount of TEUR 2,190 (previous year: TEUR 0) and non-period income of TEUR 1,253 (previous year: TEUR 5,924). TEUR 338 of the non-period income is due to the reversal of provisions.

5.3. Cost of materials

TEUR -1,326

Previous year: TEUR -921

These chiefly comprise expenses for externally supplied electricity for operating the solar parks and wind parks in the amount of TEUR 1,054 (previous year: TEUR 831).

5.4. Personnel expenses

TEUR -8,541

Previous year: TEUR -5,758

Personnel expenses changed as follows:

TEUR	2016	2015
Salaries	7,387	5,070
Social security contributions	707	431
Other personnel expenses	286	76
Personnel expenses, share-based payment	162	181
Total	**8,541**	**5,758**

In 2016, there was an average of 85 employees at the Group (previous year: 66), of which 36 were employed at Capital Stage AG, 13 at Capital Stage Solar Service GmbH and 36 at CHORUS AG.

Salaries still include expenses for employee bonuses and other payments. A breakdown of Management Board remuneration is given in the remuneration report within the management report.

In the 2016 financial year, a total of TEUR 162 (previous year: TEUR 181) in personnel expenses from the share option programme was recognised in the income statement (cf. section 6.12).

5.5. Other expenses

TEUR -37,562

Previous year: TEUR -23,565

Type of expense in TEUR	2016	2015
Costs of solar and wind parks	27,741	19,065
Due diligence	5,151	1,020
Legal and tax advice	1,146	209
Costs ofongoing business operations	1,419	2,167
Rent and office space	557	308
Costs of drawing up and auditing financial statements	708	225
Supervisory board fees	278	258
Publications and Annual General Meeting	206	187
Investor relations and designated sponsor	83	32
Miscellaneous	273	94
Total	**37,562**	**23,565**

The other operating expenses mainly comprise the costs of operating the parks, acquisition and administration costs, stock exchange listing costs, legal, tax consultation and auditing costs and general administration costs such as travel costs, insurance, advertising costs, telecommunications, vehicle costs and Supervisory Board remuneration. The following table provides a more detailed view of the item "Costs of solar parks and wind parks".

The costs of solar parks and wind parks are made up as follows:

Costs of solar parks and wind parks in TEUR	2016	2015
Technical and commercial management	6,813	4,050
Rent	4,326	2,641
Repairs and maintenance	4,510	2,111
Tax expenses, parks	1,817	2,493
Insurance	1,428	932
Legal and tax advice	1,271	1,644
Fees and incidental and travel expenses	839	725
Alarm and security costs	265	173
Other	6,473	4,296
Total	**27,741**	**19,065**

5.6. Depreciation and amortisation

TEUR -64,028

Previous year: TEUR -47,888

In this item, scheduled amortisation of intangible assets (TEUR 19,767; previous year: TEUR 14,463), goodwill (TEUR 517; previous year: TEUR 652) and depreciation of property, plant and equipment (TEUR 43,744; previous year: TEUR 32,773) were recognised. The bulk of the amortisation of intangible assets and impairment losses (TEUR 19,324, previous year: TEUR 14,097) relates to capitalised electricity feed-in contracts. The depreciation of property, plant and equipment chiefly relates to energy generation installations (TEUR 43,647; previous year: TEUR 32,667).

Impairment testing of the goodwill for the companies of the Grid Essence portfolio results in an impairment loss in the amount of TEUR 517. For further information, the reader is referred to section 6.2 (goodwill).

5.7. Financial result

TEUR -48,774

Previous year: TEUR -33,165

This item breaks down as follows:

in TEUR	2016	2015
Interest income	5,526	1,667
Earnings attributable to non-controlling interest	128	55
Financial income	**5,654**	**1,722**
Interest expense	-53,854	-34,242
Expenses from the disposal of investments	-2	-16
Earnings attrbutable to non-controlling interests	-551	-629
Financial expenses	**-54,407**	**-34,887**
Earnings from financial assets accounted for using the equity method	**-21**	**0**
Total	**-48,774**	**-33,165**

5.8. Taxes on income

TEUR 857

Previous year: TEUR 5,522[1]

The reconciliation of expected and actual expenses for taxes on revenue and income is presented in the following table:

in TEUR	2016	2015[1]
Earnings before taxes on income (EBT)	10,950	20,721
Expected taxes on income (32.28 %; previous year: 29 %)	-3,534	-6,009
Differences due to local tax rates and changes in tax rates	3,146	-691
Taxes from other periods	-120	-720
Effects of tax-free income	6,407	3,875
Tax effects of non-deductible operating expenses	-1,368	-2,764
Effects of using or writing down tax loss carry-forwards	-4,498	8,259
Other and compensatory tax effects	-1,678	-1,350
Other valuation differences	-392	4,159
Other permanent differences	2,894	763
Taxes on income	857	5,522

With current tax income of TEUR 2,420 (previous year: TEUR 2,366) and deferred tax assets of TEUR 3,277 (previous year: TEUR 7,888)[1], the total tax income recognised in the statement of comprehensive income was TEUR 857 (previous year: TEUR 5,522)[1].

The recognition of deferred tax assets and liabilities within the Group is carried out using the respective tax rate for the individual companies. The expected Group tax rate is 32.275 per cent and corresponds to the tax rate of the Group parent company Capital Stage AG.

Deferred taxes arising from the use of tax loss carry-forwards must be capitalised if it is probable that existing tax loss carry-forwards may be offset against income.

The Group's provisional tax loss carry-forwards as of 31 December 2016 came to TEUR 49,838 (previous year: TEUR 45,472) (trade tax) and TEUR 108,417 (previous year: TEUR 110,068) (corporation tax). Of this, totals of TEUR 21,770 (previous year: TEUR 24,057) (trade tax) and TEUR 33,345 (previous year: TEUR 37,951)[1] (corporation tax) will likely not be used within a reasonable period. Accordingly, no deferred tax assets have been recognised for these amounts. As a result, interest carry-forwards amounted to TEUR 25,314 as of 31 December 2016 (previous year: TEUR 14,636), and no deferred taxes were accrued for TEUR 22,036 (previous year: TEUR 0) because their use is unlikely at the present time.

Deferred taxes recognised in other comprehensive income amount to TEUR 1,419 (previous year: TEUR –264). They result from the effective part of the change in the fair value of derivative financial instruments.

Deferred tax assets and liabilities arise due to valuation differences in relation to the following balance sheet items:

Deferred taxes	2016		2015[1]		
	Asset in TEUR	Liability in TEUR	Asset in TEUR	Liability in TEUR	Change
Fixed assets	45,407	216,369	3,344	88,028	-86,279
Current assets	6,334	481	770	155	5,238
Liabilities	43,282	1,101	5,965	874	37,090
Tax loss carry-forwards	22,782	0	20,876	0	1,906
Interest carry-forward	783	0	0	0	783
Total	**118,588**	**217,951**	**30,955**	**89,057**	**-41,262**
Balance sheet figures	**118,588**	**217,951**	**30,955**	**89,057**	**-41,262**
				2016 change	-41,262
				of which recognised in equity	-1,418
				of which from currency translation and other effects	-930
				of which from business combinations	58,141
				of which from business disposals	-10,603
				Deferred taxes on issue costs recognised directly in equity	-651
				2016 change with effect	3,277

The sum of the changes in deferred taxes differs by TEUR 44,539 from the deferred taxes shown in the income statement. This primarily consists of the recognition of deferred taxes in connection with the initial consolidation of the companies acquired during the financial year.

Deferred tax liabilities are primarily deferred tax liabilities on electricity feed-in contracts in the amount of TEUR 153,447 (previous year: TEUR 39,237)[1] and on wind or solar installations in the amount of TEUR 58,767 (previous year: TEUR 37,267).

Deferred tax assets are primarily deferred tax assets on wind or solar installations in the amount of TEUR 38,681 (previous year: TEUR 805) and on non-current liabilities in the amount of TEUR 35,752 (previous year: TEUR 3,794).

The change in deferred taxes on fixed assets totalling TEUR –86,279 relates primarily to deferred taxes in the amount of TEUR –114,210 from the capitalised electricity feed-in contracts, deferred taxes in the amount of TEUR 16,378 from the carrying amount differences of the wind and photovoltaic installations and TEUR 661 from the valuation differences of financial investments.

The change in deferred taxes on liabilities totalling TEUR 37,090 relates primarily to non-current liabilities in the amount of TEUR 31,885 as well as provisions for restoration obligations and other current liabilities in the amount of TEUR 5,205. The differences in carrying amounts result from liabilities from leases, swaps and effective interest.

The stark increase in deferred tax assets and liabilities in the 2016 financial year results above all from the acquisition of CHORUS Clean Energy AG and concerns deferred tax assets in the amount of TEUR 29,539 and deferred tax liabilities in the amount of TEUR 79,930. Overall, deferred tax assets increased by TEUR 87,350 and deferred tax liabilities increased by TEUR 145,490 because of acquisitions.

Due to the accelerated or degressive depreciation for tax purposes, tax loss carry-forwards and therefore also deferred tax assets rose from TEUR 20,876[1] to TEUR 22,782.

Temporary differences to be taxed on a deferred basis of TEUR 3,300 (previous year: TEUR 1,977) in connection with shares in Group companies do not create deferred taxes, because the Group can control their reversal, and they will not be reversed in the foreseeable future.

Current tax on costs related to the capital increase at Capital Stage AG in the amount of TEUR 651 has been recognised directly in equity.

5.9. Other comprehensive income

TEUR –1,773

Previous year: TEUR 847

Other comprehensive income is chiefly comprised of reserves for hedge accounting in the amount of TEUR -3.991 (previous year: TEUR 910) and currency translation differences in the amount of TEUR 991 (previous year: TEUR 201). Amounts recognised in equity will be reclassified in full in profit or loss once the corresponding hedged items have expired.

Since the takeover of CHORUS Clean Energy AG in October 2016, other comprehensive income has also included the effects from the changes in market value of the non-current assets classified as held for sale totaling TEUR -191 (previous year: TEUR 0). Specifically, these are participating interests in investment funds as well as the mezzanine capital in CHORUS IPP Europe GmbH.

The corresponding deferred tax effects amount to TEUR 1.418 (previous year: TEUR -264).

6. Notes to the consolidated balance sheet

6.1. Intangible assets

TEUR 593,270

Previous year: TEUR 176,250

Developments in intangible assets are set out in the statement of changes in fixed assets. The intangible assets mainly comprise project rights as well as rights deriving from the electricity feed-in contracts amounting to TEUR 580,674 (previous year: TEUR 175,927). Furthermore, this item contains service contracts totalling TEUR 11,781 (previous year: TEUR 0).

Details of assets provided as collateral are given in note 3.11 (collateral). There are no contractual obligations to acquire intangible assets.

6.2. Goodwill

TEUR 22,292

Previous year: TEUR 7,361

The goodwill as of the reporting date mainly derives from the acquisition of CHORUS Clean Energy AG and its subsidiaries, the acquisition of a 100 per cent shareholding in Grid Essence UK Ltd. and its subsidiaries as well as Capital Stage Solar Service GmbH.

As of the reporting date, there were significant proportions of goodwill for the following groups of cash-generating units:

	31.12.2016		31.12.2015	
	Goodwill in TEUR	Input VAT WACC in %	Goodwill in TEUR	WACC in %
PV Germany	1,674	3.70	185	3.84
PV Italy	1,073	3.71	0	n.a.
PV United Kingdom	5,178	5.05	5,695	6,33 - 6,52
Wind Germany	570	3.72	0	n.a.
Wind France	2,445	3.64	0	n.a.
Wind Austria	231	3.70	0	n.a.
PV Service	1,481	3.03	1,481	3.84
Asset Management	9,640	3.62	0	n.a.
Summe	**22,292**		**7,361**	

Due to the provisions of IAS 36, goodwill is subject to annual impairment testing. This is carried out at the level of a group of cash-generating units (CGU). With regard to goodwill, these groups have represented the operating segments divided according to country since the 2016 financial year. In the previous year, impairment testing was carried out at the level of acquired groups of companies.

For the impairment testing, the sum of the carrying amounts of the group of cash-generating units is compared with the recoverable amount. The value in use applied is that which is calculated from discounted future cash flows. Expected cash flows are based on a qualified planning process which takes figures from internal Group experience into account. The detailed planning period generally comprises three years; in exceptional cases, this could be extended to five years if detailed planning extends this far. After the conclusion of the detailed planning period, as was the case in the previous year, a growth rate of 1.0 per cent is applied. Cash flow forecasts react most sensitively to the amount of revenue generated, which is primarily made up of the guaranteed feed-in tariffs. The capitalisation interest rate is the weighted average capital cost (WACC) determined using the capital asset pricing model. The capitalisation interest rates determined for each individual group of cash-generating units range from 3.03 to 5.05 per cent (previous year: 3.84 to 6.52 per cent).

As of 31 December 2016, as part of the changes to the testing level, impairment testing on the level of the acquired Company groups was carried out for the last time on the goodwill existing as of the reporting date of the previous year. For this, management plans cash flows and the financial plans that form their basis for solar and wind parks over a time period that covers the long-term feed-in and lease contracts of the respective CGU. The entire planning horizon can therefore be shown using a detailed plan. In light of the finite planning period, determination of a perpetual annuity is not necessary. This impairment testing resulted in an impairment of goodwill totalling TEUR 517, which was previously allocated to the Grid Essence solar park portfolio. The impairment is the result of the limited useful life of the solar park and is completely allocated to the PV Parks segment. The capitalisation interest rates range from 5.79 to 6.06 per cent. Following the changes to the testing level, the remaining goodwill is allocated to the “PV in the United Kingdom” of the group of CGUs.

The goodwill previously allocated to Capital Stage Solar Service GmbH was allocated to the PV Service CGU group. The final impairment test carried out at the level of the acquired Company groups as of 31 December 2016 with a capitalisation interest rate of 3.03 per cent did not result in any evidence of an impairment. Planning cash flows for groups of cash-generating units is carried out in a manner analogous to the test procedure described above.

The required annual testing confirmed the recoverability of all capitalised goodwill at the level of the groups of cash-generating units as of 31 December 2016.

