



# WINDPOWER Annual Report 2016

## SUMMARY

The PNE WIND Group closed the 2016 fiscal year with the best financial results in its corporate history. The main reasons were the successful sale of the wind farm portfolio established over several years and the continuous development of wind farms. In the fiscal year 2016, we completed, started construction or sold project rights of wind farms with a nominal capacity of 135,7 MW. In this way, the PNE WIND Group has again made a substantial contribution to a successful turnaround in energy policy and the expansion of safe, resource-saving and climate-friendly electricity generation.

In the 2016 fiscal year, PNE WIND successfully closed the largest wind farm sale in its corporate history, which had been in preparation for several years. PNE WIND AG has retained a 20 percent stake in the entity and will be responsible for the operational management of the wind farms in the long term. Since 2014, PNE WIND has been investing in establishing the wind farm portfolio.

The balance sheet structure has improved significantly due to the successful sale of the wind farm portfolio. The 2016 financial statements show a distinct reduction of short and long term financial liabilities as well as a decrease in technical equipment and machinery, but also an increase in liquidity.

The PNE WIND Group was also successful abroad and in the offshore sector: For several wind farms in France and Poland, we concluded a framework agreement with the internationally renowned investor John Laing Investments. In the offshore segment, we obtained the planning permission for the "Gode Wind 3" project at the end of 2016.

## AT A GLANCE

### PNE WIND AG group figures

| In million EUR                     | 1.1.-31.12.16 | 1.1.-31.12.15 | 1.1.-31.12.14 |
|------------------------------------|---------------|---------------|---------------|
| Total aggregate output             | 259,2         | 233,3         | 233,9         |
| Revenues                           | 248,6         | 109,5         | 211,3         |
| Operating profit (EBIT)            | 97,0          | 9,8           | 2,7           |
| Result before Taxes (EBT)          | 81,6          | -5,0          | -15,2         |
| Net income                         | 69,0          | 3,5           | -13,0         |
| Basic earnings per share (euro)    | 0,90          | 0,05          | -0,22         |
| Average number of shares (million) | 76,6          | 74,9          | 58,6          |

| In million EUR                        | 2016  | 2015  | 2014  |
|---------------------------------------|-------|-------|-------|
| Equity as at December 31              | 229,4 | 165,9 | 160,2 |
| Equity ratio as at December 31 (%)    | 53,1  | 34,0  | 38,4  |
| Balance sheet total as at December 31 | 432,0 | 488,3 | 416,8 |

## DESCRIPTION TO FRONT COVER

PNE WIND is Germany's most successful wind farm developer in the offshore area. The wind farm shown on the cover page is the "Gode Wind 1 and 2" project situated in the North Sea.

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## Köhlen wind farm Good reasons for successful growth

The Köhlen wind farm in the district of Cuxhaven is one of the most advanced wind farms in Germany. 16 wind power turbines were put into operation there in 2016. This wind farm is a good example of how PNE WIND combines economic success and ecological responsibility. With many years of experience, technical competency and great passion, our team, jointly with our partner EWE Erneuerbare Energien, realised a wind farm supplying about 41,000 households with environmentally friendly electricity.

Work began with identifying the location and covered the entire planning process – from wind analyses to financing to the selection of the suitable wind power turbine as well as the construction and commissioning of the wind farm. Finally, our wind farm interest was included in the large wind farm portfolio.



## PNE WIND CLOSE UP

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# FOREWORD

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## Dear Shareholders

This report presents the highly successful outcome of our 2016 fiscal year. And that is not all: We achieved the best results in our corporate history. Owing to the continuity of our operational business, we were able to meet the forecasts both for the 2016 fiscal year and for the three-year period from 2014 to 2016. A major step towards attaining these targets was the sale of an 80 percent stake in our wind farm portfolio, which we have established over a period of three years, at the end of the fiscal year as planned. This portfolio bundles onshore wind farms with a nominal output of 142 MW, which were erected and commissioned at locations in Germany.

This strategy has proved to be successful and it has paid off. The expectation that the marketing of such a portfolio leads to higher revenues than the sale of individual wind farms has been confirmed. In addition, the sale of the shares has significantly improved our balance sheet structure.

## Successful sale of the wind farm portfolio leads to best result in history

PNE WIND will also benefit from the portfolio in the medium and long term. We retained a stake of 20 percent in the wind farms, thus participating in the ongoing revenues. Our company will continue to be responsible for the operational management of these wind farms, which guarantees continuous income. These ongoing revenues strengthen our core business and compensate for the fluctuations in the annual and quarterly results, which are inherent in the business of a project developer.

In economic terms, the past financial year developed particularly positively as a whole. The high investments in the establishment of the wind farms paid off in the 2016 fiscal year. As at December 31, 2016, the Group achieved a total performance of euro 259.2 million (prior year: euro 233.3 million) and an operating profit (EBIT) of euro 97.0 million (prior year: euro 9.8 million). The basic earnings per share amounted to euro 0.90 (prior year: euro 0.05).

## Forecasts achieved

Accordingly, we met our forecast of achieving a Group EBIT in the area of up to euro 100 million in 2016. Our projections for the period from 2014 to 2016 were also met with a cumulative Group EBIT of euro 109.5 million.

Due to a change in the legislative situation in Poland (zoning regulation) and the findings from the tender process in Italy, the Group made inventory adjustments of approx. euro 8.6 million. Without these adjustments, PNE WIND would have generated an adjusted Group EBIT of euro 105.6 million in the 2016 fiscal year and a cumulative EBIT of euro 118.1 million in the years 2014 to 2016.

## Dividend proposed

According to the accounting principles of the German Commercial Code (HGB), PNE WIND AG recorded a net income of euro 40.0 million (prior year: euro 10.3 million) and the retained earnings amounted to euro 107.5 million on December 31, 2016 (prior year: euro 70.5 million). On the basis of these positive results of PNE WIND AG, the Board of Management and the Supervisory Board intend to submit a proposal to the general meeting of shareholders on May 31, 2017 to distribute a dividend of euro 0.04 and a special dividend of euro 0.08 per eligible share from the retained earnings. In this way, we are continuing the dividend policy pursued over the last few years.

## Operational progress based on high quality – onshore and offshore

PNE WIND made good progress in the operational business in the 2016 fiscal year—onshore and offshore as well as in Germany and in the international markets. In Germany, we obtained approvals for onshore wind farms with a total nominal output of 63.9 MW in 2016. These can be realised without participating in a tender process as is the case for wind farms approved at a later time.

For several wind farms in France and Poland, we concluded a framework agreement with the internationally renowned investor John Laing Investments. From this agreement, wind farms with a nominal output of 31.9 MW are already under construction in France.

In the offshore segment, we obtained the planning permission for the “Gode Wind 3” project at the end of 2016. In this way, we were able to hand over this offshore project, which was sold in 2012, to the purchaser DONG Energy. This also means that we achieved a further milestone in the context of the sale. 2017 also started very strongly: We sold the “Atlantis 1” offshore project to the internationally operating Swedish energy group Vattenfall. This project now has a good chance of participating successfully in the first tender for offshore wind farms in Germany. PNE WIND will benefit from this as well.

## High quality of wind farms

We also found a very renowned purchaser in a fund of Allianz Global Investors for the already mentioned wind farm portfolio. This has shown that the qualifications of PNE WIND are recognised. We are able to develop the complex wind farm projects within the specified time frame and the limits of projected costs and to issue reliable forecasts for their operation. This high quality of our wind farms is valued by the buyers.

## PNE WIND well prepared for industry-specific challenges

We cannot and will not rest on our successes of the last year. The markets for wind energy are undergoing changes – in Germany, in Europe and throughout the world. On the one hand, a growing number of countries rely on the fast expansion of renewable energies such as wind power, since the global climate treaty of Paris (COP 21) has come into effect. On the other hand, competition does not become any easier. More and more frequently, our wind farms have to assert themselves against competitors in tenders.

This also applies in Germany from 2017. We will take account of this fact and can draw on our experience with tenders in other markets such as the successful tender in the United Kingdom. Owing to the broad basis of wind farms already approved in 2016, which can be erected without participating in the tenders, we can intensely observe the new procedure and gather additional important experience therefrom.

We will continuously optimise our costs in all phases, from planning to purchasing and realisation to operation. This is what we work on together with all project stakeholders. In addition, we will strengthen our focus on selected future markets where we will intensify our involvement step by step.

We will align our strategy to the new conditions in the markets and expand our successful business model accordingly.

Following on from the very favourable experience gathered with our first wind farm portfolio, we intend to build up a further European wind farm portfolio in line with this strategy.

At the end of 2016, the companies of the PNE WIND Group were working on wind farm projects on land with more than 4,800 MW of nominal output in various phases of a multiple year development process in Germany and in the international markets. We can now build on this.

#### **Personnel changes**

The Board of Management of PNEWINDAG was reorganised. Markus Lesser has assumed the function of Chief Executive Officer (CEO) since the general meeting of shareholders in May 2016. Per Hornung Pedersen, following his interim Board of Management position, has again focussed fully on his Supervisory Board mandate and resigned as planned from the Board of Management. Kurt Stürken has assumed the position of Chief Operating Officer (COO). Jörg Klowat has been retained by the company as Chief Financial Officer (CFO) in the long term. The personnel course for the further development of the Group now has been set.

There was one change in the Supervisory Board resolved at the general meeting of shareholders in May 2016. Dr. Andreas Beyer resigned from this body. Dr. Isabella Niklas was elected to the Supervisory Board. Alexis Fries continues to be the Chairman of the Supervisory Board and Wilken Freiherr von Hodenberg the Deputy Chairman. The other members of the Supervisory Board are Christoph Gross, Andreas Rohardt and Per Hornung Pedersen.

#### **Outlook**

The PNE Wind Group is an internationally operating wind power pioneer from Germany and one of the most experienced developers of wind farms on land and at sea. The enterprise combines economic success with ecological responsibility. This was proven in 2016 once again.

However, we also have to develop the enterprise further and make it fit for the challenges of the future. The effectiveness of the entire value added chain will be steadily increased in order to achieve a reduction of the project costs.

Therefore, we pursue the objective of building up internal electricity generation capacity through the development of European onshore wind farm portfolios by 2019/2020. PNE WIND will be involved as was the case with the wind farm portfolio sold successfully at the end of 2016. The new portfolio can be established through internally developed wind farm projects, the acquisition of obsolete wind farms for subsequent repowering and the increased acquisition of projects that are at a late stage of development.

Another objective is to develop new markets of the future with a potential for growth. In this way, we intend to increase and stabilise the added value, including and especially in the interest of our shareholders, in order to counteract the fluctuations that are inherent in the project business. At the same time, this is a prospect of increasing the value of the enterprise on a continuous and lasting basis.

We appreciate the confidence you – our dear shareholders – have placed in us in the year of 2016. We would like to express our very sincere gratitude – also on behalf of our employees – for your support. Please maintain your confidence in us in the future!

Kind regards

The Board of Management



Markus Lesser



Jörg Klowat



Kurt Stürken

# REPORT OF THE SUPERVISORY BOARD

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## Dear Shareholders

The 2016 fiscal year was the most successful year in PNE WIND AG's corporate history. In December 2016, we sold an 80 percent majority stake in our wind farm portfolio, which has been continuously developed since 2014 and which bundles German wind farms with a nominal output of 142 MW, to Allianz Global Investors. This was a major step towards attaining the forecast of consolidated EBIT in the area of up to euro 100 million for the fiscal year 2016. As a minority shareholder with a stake of 20 percent, PNE WIND AG will remain responsible for operational management of the portfolio wind farms, thus ensuring additional earnings. In France, we started construction of the first two wind farms, which were already sold to John Laing under a framework agreement. In addition to these successes in the operational business, we were also able to set the main course for the future development of the Company and the Group. Markus Lesser was appointed as Chief Executive Officer (CEO) on the basis of his profound

and sound knowledge of the German and international wind energy markets. Kurt Stürken, who is also highly experienced in this sector, was appointed as Chief Operating Officer (COO) of PNE WIND AG. The contract with Jörg Klowat, the Chief Financial Officer (CFO), was extended prematurely. This means that we are well prepared in terms of personnel for the major tasks and changes in the markets that lie ahead of us. Further important steps were decided at the general meeting of shareholders on May 25, 2016, when Dr. Isabella Niklas was elected as a new member to the Supervisory Board and the mandates of Per Hornung Pedersen and Andreas M. Rohardt were confirmed with a clear majority.

During the fiscal year 2016, the Supervisory Board met for a total of nine ordinary meetings on January 4, February 18, March 22, May 9, May 24, May 25, September 5 (by phone), September 21 and December 7, 2016. The members of the Supervisory Board participated in all meetings, with the exception that the mandate of Per Hornung Pedersen was suspended for the period of his appointment to the Board of Management. Before May 25, 2016, the meetings and telephone conferences took place with the composition of the Supervisory Board on those dates, and thereafter with the Supervisory Board members elected at the general meeting of shareholders on May 25, 2016.

In accordance with the recommendation of the German Corporate Governance Code (GCGC), the Supervisory Board has a sufficient number of independent members. In the opinion of the Supervisory Board, all Supervisory Board members in office since May 25, 2016 as well as Dr. Andreas Bayer, who retired on 25 May 2015, are independent.

In September 2015, the Supervisory Board decided, in accordance with Section 111 (5) sentence 1 AktG, to define a target figure of 1/6 for the proportion of women on the Supervisory Board, which should be achieved by June 30, 2017. This target figure has already been achieved with the election of Dr. Isabella Niklas to the Supervisory Board

at the general meeting of shareholders in May 2016. So far, no target figure has been defined for the period after June 30, 2017.

At the general meeting of shareholders on May 25, 2016, the Supervisory Board members Dr. Isabella Niklas, Per Hornung Pedersen and Andreas M. Rohardt each were elected for the period up to the end of the ordinary general meeting which will resolve the discharge for the fourth fiscal year following commencement of the term of office of the Supervisory Board members. The fiscal year in which the term of office commences is not included in the calculation. Dr. Andreas Beyer retired from the Supervisory Board at the end of the 2016 general meeting of shareholders. We want to thank him for his expert and dedicated work on the Supervisory Board. The general meeting of shareholders held on May 25, 2016 also resolved the discharge of all Supervisory Board members for the 2015 fiscal year. At its first meeting following the general meeting of shareholders on May 25, 2016, the Supervisory Board decided that the Supervisory Board member Per Hornung Pedersen, in accordance with Section 105 (2) AktG, would be elected on an interim basis to the Board of Management for the period up to November 30, 2016. His Supervisory Board mandate was suspended for the duration of this Management Board function. This appointment has not been extended. Since December 1, 2016, Per Hornung Pedersen has again been active fully as a Supervisory Board member.

In order to ensure the efficient handling of its tasks, the Supervisory Board has set up a Personnel Committee, an Appointments Committee and an Audit Committee.

During the fiscal year 2016, the Personnel Committee held eight meetings on January 6, February 18, March 11, March 18, March 21, May 9, May 24 and August 16. The topics of these meetings were the 2016 target agreements for the members of the Board of Management and the new personnel direction of the Board of Management. After lengthy discussions in the Personnel Committee and the full board, a thorough analysis of the market and taking account of the target figure resolved in September 2015, the Supervisory Board decided to appoint Markus Lesser

as Chief Executive Officer (CEO), to extend the mandate of Jörg Klowat (CFO) and to appoint Kurt Stürken as new COO to the Board of Management.

The Appointments Committee held its meetings jointly with the Personnel Committee. It dealt, among other things, with exploring the market and devising a proposal for the new candidate to be appointed a Supervisory Board member.

The Audit Committee met in four meetings on March 21, May 9, August 4 and November 2, 2016. The topics of these meetings were the audit of the annual financial statements as at December 31, 2015, the discussion of the half year financial report and the quarterly reports of 2016 as well as the related recommendations to the Supervisory Board for the adoption of relevant resolutions.

The Supervisory Board undertook the tasks for which it is responsible in accordance with the law, the articles of association and the internal regulations. It regularly advised the Board of Management concerning the management of the Company and supervised its activities. The Supervisory Board was directly included in all decisions of major importance for the Company, in particular marketing of the wind farm portfolio. The Supervisory Board was punctually and fully informed in writing and at its meetings through written and oral reports of the Board of Management about the current business development and the asset, earnings and financial situation of the Company as well as about the planned business policy and the additional key questions of corporate planning, especially with regard to financial, investment and personnel planning. These various topics were discussed extensively by the Board of Management and the Supervisory Board. Furthermore, the Supervisory Board reviewed and examined the books, documents and the schedule of assets. Particular emphasis was given to future liquidity planning and the financing structure of PNE WIND AG and the Group. Moreover, the Supervisory Board was given information regularly by means of individual discussions with the Board of Management.

The Supervisory Board has examined in detail and decided by means of resolutions all business matters and measures

of the Board of Management requiring its consent on the basis of the legal provisions, the articles of association and the internal regulations of the Board of Management.

The main emphases of the activity and subjects treated by the Supervisory Board during the fiscal year 2016 were:

- the reports and discussions concerning the annual and the consolidated financial statements as at December 31, 2015,
- the support of the marketing of the wind farm portfolio, which has been developed over a long time,
- the personnel changes in the Supervisory Board and the Board of Management as well as making preparations for the general meeting of shareholders on May 25, 2016,
- the reports on the development of the current and planned business,
- the reports and discussions concerning the further strategic development of the Company and the analysis of the shareholder structure,
- the discussions regarding the effects resulting from the amendment to the Renewable Energies Act (EEG 2017) and from the new Offshore Wind Energy Act (WindSeeG),
- the resolution on the issuing of the declaration of compliance with the German Corporate Governance Code.

The Supervisory Board dealt particularly intensively with the marketing of the wind farm portfolio. On September 5, 2016, the Supervisory Board, as previously the Board of Management, decided to no longer pursue the option of an IPO of the company in which the wind farms were bundled, but instead to concentrate on the direct sale to investors or strategic partners. As a result, on December 9, 2016, the Company signed an agreement on the sale of an 80

percent stake in PNE WIND YieldCo Deutschland GmbH to a sub-subsiidiary of the energy and infrastructure fund Allianz Renewable Energy Fund II, which is managed by Allianz Global Investors GmbH. PNE WIND AG has retained a 20 percent stake and is responsible for operational management of the wind farm.

In addition, the Supervisory Board adopted its declaration of compliance. Furthermore, the Supervisory Board resolved on additional management board matters, in particular the changed distribution of tasks following the appointment of Mr. Lesser as the Chief Executive Officer and Mr. Stürken as a new member of the Board of Management.

The annual financial statements of PNE WIND AG, the consolidated financial statements as well as the management report of PNE WIND AG and of the Group were drawn up on schedule by the Board of Management. These as well as the books and accounts were audited by the auditors, Deloitte & Touche Wirtschaftsprüfungsgesellschaft GmbH, Hamburg, which was renamed Deloitte GmbH Wirtschaftsprüfungsgesellschaft on June 15, 2016, and the auditors issued an unqualified audit opinion on the financial statements and the consolidated financial statements. Deloitte & Touche was elected as auditors by the general meeting of shareholders on May 25, 2016.

In addition, the Board of Management prepared a report on the Company's relationships with affiliated companies and submitted this report together with the auditors' report to the Supervisory Board. The auditors issued the following note on the report:

"In accordance with our due audit and assessment, we herewith confirm that

1. the disclosures made in the report are correct,
2. regarding the measures set forth in the report, no circumstances exist that support a significantly different assessment than that made by the Board of Management."

The Supervisory Board placed the commission for the audit of the 2016 annual financial statements on August 1, 2016. In accordance with the recommendations in no. 7.2.1 of the German Corporate Governance Code (GCGC), the Supervisory Board obtained, prior to placing this commission, a declaration of the auditors as to which professional, financial or other relationships might exist between the auditors and the Company, which might bring about concerns regarding their independence. The declaration also included the scope of other consulting services, which were provided to the Company during the past fiscal year. According to the declaration submitted to the Supervisory Board by the auditors, there are no doubts regarding their independence.

For the fiscal year 2016, the Supervisory Board requested the auditors to focus on specific topics for the audit of the annual financial statements of PNE WIND AG and of the Group.

The financial statements for PNE WIND AG, the consolidated financial statements, the management report of PNE WIND AG, the Group management report, the report on relationships with affiliated companies and the reports of the auditors were made available on schedule to all members of the Supervisory Board prior to the meeting on the financial statements on March 22, 2017. The documents were comprehensively examined and discussed at the meeting of the Audit Committee on March 21, 2017 as well as at the meeting on the financial statements by the members of the Supervisory Board. The Chairman of the Audit Committee gave a report on the treatment of the financial statements and the consolidated financial statements as well as of the report on the relationships with affiliated companies, including the audit report, by the Audit Committee to the full Supervisory Board at the meeting on the financial statements. Representatives of the auditors participated at the meeting on the financial statements and reported on the key results of the audits. There were no objections. The Supervisory Board, after its own examination of the annual financial statements, the consolidated financial statements, the management report, the Group management report and the report on relationships

with affiliated companies (including the final declaration of the Board of Management) and on the basis of the recommendations of the Audit Committee, consented to the result of the audits by the auditors.

The Supervisory Board approved the financial statements of PNE WIND AG drawn up as at December 31, 2016 as well as the consolidated financial statements drawn up as at December 31, 2016. The financial statements were thus adopted. The Supervisory Board, following its own examination, approved the proposal of the Board of Management regarding the appropriation of profit. In addition, the Supervisory Board consented to the final declaration of the Board of Management in the report on the relationships with affiliated companies.

The regulations and obstacles, which could render an external take-over and the exercise of control difficult, were reviewed and evaluated by the Supervisory Board. The Supervisory Board considers these to be adequate.

The Supervisory Board wishes to thank the members of the Board of Management as well as all employees of PNE WIND AG for their outstanding commitment and responsible and successful work during the fiscal year 2016.

Cuxhaven, March 22, 2017



Alexis Fries

Chairman of the Supervisory Board

# PORTRAIT OF THE PNE WIND GROUP

The PNE Wind Group is an internationally operating wind power pioneer and one of the most experienced wind farm developers in Germany. Its core business is the project development as well the construction and operation of onshore and offshore wind farms. Since 1990, the PNE WIND Group has successfully realised more than 200 onshore wind farms with a total nominal capacity of more than 2,400 MW at the international level. An additional three offshore wind farms developed and successfully sold by the PNE WIND Group with a total output of 894 MW are in operation.

The Group is comprised of PNE WIND AG, Cuxhaven, and WKN AG, Husum, representing two strong partners with more than 20 years of experience in the industry. The Group, with its subsidiaries and joint ventures, is currently represented in various countries in Central and Southern Europe, Scandinavia, South Africa and in North America. Having a broad exposure to the international wind energy markets, the Group's experienced employees are continuously working on developing and expanding its comprehensive project pipeline and on realising the wind farms in development.

In addition to wind farm development, the PNE WIND Group offers commercial and technical operating management services for onshore wind farms under the brand "energy consult" – both for wind farms developed by us and for wind farms of other operators. The business model also includes the operation of transformer stations for wind farms. With this holistic approach, PNE WIND covers the entire value added chain in the wind energy sector.

Whether offshore or onshore, at home or abroad: The PNE WIND Group offers wind farm development, repowering and services out of passion.



|   |  |   |  |  |
|---|--|---|--|--|
| <p>With a capacity of more than 1,400 MW, we are the second largest wind farm operator in Germany</p> | <p>We are the most successful project developer in the offshore segment – Three projects developed by us with a capacity of 894 MW are in operation; building approvals for a total of 1,684 MW have been obtained</p> | <p>We are one of the most successful project development companies in Germany in the onshore segment with more than 200 wind farms erected and commissioned</p> | <p>With our onshore and offshore projects, we have initiated an investment volume of more than euro 10 billion</p> | <p>We have established a successful and profitable business model with average earnings per share (EPS) of euro 0.39 over the past 5 years</p> |
| <p>1,400 MW operational management</p>  | <p>Successful project development company in the offshore segment</p>  | <p>Onshore wind farms realised with more than 2,400 MW</p>  | <p>Investment volume &gt; euro 10 billion initiated</p>  | <p>ø euro 0.39 EPS</p>   |

## Wind farms developed by PNE WIND mean premium quality

PNE WIND is a quality provider. We develop first-class wind farm projects with a high degree of approval certainty, with substantiated statements on the expected costs in the construction and operation phases, with reliable implementation in the defined period and that are eligible for funding at the international level. These are the prerequisites for good and lasting results, including in tender markets.

The high level of project quality of our work is recognised by our renowned customers. Allianz Global Investors, John Laing Ltd., Brookfield, EnBW, KGAL, Vattenfall and DONG Energy are examples of our solid international customer base. In total, we have initiated investments of approx. euro nine million with the wind farm projects on land and at sea realised by us.

Our expertise comes regularly into full effect in the development and sale of large projects. We want to transfer these strengths to additional markets in the future.

### Overview of successful major projects in the past three years:

With a capacity of  
approx. 2,852 MW

Development and sale of the offshore projects "Borkum Riffgrund" (2003/2009), "Gode Wind" (2012) and "Atlantis 1" (2017)

purchase price of up  
GBP 103 million

Establishment and sale of the UK subsidiary PNE WIND UK Ltd. and the project pipeline developed by it in 2015

purchase price of  
euro 103 million  
received in 2016

Establishment and sale of the 80 percent interest in an internally developed onshore wind farm portfolio with 142 MW in Germany in 2016

## Our philosophy

All activities of the PNE WIND Group are based on the following fundamental considerations:

Renewable energy sources such as wind energy are infinite. They can be used to generate electricity and heat without releasing any climate-damaging emissions. They are ideally suited to decentralised supply and they contribute a great deal to cost savings and to creating regional added value. Their use is not related to serious environmental damage such as in the case of fossil energy sources. And, renewable energies are available directly on site. They need not be imported with considerable economic effort and are independent of possible political restrictions or future battles over the distribution of scarce resources.

### Our vision

We are convinced that 100 % regenerative energy supply is possible. Therefore, we work on ensuring that ecologically and sustainably generated energy is supplied from all power sockets. We assume responsibility for the secure generation of electricity in harmony with mankind and nature and make an important contribution to climate protection.

### Our mission

Our mission is to realise renewable energy projects and, in particular, wind farms throughout the world. The PNE WIND model of wind farm development from the initial project idea up to repowering is our guarantee for success. It combines economic and ecological aspects.

Our team develops wind farms with great passion. In this way, we want to meet the expectations of our customers and business partners as well as the standards imposed by ourselves every day.

Through the realisation of our quality projects, we make a significant contribution to the society and our nature by achieving 100 % energy supply from renewable energy sources.

Each individual employee is an ambassador of this PNE WIND mission during their daily work and contributes to the lasting success of the enterprise with creative ideas.

There is hardly any other industry in which the market environment has developed so dynamically in the last few years as in the field of renewable energies. Who wants to be successful in the long run, must have the future in mind and be prepared to break new ground. We at PNE WIND approach this challenge with creativity and openness, thus ensuring that we are successful not only today but also in the future.

## Our business areas



### Onshore wind farm project development

The turn-key erection of onshore wind farms is one of the core competencies of the PNE WIND Group. Our teams of project developers are active in all phases of planning and construction of a wind farm. We identify suitable locations, work together with landowners, the authorities, politicians and municipalities and manage the projects up to the approval. Once all technical, commercial and legal issues have been clarified, the construction of the wind power turbines can begin.

We use the latest technologies and give preference to local companies and tradespeople. Once the wind farm is fully erected, we sell it to one of our strong partners at attractive prices or operate it on our own account. This ensures that the wind farm will be operated continuously in the long term by well-established companies.

### Repowering

Like all technical plant and equipment, wind farms have a specific useful life. The normal run-time is 20 years; afterwards, older turbine models may be replaced by newer and more efficient systems, a process known as "repowering". The advantages of repowering are obvious: Modern wind power turbines can use the wind significantly more efficiently, which reduces the generation costs for electricity from wind power. In addition, less turbines can generate more electricity, which can also be integrated better into the electricity grid. Due to these advantages, there will be a distinct increase in repowering needs in the forthcoming years. PNE WIND is in a good position to benefit from this development.

### Offshore wind farm project development

Unlike our onshore wind farms, which are normally erected on a "turn-key" basis, we develop offshore wind farms "ready to construct" and sell the project rights prior to construction of the wind farms.

Wind farms at sea are particularly attractive. At sea, the wind is strong and constant and there is enough space. However, planning an offshore wind farm is significantly more complex than on land: marine environmental protection, water depth, shipping routes, tides and long distances from the coast make the planning a challenge. PNE WIND, with eight offshore projects sold, of which three are in operation, and additional internal projects, is one of the industry's leading companies in this area. Therefore, we normally remain active as a service provider to the buyer after the sale of an offshore project.

### **Electricity generation**

The sale of sustainably produced power from wind farms allows generating stable and predictable income in the long term. This applies, in particular, in Germany, where the legislator has set a statutory minimum price for electricity from renewable energy sources with the feed-in tariffs. PNE WIND benefits from the sale of wind power free of CO<sub>2</sub> emissions: Since we operate internally held wind farms and retain shares in the wind farms sold, the continuous revenues generated there provide a solid basis of income.

### **Wind farm management**

After the completion and sale of a wind farm, we offer the customer our continued competent support on request. Via our subsidiary energy consult, we offer technical and commercial operations management of wind farms and transformer station and ensure their optimum operation. We regard ourselves as a long-term partner of our customers and support them in all tasks—from checking the condition of the rotor blade up to controlling the electricity fed into the grid. As the “partner for everything”, PNE WIND also assumes maintenance of transformer stations. This holistic approach in the field of wind energy services has made PNE WIND one of the leading providers of operational management services for wind farms.

## Well positioned in the market

### Current challenges in the market environment

As a developer of onshore and offshore wind farms, PNE WIND is active in an international growth market. Experts continue to assume high rates of growth for wind power in the next few years in the global energy mix. Wind power will benefit from the finite availability of fossil fuels, the pressure to reduce dangerous climate emissions as well as the demand for secure and sustainable sources of energy. On the other hand, the market environment is exposed to major fluctuations. This places particular challenges on the market participants:



**Volatile market environment:** The general conditions are subject to ongoing changes. There is uncertainty due to the current political developments (BREXIT, coup attempt in Turkey, EU crisis, elections of right-wing nationalist governments in Poland and Hungary, Trump election in the USA) or the ongoing bank crisis.

**Growing interest of investors:** Investors show great interest in wind power investments. A serious pressure to invest, the low interest level, climate-political constraints and high energy requirements in emerging countries result in a very high demand for plants and projects.



**Increasing attractiveness:** Renewable energies become more and more attractive compared to conventional energy sources. Falling technology and generation costs for renewable energies as well as uncertainty caused by volatile oil and gas prices lead to the increased replacement of power plant and diesel generator capacity.

**Competition for tenders:** An increasing number of markets is going to establish tendering systems. This increases the cost pressure and leads to larger projects requiring correspondingly high prior investments. Cost reductions will become increasingly important in order to maintain one's position in these markets.



## PNE WIND's position in the market environment

PNE WIND has developed and adjusted its strategic orientation and business model on a continuous basis. This distinguishes the enterprise from many other market participants such as large utility companies, which have split their corporate group in order to meet the challenges. PNE WIND has positioned itself successfully as a leading enterprise for onshore and offshore wind farms in this attractive, but challenging market environment:



**International orientation:** PNE WIND is active in the onshore and offshore segments in 13 countries on three continents. The operational business has been diversified at the international level. Country-specific risks were reduced and market opportunities developed. An important factor of success is the strong network of international partners.

**Reliable contract partner:** PNE WIND is one of the leading partners for institutional investors around the wind power topic. The enterprise is the most successful project developer in the offshore field. In the onshore area, PNE WIND is among the leading German project developers.



**Pioneer in climate protection:** PNE WIND promotes the energy revolution. At present, three projects developed by PNE WIND with an output of 893 MW are in operation in the offshore segment. Wind farms with a capacity of more than 2,400 MW have been realised onshore. Accordingly, PNE WIND is a growth driver for renewable energies.

**Quality pays off:** PNE WIND plans and constructs high-quality projects (premium wind farms) with a high level of approval certainty. By offering a high degree of cost security and compliance with deadlines with the option of receiving funds at an international level, PNE WIND is a popular partner in tender markets.

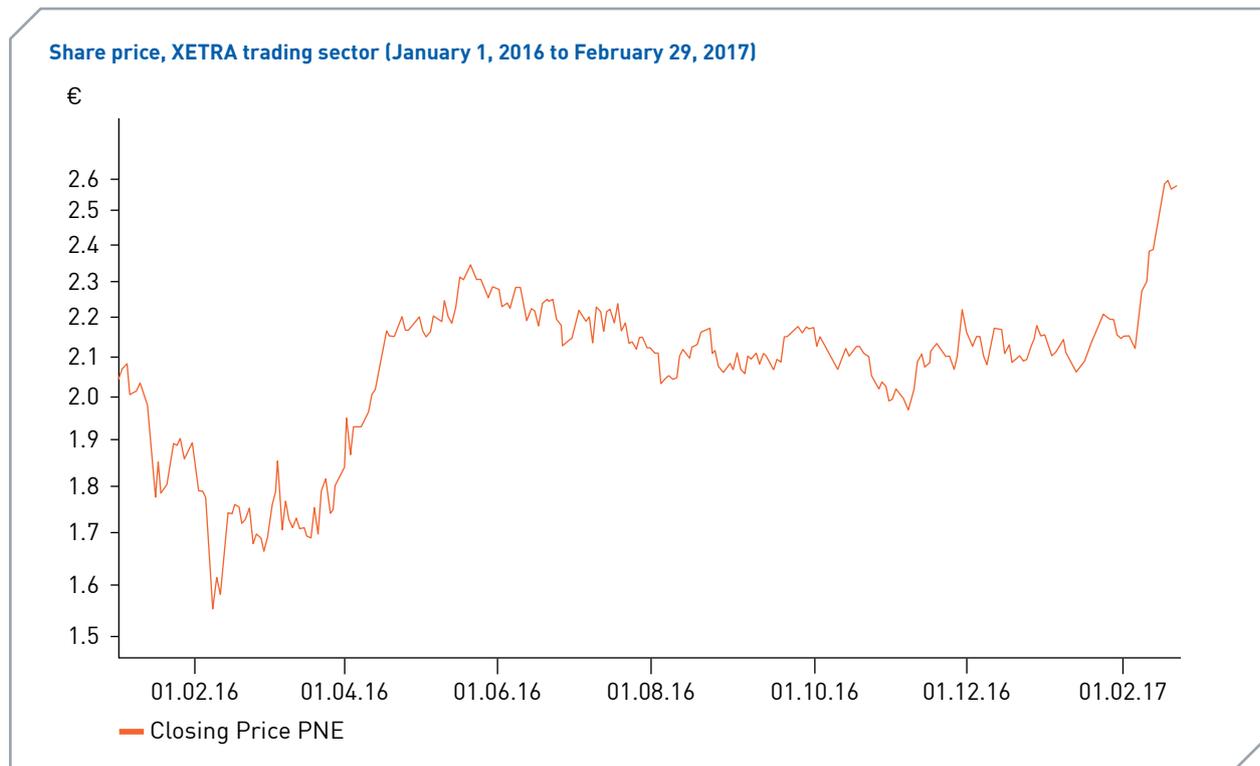


As a leading wind farm developer, the PNE WIND Group distinguishes itself clearly from the competition due to:

- the increased involvement of citizens
- the establishment of networks comprising all stakeholders of a wind farm
- the development of wind farms in forestry regions
- the intensified repowering of older wind farms
- multi-contracting
- established operational management of internal and third-party wind farms and transformer stations
- second largest operational management company in Germany with wind energy projects of more than 1,400 MW

# CAPITAL MARKET INFORMATION

## Share



PNE WIND AG's shares began the 2016 financial year with a price of euro 2.06. In the first three months of 2016, the PNE WIND shares had to face currency exchange losses due to the weak market environment. The Chinese stock market turbulence, triggered by concerns over the country's economic development, dampened the mood on the international financial markets and led to a drop in the main share indices of the world. On February 9, the stock reached its lowest point of the year at euro 1.55.

Following this difficult start in 2016, the value of the PNE WIND AG shares increased gradually. With publication of the 2015 annual report and the dividend announcement, the stock price recovered significantly. On May 23, the stock traded at euro 2.34 and reached the highest level in the year. In the following months, the share price ranged within a corridor above the 2 euro threshold. The stock price fell slightly below this value at the beginning of November, but the losses were fully made up by the end of the month. Another positive impulse for the share price came in the middle of December, when the sale of the wind farm portfolio to a subsidiary of Allianz Global Investors was announced. Supported by this positive corporate news, the shares closed at a price of euro 2.18 on December 30, 2016, the last trading day of the reporting period. This corresponds to a market capitalisation of euro 166.9 million.

In January and February 2017, the stock price saw an upward trend and it reached its highest level of euro 2.59, thus rising by 18.9 percent since the beginning of the year.

- | Share
- | Bonds and participation certificates
- | Shareholder structure

## Bonds and participation certificates

The 2013/18 corporate bond issued by PNE WIND AG has a volume of euro 100 million and it was primarily traded over 100 percent during the reporting period. The equity ratio according to the definition in the bond prospectus was approx. 80.7 percent as at December 31, 2016.

The 2014/19 convertible bond had a nominal value of approx. euro 6.6 million as at December 31, 2016. In the reporting period, bonds were converted into 592 shares.

## Shareholder structure

On December 31, 2016, the total number of shares issued by PNE WIND AG amounted to 76,556,026. The increase in the number of shares compared to December 31, 2015 (76,555,434) is the result of the issuance of 592 new shares resulting from the conversion of the 2014/19 convertible bonds.