In addition to the impairment testing, two sensitivity analyses were carried out for each group of cash-generating units. The first sensitivity analysis involved the application of a growth rate which was one percentage point lower. For the second sensitivity analysis, the capitalisation interest rate for each group of cash-generating units was increased by 0.5 percentage point. These changes to the assumptions used would only result in an impairment for the group “PV in the United Kingdom”. The first sensitivity analysis would lead to the complete impairment of the goodwill, and the second sensitivity analysis to an impairment in the amount of TEUR 953.

In the previous year, an impairment of TEUR 652 on the goodwill of the “Grid Essence” solar park portfolio was recognised (segment: PV Parks).

6.3. Property, plant and equipment

TEUR 1,331,845

Previous year: TEUR 958,096

Developments in property, plant and equipment are set out in the statement of changes in non-current assets. Property, plant and equipment includes the energy generation installations (TEUR 1,317,326; previous year: TEUR 945,845), installations under construction (TEUR 13,395; previous year: TEUR 11,731) and other property, plant and equipment (TEUR 1,124; previous year: TEUR 520). The item energy generation installations includes capitalised loan interest in the amount of TEUR 1,843 (previous year: TEUR 1,960).

Development of the finance lease assets included under property, plant and equipment was as follows:

in TEUR	2016	2015
Acquisition cost		
As of 1.1	22,278	22,278
Additions	20,018	0
As of 31.12.	**42,296**	**22,278**
Depreciation and amortisation		
As of 1.1.	5,103	4,356
Additions	1,102	747
As of 31.12	**6,205**	**5,103**
Carrying amount on 31.12	**36,091**	**17,175**

Details of assets provided as collateral are given in note 3.11 (collateral). There are no contractual obligations to acquire property, plant and equipment, and no significant long-term assets from property, plant and equipment were disposed of.

6.4. Financial investments recognised using the equity method

As of 31 December 2016, the affiliates consist of the shareholding in Gnannenweiler Windnetz GmbH & Co. KG in the amount of TEUR 153, the shareholding in CHORUS IPP Europe GmbH in the amount of TEUR 181 and the shareholding in CHORUS Infrastructure Fund S.A. SICAV-SIF, headquartered in Munsbach, Luxembourg, in the amount of TEUR 396. Generally speaking, all of these shareholdings are accounted for using the equity method and were acquired as part of the takeover of CHORUS Clean Energy AG in October 2016.

As of the reporting date, Capital Stage held 94.64 per cent of the shares in CHORUS IPP Europe GmbH, headquartered in Neubiberg. Despite the majority interest, the company is not fully consolidated; instead, it is classified as an affiliate because the majority of returns on the investment goes to a third party via interest accrued on mezzanine capital. In addition to the shares in CHORUS IPP Europe GmbH, Capital Stage also holds mezzanine capital in the company and renders services in exchange. Altogether, this investment serves to expand the Asset Management segment of the Group by assuming management responsibilities for the solar and wind parks contained in the portfolio. Quantitative information can be found in section 11 of the notes.

CHORUS Infrastructure Fund S.A. SICAV-SIF, headquartered in Munsbach, Luxembourg, is a stock corporation (Aktiengesellschaft) according to Luxembourg law which is structured as an investment company with variable capital in the form of a specialised investment fund. Capital Stage holds 4.64 per cent of the voting rights and only participates in the earnings of the partial fund CHORUS Infrastructure S.A. SICAV-SIF – Renewables Europe I. Capital Stage’s share in the capital of the partial fund results in an earnings share amounting to 0.95 per cent. Despite the share in voting rights of less than 20 per cent, the company is still classified as an affiliate because a member of the Group’s Management Board sits on the company’s administrative board; for this reason, it can be assumed that significant influence is present.

Due to the insignificance of the equity result of all named companies, subsequent measurement using the equity method has been omitted.

in TEUR	CHORUS Infrastructure Fund S.A. SICAV-SIF	CHORUS IPP Europe GmbH	Gnannenweiler Windnetz GmbH & Co. KG	Total
As of 01.01.2016	0	0	0	**0**
Addition to the scope of consolidation	396	181	174	**751**
Income	0	0	-21	**-21**
As of 31.12.2016	**396**	**181**	**153**	**730**

6.5. Financial investments

TEUR 7,334

Previous year: TEUR 1

The financial investments changed as follows:

in TEUR	2016	2015
As of 1.1.	1	6
Additions	0	10
Additions to the scope of consolidation	7,656	0
Disposals	-132	-15
Change in Fair Value	-191	0
As of 31.12	**7,334**	**1**

Non-current financial assets include (available-for-sale) participating interests in four investment funds in the renewable energy sector in the form of limited partnerships that are registered in the United Kingdom and in the Cayman Islands: CleanTech Europe I L.P., London, United Kingdom, (“Zouk I”), CleanTech Europe II L.P., London, United Kingdom, (“Zouk II”), Hudson Clean Energy Partners (Cayman) L.P., Cayman Islands (“Hudson”), and European Renewable Energy Fund I L.P., London, United Kingdom (“Platina”), totalling TEUR 5,363 (previous year: TEUR 0). Additionally, mezzanine capital in CHORUS IPP Europe GmbH, Neubiberg, in the amount of TEUR 1,902 is recognised here as well as various other capital investments available for sale totalling TEUR 70 as of 31 December 2016 (previous year: TEUR 0).

The various other capital investments available for sale totalling TEUR 70 as of 31 December 2016 (previous year: TEUR 0) are generally measured at their acquisition cost, as a fair value could not be reliably determined. The various other capital investments available for sale include investments in non-listed shares which are not traded on an active market. As of the reporting date, Capital Stage does not intend to dispose of these financial investments.

6.6. Other receivables (non-current)

TEUR 14,178

Previous year: TEUR 6,925

This consists of non-current encroachment easements and advance payments for leases of TEUR 11,550 (previous year: TEUR 5,595), derivatives with positive fair values in the amount of TEUR 1,437 (previous year: TEUR 49) and other non-current receivables of TEUR 1,191 (previous year: TEUR 1,281).

6.7. Inventories

TEUR 327

Previous year: TEUR 1,232

The inventories consist chiefly of merchandise and replacement parts.

6.8. Trade receivables

TEUR 31,352

Previous year: TEUR 19,205

The receivables are recoverable and due in the short term. No impairments were required as of the balance sheet date, and there were no overdue receivables on that date.

6.9. Other current assets

TEUR 44,902

Previous year: TEUR 25,161

Other current assets break down as follows:

in TEUR	2016	2015
Non-financial assets	17,025	11,560
Receivables from income taxes	10,289	7,934
Other current receivables	17,588	5,667
Total	**44,902**	**25,161**

The non-financial assets comprise primarily VAT receivables.

The other current receivables mainly comprise purchase price receivables from the disposal of the French wind park Glenay (TEUR 7,714), prepaid expenses of TEUR 4,459 (previous year: TEUR 3,149) and other intangible assets and receivables.

No impairments were required in the reporting year or the previous year.

6.10. Cash and cash equivalents

TEUR 188,979

Previous year: TEUR 99,368

Cash and cash equivalents break down as follows:

in TEUR	2016	2015
Cahs and cash equivalents	125,802	52,358
Current account advances	104	729
Cash and cash equivalents from the cash flow statement	125,698	51,629
Restricted cash and cash equivalents	63,177	47,010

The cash and cash equivalents consist exclusively of cash and bank balances. They include capital servicing and project reserves of TEUR 63,177 (previous year: TEUR 47,010) which serve as collateral for the solar parks' lending banks and can only be used in agreement with the lending banks. Pursuant to IAS 7, cash and cash equivalents is comprised of cash and cash equivalents without restrictions. Details of assets provided as collateral are given in note 3.11 “collateral”.

6.11. Equity

TEUR 608,556

Previous year: TEUR 256,994

Developments in equity are detailed in the consolidated statement of changes in equity.

On 20 April 2016, the Management Board of Capital Stage AG, on the basis of authorised capital and with the approval of the Supervisory Board, decided to increase the Company's share capital by EUR 7,243,940.00 from EUR 75,483,512.00 through the issue of 7,243,940 new no-par-value bearer shares for subscription in cash with no subscription rights for existing shareholders. The capital increase was carried out in full at a price of EUR 6.75 per share. The shares were placed with an institutional investor. Share capital then came to EUR 82,727,452.00, divided into 82,727,452 no-par shares. The capital increase was entered into the commercial register of the Hamburg district court on 22 April 2016.

In view of the Company's positive performance in 2015 and the prospects for the future, which remain good, the Management Board and Supervisory Board of Capital Stage AG tabled a proposal at the Annual General Meeting that took place on 25 May 2016 to pay a dividend of EUR 0.18 per share. This represents an increase of 20 per cent over the 2014 financial year (EUR 0.15 per share). Shareholders also had the option of receiving the dividend either fully in cash or partly in the form of shares in Capital Share AG. The proposal by the Management and Supervisory Boards was approved by a clear majority. The payment of the cash dividend took place on 28 June 2016 and the registration of the shares was received on 6 July 2016.

On 25 May 2016 and 27 June 2016, the Management Board of Capital Stage AG, on the basis of authorised capital and with the approval of the Supervisory Board, decided to increase the Company's share capital by up to EUR 1,838,388.00 from EUR 82,727,452.00 through the issue of 1,838,388 new no-par-value bearer shares in return for stock with no subscription rights for existing shareholders.

The option once again offered by Capital Stage AG of taking the dividend either all in cash or partly in the form of shares at a subscription price of EUR 6.30 offers shareholders the greatest possible freedom to choose. In total, 104,568 new bearer shares were issued. The new shares have dividend rights from 01 January 2016 onwards. The capital increase was entered into the commercial register of the Hamburg district court on 01 July 2016.

Subscribed capital increased as a result to EUR 82,832,020.00.

The Annual General Meeting held on 8 July 2016 resolved to increase the share capital of the Company – for the purpose of completing the exchange offer to the shareholders of CHORUS Clean Energy AG – from EUR 82,832,020.00 by up to EUR 46,174,916.00 through the issue of up to 46,174,916 new no-par-value shares in exchange for stock with no subscription rights for existing shareholders. The capital increase was carried out in the amount of EUR 43,599,975.00. Share capital then came to EUR 126,431,995.00, divided into 126,431,995 no-par shares. The capital increase was entered into the commercial register of the Hamburg district court on 18 October 2016.

As of the reporting date, the Company's share capital was therefore EUR 126,431,995.00, divided into 126,431,995 shares with no par value. The Share capital is fully paid up.

Altogether, the Company received gross proceeds from the capital increases of some TEUR 48,897 from the issue.

As a result of capital increases, the capital reserves rose from EUR 112,337,421.85 to EUR 407,424,142.22. The cumulative issue costs for the capital increases amount to TEUR 7,845 (previous year: TEUR 3,686). Moreover, the capital reserves include reserves for share disposals for the purpose of preserving a majority in the amount of TEUR –20 (previous year: TEUR 0).

Authorised capital

As of the reporting date 31 December 2016 and following the authorisation granted at the Annual General Meeting held on 25 May 2016, the Management Board was still authorised, subject to the approval of the Supervisory Board, to increase the share capital of the Company by up to EUR 37,741,756.00 on or before 24 May 2021 through the single or multiple issue of up to 37,741,756 new no-par-value bearer shares for subscription in cash and/or in kind (Authorised Capital 2016). All shareholders are entitled to subscription rights. The new shares may also be issued to one or more credit institutes or other companies named under section 186, paragraph 5, sentence 1, of the AktG with the obligation that they be offered to shareholders (indirect subscription right) or partly by way of a direct subscription right (for instance, to eligible shareholders who have previously given an irrevocable subscription guarantee) and, in any case, by way of indirect subscription rights pursuant to section 186, paragraph 5 of the AktG.

The Management Board is authorised, subject to the consent of the Supervisory Board and to further conditions, to exclude the subscription rights of shareholders.

The Supervisory Board is authorised to amend the wording of section 4, paragraphs 1 and 6 of the Articles of Association as appropriate to reflect the use of Authorised Capital 2016 either after the full or partial execution of the increase in share capital or, if some or all of the Authorised Capital 2016 has not been used by 24 May 2021, after the expiry of the authorisation period.

Contingent capital
The share capital is increased by up to EUR 35,421,756.00 through the issue of up to 35,421,756 new, no-par-value bearer shares (contingent capital II/2016).

The contingent capital increase will only be implemented to the extent that holders or creditors of conversion rights or warrants attached to warrant bonds, convertible bonds, mezzanine capital and/or profit-linked bonds (or a combination of these instruments) issued before 24 May 2021 by the Company or its direct or indirect wholly owned affiliates on the basis of the resolution passed by the Annual General Meeting on 25 May 2016 (known collectively as the “bonds”) make use of their conversion rights or warrants, or if the holders or creditors of the corresponding bonds issued before 24 May 2021 by the Company or its indirect or direct wholly owned affiliates on the basis of the resolution passed at the Annual General Meeting on 25 May 2016 meet their obligation to convert their bonds or exercise their warrants. With the consent of the Supervisory Board, the Management Board may, as far as permitted by law, determine that new shares participate in profits in a different proportion from that defined in section 60, paragraph 2 of the Stock Corporation Act (*Aktiengesetz* – AktG).

The Management Board is also authorised, subject to the consent of the Supervisory Board, to determine the further contents of share rights and further details regarding the execution of a contingent capital increase. The Supervisory Board is authorised to adjust the wording of section 4, paragraph 3 of the Articles of Association to reflect the issuance of contingent capital from time to time.

Furthermore, share capital is conditionally increased by up to EUR 2,320,000.00 through the issue of up to 2,320,000 no-par-value bearer shares (contingent capital III). With the consent of the Supervisory Board, the Management Board is authorised by 19 June 2017 (inclusive), pursuant to the specific provisions laid down in the 2012 share option programme, to grant up to 2,320,000 share options on Company shares with a term of up to seven years, whereby each share option confers the right to acquire one share in the Company. These share options are designated exclusively for members of the Management Board, as well as selected senior management personnel and other high-performing Company personnel. With respect to members of the Company’s Management Board, the Supervisory Board has the sole right to grant share options. The share options may also be assigned to a bank, on the proviso that the bank is required on the Company’s instructions to transfer the options to their designated beneficiaries, who are the sole parties entitled to exercise the options in question. Shareholders do not have any option rights (with respect to contingent capital III). The contingent capital increase will only be executed to the extent that holders of the options to acquire Company shares duly exercise their option rights, and the Company does not furnish its own shares in fulfilment of said options. The new shares participate in profits from the beginning of the financial year in which they are created through exercise of the option. The Supervisory Board is authorised to amend the wording of section 4, paragraphs 1 and 4 of the Articles of Association as appropriate to reflect the issue of option shares.