Of the members of the Board of Management, Mr. Jörg Klowat held 100,000 shares and Mr. Markus Lesser held 24,000 shares on December 31, 2016. Of the members of the Supervisory Board, Mr. Wilken Freiherr von Hodenberg held 500 shares and Mr. Andreas Rohardt held one share in the Company on December 31, 2016.

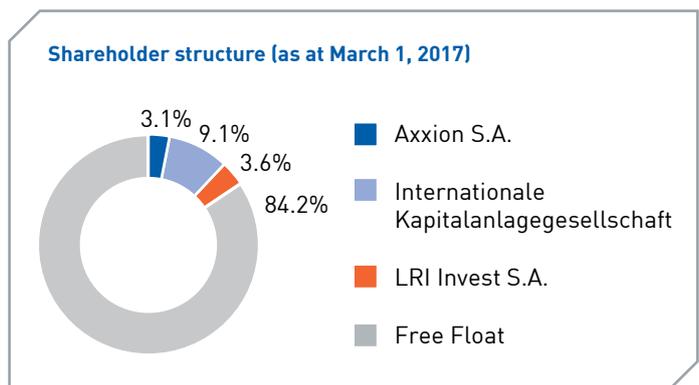
Pursuant to the published voting rights notifications, Volker Friedrichsen Beteiligungs GmbH held more than 10 percent of the shares and Axxion S.A. held more than 3 percent of the shares on December 31, 2016. Accordingly, all other shareholdings were to be classified as free floating.

After the end of the reporting period, the shareholder structure changed in February 2017.

Mr. Volker Friedrichsen reported that all shares attributable to him via Volker Friedrichsen Beteiligungs GmbH were sold on February 8, 2017.

Furthermore, Internationale Kapitalanlagegesellschaft mit beschränkter Haftung, Düsseldorf, Germany, reported that its voting right share in PNE WIND AG was 9.14% (corresponds to 6,995,460 of a total of 76,556,026 voting rights) on February 13, 2017. This share increased to 10.006 percent on March 3, 2017.

In addition, LRI Invest S.A., Mumsbach and Luxemburg, reported that its voting right share in PNE WIND AG was 3.59% (corresponds to 2,750,000 of a total of 76,556,026 voting rights) on February 13, 2017.



## Key share data (as at December 31, 2016)

|                       |   |
|-----------------------|---|
| WKN                   | A0JBPG                                    |
| ISIN                  | DE000A0JBPG2                              |
| Number of shares      | 76,556,026                                |
| Market capitalisation | euro 166.9 million                        |
| Market segment        | Prime Standard                            |
| Indices               | CDAX Technology, ÖkoDAX                   |
| Designated Sponsors   | Commerzbank, Dero Bank, Oddo Seydler Bank |
| Reuters               | PNEGn                                     |
| Bloomberg             | PNE3                                      |

## Annual General Meeting 2016

The Annual General Meeting of PNE WIND AG was held on May 25, 2016 in Cuxhaven. By a large majority, the shareholders, among other items, resolved to distribute a dividend of euro 0.04 per eligible share.

The shareholders also voted on the appointment of three new Supervisory Board members. As proposed by the management, Dr. Isabella Niklas, Andreas M. Rohardt and Per Hornung Pedersen were elected to the Supervisory Board. From December 1, 2015 to the end of the general meeting at the end of May, Mr. Pedersen was active as an interim member of the Board of Management and suspended his Supervisory Board mandate during this period. Markus Lesser, former COO, accepted the office of CEO of PNE WIND AG effective as of May 26, 2016. This resolution was adopted by the Supervisory Board at its meeting in April 2016. At the same time, his contract was extended to December 31, 2019.

The shareholders also agreed to give formal approval of actions to the current members of the Board of Management Mr. Pedersen, Mr. Lesser and Mr. Klowat. With a clear majority, the shareholders also agreed to give formal approval of actions to the new Supervisory Board members (period of office from October 23, 2015) and appointed Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, as the auditors.

- | Key share data
- | Annual General Meeting 2016
- | Financial calendar
- | Additional information

## Financial calendar

|                   |                                    |
|-------------------|------------------------------------|
| May 10, 2017      | Publication of financial report Q1 |
| May 31, 2017      | Annual general meeting             |
| August 10, 2017   | Publication of financial report Q2 |
| November 8, 2017  | Publication of financial report Q3 |
| November 27, 2017 | Analysts' conference, Frankfurt    |

## Additional information

On the website [www.pnewind.com](http://www.pnewind.com), you will find extensive information on PNE WIND AG as well as current data concerning the share in the section "Investor Relations". Here you can also download annual and quarterly reports, press announcements as well as background information on PNE WIND AG.



## Using wind properly Leading in the development and construction of wind farms

We know how to use wind properly. With its more than two decades of experience, PNE WIND is one of the leading and most experienced enterprises in the area of wind farm project development. In order to implement our projects successfully, we integrate all relevant stakeholders at an early stage. We regard ourselves as partners both of landowners, communities or citizens and of operators, investors or other wind farm planners. We engage selected, renowned manufacturers of wind power turbines for the construction of wind farms.

We concluded contracts, some of them long term, with Enercon, Senvion (formerly Repower), Nordex or Vestas. In this way, we combine our know-how, our experience and our passion with the highest level of quality. The outcome: We reduce energy generation costs and optimise the Leveraged Cost of Energy through the use of more efficient wind power turbines. By improving our purchasing conditions through the conclusion of framework contracts or by optimising financing costs, we make electricity generation even more profitable.



## COMBINED MANAGEMENT AND GROUP MANAGEMENT REPORT

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# COMBINED MANAGEMENT AND GROUP MANAGEMENT REPORT

of PNE WIND AG, Cuxhaven, for the Fiscal Year 2016

## Preface

In the 2016 fiscal year, PNE WIND AG successfully closed the largest wind farm sale in the Company's history, which had been in preparation for several years. In December, the Company sold 80 percent of the shares in PNE WIND Partners Deutschland GmbH (formerly: PNE WIND YieldCo Deutschland GmbH) at an enterprise value of more than euro 330 million. PNE WIND AG has retained an interest of 20 percent in this entity and will be responsible in the long term for the operational management of the wind farms, which were bundled as a wind farm portfolio in this entity. Since 2014, PNE WIND has been investing in establishing this wind farm portfolio, in which operational wind farms were placed successively. This re-sulted in significant advance payments and effects on the balance sheets of previous years.

PNE WIND received the purchase price of approx. euro 103 million still in 2016. This was an essential step to achieving the forecast of a Group EBIT in the range of up to euro 100 million in 2016 and the lower end of the three-year guidance of euro 110–130 million for the years from 2014 to 2016. PNE WIND generated a Group EBIT of euro 97.0 million in fiscal 2016, resulting in a cumulative Group EBIT of euro 109.5million over the years 2014 to 2016. Due to the change in the legislative situation in Poland (zoning regulation) and the findings from the tender process in Italy, the Group made inventory adjustments of approx. euro 8.6 million. Without these adjustments, PNE WIND would have generated an adjusted Group EBIT of euro 105.6 million in the 2016 fiscal year and a cumulative EBIT of euro 118.1 million over the years 2014 to 2016.

The balance sheet structure has changed significantly due to the successful sale of the wind farm portfolio. The 2016 financial statements show a distinct reduction of short and long term financial liabilities as well as a decrease in technical equipment and machinery, but also an increase in liquidity. The changes are presented and explained in this combined management and Group management report and in the consolidated financial statements under the relevant items.

## Project portfolio

Since 2014, completed wind farm projects which reliably produce electricity at various sites and generate sustainable earnings through the guaranteed feed-in tariffs have been bundled in a portfolio of wind farms. Wind farms in Germany with a nominal output of approx. 142 MW were bundled in this way.

The following table shows the status of the wind farms bundled in the portfolio as at December 31, 2016.

| Project               | Location               | Status                  | Nominal Output (MW) | Completion |
|-----------------------|------------------------|-------------------------|---------------------|------------|
| Altenbruch II         | Lower Saxony           | Commissioned            | 25.8                | 2009       |
| Chrandsdorf           | Brandenburg            | Commissioned            | 57.6                | 2015       |
| Waldflecht-Selkant    | North Rhine-Westphalia | Commissioned            | 9.0                 | 2015       |
| Apensen II            | Lower Saxony           | Commissioned            | 6.0                 | 2016       |
| Köhlen                | Lower Saxony           | Commissioned            | 21.3                | 2016       |
| Holzthaleben          | Thuringia              | Commissioned            | 4.8                 | 2016       |
| Altenbruch Repowering | Lower Saxony           | Major part in operation | 18                  | 2016/17*   |
| <b>Total</b>          |                        |                         | <b>142.5</b>        |            |

\*two wind power turbines with a nominal output of 6 MW were still under construction on December 31, 2016

## 1. Market/overall general economic conditions

Wind power has undergone a major transformation and has emerged as a mainstream power supplier. The amount of new capacity installed each year now ranks at the top for all types of power generation in some of the world's leading economies. Since 2000, cumulative installed capacity has grown continuously. In 2016, 54,600 MW of wind power capacity was added around the world, bringing total installed capacity to 486,749 MW<sup>1</sup>. Annual investment volumes totalling tens of billions of euro coupled with a strong growth outlook has beckoned international conglomerates to enter the sector, which in turn drives further innovation. Energy storage solutions and investments in electricity grid systems will further unlock the potential of this industry.

The German wind power market registered growth again in 2016: At the end of the year, wind power turbines with a total nominal capacity of approx. 50,018 MW were in operation – of which 45,910 MW onshore and a further 4,108 MW offshore. 1,624 wind power turbines (2015: 1,368) with a nominal capacity of 4,625 MW (2015: 3,731 MW) were commissioned onshore and a further 156 turbines (2015: 546) with approx. 818 MW (2015: 2,282) nominal capacity offshore. At the same time, 336 older wind power turbines with a nominal capacity of 366 MW were dismantled.<sup>2</sup>

The construction of offshore wind farms will be continued in Germany in the long term. Wind power from offshore installations in Germany is expected to rise to approx. 6,500 MW by 2020 and 15,000 MW by 2030.

Wind power capacity also expanded at the level of the member states of the European Union (EU): According to data from the European Wind Energy Association (WindEurope), installed nominal capacity increased to 153,730 MW (prior year: 141,726 MW). Of the newly installed capacity, 10,923 MW were attributable to onshore and 1,567 MW to offshore wind farms.<sup>3</sup>

Improvements to the wind turbine technology have boosted energy yields and reduced operation and maintenance (O&M) costs. These developments have lowered the cost of producing energy from wind and in some markets it is already competitive on a stand-alone basis compared to fossil fuels.

They provide evidence of the opportunities ahead for the PNE WIND Group. In order to be in an optimum position in the global wind power markets, the Group has specialised in the development and construction as well as the sale and operation of wind farms in selected core markets.

<sup>1</sup>Global Wind Energy Council (GWEC).

<sup>2</sup>Deutsche WindGuard: Status of Land-based Wind Energy Development in Germany 2016/Status of Offshore Wind Energy Development in Germany 2016

<sup>3</sup>WindEurope Annual Statistics 2016.

## 2. General political conditions

The markets in which the PNE WIND Group operates are developing in quite different ways. There has been further growth in a number of markets, while others registered a decline due primarily to uncertainty regarding the general political conditions. Although the technology for generating electricity from the wind has matured and costs have fallen, it remains dependent on government policy in many markets to ensure that it has access to the electricity market and to make it able to compete against conventional energy production, whose generation costs are often masked by subsidies. In contrast to renewable energies, the actual generation cost of conventional electricity, including the cost of environmental pollution or dismantling and the cost of final storage of nuclear waste, is not directly reflected in the electricity selling prices. This means that it still remains the task of policy-makers to ensure a level playing field for competition between the different types of energy generation.

A further stimulus to the expansion of renewable energies is expected from the outcome of the World Climate Conference 2015 in Paris (COP21), which agreed to limit the rise in average global temperature to a maximum of 2 degrees Celsius. To achieve this goal will only be possible through the increased expansion of renewable energies.

### **EU targets:**

Support for electricity production from renewable energies is one of the highest priorities in the European Union (EU) for reasons of the security and diversification of the power supply and climate protection as well as the economic and social aspects. The 2009/28/EC directive on the promotion of the use of energy from renewable sources includes ambitious targets for all member states so that by 2020 the EU will achieve a share of 20 percent of its energy from renewable sources.

In October 2014, the European Union consented to a new policy framework for climate and energy for the period between 2020 and 2030, on which the "Winter Package" adopted in 2016 is based. This framework builds on the current policy framework adopted for the period up to 2020 and takes into account the EU's longer term goal of reducing greenhouse gas emissions by 80–95 percent by 2050 compared to 1990. A key point of the new policy framework is to increase the share of renewable energy to 27 percent of energy consumption by 2030. It remains the responsibility of each member state to translate the EU targets into national policy.

### **Germany:**

#### *Wind energy onshore (EEG 2017)*

In July 2016, the German Parliament adopted the Reform of the Renewable Energy Sources Act (EEG 2017). The new version of the Act came into force on January 1, 2017. The EEG 2017 still includes the requirement to expand the amount of electricity produced from renewable energies from the current level of roughly 33 percent to 40–45 percent by 2025 and 55–60 percent by 2035. In 2050, the share of renewable energies in electricity supply shall amount to at least 80 percent.

In the future, renewable energy projects shall be promoted by way of tender processes. According to EEG 2017, 2,800 megawatt (MW) for onshore wind farms shall be put out to tender in each of the years 2017, 2018 and 2019. Thereafter, the new legislation provides for an increase in the tender volume to 2,900 MW gross per year, which means that repowering projects will be included in this volume.

Onshore wind farms which have obtained a building permit up to the end of 2016 and are commissioned in 2017 or 2018 are still entitled to receive the feed-in tariffs (transitional regulation of the EEG 2014). In order to avoid pull forward effects during the transitional period, the feed-in tariff will be reduced by 1.05 percent per month during the period from March to August 2017. If the annual installation target value of 2,500 MW is exceeded, an additional reduction will apply in each quarter.

Due to the lack of necessary investments in the transmission grid, the expansion of wind energy in so-called grid bottleneck regions in northern Germany will be temporarily limited to 958 MW per year.

#### *Wind energy offshore – Offshore Wind Energy Act (WindSeeG)*

In addition, on July 8, 2016, the Offshore Wind Energy Act (WindSeeG) was adopted by the German Parliament, which also came into force on January 1, 2017. For offshore wind farm projects, the new WindSeeG reconfirms the target of having 15 GW installed by 2030. In order to meet this target, 500 MW should be installed each year during 2021 and 2022 and 700 MW per year thereafter up to up to 2025.

Offshore wind farms which are commissioned by the end of 2020 are eligible to receive the feed-in tariff (transitional regulation of EEG 2014).

For offshore wind farms commissioned after 2020, the legislation calls for the introduction of a tender system, as in the onshore area. This shall take place in two phases: Eligible offshore wind farms which are scheduled to be commissioned between 2021 and 2025 have the option to receive state funds in the context of two tender rounds in 2017 and 2018 with volumes of 1,550 MW each. Wind farms which obtained a permit pursuant to the Offshore Installations Ordinance prior to August 1, 2016 or for which a plan approval has been issued and/or a public hearing pursuant to the Administrative Procedure Act was carried out may participate in this transitional system. The projects developed and already sold by PNE WIND AG “Atlantis I” (sold at the beginning of 2017) and “Gode Wind” 3 and 4, where PNE WIND AG continues to be active as a service provider, meet this criterion.

As at January 1, 2017, all ongoing plan approval and authorization procedures for the erection and operation of offshore wind power turbines ended, insofar as the projects are not covered by the aforementioned scope of tenders for existing projects. This legislative change will affect the projects “Atlantis” II and III, “Jules Verne”, “Nemo”, “Nautilus I” and “Nautilus II/HTOD5” where PNE WIND is active as a service provider. Regarding the effects on the projects, we refer to the explanation in chapter 11 “Report on opportunities and risks”.

After the end of this transitional system, available wind farm locations shall be examined and offered for tender in the future by the state as part of the conversion to the “centralised model”.

#### **Bulgaria:**

In 2012, the government substantially reduced the payments for electricity produced from wind farms and this has impaired the development of wind power projects since then. Another amendment to the law was adopted in 2015, which stipulates that newly erected wind power turbines may sell electricity exclusively on the free market.

**France:**

With the Energy Transition for Green Growth Act promulgated in 2015, the French government and parliament affirmed their ambitious goals beyond 2020. The specific objectives set in 2016 were to increase wind energy capacity to 15.0 GW by 2018 and to 21.8 to 26 GW by 2023. In order to comply with the EU framework for funding policy, France will allocate the feed-in tariffs by way of national tender processes from 2017. Due to the ambitious expansion goals of the French government, it may be expected that the competition and the corresponding price pressure will be within reasonable limits

**United Kingdom:**

Since the Electricity Market Reform 2014, wind energy has been marketed directly on the electricity exchange. Additional compensation payments are awarded by way of tender processes. At the end of 2016, a separate funding policy was announced for onshore wind energy. Sites with particularly strong winds are already competitive without any subsidies. The effects of the British decision to leave the European Union (Brexit) on the wind energy market and energy policy cannot be assessed conclusively at the present time.

**Italy:**

Since 2012, Italy has used an obligatory direct marketing system with additional incentives being awarded through a competitive auction system. A reform of the subsidy system was announced for 2017.

**Poland:**

The Polish Renewable Energies Act was revised in 2016 and a tender procedure was introduced. Pursuant to this, renewable energy companies have to sell their electricity on the electricity exchange and shall receive compensation up to the price offered by them. In addition, a zoning regulation was introduced, which stipulates that the minimum distance between future wind farms and other buildings must be ten times the height of the turbines. This regulatory change impedes wind energy developments in Poland. Regarding the effects on the projects, we refer to the explanation in chapter 11 "Report on opportunities and risks".

**Romania:**

The regulatory changes in 2014 resulted in reductions in the number of Green Certificates to be issued to the energy producers and in less favourable conditions for wind farm projects. There have been considerable political discussions within Romania as well as between Romania and the EU Commission about positive changes in the remuneration system for renewable energy for some time now. It remains to be seen whether the new government elected on December 11, 2016 will introduce new legislation.

**Sweden:**

For the support of wind energy, Sweden uses a quota system with green certificates, which are tradable in both Sweden and Norway. The current Swedish Government formulated the objective of generating 100 percent of Sweden's energy from renewable energy sources in the long term.

### **South Africa:**

The government has introduced a competitive tender system under the Renewable Energy Independent Power Producer Programme (REIPPP), in which long-term power purchase agreements are auctioned

### **Turkey:**

The wind energy market in Turkey is based on a system of state-guaranteed feed-in tariffs. Additionally, there was a licensing procedure for grid capacity introduced in 2013, whereby an auction system is used for access to the individual connection points. The conditions for the procedure are currently being revised. A date for the next auction has not yet been fixed.

In Turkey, there was political uncertainty following the coup attempt in July 2016. PNE WIND AG takes the view that the situation will normalize and still sees good reasons that Turkey will promote the rapid expansion of renewable energies, especially wind power. This view is supported by the stability of electricity grids, the high dependence on gas imports and the growing electricity demand.

### **Hungary:**

The main policy support mechanism in Hungary is based on a feed-in tariff system. In spite of this programme, the development of wind power in Hungary has been limited for many years by insufficient electricity grid capacity.

### **USA/ Canada:**

In the USA, the system of Production Tax Credits (PTC) dominates. At the end of 2015, this scheme was again extended to the end of 2019 and is valid retrospectively from the beginning of 2015, i.e. for a total of five years. Accordingly, the support scheme will still be available but is subject to an annual reduction of 20 percent within this period for projects achieving the PTC qualification milestone from 2017 onwards (100 percent).

### **Assessment:**

As a whole, the international markets are undergoing changes which require the PNE WIND Group to adapt its activities accordingly in order to minimise the risks. While the regulatory conditions in Hungary, Bulgaria, Romania and Poland have deteriorated in the past few years, they have improved significantly in France and in the USA. The Board of Management is confident that it will be able to promote positive business developments by specialisation of the corporate strategy and by internationalisation.

### 3. Corporate structure

During the fiscal year 2016, the corporate structure changed versus December 31, 2015 due to the first-time inclusion of companies, the change of shareholdings in companies and the deconsolidation of companies sold. For detailed information, please refer to the chapter "Scope of Consolidation" in the notes to the consolidated financial statements.

### 4. Organisation and employees

During the fiscal year 2016, there were 358 employees in the PNE WIND AG Group on an annual average basis, including members of the Board of Management (prior year: 390). The employees of the subsidiaries are included in this number. Of these employees (including the members of the Board of Management and trainees), there were 148 (prior year: 145) employees working at PNE WIND AG on an annual average.

As at December 31, 2016, 356 persons were employed in the Group, including the members of the Board of Management (as at December 31, 2015: 379 persons). Of these, 206 employees (as at December 31, 2015: 234) were active in PNE WIND AG subsidiaries; of these 158 employees (as at December 31, 2015: 185) in German and 48 employees (as at December 31, 2015: 49) in foreign subsidiaries.

The decline in the number of personnel is due mainly to organisational adjustments to changing market conditions. The existing number of staff is reviewed regularly in order to be prepared for the Group's future developments.

### 5. Summary of business activity

Overview:

The 2016 fiscal year of the PNE WIND Group, with PNE WIND AG and WKN AG, was highly successful. This was mainly attributable to three events:

- At the end of the reporting period, 80 percent of the shares in the wind farm portfolio, which was developed since 2014 and includes operational onshore wind farms with 142 MW nominal capacity, was sold. This sale was decisive for achieving the Group forecast issued for 2016.
- Also at the end of the reporting period, PNE WIND AG received the plan approval for the "Gode Wind 3" offshore project, which was previously sold to the Danish energy group DONG Energy. Obtaining plan approval was a milestone under the project sale.
- At the beginning of 2016, the Company concluded a framework agreement regarding wind farm projects in France and Poland with John Laing Investments Ltd. The construction of the first two French wind farms under this framework agreement started in 2016.

In the fiscal year 2016, the PNE WIND Group completed, started construction or sold project rights of wind farms with a nominal capacity of 135,7 MW mainly in Germany. In addition, the Company continued its operational core business of wind farm project development both onshore and offshore in Germany and abroad.

### The development of the individual segments:

#### Segment: projecting of wind power turbines

##### Wind power onshore sub-division

During the fiscal year 2016, the development and realisation of onshore wind farm projects were carried out continuously both in Germany as well as in the foreign markets in which the PNE WIND Group is active through subsidiaries or joint ventures.

Overview of the onshore project activities of the PNE WIND Group per December 31, 2016 in MW:

| Country        | I-II         | III        | IV        | Total MW     |
|----------------|--------------|------------|-----------|--------------|
| Germany        | 1,249        | 90         | 43        | 1,382        |
| Bulgaria       | 121          | 0          | 0         | 121          |
| France         | 313          | 91         | 32        | 436          |
| United Kingdom | 43           | 0          | 0         | 43           |
| Italy          | 102          | 14         | 0         | 116          |
| Canada         | 555          | 0          | 0         | 555          |
| Poland         | 223          | 42         | 0         | 265          |
| Romania        | 55           | 102        | 0         | 157          |
| South Africa   | 170          | 30         | 0         | 200          |
| Sweden         | 99           | 86         | 0         | 185          |
| Turkey         | 700          | 0          | 0         | 700          |
| Hungary        | 0            | 42         | 0         | 42           |
| USA            | 337          | 280        | 0         | 617          |
| <b>Total</b>   | <b>3,967</b> | <b>777</b> | <b>75</b> | <b>4,819</b> |

Phase I – II = Exploration & Development

Phase III = Planning

Phase IV = Implementation

**Germany:**

Germany remained the most important market for the operational core business of the PNE WIND Group in fiscal 2016 as well. Here, wind farms with 88.2 MW were completed for PNE WIND itself or for purchasers or were under construction. The wind farms "Westerengel" (23.1 MW), "Apensen II" (6 MW), "Köhlen" (21.3 MW), "Holzthaleben" (4.8 MW) and the first section of "Altenbruch Repowering" (27 MW) were fully constructed and put into operation. Two additional wind power turbines with a total nominal output of 6 MW for the "Altenbruch Repowering" wind farm were still under construction as at December 31, 2016. In addition, project rights with 15.6 MW were sold to project partners.

Furthermore, as at December 31, 2016, the Company has obtained permits for the construction of onshore wind farms in Germany with a nominal output of 63,9 MW. The construction of these wind farms will be started soon.

The sale of wind farms was also positive. In December 2016, PNE WIND AG sold an 80 percent stake in the portfolio of German onshore wind farms with a nominal capacity of 142 MW, which has been established since 2014. This was the largest wind farm sale in the Company's history. PNE WIND also received the purchase price of approx. euro 103 million in 2016. The buyer is a subsidiary of the energy and infrastructure fund Allianz Renewable Energy Fund II, which is managed by Allianz Global Investors GmbH (AllianzGI). After the sale, PNE WIND AG continues to hold 20 percent of the wind farm portfolio and remains active in the long term as a service provider for operational management of the wind farms.

With this portfolio sale, PNE WIND AG again sold wind energy projects for a three-digit million euro amount to an international renowned purchaser, as was the case with the sale of the offshore projects to DONG Energy (2012) and the sale of the British project pipeline to Brookfield (2015). These transactions are proof of the high quality of projects developed by PNE WIND.

At the end of fiscal 2016, the PNE WIND Group was working on onshore wind farm projects with a nominal output of approx. 1,382 MW in various phases of project development.

PNE WIND maintains close relationships with various renowned manufacturers of wind energy systems in order to be able to promptly realise onshore wind farms in Germany after their approval. For projects which have already been constructed, maintenance contracts – some of them long term – were concluded with the manufacturers Enercon, Senvion (formerly Repower), Nordex and Vestas.

**International activities:**

The PNE WIND Group also carried out its core business of project development abroad. The French market evolved particularly favourably.

**Bulgaria:**

The general political and economic conditions in Bulgaria make it difficult to profitably construct and operate wind farms there. For the wind farm projects in development, PNE WIND AG is keeping costs as low as possible to maintain the project rights on hand and therefore maintain the possibility to successfully market the projects.

### France:

At the beginning of 2016, the Company concluded a framework agreement regarding the future sale of French wind farm projects with 50 MW of nominal capacity with John Laing Investments Ltd. The agreed purchase contract for each wind farm will become effective when the projects are ready for construction. From this framework agreement, the sale of the "Sommette-Eaucourt" wind farm (21.6 MW nominal capacity) to the John Laing Group became effective in September. The wind farm, which will be erected in Picardy in Northern France, is scheduled to be completed by the end of 2017. In addition, the sale of the wind farm "Saint-Martin-L'Arts" (10.3 MW nominal capacity) came into force in November. This wind farm was also under construction at the end of the reporting period. WKN is responsible for the construction of the wind farms and will be contracted as the EPC contractor by John Laing Group plc.

In addition, the activities in France have been intensified so that projects with a total nominal output of more than 400 MW are being developed.

### United Kingdom:

The shares in the British subsidiary PNE WIND UK Ltd. and thus the entire project pipeline which was developed by it were sold 2015 to Brookfield. Further milestone payments were agreed upon depending on the project progress up to 2021. At present, Brookfield is working on the further development of the wind farm project and obtained a permit for the "Larbrax" wind farm (20 MW) in 2016. The effects of the British decision to leave the European Union (Brexit) on the wind energy market and energy policy cannot be assessed conclusively at the present time.

Since the sale of the subsidiary, the PNE WIND Group has only one wind farm in the United Kingdom. The Scottish "Sallachy" wind farm project was refused in 2015 by the Energy Minister, despite broad support by communities and politicians. The Group is currently reviewing the options for continuing this project. One possibility is to reduce the nominal capacity to 43 MW. For a project of this size, the decision on the building permission can be made by the local council, which gave a positive recommendation in the first procedure. Therefore, the likelihood of obtaining the permission is estimated to be higher.

### Italy:

In Italy, PNE WIND had operating and environmental permits for four wind farms with a total nominal capacity of approx. 116 MW at the end of the reporting period.

Two projects participated in the 2016 tender procedure without success, although both offered the legally determined minimum price. Wind farms with a total capacity of 1,972 MW took part in the tender. Of these, wind farms with a capacity of 1,580 MW placed the minimum offer, but only 800 MW received an award. The subsequent allocation was based on secondary criteria, such as the issue date of the building permit.

Due to the slow progress of previous tenders, it can be expected that numerous wind farm projects will take part in the upcoming tenders. This impairs the marketing of the projects. The project pipeline in Italy was reviewed in 2016 in light of the current market conditions and was reduced by wind farms that can no longer be realised profitably. This resulted in a decrease in inventories of approx. euro 7.3 million.

**Poland:**

At the beginning of the year, the Company concluded an agreement with John Laing Investments Ltd. regarding a proposed investment in a Polish wind farm with a nominal output of approx. 40 MW. This wind farm is scheduled to take part in the next tender for renewable energy projects in Poland. At the end of June 2016, an environmental permit for a further wind farm with 132 MW was granted. These two projects are not affected by the stricter zoning regulations. The Polish project pipeline was reviewed in 2016 in light of the new stricter zoning regulations and reduced by wind farms that can no longer be realised profitably. This resulted in a decrease in inventories of approx. euro 1.3 million.

**Romania:**

The development of wind farms in Romania was continued by PNE WIND AG with limited costs. Changes in the feed-in tariff system led to uncertainties in 2013 and 2014. The general political conditions for wind energy have not improved since then. In Romania, wind farm projects with a nominal output of up to 157 MW are currently being developed at an advanced stage by PNE WIND AG. The planning permission has been granted for two of these projects with a total nominal output of 102 MW. The sale of the projects is, however, proving to be difficult due to regulatory uncertainty.

**Sweden:**

In Sweden, the environmental permit for a project with 99 MW was issued in June 2016. Since the environmental permit in Sweden corresponds to the operating permit, obtaining the environmental permit is a decisive step in project development.

**South Africa:**

In 2015, the "Banna Ba Pifhu" project (30 MW) was sold under a conditional sale and purchase agreement (conditional SPA) to an investor, who participated in the November 2015 tender with this project. Announcement of the results has been postponed and is expected to take place in 2017.

**Turkey:**

In 2014, PNE WIND AG and STEAG GmbH agreed to develop wind farm projects together in Turkey going forward. In 2015, PNE WIND sold 50 percent of its shares in PNE WIND Yenilibir Enerjiler Ltd. to STEAG and together with STEAG applied for pre-licences for six projects with a total output of 230 MW. In this round, 3,000 MW of wind capacity were provided by the national grid operator TEİAŞ. Currently, preparations for the next pre-licensing application round (up to 2,000 MW) are being made.

In Turkey, there was political uncertainty following the coup attempt in July 2016. PNE WIND AG takes the view that the situation will normalize and still sees good reasons that Turkey will promote the rapid expansion of renewable energies, especially wind power. This view is supported by the stability of electricity grids, the high dependence on gas imports and the growing electricity demand.

### **Hungary:**

The Hungarian government has been blocking the further expansion of wind energy for some time now. Therefore, the Hungarian subsidiary has reduced its activities and is waiting to participate with one wind farm (42 MW) with planning permission in tenders for grid connections to the high voltage electricity distribution system.

### **USA/Canada:**

In December 2015, the United States Congress passed legislation to support renewable energies. It governs tax advantages in the form of Production Tax Credit and Investment Tax Credit (PTC/ITC) in order to promote wind energy projects. The new regulation, which provides certainty regarding the support of renewable energies until 2019, has greatly reduced uncertainties in the market. In 2016, the IRS (US tax authority) extended the period during which a project can be put into operation after the qualification milestone from two to four years.

Construction work on the "Chilocco" wind farm project started in 2013 in order to secure the PTC. The nominal capacity of the project has been expanded from 50 MW to approx. 200 MW.

At the end of 2016, a power purchase agreement with the local energy utility was signed for the first part (80 MW) of a project in Montana. This was a significant prerequisite for the realisation of the project. Construction was started at the end of 2016 so that the full tax advantages were secured. In total, the volume of projects under construction in the USA increased to 617 MW.

In Canada, PNE WIND AG is currently working on seven wind farm projects, which are still at an early stage of development.

### **Projecting of onshore wind farms in total:**

As at December 31, 2016, the PNE WIND Group, through subsidiaries and joint ventures, was working on wind farm projects in Germany and abroad in various phases of a multiple year development process with approx. 4,819 MW of nominal output.

### **Wind power offshore sub-division**

Overview:

PNE WIND AG's high level of competence is reflected by visible successes in the offshore segment: Three offshore wind farms, which were developed by the offshore division and sold after approval was granted, have been erected and put into operation by the purchasers in the meantime. "Borkum Riffgrund 1" and "Gode Wind" 1 and 2 with a total nominal output of 894 MW produce environmentally friendly electricity in the North Sea. For the "Borkum Riffgrund 2" project, which was also developed, and already sold, by PNE WIND AG, the purchaser DONG Energy decided in 2016 to finance and, if possible, to construct the project in 2019.

PNE WIND AG: Overview of the offshore project references per December 31, 2016:

### Sold projects

| Zone         | Project             | Phase | WEA        | Total MW     |
|--------------|---------------------|-------|------------|--------------|
| 1            | Borkum Riffgrund I  | 8     | 78         | 312          |
| 1            | Borkum Riffgrund II | 6     | 56         | 448          |
| 1            | Gode Wind 1 & 2     | 8/8   | 55 + 42    | 582          |
| 1            | Gode Wind 3 & 4     | 4/4   | 14 + 42    | 450          |
| 2            | Atlantis I*         | 3     | 73         | 584          |
| 4            | HTOD5 (Nautilus II) | 2     | 68         | 476          |
| <b>Total</b> |                     |       | <b>428</b> | <b>2,852</b> |

\*sold in January 2017

Phase 1 = Project identification  
Phase 2 = Application conference  
Phase 3 = Hearing  
Phase 4 = Approval granted  
Phase 5 = Grid connection  
Phase 6 = Investment decisions  
Phase 7 = Under construction  
Phase 8 = In Operation

### Of which projects already completed

| Zone         | Project            | Phase        | WEA        | Total MW   |
|--------------|--------------------|--------------|------------|------------|
| 1            | Borkum Riffgrund I | In Operation | 78         | 312        |
| 1            | Gode Wind 1        | In Operation | 55         | 330        |
| 1            | Gode Wind 2        | In Operation | 42         | 252        |
| <b>Total</b> |                    |              | <b>175</b> | <b>894</b> |

### Offshore projects:

“Atlantis” projects:

Three offshore projects were acquired in 2013 via the subsidiaries “Atlantis” I to III. These projects have been processed and developed continuously since then.

In 2016, the offshore division of PNE WIND AG worked intensively on the development of the “Atlantis I” project in order to prepare it for participation in the tenders announced for 2017 and 2018. In this context, the general parameters of “Atlantis I” were revised so that 73 wind power turbines of the multi-megawatt class can be erected in this project. Shortly after the end of the reporting period, the project was sold in January 2017 to the Swedish energy group Vattenfall. PNE WIND will remain active in this project in the future as a service provider.

“Borkum Riffgrund II” project:

As regards the offshore project “Borkum Riffgrund II”, which has been supported by PNE WIND AG as a service provider after the sale of the project to DONG Energy, the latter decided in June 2016 to construct and finance this project. This resulted in a milestone payment of about euro 3.2 million to PNE WIND. PNE WIND AG will receive a last milestone payment of euro 4.1 million for this project, when the wind farm is put into operation. According to DONG Energy, this will be the case in the first half year of 2019.

“Gode Wind” projects:

In 2012, the offshore wind farms “Gode Wind” 1 to 3 were sold to the Danish energy group DONG Energy – the projects have since been split into “Gode Wind” 1 to 4. “Gode Wind” 1 and 2 were erected directly one after another. The last of the 97 wind power turbines of the 6 MW generation in these wind farms was erected in May 2016. Approx. 600,000 households can be supplied with electricity generated there.

For the “Gode Wind 3” offshore wind farm, PNE WIND AG received the plan approval decision in December 2016. On this basis, the Company was able to close the sale, agreed in 2012, to DONG Energy and to hand over the project. This resulted in a further milestone payment of euro 5 million to PNE WIND.

As soon as further defined project milestones are reached, additional instalments of – accumulated – up to euro 20 million will be due under the “Gode Wind” 3 and 4 projects. Such a project milestone is the decision of DONG Energy to erect and finance the second building section of “Gode Wind 2” (today, “Gode Wind 4”) in connection with “Gode Wind 3”.

PNE WIND AG will continue to support DONG Energy as a service provider in the realisation of the projects.

Projects “Nemo”, “Nautilus I”, “Jules Verne”, “Atlantis” II and III as well as “Nautilus II/HTOD5”:

The “Nemo”, “Nautilus I” and “Jules Verne” projects with a total output of 1,440 MW are located in the North Sea within the German Exclusive Economic Zone (EEZ) about 180 kilometres North West of the Helgoland archipelago.

The “Nautilus II” offshore wind farm project, which is being developed by PNE WIND AG and has in the meantime been renamed “HTOD5”, is still at the planning and application stage. Following the sale of the project in November 2011 to Ventizz/HOCHTIEF, PNE WIND AG has remained active as a project developer.

In March 2015, the German Federal Maritime and Hydrographic Agency (BSH) informed offshore wind farm developers that the plan approval procedures will be suspended for the projects in the zones 3, 4 and 5 in the North Sea for the time being. This has been supported by the adoption of the Offshore Wind Energy Act (WindSeeG) as per 1. January 2017. This affects approx. 40 offshore wind farms in development, including the offshore wind farms “Nemo”, “Nautilus I”, “Jules Verne”, “Atlantis” II and III as well as “Nautilus II/HTOD5”, which are being developed by PNE WIND AG.