Capital reserves of TEUR 399,559 (previous year: TEUR 108,651) stem chiefly from the increase in share capital of TEUR 2,520 entered into the Company register on 28 January 2002 and from the share premium received on the capital increases carried out in 2010 (TEUR 2,464), 2011 (TEUR 12,194), 2012 (TEUR 20,488), 2013 (TEUR 48,014), 2014 (TEUR 15,122) and 2016 (TEUR 290,278).

The currency adjustment item in the amount of TEUR 1,062 (previous year: TEUR 71) as of the reporting date relates exclusively to currency translation of British pounds into euros from the British subsidiaries.

In addition to the currency translation reserve, other reserves also contain hedging reserves (including the corresponding deferred tax effects) in the amount of TEUR –4,887 (previous year: TEUR –2,265) as well as the reserves for the valuation of available-for-sale financial assets, including the resulting deferred taxes and the associated differences from currency translation in the amount of TEUR 142 (previous year: TEUR 0). The hedging reserves are comprised of profits or losses from the effective part of cash flow hedges resulting from changes in the fair value of the hedging instruments. The cumulative profit or loss from changes in the fair value of hedging instruments recognised in the reserves from hedging instruments is only transferred to the income statement if the hedged item affects the income statement. During the reporting period, a cumulative profit or loss from changes in the fair value of hedging instruments in the amount of TEUR 1,904 (previous year: TEUR 1,334) was transferred to the income statement.

The consolidated distributable profit is determined as follows:

in TEUR	31.12.2016	31.12.2015[1]
Consolidated profit for the year after third-party holdings	11,399	25,635
Profit carried forward	66,834	52,289
Dividend distribution	-14,891	-11,090
Consolidated distributable profit	**63,342**	**66,834**

Non-controlling interests relate chiefly to third-party shares in the following companies: Solarpark Brandenburg GmbH, Parco Eolico Monte Vitalba S.r.l., Solaire Ille SARL, Centrale Photovoltaique SauS 06 SARL and CHORUS Clean Energy AG (including subsidiaries).

Capital management

The aim of capital management is to ensure that the Group can meet its financial obligations. The Group's long-term goal is to increase enterprise value. On the balance sheet date, the Group had an equity ratio of 25.85% (previous year: 19.40%).

The following table shows the Group's equity, equity ratio and cash and cash equivalents.

	31.12.2016	31.12.2015[1]
Equity in TEUR	608,556	256,994
Equity ratio in %	25.85	19.40
Liquid funds in TEUR	188,979	99,368

6.12. Share-based payment

To enable Capital Stage AG to grant share options as remuneration components with a long-term incentive effect, on 31 May 2007 the Annual General Meeting of Capital Stage AG decided to conditionally increase the Company's equity capital by up to EUR 2,520,000.00 through the issue of up to 2,520,000 no-par-value bearer shares (contingent capital I). The purpose of contingent capital I is to safeguard the subscription rights attached to the share options issued during the period from 1 June 2007 to 30 May 2012 pursuant to the authorisation resolution of the Capital Stage AG Annual General Meeting on 31 May 2007 in connection with the 2007 share option programme (AOP 2007). The parties entitled to subscribe are the members of the Capital Stage AG Management Board, selected senior management personnel and other high-performing Company personnel.

When AOP 2007 expired, a new share option programme (AOP 2012) was adopted and contingent capital III was created at the Annual General Meeting held on 20 June 2012.

Warrants were offered each year from 2008 to 2016. One option entitles its holder to subscribe to one Capital Stage AG no-par-value bearer share with voting rights. The option holder is entitled to exercise these options either individually or as a whole.

To create long-term incentives, the subscription rights attached to the share options cannot be exercised until after the expiry of a vesting period. The vesting period for AOP 2012 is four years. The subscription price (exercise price) for both programmes is the arithmetic mean of the closing price of Capital Stage AG shares in Xetra trading on the Frankfurt Stock Exchange (or a comparable successor system) on the last five trading days preceding the date on which the options are granted. A condition for the exercise of subscription rights is that the performance target has been met. The performance target for the AOP 2012 has been achieved if the price of shares in Capital Stage AG in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange exceeds the exercise price by at least 30 per cent during the ten trading days preceding the date on which the subscription rights are exercised. The applicable exercise period is deemed to be the period in which the relevant subscription rights may first be exercised, the performance target having been reached or exceeded.

Share option programme 2012 (AOP 2012)

On 21 March 2013, 26 June 2014, 27 January 2015, 31 March 2015, 21 April 2015 and 31 March 2016, the following share options were granted under the share option programme for 2012:

Year of distribution	2016	2015	2015
Exersice period	01.04.2020 - 31.03.2023	22.04.2019 - 21.04.2022	01.04.2019 - 31.03.2022
Share price at time of issue	7.33 EUR	6.51 EUR	6.10 EUR
Basic price	7.24 EUR	6.49 EUR	6.08 EUR
Exersice price on issue	9.41 EUR	8.44 EUR	7.91 EUR
Options offered and accepted	180,000	150,000	580,000
No. of shares on 01.01.2016	0	0	430,000
Exersiced options	0	0	0
Expired options	0	0	-170,000
No. of shares on 31.12.2016	180,000	0	260,000
Exersicable as of 31.12.2016	0	0	0

Year of distribution	2015	2014	2013
Exersice period	28.01.2019 0	27.06.2018 0	22.03.2017 0
Share price at time of issue	4.90 EUR	3.70 EUR	3.78 EUR
Basic price	4.92 EUR	3.74 EUR	3.81 EUR
Exersice price on issue	6.40 EUR	4.86 EUR	4.95 EUR
Options offered and accepted	150,000	250,000	600,000
No. of shares on 01.01.2016	150,000	100,000	0
Exersiced options	0	0	0
Expired options	0	-50,000	0
No. of shares on 31.12.2016	150,000	50,000	0
Exersicable as of 31.12.2016	0	0	0

No options were exercised in the 2016 financial year. In the reporting period, 220,000 options expired, of which 220,000 were held by employees. As of the reporting date, there were a total of 640,000 options outstanding (previous year: 680,000), of which 300,000 were held by Management Board members. The tranches from the AOP 2012 share option programme are in the vesting period until March 2017, June 2018, January 2019, April 2019 and April 2020, so no options can be exercised from AOP 2012 as of the reporting date.

Pursuant to IFRS 2, the share options are recognised in the balance sheet at their fair value, whereby fair value is then recognised as personnel expenses over the vesting period. Accordingly, the warrants must be valued on their issue through the use of a suitable model which takes into account the capital-market-oriented characteristics of the warrants. Characteristics not oriented on the capital market, such as the vesting period, must be reflected by taking into account anticipated fluctuations in employee numbers. The total value arrived at on the basis of the option's value and the estimated number of options still exercisable at the end of the vesting period must be distributed pro rata over the vesting period and recognised in the income statement as personnel expenses. The anticipated fluctuation rates are based on those experienced over recent years.

The options issued in 2016 were valued using a binomial option price model. The basic price as per the table above was used for the valuation. This is the price per share at the time of issue. Where relevant, the expected option period applied by the model was adjusted on the basis of the management's best estimates in respect of the effect of their non-transferability, exercise restrictions and assumptions relating to the beneficiaries' exercise behaviour. The calculations are based on anticipated volatility of 27.3 per cent (previous year: 25.3 to 28.0 per cent). The expected volatility corresponds to the historical volatility from the time frame of the period of the share options. A further assumption of a risk-free interest rate of –0.4 per cent (previous year: –0.1 to –0.2 per cent) p.a. is included in the calculation.

Personnel expenses of TEUR 162 (previous year: TEUR 181) from the AOP 2012 were recognised in the income statement for 2016. In subsequent years, the programme is expected to entail recognition of personnel expenses of a further TEUR 332 (previous year: TEUR 406), with the actual amount depending on fluctuations in the number of beneficiaries between now and the end of the vesting period. The fair value on the balance sheet date of the share options granted in 2016 was EUR 1.43 (previous year: EUR 1.05).

6.13. Liabilities, provisions, accruals and financial liabilities

TEUR 1,527,290

Previous year: TEUR 978,765

Type of liability	Total amount	Current	Non-current
Liabilities to non-controlling interests	18,570	12,573	5,997
(previous year)	(11,780)	(11,780)	(0)
Financial liabilities	1,354,735	102,771	1,251,964
(previous year)	(903,805)	(55,554)	(848,251)
Leasing liabilities	77,664	5,688	71,976
(previous year)	(16,953)	(953)	(16,000)
Provisions for restoration obligations	22,251	0	22,251
(previous year)	(10,155)	(0)	(10,155)
Tax provisions *	3,906	3,906	0
(previous year)	(2,703)	(2,703)	(0)
Trade payables	23,693	23,693	0
(previous year)	(11,180)	(11,180)	(0)
Other liabilities *	26,471	13,390	13,081
(previous year)	(22,189)	(9,562)	(12,627)
Total	1,527,290	162,021	1,365,269
(previous year)	(978,765)	(91,732)	(887,033)

* Classification of liabilities has changed compared to the previous year. Other tax provisions not contained in income tax provisions are presented in other liabilities.

Liabilities to non-controlling shareholders
Liabilities to non-controlling shareholders are chiefly comprised of shares in profit attributable to non-controlling shareholders and loans from non-controlling shareholders.

Financial liabilities
Financial debt is comprised of the following items:

in TEUR	31.12.2016	31.12.2015
Liabilities to financial institutions and other loans	1,128,263	702,441
Liabilities from mezzanine capital	155,958	134,323
Liabilities from listed noted	44,093	53,713
Derivatives with negative fair values	26,421	13,328
Total	**1,354,735**	**903,805**

Leasing liabilities
The Capital Stage Group rented Italian solar installations as part of finance leases. The average lease term is 18 years (previous year: 18 years). The Capital Stage Group has the option of acquiring the energy generation installations at the end of the

agreed period for a fixed price. Obligations from the finance lease agreements are secured through the reservation of title on behalf of the lessor for the solar installations.

The interest rates upon which the liabilities from a finance lease relationship are based were fixed on the date on which the contract was concluded and range between 3.63 per cent and 7.70 per cent (2015: 3.63 per cent to 3.82 per cent) p.a.

The leased items are recognised in property, plant and equipment with carrying amounts totalling TEUR 36,091 (previous year: TEUR 17,175). Deviations between the carrying amounts of the assets and liabilities primarily result from the revaluation of the assets and debt as part of purchase price allocations as well as the unscheduled repayment of lease obligations.

Neither during the current nor the previous financial year were any conditional lease payments made (e.g. stepped rent). No options are in place to extend existing contracts.

The finance lease liabilities are due as follows:

	Minimum lease payments		Present value of minimum lease payments	
	31.12.2016 in TEUR	31.12.2015 in TEUR	31.12.2016 in TEUR	31.12.2015 in TEUR
Remaining term up to one year	6,936	1,552	5,688	953
Remaining term one to five years	27,735	6,207	26,421	4,171
Remaining term more than five years	53,923	13,917	45,555	11,829
	88,594	**21,676**	**77,664**	16,953
Less financing costs	-10,930	-4,723	0	0
Present value of minimum lease payments	77,664	16,953	77,664	16,953
Of which current liabilities			5,688	953
Of whiich non-current liabilities			71,976	16,000

Provisions

Changes in provisions are as follows:

Provisions table in TEUR	As of 01.01.2016	Additions	Reversals	Consolidation changes, currency adjustments, currency translation	Used	As of 31.12.2016
Tax provisions *	3,145	4,153	-154	2,064	-4,533	4,675
Provisions for restoration obligations	10,155	2	0	12,121	-27	22,251
Provisions for personnel expenses	1,194	1,785	-100	0	-1,600	1,278
Other provisions	3,963	1,707	-238	931	-3,444	2,920
Total	**18,457**	**7,647**	**-492**	**15,116**	**-9,604**	**31,124**

* In addition to income tax provisions, tax provisions also contain other tax provisions which are presented under other current liabilities in the balance sheet.

In evaluating the extent of restoration obligations, there is a small degree of uncertainty which relates exclusively to the amount of the corresponding provision. This results from the fact that the date of the required restoration work on the energy generation installation is fixed by the term of the lease. In determining the actual restoration costs, an average inflation rate of 1.5 per cent has been assumed (previous year: 1.5 per cent). Provisions are accreted to their present value on an annual basis. The expenses for accrued interest on the provisions were TEUR 225 in the 2016 financial year (previous year: TEUR 154).

Provisions for personnel expenses primarily include bonuses for employees and Management Board members.

Trade payables

Trade payables mainly relate to invoices from suppliers received by individual solar parks and wind parks.

Other liabilities

Other non-current debt chiefly relates to deferred accruals in the amount of TEUR 11,827 (previous year: TEUR 11,292). Deferred accruals are comprised of the advantage from subsidised loans from the KfW banking group at interest rates lower than the market rate.

Other current debt is attributed to the following items:

in TEUR	31.12.2016	31.12.2015
Provisions for personnel expenses	1,278	1,194
Other provisions	2,920	3,963
Deferred accruals (interest rate advantage)	2,147	2,132
Personnel liabities	1,068	0
Other taxes*	2,441	915
Other	3,536	1,357
Total	**13,390**	**9,561**

* The breakdown of other taxes changed in comparison to the previous year. Other taxes also include other tax provisions, that are not income tax provisions.