Due to the EEG amendments adopted in 2016 and the new Offshore Wind Energy Act (WindSeeG), the risks regarding the aforementioned projects of PNE WIND AG have increased significantly. This may have the result that realisation of the projects is delayed considerably or prevented entirely. PNE WIND AG is currently preparing a constitutional complaint against the EEG 2017 or the WindSeeG. Pursuant to two legal opinions, parts of the WindSeeG are unconstitutional. In particular, this results in a degradation of a bona fide legal situation and, thus, a so-called “genuine impact” on the projects in the development phase. On the basis of this assessment, the Board of Management of PNE WIND AG, on the date of preparation of these annual and consolidated financial statements, is of the opinion that the legislation in the version adopted by the German Parliament is unconstitutional in these respects and will ultimately not last. In addition, the Board of Management expects that a constitutional complaint might very likely result, as a minimum, in the replacement of the damages incurred by PNE WIND AG and, thus, reimbursement of the costs already incurred.

Independent of the WindSeeG as well as possible claims for damages and unconstitutionality of the legislation, PNE WIND AG has been developing alternative options for the offshore regions in question.

In the offshore segment, PNE WIND AG currently also examines opportunities of generating other energy carriers such as hydrogen on sea. Fundamental calculations and examinations are carried out for this purpose, which, if positive, can form the basis of further project activities in this respect.

#### **Total offshore:**

The competence in the development of offshore wind farms is reflected in the offshore references: Three of the offshore projects developed and sold by PNE WIND AG were already erected and commissioned by the purchasers and comprise 175 wind power turbines with a total nominal output of 894 MW. PNE WIND will remain active as a service provider to the projects sold.

#### **Electricity generation segment**

The electricity generation segment combines all activities of the Group companies, which are engaged directly in the production of electricity from renewable energy. This division includes the “Laubuseschbach” wind farm operated by PNE WIND AG, the 142 MW wind farm portfolio (included up to the end of 2016, from 2017 recognised at equity or via the investment results) as well as PNE Biomasse GmbH, which provides the staff for the Silbitz timber biomass power plant under a business supply contract, which is also included in this segment. Furthermore, the segment also includes shares in limited partnerships, in which future onshore wind farm projects are to be implemented.

Until the sale and delivery of wind farms to the operators, the electricity generation segment includes the revenues of these wind farms within the context of segment reporting.

In the fiscal year 2016, the electricity generation segment achieved an EBIT of euro 8.7 million (prior year: euro 7.6 million).

## 6. Economic report

The figures shown below were determined and presented in accordance with IFRS for the Group and in accordance with the German Commercial Code (HGB) for PNE WIND AG and its subsidiaries.

### a. Revenues and earnings

The figures in the text and in the tables were rounded, and small rounding differences are possible.

In the 2016 fiscal year, the PNE WIND AG Group achieved a total aggregate output of euro 259.2 million (prior year: euro 233.3 million) in accordance with IFRS. Of this, euro 248.6 million was attributable to revenues (prior year: euro 109.5 million), euro 1.6 million to change in inventories (prior year: euro 116.1 million), and euro 9.1 million to other operating income (prior year: euro 7.7 million). The increase in revenues versus the prior year is attributable mainly to the sale of the shares in PNE WIND Partners Deutschland GmbH in 2016 and the resulting realisation of intragroup revenues, which were eliminated in this context in previous years. In 2015, the services rendered for the projects held by the Group up to the end of 2016 were recognised in the inventory changes.

Explanation:

Since the company-owned wind farms were operated by the Company itself regardless of their current or future shareholder structure and used to generate electricity, the wind farms were classified as fixed assets from the date of sale within the Group in accordance with IAS 16. The reclassification from Group inventories to Group fixed assets was carried out without impacting the income statement and led to no reduction in the change of inventory position.

Euro 116.6 million (previous year: euro 149.9 million) of the total aggregate output in the Group was attributable to PNE WIND AG. The total aggregate output of PNE WIND AG consists of revenues of euro 73.6 million (prior year: euro 151.2 million), changes in inventories of euro 3.4 million (prior year: -2.2 million) and other operating income of euro 39.6 million (prior year: euro 0.9 million). The other operating income of PNE WIND AG consisted primarily of the profit from the sale of shares in PNE WIND Partners Deutschland GmbH (pursuant to IFRS recognised in the Group under the item "Revenues") as well as the reversal of provisions and other income such as credit notes, invoices charged on, reversal of the investment subsidy and income from the private use of company cars.

The activities of the Group in project development in Germany and abroad and also both onshore and offshore are reflected in the expense items. The share of cost of materials in the Group's total aggregate output amounts to euro 97.0 million (prior year: euro 154.9 million). The Group's lower cost of materials ratio compared to the previous year is due to the fact that the previously eliminated internal income of previous years from project development and realisation was realised upon the sale of the project portfolio and that the additional income from the sale of the shares in PNE WIND Partners Deutschland GmbH, which resulted from the fact that the sales value of the shares was above the book value of the shares, is also reflected in revenues and that these transactions were not accompanied by any, or only a very low cost of materials.

In the separate financial statements of PNE WIND AG, the cost of materials amounted to euro 52.5 million in fiscal 2016 (prior year: euro 118.2 million). The decline in the cost of materials resulted from the lower volume of onshore projects realised as compared to the previous year.

In the 2016 fiscal year, the personnel expenses amounted to euro 25.4 million in the Group and thus decreased compared to the amount of the prior year period (euro 29.3 million). This decrease resulted primarily from the fact that the amounts from the termination agreement with the former CEO of PNE WIND AG were included in this item in 2015. The number of employees in the Group as at December 31, 2016 decreased to 356 (December 31, 2015: 379 employees). The decline in the number of personnel is due mainly to organisational adjustments to changing market conditions.

In the separate financial statements of PNE WIND AG, the personnel expenses totalled euro 10.9 million in the 2016 fiscal year (prior year: euro 13.3 million). The number of employees as at December 31, 2016 at PNE WIND AG increased to 150 (December 31, 2015: 145 employees).

The other operating expenses in the Group totalling euro 26.9 million (prior year: euro 29.5 million) are attributable primarily to impairment losses on receivables and other assets of euro 2.3 million (prior year: euro 3.8 million), legal and consulting costs totalling euro 7.9 million (prior year: euro 9.0 million), advertising and travelling costs totalling euro 2.4 million (prior year: euro 3.2 million), insurance and social contributions totalling euro 1.4 million (prior year: euro 1.2 million), repair and maintenance expenses mainly for the portfolio projects and HKW "Silbitz" of euro 2.3 million (prior year: euro 1.3 million) as well as rental and leasing expenses, mainly attributable to the portfolio projects, totalling euro 3.6 million (prior year: euro 2.5 million).

In the separate financial statements of PNE WIND AG, the other operating expenses totalled euro 9.4 million in the 2016 fiscal year (prior year: euro 9.2 million).

Depreciation increased to euro 12.9 million versus the prior year period (euro 9.9 million). The increase in the depreciation amount is mainly attributable to the wind farms managed internally up to the sale of the project portfolio.

Interest expenses in the Group increased from euro 16.4 million in the prior year to euro 17.3 million. Interest and similar expenses increased primarily due to the project financing of the portfolio projects owned by the Group up to their sale.

In the 2016 fiscal year, the Group generated an operating profit (EBIT) of euro 97.0 million (prior year: euro 9.8 million) and earnings before tax (EBT) of euro 81.6 million (prior year: euro -5.0 million). The consolidated net income after non-controlling interests amounted to euro 69.0 million (prior year: euro 3.5 million). The undiluted earnings per share for the Group amounted to euro 0.90 (prior year: euro 0.05) and the diluted earnings per share for the Group amounted to euro 0.88 (prior year: euro 0.05).

At PNE WIND AG, operating profit (EBIT) amounted to euro 43.2 million (prior year: euro 8.5 million) and earnings before taxes (EBT) amounted to euro 41.0 million (prior year: euro 11.1 million) in the 2016 fiscal year.

Due to the positive business results, retained earnings at the Group level increased to euro 76.9 million in the reporting period (prior year: euro 10.9 million). In fiscal 2016, a dividend of euro 3.1 million was distributed from the available retained earnings. As at December 31, 2016, the retained earnings of PNE WIND AG totalled euro 107.5 million (prior year: euro 70.5 million). The net income of PNE WIND AG amounted to euro 40.0 million (prior year: euro 10.3 million). The basic earnings per share of PNE WIND AG amounted to euro 0.52 (prior year: euro 0.14) and the diluted earnings per share amounted to euro 0.51 (prior year: euro 0.14).

With regard to the subsidiaries consolidated in the Group, the major portion of revenues achieved in the 2016 fiscal year was in respect of management remuneration and service payments in the amount of euro 7.0 million (prior year: euro 5.5 million), payments for the use of transformer stations in the amount of euro 2.8 million (prior year: euro 2.7 million) and proceeds from the sale of electricity in the electricity generation segment in the amount of euro 26.3 million (prior year: euro 18.1 million). The subgroup of WKN AG was included in the Group of PNE WIND AG in accordance with IFRS with the following values (before consolidation effects):

| WKN sub-group                  | 01.01. – 31.12.2016<br>EUR million | 01.01. – 31.12.2015<br>EUR million |
|--------------------------------|------------------------------------|------------------------------------|
| Revenues                       | 59.3                               | 45.6                               |
| Total aggregate output         | 66.9                               | 57.5                               |
| Personnel expenses             | 10.1                               | 11.2                               |
| Personnel expenses             | 9.4                                | 14.3                               |
| EBIT                           | -3.5                               | -0.5                               |
| Employees on December 31, 2016 | 135 employees                      | 166 employees                      |

## b. Financial situation/liquidity

The figures in the text and in the tables were rounded, and small rounding differences are possible.

The statement of cash flow provides information on the liquidity situation and the financial situation of the Group. As at December 31, 2016, the Group companies had available liquidity of euro 177.1 million including the syndicated working capital lines available to the PNE Group (see explanation below) and credit lines for interim project financing, of which an amount of euro 0.1 million is pledged to banks (prior year: euro 174.6 million, of which euro 3.1 million pledged).

The liquidity available is broken down as follows:

- cash and cash equivalents of euro 147.7 million,
- free syndicated working capital lines of euro 10 million and
- interim project financing available of euro 19.4 million.

PNE WIND AG and WKN AG also jointly have a credit facility available for guarantee and contract fulfilment obligations in the amount of euro 10 million (amount drawn down as at December 31, 2016: euro 4.3 million).

Explanation:

The PNE Group has a syndicated working capital loan amounting to a total of euro 10 million and a guaranty facility of up to euro 10 million. The syndicated loan and the guaranty facility have a term to December 31, 2017.

Both credit facilities include covenants to meet financial performance indicators, which, if not adhered to, give the lenders the right to terminate the agreement. As at December 31, 2016, the PNE WIND Group had met all financial performance indicators.

The cash flow from ordinary activities shown in the statement of cash flows amounted to euro 64.6 million (prior year: euro –102.5 million) and was primarily attributable to

- the Group result of the fiscal year,
- the further development of the project pipeline and the realisation of wind farm projects, which are reflected in the changes in inventories, receivables and liabilities and were primarily financed by interim project funds (see Cash flow from financing activities),
- the profit from the disposal of fixed assets and from deconsolidation, e.g. PNE WIND Partners Deutschland GmbH., which, in accordance with accounting standards, is not included in the cash flow from operating activities but rather in the cash flow from investing activities.

The cash flow from investing activities in the reporting period includes payments made for investments in property, plant and equipment of the Group totalling euro –105.2 million (prior year: euro –3.1 million) as well as incoming and outgoing payments for the sale and purchase of consolidated entities totalling euro 102.9 million (prior year: euro 23.2 million). In the 2016 fiscal year, this was attributable primarily to the sale of shares in PNE WIN Partners Deutschland GmbH (prior year related primarily to the sale of the shares in PNE WIND UK Ltd.). The investments in property, plant and equipment related mainly to investments in the implementation of wind farms included in the wind farm portfolio and in transformer stations for these wind farms projects.

During the reporting period, the cash flow from financing activities of euro 20.1 million (prior year: euro 101.9 million) was influenced primarily by

- the repayment and disposal of credit liabilities of euro –43.4 million,
- the payment of the dividend of euro –3.1 million,
- the taking of bank loans of euro 66.6 million – mainly for the project financing of the wind farm portfolio projects of PNE WIND Partners Deutschland GmbH.

Following the conversion of 2014/2019 convertible bonds 592 new shares were issued in the reporting period with a nominal value of euro 1,907.40. As at December 31, 2016, the share capital of PNE WIND AG amounted to euro 76,556,026.00.

As at December 31, 2016, the Group had liquid funds of euro 147.7 million (prior year: euro 86.1 million).

PNE WIND AG had cash of euro 128.1 million, of which euro 0.1 million was pledged to banks as at December 31, 2016 (prior year: euro 59.6 million, of which euro 3.1 million was pledged).

The financial situation of PNE WIND AG in fiscal 2016 was marked primarily by the positive cash flow from investing activities of euro 73.6 million (prior year: euro –33.9 million) in connection with the sale of shares in PNE WIND Partners Deutschland GmbH and the positive cash flow from operating activities of euro 6.3 million (prior year: euro 38.5 million). These outflows of funds were used, in particular, for financing the negative cash flow of financing activities of euro –11.3 million (prior year: euro –4.5 million).

### c. Statement of financial position

The figures shown in the text and in the tables were rounded, and small rounding differences are possible.

#### a) Group

| Assets (EUR million)              | 31.12.2016   | 31.12.2015   |
|-----------------------------------|--------------|--------------|
| <b>Total long term assets</b>     | <b>142.2</b> | <b>251.1</b> |
| Intangible assets                 | 67.4         | 63.1         |
| Property, plant and equipment     | 39.2         | 167.4        |
| Long term financial assets        | 28.5         | 3.2          |
| Deferred taxes                    | 7.1          | 17.4         |
| <b>Assets designated for sale</b> | <b>0.0</b>   | <b>1.1</b>   |
| <b>Total short term assets</b>    | <b>289.8</b> | <b>236.1</b> |
| Inventories                       | 112.9        | 121.2        |
| Receivables and other assets      | 28.4         | 27.3         |
| Tax receivables                   | 0.8          | 1.5          |
| Cash and cash equivalents         | 147.7        | 86.1         |
| <b>Total assets</b>               | <b>432.0</b> | <b>488.3</b> |

On the reporting date, the consolidated total assets of PNE WIND AG amounted to euro 432.0 million. This is a decrease of 11.5 percent in comparison with December 31, 2015.

Total long term assets decreased from euro 251.1 million at the end of 2015 to euro 142.2 million on the reporting date. As at December 31, 2016, intangible assets totalled euro 67.4 million, representing an increase of approx. euro 4.3 million compared to December 31, 2015. The most important element of this item is the goodwill of the segment "Projecting of wind power turbines" in the amount of euro 63.4 million (of which projecting of wind power turbines PNE is valued at euro 23.0 million and projecting of wind power turbines WKN is valued at euro 40.2 million).

In the same period, property, plant and equipment reduced by euro 128.2 million to euro 39.2 million (December 31, 2015: euro 167.4 million), mainly due to the deconsolidation of the wind farm portfolio of PNE WIND Partners Deutschland GmbH. This item primarily includes land and buildings (euro 12.1 million without the land and buildings of "Silbitz"), transformer stations owned or under construction (euro 11.9 million) and the technical equipment and machinery of the Silbitz timber biomass power plant (euro 3.9 million including land and buildings of euro 2.8 million) and the wind farms Gerdau and Pülfringen (euro 7.5 million). The change in the item "property, plant and equipment" is mainly due to the sale of the shares in PNE WIND Partners GmbH or its project portfolio and the associated disposal of the wind farms' items of property, plant and equipment.

In the previous year, the item "assets held for sale" included plant under construction of the "Gode Wind 3" offshore project. In December 2016, the project was sold and the shares in the project company transferred to the purchaser.

During the period under review, short term assets increased from euro 236.1 million as at December 31, 2015 to euro 289.8 million as at December 31, 2016. This change is mainly attributable to the decrease in inventories (euro -8.3 million) and the increase in cash and cash equivalents (euro +61.6 million). Of the short term assets, euro 13.2 million is attributable to trade receivables (December 31, 2015: euro 8.0 million).

The work in progress shown in the inventories reduced from euro 114.2 million as at December 31, 2015 to euro 105.0 million.

Work in progress is divided as follows:

- offshore projects "Nemo", "Nautilus", "Jules Verne" (euro 11.0 million),
- offshore project "Atlantis I" (euro 21.9 million),
- offshore projects "Atlantis II-III" (euro 12.2 million),
- onshore projects in Germany (euro 15.5 million),
- onshore projects in Poland (euro 12.1 million),
- onshore projects in Italy (euro 8.3 million),
- onshore projects in France (euro 7.4 million),
- onshore projects in Sweden (euro 4.3 million),
- onshore projects in Romania (euro 1.7 million),
- onshore projects in the USA (euro 5.3 million),
- an onshore WKN project in the United Kingdom (euro 2.6 million) and
- onshore projects in South Africa (euro 2.7 million).

The advance payments in connection with onshore projects under construction, which are included in the inventories item, increased by euro 1.0 million from euro 6.9 million to euro 7.9 million.

As at December 31, 2016, cash and cash equivalents amounted to euro 147.7 million (as at December 31, 2015: euro 86.1 million).

| Liabilities (EUR million)                                 | 31.12.2016   | 31.12.2015   |
|---|--------------|--------------|
| Equity capital  | 229.4        | 165.9        |
| Deferred subsidies from public authorities                | 0.9          | 0.9          |
| Provisions  | 11.9         | 15.7         |
| Long term liabilities                                     | 119.9        | 227.2        |
| Short term liabilities                                    | 53.6         | 68.3         |
| Deferred revenues   | 16.3         | 10.3         |
| Liabilities in connection with assets designated for sale | 0.0          | 0.0          |
| <b>Total assets</b>                                       | <b>432.0</b> | <b>488.3</b> |

On the liability side, consolidated shareholders' equity increased from euro 165.9 million (December 31, 2015) to euro 229.4 million as at December 31, 2016. This development was attributable primarily to the positive result of the Group and the dividend payment in fiscal 2016. The equity ratio of the Group was approx. 53 percent as at December 31, 2016 (December 31, 2015: approx. 34 percent) and the debt ratio was approx. 47 percent (as at December 31, 2015: approx. 66 percent).

The long term liabilities decreased from euro 227.2 million at the end of 2015 to euro 119.9 million, mainly due to the deconsolidation of the wind farm portfolio projects of PNE WIND Partners Deutschland GmbH. This item consists mainly of financial liabilities totalling euro 116.5 million (as at December 31, 2015: euro 223.7 million). These liabilities include the corporate bond issued in May and September 2013 in the net amount of euro 98.3 million. The gross proceeds from the bond amounted to euro 100.0 million; in accordance with IFRS, the expenses directly connected with the bond in the amount of euro 5.1 million were netted with the liabilities in respect of the bond in the 2013 fiscal year. These expenses are recognised over the term of the bond in interest expense (since the issue of the bond, interest expense of euro 3.4 million has been recorded, of which euro 1.1 million was recorded in 2016). In addition, the long term financial liabilities include the 2014/2019 convertible bond issued in the 2014 fiscal year in an amount of euro 6.1 million. The item also includes long term liabilities to banks in the amount of euro 11.3 million (as at December 31, 2015: euro 112.5 million).

The short and long term liabilities to banks mainly include:

- the project financing of the timber biomass power plant "Silbitz" (euro 1.4 million, of which long term euro 0.7 million),
- the financing of the building of PNE WIND AG at the corporate headquarters in Cuxhaven (euro 2.6 million, of which long term euro 2.5 million), and
- the project financing of the wind farms Gerdau Schwienau and Pülfringen (euro 8.9 million, of which long term euro 7.6 million).

On December 31, 2016, the total number of shares issued by PNE WIND AG amounted to 76,556,026. The increase in the number of shares compared to December 31, 2015 (76,555,434 units) is the result of the issuance of 592 new shares resulting from the conversion of convertible bonds.

PNE WIND AG gave a contractual commitment to the limited partners participating in the operating company of the Silbitz biomass power station to repurchase their limited partnership shares at the beginning of 2017 at a price of 110 percent of the nominal value. Due to this undertaking, other financial liabilities include a discounted purchase price liability in the amount of euro 7.5 million as at December 31, 2016. In January 2017, PNE WIND AG fulfilled its contractual commitment and acquired the shares in HKW Silbitz GmbH & Co. KG. Furthermore, PNE WIND AG agreed with the limited partners of HKW Silbitz GmbH & Co. KG on a distribution guarantee up to 2016 (including), which is recognised in the provisions at a discounted amount of euro 0.4 million.

In the 2016 fiscal year, the short term liabilities decreased from euro 68.3 million (December 31, 2015) to euro 53.6 million. Short term financial liabilities, which include short term credit liabilities, reduced from euro 36.6 million (December 31, 2015) to euro 11.1 million. The trade liabilities decreased slightly from euro 16.9 million as at December 31, 2015 to euro 15.7 million.

Taking into consideration the liquid funds, the net liquidity on December 31, 2016 was euro 20.1 million (December 31, 2015: net debt of euro –174.2 million) in accordance with DVFA – German Association for Financial Analysis and Asset Management.

#### *b) PNE WIND AG*

| Assets (EUR million)          | 31.12.2016   | 31.12.2015   |
|-------------------------------|--------------|--------------|
| Intangible assets             | 0.0          | 0.1          |
| Property, plant and equipment | 11.8         | 12.2         |
| Financial assets              | 102.8        | 145.1        |
| Inventories                   | 13.1         | 7.6          |
| Receivables and other assets  | 122.8        | 116.4        |
| Liquid funds                  | 128.1        | 59.6         |
| <b>Total assets</b>           | <b>378.6</b> | <b>341.0</b> |

The fixed assets consist of intangible assets of euro 0.0 million (prior year: euro 0.1 million), property, plant and equipment of euro 11.8 million (prior year: euro 12.2 million) and financial assets of euro 102.8 million (prior year: euro 145.1 million). The changes in property, plant and equipment and in intangible assets are due mainly to scheduled depreciation and amortisation. The reduction of financial assets is attributable primarily to the sale of shares in PNE WIND Partners Deutschland GmbH (formerly PNE WIND YieldCo Deutschland GmbH).

The current assets consist of inventories of euro 13.1 million (prior year: euro 7.6 million), of which work in progress totalling euro 10.5 million (prior year: euro 7.1 million) and prepayments made totalling euro 2.6 million (prior year: euro 0.5 million), as well as receivables and other assets of euro 122.8 million (prior year: euro 116.4 million). The receivables and other assets include trade receivables of euro 10.5 million (prior year: euro 1.8 million), receivables from affiliated companies totalling euro 109.7 million (prior year: euro 111.8 million) and other assets of euro 0.8 million (prior year: euro 1.3 million).

The liquid funds amounted to euro 128.1 million as at December 31, 2016 (prior year: euro 59.6 million).

| Liabilities (in Mio. EUR)             | 31.12.2016   | 31.12.2015   |
|---------------------------------------|--------------|--------------|
| Equity capital                        | 242.5        | 205.5        |
| Special item for investment subsidies | 0.9          | 0.9          |
| Provisions                            | 9.3          | 16.2         |
| Liabilities                           | 125.8        | 118.3        |
| Deferred items                        | 0.1          | 0.1          |
| <b>Total assets</b>                   | <b>378.6</b> | <b>341.0</b> |

The shareholders' equity of PNE WIND AG amounted to euro 242.5 million as at December 31, 2016 (prior year: euro 205.5 million). The equity ratio of the PNE WIND AG was approx. 64 percent as at December 31, 2016 (December 31, 2015: approx. 60 percent) and the debt ratio about 36 percent (as at December 31, 2015: approx. 40 percent).

On December 31, 2016, the total number of shares issued by PNE WIND AG amounted to 76,556,026. The increase against December 31, 2015 (76,555,434 shares) resulted from the issue of 592 new shares following the conversion of convertible bonds during fiscal 2016.

The major items on the liability side are the liabilities in the amount of euro 125.8 million (prior year: euro 118.3 million). These are attributable mainly to the corporate bond issued in 2013 in the amount of euro 100.0 million, the 2014/2019 convertible bond totalling euro 6.6 million, liabilities to banks of euro 2.6 million (prior year: euro 2.8 million), prepayments received on orders totalling euro 4.6 million (prior year: euro 0.0 million), the trade liabilities of euro 2.9 million (prior year: euro 1.4 million) and the liabilities to affiliated companies of euro 6.2 million (prior year: euro 6.0 million).

The main components of provisions relate to outstanding invoices in respect of wind farm projects totalling euro 5.5 million (as at December 31, 2015: euro 11.3 million) as well as provisions for variable remuneration of the members of the Board of Management and senior executives totalling euro 1.6 million (as at December 31, 2015: euro 1.2 million).

## 7. Transactions with related companies and persons

For information about transactions with related parties, see point 4 in chapter "X. Other disclosures" in the notes to the consolidated financial statements.

## 8. Sales and marketing

The sale of onshore wind farm projects is based successfully on direct sales to large and individual investors. PNE WIND AG has had positive experience with these direct sales for many years and will continue to follow this proven sales channel. It is also possible to sell larger project portfolios if investors are interested.

The sale of a project portfolio with 142 MW was completed successfully in the 2016 fiscal year. Since 2014, commissioned wind farms were bundled in a subsidiary, i.e. PNE WIND Partners Deutschland GmbH, in order to generate additional revenue through the management of the portfolio and by providing commercial and technical management services for the wind farms up to the sale of the project portfolio.

The strategy of bundling projects and developing them up to a stage of maximum value has already previously proved to be effective. The Company successfully sold a package of several offshore projects in 2012 and, in 2015, the British subsidiary including the project pipeline developed there.

## 9. Development and innovation

During the period under review, there were no research and development activities in the Group of PNE WIND AG outside the operational business purpose of project development.

## 10. Intangible assets/sustainable development

The successful development of wind farm projects onshore and offshore is based primarily on the knowledge and experience of qualified employees of many years standing as well as on cooperation based on confidence with other participating partners. This means a particular challenge for our employees: Their creative and individual approaches are frequently required to find solutions to complex problems which arise during the development phase of a wind farm. The value of a wind farm project, from which the commercial success of PNE WIND AG and the Group depends, is created primarily in the planning phase up to the approval. In this respect, we can rely on the competence and experience of our long-time employees, who not only have excellent expertise in the branch sector but also maintain very good professional networks. It is thus ensured that one can rely on a high degree of professional competence in all phases and areas of the development, realisation and marketing as well as the operation of wind farm projects.

Furthermore, we place great importance on the fact that the potential of our employees can be used optimally through effective internal organisation and a high degree of self-responsibility. Regular evaluations of the employees and their tasks enable us to constantly adjust in a performance-related manner specially tailored requirement profiles to the corresponding tasks. In this way high standards can be achieved and maintained in the most varied areas of tasks. Our expertise in the market should be further strengthened through the assurance of the qualifications of our employees and the constant optimisation of the processes.

From practice we have implemented many years of experience in project development into processes, which have enabled us to successfully plan, implement and conclude in a specific and intensive manner all phases of wind farm development from the acquisition of the site to turnkey construction and operation of wind farms to the replacement of older wind power turbines by modern equipment (“Repowering”).

We value the importance of experienced partners within the context of international expansion. Our policy is to only enter new markets if we can do this jointly with local partners who have good local networks. In this respect, the principle also applies to professionally qualified cooperation based on trust with the project partners and other participants.

It is also important to maintain the network of partners and supporters of our business model, which we have built up over many years. Since wind farm projecting is based mainly on general regulatory conditions, we cooperate closely and intensely with industry associations and maintain constant dialogue.

With continuous training and qualification of young people, we ensure training places and we assume social responsibilities. As a general rule, the young employees remain with the Company after training.

In order to provide proof of the focus on the core business of wind farm project development and the competence connected with it, the corporate name “PNE WIND” will be developed increasingly into a brand by means of continuous marketing. Our objective is to document nationally and internationally our “passion for energy” even more intensively to the outside world and thus to increase the value of the brand.

We are making a substantial contribution to the reduction of damaging climatic gases with the wind farms projected and operated by us and thus to the protection of humanity, the environment and nature. The generation of electricity from wind power not only makes positive contributions to the environment but also contributes to saving the limited reserves of fossil fuels, since these are far too valuable just to be burned. From an economic point of view, there is a positive effect in that the generation of electricity is decentralised and thus the import of expensive fuels is reduced and avoided. Value is added where electricity is generated from wind power. As a result, the wind farms developed and operated by us are ensuring that the generation of electricity is done in an ecologically meaningful and economically correct manner.

## 11. Report on opportunities and risks

### General factors

As a result of its business activities, the Group and the individual consolidated companies are exposed to risks which are inseparable from its entrepreneurial activities. Through our internal risk management system, we minimise the risks associated with our business activity and invest only if a corresponding added value can be created for the Company while maintaining a manageable risk. Risk management is a continuous process. An evaluation of the risks is made based on the analysis of the core processes. A risk report is submitted regularly to the Board of Management and to the Supervisory Board. Unless otherwise indicated below, the assessment of the risks has not changed compared to December 31, 2015.

### Risks from operating activities

A major risk is the approval risk of projects. In the event of time delays with regard to permits, the negative outcome of tenders or significant shifts in the demand/supply relationship due to market-based support mechanisms, this can lead to postponements in the flow of liquidity, higher prepayment requirements as well as the loss of the planned recuperation of the funds. Furthermore, projects in such cases can become uneconomical, which can lead to the write-off of work in progress which has already been capitalised. Apart from the inventories, this risk can also have an effect on the value of receivables. Risks may also arise regarding the balance sheet values of onshore and offshore projects in Germany and abroad, should wind farms be uneconomical or not possible to realise. The operative opportunities in the projecting of onshore and offshore wind farms can, however, only be realised if such entrepreneurial risks are taken.

Time delays can also occur in the implementation of the projects due to the uncertain date of the issuing of approvals and the commitments for network connections, possible complaints in respect of permits already granted, the availability at the right time of wind power turbines or the availability at the right time of other necessary preconditions and components for the construction of a wind farm. Through comprehensive project controlling, the Company attempts to take these complex requirements into consideration at the right time.

The number of suitable sites in Germany for the construction of wind power turbines is limited. This could, in the future, result in an increase in the competition for these sites and thus also the acquisition costs for such sites, such as, for example, compensation for use of sites, which would reduce the targeted profit contribution.

Within the context of project realisation, the Company must rely on its ability to cover its capital requirements resulting from the liabilities arising in the future or which may become due in the future. Furthermore, additional capital requirements might arise if and insofar PNE WIND AG should be required to honour guarantees which it has granted or to honour other comparable commitments or should any other of the risks described in this paragraph occur.

A risk to future development is possible in the areas of financing and the sale of wind farm projects, as is the case with all companies which develop wind farms. In order to meet this risk, PNE WIND AG has already selected the sales target of "individual and large investors" for several years as well as the establishment and distribution of portfolios of already commissioned wind farms. Negative effects from rising rates of interest on the project marketing cannot, however, be excluded, since rising interest rates lead to higher project costs. In addition, rising capital market interest rates can simultaneously lead to declining sales prices, since the requirements of the individual and large investors for a return on the project may increase in this case.

The funds provided to PNE WIND AG and WKN AG are subject in part to variable interest rates, which are mainly linked to the 3 month EURIBOR or the EONIA. The companies have not hedged against rising short-term interest rates.

Risks in respect of project realisation could result from a financial crisis and the reluctance resulting therefrom on the part of the banks with regard to project financing. However, previous practice has shown that infrastructure funds, insurance companies and pension funds are highly interested in an investment in offshore wind farms.

Liquidity risks for the financing of the operating business during the course of the year exist in particular if the closing of project sales in the context of direct sales to external investors is delayed. Although these liquidity risks are regarded as low, they could have an effect on the future asset, financial and earnings situation of PNE WIND AG and the Group.

Financing risks also exist for our partner companies (DONG Energy) with regard to offshore wind farm projects. Depending on the progress of the project, payments will still be due to PNE WIND AG for the "Borkum Riffgrund II" as well as "Gode Wind" 3 and 4 projects. The purchaser of the projects has not yet taken a decision to construct the projects. Therefore, it cannot be assumed with certainty that the projects will be realised. A failure of these projects would have no major effect on the short or medium term asset, financial and earnings situation of PNE WIND AG, even if the planned payments were not to be received, since these represent either an amount of only a few millions or are expected beyond the short to medium term planning period.

A supplier risk exists in the wind power turbine sector due to the growing worldwide demand in relation to the available capacities. In spite of the swift expansion of capacities at the manufacturers of wind power turbines, delivery bottlenecks cannot be excluded in the event of further increases in international demand. Such delivery bottlenecks could lead to delays in the realisation of wind farm projects. The Company therefore places great importance on the conclusion at the earliest possible moment of delivery contracts with reputable manufacturers of wind power turbines as well as subsuppliers (e.g. foundations) and the agreement for delivery on schedule.

Medium or long term currency risks could arise in respect of projects in the international sector. In the operating field, foreign currency risks result primarily from the fact that planned transactions are undertaken in a currency other than the euro. With regard to investments, foreign currency risks may arise mainly from the acquisition or divestment of foreign companies. It is planned to undertake the hedging of key foreign exchange transactions with third parties outside the Group through currency hedging transactions.

There are joint venture companies within the PNE WIND Group, which may represent risks, since they have already started or will start activities abroad in the future. There is the risk that cooperation with partners of existing joint ventures fails, for example, if a joint venture partner withdraws so that the relationships and skills of the joint venture partner regarding the relevant foreign market can no longer be leveraged or that foreign wind farm projects already commenced come to a halt or fail. Legal disputes might also arise with the joint venture partner – in particular if the projects managed by the joint venture company cannot be realised as scheduled. This may result in a depreciation of the carrying amount or the inventories of the respective joint venture company in PNE WIND Group's balance sheet. All of this may significantly complicate the activity of the Company in the relevant foreign market and, in the worst case, lead to a complete failure of the activity in this country. This may have an effect on the future results of the PNE WIND Group.

The PNE WIND Group plans and develops projects abroad and their respective configurations and projected earnings form part of the Group's planning. Should investors demand fundamental changes (e.g. a change in the number of wind power systems or in the type of wind turbine model) as a condition for their purchase of the project and no other suitable investors are available to the PNE WIND Group, this could lead to adjustments in the value of the project and thereby to adjustments of inventories in the PNE Group's key indicators, which in turn could culminate in unplanned negative results.

PNE WIND publishes forecasts for its corporate goals. These forecasts are created on the basis of the Group's business plans. Should planning assumptions change over time, the published forecast may not be reached. This could have adverse consequences for the Company or its share price.

With regard to the risk of long-term loan obligations and the related interest payments, hedging transactions (SWAPs) are concluded in individual cases, which could lead to an additional strain on the Company's liquidity in the event of a negative interest rate trend.

From the issue of the 2013/2018 bond and the covenants concerning the equity ratio included in the bond conditions, increased interest payments could arise or there could be a termination right on the part of the bondholders prior to the scheduled maturity in the event of a breach of the covenant. Increased interest payments on the bond would have no significant effects on the future asset, financial and earnings situation of PNE WIND AG. A termination of the bond by the bondholders prior to the scheduled maturity would have substantial effects on the future short and medium term asset, financial and earnings situation of PNE WIND AG.

The credit rating for PNE WIND AG issued by Creditreform was last renewed in April 2016. A project developer could be exposed to negative changes of the rating due to the long-term project development periods if unforeseen changes in the environment occur. This might have a negative impact on the refinancing costs of the Company in the future.

In the event of a change of control, bondholders have the right to early repayment in accordance with the terms and conditions of the PNE WIND AG corporate bond 2013/2018. A change of control is deemed to occur in this connection when the issuer becomes aware that a person or a group of persons acting in concert in the sense of Section 2 (5) of the German Securities Acquisition and Takeover Act (WpÜG) has become the legal or beneficial owner of shares together granting at least 30% of the issuer's voting rights. This would have a significant impact on the asset, financial and earnings situation of PNE WIND AG.

### **Risks from the majority shareholding in WKN AG**

WKN AG is an independent company within the PNE WIND Group and PNE WIND AG does not have any direct influence on WKN's business activities. For this reason and due to the fact that WKN AG has third party shareholders, there could be difficulties with the implementation of the strategies and realising positive synergy effects could prove to be difficult.

The purchase of the majority shareholding in WKN AG resulted in goodwill of about euro 40.2 million upon its first-time consolidation, which has to be reviewed for impairment losses at the end of each year by way of an impairment test. If, in the future, impairments arise, this would have an impact on the asset and earnings situation of the company.

### Political risks/market risks

Incalculable risks can also affect the market from outside. These include in particular sudden changes in the general legal conditions in Germany or in the foreign markets of the PNE WIND Group. The Board of Management of PNE WIND AG is of the opinion that wind farms can be economically developed and operated according to the current remuneration and legal framework. The general conditions in the countries in which PNE WIND is active are reviewed regularly in order to be able to react promptly to possible changes and to minimise risks. The Board of Management reclassified the risk to “medium”.

The risks regarding the offshore projects of PNE WIND AG have increased significantly (risk assessment: high) versus December 31, 2015 due to the amendment to the EEG and the new Offshore Wind Energy Act (WindSeeG), which were adopted by the German Government on July 8, 2016. This may have the result that realisation of the projects is delayed considerably or prevented entirely. PNE WIND AG is currently preparing a constitutional action against the EEG 2017 or WindSeeG. Pursuant to two legal opinions, including of Prof. Martin Schulte, University of Dresden, parts of the WindSeeG are unconstitutional. In particular, this results in a degradation of a bona fide legal situation and, thus, a so-called “genuine impact” on the projects in the development phase, which leads to “cold expropriation”. On the basis of this assessment, the Board of Management of PNE WIND AG, on the date of preparation of these annual and consolidated financial statements, is of the opinion that the legislation in the version adopted by the German Parliament is partly unconstitutional and will ultimately not last. In addition, the Board of Management expects that a constitutional complaint might very likely result, as a minimum, in the replacement of the damages incurred by PNE WIND AG and, thus, reimbursement of the costs already incurred.

Independent of the WindSeeG as well as of possible claims for damages and unconstitutionality of the legislation, PNE WIND AG has been developing alternative options for the offshore regions in question.

As at December 31, 2016, due to the possibilities described above, the Board of Management did not make any value adjustments to the assets of the offshore projects (“Nemo”, “Nautilus”, “Jules Verne”, “Atlantis II-III”) that may be affected. If it turns out that the Company, contrary to the current opinion of the Board of Management, has no claim for damages for investments already made in these offshore projects and does not receive any other compensation payments, a value adjustment of these assets would be necessary if the alternative options to realise the offshore projects in some other form cannot be implemented. Assets amounting to euro 23.2 million and provisions amounting to euro 1.1 million in connection with the offshore projects in question are recognised in the consolidated balance sheet as at December 31, 2016.

The Polish parliament adopted a considerably more stringent zoning regulation for wind power systems. The law stipulates that the distance required between wind power turbines and residential buildings and protected nature reserves must be at least ten times the total height of the turbine (hub height plus length of the rotor). This significantly impedes the development and sale of further wind farms in Poland. As a first step, the Group examined the Polish projects in the development pipeline. Based on the new legislation, two projects were identified which cannot be realised profitably and the existing assets were written down. In the 2016 fiscal year, the Board of Management reclassified the risk to “medium”.

Political and market risks abroad, such as in the USA, in Turkey and in Romania, could affect the planned realisation of projects during the next few years. PNE WIND AG and its subsidiaries are intensively observing the current developments abroad in order to recognise as early as possible changes in the market situation or the political landscape and to introduce any measures at the right time. In the event of sudden changes in the remuneration systems and retrospective intervention by the legislator, risks for the PNE WIND Group may arise due to the project development cycles of several years.

### **Legal risks**

All recognisable risks are constantly reviewed and are taken into consideration in this report as well as in corporate planning. The Board of Management considers the risks to be fairly clear and thus assumes that they will have no material negative influence on the development of the Company. These also include risks from cases not yet legally concluded.

One of the legal risks has lapsed in the 2016 fiscal year, i.e. the risk "arbitration action against Volker Friedrichsen Beteiligungs-GmbH", since a consensual agreement was reached here.

The legal risk in connection to the DPR/BaFin examination contained in the Annual Report 2015 no longer exists with the judgment dated July 29, 2016.

### **Tax risks**

PNE WIND AG and its subsidiaries as well as other Group companies are currently active on 3 continents around the world and are thus subject to many different tax laws and regulations. Changes in these areas could lead to higher tax costs and to higher tax payments. Furthermore, changes in the tax laws and regulations could also have an influence on tax receivables and tax liabilities as well as on deferred tax assets and deferred tax liabilities. The PNE WIND Group is operating in countries with complex tax regulations, which could be interpreted in different ways. Future interpretations and developments of tax laws and regulations could have an influence on tax liabilities, profitability and business operations. In order to minimise these risks, we are working continuously throughout the Group with specific tax consultants from the relevant countries and are analysing the current tax situation.

At WKN AG, a tax audit of corporation, trade and value added tax was carried out, which has not been completed as at December 31, 2016. In the case of external audits there is always the risk that the results of the external audit can have an effect on the asset, financial and earnings situation of a company in the future annual and consolidated financial statements.

### **Opportunities**

As a developer of onshore and offshore wind farms, the PNE WIND Group is active in an international growth market. Independent studies assume high rates of growth for wind power during the next few years due to the finite availability of fossil fuels, the pressure to reduce dangerous climate emissions as well as the requirement for secure sources of energy. The successful end of the world climate conference in December 2015 in Paris, with the objective of limiting the rise in average global temperature to no more than 2 degrees versus 1990, has shown that the necessity of a

turnaround in energy policy has been recognised throughout the world. From their many years of activity in the market, the companies of the PNE WIND Group have the prerequisites and experience needed to benefit over the long term from this development.

PNE WIND AG was continuing its ongoing further development of the business model by establishing a subsidiary in which completed and commissioned onshore wind farms with a total output of 142 MW were bundled. PNE WIND sold 80 percent of the shares in this subsidiary in 2016 and retained a direct interest of 20 percent in order to benefit from future revenues and through operational management services. This new way has proven to be successful and has shown that similar models based on bundling future wind farms are promising.

Particular opportunities are offered by the Group's foreign activities and by potential new markets. The PNE WIND Group has already expanded its business activity into attractive growth markets and the expansion is taking place primarily in countries with generally stable political conditions with reliable feed-in and promotion regulations or in countries with comparably high market potential. This also includes emerging countries with significantly rising electricity requirements. In order to sufficiently take into consideration the corresponding local conditions, the market introduction mostly takes place in cooperation with a local partner. This type of internationalisation has proved itself to be a cost-efficient and promising strategy. In the future PNE WIND AG will also pursue this policy for selective foreign expansion and decisively take advantage of existing market opportunities.

The core competence of the PNE WIND Group is in the development, construction and operation as well as repowering of wind farm projects which meet the highest of international criteria. These skills can be leveraged in other foreign markets offering potential for expansion. These markets are therefore monitored continuously and opportunities for a possible market entry are carefully examined.

In addition to the opportunities of internationalisation, the established German market for onshore wind power offers a range of perspectives. Furthermore, there is the planned expansion of German offshore wind power. The ambitious climate objectives of the Federal Government and the necessity of increasing the security of supply require the accelerated expansion of onshore and offshore wind farms. In this respect PNE WIND AG is distinguished by the fact that it has already carried out six offshore wind farm projects through the whole process up to approval by the Federal Office for Shipping and Hydrographics. Three of these wind farms have already been completely built and put into operation. One wind farm is shortly before the start of construction. We have developed a high level of competence in the offshore segment, which can also be transferred to our international markets.

Finally, the growth of the wind power sector in Germany offers increased opportunities in the area of the provision of services. PNE WIND AG considers itself to be a reliable partner for the operators of wind farms and following the sale of the wind farms, it often provides technical and commercial operating management services. This area is being expanded continuously in a focused manner. The Group gained a strong position in this business area with "energy consult GmbH", which serves 780 wind power turbines with about 1,400 MW of rated power as well as photovoltaics systems. With its headquarters in Cuxhaven and offices in Husum, energy consult GmbH offers technical operating management services in the German and international markets.

#### Assessment:

In the opinion of the Board of Management, the scope and potential of risks have not changed – except the changes mentioned in the above text – significantly versus December 31, 2015. From the perspective of the Board of Management, the future perspectives for the development of the enterprise are good in light of the global development of climate protection and the expansion of wind energy as well as the milestone payments to be expected from the project sales concluded. A positive development of the Company can thus be expected in the coming fiscal years according to the estimates of the Board of Management. Existing risks are not currently visible.

## 12. Controlling system

The control of the PNE WIND Group is based on regular discussions between the Board of Management and the corporate units; meetings of the Board of Management take place regularly. The internal controlling system covers all areas of the Company. As a result, short reaction times to changes in all areas and at all decision levels of the PNE WIND Group can be guaranteed. Any changes with a significant effect on the results are reported immediately to the Board of Management.

The starting point for the controlling of the overall Group and the corporate units is the targets set by the Board of Management, which are derived from the vision, mission and the overall strategy of the PNE WIND Group. A key instrument for the implementation of the targets and objectives is the totality of the internal regulations of the PNE WIND Group.

The corporate units report monthly on the current developments and deviations from the targets. Moreover, early operating indicators are continuously analysed.

A regular exchange takes place between the Board of Management and the business divisions, in which an overview is given of the corresponding market situation. Furthermore, during the course of the year, major topics are also discussed, such as the determination of the strategy and its systematic implementation within the context of the annual and medium term planning as well as the target agreements and their achievement.

The controlling of the activities of our operating units takes place on the basis of the stated control parameter; in this respect the EBIT is given particular importance, since this is in our opinion the appropriate parameter for assessing the earnings power of the PNE WIND Group. In addition, the project development pipeline is used as a non-financial control parameter. The control parameters EBIT (operating profit pursuant to the statement of comprehensive income) and project development pipeline are used within the PNE WIND Group for a comparison between the actual and the predicted development of business.

| Report on opportunities and risks  
 | Description of the key characteristics of the ICS/RMS of the parent company and the Group

## 13. Description of the key characteristics of the ICS/RMS of the parent company and the Group

### Internal control system (ICS)

The goal of the methods and measures set up by us is to secure the assets of the Company and to increase operating efficiency. The reliability of the accounting and reporting systems as well as compliance with the internal guidelines and legal regulations should be guaranteed by the internal control system (ICS) in place.

Within the context of the implementation of the ICS, we have subjected the individual functional departments of the Company and of the Group to a detailed analysis and evaluated accordingly the probability and the possibility of the occurrence of any damage.

We have organised the structure of the individual units based on the knowledge gained and on the evaluations made. Moreover, we have adapted our work processes as a result of the findings obtained. For example, we pay attention to a consistent separation of incompatible activities and in addition we have introduced appropriate control ranges. Furthermore, we place a high value on the non-overlapping of responsibilities, with the stipulation that tasks, competence and responsibility are combined. Simultaneously, we have integrated controls into the work processes.

The above-mentioned key characteristics of the ICS are applied in all functional areas of the parent company and the total Group. The implementation of the organisational structural and process controls in the area of the internal control system ensures the integrity of the data in the accounting process which are included in the financial reports.

Apart from the controls implemented in the system, the individual functional departments are also monitored by managers.

### Key characteristics of the accounting related internal control and risk management system

The objective of the internal control and risk management system with regard to the (Group) accounting process is to ensure that accounting is carried out in a standard manner and in compliance with the legal regulations, the principles of orderly accounting as well as in accordance with the International Financial Reporting Standards (IFRS) and Group internal guidelines, so that the recipients of the consolidated and individual financial statements have at their disposal pertinent and reliable information. PNE has set up an accounting related internal control and risk management system for this which comprises all relevant guidelines, processes and measures.

The internal control system consists of the control and audit departments.

The Board of Management and the Supervisory Board (in this respect in particular the Audit Committee) are an integral part of the internal monitoring system with audit measures independent of the process.

The Group accounting department serves as the central contact point for special technical questions and complex reporting matters. If necessary, external experts (auditors, qualified actuaries, etc.) will be consulted.

Moreover, the accounting related controls are carried out by the Group controlling department. All items and key accounts of the statement of comprehensive income and the statement of financial position of the consolidated accounts and the companies included in the scope of consolidation are monitored at regular intervals with regard to their correctness and plausibility. The controls are carried out either on a monthly or quarterly basis, depending on how the accounting related data are drawn up by the accounting department.

The accounting related risk management system is an integral part of the risk management of the Group. The risks relevant for the correctness of the accounting related data are monitored by the person responsible for risks for the risk area of finance and are identified, documented and assessed quarterly by the risk management committee. Suitable measures have been set up by the risk management of the Group for the monitoring and risk optimisation of accounting related risks.

### **Risk management (RMS)**

The risk policy of the Group and of the Company forms part of the corporate strategy and is aimed at securing the substance of the Group as well as the Company and simultaneously at increasing their value systematically and continuously.

The risk strategy is based on a valuation of the risks as well as the opportunities related thereto. In the areas of key competence of the Group and of the Company we focus on appropriate, visible and controllable risks if they simultaneously lead to an appropriate income or are unavoidable. In certain cases, we transfer risks in supporting processes to other risk areas. Other risks, which have no connection with key and/or support processes, are on the other hand avoided insofar as this may be possible.

The Group has formulated the general conditions for a qualified and future orientated risk management in the "Risk Management Handbook". This handbook regulates the specific processes in risk management. It aims for the systematic identification, evaluation, control and documentation of risks. In this respect and taking into consideration clearly defined categories, it identifies the risks of the divisions, the operating units, the important associated companies as well as the central departments and evaluates them with regard to the likelihood of their occurring and the possible level of damage. The reporting is controlled by value limits defined by the management.

The individual risks are classified as part of internal risk reporting within the Group on the basis of the likelihood and potential impact.

Description of the key characteristics of the ICS/RMS of the parent company and the Group

### Classification of probability

| Probability | Description |
|-------------|-------------|
| 0% to 5%    | Very low    |
| 6% to 20%   | Low         |
| 21% to 50%  | Middle      |
| 51% to 100% | High        |

### Classification according to the degree of influence

| Expected impact in TEUR    | Degree of impact |
|----------------------------|------------------|
| TEUR 0 to TEUR 250         | Low              |
| >TEUR 250 to TEUR 1.000    | Moderate         |
| >TEUR 1.000 to TEUR 2.000  | Considerable     |
| >TEUR 2.000 to TEUR 40.000 | Very high        |

The risk classification of High, Middle and Low results from the combination of the expected probability and the degree of influence.

| Impact             | Classification |        |        |        |        |
|--------------------|----------------|--------|--------|--------|--------|
| Very high          | Middle         | High   | High   | High   | High   |
| Considerable       | Middle         | Middle | High   | High   | High   |
| Moderate           | Low            | Middle | Middle | Middle | High   |
| Low                | Low            | Low    | Middle | Middle | Middle |
| <b>Probability</b> | Very low       | Low    | Middle | Middle | High   |

It is the task of the persons responsible to develop and possibly to initiate measures for the avoidance, reduction and securing of risks. The key risks as well as the counter-measures introduced are monitored at regular intervals. Central risk management reports regularly on the identified risks to the Board of Management and the Supervisory Board. In addition to the regular reporting there is also an obligation for spontaneous internal Group reporting for risks which arise unexpectedly. The risk management enables the Board of Management to recognise risks at an early stage and to introduce counter-measures.

The key characteristics of the risk management system described above are applied throughout the Group. With regard to the processes in the consolidated accounting this means that the identified risks are examined and evaluated in the corresponding financial reports especially in respect of their possible effects on the reporting. Through this, important information is generated at an early stage about potentially possible fair value changes of assets and liabilities, pending losses of value are identified and important information is gained for the assessment of the necessity for the setting up/release of provisions.

The appropriateness and the efficiency of the risk management as well as the control systems pertaining thereto are controlled and amended accordingly at the level of the Board of Management at regular intervals. Due to the particular importance of exemplary action in all business areas, executive employees are trained specifically with regard to questions of compliance.

Finally, it should be noted that neither the ICS nor the RMS can give absolute security with regard to the achievement of the corresponding objectives. Like all discretionary decisions, also those for the development of appropriate systems can in principle be wrong. Controls can be ineffectual as a result of simple mistakes or errors in individual cases or changes in environmental variables can be recognised at a late stage in spite of corresponding monitoring.

In particular, the following individual risks are currently being monitored intensively within the context of the risk management process:

- Possible risks which could arise from changes in laws and regulations for our operating business in wind farm projecting.
- Possible risks that could arise from the Offshore Wind Energy Act.
- Possible risks which may arise from the lack of grid capacities in Germany and abroad.
- Possible technical risks which may arise from our own operation of wind farms and which could negatively influence the expected results.
- Particular importance is given to compliance with the regulations of the German Corporate Governance Code in its relevant valid version. Risks could also arise, however, from non-compliance with the regulations and the internal guidelines by individuals.

| Description of the key characteristics of the ICS/RMS of the parent company and the Group  
 | Management declaration (Section 289a of the German Commercial Code (HGB))  
 | Report of the Board of Management on the relationships with affiliated companies

## 14. Management declaration (Section 289a of the German Commercial Code (HGB))

The management declaration is published on our internet page [www.pnewind.com](http://www.pnewind.com) in the section "Investor Relations" under Corporate Governance and can be downloaded from there.

## 15. Report of the Board of Management on the relationships with affiliated companies

Pursuant to Section 312 AktG, the Board of Management prepared a report on the relationships with affiliated companies, which includes the following final declaration: "We declare that PNE WIND AG has at all times received appropriate consideration for all transactions referred to in this report based on the circumstances prevailing at the time of the respective transaction. Furthermore, we declare that PNE WIND AG was not disadvantaged by the measures listed in this report in the 2016 fiscal year according to the circumstances known to us at the time at which the measures were taken."

## 16. Supplementary information in accordance with Section 289 Paragraph 4 and Section 315 Paragraph 4 of the German Commercial Code (HGB) (Takeover Directive Implementation Act)

### Capital situation

As at December 31, 2016, PNE WIND AG had 76,556,026 registered shares with a nominal value of euro 1.00 per share. As at December 31, 2016, free float shares (holdings of less than 3 percent of the share capital) amounted to approximately 82 percent. A direct participation, which exceeded the amount of 10 percent of the voting shares, was reported by Volker Friedrichsen Beteiligungs-GmbH and Mr. Volker Friedrichsen in 2016. After the end of the reporting period, it was reported in February 2017 that this participation no longer existed. In addition, after the end of the reporting period, Internationale Kapitalanlagegesellschaft mbH reported on March 9, 2017 that its share exceeded 10 percent.

Other direct or indirect participations exceeding the value of 10 percent of the voting shares were not disclosed.

Restrictions concerning the voting rights or the transfer of shares are not specified in the articles of association and exist only in legally determined cases. Shares with special rights giving a controlling function do not exist. There is no control of voting rights through the participation of employees in the capital.

### **Shareholders' rights and obligations**

Shareholders have pecuniary and administrative rights.

The pecuniary rights include the right to participate in profits in accordance with Section 58 (4) AktG, to participate in liquidation proceeds in accordance with Section 271 AktG and the subscription rights on shares in the event of capital increases in accordance with Section 186 AktG.

Administrative rights include the right to attend the general meeting of shareholders and the right to speak there, to ask questions, to propose motions and to exercise voting rights.

Each share grants the holder one vote at the general meeting of shareholders. The general meeting of shareholders appoints and elects the members of the Supervisory Board and appoints the auditors; it resolves the discharge of the members of the Board of Management and the Supervisory Board, resolves amendments to the articles of association and capital measures, authorisations to purchase treasury shares and, if required, the conduct of special audits; it also resolves premature removal of Supervisory Board members and the winding-up of the Company.

### **Statutory regulations and provisions of the articles of association with regard to the appointment and removal of members of the Board of Management and amendments to the articles of association**

The appointment and removal of members of the Board of Management are governed by Sections 84 and 85 AktG. In accordance with these provisions, the Supervisory Board appoints the members of the Board of Management for a period not exceeding five years. An appointment can be renewed for a period not exceeding five years. In accordance with Section 6, paragraph 1 of the articles of association, the Supervisory Board determines the number of the members of the Board of Management. In addition, the Supervisory Board may appoint a Chairman and a Deputy Chairman of the Board of Management.

An amendment of the articles of association requires a resolution of the general meeting of shareholders in accordance with Section 179 AktG. Pursuant to Section 15 paragraph 2 of the articles of association, resolutions of the general meeting of shareholders are adopted with a simple majority of votes cast, unless otherwise stipulated by law, and in cases where a majority of capital is required by law in addition to a majority of votes, with a simple majority of the share capital represented during the vote. In accordance with Section 179 (2) AktG, a resolution of the general meeting of shareholders concerning an amendment to the articles of association requires a majority of at least three quarters of the share capital represented during the vote. The articles of association may specify a different capital majority; however, only a greater capital majority for an amendment to the purpose of the Company.

In accordance with Section 10, paragraph 7 of the articles of association, the Supervisory Board is authorised to make amendments to the articles of association that relate solely to their wording. Furthermore, the Supervisory Board is

authorised to amend Section 5 of the articles of association in line with the relevant utilisation of a conditional capital and to amend the articles of association in line with the capital increase implemented using the authorised capital and, if the authorised capital has not been utilised in full by May 21, 2018, after the end of the relevant authorisation period.

### **Authorisation of the Board of Management, in particular in respect of the possibility of issuing or repurchasing shares**

The annual meeting of shareholders of May 22, 2013 authorised the Company's Board of Management to purchase up to May 21, 2018 treasury shares in a volume of up to 10 percent of the share capital existing at the time of the resolution. The acquisition shall take place at the discretion of the Board of Management either via the stock market or via a public purchase offer or via a public invitation to the shareholders to submit offers for sale. In the case of acquisition via the stock market, the acquisition price per share may not be more or less than 10 percent of the average XETRA closing price on the Frankfurt Stock Exchange during the five trading days preceding the acquisition (or, provided that this authorisation is based on the XETRA closing price, the closing price determined in a successor system replacing the XETRA system).

The Board of Management is authorised to call in, in whole or in part, the Company's own shares acquired under this authorisation without any further resolution by the general meeting of shareholders. The Board of Management is furthermore authorised to sell the Company's own shares acquired in a way other than through a sale on the stock market or through an offer to all shareholders, provided that the shares are transferred to third parties as a payment as part of the acquisition of companies or of participations in companies or provided that the shares are transferred to third parties as a payment for the acquisition of sites for the expansion of the business activity. The Company's own shares acquired can also be transferred in a way other than through a sale on the stock market or through an offer to all shareholders, provided that the shares are transferred to third parties against payment in cash at a selling price per share that is not substantially less than the average XETRA closing price at the Frankfurt Stock Exchange during the five trading days preceding the relevant sale.

Up to December 31, 2016, the Company made no use of the authorisation to acquire its own shares, which was granted by the resolution of the general meeting of shareholders of May 22, 2013.

Furthermore, the Board of Management is authorised by a resolution of the general meeting of shareholders of May 15, 2012 to issue up to May 14, 2017, with the approval of the Supervisory Board, convertible and/or option bonds on one or several occasions in a total nominal amount of up to euro 50,000,000.00 with a maximum term of 20 years. At the same time, the Company's share capital was increased conditionally by up to a further euro 7,750,000.00 (Conditional Capital II/2012).

On September 11, 2014, the Board of Management, with the approval of the Supervisory Board of the same day, resolved to issue a convertible bond with a total nominal amount of up to euro 25,757,000.00 (2014/2019 Convertible Bond) under the authorisation granted on May 15, 2012. On the basis of this resolution, an aggregate of 1,989,434 individual pari passu convertible bearer bonds at a nominal value of euro 3.30 each were issued, which grant conversion rights for a total of up to 1,989,434 no-par value registered shares of the Company. Taking the subscription rights granted under the 2014/2019 Convertible Bond into account, the Conditional Capital II/2012 was used in the total amount of up to euro 1,989,434.00. Thus, the Conditional Capital II/2012 in the remaining amount of up to euro 5,760,566.00 was still available on December 31, 2016. In the reporting period, the conversion rights arising from 576 convertible bonds at a total nominal amount of euro 1,907.40 were exercised and 592 new shares (prior year: 1,995) from the Conditional Capital II/2012 were issued.

Furthermore, by a resolution of the general meeting of shareholders of May 22, 2013, the Board of Management was authorised to increase the Company's share capital, with the approval of the Supervisory Board, in the period up to May 21, 2018, on one or several occasions to a total of up to euro 22,800,000.00 (Authorised Capital) by issuing new no-par value registered shares against contributions in kind or in cash. The Board of Management has made use of this authorisation twice to date.

On September 11, 2014, the Board of Management, with the approval of the Supervisory Board of the same day, resolved to increase the Company's share capital, through the use of Authorised Capital, by up to euro 22,800,000.00 by issuing up to 22,800,000 new no-par value registered shares with a notional share in the share capital of euro 1.00 per share and with a profit participation right from January 1, 2014 against a contribution in cash. A total of 13,931,195 new shares were issued on the basis of this resolution.

In addition, on May 13, 2015, the Board of Management, with the approval of the Supervisory Board of the same day, resolved to increase the Company's share capital, through the use of Authorised Capital, by 4,578,500.00 euro by issuing 4,578,500 new no-par value registered shares with a notional share in the share capital of 1.00 euro per share and with a profit participation right from January 1, 2014 against contributions in cash.

No use was made of the Authorised Capital in the reporting period. As at December 31, 2016, the Authorised Capital, following the partial utilisation, amounted to euro 4,290,305.00.

**Key agreements prevailing under the condition of a change of control resulting from a takeover offer as well as compensation agreements of the Company, which have been concluded for the event of a takeover offer with the members of the Board of Management or employees**

*Corporate bond 2013/2018*

In case of a change of control, each bondholder has the right, in accordance with the bond terms and conditions, to demand early repayment from PNE WIND AG as the issuer. In this connection, a change of control is deemed to occur if the issuer becomes aware that a person or a group of persons acting in concert in the sense of Section 2 (5) of the German Securities Acquisition and Takeover Act (WpÜG) has become the legal or beneficial owner of such a number of the issuer's shares, which represent 30 percent or more of the voting rights.

*2014/2019 Convertible Bond*

If there is a change of control, each creditor of a convertible bond has the right, in accordance with the bond terms and conditions, to demand early repayment of convertible bonds from PNE WIND AG as the bond debtor, for which the conversion right was not exercised and which were not due for early redemption. In this connection, a change of control is deemed to occur if a person or a group of persons acting in concert gains control over the bond debtor, control meaning (i) the direct or indirect (in the sense of Section 22 of the German Securities Trading Act (WpHG)) legal or beneficial ownership of more than 30 percent of the voting rights in the bond debtor or (ii) in the event of a public offer for shares of the bond debtor, a situation in which shares already in the control of the bidder and shares for which

Supplementary information in accordance with Section 289 Paragraph 4 and Section 315 Paragraph 4 of the German Commercial Code (HGB) [Takeover Directive Implementation Act]

the offer has already been accepted together grant more than 30 percent of the voting rights of the bond debtor or (iii) the sale or the transfer of all or substantially all of the assets of the bond debtor by the latter to any other person or persons.

In the event of a change of control, the conversion price for exercising the conversion rights will be adjusted within a specific period in accordance with the bond terms and conditions.

#### *Other agreements*

Apart from that, neither PNE WIND AG nor the companies included in the consolidated financial statements have concluded any other significant agreements which are subject to the condition of a change of control as a result of a takeover offer. In the event of a change of control at the Company, the members of the Board of Management have a special right of termination, which they can exercise during the two months following the occurrence of the change of control (excluding the month in which the change of control occurred), with a notice period of fourteen days to the end of the relevant month. A change of control event granting a special right of termination occurs, if a third party notifies the Company in accordance with Section 21 WpHG that it has reached or exceeded a participation of 50 percent of the voting shares of the Company. If the special right of termination is exercised, the Board of Management members are entitled to their fixed salary pursuant to the relevant employment contract for the remainder of the contract term, but in any case limited to the fixed salary of two years; this is to be paid out to the members of the Board of Management at the end of the contract in one amount, which shall not be discounted. In the event that the change of control occurs in the context of a public offering, two of the three members of the Board of Management, should they exercise their special right of termination, are also entitled to a special bonus of 50 percent in respect of an increase in the enterprise value achieved in the context of the offer. Depending in each case on the market capitalisation, the increase in value in this respect must be calculated on the basis of the difference between the acquisition price first offered by the bidder and the possibly higher acquisition price decisive for the implementation of the offer; in total, however, the special bonus may not be higher than the fixed annual salary in accordance with § 5 (1) of the relevant employment contract.

## 17. Remuneration report

The remuneration of the Board of Management and the Supervisory Board together amounted to TEUR 2,690 in fiscal 2016 (prior year: TEUR 5,385).

The fixed remuneration paid to the Supervisory Board during the fiscal year 2016 amounted to TEUR 461 (prior year: TEUR 398).

Pursuant to the current version of the articles of association, the Chairman receives TEUR 120, the Deputy Chairman TEUR 90 and the other members of the Supervisory Board TEUR 60 as fixed remuneration. In addition, each member of the Supervisory Board received TEUR 1 per meeting. The Chairman of the Audit Committee receives fixed remuneration of TEUR 30 and each other member of the Audit Committee TEUR 15 as additional remuneration. The chairpersons of other Supervisory Board committees receive additional remuneration of TEUR 20. Since the general meeting of shareholders in October 2015, no variable remuneration has been paid to the members of the Supervisory Board. As a result, for variable remuneration, a provision of TEUR 0 (prior year: TEUR 454) was formed in the year under report. The total remuneration of the Supervisory Board in the 2016 fiscal year amounted to TEUR 528 (prior year: TEUR 852). In addition, the Company bears the cost of directors' and officers' liability insurance for all members of the Supervisory Board.

| in TEUR                    | Fixed remuneration 2016 | Attendance fee 2016 | Total remuneration 2016 |
|----------------------------|-------------------------|---------------------|-------------------------|
| Mr. Fries                  | 140,0                   | 14,0                | 154,0                   |
| Mr. Freiherr von Hodenberg | 90,0                    | 14,0                | 104,0                   |
| Mr. Groß                   | 90,0                    | 12,0                | 102,0                   |
| Mr. Rohardt                | 60,0                    | 14,0                | 74,0                    |
| Mrs. Niklas                | 45,0                    | 6,0                 | 51,0                    |
| Mr. Dr. Beyer              | 30,0                    | 6,0                 | 36,0                    |
| Mr. Pedersen               | 6,3                     | 1,0                 | 7,3                     |
|                            | <b>461,3</b>            | <b>67,0</b>         | <b>528,3</b>            |

For their activity during the fiscal year 2016, the members of the Board of Management received total remuneration (including accrued liabilities for bonuses) or corresponding provisions were formed in the amount of TEUR 2,162 (prior year: TEUR 4,533).

The values in the tables below under the heading "Benefits granted" reflect all benefits recognised as expenses in the fiscal year, which will, in part, have an effect on liquidity in the next year. The values under the heading "Allocation" impact liquidity in the relevant fiscal year and therefore relate, in part, to expenses from the previous year (e.g. provisions for variable remuneration leading to payments in the next year).

| in TEUR                          | Benefits granted<br>Total Management Board |              |                |                | Allocation<br>Total Management Board |              |
|----------------------------------|--|--------------|----------------|----------------|--------------------------------------|--------------|
|                                  | 2015                                       | 2016         | 2016<br>[Min.] | 2016<br>[Max.] | 2015                                 | 2016         |
| Fixed remuneration               | 844  | 1,321        | 1,321          | 1,321          | 844                                  | 1,321        |
| Fringe benefits                  | 87   | 61           | 61             | 61             | 87                                   | 61           |
| <b>Total</b>                     | <b>931</b>                                 | <b>1,382</b> | <b>1,382</b>   | <b>1,382</b>   | <b>931</b>                           | <b>1,382</b> |
| One-year variable remuneration   | 168  | 342          | 49             | 488            | 472                                  | 168          |
| Multi-year variable compensation | 308  | 357          | 0              | 536            | 577                                  | 308          |
| For the 2012–2014 period         | 0  | 0            | 0              | 0              | 577                                  | 0            |
| For the 2014–2016 period         | 308  | 0            | 0              | 0              | 0                                    | 308          |
| For the 2016–2018 period         | 0  | 357          | 0              | 536            | 0                                    | 0            |
| Service costs                    | 3,126                                      | 81           | 0              | 81             | 3,126                                | 81           |
| <b>Total</b>                     | <b>3,602</b>                               | <b>780</b>   | <b>49</b>      | <b>1,105</b>   | <b>4,175</b>                         | <b>557</b>   |
| Pension payments                 | 0  | 0            | 0              | 0              | 0                                    | 0            |
| <b>Total compensation</b>        | <b>4,533</b>                               | <b>2,162</b> | <b>1,431</b>   | <b>2,487</b>   | <b>5,106</b>                         | <b>1,939</b> |

The remuneration of the members of the Board of Management is composed of a fixed and a variable salary portion. The fixed portion consists of the fixed salary and ancillary benefits (contributions to health insurance and pension fund contributions) as well as benefits in kind from the use of a company car. This portion is paid monthly. The variable portion of the salary of Board of Management members is divided into short-term and long-term parts. The short-term part is based on the attainment of certain targets in the current fiscal year, and the long-term part is based on the attainment of targets over several years. The long-term part of variable remuneration amounts to 55 percent and the short-term part to 45 percent of the possible variable salary. The Supervisory Board agrees the short- and long-term targets with the Board of Management. The current short-term target is the expected Group EBT for the next fiscal year. Should the short-term target not be achieved 100 percent, the share of this target is not paid out with regard to the short-term variable remuneration or only in part in relationship with the degree of attainment of such target. The long-term objectives refer to parameters that support the future economic development of the Company, such as the expected three-year EBT. The variable salary portion linked to the targets covering several years is paid out at the end of a fiscal year; however, it is subject to repayment in the event of the long-term target not being attained over several years or it will be offset against other claims due. The salaries of the members of the Board of Management are subject to a maximum amount that must not be exceeded. As regards the remuneration of the Board of Management members, fixed and variable remuneration from Group activities, e.g. Supervisory Board fees at subsidiaries, are included in the maximum amount for the remuneration of the Board of Management. No stock options were granted to the members of the Board of Management.

In the event of a change of control at the Company, the members of the Board of Management have a special right of termination, which they can exercise during the two months following the occurrence of the change of control (excluding the month in which the change of control occurred), with a notice period of fourteen days to the end of the relevant month. A change of control event granting a special right of termination occurs, if a third party notifies the Company in accordance with Section 21 WpHG that it has reached or exceeded a participation of 50 percent of the voting shares of the Company. If the special right of termination is exercised, the members of the Board of Management are entitled to their fixed salary for the remainder of the contract term, but limited to a maximum of two years' compensation. In the event that the change of control occurs in the context of a public offering, the members of the Board of Management, should they exercise their special right of termination, are also entitled to a special bonus of 50 percent of an increase in goodwill resulting from the offer. Depending in each case on the market capitalisation, the increase in value in this respect must be calculated on the basis of the difference between the acquisition price first offered by the bidder and the possibly higher acquisition price decisive for the implementation of the offer; in total, however, the special bonus may not be higher than the fixed annual salary.

In addition, the Company bears the costs of Directors' and Officers' Liability Insurance for all members of the Board of Management.