7. Additional disclosures related to financial assets and liabilities

Carrying amounts, recognised amounts and fair value according to classes and valuation categories

Classes of financial instruments in TEUR	Measurement category*	Carrying amount as of 31.12.2016 (31.12.2015)	Carrying amount under IAS 39*			Carrying amount under IAS 17	Fair value as of 31.12.2016 (31.12.2015)
			Amortised acquisition cost	Fair value without effect on profit or loss	Fair value recognised through profit or loss		
Financial assets							
Non-current financial assets	AfS	7,334	70	7,265			7,334
(31.12.2015)		(1)	(1)				(1)
Trade receivables	L&R	31,352	31,352				31,352
(31.12.2015)		(19,205)	(19,205)				(19,205)
Other current receivables	L&R	3,202	3,202				3,202
(31.12.2015)		(1,567)	(1,567)				(1,567)
Cash and cash equivalents	L&R	188,979	188,979				188,979
(31.12.2015)		(99,368)	(99,368)				(99,368)
Derivative financial assets							
Derivatives in a hedging relationship	n.a.	770		770			770
(31.12.2015)		(49)		(49)			(49)
Derivatives not in a hedging relationship	FAHfT	667			667		667
(31.12.2015)		(0)			(0)		(0)
Financial liabilities							
Trade liabilities	AC	23,693	23,693				23,693
(31.12.2015)		(11,180)	(11,180)				(11,180)
Financial liabilities	AC	1,325,276	1,325,276				1,531,122
(31.12.2015)		(887,098)	(887,098)				(1,027,728)
Liabilities from finance leases	n.a.	77,665				77,665	79,212
(31.12.2015)		(16,953)				(16,953)	(17,445)
Liabilities to non-controlling shareholders	AC	18,570	18,570				18,570
(31.12.2015)		(11,780)	(11,780)				(11,780)
Liabilities from contingent considerations	n.a.	61			61		61
(31.12.2015)		(65)			(65)		(65)
Other financial liabilities	AC	2,976	2,976				2,976
(31.12.2015)		(5,445)	(5,445)				(5,445)
Derivative financial liabilities							
Derivatives in a hedge relationship	n.a.	13,788		13,788			13,788
(31.12.2015)		(9,857)		(9,857)			(9,857)
Derivatives not in a hedging relationship	FLHfT	12,633			12,633		12,633
(31.12.2015)		(3,471)			(3,471)		(3,471)

Classes of financial instruments in TEUR	Measurement category*	Carrying amount as of 31.12.2016 (31.12.2015)	Carrying amount under IAS 39* Amortised aquisition cost	Fair value without effect on profit or loss	Fair value recognised through profit or loss	Carrying amount under IAS 17	Fair value as of 31.12.2016 (31.12.2015)
Of which: aggregated by valuation categories as per IAS 39							
Loans and receivables	L&R	223,533	223,533				223,533
(31.12.2015)		(120,140)	(120,140)				(120,140)
Available for sale	AfS	7,334	70	7,265			7,334
(31.12.2015)		(1)	(1)	(0)			(1)
Financial assets held for trading	FAHfT	667			667		667
(31.12.2015)		(0)			(0)		(0)
Financial liabilities at amortised acquisition cost	AC	1,370,515	1,370,515				1,576,361
(31.12.2015)		(915,503)	(915,503)				(1,056,133)
Financial liabilities held for trading	FLHfT	12,633			12,633		12,633
(31.12.2015)		(3,471)			(3,471)		(3,471)

* L&R: loans and receivables; FAHFT: financial assets held for trading; AC: amortised cost; FLHFT: financial liabilities held for trading.

Unlike in previous years, liabilities from finance leases have not been allocated to an IAS 39 measurement category, but are presented separately in the column labelled “Carrying amount under IAS 17”. Against this backdrop, the sum of financial liabilities which are recognised at amortised acquisition cost changed in the previous year.

Fair value hierarchy

Fair value hierarchy 31.12.2016 (31.12.2015) in TEUR	Level 1	Level 2	Level 3
Assets			
Non-current financial assets			7,334
(previous year)			(1)
Derivative financial assets:			
Derivatives in a hedging relationship		770	
(previous year)		(49)	
Derivatives not in a hedging relationship		667	
(previous year)		(0)	
Liabilities			
Liabilities from contingent consideration		61	61
(previous year)		65	(65)
Derivative financial liabilities:			
Derivatives in a hedging relationship		13,788	
(previous year)		(9,857)	
Derivatives not in a hedging relationship		12,633	
(previous year)		(3,471)	

Interest rate and currency hedges are measured using yield and foreign exchange (FX) forward curves and acknowledged mathematical models (present value calculation). The market values recognised in the balance sheet therefore correspond to level 2 of the fair value hierarchy defined in IFRS 13.

The financial liabilities from contingent considerations carried at fair value in the consolidated financial statements are based on level 3 information and input factors.

Changes between measurement levels occurred in neither the current nor previous reporting year.

For each class of assets and liabilities not measured at fair value in the balance sheet and for which fair value is not approximately equal to the carrying amount, the following table shows the level of the fair value hierarchy to which the measurement of fair value has been assigned overall.

Fair value hierarchy 31.12.2016 (31.12.2015) in TEUR	Level 1	Level 2	Level 3
Liabilities			
Financial liabilities at amortised acquisition cost			
Financial liabilities		1,531,122	
(previous year)		(1,027,728)	
Leasing liabilities		79,212	
(previous year)		(17,445)	

The following tables show the valuation methods that were used to determine fair values.

Financial instruments measured at fair value

Type	Valuation method	Important non-observable input factor
Financial investments available for sale	The financial investments are measured using one of the following methods or a combination of more than one of the following methods: acquisition cost of the most recent financial investments, measurement criteria within the industry, currently received offers, contractual obligations The relative weighting of each measurement method reflects an assessment of the suitability of each measurement method for the respective non-realised financial investment.	Risk premium The estimated fair value of the financial investments available for sale would increase (decrease) if the risk premium were lower (higher).
Interest rate swaps	Discounted cash flows: the fair values are determined using the future expected cash flows discounted using the standard observable market data of the corresponding interest structure curves	Not applicable
Liabilities from contingent consideration	Discounted cash flows based on contractually fixed mechanisms	Not applicable

Financial instruments not measured at fair value

Type	Valuation method	Important non-observable input factor
Financial debt and liabilities from finance leases	Discounted cash flows: the fair values are determined using the future expected cash flows discounted with equivalent terms using the standard observable market interest rates and taking an appropriate risk premium into account.	Not applicable

For financial instruments with short-term maturities – including cash and cash equivalents, trade receivables, trade liabilities and other current receivables and liabilities – the assumption is made that their fair values are approximately equal to their carrying amounts.

The following overview provides a detailed reconciliation of the assets and liabilities regularly measured at fair value in level 3.

in TEUR	2015	2014
Non-current financial assets		
As os 1.1.	1	6
Purchases (including additions)	7,581	10
Sales (including disposals)	-125	0
Profit/loss recognised in the financial result	0	-15
Profit/loss recognised in other comprehensive income	-191	0
As of 31.12.	**7,266**	**1**
Liabilities from contigent consideration		
As of 1.1.	65	2,000
Purchases (including additions)	59	65
Profits (+) and losses (-) in the income statement	-65	-1,209
Changes in value recognised in other comprehensive income	2	0
Payments made	0	-791
As of 31.12.	**61**	**65**

The earn-out liability from the acquisition of the Lunestedt wind park portfolio added in the previous financial year was completely amortised through profit or loss in the 2016 financial year. The earn-out liability existing on the reporting date is the result of the acquisition of the solar park Capital Stage Cullompton Ltd. (see section 4).

A deviation in the fair values of the available-for-sale financial assets by +/– 200 basis points would respectively increase or decrease other comprehensive income after taxes by TEUR 59.

The following table shows the net profits and losses from the financial instruments recognised in the consolidated income statement (categorised by valuation categories):

in TEUR	2016	2015
Loans and receivables (L&R)	273	284
Financial liabilities measured at amortized acquisition cost (AC)	-39,378	-32,549
Financial instruments recognised at fair value through profit or loss	2,641	919
of which held for trading (FAHFT and FLHFT)	*2,641*	*919*
Total	**-36,464**	**-31,346**

Net gains and losses from financial instruments comprise valuation effects, recognition and reversal of impairment losses, interest and all other earnings effects from financial instruments. The item “Financial instruments recognised at fair value through profit or loss” contains earnings from instruments which are not designated as hedging instruments as part of a hedge relationship in accordance with IAS 39. In addition, the item includes gains and losses from the ineffective portion of financial instruments designated as hedging instruments in accordance with IAS 39 as well as the measurement of the currency swaps. Net gain or loss for this item does not contain any interest or dividend income. Valuation gains and losses on financial instruments not recognised through profit or loss are shown in the overview of income and expenses recognised directly in equity.

The following interest income and expenses originate from financial instruments not measured at fair value through profit or loss:

in TEUR	2016	2015
Interest income	1,652	294
Interest expenses	-42,160	-31,853
Total	**-40,508**	**-31,559**

Not included are, in particular, interest income and expenses from derivatives and interest income and expenses from assets and debt outside of the scope of IFRS 7.

Interest rate swaps

The fair value of the interest rate swaps on the balance sheet date is determined by discounting future cash flows through application of both the yield curves on the balance sheet date and the credit risk of the contracts.

As of the reporting date, the Group held a total of 81 (31 December 2015: 62) interest rate swaps under which the Group receives interest at a variable rate and pays interest at a fixed rate. These are what are known as amortising interest rate swaps, whose nominal volume is reduced at regular, defined intervals. The following table shows the nominal amounts as of the reporting date, the average (volume-weighted) fixed interest rates and the fair values. It distinguishes between interest rate swaps that are part of an effective hedging relationship pursuant to IAS 39 and those that are not.

	31.12.2016	31.12.2015
Nominal volume in TEUR	**344,791**	**256,304**
of which in a hedging relationship	*209,788*	*231,949*
of which not in a hedging relationship	*135,003*	*24,355*
Average interest rate in %	2.53	2.48
Fair value in TEUR	**-25,222**	**-13,280**
of which in a hedging relationship	*-13,018*	*-9,809*
of which not in a hedging relationship	*-12,204*	*-3,471*

The application of the rules for hedge accounting was discontinued within the reporting period for 15 of the interest rate swaps which were still in a hedging relationship as of 31 December 2015 because, as part of the effectiveness tests carried out on the respective reporting dates, no evidence of the hedging relationships' effectiveness could be provided. One affected interest rate swap reached the contractually agreed end date during the period. Changes in value heretofore recognised in the hedge accounting reserve without effect on profit or loss will, in future, be amortised with effect on profit or loss on schedule over the remaining term of the underlying item. Effectiveness tests carried out as of 31 December 2016 showed an effectiveness level for the additional hedging relationships of 94.05 to 106.32 per cent, which is well within the permitted range.

The ineffective portion of the swaps in a hedging relationship was recognised as income of TEUR 315 through profit and loss (previous year: income in the amount of TEUR 225). The market value of swaps that are not in a hedging relationship was recognised as income of TEUR 2,079 through profit or loss (previous year: income in the amount of TEUR 694). The effective portion in the current financial year of TEUR –3,982 (previous year: TEUR 910) was adjusted for deferred tax effects in the amount of TEUR 1,367 (previous year: TEUR –264) and recognised in equity. For the interest rate swaps for which no more evidence of their effectiveness could be provided during the period, the changes in value formerly recognised in the hedge accounting reserves with no effect on profit or loss in the amount of TEUR 8 (previous year: TEUR 0), taking into account the deferred tax liabilities in the amount of TEUR –2 (previous year: TEUR 0), were amortised on schedule with effect on profit or loss.

Principles of risk management

The main risk for Capital Stage's financial assets and liabilities and its planned transactions is interest rate risk. Risk management aims to limit this risk by means of ongoing activities. Depending on the assessment of the risk, derivative hedging instruments are used to do so. To minimise default risk, only respected banks with good credit ratings are used as counterparties for interest rate hedges. Hedging is generally limited to risks that affect the Group's cash flow.

Interest rate risk

Interest rate risk is the risk of changes in the fair value or future cash flows from a financial instrument due to changes in market interest rates. Exposure to interest rate risk comes from acquisition financing and from financing arrangements for individual assets – to the extent that they are at variable rates. As these financing arrangements are nearly all hedged in full by means of unconditional interest rate swaps for the complete nominal volume, the fluctuations recognised in the income statement are only marginal. However, changes in market expectations of interest rates alter the valuation of gains and losses expected from the interest rate hedge, which are reflected solely in the hedging reserve – to the extent that the derivatives form part of an effective hedging relationship. For derivatives not in a hedging relationship in line with IAS 39, the change in expectations has a direct impact on earnings.

Interest rate risks are illustrated by means of sensitivity analyses in accordance with IFRS 7. If market interest rates as of 31 December 2016 had been 100 basis points higher, earnings before taxes would have been TEUR 6,400 (previous year: TEUR 1,029) higher and the hedge reserve in equity before taxes would have been TEUR 11,728 (previous year: TEUR 11,334) higher. This is because an increase in market interest rates as of the reporting date reduces net cash outflows from the interest rate hedges over the entire duration of the interest rate swaps, thus increasing their present value. In view of the level of interest rates as of the reporting date, no sensitivity analysis was carried out for a reduction of 100 basis points in the interest rate.

Credit risk

Credit risk is the risk that counterparties are unable to meet their obligations as agreed. Receivables held by the solar parks and wind parks are mostly trade receivables from selling the electricity produced. In nearly all the markets in which Capital Stage operates, the sale of electricity is based on contractually defined remuneration rates governed and safeguarded by law. Due to its entry into the UK market, the Group now has trade receivables owed to it by private companies instead of by semi-public grid companies or other comparable organisations, as was previously the case. The Group is not, however, exposed to any major risk of default, as all the companies concerned are well respected and have either a good or excellent credit rating.

The receivables are all current and are generally settled within two months. The maximum risk of default is limited to the carrying amounts of the corresponding trade receivables and other receivables. In the event that objective evidence of an impairment is obtained, value adjustments of individual assets are made on a case-by-case basis. Evidence of this nature will be deemed to be available if the invoices for the number of kilowatt-hours produced are not prepared within the agreed period (generally the responsibility of the buyer) or if these invoices are not paid in due course. In the event of either of these events becoming overdue, the corresponding items will be examined in detail and, if necessary, an impairment will be formed. In the reporting period, the default rate for trade receivables was zero per cent (previous year: zero per cent).