The distribution of remuneration of the individual members of the Board of Management pursuant to the Corporate Governance Code is shown in the following tables.

| in TEUR                          | Benefits granted<br>Markus Lesser<br>Chief Executive Officer (CEO) |            |                |                | Allocation<br>Markus Lesser<br>Chief Executive Officer (CEO) |            |
|----------------------------------|--|------------|----------------|----------------|--|------------|
|                                  | 2015   | 2016       | 2016<br>(Min.) | 2016<br>(Max.) | 2015   | 2016       |
| Fixed remuneration               | 240  | 322        | 322            | 322            | 240  | 322        |
| Fringe benefits                  | 24   | 24         | 24             | 24             | 24   | 24         |
| <b>Total</b>                     | <b>264</b>   | <b>346</b> | <b>346</b>     | <b>346</b>     | <b>264</b>   | <b>346</b> |
| One-year variable remuneration   | 78   | 158        | 0              | 236            | 82   | 78         |
| Multi-year variable compensation | 143  | 192        | 0              | 289            | 100  | 143        |
| For the 2012–2014 period         | 0  | 0          | 0              | 0              | 100  | 0          |
| For the 2014–2016 period         | 143  | 0          | 0              | 0              | 0  | 143        |
| For the 2016–2018 period         | 0  | 192        | 0              | 289            | 0  | 0          |
| Service costs                    | 42   | 35         | 0              | 35             | 42   | 35         |
| <b>Total</b>                     | <b>263</b>   | <b>385</b> | <b>0</b>       | <b>560</b>     | <b>224</b>   | <b>256</b> |
| Pension payments                 | 0  | 0          | 0              | 0              | 0  | 0          |
| <b>Total compensation</b>        | <b>527</b>   | <b>731</b> | <b>346</b>     | <b>906</b>     | <b>488</b>   | <b>602</b> |

| in TEUR                          | Benefits granted<br>Jörg Klowat<br>Chief Financial Officer (CFO) |            |                |                | Allocation<br>Jörg Klowat<br>Chief Financial Officer (CFO) |            |
|----------------------------------|--|------------|----------------|----------------|--|------------|
|                                  | 2015   | 2016       | 2016<br>(Min.) | 2016<br>(Max.) | 2015   | 2016       |
| Fixed remuneration               | 300  | 330        | 330            | 330            | 300  | 330        |
| Fringe benefits                  | 30   | 31         | 31             | 31             | 30   | 31         |
| <b>Total</b>                     | <b>330</b>   | <b>361</b> | <b>361</b>     | <b>361</b>     | <b>330</b>   | <b>361</b> |
| One-year variable remuneration   | 90   | 135        | 0              | 203            | 115  | 90         |
| Multi-year variable compensation | 165  | 165        | 0              | 247            | 140  | 165        |
| For the 2012–2014 period         | 0  | 0          | 0              | 0              | 140  | 0          |
| For the 2014–2016 period         | 165  | 0          | 0              | 0              | 0  | 165        |
| For the 2016–2018 period         | 0  | 165        | 0              | 247            | 0  | 0          |
| Service costs                    | 44   | 46         | 0              | 46             | 44   | 46         |
| <b>Total</b>                     | <b>299</b>   | <b>346</b> | <b>0</b>       | <b>496</b>     | <b>299</b>   | <b>301</b> |
| Pension payments                 | 0  | 0          | 0              | 0              | 0  | 0          |
| <b>Total compensation</b>        | <b>629</b>   | <b>707</b> | <b>361</b>     | <b>857</b>     | <b>629</b>   | <b>662</b> |

| in TEUR                          | Benefits granted<br>Kurt Stürken<br>Chief Operating Officer (COO)<br>(since 15.9.16) |            |                |                | Allocation<br>Kurt Stürken<br>Chief Operating Officer (COO)<br>(since 15.9.16) |           |
|----------------------------------|--|------------|----------------|----------------|--|-----------|
|                                  | 2015   | 2016       | 2016<br>(Min.) | 2016<br>(Max.) | 2015   | 2016      |
| Fixed remuneration               | 0  | 64         | 64             | 64             | 0  | 64        |
| Fringe benefits                  | 0  | 6          | 6              | 6              | 0  | 6         |
| <b>Total</b>                     | <b>0</b>   | <b>70</b>  | <b>70</b>      | <b>70</b>      | <b>0</b>   | <b>70</b> |
| One-year variable remuneration   | 0  | 49         | 49             | 49             | 0  | 0         |
| Multi-year variable compensation | 0  | 0          | 0              | 0              | 0  | 0         |
| For the 2012–2014 period         | 0  | 0          | 0              | 0              | 0  | 0         |
| For the 2014–2016 period         | 0  | 0          | 0              | 0              | 0  | 0         |
| For the 2016–2018 period         | 0  | 0          | 0              | 0              | 0  | 0         |
| Service costs                    | 0  | 0          | 0              | 0              | 0  | 0         |
| <b>Total</b>                     | <b>0</b>   | <b>49</b>  | <b>49</b>      | <b>49</b>      | <b>0</b>   | <b>0</b>  |
| Pension payments                 | 0  | 0          | 0              | 0              | 0  | 0         |
| <b>Total compensation</b>        | <b>0</b>   | <b>119</b> | <b>119</b>     | <b>119</b>     | <b>0</b>   | <b>70</b> |

| in TEUR                          | Benefits granted<br>Per Hornung Pedersen<br>Ex-Board<br>(1.1.–30.11.16) |            |                |                | Allocation<br>Per Hornung Pedersen<br>Ex-Board<br>(1.1.–30.11.16) |            |
|----------------------------------|---|------------|----------------|----------------|---|------------|
|                                  | 2015  | 2016       | 2016<br>(Min.) | 2016<br>(Max.) | 2015  | 2016       |
| Fixed remuneration               | 55  | 605        | 605            | 605            | 55  | 605        |
| Fringe benefits                  | 0   | 0          | 0              | 0              | 0   | 0          |
| <b>Total</b>                     | <b>55</b>   | <b>605</b> | <b>605</b>     | <b>605</b>     | <b>55</b>   | <b>605</b> |
| One-year variable remuneration   | 0   | 0          | 0              | 0              | 0   | 0          |
| Multi-year variable compensation | 0   | 0          | 0              | 0              | 0   | 0          |
| For the 2012–2014 period         | 0   | 0          | 0              | 0              | 0   | 0          |
| For the 2014–2016 period         | 0   | 0          | 0              | 0              | 0   | 0          |
| For the 2016–2018 period         | 0   | 0          | 0              | 0              | 0   | 0          |
| Service costs                    | 0   | 0          | 0              | 0              | 0   | 0          |
| <b>Total</b>                     | <b>0</b>  | <b>0</b>   | <b>0</b>       | <b>0</b>       | <b>0</b>  | <b>0</b>   |
| Pension payments                 | 0   | 0          | 0              | 0              | 0   | 0          |
| <b>Total compensation</b>        | <b>55</b>   | <b>605</b> | <b>605</b>     | <b>605</b>     | <b>55</b>   | <b>605</b> |

| in TEUR                          | Benefits granted<br>Martin Billhardt<br>Ex-Chairman of the Board |          |                |                | Allocation<br>Martin Billhardt<br>Ex-Chairman of the Board |          |
|----------------------------------|--|----------|----------------|----------------|--|----------|
|                                  | 2015   | 2016     | 2016<br>(Min.) | 2016<br>(Max.) | 2015   | 2016     |
| Fixed remuneration               | 249  | 0        | 0              | 0              | 249  | 0        |
| Fringe benefits                  | 33   | 0        | 0              | 0              | 33   | 0        |
| <b>Total</b>                     | <b>282</b>   | <b>0</b> | <b>0</b>       | <b>0</b>       | <b>282</b>   | <b>0</b> |
| One-year variable remuneration   | 0  | 0        | 0              | 0              | 275  | 0        |
| Multi-year variable compensation | 0  | 0        | 0              | 0              | 337  | 0        |
| For the 2012–2014 period         | 0  | 0        | 0              | 0              | 337  | 0        |
| For the 2014–2016 period         | 0  | 0        | 0              | 0              | 0  | 0        |
| For the 2016–2018 period         | 0  | 0        | 0              | 0              | 0  | 0        |
| Service costs                    | 3.040  | 0        | 0              | 0              | 3.040  | 0        |
| <b>Total</b>                     | <b>3.040</b>   | <b>0</b> | <b>0</b>       | <b>0</b>       | <b>3.652</b>   | <b>0</b> |
| Pension payments                 | 0  | 0        | 0              | 0              | 0  | 0        |
| <b>Total compensation</b>        | <b>3.322</b>   | <b>0</b> | <b>0</b>       | <b>0</b>       | <b>3.934</b>   | <b>0</b> |

## 18. Outlook/Forecast

The PNE Wind Group is an internationally operating wind power pioneer from Germany and one of the most experienced developers of onshore and offshore wind farms. The enterprise combines economic success with ecological responsibility and offers services covering the entire value added chain around wind farms, ranging from the development, planning, realisation and distribution to the operation of wind farms up to repowering – i.e. the replacement of older wind power turbines by new modern equipment.

The effectiveness of the entire value added chain should be increased in order to achieve a reduction of the project costs. Another objective is to develop new markets of the future and to optimise the entire value added chain. In this way, we intend to increase and stabilise the added value, including and especially in the interest of our shareholders, in order to counteract the fluctuations that are inherent in the project business. At the same time, this is a prospect of increasing the value of the enterprise on a continuous and lasting basis.

Therefore, we are pursuing the goal of establishing internal electricity generation capacity through the development of a European portfolio of onshore wind farms up to 2019/2020. PNE WIND will take part in this process, as was the case in the portfolio sold successfully at the end of 2016. The new portfolio can be realised through internally developed wind farm projects, the acquisition of obsolete wind farms for subsequent repowering and the increased acquisition of projects that are at a late stage of development.

Cooperation within the industry is required in order to increase the effectiveness of wind farm projects and to achieve a reduction of project costs.

Among other things, this means:

- the reduction of energy generation costs per kWh – i.e. optimisation of the Leveraged Cost of Energy (LCOE) through the use of more efficient wind power turbines and more favourable purchasing conditions
- the reduction of the cost of capital
- access to long-term investors with calculable, secure yields

We want to develop high quality projects which meet international standards and allow for secure project financing at the international level. Such a project quality can be achieved by ensuring the forecast for the project schedule from the development to the start of operation.

The project development, realisation and operation of wind farms will remain the core business of the PNE WIND Group. Europe will remain a core market in this respect.

The expansion of renewable energies is a topic which is being discussed throughout the world. The PNE WIND Group is active in a market that is growing continuously worldwide. The Company has a broad position at the international level to diversify market risks and to benefit from the huge growth potential of the wind power market.

The necessity of an “energy revolution” has been recognised throughout the world. This has been shown by the successful conclusion of the world climate conference COP21 in Paris and the 2016 follow-up conference in Marrakesh. The goal is to prevent a rise in average global temperature by more than 2 degrees Celsius versus 1990 and to preferably limit it to 1.5 degrees Celsius. This illustrates that ever more countries are recognising the urgent need to change the energy mix in favour of renewable energies, and they are creating framework conditions to promote their expansion in both ecologically and economically sensible terms. Wind energy benefits from this trend, since it contributes to securing future power generation in a highly effective and economical way owing to the technical developments.

The internationalisation of our activities opens up additional growth opportunities and also means that we can spread risks more effectively. Geographic diversification gives the PNE WIND Group access to the global wind energy market. While our list of references already shows successfully realised projects in the Group with more than 2,400 MW of nominal output, our expansive onshore and offshore project pipeline, national and international, which is in various phases of project development, is the basis for our future growth.

Our passion for renewable energies and technology as well as our aim of combining economic success with ecological responsibility is what characterises the employees of the PNE WIND Group – from our trainees to the Board of Management. The PNE WIND Group is in a very good position on this basis and we are very confident of being able to capitalise on the opportunities in the growing “wind” market in the future.

In the 2016 fiscal year, PNE WIND AG successfully closed the largest wind farm sale in the Company’s history, which had been in preparation for several years. In December, the Company sold 80 percent of the shares in PNE WIND Partners Deutschland GmbH (formerly: PNE WIND YieldCo Deutschland GmbH) at an enterprise value of more than euro 330 million. PNE WIND AG has retained a 20 percent stake in the entity and will be responsible for the operational management of the wind farms in the long term. PNE WIND also received the purchase price of approx. euro 103 million in 2016. This was an essential step to achieving the forecast of a Group EBIT in the range of up to euro 100 million in 2016 and the lower end of the three-year guidance of euro 110–130 million for the years 2014 to 2016. PNE WIND generated a Group EBIT of euro 97.0 million in fiscal 2016, resulting in a cumulative Group EBIT of euro 109.5 million over the years 2014 to 2016. Due to the change in the legislative situation in Poland (zoning regulation) and the findings from the tender process in Italy, the Group

made inventory adjustments of approx. euro 8.6 million. Without these adjustments, PNE WIND would have generated an adjusted Group EBIT of euro 105.6 million in the 2016 fiscal year and a cumulative EBIT of euro 118.1 million over the years 2014 to 2016.

The forecasts and other statements on the expected development of the Group in the fiscal years 2014 to 2016 were met based on the operational developments in 2016, the sale of the 80 percent stake in the wind farm portfolio as well as the 2016 Group EBIT of euro 97.0 million and the cumulative Group EBIT for 2014 to 2016 of euro 109.5 million. In addition, the MW figures of the project development pipeline were achieved in line with expectations.

After the successful sale of the 142 MW wind farm portfolio at the end of 2016, the Board of Management will continue and expand this strategy. In the medium and the long term, the Company intends to invest in the establishment and realisation of a further wind farm portfolio. The objective is to stabilise and increase permanent revenues, including through increasing investments in an internally held wind farm portfolio. The positive effects from continuous income reduce the usual fluctuations in revenues and results. This will make the developments of the PNE WIND Group more predictable and calculable and, in our opinion, lead to an increase in the enterprise value in the medium and long term. The initial investments required for these plans will impact the results in the 2017 fiscal year. For 2017, the Board of Management expects a Group EBIT in the range of euro 0 to 15 million. PNE WIND AG expects positive results from the operating activities on an EBIT basis of between euro 10 to 20 million for the 2017 fiscal year. The MW figures of the project development pipeline shall be maintained at least at a constant level in fiscal 2017. In spite of our investments in the future, we expect clearly positive results in 2017 as well.

Cuxhaven, March 21, 2017

PNE WIND AG, Board of Management



## Shaping the future Commitment to climate-friendly and sustainable energy

We are committed to clean and sustainable energy production from renewable energy sources. We at PNE WIND tackle the expansion of wind energy with idealism and enthusiasm every day. The reasons for us are obvious: Limited resources of conventional energy sources, environmental degradation and climate damage are among the greatest global challenges of our time. Unlike fossil fuels, renewable energies do not lead to serious and irreparable environmental damage. Renewable energies are available directly on site and need not be imported with considerable economic effort.

In addition, we want to stay independent of possible political restrictions or future battles over the distribution of scarce resources. We act with foresight. Therefore, the Paris climate treaty was another important milestone towards the energy revolution with a view to the changing climate. We acknowledge this idea and will contribute our part to achieve these ambitious goals.



## CONSOLIDATED FINANCIAL STATEMENTS

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# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

## of PNE WIND AG for the period from January 1 to December 31, 2016

| All figures in TEUR (differences due to rounding possible)  |   | Notes           | 2016           | 2015           |
|---|---|-----------------|----------------|----------------|
| 1.  | Revenues  | VI.1.           | 248,577        | 109,524        |
| 2.  | Increase in finished goods and work in process                                      |                 | 1,591          | 116,096        |
| 3.  | Other operating income  | VI.2.           | 9,075          | 7,707          |
| <b>4.</b>   | <b>Total aggregate output</b>   |                 | <b>259,244</b> | <b>233,327</b> |
| 5.  | Cost of materials   |                 | -96,951        | -154,934       |
| 6.  | Personnel expenses  | VI.3.           | -25,423        | -29,254        |
| 7.  | Amortisation of intangible assets and depreciation of property, plant and equipment | IV.3./V.1./V.2. | -12,884        | -9,870         |
| 8.  | Other operating expenses  | VI.4.           | -26,918        | -29,476        |
| 9.  | Impairment expense – goodwill   | IV.3./V.1.      | -28            | -28            |
| <b>10.</b>  | <b>Operating result</b>   |                 | <b>97,040</b>  | <b>9,765</b>   |
| 11.   | Income from participations  |                 | 158            | 87             |
| 12.   | Other interest and similar income   | VI.5.           | 1,111          | 1,743          |
| 13.   | Income from assumption of profits of associates                                     | VI.5.           | 644            | 0              |
| 14.   | Expenses from assumption of losses of associates                                    |                 | -66            | -176           |
| 15.   | Interest and similar expenses   | VI.6.           | -17,331        | -16,381        |
| <b>16.</b>  | <b>Result before Taxes</b>  |                 | <b>81,556</b>  | <b>-4,959</b>  |
| 17.   | Taxes on income   | VI.7.           | -14,362        | 3,686          |
| 18.   | Other taxes   |                 | -114           | -117           |
| <b>19.</b>  | <b>Consolidated net profit/loss before non-controlling interests</b>                |                 | <b>67,080</b>  | <b>-1,389</b>  |
| 20.   | Non-controlling interests in the result   | V.8.            | -1,893         | -4,863         |
| <b>21.</b>  | <b>Consolidated net income/income</b>   |                 | <b>68,973</b>  | <b>3,474</b>   |
| <b>Other comprehensive income / items that may be reclassified in the future in the profit and loss account</b> |   |                 |                |                |
| 22.   | Foreign currency translation differences  |                 | -222           | -428           |
| 23.   | Others  |                 | 0              | 0              |
| <b>24.</b>  | <b>Other comprehensive income for the period (net of tax)</b>                       |                 | <b>-222</b>    | <b>-428</b>    |
| <b>25.</b>  | <b>Total comprehensive income for the period</b>                                    |                 | <b>66,857</b>  | <b>-1,817</b>  |
| <b>Consolidated profit/loss for the period attributable to:</b>   |   |                 |                |                |
|   | Owners of the parent company  |                 | 68,973         | 3,474          |
|   | Non-controlling interests   |                 | -1,893         | -4,863         |
|   |   |                 | <b>67,080</b>  | <b>-1,389</b>  |
| <b>Total comprehensive income for the period attributable to:</b>   |   |                 |                |                |
|   | Owners of the parent company  |                 | 68,750         | 3,046          |
|   | Non-controlling interests   |                 | -1,893         | -4,863         |
|   |   |                 | <b>66,857</b>  | <b>-1,817</b>  |
|   | Weighted average of shares in circulation (undiluted) (in thousands)                | VI.8            | 76,556         | 74,894         |
|   | Undiluted earnings per share from continuing operations in EUR                      |                 | 0.90           | 0.05           |
|   | Weighted average of shares in circulation (diluted) (in thousands)                  | VI.8            | 78,615         | 76,881         |
|   | Diluted earnings per share from continuing operations in EUR                        |                 | 0.88           | 0.05           |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS)

of PNE WIND AG, Cuxhaven, as at December 31, 2016

## Assets

| in TEUR (differences due to rounding possible) |   | Notes             | Status as at<br>31.12.2016 | Status as at<br>31.12.2015 |
|--|---|-------------------|----------------------------|----------------------------|
| <b>A.</b>                                      | <b>Long term assets</b>   |                   |                            |                            |
| I.   | Intangible assets   | IV.4./IV.2./V.1.  |                            |                            |
|  | 1. Franchises, trademarks, licences and other similar rights as well as licences from such rights |                   | 3,991                      | 2,700                      |
|  | 2. Goodwill   |                   | 63,409                     | 60,405                     |
|  |   |                   | <b>67,400</b>              | <b>63,105</b>              |
| II.  | Property, plant and equipment   | IV.4./IV.3./V.2.  |                            |                            |
|  | 1. Land and buildings including buildings on third-party land                                     |                   | 14,855                     | 19,594                     |
|  | 2. Technical equipment and machinery  |                   | 21,670                     | 144,962                    |
|  | 3. Other plant and machinery, fixtures and fittings   |                   | 2,545                      | 2,773                      |
|  | 4. Prepayments and plant under construction   |                   | 159                        | 18                         |
|  |   |                   | <b>39,230</b>              | <b>167,347</b>             |
| III.   | Long term financial assets  | IV.5./V.3.        |                            |                            |
|  | 1. Shares in affiliated companies   |                   | 26                         | 1,357                      |
|  | 2. Shares in associates   |                   | 27,194                     | 650                        |
|  | 3. Participations   |                   | 1,092                      | 604                        |
|  | 4. Other loans  |                   | 115                        | 153                        |
|  | 5. Other long term loan receivables   |                   | 25                         | 439                        |
|  |   |                   | <b>28,452</b>              | <b>3,204</b>               |
| IV.  | Deferred tax assets   | IV.6./VI.7.       | 7,136                      | 17,440                     |
| <b>B.</b>                                      | <b>Assets held for sale</b>   | <b>IV.7./V.4.</b> | <b>0</b>                   | <b>1,135</b>               |
| <b>C.</b>                                      | <b>Current assets</b>   |                   |                            |                            |
| I.   | Inventories   | IV.8./V.5.        | 112,946                    | 121,177                    |
| II.  | Receivables and other assets  | IV.10./V.6.       |                            |                            |
|  | 1. Trade receivables  |                   | 13,187                     | 7,969                      |
|  | 2. Other short term loan receivables  |                   | 1,472                      | 312                        |
|  | 3. Receivables from affiliated companies  |                   | 4,937                      | 5,110                      |
|  | 4. Receivables from associated companies and from other investments                               |                   | 2,533                      | 2,339                      |
|  | 5. Other assets   |                   | 6,261                      | 11,671                     |
|  |   |                   | <b>28,390</b>              | <b>27,300</b>              |
| III.   | Tax receivables   |                   | 754                        | 1,480                      |
| IV.  | Cash and cash equivalents   | IV.11.            | 147,686                    | 86,075                     |
|  |   |                   | <b>431,994</b>             | <b>488,262</b>             |

## Liabilities

in TEUR (differences due to rounding possible)

|   | Notes        | Status as at<br>31.12.2016 | Status as at<br>31.12.2015 |
|---|--------------|----------------------------|----------------------------|
| <b>A. Shareholders' equity</b>                                  | V.7.         |                            |                            |
| I. Capital subscribed   |              | 76,556                     | 76,555                     |
| II. Capital subscribed  |              | 82,288                     | 82,287                     |
| III. Retained earnings  |              |                            |                            |
| 1. Legal reserve  |              | 5                          | 5                          |
| 2. Other retained earnings                                      |              | 46                         | 46                         |
|   |              | <b>51</b>                  | <b>51</b>                  |
| IV. Foreign exchange reserve                                    |              | -997                       | -775                       |
| V. Retained consolidated profit                                 |              | 76,883                     | 10,912                     |
| VI. Non-controlling interests                                   | V.8.         | -5,393                     | -3,102                     |
|   |              | <b>229,388</b>             | <b>165,928</b>             |
| <b>B. Long term liabilities</b>                                 |              |                            |                            |
| I. Other provisions   | IV.13./V.11. | 7,945                      | 9,400                      |
| II. Deferred subsidies from public authorities                  | IV.15./V.9.  | 902                        | 949                        |
| III. Long term financial liabilities                            | IV.14./V.12. |                            |                            |
| 1. Bonds  |              | 104,526                    | 103,345                    |
| 2. Liabilities to banks   |              | 11,334                     | 112,461                    |
| 3. Other financial liabilities                                  |              | 631                        | 7,769                      |
| 4. Liabilities from leasing contracts                           |              | 0                          | 169                        |
|   |              | <b>116,491</b>             | <b>223,744</b>             |
| IV. Deferred tax liabilities                                    | IV.6./VI.7.  | 3,347                      | 3,376                      |
| <b>C. Current liabilities</b>                                   |              |                            |                            |
| I. Provisions for taxes   | V.10.        | 1,565                      | 3,815                      |
| II. Other provisions  | IV.13./V.11. | 2,403                      | 2,476                      |
| III. Short term financial liabilities                           | IV.14./V.12. |                            |                            |
| 1. Liabilities to banks   |              | 2,163                      | 35,857                     |
| 2. Other financial liabilities                                  |              | 8,623                      | 601                        |
| 3. Liabilities from leasing contracts                           |              | 346                        | 110                        |
|   |              | <b>11,131</b>              | <b>36,568</b>              |
| IV. Other liabilities   | IV.14./V.13. |                            |                            |
| 1. Trade payables   |              | 15,692                     | 16,852                     |
| 2. Liabilities to affiliated companies                          |              | 582                        | 355                        |
| 3. Liabilities to associated companies and to other investments |              | 1,562                      | 589                        |
| 4. Deferred revenues  |              | 16,308                     | 10,263                     |
| 5. Deferred liabilities   |              | 18,298                     | 8,006                      |
| 6. Other liabilities  |              | 6,380                      | 5,934                      |
|   |              | <b>58,822</b>              | <b>41,999</b>              |
| V. Tax liabilities  |              | 0                          | 0                          |
| <b>D. Liabilities held for sale</b>                             |              | <b>0</b>                   | <b>6</b>                   |
|   |              | <b>431,994</b>             | <b>488,262</b>             |

# CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

of PNE WIND AG, Cuxhaven, as at December 31, 2016

| in TEUR (differences due to rounding possible)   | Notes                  | 2016           | 2015            |
|--|------------------------|----------------|-----------------|
| Consolidated net result  |                        | 67,080         | -1,389          |
| -/+ Income tax benefit and expense   | VI.7.                  | 14,362         | -3,686          |
| -/+ Income tax received  |                        | -3,162         | -1,326          |
| -/+ Interest income and expense  | VI.5./VI.6.            | 16,219         | 14,637          |
| - Interest paid  |                        | -13,580        | -13,311         |
| + Interest received  |                        | 1,075          | 828             |
| +/- Amortisation and depreciation of intangible assets and property, plant and equipment     |                        | 12,912         | 9,898           |
| +/- Increase / decrease in provisions  | V.11.                  | 4,562          | 2,223           |
| -/+ Non-cash effective income/expenses   |                        | -221           | -319            |
| - Profit from the disposal of fixed assets and from final consolidation                      | III.2.                 | -64,630        | -35,474         |
| +/- Increase of inventories and other assets   | IV.8./V.5.             | 17,149         | -67,490         |
| +/- Decrease/increase of trade receivables and stage of completion accounting                | IV.9./IV.10./V.3./V.6. | -14,387        | 17,843          |
| +/- Increase/decrease of trade liabilities and other liabilities                             | IV.14./V.12./V.13.     | 27,047         | -24,909         |
| <b>Cash flow from operating activities</b>   |                        | <b>64,426</b>  | <b>-102,475</b> |
| + Inflow of funds from intangible assets   |                        | 0              | 1               |
| + Inflow of funds from disposal of items of property, plant, equipment and intangible assets |                        | 3,114          | 94              |
| - Outflow of funds for investments in property, plant, equipment and intangible assets       | V.1.-2.                | -108,699       | -2,903          |
| + Inflow of funds from disposal of financial assets  |                        | 428            | 0               |
| - Outflow of funds from disposal of financial assets   |                        | 0              | -255            |
| + Inflow of funds from disposal of consolidated units  | III.3.                 | 103,334        | 23,163          |
| - Outflow of funds for investments in consolidated units                                     |                        | -418           | 0               |
| <b>Cash flow from investing activities</b>   |                        | <b>-2,241</b>  | <b>20,100</b>   |
| + Additional inflow of funds from shareholders   | V.7.                   | 0              | 9,454           |
| + Inflow of funds from financial loans   | V.12.                  | 66,563         | 108,711         |
| - Outflow of funds for the redemption of financial loans                                     | V.12.                  | -43,392        | -10,996         |
| - Outflow of funds for dividend  |                        | -3,062         | -3,062          |
| - Outflow of funds for capital increase expenses   |                        | 0              | -396            |
| - Outflow of funds from the redemption of bonds  |                        | 0              | -1,825          |
| <b>Cash flow from financing activities</b>   |                        | <b>20,109</b>  | <b>101,886</b>  |
| Cash effective change in liquid funds  |                        | 82,294         | 19,512          |
| + Change in liquid funds due to changes in scope of consolidation                            |                        | -20,684        | -5,611          |
| + Liquid funds at the beginning of the period  | IV.11./VII.1.          | 86,076         | 72,175          |
| <b>Liquid funds at the end of the period*</b>  | <b>IV.11./VII.1.</b>   | <b>147,686</b> | <b>86,076</b>   |
| * of which are pledged to a bank as security guaranteed credit lines                         | V.12.                  | 98             | 3,098           |

| Consolidated statement of cash flows (IFRS)

| Consolidated statement of changes in equity (IFRS)

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

of PNE WIND AG, Cuxhaven, for the fiscal year 2016

| All figures in TEUR (differences due to rounding possible) | Capital subscribed | Capital reserve | Profit reserves | Foreign exchange reserve | Retained loss | shareholders equity before non-controlling interests | Non-controlling interests | Total shareholders equity |
|--|--------------------|-----------------|-----------------|--------------------------|---------------|--|---------------------------|---------------------------|
| <b>Status as at January 1, 2015</b>                        | 71,975             | 77,803          | 51              | -347                     | 10,680        | 160,162  | 33                        | 160,195                   |
| <b>Consolidated net result 2015</b>                        | 0                  | 0               | 0               | 0                        | 3,474         | 3,474  | -4,863                    | -1,389                    |
| Dividend   | 0                  | 0               | 0               | 0                        | -3,062        | -3,062   | 0                         | -3,062                    |
| Capital increase in cash                                   | 4,579              | 4,876           | 0               | 0                        | 0             | 9,455  | 0                         | 9,455                     |
| Capital increase expenses                                  | 0                  | -396            | 0               | 0                        | 0             | -396   | 0                         | -396                      |
| Conversion of convertible bond 2014/2019                   | 2                  | 4               | 0               | 0                        | 0             | 6  | 0                         | 6                         |
| Other items  | 0                  | 0               | 0               | -428                     | -180          | -609   | 1,729                     | 1,120                     |
| <b>Status as at December 31, 2015</b>                      | <b>76,555</b>      | <b>82,287</b>   | <b>51</b>       | <b>-775</b>              | <b>10,912</b> | <b>169,030</b>                                       | <b>-3,102</b>             | <b>165,928</b>            |
| <b>Consolidated net result 2016</b>                        | 0                  | 0               | 0               | 0                        | 68,973        | 68,973   | -1,893                    | 67,080                    |
| Dividend   | 0                  | 0               | 0               | 0                        | -3,062        | -3,062   | 0                         | -3,062                    |
| Conversion of convertible bond 2014/2019                   | 1                  | 1               | 0               | 0                        | 0             | 2  | 0                         | 2                         |
| Other items  | 0                  | 0               | 0               | -222                     | 61            | -162   | -399                      | -561                      |
| <b>Status as at December 31, 2016</b>                      | <b>76,556</b>      | <b>82,288</b>   | <b>51</b>       | <b>-997</b>              | <b>76,883</b> | <b>234,781</b>                                       | <b>-5,393</b>             | <b>229,388</b>            |

# CONSOLIDATED SCHEDULE OF FIXED ASSETS (IFRS)

of PNE WIND AG for the fiscal year 2016

|   | Acquisition and manufacturing cost |   |                |                             |              |                         | Status as at<br>31.12.2016 |
|---|------------------------------------|---|----------------|-----------------------------|--------------|-------------------------|----------------------------|
|   | Status as at<br>1.1.2016           | Changes in<br>scope of<br>consolidation | Additions      | Re-<br>classifica-<br>tions | Disposals    | Exchange<br>Differences |                            |
| <b>I. Intangible assets</b>   |                                    |   |                |                             |              |                         |                            |
| 1. Franchises, trademarks and similar rights as well as licences to such rights | 7,469                              | 1,604                                   | 264            | 0                           | 0            | -1                      | 9,337                      |
| 2. Goodwill   | 144,745                            | 3,033                                   | 0              | 0                           | 0            | 0                       | 147,777                    |
|   | 152,214                            | 4,637                                   | 264            | 0                           | 0            | -1                      | 157,114                    |
| <b>II. Property, plant and equipment</b>  |                                    |   |                |                             |              |                         |                            |
| 1. Land and buildings including buildings on third party land                   | 26,749                             | -30                                     | 20             | 0                           | 6,071        | 0                       | 20,668                     |
| 2. Technical equipment and machinery  | 189,507                            | -213,945                                | 73,630         | 0                           | 112          | -22                     | 49,058                     |
| 3. Other equipment, fixtures and furnishings                                    | 5,680                              | 0                                       | 633            | 0                           | 386          | 4                       | 5,931                      |
| 4. Prepayments and plant under construction                                     | 22                                 | -35,151                                 | 35,302         | 0                           | 10           | 0                       | 163                        |
|   | 221,958                            | -249,126                                | 109,585        | 0                           | 6,579        | -18                     | 75,820                     |
| <b>III. Financial assets</b>  |                                    |   |                |                             |              |                         |                            |
| 1. Shares in affiliated companies   | 7,954                              | 0                                       | -922           | 0                           | 409          | 0                       | 6,623                      |
| 2. Shares in associates   | 1,513                              | 0                                       | 26,521         | 22                          | 1            | 0                       | 28,056                     |
| 3. Participations   | 604                                | 528                                     | 1              | -22                         | 18           | 0                       | 1,092                      |
| 4. Other loans  | 153                                | 0                                       | 1              | 0                           | 1            | 0                       | 153                        |
|   | 10,224                             | 528                                     | 25,601         | 0                           | 428          | 0                       | 35,924                     |
|   | <b>384,396</b>                     | <b>-243,962</b>                         | <b>135,449</b> | <b>0</b>                    | <b>7,007</b> | <b>-19</b>              | <b>268,858</b>             |

I Consolidated schedule of fixed assets (IFRS)

|  | Accumulated amortisation and depreciation |                              |               |              |                      | Book values             |                         |                         |
|--|---|------------------------------|---------------|--------------|----------------------|-------------------------|-------------------------|-------------------------|
|  | Status as at 1.1.2016                     | consolidated in consolidated | Additions     | Disposals    | Exchange Differences | Status as at 31.12.2016 | Status as at 31.12.2016 | Status as at 31.12.2015 |
|  | 4,769                                     | 0                            | 576           | 0            | 0                    | 5,345                   | 3,991                   | 2,700                   |
|  | 84,340                                    | 0                            | 28            | 0            | 0                    | 84,368                  | 63,409                  | 60,405                  |
|  | 89,109                                    | 0                            | 604           | 0            | 0                    | 89,713                  | 67,400                  | 63,105                  |
|  | 7,155                                     | 0                            | 753           | 2,094        | 0                    | 5,813                   | 14,855                  | 19,594                  |
|  | 44,545                                    | -27,860                      | 10,750        | 59           | 11                   | 27,387                  | 21,670                  | 144,962                 |
|  | 2,908                                     | 0                            | 767           | 292          | 3                    | 3,385                   | 2,545                   | 2,773                   |
|  | 4   | 0                            | 0             | 0            | 0                    | 4                       | 159                     | 18                      |
|  | 54,611                                    | -27,860                      | 12,269        | 2,445        | 14                   | 36,590                  | 39,230                  | 167,347                 |
|  | 6,597                                     | 0                            | 0             | 0            | 0                    | 6,597                   | 26                      | 1,357                   |
|  | 862                                       | 0                            | 0             | 0            | 0                    | 862                     | 27,194                  | 650                     |
|  | 0   | 0                            | 0             | 0            | 0                    | 0                       | 1,092                   | 604                     |
|  | 0   | 0                            | 38            | 0            | 0                    | 38                      | 115                     | 153                     |
|  | 7,459                                     | 0                            | 38            | 0            | 0                    | 7,497                   | 28,427                  | 2,765                   |
|  | <b>151,180</b>                            | <b>-27,860</b>               | <b>12,912</b> | <b>2,445</b> | <b>14</b>            | <b>133,800</b>          | <b>135,057</b>          | <b>233,216</b>          |

# CONSOLIDATED SCHEDULE OF FIXED ASSETS (IFRS)

of PNE WIND AG for the fiscal year 2015

|   | Acquisition and manufacturing cost |                               |               |                             |              |                          |                            |
|---|------------------------------------|-------------------------------|---------------|-----------------------------|--------------|--------------------------|----------------------------|
|   | Status as at<br>1.1.2015           | Changes<br>in<br>consolidated | Additions     | Re-<br>classifica-<br>tions | Disposals    | Exchange-<br>Differences | Status as at<br>31.12.2015 |
| <b>I. Intangible assets</b>   |                                    |                               |               |                             |              |                          |                            |
| 1. Franchises, trademarks and similar rights as well as licences to such rights | 7,303                              | -34                           | 229           | 0                           | 26           | -2                       | 7,469                      |
| 2. Goodwill   | 144,745                            | 0                             | 0             | 0                           | 0            | 0                        | 144,745                    |
|   | 152,047                            | -34                           | 229           | 0                           | 26           | -2                       | 152,214                    |
| <b>II. Property, plant and equipment</b>  |                                    |                               |               |                             |              |                          |                            |
| 1. Land and buildings including buildings on third party land                   | 26,622                             | 0                             | 128           | 0                           | 0            | 0                        | 26,749                     |
| 2. Technical equipment and machinery  | 87,490                             | -10,022                       | 9,181         | 102,812                     | 51           | 97                       | 189,507                    |
| 3. Andere Anlagen, Betriebs- und Geschäftsausstattung                           | 5,445                              | -31                           | 625           | 165                         | 530          | 6                        | 5,680                      |
| 4. Prepayments and plant under construction                                     | 970                                | -25                           | 202           | -1,121                      | 4            | 0                        | 22                         |
|   | 120,527                            | -10,077                       | 10,136        | 101,856                     | 585          | 103                      | 221,958                    |
| <b>III. Financial assets</b>  |                                    |                               |               |                             |              |                          |                            |
| 1. Shares in affiliated companies   | 7,680                              | 0                             | 3,474         | -103                        | 3,096        | 0                        | 7,954                      |
| 2. Shares in associates   | 870                                | 0                             | 539           | 103                         | 0            | 0                        | 1,513                      |
| 3. Participations   | 604                                | 0                             | 0             | 0                           | 0            | 0                        | 604                        |
| 4. Other loans  | 153                                | 0                             | 0             | 0                           | 0            | 0                        | 153                        |
|   | 9,307                              | 0                             | 4,013         | 0                           | 3,096        | 0                        | 10,224                     |
|   | <b>281,882</b>                     | <b>-10,112</b>                | <b>14,378</b> | <b>101,856</b>              | <b>3,707</b> | <b>101</b>               | <b>384,396</b>             |

I Consolidated schedule of fixed assets (IFRS)

|  | Accumulated amortisation and depreciation |                         |              |            |                      | Book values             |                         |                         |
|--|---|-------------------------|--------------|------------|----------------------|-------------------------|-------------------------|-------------------------|
|  | Status as at 1.1.2015                     | Changes in consolidated | Additions    | Disposals  | Exchange Differences | Status as at 31.12.2015 | Status as at 31.12.2015 | Status as at 31.12.2014 |
|  | 3,809                                     | -28                     | 1,015        | 25         | -2                   | 4,769                   | 2,700                   | 3,494                   |
|  | 84,312                                    | 0                       | 28           | 0          | 0                    | 84,340                  | 60,405                  | 60,433                  |
|  | 88,121                                    | -28                     | 1,043        | 25         | -2                   | 89,109                  | 63,105                  | 63,926                  |
|  | 6,396                                     | 0                       | 759          | 0          | 0                    | 7,155                   | 19,594                  | 20,226                  |
|  | 37,957                                    | -683                    | 7,218        | 14         | 67                   | 44,545                  | 144,962                 | 49,534                  |
|  | 2,518                                     | -9                      | 874          | 478        | 2                    | 2,908                   | 2,773                   | 2,927                   |
|  | 0   | 0                       | 4            | 0          | 0                    | 4                       | 18                      | 970                     |
|  | 46,872                                    | -692                    | 8,855        | 492        | 69                   | 54,611                  | 167,347                 | 73,655                  |
|  | 6,597                                     | 0                       | 0            | 0          | 0                    | 6,597                   | 1,357                   | 1,083                   |
|  | 862                                       | 0                       | 0            | 0          | 0                    | 862                     | 650                     | 8                       |
|  | 0   | 0                       | 0            | 0          | 0                    | 0                       | 604                     | 604                     |
|  | 0   | 0                       | 0            | 0          | 0                    | 0                       | 153                     | 153                     |
|  | 7,459                                     | 0                       | 0            | 0          | 0                    | 7,459                   | 2,765                   | 1,848                   |
|  | <b>142,453</b>                            | <b>-721</b>             | <b>9,898</b> | <b>516</b> | <b>67</b>            | <b>151,180</b>          | <b>233,216</b>          | <b>139,429</b>          |

# CONSOLIDATED SEGMENT REPORTING (IFRS)

of PNE WIND AG, Cuxhaven, for the fiscal year 2016

| All figures in TEUR<br>(differences due to rounding possible) | Projecting of<br>wind power turbines |                | Electricity generation |               |
|---|--------------------------------------|----------------|------------------------|---------------|
|   | 2016                                 | 2015           | 2016                   | 2015          |
| External sales  | 223,053                              | 92,191         | 25,524                 | 17,333        |
| Inter-segment sales   | -26,983                              | 150,476        | 751                    | 746           |
| Change in inventories   | 1,591                                | -4,384         | 0                      | 0             |
| Other operating income  | 9,300                                | 7,531          | 1,883                  | 3,669         |
| <b>Total aggregate output</b>                                 | <b>206,961</b>                       | <b>245,814</b> | <b>28,158</b>          | <b>21,748</b> |
| Depreciation and amortisation                                 | -2,904                               | -3,604         | -10,007                | -6,293        |
| <b>Operating result</b>                                       | <b>57,775</b>                        | <b>27,034</b>  | <b>8,701</b>           | <b>7,635</b>  |
| Other interest and similar income                             | 6,133                                | 7,654          | 415                    | 423           |
| Interest and similar expenses                                 | -16,819                              | -17,444        | -5,949                 | -5,270        |
| Taxes on income   | -3,039                               | -2,415         | -2,154                 | -846          |
| Investments   | 3,122                                | 2,883          | 105,577                | 275           |
| Segment assets  | 584,535                              | 489,914        | 24,925                 | 205,114       |
| Segment liabilities <sup>1)</sup>                             | 391,258                              | 384,202        | 35,190                 | 162,001       |
| Segment equity  | 193,277                              | 105,712        | -10,265                | 43,113        |

<sup>1)</sup> The deferred subsidies from the public authorities were included under segment liabilities.

The following companies are included in the individual segments:

Projecting of wind power turbines: PNE WIND AG, PNE WIND Betriebsführungs GmbH, PNE WIND Verwaltungs GmbH, PNE WIND Netzprojekt GmbH, PNE Gode Wind III GmbH (until 28.12.2016), PNE WIND Nemo GmbH, PNE WIND Jules Verne GmbH, PNE WIND Nautilus GmbH, PNE WIND Atlantis I GmbH, PNE WIND Atlantis II GmbH, PNE WIND Atlantis III GmbH, PNE WIND Ausland GmbH, NH North Hungarian Windfarm Kft., PNE WIND Yenilenebilir Enerjiler Ltd. (until 16.4.2015), PNE WIND Elektrik Üretim Ltd., PNE WIND Bati Rüzgari Elektrik Üretim Ltd., PNE WIND Güney Rüzgari Elektrik Üretim Ltd., PNE WIND Kuzey Rüzgari Elektrik Üretim Ltd., PNE WIND Development EOOD, PNE WIND Stralджа-Kamenec OOD, PNE WIND PARK Dobrudzha OOD, PNE WIND Bulgaria EOOD, PNE WIND Ventus Praventsi OOD, PNE WIND Romania S.R.L., PNE WIND Romania Energy Holding S.R.L., EVN WINDPOWER DEVELOPMENT & CONSTRUCTION S.R.L., S.C. PNE WIND MVI SRL, PNE WIND USA Inc., PNE WIND Central States LLC, PNE WIND DEVELOPMENT LLC, Underwood Windfarm LLC, Butte Windfarm LLC, Chilocco WIND FARM LLC, PNE WIND Canada Inc. (formerly PNE BCP WIND INC.), PNE WIND UK Ltd. (until 12.6.15), Wind Kapital Invest Verwaltungs GmbH, Wind Kapital Invest GmbH & Co. KG, WKN AG, Windkraft Nord USA Inc., WKN Italia S.R.L., Aero Sol S.R.L., Aero-Tanna S.R.L., ATS Energia S.R.L., WKN Basilicata Development S.R.L., WKN France S.A.S.U., Parc Eolien de Crampon S.A.S.U. (until 7.9.2016), Ukrainische Windenergie Management GmbH, New Energy Association, International GmbH, Sevivon Sp. z o.o., VKS Vindkraft Sverige AB, WKN Windcurrent SA (Pty) Ltd., NordStrom New Energy GmbH, BGZ Fondsverwaltung GmbH, energy consult GmbH

Electricity generation: PNE Biomasse GmbH, PNE WIND Grundstücks GmbH, PNE WIND Laubuseschbach GmbH & Co. KG, PNE WIND Altenbruch II GmbH & Co. KG (until 29.12.16), Holzheizkraftwerk Silbitz GmbH & Co. KG, PNE WIND Park Altdöbern A GmbH & Co. KG (until 29.12.16), PNE WIND Park Altdöbern B GmbH & Co. KG (until 29.12.16), PNE WIND Park Altdöbern C GmbH & Co. KG (until 29.12.16), PNE WIND Park Großräschen A GmbH & Co. KG (until 29.12.16), PNE WIND Park Großräschen B GmbH & Co. KG (until 29.12.16), PNE WIND Infrastruktur Chransdorf-West GmbH & Co. KG (until 29.12.16), PNE WIND Infrastruktur Chransdorf Verwaltungs GmbH (until 29.12.16), PNE WIND Park Calau II B GmbH & Co. KG, PNE WIND Park Köhlen I GmbH & Co. KG (until 29.12.16), PNE WIND Park Kührstedt-Alfstedt A GmbH & Co. KG, PNE WIND Park Kührstedt-Alfstedt B GmbH & Co. KG, PNE WIND Park IX GmbH & Co. KG (until 29.12.16), NordStrom Solar GmbH, Plambeck Neue Energien Windparks Fonds VIII Gerdau-Schwienuau GmbH & Co. KG, Plambeck Neue Energien Windpark Pülfringen GmbH & Co. Betriebs KG, WKN Windpark Groß Niendorf GmbH & Co. KG, NordStrom Bioenergie GmbH, BGZ Solarpark Passauer Land GmbH & Co. KG (until 31.7.15), PNE WIND Partners Deutschland GmbH (until 29.12.16), PNE WIND YieldCo International Ltd., Kommanditgesellschaften

|  | Consolidation |                | PNE WIND AG Group |                |
|--|---------------|----------------|-------------------|----------------|
|  | 2016          | 2015           | 2016              | 2015           |
|  | 0             | 0              | 248,577           | 109,524        |
|  | 26,232        | -151,222       | 0                 | 0              |
|  | 0             | 120,480        | 1,591             | 116,096        |
|  | -2,108        | -3,494         | 9,075             | 7,707          |
|  | <b>24,124</b> | <b>-34,235</b> | <b>259,244</b>    | <b>233,327</b> |
|  | 0             | 0              | -12,912           | -9,898         |
|  | <b>30,564</b> | <b>-24,904</b> | <b>97,040</b>     | <b>9,765</b>   |
|  | -5,437        | -6,333         | 1,111             | 1,743          |
|  | 5,437         | 6,333          | -17,331           | -16,381        |
|  | -9,169        | 6,948          | -14,362           | 3,686          |
|  | 0             | 0              | 108,699           | 3,158          |
|  | -177,466      | -206,766       | 431,994           | 488,262        |
|  | -223,841      | -223,869       | 202,606           | 322,334        |
|  | 46,375        | 17,103         | 229,388           | 165,928        |

# LIST OF THE COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS AND LIST OF SHAREHOLDINGS

of PNE WIND AG, Cuxhaven as at December 31, 2016

| Company   | Headquarter                                       | Participation previous year % | Participation % | Equity TEUR | Net income TEUR | Date of first consolidation |            |
|---|---|-------------------------------|-----------------|-------------|-----------------|-----------------------------|------------|
| <b>I. List of the companies included in the consolidated financial statements</b> |   |                               |                 |             |                 |                             |            |
| 1   | PNE WIND Betriebsführungs GmbH                    | Cuxhaven                      | 100.00          | 100.00      | 1,195           | 126 <sup>1)</sup>           | 31.12.1998 |
| 2   | PNE Biomasse GmbH                                 | Cuxhaven                      | 100.00          | 100.00      | -208            | 50 <sup>1)</sup>            | 23.04.2000 |
| 3   | PNE WIND Netzprojekt GmbH                         | Cuxhaven                      | 100.00          | 100.00      | 866             | 0 <sup>8)</sup>             | 01.01.2002 |
| 4   | PNE WIND Laubuseschbach GmbH & Co. KG             | Cuxhaven                      | 100.00          | 100.00      | -90             | -112 <sup>1)</sup>          | 29.12.2004 |
| 5   | PNE WIND Grundstücks GmbH                         | Cuxhaven                      | 100.00          | 100.00      | 119             | 14 <sup>1)</sup>            | 01.12.2000 |
| 6   | PNE WIND Jules Verne GmbH                         | Cuxhaven                      | 100.00          | 100.00      | 1,026           | -20 <sup>1)</sup>           | 30.06.2010 |
| 7   | PNE WIND Nemo GmbH                                | Cuxhaven                      | 100.00          | 100.00      | 1,026           | -20 <sup>1)</sup>           | 30.06.2010 |
| 8   | PNE WIND Nautilus GmbH                            | Cuxhaven                      | 100.00          | 100.00      | 1,026           | -20 <sup>1)</sup>           | 30.06.2010 |
| 9   | PNE WIND Ausland GmbH                             | Cuxhaven                      | 100.00          | 100.00      | -1,411          | -2,522 <sup>1)</sup>        | 16.11.2007 |
| 10  | PNE WIND Atlantis I GmbH                          | Cuxhaven                      | 100.00          | 100.00      | -28             | -23 <sup>1)</sup>           | 18.06.2013 |
| 11  | PNE WIND Atlantis II GmbH                         | Cuxhaven                      | 100.00          | 100.00      | 31              | -20 <sup>1)</sup>           | 18.06.2013 |
| 12  | PNE WIND Atlantis III GmbH                        | Cuxhaven                      | 100.00          | 100.00      | 31              | -20 <sup>1)</sup>           | 18.06.2013 |
| 13  | Wind Kapital Invest Verwaltungs GmbH              | Cuxhaven                      | 100.00          | 100.00      | 82              | -2 <sup>1)</sup>            | 16.07.2011 |
| 14  | Wind Kapital Invest GmbH & Co. KG                 | Cuxhaven                      | 100.00          | 100.00      | -16             | -11 <sup>1)</sup>           | 16.07.2011 |
| 15  | PNE WIND Verwaltungs GmbH                         | Cuxhaven                      | 100.00          | 100.00      | 49              | 4 <sup>1)</sup>             | 21.11.2012 |
| 16  | energy consult GmbH                               | Cuxhaven                      | 100.00          | 100.00      | 332             | 0 <sup>8)</sup>             | 11.12.2013 |
| 17  | PNE WIND YieldCo International Ltd.               | Eastbourne, United Kingdom    | 100.00          | 100.00      | 223             | -3 <sup>2)</sup>            | 03.12.2014 |
| 18  | PNE WIND Park Kührstedt-Alfstedt A GmbH & Co. KG  | Cuxhaven                      | 100.00          | 100.00      | -21             | -16 <sup>2)</sup>           | 01.04.2013 |
| 19  | PNE WIND Park Kührstedt-Alfstedt B GmbH & Co. KG  | Cuxhaven                      | 100.00          | 100.00      | -10             | -5 <sup>2)</sup>            | 01.04.2013 |
| 20  | PNE WIND Park Calau II B GmbH & Co. KG            | Cuxhaven                      | 100.00          | 100.00      | -10             | -4 <sup>2)</sup>            | 01.04.2013 |
| 21  | PNE WIND USA Inc.                                 | Chicago, USA                  | 100.00          | 100.00      | -6,476          | -662 <sup>1)</sup>          | 27.10.2008 |
| 22  | PNE WIND DEVELOPMENT LLC                          | Chicago, USA                  | 100.00          | 100.00      | -2,112          | -992 <sup>1)</sup>          | 29.07.2011 |
| 23  | Chilocco WIND FARM LLC                            | Chicago, USA                  | 100.00          | 100.00      | -514            | 0 <sup>1)</sup>             | 01.10.2012 |
| 24  | PNE WIND Central States LLC                       | Minnesota, USA                | 100.00          | 100.00      | -1,291          | -22 <sup>1)</sup>           | 01.10.2009 |
| 25  | Underwood Windfarm LLC                            | Minnesota, USA                | 100.00          | 100.00      | -301            | -5 <sup>1)</sup>            | 01.10.2009 |
| 26  | Butte Windfarm LLC                                | Minnesota, USA                | 100.00          | 100.00      | -2,233          | -15 <sup>1)</sup>           | 01.10.2009 |
| 27  | PNE WIND Canada Inc. (formerly PNE BCP WIND INC.) | New Brunswick, Canada         | 75.00           | 100.00      | -778            | -103 <sup>1)</sup>          | 26.01.2010 |
| 28  | NH North Hungarian Windfarm Kft.                  | Budapest, Hungary             | 100.00          | 100.00      | 1,035           | -45 <sup>1)</sup>           | 07.08.2008 |
| 29  | PNE WIND Elektrik Üretim Ltd.                     | Ankara, Turkey                | 100.00          | 100.00      | -1,935          | -1,037 <sup>1)</sup>        | 20.02.2015 |
| 30  | PNE WIND Bati Rüzgari Elektrik Üretim Ltd.        | Ankara, Turkey                | 100.00          | 100.00      | -50             | -47 <sup>1)</sup>           | 16.09.2015 |
| 31  | PNE WIND Güney Rüzgari Elektrik Üretim Ltd.       | Ankara, Turkey                | 100.00          | 100.00      | -100            | -89 <sup>1)</sup>           | 16.09.2015 |
| 32  | PNE WIND Kuzey Rüzgari Elektrik Üretim Ltd.       | Ankara, Turkey                | 100.00          | 100.00      | -20             | -15 <sup>1)</sup>           | 10.10.2016 |
| 33  | S.C. PNE WIND Romania Energy Holding S.R.L.       | Bukarest, Romania             | 80.00           | 80.00       | -886            | -60 <sup>1)</sup>           | 10.05.2012 |
| 34  | S.C. PNE WIND Romania S.R.L.                      | Bukarest, Romania             | 100.00          | 100.00      | -3,486          | -566 <sup>1)</sup>          | 27.11.2008 |

! List of the companies included in the consolidated financial statements and list of shareholdings

| Company   | Headquarter                   | Participation previous year % | Participation % | Equity TEUR | Net income TEUR       | Date of first consolidation |
|---|-------------------------------|-------------------------------|-----------------|-------------|-----------------------|-----------------------------|
| 35 S.C. PNE WIND MVI S.R.L.   | Bukarest, Romania             | 100.00                        | 100.00          | -1,358      | -59 <sup>1)</sup>     | 31.08.2012                  |
| 36 S.C. EVN WINDPOWER DEVELOPMENT & CONSTRUCTION S.R.L.                       | Bukarest, Romania             | 100.00                        | 100.00          | -806        | -157 <sup>1)</sup>    | 14.11.2012                  |
| 37 PNE WIND Bulgaria EOOD   | Sofia, Bulgaria               | 100.00                        | 100.00          | -306        | -26 <sup>1)</sup>     | 09.11.2010                  |
| 38 PNE WIND Development EOOD  | Sofia, Bulgaria               | 100.00                        | 100.00          | -624        | -23 <sup>1)</sup>     | 15.08.2008                  |
| 39 PNE WIND Straldja-Kamenec EOOD   | Sofia, Bulgaria               | 100.00                        | 100.00          | -307        | -14 <sup>1)</sup>     | 15.08.2008                  |
| 40 PNE WIND PARK Dobrudzha OOD  | Sofia, Bulgaria               | 51.00                         | 51.00           | -1,145      | -41 <sup>1)</sup>     | 26.03.2010                  |
| 41 PNE WIND Ventus Praventsi OOD  | Sofia, Bulgaria               | 75.00                         | 100.00          | -536        | -29 <sup>1)</sup>     | 21.01.2011                  |
| 42 HKW Silbitz GmbH & Co. KG  | Silbitz                       | 0.00                          | 0.00            | -3,737      | -383 <sup>1)</sup>    | 01.09.2009                  |
| 43 WKN AG   | Husum                         | 83.10                         | 83.10           | 39,688      | -16,432 <sup>1)</sup> | 04.07.2013                  |
| 44 Windkraft Nord USA, Inc.   | Chicago, USA                  | 100.00                        | 100.00          | -1,045      | -185 <sup>1)</sup>    | 04.07.2013                  |
| 45 WKN Italia S.R.L.  | Catania / Sizilien, Italy     | 100.00                        | 100.00          | 80          | -730 <sup>1)</sup>    | 04.07.2013                  |
| 46 Aero Sol S.R.L.  | Catania / Sizilien, Italy     | 89.75                         | 100.00          | 141         | -792 <sup>1)</sup>    | 04.07.2013                  |
| 47 Aero-Tanna S.R.L.  | Catania / Sizilien, Italien   | 100.00                        | 100.00          | 499         | -76 <sup>1)</sup>     | 04.07.2013                  |
| 48 ATS Energia S.R.L.   | Torremaggiore / Foggia, Italy | 70.00                         | 70.00           | 148         | -12,567 <sup>1)</sup> | 04.07.2013                  |
| 49 WKN Basilicata Development S.R.L.  | Potenza / Basilicata, Italy   | 100.00                        | 100.00          | 50          | -42 <sup>1)</sup>     | 04.07.2013                  |
| 50 WKN France S.A.S.U.  | Nantes, France                | 100.00                        | 100.00          | -7,526      | -1,071 <sup>1)</sup>  | 04.07.2013                  |
| 51 Ukrainische Windenergie Management GmbH                                    | Husum                         | 100.00                        | 100.00          | -183        | -10 <sup>1)</sup>     | 04.07.2013                  |
| 52 New Energy Association International GmbH                                  | Husum                         | 100.00                        | 100.00          | -174        | -8 <sup>1)</sup>      | 04.07.2013                  |
| 53 Sevivon Sp. z o.o.   | Koszalin, Polen               | 80.00                         | 80.00           | -14,246     | -3,874 <sup>1)</sup>  | 04.07.2013                  |
| 54 VKS Vindkraft Sverige AB   | Motala, Schweden              | 80.00                         | 80.00           | 12          | -441 <sup>1)</sup>    | 04.07.2013                  |
| 55 WKN Windcurrent SA (Pty) Ltd.  | Wilderness, Südafrika         | 80.00                         | 80.00           | -1,561      | 3 <sup>1)</sup>       | 04.07.2013                  |
| 56 NordStrom New Energy GmbH  | Husum                         | 100.00                        | 100.00          | 823         | 0 <sup>5)</sup>       | 04.07.2013                  |
| 57 NordStrom Solar GmbH   | Husum                         | 100.00                        | 100.00          | 573         | -61 <sup>1)</sup>     | 04.07.2013                  |
| 58 NordStrom Bioenergie GmbH  | Husum                         | 100.00                        | 100.00          | -981        | -7 <sup>1)</sup>      | 04.07.2013                  |
| 59 BGZ Fondsverwaltung GmbH   | Husum                         | 100.00                        | 100.00          | 207         | 0 <sup>5)</sup>       | 04.07.2013                  |
| 60 WKN Sallachy Ltd.  | Glasgow, Großbritannien       | 100.00                        | 100.00          | -1,494      | -732 <sup>2)</sup>    | 01.07.2015                  |
| 61 WKN Windpark Groß Niendorf GmbH & Co. KG                                   | Husum                         | 100.00                        | 100.00          | -6          | 6 <sup>1)</sup>       | 01.07.2015                  |
| 62 Plambeck Neue Energien Windparks Fonds VIII Gerdau-Schwienau GmbH & Co. KG | Cuxhaven                      | 0.00                          | 86.42           | -4,805      | 327 <sup>1)</sup>     | 01.10.2016                  |
| 63 Plambeck Neue Energien Windpark Pülfringen GmbH & Co. Betriebs KG          | Cuxhaven                      | 0.00                          | 100.00          | -3,320      | -296 <sup>1)</sup>    | 01.10.2016                  |
| 64 PNE Erneuerbare Energien Offshore I GmbH                                   | Cuxhaven                      | 0.00                          | 100.00          | 98          | -2 <sup>1)</sup>      | 24.11.2016                  |
| 65 PNE Erneuerbare Energien Offshore II GmbH                                  | Cuxhaven                      | 0.00                          | 100.00          | 98          | -2 <sup>1)</sup>      | 24.11.2016                  |

(Continued on next page)

| Company  | Headquarter  | Participation previous year %    | Participation % | Equity TEUR | Net income TEUR | Date of first consolidation |            |
|--|--|----------------------------------|-----------------|-------------|-----------------|-----------------------------|------------|
| <b>II. List of joint ventures and associated companies included in the consolidated financial statements</b> |  |                                  |                 |             |                 |                             |            |
| 1  | Societa' Energetica Sarda S.R.L.   | Villaurbana/<br>Sardinien, Italy | 50.00           | 50.00       | -38             | -28 <sup>1)</sup>           | 04.07.2013 |
| 2  | PNE WIND Infrastruktur Calau II GmbH   | Cuxhaven                         | 25.00           | 25.00       | 20              | -2 <sup>2)</sup>            | 01.04.2013 |
| 3  | PNE WIND Park III GmbH & Co. KG  | Cuxhaven                         | 25.00           | 25.00       | 14              | 0 <sup>2)</sup>             | 01.04.2013 |
| 4  | PNE WIND Yenilenebilir Enerjiler Ltd.  | Ankara, Turkey                   | 50.00           | 50.00       | 2,056           | -66 <sup>1)</sup>           | 27.02.2008 |
| 5  | Windpark Altenbruch GmbH   | Cuxhaven                         | 50.00           | 50.00       | 1,331           | 1,110 <sup>2)</sup>         | 01.10.2016 |
| 6  | PNE WIND Partners Deutschland GmbH<br>(formerly PNE WIND YieldCo Deutschland GmbH) | Husum                            | 100.00          | 20.00       | 99,744          | -83 <sup>1)</sup>           | 01.12.2014 |
| 7  | PNE WIND Partners Verwaltungs GmbH<br>(formerly PNE WIND YieldCo Verwaltungs GmbH) | Husum                            | 100.00          | 20.00       | 18              | -3 <sup>1)</sup>            | 14.04.2015 |
| 8  | PNE WIND Altenbruch II GmbH & Co. KG   | Husum                            | 100.00          | 20.00       | 8,203           | -743 <sup>1)</sup>          | 08.11.2001 |
| 9  | PNE WIND Park VIII GmbH & Co. KG   | Husum                            | 100.00          | 20.00       | 2,938           | -34 <sup>1)</sup>           | 01.04.2013 |
| 10   | PNE WIND Park Altdöbern A GmbH & Co. KG  | Husum                            | 100.00          | 20.00       | 4,981           | -59 <sup>1)</sup>           | 01.04.2013 |
| 11   | PNE WIND Park Altdöbern B GmbH & Co. KG  | Husum                            | 100.00          | 20.00       | 9,710           | -233 <sup>1)</sup>          | 01.04.2013 |
| 12   | PNE WIND Park Altdöbern C GmbH & Co. KG  | Husum                            | 100.00          | 20.00       | 10,678          | -273 <sup>1)</sup>          | 01.04.2013 |
| 13   | PNE WIND Park Großräschen A GmbH & Co. KG  | Husum                            | 100.00          | 20.00       | 6,750           | -17 <sup>1)</sup>           | 01.04.2013 |
| 14   | PNE WIND Park Großräschen B GmbH & Co. KG  | Husum                            | 100.00          | 20.00       | 6,723           | -36 <sup>1)</sup>           | 01.04.2013 |
| 15   | PNE WIND Park Köhlen I GmbH & Co. KG   | Husum                            | 100.00          | 20.00       | 14,258          | 762 <sup>1)</sup>           | 01.04.2013 |
| 16   | PNE WIND Park IX GmbH & Co. KG   | Husum                            | 100.00          | 20.00       | 5,610           | 249 <sup>1)</sup>           | 26.02.2014 |
| 17   | PNE WIND Park XI GmbH & Co. KG   | Husum                            | 100.00          | 20.00       | 10,567          | 50 <sup>1)</sup>            | 01.10.2015 |
| 18   | PNE WIND Infrastruktur Chransdorf-West GmbH & Co. KG                               | Husum                            | 100.00          | 20.00       | 11              | 4 <sup>1)</sup>             | 01.04.2013 |
| 19   | PNE WIND Infrastruktur Chransdorf Verwaltungs GmbH                                 | Husum                            | 100.00          | 20.00       | 16              | -3 <sup>1)</sup>            | 01.04.2013 |
| 20   | WKN Windpark Hedendorf GmbH & Co. KG   | Husum                            | 100.00          | 20.00       | 4,249           | 214 <sup>1)</sup>           | 30.06.2015 |
| <b>III. Non-consolidated companies due to minor significance</b>   |  |                                  |                 |             |                 |                             |            |
| 1  | Pilger Wind Farm Inc.  | Saskatoon,<br>Canada             | 100.00          | 100.00      | 0               | 0 <sup>2)</sup>             |            |
| 2  | Climax Wind Farm Inc.  | Saskatoon,<br>Canada             | 100.00          | 100.00      | 0               | 0 <sup>2)</sup>             |            |
| 3  | Watson Wind Farm Inc.  | Saskatoon,<br>Canada             | 100.00          | 100.00      | 0               | 0 <sup>2)</sup>             |            |
| 4  | Wadena Wind Farm Inc.  | Saskatoon,<br>Canada             | 100.00          | 100.00      | 0               | 0 <sup>2)</sup>             |            |
| 5  | Eston Wind Farm Inc.   | Saskatoon,<br>Canada             | 100.00          | 100.00      | 0               | 0 <sup>2)</sup>             |            |
| 6  | Whiska Wind Farm Inc.  | Saskatoon,<br>Canada             | 100.00          | 100.00      | 0               | 0 <sup>2)</sup>             |            |
| 7  | Netzanschluss Genthin GbR  | Nielebock                        | 52.00           | 52.00       | 10              | 31 <sup>2)</sup>            |            |
| 8  | ATS Energia PE Casalvecchio S.R.L.   | Torremaggiore/<br>Foggia, Italy  | 70.00           | 70.00       | 6               | -4 <sup>3)</sup>            |            |

! List of the companies included in the consolidated financial statements and list of shareholdings

| Company                                     | Headquarter                     | Participation previous year % | Participation % | Equity TEUR | Net income TEUR   | Date of first consolidation |
|---|---------------------------------|-------------------------------|-----------------|-------------|-------------------|-----------------------------|
| 9 ATS Solar Dragonara S.R.L.                | Torremaggiore/<br>Foggia, Italy | 70.00                         | 70.00           | 7           | -4 <sup>3)</sup>  |                             |
| 10 Santa Maria di Olivola S.R.L.            | Torremaggiore/<br>Foggia, Italy | 70.00                         | 70.00           | 6           | -4 <sup>3)</sup>  |                             |
| 11 Santa Vittoria S.R.L.                    | Torremaggiore/<br>Foggia, Italy | 70.00                         | 70.00           | -16         | -27 <sup>3)</sup> |                             |
| 12 San Cataldo S.R.L.                       | Torremaggiore/<br>Foggia, Italy | 70.00                         | 70.00           | 6           | -4 <sup>3)</sup>  |                             |
| 13 Santa Marta S.R.L.                       | Torremaggiore/<br>Foggia, Italy | 70.00                         | 70.00           | 2           | -4 <sup>3)</sup>  |                             |
| 14 San Giacomo S.R.L.                       | Torremaggiore/<br>Foggia, Italy | 70.00                         | 70.00           | 2           | -4 <sup>3)</sup>  |                             |
| 15 San Lorenzo S.R.L.                       | Torremaggiore/<br>Foggia, Italy | 70.00                         | 70.00           | -1          | -7 <sup>3)</sup>  |                             |
| 16 San Giorgio S.R.L.                       | Torremaggiore/<br>Foggia, Italy | 70.00                         | 70.00           | -19         | -30 <sup>3)</sup> |                             |
| 17 ATS 4 S.R.L.                             | Torremaggiore/<br>Foggia, Italy | 70.00                         | 70.00           | -19         | -27 <sup>3)</sup> |                             |
| 18 ATS 5 S.R.L.                             | Torremaggiore/<br>Foggia, Italy | 70.00                         | 70.00           | 6           | -4 <sup>3)</sup>  |                             |
| 19 ATS Energia PE Sant'Agata S.R.L.         | Torremaggiore/<br>Foggia, Italy | 52.00                         | 52.00           | 4           | -14 <sup>3)</sup> |                             |
| 20 ATS Energia PE Fiorentino S.R.L.         | Torremaggiore/<br>Foggia, Italy | 52.00                         | 52.00           | 6           | -4 <sup>3)</sup>  |                             |
| 21 ATS Energia PE Florio S.R.L.             | Torremaggiore/<br>Foggia, Italy | 52.00                         | 52.00           | 14          | -3 <sup>3)</sup>  |                             |
| 22 ATS Energia PE Valle S.R.L.              | Torremaggiore/<br>Foggia, Italy | 52.00                         | 52.00           | 14          | -3 <sup>3)</sup>  |                             |
| 23 WKN PE Piombino S.R.L.                   | Catania/<br>Sizilien, Italy     | 74.90                         | 74.90           | 3           | -7 <sup>3)</sup>  |                             |
| 24 WKN Solar PE 1 S.R.L.                    | Catania/<br>Sizilien, Italy     | 100.00                        | 100.00          | -20         | -4 <sup>3)</sup>  |                             |
| 25 WKN Basilicata Development PE1 S.R.L.    | Catania/<br>Sizilien, Italy     | 100.00                        | 100.00          | 8           | -3 <sup>3)</sup>  |                             |
| 26 WKN Basilicata Development PE2 S.R.L.    | Catania/<br>Sizilien, Italy     | 70.00                         | 100.00          | 16          | -2 <sup>3)</sup>  |                             |
| 27 WKN PE Polidon S.R.L.                    | Catania/<br>Sizilien, Italy     | 0.00                          | 100.00          | 8           | -2 <sup>3)</sup>  |                             |
| 28 Parc Eolien de Puchot S.A.S.U.           | Nantes,<br>France               | 100.00                        | 100.00          | -76         | -16 <sup>3)</sup> |                             |
| 29 Parc Eolien des Grands Champs S.A.S.U.   | Nantes,<br>France               | 100.00                        | 100.00          | -41         | -8 <sup>3)</sup>  |                             |
| 30 SAS La Haie Perron                       | Nantes,<br>France               | 100.00                        | 100.00          | -37         | -9 <sup>3)</sup>  |                             |
| 31 Parc Eolien de Haie de Useroles S.A.S.U. | Nantes,<br>France               | 100.00                        | 100.00          | -118        | -80 <sup>2)</sup> |                             |
| 32 SAS Parc Eolien de la Tardoire           | Nantes,<br>France               | 100.00                        | 100.00          | -15         | -7 <sup>3)</sup>  |                             |
| 33 SAS Parc Eolien d'Ermenonville-la-Grande | Nantes,<br>France               | 100.00                        | 100.00          | -15         | -7 <sup>3)</sup>  |                             |

(Continued on next page)

| Company |   | Headquarter              | Participation previous year % | Participation % | Equity TEUR | Net income TEUR    | Date of first consolidation |
|---------|---|--------------------------|-------------------------------|-----------------|-------------|--------------------|-----------------------------|
| 34      | SAS Parc Eolien de Longèves                             | Nantes, France           | 100.00                        | 100.00          | -22         | -14 <sup>2)</sup>  |                             |
| 35      | SAS Parc Eolien de la Côte des Moulins                  | Nantes, France           | 0.00                          | 100.00          | k.A.        | k.A. <sup>6)</sup> |                             |
| 36      | SAS Parc Eolien de Dameraucourt                         | Nantes, France           | 0,00                          | 100.00          | k.A.        | k.A. <sup>6)</sup> |                             |
| 37      | SAS Parc Eolien de la Coutancière                       | Nantes, France           | 0,00                          | 100.00          | k.A.        | k.A. <sup>6)</sup> |                             |
| 38      | Parc Eolien de Riaucourt Darmannes S.A.S.U.             | Nantes, France           | 100.00                        | 100.00          | -9          | -9 <sup>3)</sup>   |                             |
| 39      | Windfarm Polska III Sp. z o.o.                          | Koszalin, Poland         | 60.00                         | 60.00           | -1,040      | -288 <sup>3)</sup> |                             |
| 40      | Windfarm Polska IV Sp. z o.o.                           | Koszalin, Poland         | 80.00                         | 80.00           | -218        | -74 <sup>3)</sup>  |                             |
| 41      | Windfarm Polska V Sp. z o.o.                            | Koszalin, Poland         | 58.00                         | 58.00           | -74         | -17 <sup>3)</sup>  |                             |
| 42      | Windfarm Polska VI Sp. z o.o.                           | Koszalin, Poland         | 80.00                         | 100.00          | -75         | 24 <sup>3)</sup>   |                             |
| 43      | Windfarm Polska VII Sp. z o.o.                          | Koszalin, Poland         | 80.00                         | 80.00           | -53         | -10 <sup>3)</sup>  |                             |
| 44      | Windfarm Zomar Sp. z o.o.                               | Koszalin, Poland         | 57.00                         | 57.00           | -44         | -16 <sup>3)</sup>  |                             |
| 45      | Windfarm Polska II Sp. z o.o.                           | Koszalin, Poland         | 100.00                        | 100.00          | -397        | -130 <sup>3)</sup> |                             |
| 46      | Vindpark Hultema i Motala AB                            | Motala, Sweden           | 80.00                         | 80.00           | 5           | 0 <sup>3)</sup>    |                             |
| 47      | Vindpark Målarberget i Norberg AB                       | Motala, Sweden           | 80.00                         | 80.00           | 5           | 0 <sup>3)</sup>    |                             |
| 48      | Vindpark Norrberget i Sala AB                           | Motala, Sweden           | 80.00                         | 80.00           | 5           | 0 <sup>3)</sup>    |                             |
| 49      | Vindpark Näshult i Högsby AB                            | Motala, Sweden           | 80.00                         | 80.00           | 5           | 0 <sup>3)</sup>    |                             |
| 50      | Vindpark Laxåskogen i Laxå AB                           | Motala, Sweden           | 80.00                         | 80.00           | 6           | 1 <sup>2)</sup>    |                             |
| 51      | Banna Ba Pifhu Wind Farm (Pty) Ltd.                     | Wilderness, South Africa | 80.00                         | 80.00           | -2          | -2 <sup>3)</sup>   |                             |
| 52      | Ubuntu Wind Farm (Pty) Ltd.                             | Wilderness, South Africa | 80.00                         | 80.00           | -61         | -8 <sup>3)</sup>   |                             |
| 53      | Phemba PV (RF) PTY Ltd.                                 | Wilderness, South Africa | 80.00                         | 80.00           | k.A.        | k.A. <sup>6)</sup> |                             |
| 54      | WKN Turkey GmbH   | Husum                    | 100.00                        | 100.00          | 6           | -2 <sup>3)</sup>   |                             |
| 55      | WKN Windkraft Nord Beteiligungs-GmbH                    | Husum                    | 100.00                        | 100.00          | 53          | 8 <sup>3)</sup>    |                             |
| 56      | Windpark Meerhof Verwaltungsgesellschaft mbH            | Husum                    | 100.00                        | 100.00          | 18          | 11 <sup>3)</sup>   |                             |
| 57      | Zukunftsenergien Beteiligungs-GmbH                      | Husum                    | 100.00                        | 100.00          | 7           | -2 <sup>3)</sup>   |                             |
| 58      | WKN Windkraft Nord GmbH & Co. Windpark Daberkow KG      | Husum                    | 100.00                        | 100.00          | k.A.        | k.A. <sup>6)</sup> |                             |
| 59      | WKN Windkraft Nord GmbH & Co. Windpark Steffenshagen KG | Husum                    | 100.00                        | 100.00          | k.A.        | k.A. <sup>6)</sup> |                             |
| 60      | WKN Windkraft Nord GmbH & Co. Windpark Immenrode KG     | Husum                    | 100.00                        | 100.00          | k.A.        | k.A. <sup>6)</sup> |                             |
| 61      | WKN Windkraft Nord GmbH & Co. Windpark Oelsig II KG     | Husum                    | 100.00                        | 100.00          | k.A.        | k.A. <sup>6)</sup> |                             |
| 62      | WKN Windkraft Nord GmbH & Co. Windpark Weinstraße KG    | Husum                    | 100.00                        | 100.00          | k.A.        | k.A. <sup>6)</sup> |                             |