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations as they fall due. The financial liabilities did not pose any liquidity risk since, as of the reporting date, the Group held cash and cash equivalents of TEUR 125,802 (previous year: TEUR 52,358). The Group also receives ongoing cash flows from the solar parks and wind parks; there is a high degree of certainty that these cash flows can be expected to continue and they are ample to service the interest payments, principal repayments and financial liabilities. The Management Board has ultimate responsibility for liquidity risk management. To this end, it has established a suitable system for managing short-, medium- and long-term financing and liquidity requirements. The Group manages liquidity risks by maintaining suitable reserves and through the ongoing monitoring of forecast and actual cash flows, as well as coordinating the maturity profiles of financial assets and liabilities.

IFRS 7 also requires a maturity analysis for derivative and non-derivative financial liabilities. The following maturity analysis shows how non-discounted cash flows in connection with liabilities as of 31 December 2016 (31 December 2015) affect the Group’s future liquidity.

Type of liability in TEUR	Carrying amount 31.12.2016 (31.12.2015)	With a remaining term of up to one year	With a remaining term of one to five years	With a remaining term of more than five years
Non-derivative financial liabilities				
Financial liabilities	1,328,314	137,161	551,972	1,019,754
(previous year)	(892,608)	(88,768)	(327,525)	(864,401)
of which liabilities from contingent consideration	61	61	0	0
(previous year)	(65)	(65)	(0)	(0)
Liabilities from finance leases	77,665	6,936	27,736	53,923
(previous year)	(16,953)	(1,552)	(6,207)	(13,917)
Trade payable	23,693	23,693	0	0
(previous year)	(11,180)	(11,180)	(0)	(0)
Liabilities to non-controlling shareholders	18,570	12,573	0	5,997
(previous year)	(11,780)	(11,780)	(0)	(0)
Derivative financial liabilities				
Interest rate derivatives in a hedging ralationship	13,788	1,834	5,254	6,692
(previous year)	(9,857)	(1,759)	(4,504)	(3,628)
Interest rate derivatives not in a hedging relationship	12,633	2,827	7,902	2,846
(previous year)	(3,471)	(840)	(2,274)	(371)

The basic procedure for calculating these amounts is as follows:

If the counterparty can demand a payment at various dates, the liability is shown as of the earliest date. Interest payments made on financial instruments with variable rates are calculated using forward interest rates. The cash flows of the financing and leasing liabilities are made up of undiscounted interest payments and capital repayments. The liabilities to non-controlling shareholders have a put option which can be (partially) exercised at any time and are therefore classified as (partial) current liabilities. Undiscounted net payments are shown for the derivative financial instruments.

8. Notes to the consolidated cash flow statement

The cash flow statement is presented separately.

The cash flow statement shows the changes in the Capital Stage Group's cash and cash equivalents. Cash and cash equivalents is comprised of cash and cash equivalents not subject to any restrictions. The cash flow statement has been prepared in conformity with IAS 7, classifying the changes in cash and cash equivalents into cash flows from operating, investing and financing activities. Presentation of the cash flow from operating activities is carried out using the indirect method.

The cash and cash equivalents consist exclusively of cash and bank balances. This includes reserves for debt servicing and projects of TEUR 63,177 (previous year: TEUR 47,010) which serve as collateral for the solar and wind parks' lending banks and can only be used in agreement with the lending banks for the respective companies.

9. Contingent liabilities and other obligations

The Group had an obligation of TEUR 5,278 under rental agreements as of the reporting date (previous year: TEUR 6,005).

There are also standard leases which are classified pursuant to IAS 17.8 as operating leases. The leased items are capitalised by the lessor. The sum of future minimum lease payments due to binding operating leases with a remaining term of one year to five years amounts to TEUR 198. No lease payments are presented in the category of over five years. These disclosures are made in line with IAS 17.35.

Type of obligation	Other obligations of up to one year in TEUR	Other obligations of one to five years in TEUR	Other obligations of more than five years in TEUR
Rental agreements	675	2,413	2,190
(previous year)	(383)	(3,211)	(2,411)
Leases	222	198	0
(previous year)	(64)	(56)	(0)
Commercial leases	6,013	24,451	111,587
(previous year)	(3,578)	(19,330)	(81,092)

Expenses from lease liabilities in the reporting year came to TEUR 130 (previous year: TEUR 101) and for commercial leases and compensation for use TEUR 4,326 (previous year: TEUR 2,641).

As of 31 December 2016, there are contingent liabilities in the amount of TEUR 151 resulting from rental guarantees. Furthermore, Capital Stage AG made guarantees for five French subsidiaries amounting to TEUR 3,060 in total. The probability of claims being made against these guarantees is considered low.

10. Events after the balance sheet date

Following successful takeover of CHORUS Clean Energy AG, the Capital Stage Group significantly expands the Asset Management segment and is planning the establishment of an additional SICAV special fund

During the 2016 financial year, Capital Stage AG benefited from the expansion of its Asset Management segment. CHORUS Clean Energy AG, the Capital Stage Group's specialist for managing institutional investors, was able to expand its portfolio of solar and wind parks managed for third parties to more than 273 MW in the 2016 financial year (2015: 173 MW).

For 2017, the Capital Stage Group is planning to establish an additional Luxembourg special fund via its subsidiary which will invest in renewable energy installations in Europe.

16.9 MW solar park portfolio in Italy

On 15 February 2016, Capital Stage signed a contract for the acquisition of a portfolio of Italian solar parks in the Piedmont region. The solar park portfolio consists of four solar parks and has a capacity of 16.9 MWp. The seller of the solar park portfolio is project developer and operational management company OPDE based in Spain. The solar parks commenced operations between April and December 2011 and benefit from an average guaranteed feed-in tariff of EUR 0.2730 per kilowatt-hour for a remaining term of 15 years. Capital Stage expects the portfolio of solar parks to make revenue contributions of EUR 8.6 million from its first year of full operation onwards. The total investment volume for the acquisition, including debt, is approximately EUR 65.4 million. The existing financing for the project is being retained. The transaction for two of the four solar parks was completed on 13 July 2016. The two remaining parks have not yet been included in the consolidated financial statements because their acquisition is still subject to standard conditions precedent as of the reporting date. The transaction for these remaining two solar parks was completed on 3 February 2017.

Capital Stage acquires share package from institutional investor in CHORUS Clean Energy AG in exchange for the issue of new shares in Capital Stage AG

In February 2017, Capital Stage AG acquired an additional 54,999 shares in CHORUS Clean Energy AG – which amounts to some 0.2 per cent of the share capital in CHORUS – from an institutional investor in CHORUS Clean Energy AG. Capital Stage's participating interest in CHORUS now comes to approximately 95.0037 per cent following Capital Stage's acquisition via the market of an additional 105,735 shares in CHORUS.

The acquisition of the additional shares in CHORUS is structured as a share exchange where five (5) shares in Capital Stage are granted for every three (3) shares in CHORUS. This rate of exchange therefore corresponds to the rate which was used for the voluntary public takeover offer made by Capital Stage AG in October 2016.

In order to create the new Capital Stage shares, Capital Stage carried out a capital increase of EUR 91,665.00 in return for stock which involved the utilisation of its authorised capital and excluded the subscription rights of its shareholders. The capital increase was entered into the commercial register on 21 March 2017. As a result, Capital Stage's equity capital has increased from EUR 126,431,995.00 to EUR 126,523,660.00.

Acquisition of a 5.0 MWp solar park portfolio in Italy

On 8 March 2017, Capital Stage acquired five solar parks in the Italian region of Apulia with a total generation capacity of nearly 5.0 MWp. The total investment volume, including loans taken on in relation to projects, is approximately EUR 19.5 million. The five solar parks are located in the sunny Apulia region in south-eastern Italy. The five parks were connected to the grid in 2010 and 2011 and have been in continuous operation since that time. The sellers in the transaction were Energiequelle GmbH, De Energy S.r.l. (Dextella Group) and Stern Energy S.p.A. The parks benefit from guaranteed feed-in tariffs averaging EUR 0.3054 per kilowatt-hour. Capital Stage expects the solar parks to make revenue contributions of some EUR 2.6 million from their first full year of operation.

Capital Stage is planning a squeeze-out of CHORUS Clean Energy AG

On 8 March 2017, Capital Stage AG sent a so-called squeeze-out request to the Management Board of CHORUS Clean Energy AG, which would involve a resolution at the annual shareholders' meeting of CHORUS Clean Energy AG for the transfer of the shares of minority shareholders to Capital Stage AG in exchange for an appropriate cash settlement. With this measure, Capital Stage officially initiated the squeeze-out process at CHORUS Clean Energy AG.

11. Related-party disclosures

In the course of normal business, the parent company Capital Stage AG maintains relationships to subsidiaries and to other related companies (affiliates and companies with the same staff in key positions) and individuals (majority shareholders and members of the Supervisory Board and Management Board as well as their relatives).

Transactions with individuals in key positions in management

The remuneration presented in line with IAS 24 for management in key positions within the Group contains the remuneration for active members of the Management Board and Supervisory Board.

The active members of the Management Board and Supervisory Board were remunerated as follows:

Remuneration in TEUR	2016	2015
Current payments due	2,029	1,799
Non-current payments due (share-based payment)	55	27
Termination benefits and expenses	420	320
Total remuneration	**2,504**	**2,146**

The share-based payments presented relate to the expenses for share-based payments recognised in the 2016 and 2015 financial years. The expenses concern exclusively the share-based remuneration of Dr Christoph Husmann.

See also notes 13 and 14.

Affiliates

Transactions with affiliates are carried out under the same conditions as those with independent business partners. Outstanding items at the end of the year are unsecured and interest-free, and settlement is made in cash. No guarantees were made to or by related companies or individuals with regard to receivables or liabilities.

TEUR	2016	2015
Transactions		
Services	499	0
Total transactions	**499**	**0**
Balances	615	0
Total balances	**615**	**0**

For the 2016 financial year, the affiliate CHORUS IPP Europe GmbH presents the following financial information:

in TEUR	2016
Current assets	22,504
Non-current assets	112,929
Current liabilities	7,696
Non-current liabilities	151,023
Revenue	15,134

Joint arrangements

The participating interest in Richelbach Solar GbR in the amount of TEUR 258 as of 31 December 2016 (previous year: TEUR 0) is classified as a joint arrangement pursuant to IFRS 11. Capital Stage accounts for its participating interest in the joint arrangement through the recognition of its share of the assets, liabilities, income and expenses pursuant to its contractually transferred rights and obligations. Capital Stage has a 56.79 per cent shareholding in Richelbach Solar GbR via the CHORUS Group.

Other related companies and individuals

As of the reporting date, rental contracts at arm’s-length terms exist with B&L Holzhafen West GmbH & Co. KG for office space for Capital Stage AG. In the 2016 financial year, the sum of the transactions with B&L Holzhafen West GmbH & Co. KG amounts to TEUR 380. As of the reporting date, there are no outstanding balances from transactions with B&L Holzhafen West GmbH & Co. KG.

For the acquired company CHORUS Clean Energy AG, there is a rental agreement for the CHORUS Group headquarters in Neubiberg with PELABA Vermögensverwaltungs GmbH & Co. KG, a company that is allocated to Supervisory Board member Peter Heidecker. The rental agreement has a fixed term to 2019 and, after expiration of this term, will automatically extend for a period of one year each year unless terminated by either party with a notice period of six months. The monthly rent is based on arm’s-length terms. In the 2016 financial year, the sum of the transactions with PELABA Vermögensverwaltungs

GmbH & Co. KG amounts to TEUR 145. As of the reporting date, there is an outstanding balance in the amount of TEUR –3 with PELABA Vermögensverwaltungs GmbH & Co. KG.

12. Earnings per share

The weighted average number of ordinary shares used in calculating the diluted earnings per share was calculated as follows from the weighted average number of ordinary shares used in calculating the basic earnings per share:

	31.12.2016	31.12.2015[1]
Weighted average number of ordinary shares from the calculation of the undiluted earnings per share	89,498,004	74,545,502
Shares assumed to have been issued for no consideration:		
Employee options	65,012	69,467
Weighted average number of shares used to calculate basic diluted earnings per share	89,563,016	74,614,969
Earnings per share from continuing operations, undiluted (EUR)	0.13	0.34
Earnings per share from discontinued operations, undiluted (EUR)	0.00	0.00
Earnings per share from continuing operations, diluted (EUR)	0.13	0.34
Earnings per share from discontinued operations, diluted (EUR)	0.00	0.00

13. Management Board

The following changes to the Management Board arose during the financial year:

Mr Holger Götze was named chief operating officer (COO) and therefore appointed to the Management Board effective on 18 October 2016.

Professor Klaus-Dieter Maubach resigned his position as chairman of the Management Board of Capital Stage AG effective on 31 December 2016.

Total provisions granted to the members of the Management Board during the financial year amounted to TEUR 1,966 (previous year: TEUR 1,856).

Details of their membership in other supervisory and advisory boards:

Professor Klaus-Dieter Maubach		ABB Deutschland AG, Mannheim, supervisory board member Advancy GmbH, Munich, advisory board member Agora Energiewende, Berlin, board member Klöpfer & Königer GmbH & Co. KG, Garching, supervisory board chairman maubach.icp GmbH, Düsseldorf, managing director SUMTEQ GmbH, Cologne, advisory board member
Dr Christoph Husmann		CHORUS Clean Energy AG, Neubiberg, supervisory board member
Holger Götze (from 18 October 2016)		CHORUS Clean Energy AG, Neubiberg, supervisory board chairman CHORUS Infrastructure Fund S.A. SICAV-SIF, Luxembourg, administrative board chairman BSW – Bundesverband der Solarwirtschaft e. V., Berlin, management board member (since November 2016)

All information for the active members of the Management Board, as well as individualised information and further details on the remuneration system, is contained in the remuneration report for the Management Board.

14. Supervisory Board

Chairman		Dr Manfred Krüper, independent management consultant
Deputy chairman		Alexander Stuhlmann, independent management consultant
Other members		Dr Cornelius Liedtke, a partner in the Büll & Liedtke Group Albert Büll, a partner in the Büll & Liedtke Group Dr Jörn Kreke, entrepreneur Professor Fritz Vahrenholt, independent management consultant Christine Scheel, management consultant (since 20 October 2016) Peter Heidecker (since 20 October 2016)

Details of their membership in other supervisory and advisory boards:

Dr Manfred Krüper		Power Plus Communication AG, Mannheim, supervisory board chairman Odewald & Cie, Berlin, advisory board member EQT Partners Beteiligungsberatung GmbH, Munich, senior advisor EEW Energy from Waste GmbH, Helmstedt, supervisory board member
Alexander Stuhlmann		alstria office REIT-AG, Hamburg, supervisory board chairman (until May 2016) Euro-Aviation Versicherungs-AG, Hamburg, supervisory board chairman Ernst Russ AG, Hamburg (formerly: HCI Capital AG, Hamburg), supervisory board chairman Deutsche Office AG, Cologne, supervisory board member (until December 2016) GEV Gesellschaft für Entwicklung und Vermarktung AG, Hamburg, supervisory board chairman FRANK Beteiligungsgesellschaft mbH, Hamburg, advisory board chairman Siedlungsbaugesellschaft Hermann und Paul Frank mbH & Co. KG, Hamburg, advisory board chairman Bauhaus wohnkonzept GmbH, Hofheim am Taunus, advisory board chairman HASPA Finanzholding, Hamburg, member of the board of trustees C.E. Danger GmbH & Co. KG, Hamburg, advisory board member (since July 2016)
Dr Cornelius Liedtke		BRUSS Sealing Systems GmbH, Hoisdorf, advisory board member

Albert Büll		Verwaltung URBANA Energietechnik AG, Hamburg, supervisory board member Verwaltung Kalorimeta AG & Co. KG, Hamburg, supervisory board member Kalorimeta AG & Co.KG, Hamburg, advisory board chairman URBANA Energietechnik AG & Co.KG, Hamburg, advisory board chairman BRUSS Sealing Systems GmbH, Hoisdorf, advisory board member
Dr Jörn Kreke		Douglas Holding AG, Hagen, Westphalia, supervisory board honorary chairman Kalorimeta AG & Co. KG, Hamburg, advisory board member URBANA Energiedienste AG, Hamburg, supervisory board member URBANA Energietechnik AG & Co. KG, Hamburg, advisory board member
Professor Fritz Vahrenholt		Aurubis AG, Hamburg, supervisory board member PUTZ & PARTNER Unternehmensberatungs AG, Hamburg, supervisory board member (until March 2016) Innogy Venture Capital GmbH, Essen, investment committee chairman
Christine Scheel (since 20 October 2016)		NATURSTROM AG, Düsseldorf, supervisory board member Barmenia Versicherungsgruppe, Wuppertal, advisory board member CHORUS Clean Energy AG, Neubiberg, supervisory board member (since October 2016)
Peter Heidecker (since 20 October 2016)		CHORUS Clean Energy AG, Neubiberg, supervisory board chairman (since October 2016)

15. Corporate governance

The declaration of conformity with the Corporate Governance Code pursuant to section 161 of the AktG has been made and is permanently available for inspection by shareholders on the Company website.

16. Auditor’s fee

The fee charged by the auditors for their services up to 31 December 2016 was TEUR 238. In addition to the audit of the financial statements mentioned above, further expenses of TEUR 94 are recognised in the financial statements for other certification services provided by the auditors.

17. Full ownership list pursuant to section 313, paragraph 2 of the HGB

As of 31 December 2016, the Group is comprised of Capital Stage AG and the following consolidated entities:

Name and location of the company	Shares in %
Fully consolidated companies	
Alameda S.r.l., Bolzano, Italy	100.00
ARSAC 4 S.A.S., Paris, France	100.00
ARSAC 7 S.A.S., Paris, France	100.00
Asperg Erste Solar GmbH, Halle (Saale), Germany	100.00
Asperg Fünfte Solar GmbH, Halle (Saale), Germany	100.00
Asperg Sechste Solar GmbH, Halle (Saale), Germany	100.00
Asperg Zweite Solar GmbH, Halle (Saale), Germany	100.00
Atlantis Energy di CHORUS Solar Italia Centrale 5. S.r.l. & Co. S.a.s., Bruneck, Italy [4)]	94.64
Blestium Ltd., London, United Kingdom	100.00
BOREAS Windfeld Greußen GmbH & Co. KG, Greußen, Germany	71.40
Bypass Nurseries LSPV Ltd., London, United Kingdom	100.00
Cagli Solar di CHORUS Solar Italia Centrale 5. S.r.l. & Co. S.a.s., Bruneck, Italy [4)]	94.64
Capital Stage Biscaya Beteiligungs GmbH, Hamburg, Germany	100.00
Capital Stage Caddington Ltd., London, United Kingdom	100.00
Capital Stage Caddington II Ltd., London, United Kingdom [2)]	100.00
Capital Stage Cullompton Limited, London, United Kingdom [5)]	100.00
Capital Stage France Beteiligungsgesellschaft mbH, Reußenköge, Germany	100.00
Capital Stage Hall Farm Ltd., Edinburgh, United Kingdom	100.00
Capital Stage Manor Farm Ltd., London, United Kingdom [1)]	100.00
Capital Stage Solar IPP GmbH, Hamburg, Germany	100.00
Capital Stage Solar Service GmbH, Halle (Saale), Germany	100.00
Capital Stage Tonedale 1 Ltd., Exeter, United Kingdom	100.00
Capital Stage Tonedale 2 Ltd., Exeter, United Kingdom	100.00
Capital Stage Tonedale LLP, Exeter, United Kingdom	100.00
Capital Stage Venezia Beteiligungs GmbH, Hamburg, Germany	100.00
Capital Stage Wind Beteiligungs GmbH, Hamburg, Germany	100.00
Capital Stage Wind IPP GmbH, Hamburg, Germany	100.00
Casette S.r.l., Bolzano, Italy	100.00
Centrale Eolienne de Bihy SARL, Vern sur Seiche, France [4)]	94.64
Centrale Fotovoltaica Camporota S.r.l., Bolzano, Italy	100.00
Centrale Fotovoltaica Santa Maria in Piana S.r.l., Bolzano, Italy	100.00
Centrale Fotovoltaica Treia 1 S.a.s. di Progetto Marche S.r.l., Bolzano, Italy	100.00
Centrale Photovoltaique SauS 06 SARL, Pérols, France	85.00
CHORUS Clean Energy Advisor GmbH, Neubiberg, Germany [4)]	94.64
CHORUS Clean Energy AG, Neubiberg, Germany [4)]	94.64
CHORUS Clean Energy Assetmanagement GmbH, Neubiberg, Germany [4)]	94.64
CHORUS Clean Energy Invest GmbH, Neubiberg, Germany [4)]	94.64
CHORUS Clean Energy Verwaltungs GmbH, Neubiberg, Germany [4)]	94.64
CHORUS CleanTech 1. Fonds Invest GmbH, Neubiberg, Germany [4)]	94.64

Name and location of the company	Shares in %
CHORUS CleanTech 2. Fonds Invest GmbH, Neubiberg, Germany [4)]	94.64
CHORUS CleanTech 7. Solarinvest GmbH, Neubiberg, Germany [4)]	94.64
CHORUS CleanTech GmbH & Co. Solardach Betze KG, Neubiberg, Germany [4)]	94.64
CHORUS CleanTech GmbH & Co. Solarpark Bitterfeld KG, Neubiberg, Germany [4)]	34.07
CHORUS CleanTech GmbH & Co. Solarpark Bockelwitz KG, Neubiberg, Germany [4)]	94.64
CHORUS CleanTech GmbH & Co. Solarpark Burgheim KG, Neubiberg, Germany [4)]	94.64
CHORUS CleanTech GmbH & Co. Solarpark Denkendorf KG, Neubiberg, Germany [4)]	94.64
CHORUS CleanTech GmbH & Co. Solarpark Eisleben KG, Neubiberg, Germany [4)]	94.64
CHORUS CleanTech GmbH & Co. Solarpark Gardelegen KG, Neubiberg, Germany [4)]	94.64
CHORUS CleanTech GmbH & Co. Solarpark Greiz KG, Neubiberg, Germany [4)]	94.64
CHORUS CleanTech GmbH & Co. Solarpark Gut Werchau KG, Neubiberg, Germany [4)]	94.64
CHORUS CleanTech GmbH & Co. Solarpark Kemating KG, Neubiberg, Germany [4)]	94.64
CHORUS CleanTech GmbH & Co. Solarpark Neuenhagen KG, Neubiberg, Germany [4)]	94.64
CHORUS CleanTech GmbH & Co. Solarpark Pasewalk KG, Neubiberg, Germany [4)]	94.64
CHORUS CleanTech GmbH & Co. Solarpark Richelbach KG, Neubiberg, Germany [4)]	94.64
CHORUS CleanTech GmbH & Co. Solarpark Rietschen KG, Neubiberg, Germany [4)]	94.64
CHORUS CleanTech GmbH & Co. Solarpark Rüdersdorf KG, Neubiberg, Germany [4)]	94.64
CHORUS CleanTech GmbH & Co. Solarpark Ruhland KG, Neubiberg, Germany [4)]	94.64
CHORUS CleanTech GmbH & Co. Solarpark Scheibenberg KG, Neubiberg, Germany [4)]	94.64
CHORUS CleanTech GmbH & Co. Solarpark Vilseck KG, Neubiberg, Germany [4)]	94.64
CHORUS CleanTech GmbH & Co. Solarpark Warrenzin KG, Neubiberg, Germany [4)]	94.64
CHORUS CleanTech GmbH & Co. Solarparks Niederbayern KG, Neubiberg, Germany [4)]	94.64
CHORUS CleanTech GmbH & Co. Windpark Hellberge KG, Neubiberg, Germany [4)]	94.64
CHORUS CleanTech GmbH & Co. Windpark Ruhlkirchen KG, Neubiberg, Germany [4)]	94.64
CHORUS CleanTech GmbH & Co. Windpark Stolzenhain KG, Neubiberg, Germany [4)]	94.64
CHORUS CleanTech Management GmbH, Neubiberg, Germany [4)]	94.64
CHORUS Energieanlagen GmbH, Neubiberg, Germany [4)]	94.64
CHORUS GmbH, Neubiberg, Germany [4)]	94.64
CHORUS Solar 3. S.r.l. & Co. S.a.s. 2, Brunico, Italy [4)]	94.64
CHORUS Solar 3. S.r.l. & Co. S.a.s., Brunico, Italy [4)]	94.64
CHORUS Solar 3. S.r.l., Brunico, Italy [4)]	94.64
CHORUS Solar 5. S.r.l. & Co. S.a.s. Alpha, Brunico, Italy [4)]	94.64
CHORUS Solar 5. S.r.l., Brunico, Italy [4)]	94.64
CHORUS Solar Banna 3. S.r.l. & Co. Torino Due S.a.s., Brunico, Italy [4)]	94.64
CHORUS Solar Banna 3. S.r.l., Brunico, Italy [4)]	94.64
CHORUS Solar Banna 5. S.r.l. & Co. PP4 S.a.s., Brunico, Italy [4)]	94.64
CHORUS Solar Banna 5. S.r.l. & Co. S.a.s. Beta, Brunico, Italy [4)]	94.64
CHORUS Solar Banna 5. S.r.l. & Co. Torino Uno S.a.s., Brunico, Italy [4)]	94.64
CHORUS Solar Banna 5. S.r.l., Brunico, Italy [4)]	94.64
CHORUS Solar Italia Centrale 5. S.r.l., Brunico, Italy [4)]	94.64
CHORUS Solar Puglia 3. S.r.l. & Co. Casarano S.a.s., Brunico, Italy [4)]	94.64
CHORUS Solar Puglia 3. S.r.l. & Co. Matino S.a.s., Brunico, Italy [4)]	94.64
CHORUS Solar Puglia 3. S.r.l. & Co. Nardò S.a.s., Brunico, Italy [4)]	94.64
CHORUS Solar Puglia 3. S.r.l., Brunico, Italy [4)]	94.64

Name and location of the company	Shares in %
CHORUS Solar S.r.l. & Co. Foggia Cinque S.a.s., Brunico, Italy [4)]	94.64
CHORUS Solar S.r.l. & Co. Foggia Due S.a.s., Brunico, Italy [4)]	94.64
CHORUS Solar S.r.l. & Co. Foggia Nove S.a.s., Brunico, Italy [4)]	94.64
CHORUS Solar S.r.l. & Co. Foggia Otto S.a.s., Brunico, Italy [4)]	94.64
CHORUS Solar S.r.l. & Co. Foggia Quattro S.a.s., Brunico, Italy [4)]	94.64
CHORUS Solar S.r.l. & Co. Foggia Sei S.a.s., Brunico, Italy [4)]	94.64
CHORUS Solar S.r.l. & Co. Foggia Sette S.a.s., Brunico, Italy [4)]	94.64
CHORUS Solar S.r.l. & Co. Foggia Tre S.a.s., Brunico, Italy [4)]	94.64
CHORUS Solar S.r.l. & Co. S.a.s., Brunico, Italy [4)]	94.64
CHORUS Solar S.r.l., Brunico, Italy [4)]	94.64
CHORUS Solar Toscana 5. S.r.l. & Co. Ternavasso Due S.a.s., Brunico, Italy [4)]	94.64
CHORUS Solar Toscana 5. S.r.l. & Co. Ternavasso Uno S.a.s., Brunico, Italy [4)]	94.64
CHORUS Solar Toscana 5. S.r.l., Brunico, Italy [4)]	94.64
CHORUS Vertriebs GmbH, Neubiberg, Germany [4)]	94.64
CHORUS Wind Amöneburg GmbH & Co. KG, Neubiberg, Germany [4)]	94.64
CHORUS Wind Appeln GmbH & Co. KG, Neubiberg, Germany [4)]	94.64
CHORUS Wind Hürth GmbH & Co. KG, Neubiberg, Germany [4)]	94.64
Clawdd Ddu farm Ltd., London, United Kingdom	100.00
Collechio Energy di CHORUS Solar 5. S.r.l. & Co. S.a.s., Brunico, Italy [4)]	94.64
Communal le Court S.A.S., Paris, France	100.00
CPV Entoublanc SARL, Pérols, France	85.00
CPV Sun 20 SARL, Pérols, France	85.00
CPV Sun 21 SARL, Pérols, France	85.00
CPV Sun 24 SARL, Pérols, France	85.00
CPV Bach SARL, Pérols, France	85.00
CS Solarpark Bad Endbach GmbH, Halle (Saale), Germany	100.00
CSG IPP GmbH, Hamburg, Germany	100.00
DE Stern 10 S.r.l., Bolzano, Italy	100.00
Energia & Sviluppo di CHORUS Solar 5. S.r.l. & Co. S.a.s., Brunico, Italy [4)]	94.64
Énergie Solaire Biscaya S.A.S., Paris, France	100.00
Energiekontor Windstrom GmbH & Co. UW Lunestedt KG, Bremerhaven, Germany	100.00
Energiepark Breitendeich RE WP BD GmbH & Co. KG, Bremerhaven, Germany [6)]	100.00
Energiepark Debstedt GmbH & Co. RE WP KG, Bremerhaven, Germany [7)]	100.00
Energiepark Grevenbroich RE WP GRE GmbH & Co. KG, Bremerhaven, Germany [6)]	100.00
Energiepark Lunestedt GmbH & Co. WP HEE KG, Bremerhaven, Germany	100.00
Energiepark Lunestedt GmbH & Co. WP LUN KG, Bremerhaven, Germany	100.00
Fano Solar 1 S.r.l., Bolzano, Italy	100.00
Fano Solar 2 S.r.l., Bolzano, Italy	100.00
Ferme Eolienne de Maisontiers-Tessonniere S.A.S., Strasbourg, France [4)]	94.64
Ferme Eolienne de Marsais 1 S.A.S., Strasbourg, France [4)]	94.64
Ferme Eolienne de Marsais 2 S.A.S., Strasbourg, France [4)]	94.64
Foxburrow Farm Solar Farm Ltd., London, United Kingdom	100.00
GE.FIN Energy Oria Division S.r.l., Bolzano, Italy	100.00
GlenSolar IQ Ltd., London, United Kingdom	100.00