! List of the companies included in the consolidated financial statements and list of shareholdings

| Company |  | Headquarter | Participation previous year % | Participation % | Equity TEUR | Net income TEUR    | Date of first consolidation |
|---------|--|-------------|-------------------------------|-----------------|-------------|--------------------|-----------------------------|
| 63      | WKN Windkraft Nord GmbH & Co. Windpark Weinstraße II KG                            | Husum       | 100,00                        | 100,00          | k.A.        | k.A. <sup>61</sup> |                             |
| 64      | WKN Windpark Beerfelde GmbH & Co. KG   | Husum       | 100,00                        | 100,00          | k.A.        | k.A. <sup>61</sup> |                             |
| 65      | WKN Windpark Kirchheilingen GmbH & Co. KG  | Husum       | 100,00                        | 100,00          | k.A.        | k.A. <sup>61</sup> |                             |
| 66      | WKN Windpark Zinndorf II GmbH & Co. KG (formerly WKN Windpark VIII KG)             | Husum       | 100,00                        | 100,00          | k.A.        | k.A. <sup>61</sup> |                             |
| 67      | WKN Windkraft Nord GmbH & Co. Windpark Bebensee KG (formerly Windpark 40 KG)       | Husum       | 100,00                        | 100,00          | k.A.        | k.A. <sup>61</sup> |                             |
| 68      | WKN Windkraft Nord GmbH & Co. Windpark Berkenthin KG (formerly Windpark 41 KG)     | Husum       | 100,00                        | 100,00          | k.A.        | k.A. <sup>61</sup> |                             |
| 69      | WKN Windkraft Nord GmbH & Co. Windpark Hamwarde KG (formerly Windpark 42 KG)       | Husum       | 100,00                        | 100,00          | k.A.        | k.A. <sup>61</sup> |                             |
| 70      | WKN Windkraft Nord GmbH & Co. Windpark Kuhs-Sarmstorf KG (formerly Windpark 43 KG) | Husum       | 100,00                        | 100,00          | k.A.        | k.A. <sup>61</sup> |                             |
| 71      | WKN Windkraft Nord GmbH & Co. Windpark Kollow KG (formerly Windpark 44 KG)         | Husum       | 100,00                        | 100,00          | k.A.        | k.A. <sup>61</sup> |                             |
| 72      | Windpark Kirchengel III GmbH & Co. KG (formerly WKN Windpark 60 GmbH & Co. KG)     | Husum       | 0,00                          | 100,00          | k.A.        | k.A. <sup>61</sup> |                             |
| 73      | WKN Windkraft Nord GmbH & Co. Windpark Kleinbüllesheim KG                          | Husum       | 100,00                        | 100,00          | k.A.        | k.A. <sup>61</sup> |                             |
| 74      | Windpark Rositz GmbH & Co. KG  | Husum       | 100,00                        | 100,00          | k.A.        | k.A. <sup>61</sup> |                             |
| 75      | WKN Windkraft Nord GmbH & Co. Windpark Kannawurf KG                                | Husum       | 100,00                        | 100,00          | k.A.        | k.A. <sup>61</sup> |                             |
| 76      | Windpark Brilon GmbH & Co. KG  | Husum       | 100,00                        | 100,00          | k.A.        | k.A. <sup>61</sup> |                             |
| 77      | WKN Windpark Groß Oesingen GmbH & Co. KG   | Husum       | 100,00                        | 100,00          | k.A.        | k.A. <sup>61</sup> |                             |
| 78      | WKN Windpark Großbrenbach GmbH & Co. KG  | Husum       | 100,00                        | 100,00          | k.A.        | k.A. <sup>61</sup> |                             |
| 79      | WKN Windpark Hamwarde GmbH & Co. KG  | Husum       | 100,00                        | 100,00          | k.A.        | k.A. <sup>61</sup> |                             |
| 80      | WKN Windpark Lüttau GmbH & Co. KG  | Husum       | 100,00                        | 100,00          | k.A.        | k.A. <sup>61</sup> |                             |
| 81      | WKN Windpark Großenehrich GmbH & Co. KG  | Husum       | 100,00                        | 100,00          | k.A.        | k.A. <sup>61</sup> |                             |
| 82      | WKN Windpark Christianshöhe GmbH & Co. KG  | Husum       | 100,00                        | 100,00          | k.A.        | k.A. <sup>61</sup> |                             |
| 83      | WKN Windpark Cornberg GmbH & Co. KG  | Husum       | 100,00                        | 100,00          | k.A.        | k.A. <sup>61</sup> |                             |
| 84      | WKN Windpark Wölsickendorf-Wollenberg GmbH & Co. KG                                | Husum       | 100,00                        | 100,00          | k.A.        | k.A. <sup>61</sup> |                             |
| 85      | Solarpark Lottorf GmbH & Co. KG  | Husum       | 100,00                        | 100,00          | k.A.        | k.A. <sup>61</sup> |                             |
| 86      | BGZ Solardach 3 GmbH & Co. KG  | Husum       | 100,00                        | 100,00          | k.A.        | k.A. <sup>61</sup> |                             |
| 87      | WKN Windpark 61-62 GmbH & Co. KG   | Husum       | 0,00                          | 100,00          | k.A.        | k.A. <sup>61</sup> |                             |
| 88      | NordStrom Beteiligungsgesellschaft mbH   | Husum       | 100,00                        | 100,00          | 36          | 4 <sup>31</sup>    |                             |
| 89      | NordStrom Bioenergie Beteiligungsgesellschaft mbH                                  | Husum       | 100,00                        | 100,00          | 21          | 0 <sup>31</sup>    |                             |
| 90      | REE GmbH   | Husum       | 100,00                        | 100,00          | 48          | 2 <sup>31</sup>    |                             |

(Continued on next page)

| Company |   | Headquarter                     | Participation previous year % | Participation % | Equity TEUR | Net income TEUR    | Date of first consolidation |
|---------|---|---------------------------------|-------------------------------|-----------------|-------------|--------------------|-----------------------------|
| 91      | GREENWIND GmbH  | Husum                           | 100.00                        | 100.00          | 41          | 6 <sup>3)</sup>    |                             |
| 92      | ATS Solar Figurella s.r.l.                                | Torremaggiore/<br>Foggia, Italy | 70.00                         | 70.00           | 5           | -5 <sup>3)</sup>   |                             |
| 93      | WEG Windenergie-Entwicklungsgesellschaft mbH              | Husum                           | 100.00                        | 100.00          | 7           | 3 <sup>3)</sup>    |                             |
| 94      | EWEG Europäische Windenergie-Entwicklungsgesellschaft mbH | Husum                           | 100.00                        | 100.00          | 19          | 4 <sup>3)</sup>    |                             |
| 95      | WKN Montana II LLC  | San Diego, USA                  | 100.00                        | 100.00          | k.A.        | k.A. <sup>7)</sup> |                             |
| 96      | IWC Projects Romania SRL                                  | Bukarest, Romania               | 100.00                        | 100.00          | -1,556      | -369 <sup>3)</sup> |                             |
| 97      | IWC Bulgaria Project E00D                                 | Dobrich, Bulgaria               | 100.00                        | 100.00          | -4,930      | -216 <sup>3)</sup> |                             |
| 98      | IWC Bulgaria 3 E00D                                       | Dobrich, Bulgaria               | 100.00                        | 100.00          | k.A.        | k.A. <sup>5)</sup> |                             |
| 99      | IWC Bulgaria 4 E00D                                       | Dobrich, Bulgaria               | 100.00                        | 100.00          | k.A.        | k.A. <sup>5)</sup> |                             |
| 100     | IWC Bulgaria WP 5 E00D                                    | Dobrich, Bulgaria               | 100.00                        | 100.00          | k.A.        | k.A. <sup>5)</sup> |                             |
| 101     | IWC Bulgaria 6 E00D                                       | Dobrich, Bulgaria               | 100.00                        | 100.00          | k.A.        | k.A. <sup>5)</sup> |                             |
| 102     | Innovative Wind Concepts GmbH                             | Husum                           | 50.00                         | 100.00          | -23         | -497 <sup>4)</sup> |                             |

I List of the companies included in the consolidated financial statements and list of shareholdings

| Company  | Headquarter   | Participation previous year % | Participation % | Equity TEUR | Net income TEUR | Date of first consolidation |
|--|---|-------------------------------|-----------------|-------------|-----------------|-----------------------------|
| <b>IV. Non-consolidated associated companies due to minor significance</b> |   |                               |                 |             |                 |                             |
| 1  | Windpark Infrastruktur Kührstedt-Alfstedt GmbH & Co. KG | Kührstedt                     | 50.00           | 50.00       | -21             | -3 <sup>2)</sup>            |
| 2  | Windpark Köhlen GmbH                                    | Oldenburg                     | 50.00           | 50.00       | 254             | 446 <sup>2)</sup>           |
| 3  | Elbe-Weser-Windkraft GmbH                               | Cuxhaven                      | 50.00           | 50.00       | 21              | 1 <sup>2)</sup>             |
| 4  | PNE WIND Park Kührstedt-Alfstedt GmbH & Co. KG          | Cuxhaven                      | 50.00           | 50.00       | -11             | -5 <sup>2)</sup>            |
| 5  | UNS-Windpark Kührstedt-Alfstedt GmbH & Co. KG           | Cuxhaven                      | 50.00           | 50.00       | -11             | -5 <sup>2)</sup>            |
| 6  | Windpark Infrastruktur Oberndorf Intern GmbH & Co. KG   | Oberndorf                     | 50.00           | 50.00       | -68             | -25 <sup>2)</sup>           |
| 7  | Windpark Infrastruktur Odisheim GmbH & Co. KG           | Cuxhaven                      | 50.00           | 50.00       | -12             | -4 <sup>2)</sup>            |
| 8  | STEAG ve PNE WIND Rüzgar Enerjisi Üretim A.S.           | Ankara, Turkey                | 50.00           | 50.00       | -33             | -30 <sup>2)</sup>           |
| 9  | GOO Infrastruktur GmbH & Co. KG                         | Cuxhaven                      | 23.08           | 23.08       | -29             | -25 <sup>2)</sup>           |
| 10   | GOO Geschäftsführungs GmbH                              | Cuxhaven                      | 23.08           | 23.08       | 19              | -2 <sup>2)</sup>            |
| 11   | WKN Windkraft Nord GmbH & Co. Windpark Milda KG         | Husum                         | 50.00           | 50.00       | 15              | 0 <sup>2)</sup>             |
| 12   | EVN Energieversorgung Nord GmbH & Co. KG                | Husum                         | 50.00           | 50.00       | -259            | -21 <sup>2)</sup>           |

- 1) per the financial statements as at December 31, 2016  
2) per the provisional financial statements as at December 31, 2016  
3) per the financial statements as at December 31, 2015  
4) per the financial statements as at September 30, 2015  
5) after profit transfer to WKN AG  
6) not have a recording of the operating business  
7) included in the result of Windkraft Nord USA Inc.  
8) after profit transfer to PNE WIND AG

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## of PNE WIND AG, Cuxhaven, for the fiscal year 2016

### I. Commercial register and object of the Company

PNE WIND AG (hereinafter also referred to as the "Company") has its registered office at Peter-Henlein-Straße 2-4, Cuxhaven, Germany. The Company is entered under number HRB 110360 in the commercial register at the District Court of Tostedt. The fiscal year is the calendar year.

During the year under report, the business activities of the Company consisted primarily of the planning, construction and operation of wind farms and transformer stations for the generation of electricity, the servicing of wind power turbines as well as the raising of equity capital for wind farm operating companies.

### II. General accounting principles

#### 1. Going Concern

Accounting is carried out on a going concern basis. The Group management report of the Company specifies the risks that might endanger the continued existence of the Company.

#### 2. Consolidated financial statements

The consolidated financial statements of PNE WIND AG are prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as they are to be applied in the European Union. New standards adopted by the IASB are in principle applied as from the time of their becoming effective, as they are to be taken into consideration in the EU.

These consolidated financial statements are prepared in euro (EUR) unless otherwise stated and in principle are rounded to thousands of euro (TEUR). Due to this rounding, it is possible that individual figures may not add up exactly to the stated sum in the presentations in these IFRS consolidated financial statements.

The consolidated financial statements correspond to the requirements of Section 315 a of the German Commercial Code (HGB).

The consolidated financial statements are based on uniform accounting and valuation principles. The consolidated financial statements were prepared on the basis of historical cost of acquisition or production. This does not include individual financial instruments that were valued at their fair value on the balance sheet date.

The consolidated financial statements and Group management report, prepared by the Board of Management as at December 31, 2016, were approved at the meeting of the Board of Management on March 7, 2017 for submission to the Supervisory Board.

The consolidated financial statements as at December 31, 2016 are filed with the operator of the Federal Gazette (Bundesanzeiger).

During the 2016 fiscal year, the Group applied the following amendments to IFRS standards for the first time. This has not resulted in any effect on the consolidated financial statements.

| Standard / Interpretation   | Date of EU en-dorsement | Application obligation in the EU |
|---|-------------------------|----------------------------------|
| Amendments to IAS 19: Defined Benefit Plans: Employee Benefits (Amendments to IAS 19 "Employee Benefits") | December 17, 2014       | February 1, 2015                 |
| Annual improvements project "Improvements to IFRSs 2010-2012 Cycle"                                       | December 17, 2014       | February 1, 2015                 |
| Amendments to IAS 1, Disclosure Initiative  | December 18, 2015       | January 1, 2016                  |
| Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception       | September 22, 2016      | January 1, 2016                  |
| Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations                        | November 24, 2015       | January 1, 2016                  |
| Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation      | December 2, 2015        | January 1, 2016                  |
| Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants  | November 23, 2015       | January 1, 2016                  |
| Amendments to IAS 27 Equity Method in Separate Financial Statements                                       | December 18, 2015       | January 1, 2016                  |
| Annual improvements project "Improvements to IFRSs 2012-2014 Cycle"                                       | December 15, 2015       | January 1, 2016                  |

In fiscal year 2016, the following new or amended accounting standards, which have already been adopted by the IASB, but some of them not yet endorsed by the EU, were not taken into account, since there was no obligation to apply them:

| Standard / Interpretation  | Date of EU endorsement                        | (expected) Application obligation in the EU |
|--|---|---|
| IFRS 9: New standard "Financial Instruments": Classification and Measurement of Financial Instruments                  | November 22, 2016                             | January 1, 2018                             |
| IFRS 14: New Standard "Regulatory Deferral Accounts"   | Endorsement not suggested                     | v   |
| IFRS 15: New Standard: "Revenue from Contracts with Customers"   | September 22, 2016                            | January 1, 2018                             |
| Clarification regarding IFRS 15 cRevenue from Contracts with Customersc  | Not yet endorsed                              | January 1, 2018                             |
| IFRS 16: New standard "Leases":  | Not yet endorsed                              | 01 January 2019                             |
| Amendments to IAS 7: Disclosure Initiative – Reconciliation of liabilities from financing activities                   | Not yet endorsed                              | January 1, 2017                             |
| Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses   | Not yet endorsed                              | January 1, 2017                             |
| Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | deferred by the IASB for an indefinite period | open  |
| Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions                               | Not yet endorsed                              | January 1, 2018                             |
| Amendments to IFRS 4: Application of IFRS 9 "Financial Instruments" in conjunction with IFRS 4                         | Not yet endorsed                              | January 1, 2018                             |
| Amendments to IAS 40: Transfers of Investment Property   | Not yet endorsed                              | January 1, 2018                             |
| Annual improvements project "Improvements to IFRSs 2014-2016 Cycle"  | Not yet endorsed                              | January 1, 2017/<br>January 1, 2018         |
| IFRIC 22: New interpretation on "foreign currency transactions and advance consideration"                              | Not yet endorsed                              | January 1, 2018                             |

The application obligation in the EU shows the date on which the new accounting regulation is expected to be taken into account at PNE WIND AG for the first time. No new standard, no new interpretation or amendment to a standard was applied early in 2016.

#### *IFRS 9 "Financial Instruments"*

New standard, adopted on November 12, 2009. "Amendments to IFRS 9, IFRS 7 and IAS 39 – Mandatory Effective Date and Transition Disclosures" and "Amendments to IFRS 9, IFRS 7 and IAS 39 – Hedge Accounting" were published in connection with the new standard. IFRS 9 includes new regulations regarding the classification and measurement of financial instruments, fundamental changes in respect of the recognition of impairment losses on financial assets and revised regulations for hedge accounting.

With regard to the measurement of financial instruments, IFRS 9 still uses the previous parameters "amortised cost" and "fair value". In future, however, the allocation of financial instruments to these measurement categories depends on two criteria: the underlying business model of the portfolio to which the financial asset is allocated and the specific characteristics of the contractually agreed cash flows.

In accordance with IFRS 9, the recognition of impairment of financial assets will be based on the future expected losses. The general approach provides for a three-phase model to determine risk provisions. Depending on the credit default risk of the counterparty, the model requires a different degree of loss allowance. A simplified process for the recognition of impairment losses applies to certain financial instruments such as trade receivables.

The regulations of IFRS 9 regarding hedge accounting are more strongly geared towards the risk management strategy of the enterprise.

The management assumes that the classification pursuant to IFRS 9 does not lead to a changed valuation as compared to IAS 39 for most of the financial instruments. In addition, no changes are expected regarding impairment losses under the "expected-loss" model pursuant to IFRS 9. As a rule, the management assumes that selective explanatory notes on financial instruments are to be widened in view of the more detailed regulations. Possible further consequences resulting from the aforementioned changes on the Group are currently being examined.

### *IFRS 15 Revenue*

The standard specifies how and when revenue is to be recognised. IFRS 15 supersedes IAS 18 'Revenue', IAS 11 'Construction Contracts' and several revenue-related interpretations. Application of IFRS 15 is mandatory for all IFRS users and applies to almost all contracts with customers – key exceptions are leases, financial instruments and insurance contracts.

The evaluation of the possible effects of the application of IFRS 15 on the consolidated financial statements has not yet been finalised; however, on the basis of the expected revenues, the management expects no or only minor effects from the application of IFRS 15. PNE will apply IFRS 15 initially for the fiscal year beginning on January 1, 2018. At present, PNE intends to apply IFRS 15 retrospectively and to present the comparative period in compliance with IFRS 15.

### *IFRS 16 Leases*

IFRS 16 specifies how to recognise leases and replaces the previous standard IAS 17. The new standard requires the general recognition of rights and duties under leases by the lessee. In the future, a lessee has to recognise a right-of-use asset and a corresponding lease liability. The regulations of IFRS 16 are to be applied to each individual contract. However, under certain prerequisites, lessor and lessee may use portfolios, instead of an individual assessment, which are then subject to the regulations of IFRS 16. In addition, there are individual simplification options for lessees regarding short-term leases and lease agreements for low-value assets.

Pursuant to the new standard, a lessor continues to classify its leases as finance leases or operating leases.

Apart from the changes in measurement and recognition, IFRS 16 also provides for enhanced disclosure duties both for the lessor and the lessee.

The analysis of the effects of the application of IFRS 16 on the consolidated financial statements has not yet been finalised. The most significant effect identified was that the Group will recognise new assets (rights of use) and liabilities for existing operating leases (see chapter X. Other disclosures no. 1) where PNE is the lessee. In addition, there will be changes in the recognition of expenses related to these leases. Currently, lease payments for operating leases are distributed over the lease term on a straight line basis and recognised in the result for the period. Pursuant to IFRS 16, depreciation charges for rights of use and interest expenses are to be recognised using the effective interest method for the liabilities under leases over the term of the leases in profit or loss.

We do not include any further details regarding new or amended standards or interpretations, since the effects of their first-time application on the asset, financial and earnings situation of the Group are expected to be insignificant.

### III. Principles of consolidation

#### 1. Scope of consolidation

All companies over which the Group parent company exercises control are included in the consolidated financial statements on the basis of full consolidation. Control over an investment company exists where an investor is exposed to fluctuating yields from its investment in the investment company or has rights to these and is capable of influencing these yields via its control over the investment company. The scope of consolidation also includes wind farm operating companies that are controlled by the parent company or its affiliated companies on the basis of these criteria.

During the reporting period, the following companies were included for the first time in the consolidated financial statements (in brackets: date of first consolidation and percentage holding):

1. PNE WIND Park XII GmbH & Co. KG, Cuxhaven  
(100 percent, first consolidation on April 1, 2016) (established),
2. PNE WIND Park XIII GmbH & Co. KG, Cuxhaven  
(100 percent, first consolidation on April 1, 2016) (established),
3. PNE WIND Kuzey Rüzgari Elektrik Üretim Ltd., Ankara, Turkey  
(100 percent, first consolidation on October 10, 2016) (established),
4. 4. PNE Erneuerbare Energien Offshore I GmbH, Cuxhaven  
(100 percent, first consolidation on November 24, 2016) (established),
5. PNE Erneuerbare Energien Offshore II GmbH, Cuxhaven  
(100 percent, first consolidation on November 24, 2016) (established),
6. Plambeck Neue Energien Windparks Fonds VIII Gerdau-Schwiebau GmbH & Co. KG, Cuxhaven  
(86.42 percent, first consolidation on October 1, 2016) (acquired),
7. Plambeck Neue Energien Windpark Pülfringen GmbH & Co. Betriebs KG, Cuxhaven,  
(100 percent, first consolidation on October 1, 2016) (acquired).

The object of companies no. 1–3 as well as 6 and 7 is the construction and operation of wind power turbines in the form of wind farms and the sale of the electricity generated.

The object of companies no. 4–5 is the development and project planning of offshore areas for the erection and operation as well as the sale of wind farms for generating electricity from renewable energy sources and/or fuels, including infrastructure.

The carrying amounts and fair values of the identifiable assets and liabilities of companies no. 1–5 were insignificant for the asset, financial and earnings position on the date of first-time consolidation.

Company no. 7 is a 100% subsidiary of company no. 6.

With the purchase of the shares in companies no 6 and 7, the Company acquired carrying amounts and fair values of the identifiable long term assets of euro 2.5 million, short term assets of euro 2.3 million, of which cash and cash equivalents of euro 2.0 million, and identifiable liabilities of euro 12.9 million. The purchase price for the shares amounted to euro 0.5 million. In fiscal 2016, the companies jointly contributed total performance of euro 2.0 million and an EBIT of euro 1.2 million – prior to consolidation effects – to the consolidated results. In addition, the purchase of the shares resulted in goodwill of euro 3.0 million, which was allocated to the goodwill of “Projecting of wind power turbines PNE”, since the shares in the companies were acquired for subsequent repowering purposes within the Group.

The acquisition of the shares in companies no. 6 and 7 and the preliminary purchase price allocation resulted in total goodwill of TEUR 3,032, which is determined as follows:

| in TEUR   |              |
|---|--------------|
| Purchase price for 86.42% of the shares                   | 418          |
| Less fair value of acquired assets and liabilities (100%) | 3,025        |
| Minority interests (13.58%)                               | -411         |
| <b>Goodwill</b>   | <b>3,032</b> |

The goodwill is based on strategic considerations that may be raised due to subsequent repowering project and synergies. The goodwill may be deductible for tax purposes.

The minority interests are determined as follows:

| in TEUR                                       |             |
|---|-------------|
| Minority interests (assumed book values)      | -1,224      |
| Minority interests (adjustment to fair value) | 875         |
| Minority interests (deferred taxes)           | -62         |
| <b>Total</b>                                  | <b>-411</b> |

The following assets and liabilities were acquired with the purchase of the shares in companies no. 6 and 7. The assets and liabilities acquired are recognised at the fair value on the date of acquisition.

| in TEUR                                      | recognized at the time of acquisition | Book value    |
|--|---------------------------------------|---------------|
| Feeding rights                               | 1,604                                 | 0             |
| Other property, plant and equipment          | 8,408                                 | 2,723         |
| Other current assets                         | 521                                   | 521           |
| Cash and cash equivalents                    | 1,305                                 | 1,305         |
| Deferred tax assets                          | 254                                   | 0             |
| Provisions                                   | 1,268                                 | 1,268         |
| Liabilities to credit institutions           | 10,315                                | 9,470         |
| Other liabilities                            | 2,822                                 | 2,822         |
| Deferred tax liabilities                     | 712                                   | 0             |
| <b>Fair value / book value of net assets</b> | <b>-3,025</b>                         | <b>-9,011</b> |

The fair values were determined using methods oriented on the capital value, where the net present values are derived from future payments or cash flows.

The value of the feed-in rights was determined in accordance with the residual value method. For this purpose, the cash flows directly attributable to the asset, less the cash flows from contributory assets, are discounted at the risk-adjusted capitalisation interest rate specific to the asset.

The value of technical plant and machinery (other property, plant and equipment) was determined on the basis of the actual useful life on the basis of historical cost of acquisition.

The valuation of the amortised cost of the liabilities to banks was based on the discounted cash flow method of the inherent costs.

The first consolidation pursuant to IFRS 3 "Business combinations" took place on October 1, 2016 using the purchase method in accordance with the partial goodwill method.

Since the date of acquisition, the shares acquired in companies no. 6 and 7 have contributed euro 0.6 million to the Group revenues and euro -0.1 million to the Group EBIT. If the acquisition had taken place at the beginning of the year, the contributions to revenues and EBIT would have been euro 2.3 million and euro -0.4 million, respectively (prior to consolidation effects).

The acquisition of the shares in companies no. 6 and 7 resulted in the following cash inflow during the fiscal year:

| In TEUR                               |            |
|---------------------------------------|------------|
| Purchase costs of share acquisition   | -418       |
| Cash acquired with the share purchase | 1,305      |
| <b>Actual cash flow</b>               | <b>887</b> |

During the reporting period, the shareholdings in the following Group companies, which are or were included in the scope of consolidation in the previous year, have changed:

PNE WIND Ventus Praventsi OOD, Sofia, Bulgaria (from 75 percent to 100 percent)

The change in the shareholding resulted in an insignificant change in minority interests. The payment made for the acquisition of the shares amounted to euro 1. The transactions have not resulted in any significant effects on the Group's statement of comprehensive income.

In addition, Windpark Altenbruch GmbH, Cuxhaven (shareholding of 50%) was included in the consolidated financial statements for the first time as at October 1, 2016 due to its increased significance as an associated company. This has not resulted in any major effects.

Accordingly, apart from PNE WIND AG, the scope of consolidation as at December 31, 2016 comprised the other companies included under "list of the companies included in the consolidated financial statements" under Point I "list of companies included in the consolidated financial statements" and under Point II "list of associated companies included in the consolidated financial statements".

Companies that were not included in the scope of consolidation as at December 31, 2016 are shown in the “list of companies included in the consolidated financial statements and list of ownership share” under Point III “non-consolidated companies due to minor significance”.

## 2. Disposals of shares

In the reporting period, the following companies or shares in companies were sold:

1. 80 % of shares in PNE WIND Partners Deutschland GmbH (formerly PNE WIND YieldCo Deutschland GmbH), Husum, Germany, and its subsidiaries (disposal from the electricity generation segment). The following list shows the companies that were deconsolidated with PNE WIND Partners Deutschland GmbH from the Group and in which PNE WIND AG, directly or indirectly, holds 20 % after the sale (included in the balance sheet under the item “Shares in associated companies”):
  - PNE WIND Partners Deutschland Verwaltungs GmbH (formerly PNE WIND YieldCo Deutschland Verwaltungs GmbH), Husum
  - PNE WIND Infrastruktur Chransdorf Verwaltungs GmbH, Husum
  - PNE WIND Infrastruktur Chransdorf-West GmbH & Co. KG, Husum
  - PNE WIND Park Altdöbern A GmbH & Co. KG, Husum
  - PNE WIND Park Altdöbern B GmbH & Co. KG, Husum
  - PNE WIND Park Altdöbern C GmbH & Co. KG, Husum
  - PNE WIND Park Großräschen A GmbH & Co. KG, Husum
  - PNE WIND Park Großräschen B GmbH & Co. KG, Husum
  - PNE WIND Park Köhlen I GmbH & Co. KG, Husum
  - PNE WIND Altenbruch II GmbH & Co. KG, Husum
  - PNE WIND Park VIII GmbH & Co. KG, Husum
  - PNE WIND Park IX GmbH & Co. KG, Husum
  - PNE WIND Park XI GmbH & Co. KG, Husum
  - WKN Windpark Hedendorf GmbH & Co. KG, Husum
2. 100 % of shares in Parc Eolien Tournevents du Cos S.A.S.U., Nantes, France (disposal from the segment “projecting of wind power turbines”)
3. 100 % of shares in Parc Eolien des Courtibeaux S.A.S.U., Nantes, France (disposal from the segment “projecting of wind power turbines”)
4. 100 % of shares in PNE Gode Wind III GmbH, Cuxhaven (previously recognised pursuant to IFRS 5)
5. 100 % of shares in PNE WIND Park XII GmbH & Co. KG, Cuxhaven (disposal from the segment “electricity generation”)
6. 100 % of shares in PNE WIND Park XIII GmbH & Co. KG, Cuxhaven (disposal from the segment “electricity generation”)

The purchase price for 80 percent of the shares in PNE WIND Partners Deutschland GmbH totalled approx. euro 103 million. The buyer also has an option of purchasing an additional project right for approx. 10 MW via PNE WIND Partners Deutschland GmbH. This option can be exercised by September 30, 2017.

Due to the deconsolidation of PNE WIND Partners Deutschland GmbH and its subsidiaries, assets amounting to approx. euro 234 million, which primarily represent technical equipment and machinery of wind farms, and debts amounting to approx. euro 195.3 million were eliminated at the Group level. The deconsolidation resulted in income of approx. euro 64.6 million. This amount includes income from the revaluation of the remaining shares totalling euro 5.8 million. The expenses incurred for the disposal of the net assets are included in the Group's cost of materials. The payment received for the sale of the shares amounted to approx. euro 103.3 million. The Company's and its subsidiaries' funds removed from the balance sheet as a result of the transaction amounted to euro 22.0 million. The gain on disposal is included in the Group's revenues.

Due to the deconsolidation of Parc Eolien des Tournevents du Cos S.A.S.U., assets totalling approx. euro 5.4 million, which primarily represent the wind farm's prepayments made, and debts amounting to approx. euro 7.6 million were eliminated at the Group level. The payment received for the sale of the company amounted to approx. euro 3.5 million. The company's funds eliminated from the balance sheet as a result of the transaction amounted to approx. euro 0.4 million. The gain on disposal is included in the Group's revenues.

Due to the deconsolidation of Parc Eolien des Courtibeaux S.A.S.U., assets totalling approx. euro 0.3 million, which primarily represent the wind farm's prepayments made, and debts amounting to euro 0.8 million were eliminated at the Group level. The payment received for the sale of the company amounted to approx. euro 1.1 million. The company's funds eliminated from the balance sheet as a result of the transaction amounted to TEUR 1. The gain on disposal is included in the Group's revenues.

The deconsolidation of PNE Gode Wind III GmbH, of PNE WIND Park XII GmbH & Co. KG and of PNE WIND Park XIII GmbH & Co. KG resulted in insignificant effects on the balance sheet and the statement of comprehensive income.

| In TEUR                                      | PNE WIND<br>Partners<br>Deutschland GmbH | Parc Eolien des<br>Tournevents du Cos<br>S.A.S.U. | Parc Eolien des<br>Courtibeaux<br>S.A.S.U. |
|--|--|---|--|
| <b>1. Total consideration received*</b>      | <b>103,334</b>                           | <b>3,450</b>                                      | <b>1,100</b>                               |
| <b>2. Disposal of assets and liabilities</b> |  |   |  |
| Current assets                               | 30,528                                   | 479   | 3  |
| Non-current assets                           | 203,490                                  | 4,968   | 259  |
| Current liabilities                          | -4,180                                   | -7,584  | -841                                       |
| Long-term liabilities                        | -191,134                                 | 0   | 0  |
| <b>Net assets sold</b>                       | <b>38,704</b>                            | <b>-2,137</b>                                     | <b>-579</b>                                |
| <b>3. Gain / loss on disposal</b>            |  |   |  |
| Amounts received                             | 103,334                                  | 3,450   | 1,100                                      |
| Net assets disposed                          | -38,704                                  | 2,137   | 579  |
| <b>Gain / loss on disposal</b>               | <b>64,630</b>                            | <b>5,587</b>                                      | <b>1,679</b>                               |
| <b>4. Net cash flow</b>                      |  |   |  |
| Cash payment sale price                      | 103,334                                  | 3,450   | 1,100                                      |
| Less the cash position disposed from sale    | -21,989                                  | -445  | -1   |
| <b>Net cash flow from the sale</b>           | <b>81,345</b>                            | <b>3,005</b>                                      | <b>1,099</b>                               |

\*Including repayment of intercompany loans

### 3. Consolidation methods

The basis of the consolidated financial statements is the separate financial statements of the companies included in the Group, prepared as at December 31, 2016 pursuant to uniform accounting and valuation principles and, in part, audited by the auditors.

The capital consolidation of subsidiaries is performed in accordance with the acquisition method of accounting by offsetting the acquisition costs of the business combination against the proportionate equity capital attributable to the parent company at the acquisition date. The equity capital is determined as the balance of the fair values of assets and liabilities at the acquisition date (full new valuation).

Non-controlling interests are measured at the acquisition date with their share in the identifiable net assets of the company acquired. If the ownership interest in already consolidated companies (without gain or loss of control) increases or decreases, this is effected with no impact on income through a credit or charge to the non-controlling interests within the shareholders' equity.

If the Group loses control over a subsidiary, the assets and liabilities of the subsidiary and all associated, non-controlling shares and other components in equity are eliminated. Any resulting gain or loss is recognised in the profit or loss. Any interest retained in the former subsidiary is measured at the fair value on the date of loss of control.

The Group's interests in financial assets that are recognised "at equity" comprise shares in associated companies and in a joint venture.

Associated companies are entities in which the Group has significant influence, but not control or joint control, in respect of the financial and operating. The Group has significant influence over an associated company generally through a holding of between 20 percent and 50 percent. A joint venture refers to an arrangement in which the Group has joint control and has rights to the net assets of the arrangement, instead of having rights to the assets and obligations for the liabilities of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities are made jointly.

In the case of investments that are included "at equity" in the consolidated financial statements, the book value is increased or decreased annually by the changes in shareholders' equity corresponding to the Group's capital share. Upon the first-time inclusion of investments at equity, differences resulting from initial consolidation are treated in accordance with the principles of full consolidation. The changes in pro-rated equity which are recognised in profit or loss, including impairment losses on goodwill, are shown in the results from at equity investments. Intercompany profits and losses were insignificant in these companies.

Material intragroup sales, expenses and income as well as receivables and liabilities between the companies to be consolidated are eliminated. Intercompany results, provided that they are material, are eliminated and taken into account in deferred taxes.

## IV. Accounting and valuation principles

The accounting at all companies of the Group is performed exactly in accordance with national legal regulations as well as the complementary generally accepted accounting principles.

The financial statements of all consolidated companies are included on the basis of uniform accounting and valuation methods. The annual financial statements prepared in line with the applicable national regulations (HB I) are reconciled to annual financial statements in conformity with IFRS (HB II). The accounting and valuation regulations were applied in the same way as in the previous year.

The preparation of the consolidated financial statements in accordance with the pronouncements of the IASB requires that assumptions be made and estimates be used for certain items that affect the amounts and the presentation of assets and liabilities, income and expenses reported as well as of contingent liabilities.

Assumptions and estimates relate in particular to the determination of the useful economic life of property, plant and equipment, the accounting and valuation of provisions, the possibility of realising future tax benefits for deferred taxes, the determination of the degree of completion for receivables from long term construction contracts and the determination of cash flows, growth rates and discounting factors in connection with impairment tests of goodwill.

The assumptions and estimates used are based on experience gained during the past business activity of the PNE WIND Group and follow relevant expectations publicly available in the corresponding market. Consequently, the assumptions and estimates used, as a rule, cannot deviate from general market expectations and, for forward-looking values, from price developments recognisable in the market. The maximum risk of a full value deviation is represented by the book values of intangible and tangible as well as financial assets shown in the balance sheet. For a presentation of the historical development of asset values resulting from the assumptions and estimates used, please refer to the schedule of fixed assets.

However, the actual values and their development may differ from the assumptions and estimates made. Such changes will be recognised through profit or loss at the time when better knowledge becomes available.

### 1. Intangible assets

Concessions, intellectual property rights and licences are stated at their cost of acquisition and incidental acquisition costs. Based on their definable useful life, they are amortised over the expected useful life using the straight line method. The useful life is usually two to four years. Special write-downs are charged where required, and these are subsequently reversed if the original grounds for the write-down no longer apply. No extraordinary value adjustments (decreases or increases) were required in the year under review.

Pursuant to IFRS 3, goodwill resulting from capital consolidation is not amortised over its expected useful life. Where necessary, extraordinary write-downs in accordance with IAS 36 ("impairment only approach") are made.

## 2. Property, plant and equipment

Property, plant and equipment are recognised at cost of acquisition or production, less scheduled straight-line depreciation, in accordance with IAS 16. No impairment losses pursuant to IAS 36 were to be recognised.

The items of property, plant and equipment are depreciated over their useful lives as follows:

|  | in years |
|--|----------|
| Buildings, including buildings on third-party land | 20 to 50 |
| Technical plant and machinery                      | 5 to 20  |
| Other plant and machinery, fixtures and fittings   | 3 to 10  |

No material residual values were to be taken into consideration when calculating the depreciation amount.

Assets held under finance leases are depreciated over their expected useful lives in the same manner as assets that are owned by the Group. However, if there is no reasonable certainty that the lessee will obtain ownership at the end of the lease term, the assets are depreciated over the shorter of the lease term or their expected useful lives.

Borrowing costs are, as a rule, charged to the statement of comprehensive income. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised.

## 3. Impairment of intangible assets and property, plant and equipment

At the end of each reporting period, the Group assesses whether there is any indication for a need to recognise an impairment loss on the assets shown in the statement of financial position. If any such indication exists or if an annual impairment test of an asset is required, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to determine the recoverable amount of individual assets, assets used in combination are summarised to cash generating units for which the cash flows can be estimated. The recoverable amount is the higher of the fair value of an asset or a cash generating unit, less costs to sell and value in use. In assessing the value in use, the estimated future cash flows from the asset or the cash generating unit are discounted to their present value using a risk-adjusted pre-tax discount rate. Write-downs of goodwill, recognised in profit or loss, are stated separately in the statement of comprehensive income under the item "Impairment loss goodwill".

A reversal of an impairment loss recognised in profit or loss in prior years for an asset (except for goodwill) is made whenever there is any indication that the impairment no longer exists or might have decreased. The reversal amount is recognised as income in the statement of comprehensive income. The value increase or impairment decrease of an asset is recognised only to the extent that it does not exceed the carrying amount that would have been determined, subject to write-down effects, had no impairment loss been recognised for the asset in prior years. Any impairment loss recognised in the context of impairment tests of goodwill must not be reversed.

Goodwill is tested for impairment at least once a year on December 31 or more frequently when there is any indication that the carrying amount may be impaired. Any impairment loss is recognised directly in profit or loss as a part of write-downs.

To determine the need for impairment of goodwill and of intangible assets with indefinite useful life, the carrying amount of the cash generating unit to which the goodwill is allocated is compared with the recoverable amount of the cash generating unit.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

#### **4. Lease agreements**

Leases are classified as finance leases if substantially all the risks and rewards incidental to ownership are transferred to the lessee under the lease agreement. All other leases are classified as operating leases. The Group only acts in the capacity of a lessee in the context of operating and finance leases.

Assets held as part of a finance lease are recognised by the lessee at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is shown as a liability under finance leases in the Group balance sheet.

The lease payments are apportioned between the interest expense and the reduction of the outstanding lease liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. Interest expense is included directly in the statement of comprehensive income.

Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the Group's benefit.