Name and location of the company	Shares in %
Grid Essence UK Ltd., London, United Kingdom	100.00
Haut Lande SARL, Paris, France	100.00
Horatum Erste GmbH, Hamburg, Germany	100.00
Infrastruktur Amöneburg-Roßdorf GmbH & Co. KG, Wörrstadt, Germany 4)	67.60
IOW Solar Ltd., London, United Kingdom	100.00
Krumbach Photovoltaik GmbH, Halle (Saale), Germany	100.00
Krumbach Zwei Photovoltaik GmbH, Halle (Saale), Germany	100.00
La Gouardoune Centrale Solaire SARL, Paris, France	100.00
La Rocca Energy di CHORUS Solar 3. S.r.l. & Co. S.a.s., Brunico, Italy 4)	94.64
Labraise Sud SARL, Paris, France	100.00
Lagravette S.A.S., Paris, France	100.00
Le Communal Est Ouest SARL, Paris, France	100.00
Le Lame di CHORUS Solar Toscana 5. S.r.l. & Co. S.a.s., Brunico, Italy 4)	94.64
Lux Energy di CHORUS Solar 5. S.r.l. & Co. S.a.s., Brunico, Italy 4)	94.64
MonSolar IQ Ltd., London, United Kingdom	100.00
MTS4 S.r.l., Bolzano, Italy	100.00
Notaresco Solar S.r.l., Bolzano, Italy	100.00
Oetzi S.r.l., Bolzano, Italy	100.00
Parco Eolico Monte Vitalba S.r.l., Bolzano, Italy	85.00
Pfeffenhausen-Egglhausen Photovoltaik GmbH, Halle (Saale), Germany	100.00
Polesine Energy 1 S.r.l., Bolzano, Italy	100.00
Polesine Energy 2 S.r.l., Bolzano, Italy	100.00
Progetto Marche S.r.l., Bolzano, Italy	100.00
Ribaforada 3 S.r.l., Bolzano, Italy 3)	100.00
Ribaforada 7 S.r.l., Bolzano, Italy 3)	100.00
San Giuliano Energy di CHORUS Solar Toscana 5. S.r.l. & Co. S.a.s., Brunico, Italy 4)	94.64
San Martino Energy di CHORUS Solar 5. S.r.l. & Co. S.a.s., Brunico, Italy 4)	94.64
Sant´Omero Solar S.r.l., Bolzano, Italy	100.00
Société Centrale Photovoltaique d'Avon les Roches S.A.S., Paris, France	100.00
Solaire Ille SARL, Pérols, France	85.00
Solar Energy S.r.l., Bolzano, Italy	100.00
Solar Farm FC1 S.r.l., Bolzano, Italy	100.00
Solar Farm FC3 S.r.l., Bolzano, Italy	100.00
Solarpark Bad Harzburg GmbH, Halle (Saale), Germany	100.00
Solarpark Brandenburg (Havel) GmbH, Halle (Saale), Germany	51.00
Solarpark Gelchsheim GmbH & Co. KG, Neubiberg, Germany 4)	94.64
Solarpark Glebitzsch GmbH, Halle, (Saale), Germany	100.00
Solarpark Gnannenweiler GmbH & Co. KG, Reußenköge, Germany 4)	53.76
Solarpark Golpa GmbH & Co. KG, Reußenköge, Germany	100.00
Solarpark Lettewitz GmbH, Halle (Saale), Germany	100.00
Solarpark Lochau GmbH, Halle (Saale), Germany	100.00
Solarpark Neuhausen GmbH, Halle (Saale), Germany	100.00
Solarpark PVA GmbH, Halle (Saale), Germany	100.00
Solarpark Ramin GmbH, Halle (Saale), Germany	100.00

Name and location of the company	Shares in %
Solarpark Rassnitz GmbH, Halle (Saale), Germany	100.00
Solarpark Roitzsch GmbH, Halle (Saale), Germany	100.00
Solarpark Staig GmbH & Co. KG, Reußenköge, Germany [4)]	71.64
Sowerby Lodge Ltd,. Exeter, United Kingdom	100.00
SP 07 S.r.l., Bolzano, Italy	100.00
SP 09 S.r.l., Bolzano, Italy	100.00
SP 10 S.r.l., Bolzano, Italy	100.00
SP 11 S.r.l., Bolzano, Italy	100.00
SP 13 S.r.l., Bolzano, Italy	100.00
SP 14 S.r.l., Bolzano, Italy	100.00
Sun Time Renewable Energy di CHORUS Solar 3. S.r.l. & Co. S.a.s., Brunico, Italy [4)]	94.64
Treia 1 Holding S.r.l., Bolzano, Italy	100.00
Treponti di CHORUS Solar 3. S.r.l. & Co. S.a.s., Brunico, Italy [4)]	94.64
Trequite Farm Ltd., London, United Kingdom	100.00
Trewidland Farm Ltd., London, United Kingdom	100.00
Vallone S.r.l., Bolzano, Italy	100.00
Windkraft Kirchheilingen IV GmbH & Co. KG, Kirchheilingen, Germany	50.99
Windkraft Olbersleben II GmbH & Co. KG, Olbersleben, Germany	74.90
Windkraft Sohland GmbH & Co. KG, Reichenbach, Germany	74.30
Windpark Breberen GmbH, Gangelt, Germany [4)]	94.64
Windpark Dahme - Wahlsdorf 3 GmbH & Co. KG, Schönefeld, Germany	100.00
Windpark Gauaschach GmbH, Hamburg, Germany	100.00
Windpark Herrenstein GmbH, Kilb, Austria [4)]	94.64
Windpark Lairg Management GmbH, Neubiberg, Germany [4)]	94.64
Windpark Lairg Services GmbH, Neubiberg, Germany [4)]	94.64
Windpark Lairg Verwaltungs GmbH, Neubiberg, Germany [4)]	94.64
Windpark Pongratzer Kogel GmbH, Wien, Austria [4)]	94.64
Windpark Zagersdorf GmbH, Kilb, Austria [4)]	94.64
Joint Arrangements	
Richelbach Solar GbR, Reußenköge, Germany [4)]	56.79
Investments in Associates	
CHORUS IPP Europe GmbH, Neubiberg, Germany [4)]	94.64
Gnannenweiler Windnetz GmbH & Co. KG, Bopfingen, Germany [4)]	18.93
CHORUS Infrastructure Fund S. A. SICAV-SIF, Munsbach, Luxembourg [4)]	4.64

[1)] Acquisition by Capital Stage AG – closing on 14 March 2016

[2)] Acquisition by Capital Stage AG – closing on 24 May 2016

[3)] Acquisition by CSG IPP GmbH – closing on 13 July 2016

[4)] Acquisition by Capital Stage AG – closing on 05 October 2016

[5)] Acquisition by Capital Stage AG – closing on 28 October 2016

[6)] Acquisition by Capital Stage Wind IPP GmbH – closing on 22 December 2016

[7)] Acquisition by Capital Stage Wind IPP GmbH – closing on 29 December 2016

The equity interests are equal to the share of voting rights.

18. Notification requirements

During the period from 1 January 2016 to 31 March 2017, Capital Stage AG received the following disclosures pursuant to section 21, paragraph 1 or paragraph 1a of the WpHG:

Capital Stage AG was notified on 2 May 2016 pursuant to Section 21, paragraph 1 of the WpHG that the share of voting rights in Capital Stage AG held by Bankhaus Lampe KG, Bielefeld, Germany, fell short of the three and five per cent thresholds on 25 April 2016 and amounted to 0 per cent (0 voting rights).

Capital Stage AG was notified on 20 October 2016 pursuant to Section 21, paragraph 1 of the WpHG that the share of voting rights in Capital Stage AG held by Dr. Liedtke Vermögensverwaltung GmbH, Hamburg, Germany, fell short of the ten per cent threshold on 18 October 2016 and amounted to 6.627 per cent (8,378,802 voting rights).

Pursuant to Section 21, paragraph 1 of the WpHG, Capital Stage AG, Hamburg, Germany, was notified in a letter dated 21 October 2016 that the share of the voting rights in Capital Stage AG, Hamburg, Germany, held by Mr Peter Heidecker, Germany, on 18 October 2016 exceeded the threshold of three and five per cent, on that date amounting to 5.52 per cent (6,985,058 voting rights).

Attributed voting rights were held by the following company controlled by Mr Peter Heidecker, of whose share of the voting rights in Capital Stage AG comprises three per cent or more: PELABA Anlagenverwaltungs GmbH & Co. KG, Neubiberg, Germany.

Capital Stage AG was notified on 21 October 2016 pursuant to Section 21, paragraph 1 of the WpHG that the share of voting rights in Capital Stage AG held by Albert Büll GmbH, Hamburg, Germany, fell short of the 20 and 25 per cent thresholds on 18 October 2016 and amounted to 17.57 per cent (22,209,664 voting rights).

Attributed voting rights were held by the following companies controlled by Albert Büll GmbH, Hamburg, Germany, each of whose shares of the voting rights in Capital Stage AG comprises three per cent or more: Albert Büll Beteiligungsgesellschaft GmbH, Hamburg, Germany, and AMCO Service GmbH, Hamburg, Germany.

Capital Stage AG was notified on 21 October 2016 pursuant to Section 21, paragraph 1 of the WpHG that the share of voting rights in Capital Stage AG held by Dr Peter-Alexander Wacker, Germany, fell short of the five per cent threshold on 18 October 2016 and amounted to 4.32 per cent (5,461,202 voting rights).

Attributed voting rights were held by the following company controlled by Dr Peter-Alexander Wacker, Germany, whose shares of the voting rights in Capital Stage AG comprises three per cent or more: Blue Elephant Ventures GmbH, Pöcking, Germany.

Capital Stage AG was notified on 25 October 2016 pursuant to Section 21, paragraph 1 of the WpHG that the share of voting rights in Capital Stage AG held by Dr Jörn Kreke, Germany, and Dr Henning Kreke, Germany, fell short of the five per cent threshold on 18 October 2016 and amounted to 3.45 per cent (4,359,100 voting rights).

Attributed voting rights were held by the following company controlled by Dr Jörn Kreke, Germany, and Dr Henning Kreke, Germany, whose shares of the voting rights in Capital Stage AG comprises three per cent or more: Lobelia Beteiligungs GmbH, Grünwald, Germany.

Capital Stage AG was notified on 9 March 2017 pursuant to Section 21, paragraph 1 of the WpHG that the share of voting rights in Capital Stage AG held by Dr Peter-Alexander Wacker, Germany, fell short of the three per cent threshold on 8 March 2017 and amounted to zero per cent (zero voting rights).

19. Approval for submission to the Supervisory Board

The consolidated financial statements for the period to 31 December 2016 were approved by the Management Board for submission to the Supervisory Board on 31 March 2017.

20. Consolidated statement of changes in fixed assets

in TEUR	Other intangible assets	Electricity feed-in contracts/project rights	Goodwill	Other property, plant and equipment
Cost of acquisition				
As of 1.1.2015[1]	1,026	165,619	7,825	1,063
Additions	92	465	0	248
Changes in scope of consolidation	151	45,710	6,347	-397
Disposals	0	-1,083	0	-8
Change due to fair value measurement	0	0	0	0
Transfers	-562	0	0	5
Currency translation	0	365	0	0
As of 31.12.2015[1]	**707**	**211,076**	**14,172**	**911**
Depreciation and amortization				
As of 1.1.2015[1]	328	20,892	5,202	571
Additions	175	14,268	652	126
Changes in scope of consolidations	-1	0	957	-306
Disposals	0	0	0	0
Change due to fair measurement / impairment	0	0	0	0
Transfers	-118	0	0	0
Currency translation	0	-11	0	0
As of 31.12.2015[1]	**384**	**35,149**	**6,811**	**391**
Carrying amount as of 31.12.2013	740	90,686	6,827	408
Carrying amount as of 31.12.2014	698	144,727	2,623	492
Carrying amount as of 31.12.2015	**323**	**175,927**	**7,361**	**520**
Acquisition cost				
As of 1.1.2016	707	211,076	14,172	911
Additions	636	0	0	494
Changes in scope of consolidations	12,058	427,483	15,448	280
Disposals	-9	0	0	-239
Changes due to fair value measurement	0	0	0	0
Transfers	-147	0	0	126
Currency translation	0	-3,830	0	0
As of 31.12.2016	**13,245**	**634,729**	**29,620**	**1,572**
Depreciations and amortization	0	0	0	0
As of 1.1.2016	**384**	**35,149**	**6,811**	**391**
Additions	273	19,493	517	172
Changes in scope of consolidations	0	-350	0	0
Disposals	-8	0	0	-115
Transfers	0	0	0	0
Currency translation	0	-237	0	0
As of 31.12.2016	**649**	**54,055**	**7,328**	**448**
Carrying amount as of 31.12.2013	698	144,727	2,623	492
Carrying amount as of 31.12.2014	323	175,927	7,361	520
Carrying amount as of 31.12.2015	**12,596**	**580,674**	**22,292**	**1,124**

[1] Adjusted figures (see note 2).

in TEUR	Assets under construction	Assets for electricity production	Financial investments	Total
Acquisition cost				
As of 1.1.2015	26,415	710,930	579	913,457
Additions	5,526	13,518	10	19,859
Changes in scope of consolidation	17,673	278,170	0	347,654
Disposals	-2	-725	-588	-2,406
Change due to fair value measurement	0	0	0	0
Transfers	-37,881	38,438	0	0
Currency translation	0	478	0	843
As of 31.12.2015	**11,731**	**1,040,809**	**1 0**	**1,279,407**
Depreciation and amortization				
As of 1.1.2015	0	62,189	573	89,755
Additions	0	32,667	0	47,888
Changes in scope of consolidation	0	0	0	650
Disposals	0	0	-573	-573
Change due to fair measurement / impairment	0	0	0	0
Transfers	0	118	0	
Currency translation	0	-10	0	-21
As of 31.12.2015	0	94,964	0	137,699
Carrying amount as of 31.12.2013	9	407,703	7,785	514,158
Carrying amount as of 31.12.2014	26,415	648,741	6	823,702
Carrying amount as of 31.12.2015	**11,731**	**945,845**	**1**	**1,141,708**
Acquisition cost				
As of 1.1.2016	11,731	1,040,809	1	1,279,407
Additions	7,088	8,931	25	17,174
Changes in scope of consolidation	6,301	408,260	7,631	877,461
Disposals	0	-533	-132	-913
Changes due to fair value measurement	0	0	-191	-191
Transfers	-11,725	11,746	0	0
Currency translation	0	-14,652	0	-18,482
As of 31.12.2016	**13,395**	**1,454,561**	**7,334**	**2,154,456**
Depreciations and amortization				
As of 1.1.2016	0	94,964	0	137,699
Additions	0	43,573	0	64,028
Changes in scope of consolidation	0	-816	0	-1,166
Disposals	0	-5	0	-128
Transfers	0	0	0	0
Currency translation	0	-481	0	-718
As of 31.12.2016	**0**	**137,235**	**0**	**199,715**
Carrying amount as of 31.12.2013	26,415	648,741	6	823,702
Carrying amount as of 31.12.2014	11,731	945,845	1	1,141,708
Carrying amount as of 31.12.2015	**13,395**	**1,317,326**	**7,334**	**1,954,741**

21. Consolidated segment reporting

in TEUR	Administration	PV Parks	PV Services	Asset Management
Revenue (external)	**-361**	**115,486**	**398**	**2,508**
(previous year)	(0)	(100,492)	(480)	(0)
Revenue (internal)	**1,569**	**0**	**2,873**	**4**
(previous year)	(176)	(695)	(3,027)	(0)
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**-11,591**	**110,722**	**1,070**	**1,118**
(previous year)[1]	(-6,464)	(96,678)	(1,483)	(0)
Depreciation and amortization	**-232**	**-51,391**	**-54**	**-94**
(previous year)	(-100)	(-40,324)	(-53)	(0)
Earnings before interest and taxes (EBIT)	**-11,823**	**59,331**	**1,015**	**1,024**
(previous year)[1]	(-6,564)	(56,353)	(1,430)	(0)
Financial income	**278**	**53,350**	**987**	**3,704**
(previous year)	(130)	(7,771)	(1,170)	(0)
Financial expenses	**-203.53**	**-56,265**	**-19**	**0**
(previous year)	(-101)	(-38,154)	(-18)	(0)
Earnings before taxes on income (EBT)	**-11,749**	**56,396**	**1,983**	**4,728**
(previous year)[1]	(-6,534)	(25,971)	(2,582)	(0)
Taxes on income	**1,123**	**-1,645**	**0**	**-245**
(previous year)[1]	(2,211)	(1,997)	(0)	(0)
Earnings from continued operations	**-10,626**	**54,751**	**1,983**	**4,483**
(previous year)[1]	(-4,323)	(27,968)	(2,582)	(0)
Earnings from discontinued operations	**0**	**0**	**0**	**0**
(previous year)	(-4,477)	(0)	(0)	(0)
Earnings after taxes (EAT)	**-10,626**	**54,751**	**1,983**	**4,483**
(previous year)[1]	(-8,800)	(27,968)	(2,582)	(0)
Currency translation differences	**0**	**991**	**0**	**0**
(previous year)	(-75)	(71)	(0)	(0)
Cash flow hedges - effective part of the changes in fair value	**0**	**-3,600**	**0**	**0**
(previous year)	(0)	(910)	(0)	(0)
Income tax on items which can be reclassified to profit or loss	**-203**	**1,251**	**0**	**0**
(previous year)	(0)	(-264)	(0)	(0)
Consolidated comprehensive income	**-10,037**	**53,393**	**1,983**	**4,483**
(previous year)[1]	(-8,875)	(28,685)	(2,582)	(0)

Earnings per share from continued operations, undiluted	**-0.12**	**0.60**	**0.02**	**0.05**
(previous year)[1]	(-0.06)	(0.36)	(0.03)	(0.00)
Earnings per share from discontinued operations, undiluted	**0.00**	**0.00**	**0.00**	**0.00**
(previous year)	(-0.06)	(0.00)	(0.00)	(0.00)
Assets including investments	**513,597**	**1,908,457**	**4,933**	**20,929**
(As of 31.12.2015)[1]	(218,730)	(1,109,903)	(3,863)	(0)
Capital expenditures (net)	**3,775**	**-24,497**	**-35**	**2,887**
(previous year)	(-201)	(-62,291)	(-67)	(0)
Debt	**51,800**	**1,554,500**	**1,855**	**4,917**
(previous year)[1]	(27,343)	(1,043,004)	(1,665)	(0)

in TEUR	Wind Parks	Financial Investments	Reconciliation	Total
Revenue (external)	**23,752**	**0**	**0**	**141,783**
(previous year)	(11,830)	(0)	0	(112,803)
Revenue (internal)	**0**	**0**	**-4,447**	**0**
(previous year)	(30)	(0)	(-3,928)	(0)
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**25,285**	**0**	**-2,851**	**123,752**
(previous year)[1]	(10,547)	(0)	(-470)	(101,773)
Depreciation and amortization	**-12,271**	**0**	**15**	**-64,028**
(previous year)	(-7,421)	(0)	(11)	(-47,888)
Earnings before interest and taxes (EBIT)	**13,013**	**0**	**-2,836**	**59,724**
(previous year)[1]	(3,126)	(0)	(-460)	(53,885)
Financial income	**4,510**	**0**	**-57,175**	**5,654**
(previous year)	(1,188)	(0)	(-8,537)	(1,722)
Financial expenses	**-7,836**	**0**	**9,916**	**-54,407**
(previous year)	(-3,871)	(0)	(7,256)	(-34,887)
Earnings before taxes on income (EBT)	**9,688**	**0**	**-50,096**	**10,950**
(previous year)[1]	(443)	(0)	(-1,741)	(20,721)
Taxes on income	**1,624**	**0**	**0**	**857**
(previous year)[1]	(1,314)	(0)	(0)	(5,522)
Earnings from continued operations	**11,312**	**0**	**-50,096**	**11,807**
(previous year)[1]	(1,757)	(0)	(-1,741)	(26,243)
Earnings from discontinued operations	**0**	**0**	**0**	**0**
(previous year)	(0)	(4,341)	(50)	(-86)
Earnings after taxes (EAT)	**11,312**	**0**	**-50,096**	**11,807**
(previous year)[1]	(1,757)	(4,341)	(-1,691)	(26,157)
Currency translation differences	**0**	**0**	**0**	**991**
(previous year)	(0)	(206)	(0)	(202)
Cash flow hedges - effective part of the changes in fair value	**-391**	**0**	**0**	**-3,991**
(previous year)	(0)	(0)	(0)	(910)
Income tax on items which can be reclassified to profit or loss	**119**	**0**	**252**	**1,418**
(previous year)	(0)	(0)	(0)	(-264)
Consolidated comprehensive income	**11,040**	**0**	**-50,828**	**10,033**
(previous year)[1]	(1,757)	(4,546)	(-1,691)	(27,004)
Earnings per share from continued operations, undiluted	**0.13**	**0.00**	**-0.55**	**0.13**
(previous year)[1]	(0.03)	(0.00)	(-0.02)	(0.34)
Earnings per share from discontinued operations, undiluted	**0.00**	**0.00**	**0.00**	**0.00**
(previous year)	(0.00)	(0.06)	(0.00)	(0.00)
Assets including investments	**716,327**	**0**	**-810,446**	**2,353,797**
(As of 31.12.2015)[1]	(203,636)	0	(-211,316)	(1,324,816)
Capital expenditures (net)	**-4,429**	**0**	**3,047**	**-19,252**
(previous year)	(-23,758)	(-309)	(747)	(-85,879)
Debt	**535,302**	**0**	**-403,131**	**1,745,241**
(As of 31.12.2015)[1]	(189,798)	0	(-193,988)	(1,067,822)

[1] Adjusted figures (see note 2).

Auditor's Report

We have audited the consolidated financial statements prepared by the Capital Stage AG, Hamburg, comprising the statement of comprehensive income, the balance sheet, the cash flow statement, statement of changes in equity and the notes to the consolidated financial statements, together with the group management report, which is combined with the management report of the Capital Stage AG, Hamburg, for the business year from 1 January 2016 to 31 December 2016. The preparation of the consolidated financial statements and the combined management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) are the responsibility of the of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company´s Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these provisions. The combined management report is consistent with the consolidated financial statements, complies with legal requirements, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Hamburg, 31 March 2017

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Claus Brandt	ppa. Martin Zucker
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Assurance of the legal representatives

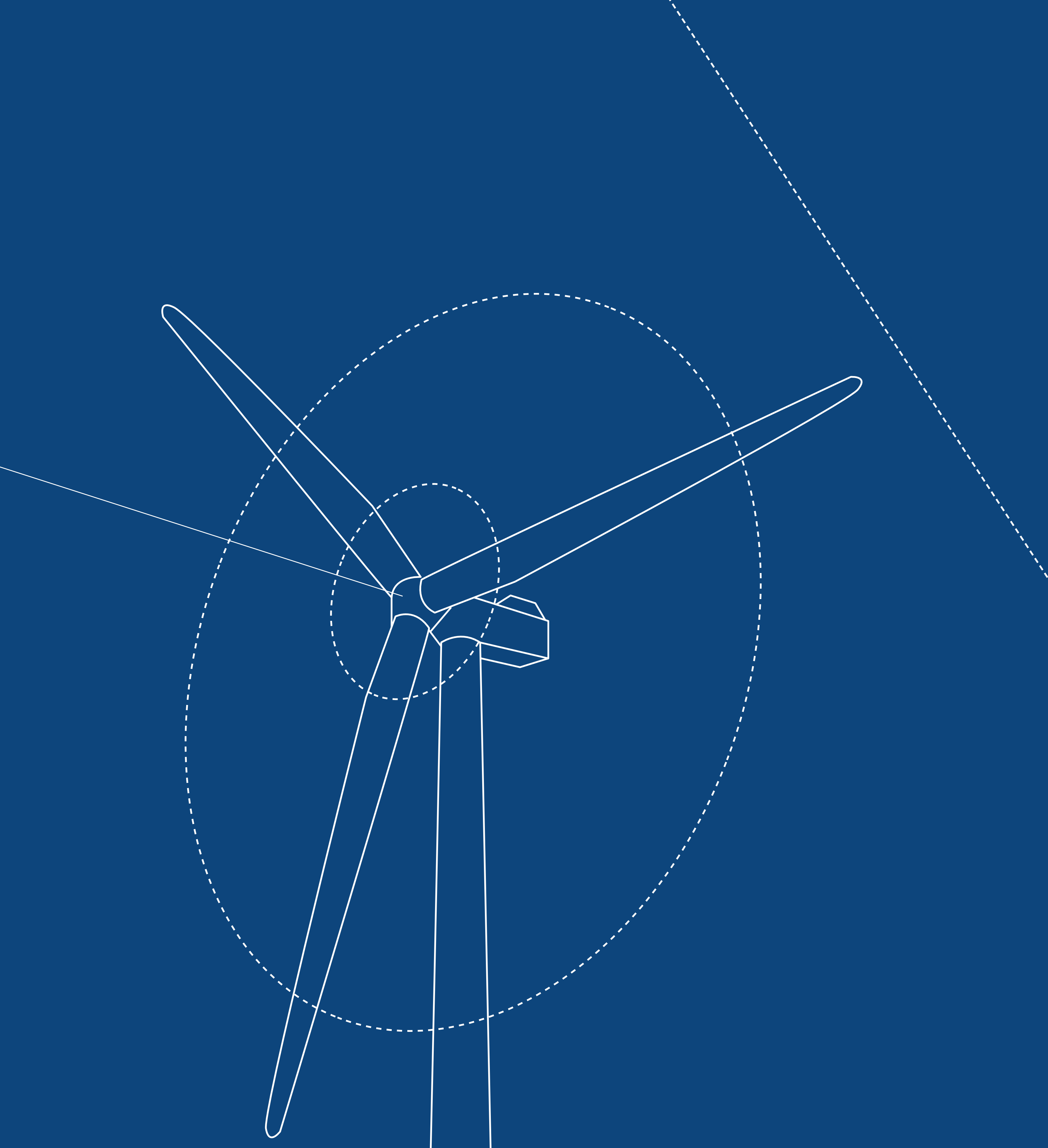
We declare that, to the best of our knowledge and according to the applicable accounting standards, the annual financial statements and consolidated financial statements give a true and fair view of the net assets and financial and earnings positions of the Company and the Group, and that the combined management report and the Group management report include a fair review of the course of business, including the business result, and the situation of the Company and the Group and suitably present the principal opportunities and risks associated with the expected development of the Company and the Group.

Hamburg, March 2017

Capital Stage AG

Management Board

Dr Christoph Husmann	Holger Götze
CFO	COO



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