#### **5. Long term financial assets**

Long term financial assets are stated mainly at acquisition cost, if appropriate less extraordinary depreciation to the lower fair value, since they are investments in equity instruments for which no quoted market price exists.

Loans are measured at their amortised acquisition cost and non-interest bearing and low-interest loans are recognised at their present value.

Shares in associated companies and joint ventures are included at equity in the Group.

The associated companies have led to expense from assumption of losses totalling TEUR 66 (prior year: TEUR 176) and income of TEUR 644 (prior year: TEUR 3). The change in the book value of shares in associated companies is attributable primarily (TEUR 25,833) to the Group's remaining 20 percent interest in PNE WIND Partners Deutschland GmbH, which was consolidated in the Group as an affiliated company prior to the sale of an 80 percent interest as well as to the capital increase at PNE WIND Yenilenebilir Enerjiler Ltd. (TEUR 270).

## 6. Deferred taxes

Deferred taxes are recognised pursuant to the “liability method” in accordance with IAS 12 on temporary differences between the balance sheet for tax purposes and the consolidated financial statements. No deferred tax liability is recognised for the non-tax-deductible amortisation of goodwill arising from capital consolidation.

Deferred tax assets and deferred tax liabilities are calculated on the basis of the laws and regulations applicable on the reporting date. Deferred taxes on valuation adjustments are determined generally at the national tax rates for the individual group companies.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available for offsetting.

Deferred tax assets and liabilities are netted in the consolidated statement of comprehensive income, provided that an enforceable right exists to offset the actual tax debt and that the deferred taxes relate to the same tax subject and the same tax authority.

## 7. Assets held for sale and discontinued operations

Items of fixed assets and disposal groups the disposal of which is planned within 12 months are recognised in a separate item in accordance with IFRS 5. They are measured at the lower of amortised cost and fair value less costs to sell.

## 8. Inventories

Inventories are generally stated at the lower of cost of acquisition or production and net realisable value. The cost of production includes direct material costs, direct production costs and adequate portions of production-related overhead costs. In addition, borrowing costs that are directly attributable to the acquisition or production of a qualifying asset are capitalised. The net realisable value is the estimated selling price that can be obtained in the ordinary course of business, less all estimated costs incurred up to completion and estimated costs necessary to make the sale.

## 9. Accounting for long term construction contracts

Long term construction contracts for the erection of wind farms are accounted for by reference to the percentage of completion in accordance with the provisions of IAS 11. The profit contribution expected from a construction contract is estimated using the expected revenue and costs of the contract, and the revenue and expenses are recognised in accordance with the stage of completion on the reporting date. The degree of completion of the individual contracts is determined based on the work performed up to the reporting date, which is compared with the entire expected volume of work. Work provided by subcontractors is taken into account in the determination of the degree of completion. The degree of completion is determined for each individual project based on the work provided.

When the sum of contract costs incurred and recognised profits exceeds the down payments, construction contracts are recognised on the assets side as future receivables from long term construction contracts as a component of “Trade receivables”. A negative balance is shown under “Trade liabilities”.

An expected total loss from a construction contract is recognised as an expense immediately.

## **10. Receivables and other assets**

Receivables and other assets are measured at amortised cost, less any necessary impairment.

Receivables with a remaining term of more than one year are discounted at market conditions.

## **11. Cash and cash equivalents**

Cash and cash equivalents reported in the statement of financial position include cash on hand and in banks and short-term deposits with original maturities of less than three months.

## **12. Financial assets**

Financial assets are classified into the following categories in accordance with IAS 39:

- Financial assets held for trading
- Held-to-maturity investments
- Loans and receivables granted by the Company
- Available-for-sale financial assets

Financial assets with fixed or determinable payments and fixed maturity dates that an entity intends and is able to hold to maturity, except for loans and receivables, are classified as held-to-maturity financial investments. Financial assets that were acquired principally for realising short term profit are classified as financial assets held for trading. Derivative financial instruments are also classified as held for trading if it is a derivative that is not designated and effective as a hedging instrument. Profits and losses from financial assets held for trading are recognised in the statement of comprehensive income. All other financial assets, except for loans and receivables granted by the Company, are classified as available-for-sale financial instruments.

Held-to-maturity investments are stated under long term assets, unless they are due within 12 months from the reporting date. Financial assets held for trading are recognised under short term assets. Available-for-sale financial assets are shown as short term assets, provided that the management intends to sell them within 12 months from the reporting date.

Purchases or sales of financial assets are recognised using trade date accounting, i.e. on the day on which the entity assumed the obligation to purchase or to sell.

At initial recognition, a financial asset is stated at acquisition costs. These are made up of the fair value of the consideration and – except for financial assets held for trading – the transaction costs.

Changes in the fair value of financial assets held for trading are recognised through profit or loss. The fair value of a financial asset is the amount that would be received between willing parties in an arm's length transaction under current market conditions. The fair value corresponds to the market or stock price, provided that the relevant financial instruments are traded in an active market. If there is no active market for a financial instrument, the fair value is calculated using appropriate financial-mathematical valuation techniques, such as recognised option pricing models, or by discounting future cash flows at market interest rates.

Held-to-maturity financial investments are measured at their amortised cost using the effective interest method. If it is probable that financial assets carried at amortised cost are impaired, the impairment loss is recognised in the statement of comprehensive income. A previously recognised impairment loss is reversed through profit or loss if the subsequent increase in value (or decrease of impairment) can be related objectively to an event occurring after the impairment was originally recognised. An increase in value is recognised only to the extent that it does not exceed the amount of amortised cost that would have resulted had the impairment not been recognised.

Loans and receivables that are not held for trading are stated at amortised cost. If an impairment exists, the amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Available-for-sale financial assets are generally recognised at market values. Unrealised gains and losses, less a tax portion, are recognised in shareholders' equity in the item "income and expense recognised directly in equity". The item "income and expense recognised directly in equity" is reversed through profit or loss either when it is sold or when an impairment exists. If the fair value of equity instruments that are not quoted at a stock exchange cannot be determined reliably, the interests are valued at cost of acquisition (less impairment losses, if any).

Financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the financial instrument. They are classified either as financial liabilities at fair value through profit or loss or as other financial liabilities.

Other financial liabilities, such as bonds, borrowings, trade payables and others, are valued at amortised cost using the effective interest method.

Financial instruments measured at fair value can be classified based on the significance of the input factors and information relevant to their measurements and allocated to (measurement) levels. The allocation of a financial instrument to a level is based on the significance of its input factors for the entire measurement, i.e. the lowest level whose input is relevant for the measurement in its entirety. The measurement levels are divided hierarchically based on their input factors:

|         |  |
|---------|--|
| Level 1 | quoted prices (unadjusted) in active markets for identical assets or liabilities   |
| Level 2 | inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (i.e. as price) or indirectly (i.e. in derivation from prices) |
| Level 3 | inputs that are not based on observable market data for the measurement of the asset or the liability (unobservable inputs)  |

The determination of fair values of all financial instruments recognised in the statement of financial position and explained in these notes is based on information and input factors of level 2. Through the use of observable market parameters, the valuation does not differ from general market assumptions. The fair values of level 2 instruments were determined in accordance with generally accepted valuation methods.

Other financial instruments recognised have neither prices quoted in markets nor comparable transactions that can be used for a reliable valuation so that they are shown at (historical) cost.

For details we refer to the explanations on the relevant items in the statement of financial position.

### **13. Provisions**

Provisions are formed for all external obligations, if it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the provision. Provisions for imminent losses for onerous contracts are formed in accordance with the regulations of IAS 37.

In measuring the provision, the most probable value and, with a range of varying values, its expected value is used. Determination and measurement are effected, where possible, using contractual agreements; otherwise the calculations are based on past experience and estimates of the Board of Management.

Long term provisions are recognised at their present values; discounting is effected at market interest rates that correspond to the risk and the period up to settlement.

Apart from legal pension obligations, the Group has a very low volume of defined contribution pension plans. Payments for defined contribution plans are recognised as an expense when they are due.

Provisions for expected dismantling obligations are components of the cost of acquisition or production of the associated assets. Upon its initial recognition, the provision is formed without an impact on income.

### **14. Liabilities**

Liabilities are generally stated at amortised cost. Liabilities under finance leases are recognised at the inception of the lease at the present value of future leasing payments during the non-terminable basic lease term.

Liabilities with a remaining term of more than one year bear interest at market conditions.

Contingent liabilities are not shown in the statement of comprehensive income. A list of contingent liabilities existing on the reporting date is shown in Section X.2

### **15. Deferred subsidies from public authorities**

Government grants are recognised at their nominal amount in a separate item on the date they are received, without affecting profit or loss, and they are reversed through profit or loss based on the write-downs of the assets supported.

## 16. Statement of comprehensive income

The statement of comprehensive income is based on the expenditure type of presentation.

## 17. Sales revenues / revenue recognition

Sales are recognised as income at the time of delivery or the provision of the service to the customer.

Revenue recognition for long term construction contracts is explained in Section IV.9.

Interest income is deferred in the corresponding period based on the effective interest method.

## 18. Foreign currency conversion

The items contained in the separate financial statements of the individual Group companies are valued using the relevant functional currency. The consolidated financial statements are prepared in euro, which is the reporting and the functional currency of the parent company.

Transactions in foreign currencies are converted into the relevant functional currency using the rates of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted at the exchange rate valid on the reporting date. Exchange differences are recognised in profit or loss and stated in the statement of comprehensive income under "Other operating income" or "Other operating expenses". Non-monetary assets and liabilities that were measured at historical cost in a foreign currency are converted at the rate prevailing on the day of the transaction.

Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of a net investment in a foreign operation and which are recognised in the reserve for currency exchange differences are recognised through profit or loss upon disposal of the net investment. Shareholders' equity is converted at historical rates.

For the purpose of preparing consolidated financial statements, the assets and liabilities of the Group's foreign operations are to be converted into Euro (EUR) using exchange rates prevailing on the reporting date. Income and expense items are converted at the average exchange rate for the period. The resulting exchange differences are transferred to the reserve for currency conversion as part of the shareholders' equity. On the disposal of a foreign operation, these amounts are recognised through profit or loss. Shareholders' equity is converted at historical rates.

Goodwill arising from the acquisition of a foreign operation and fair value adjustments are treated as assets or liabilities of the foreign operation and converted at the rate of exchange prevailing on the reporting date.

## V. Statement of financial position

With regard to the composition and development of the individual items of fixed assets, we refer to the consolidated schedule of fixed assets. With regard to disposal restrictions of items of fixed assets we refer to the schedule of liabilities.

### 1. Intangible assets

The intangible assets in an amount of TEUR 63,409 (prior year: TEUR 60,405) are attributable to goodwill arising from the initial consolidation of subsidiaries included in the consolidated financial statements.

#### *Impairment of goodwill*

Items of goodwill acquired in the context of business combinations are allocated to the corresponding cash generating units for the purpose of impairment testing.

The future recoverable amount was defined as the fair value less costs to sell.

For the impairment test of goodwill of the cash generating unit "projecting of wind power turbines WKN", the future cash flows were derived from the detailed plans for the next 3 years (hierarchy level 3). No growth discount was taken into account for the period thereafter. The weighted average cost of capital before taxes used to discount the forecast cash flows was 9.32 percent (prior year: 10.86 percent) for the detailed planning phase and for the subsequent period.

For the impairment test of goodwill of the cash generating unit "projecting of wind power turbines PNE", the future cash flows were derived from the detailed plans for the next 3 years (hierarchy level 3). No growth discount was taken into account for the period thereafter. The weighted average cost of capital before taxes used to discount the forecast cash flows was 8.99 percent (prior year: 10.76 percent) for the detailed planning phase and for the subsequent period.

For the impairment test of goodwill of the cash generating unit "electricity generation", the future cash flows were derived from the detailed plans for the next 3 years (hierarchy level 3). For the period thereafter, a cumulative planning over the relevant expected remaining useful life up to 2026 was taken as the basis. The weighted average cost of capital before taxes used to discount the forecast cash flows was 5.84 percent (prior year: 6.20 percent) for the detailed planning phase and for the subsequent period.

#### *Key assumptions for the calculation of the fair values less cost to sell of the business units as at December 31, 2016 and December 31, 2015:*

##### *Projecting of wind power turbines WKN and PNE*

With the purchase of the shares in the companies Plambeck Neue Energien Windparks Fonds VIII Gerdau-Schwiebau GmbH & Co. KG, Cuxhaven, (86.42 percent) and Plambeck Neue Energien Windpark Pülfringen GmbH & Co. Betriebs KG, Cuxhaven, (100 percent), the Company acquired carrying amounts and fair values of the identifiable long term assets of euro 2.5 million, short term assets of euro 2.3 million, of which cash and cash equivalents of euro 2.0 million, and identifiable liabilities of euro 12.9 million. The purchase price for the shares amounted to euro 0.5 million. In addition, the purchase of the shares resulted in goodwill of TEUR 3,032, which was allocated to the goodwill of "Projecting of wind power turbines PNE", since the shares in the companies were acquired for subsequent repowering purposes within the Group.

**Budgeted gross profit margins:** The gross profit margins are determined based on the average gross profit margins achieved in prior fiscal years, increased for expected efficiency improvements.

To establish future cash flows, the expected operating costs are deducted from the gross profits determined in this manner. Financing costs and taxes are not taken into account. The remaining amount forms the basis of discounting.

**Weighted average cost of capital:** The cost of equity is determined using the Capital Asset Pricing Model (CAPM). The borrowing costs before taxes were stated at an interest rate of 4.94 percent (prior year: 5.66 percent).

*Results of impairment tests and sensitivities*

The recoverable amount of the CGU Laubuseschbach (electricity generation) was below the carrying amount of the CGU's assets so that an impairment loss of TEUR 28 was recognised for this wind farm.

There were no impairment losses for the two CGUs projecting of wind power turbines PNE and WKN. With regard to the CGU "projecting of wind power turbines PNE", the management is of the opinion that no reasonable change in the fundamental assumptions used to determine the recoverable amount will lead to impairment losses. With regard to the CGU "projecting of wind power turbines WKN", the management assumes that a change of 2 percentage points in the interest rate would have the effect that the total of book values would exceed the recoverable amount of the CGU by TEUR 9,926.

*Carrying amounts of goodwill allocated to the relevant cash-generating units:*

| All figures in TEUR | Projecting of wind power turbines PNE |        | Projecting of wind power turbines WKN |        | Electricity generation |      | Total |        |
|---------------------|---------------------------------------|--------|---------------------------------------|--------|------------------------|------|-------|--------|
|                     | 2016                                  | 2015   | 2016                                  | 2015   | 2016                   | 2015 | 2016  | 2015   |
|                     | Carrying amount of goodwill           | 23,032 | 20,000                                | 40,207 | 40,207                 | 170  | 198   | 63,409 |

## **2. Property, plant and equipment**

Technical equipment and machinery includes a transformer station (Kletzke transformer station) acquired under a finance lease, which is capitalised at an amortised cost of TEUR 545 (prior year: TEUR 626). At the end of the finance lease, the title to the transformer station passes to the Group. The related minimum lease payments and the present values thereof are shown under financial liabilities.

Since 2016, 10 LIDAR wind measurement devices have been capitalised under other equipment, plant and machinery at net acquisition costs of TEUR 928 (prior year: TEUR 0). These devices were leased under a sale and leaseback contract for a period of 60 months, and the title to them passes to the lessee at the end of the lease. The related minimum lease payments and the present values thereof are shown under financial liabilities. Any profit generated upon the disposal will be accrued over the term of the agreement.

In 2016, land and buildings were sold as part of a sale and leaseback agreement. The transaction resulted in profit of TEUR 1,645, which was received immediately, since it was an operating lease. The income is shown under "Other operating income". For future lease payments see item "X. Other disclosures".

During the 2015 and 2016 fiscal years, the Company constructed and commissioned company-owned wind farms/portfolio projects. Since these projects have been operated by the Company itself regardless of their current or future shareholder structures and used to generate electricity, the wind farms were classified as fixed assets from the date of sale within the Group in accordance with IAS 16. Until a decision is made regarding the external sale or internal operation, they are recognised in the inventories pursuant to IAS 2. The reclassification from Group inventories to Group fixed assets was carried out without impacting the income statement and led to no reduction in the change of inventory position.

The wind farm projects were financed, in part, by public KfW loans. These loans were measured at their fair value upon acquisition. The difference between the fair value and the nominal value of loans of originally TEUR 846 is recognised through profit or loss over the term of the loans.

### 3. Long term financial assets

In addition to the Company's investments in associated companies (including joint ventures) totalling TEUR 27,194 (prior year: TEUR 650), long term financial assets include shares in companies that were not included by way of full consolidation in the consolidated financial statements because of their minor importance amounting to TEUR 26 (prior year: TEUR 1,357). The Company does not intend to sell the investments in the long term. Moreover, the item contains loans totalling TEUR 115 (prior year: TEUR 153) and other loan receivables totalling TEUR 25 (prior year: TEUR 439).

As in the previous year, no impairment losses were recognised on long term financial assets in the 2016 fiscal year.

Please refer to Section V.6 for the categorisation and valuation of financial instruments.

Interests in joint ventures are accounted for using the equity method. This refers to one joint venture, since joint control of the YieldCo Group exists on the basis of contractual agreements. The interests in joint ventures include the remaining shares (20%) from the sale of PNE WIND Partners Deutschland GmbH. The main business activity of PNE WIND Partners Deutschland GmbH and its subsidiaries is the operation of plants for generating electricity from renewable energies, in particular of wind farms, the sale of electricity generated in these plants and other associated administrative activities.

Summarised financial information in respect of PNE WIND Partners Deutschland GmbH is set out below. The summarised information represents the amounts shown in the companies' financial statements prepared in accordance with IFRS (adjusted by the Group for equity accounting purposes).

Reconciliation account of the above summarised financial information to the carrying amount of the interest in PNE WIND Partners Deutschland GmbH in the consolidated financial statements:

| PNE WIND Partners Deutschland GmbH<br>All figures in TEUR |  | 31.12.2016    |
|---|--|---------------|
| Net assets of the joint venture                           |  | 102,283       |
| Group equity  |  | 20 %          |
| Goodwill  |  | 5,376         |
| Other   |  | 0             |
| <b>Book value of the Group share</b>                      |  | <b>25,833</b> |

| PNE WIND Partners Deutschland GmbH<br>All figures in TEUR |            |            |
|---|------------|------------|
|   | 31.12.2016 | 31.12.2015 |
| Current assets  | 30,392     | 16,663     |
| Non-current assets  | 267,204    | 128,541    |
| Current liabilities                                       | -18,043    | -18,630    |
| Long-term liabilities                                     | -177,270   | -81,166    |

| PNE WIND Partners Deutschland GmbH<br>All figures in TEUR |        |        |
|---|--------|--------|
|   | 2016   | 2015   |
| Revenues  | 18,642 | 10,127 |
| Net profit for the year from continuing operations        | 937    | 1,320  |
| Post-tax result from discontinued operations              | 0      | 0      |
| Net income  | 937    | 1,320  |
| Other result  | 0      | 0      |
| Total result  | 937    | 1,320  |
| Dividend received from associates                         | 0      | 0      |

Investments in associated companies are accounted for in the consolidated financial statements using the at-equity method.

Details regarding the Group's material associated companies are indicated in the following tables:

| Associated companies                  | Core business                     | Seat           | Equity and voting rights |            |
|---------------------------------------|-----------------------------------|----------------|--------------------------|------------|
|                                       |                                   |                | 31.12.2016               | 31.12.2015 |
| Windpark Altenbruch GmbH              | Power generation from wind energy | Cuxhaven       | 50%                      | 50%        |
| PNE WIND Yenilenebilir Enerjiler Ltd. | Power generation from wind energy | Ankara, Turkey | 50%                      | 50%        |

Summarised financial information in respect of the Group's material associated companies is set out below. The summarised information below represents amounts shown in the associated companies' financial statements prepared in accordance with IFRS (adjusted by the Group for equity accounting purposes).

Reconciliation account of the above summarised financial information to the carrying amount of the interest in Windpark Altenbruch GmbH in the consolidated financial statements:

| Windpark Altenbruch GmbH<br>TEUR     |  | 31.12.2016 |
|--------------------------------------|--|------------|
| Net assets of the joint venture      |  | 1,331      |
| Group equity                         |  | 50%        |
| Goodwill                             |  | 0          |
| Dividend received                    |  | -342       |
| <b>Book value of the Group share</b> |  | <b>324</b> |

| <b>Windpark Altenbruch<br/>All figures in TEUR</b> | <b>31.12.2016</b> | <b>31.12.2015</b> |
|--|-------------------|-------------------|
| Current assets                                     | 482               | 250               |
| Non-current assets                                 | 871               | 37                |
| Current liabilities                                | -22               | -19               |
| Long-term liabilities                              | 0                 | 0                 |

| <b>Windpark Altenbruch GmbH<br/>All figures in TEUR</b> | <b>2016</b> | <b>2015</b> |
|---|-------------|-------------|
| Revenues  | 1,144       | 38          |
| Net profit for the year from continuing operations      | 1,110       | 3           |
| Post-tax result from discontinued operations            | 0           | 0           |
| Net income  | 1,110       | 3           |
| Other result  | 0           | 0           |
| Total result  | 1,110       | 3           |
| Dividend received from associates                       | 342         | 0           |

Reconciliation account of the above summarised financial information to the carrying amount of the interest in PNE WIND Yenilenebilir Enerjiler Ltd in the consolidated financial statements:

| <b>PNE WIND Yenilenebilir Enerjiler Ltd.<br/>All figures in TEUR</b> | <b>31.12.2016</b> |
|--|-------------------|
| Net assets of the joint venture                                      | 2,052             |
| Group equity   | 50 %              |
| Goodwill   | 0                 |
| Others   | 0                 |
| <b>Book value of the Group share</b>                                 | <b>1,026</b>      |

| <b>PNE WIND Yenilenebilir Enerjiler Ltd.<br/>All figures in TEUR</b> | <b>31.12.2016</b> | <b>31.12.2015</b> |
|--|-------------------|-------------------|
| Current assets   | 2,668             | 7,878             |
| Non-current assets   | 57                | 126               |
| Current liabilities  | -644              | -641              |
| Long-term liabilities  | -28               | 0                 |

| <b>PNE WIND Yenilenebilir Enerjiler Ltd.<br/>All figures in TEUR</b> | <b>2016</b> | <b>2015</b> |
|--|-------------|-------------|
| Revenues   | 223         | 1,292       |
| Net profit for the year from continuing operations                   | -66         | 85          |
| Post-tax result from discontinued operations                         | 0           | 0           |
| Net income   | -66         | 85          |
| Other result   | -1,046      | -174        |
| Total result   | -1,112      | -89         |
| Dividend received from associates                                    | 0           | 0           |

Summarised information about associated companies that are of minor significance:

| All figures in TEUR  | 31.12.2016 | 31.12.2015 |
|--|------------|------------|
| Total of the carrying amounts of the Group's shares in these companies | 11         | 57         |

#### 4. Assets and liabilities classified as held for sale

In the prior year, the item included TEUR 1,135 for project work provided by PNE Gode Wind III GmbH.

#### 5. Inventories

| All figures in TEUR                     | 31.12.2016     | 31.12.2015     |
|---|----------------|----------------|
| Raw materials, consumables and supplies | 115            | 113            |
| Work in progress                        | 104,962        | 114,206        |
| Finished goods and merchandise          | 2              | 4              |
| Prepayments made                        | 7,866          | 6,854          |
|   | <b>112,946</b> | <b>121,177</b> |

During the 2015 and 2016 fiscal years, the Company constructed and commissioned company-owned wind farms/portfolio projects. Since these projects were operated by the Company itself regardless of their current or future shareholder structures and used to generate electricity, the wind farms were classified as fixed assets from the date of sale within the Group in accordance with IAS 16. The assets were reclassified from Group inventories to Group fixed assets.

In the 2016 fiscal year, an amount of TEUR 8,564 (prior year: TEUR 7,813) in respect of write-downs of inventories to the net realisable value was recognised as an expense. The expense is included in the changes in inventories. The write-downs were made, since the legal situation for renewable energies in Poland has deteriorated and due to the findings gained from the tendering procedure in Italy. Both facts had the effect that several projects can no longer be realised economically and that the existing assets had to be written down.

The total cost of inventories recognised as an expense was TEUR 1,591 (prior year: TEUR 116,096).

Work in progress includes assets of TEUR 63,799 (prior year: TEUR 85,937), which are expected to be recovered after more than twelve months.

Work in progress is divided as follows:

- offshore projects “Nemo”, “Nautilus”, “Jules Verne” (euro 11.0 million)
- offshore projects “Atlantis II – III” (euro 12.2 million)
- offshore project “Atlantis I” (euro 21.9 million)
- onshore projects in Germany (euro 15.4 million)
- onshore projects in Poland (euro 12.1 million)
- onshore projects in Italy (euro 8.3 million)
- onshore projects in France (euro 7.4 million)
- onshore projects in Sweden (euro 4.3 million)
- onshore projects in Romania (euro 1.7 million)
- onshore projects in the USA (euro 5.3 million)
- an onshore WKN project in the United Kingdom (euro 2.6 million) and
- onshore projects in South Africa (euro 2.7 million)

## 6. Receivables and other assets

### *Receivables from long term construction contracts*

The receivables from long term construction contracts and trade receivables relate primarily to receivables due from wind farm companies for the construction of wind farms.

Before netting against prepayments received, receivables from long term construction contracts amounted to TEUR 4,199 (prior year: TEUR 0). After being netted against prepayments received, the following balance results, which is shown under trade receivables:

| All figures in TEUR   | 31.12.2016 | 31.12.2015 |
|---|------------|------------|
| Accrued cost including stage of completion profits realised | 4,199      | 0          |
| Prepayments received  | -4,147     | 0          |
|   | <b>52</b>  | <b>0</b>   |

### *Trade receivables*

In the fiscal year 2016, write-downs of TEUR 1,374 (prior year: TEUR 1,662) were made on receivables and other assets. The write-downs are determined individually by reference to past experience in payment transactions with the relevant companies.

The account of write-downs developed as follows (TEUR):

| All figures in TEUR | 31.12.2016   | 31.12.2015   |
|---------------------|--------------|--------------|
| <b>1.1.</b>         | <b>2,782</b> | <b>1,129</b> |
| Additions           | 1,374        | 1,662        |
| Utilisation (-)     | 0            | 0            |
| Reversals (-)       | 214          | 9            |
| <b>31.12.</b>       | <b>3,942</b> | <b>2,782</b> |

The total receivables written down amounted to TEUR 4,010 as at December 31, 2016 (prior year: TEUR 2,871).

Receivables and other assets include no significant amounts that were overdue on the reporting date. Reservation of title was agreed to the customary extent for trade receivables; apart from this, no additional collateral was agreed for receivables and other assets.

### *Other short term loan receivables*

The other short term loan receivables include loans issued by PNE WIND AG and WKN AG to wind farm project companies which have been sold.

### *Receivables from affiliated companies, associated companies and those in which an investment is held*

Receivables from affiliated companies, associated companies and those in which an investment is held include short-term other financial receivables.

The following table shows, specifying the categories, the carrying amounts and fair values of all **financial assets**::

| All figures in TEUR  |     | Total          | Fair Value     |
|--|-----|----------------|----------------|
| <b>As per 31.12.2016</b>   |     |                |                |
| <b>Short term financial assets</b>   |     |                |                |
| Cash and cash equivalents  | LaR | 147,686        | 147,686        |
| Trade receivables  | LaR | 13,187         | 13,187         |
| Other short term loan receivables  | LaR | 1,472          | 1,472          |
| Receivables from affiliated companies  | LaR | 4,937          | 4,937          |
| Receivables from associated companies and those in which an investment is held | LaR | 2,533          | 2,533          |
| <b>Long term financial assets</b>  |     |                |                |
| Shares in affiliated companies   | AfS | 26             | -              |
| Shares in companies in which an investment is held                             | AfS | 1,092          | -              |
| Other loans  | LaR | 115            | 115            |
| Other short term loan receivables  | LaR | 25             | 25             |
|  |     | <b>171,073</b> | <b>169,955</b> |
| <b>Total loans and receivables</b>   |     | <b>169,955</b> | <b>169,955</b> |
| <b>Total financial assets available for sale</b>                               |     | <b>1,118</b>   | <b>-</b>       |
| <b>As per 31.12.2015</b>   |     |                |                |
| <b>Short term financial assets</b>   |     |                |                |
| Cash and cash equivalents  | LaR | 86,075         | 80,075         |
| Trade receivables  | LaR | 7,969          | 7,969          |
| Other short term loan receivables  | LaR | 312            | 312            |
| Receivables from affiliated companies  | LaR | 5,110          | 5,110          |
| Receivables from associated companies and those in which an investment is held | LaR | 2,239          | 2,239          |
| <b>Long term financial assets</b>  |     |                |                |
| Shares in affiliated companies   | AfS | 1,357          | -              |
| Shares in companies in which an investment is held                             | AfS | 604            | -              |
| Other loans  | LaR | 153            | 153            |
| Other short term loan receivables  | LaR | 439            | 439            |
|  |     | <b>104,258</b> | <b>102,297</b> |
| <b>Total loans and receivables</b>   |     | <b>102,297</b> | <b>102,297</b> |
| <b>Total financial assets available for sale</b>                               |     | <b>1,961</b>   | <b>-</b>       |
| LaR = Loans and receivables<br>AfS = Available-for-sale financial assets       |     |                |                |

The available-for-sale financial assets include unquoted equity instruments whose fair value cannot be reliably measured and which therefore were measured at cost in the amount of TEUR 1,118 as at December 31, 2016 (prior year: TEUR 1,961). On the reporting date, there was no intention of selling the financial assets. No net gains or losses were attributable to the available-for-sale category.

The carrying amounts of loans and receivables on the reporting date approximate their fair values. The net results in the category "loans and receivables" include TEUR 1,402 (prior year: TEUR 1,662) for impairment losses, shown in other operating expenses and income, as well as TEUR 107 (prior year: TEUR 234) for interest income, shown in the financial result.

#### *Other assets*

Other assets include primarily value added tax receivables.

### **7. Equity capital**

#### *Subscribed capital*

As at January 1, 2016, the Company's share capital amounted to euro 76,555,434.00 (prior year: euro 71,974,939.00), divided into 76,555,434 (prior year: 71,974,939) no par value registered shares with a notional share of euro 1.00 per share in the share capital. The Company's share capital developed as follows in the reporting period:

In the 2016 fiscal year, the Company issued 592 (prior year: 1,995) shares from Conditional Capital II/2012, after corresponding conversion rights were exercised.

On the reporting date, the Company's share capital amounted to euro 76,556,026.00 (prior year: euro 76,555,434.00), divided into 76,556,026 (prior year: 76,555,434) no par value registered shares with a notional share of euro 1.00 per share in the share capital.

### *Authorised capital*

The general meeting of shareholders of May 22, 2013 authorised the Board of Management to increase the Company's share capital, with the approval of the Supervisory Board, in the period up to May 21, 2018, on one or several occasions to a total of up to euro 22,800,000.00 (authorised capital) by issuing new no par value registered shares against contributions in kind or in cash. Moreover, the Board of Management was granted the authorisation, subject to the approval of the Supervisory Board:

- to exclude the shareholders' subscription rights up to an amount which does not exceed 10 percent of the share capital existing on the date this authorisation is exercised in order to issue new shares against contributions in kind at a price that is not substantially lower than the stock market price of already listed shares of the same class. This 10 percent limit shall include those shares that are acquired in accordance with Section 71 (1) no. 8 AktG on the basis of an authorisation of the general meeting of shareholders and are sold under exclusion of subscription rights in accordance with Section 186 (3) sentence 4 AktG. Furthermore, this limit shall include those shares that were or are to be issued to serve convertible and/or option bonds, provided that the bonds were issued under exclusion of subscription rights in corresponding application of Section 186 (3) sentence 4 AktG.
- to exclude the shareholders' subscription rights in a partial amount of up to euro 9,000,000.00 for the purpose of acquiring property, plant and equipment, in particular through the acquisition of companies or investments in companies or the acquisition of other assets, provided that the acquisition or the investment is in the best interests of the Company and will be effected through the issue of shares;
- to exclude the shareholders' subscription rights to the extent necessary to grant the holders of convertible and/or option bonds issued by the Company or its subsidiaries subscription rights for new shares in a volume to which they would be entitled after exercising their conversion and/or option rights.

Should the Board of Management not make use of the aforementioned authorisations, the shareholders' subscription rights can be excluded solely for fractional amounts.

The authorised capital was registered in the commercial register of the Company on July 16, 2013.

The Board of Management made use of this authorisation for the first time with the resolution of September 11, 2014 and, by utilising the authorised capital, increased the Company's share capital by euro 13,931,195.00 through the issue of 13,931,195 shares with a notional share of euro 1.00 per share in the share capital.

In 2015, the Board of Management, based on the resolution of May 13, 2015 and with the consent of the Supervisory Board of the same day, again made use of the authorisation and, by utilising the authorised capital, increased the share capital by euro 4,578,500.00 through the issue of 4,578,500 shares with a notional share of euro 1.00 per share in the share capital.

No use was made of the authorised capital in the reporting period.

The authorised capital thus amounted to euro 4,290,305.00 on December 31, 2016.

### *Conditional Capital II/2012*

The general meeting of shareholders of May 15, 2012 resolved a conditional increase of the Company's share capital by a further amount of up to euro 7,750,000.00.

The share capital is conditionally increased by a further amount of up to euro 7,750,000.00, divided into up to 7,750,000 no par value registered shares, each representing a pro-rata amount of euro 1.00 of the share capital (Conditional Capital II/2012). The conditional capital increase will only be implemented to the extent that the holders of option or conversion rights from option or convertible bonds which are issued or guaranteed by the Company or one of its wholly-owned indirect or direct investment companies up to May 14, 2017 on the basis of the authorisation of the annual meeting of shareholders of May 15, 2012 will exercise their option or conversion rights. The new shares are entitled to a share in the profits from the beginning of the fiscal year in which they are created through the exercise of conversion or option rights. The Board of Management is authorised, with the approval of the Supervisory Board, to determine the further details of the execution of the capital increase.

The Board of Management made use of this authorisation with the resolution of September 11, 2014 and with the approval of the Supervisory Board of the same day and resolved to issue a convertible bond (the "2014/2019 Convertible Bond") at a volume of up to euro 25,575,000.00. The individual convertible bonds were issued at a price of 100 percent. The conversion price for each share acquired in the future through exercising the conversion right amounts to euro 3.30, subject to a subsequent adjustment. The convertible bond was subscribed in a volume of euro 6,565,132.20. This corresponds to subscription rights for up to 1,989,434 new shares with a pro-rata amount of euro 1.00 per share in the share capital. Taking the subscription rights granted under the 2014/2019 Convertible Bond into account, the Conditional Capital II/2012 was partially used in the amount of up to euro 1,989,434.00 by December 31, 2016. Thus, the Conditional Capital II/2012 in the remaining amount of up to euro 5,760,566.00 was still available for the issuance of additional convertible bonds on December 31, 2016. In the reporting period, the conversion rights arising from 576 convertible bonds at a total nominal amount of euro 1,907.40 were exercised and 592 new shares (prior year: 1,995) from the Conditional Capital II/2012 were issued.

### *Capital reserve*

The capital reserve includes the premium paid on the shares issued and the equity share of the convertible bond.

### *Treasury shares*

As in the previous year, the Company held no treasury shares on December 31, 2016. The Company did not buy or sell any treasury shares in the reporting year.

### *Foreign currency reserve*

Exchange differences relating to the conversion of the functional currency of foreign operations into the Group's presentation currency are included in the foreign currency reserve.

### Consolidated retained earnings

Profits and losses are accumulated in the consolidated retained earnings. In the context of the 2016 dividend payment, dividends of TEUR 3,062 (euro 0.04 per share) (prior year: dividend of TEUR 3,062 (euro 0.04 per share)) from the consolidated retained earnings were taken from the retained profits shown in the financial statements of PNE WIND AG prepared pursuant to the German Commercial Code and distributed to the shareholders. The Board of Management and the Supervisory Board propose to distribute a dividend of four percent and an eight percent special dividend, each on the notional interest in the share capital of the eligible shares of the 2016 fiscal year from the retained profits totalling euro 107,471,103.89 (prior year: euro 70,494,808.74). The remaining retained profits shall be brought forward to a new account.

### 8. Non-controlling interests

The capital consolidation of WKN AG, of the wind farm operating companies and of the investments abroad as well as the results from current and past fiscal years resulted in cumulative negative non-controlling interests totalling TEUR -9,265 (prior year: TEUR -8,749). On the reporting date, there was a share of TEUR -5,393 (prior year: TEUR -3,102).

The following table shows details of the Group's non-wholly owned subsidiaries that have material non-controlling interests.

| Name of subsidiary                        | Place of business | Proportion of ownership interest and voting power held by non-controlling interests |            | Profit/loss attributable to non-controlling interests |               | Accumulated non-controlling interests |                    |
|---|-------------------|---|------------|---|---------------|---------------------------------------|--------------------|
|   |                   | 31.12.2016  | 31.12.2015 | 2016 in TEUR  | 2015 in TEUR  | 31.12.2016 in TEUR                    | 31.12.2015 in TEUR |
|   |                   | WKN AG  | Germany    | 16.90%  | 16.90%        | -1,954                                | -4,122             |
| PNE WIND UK Ltd.                          | United Kingdom    | 0.00%   | 10.00%     | 0   | -34           | 0                                     | 0                  |
| Others                                    |                   |   |            | 61  | -707          | -2,379                                | -1,929             |
| <b>Total of non-controlling interests</b> |                   |   |            | <b>-1,893</b>   | <b>-4,863</b> | <b>-5,393</b>                         | <b>-3,101</b>      |

Summarised financial information in respect of the Group's subsidiaries that have material non-controlling interests is set out below. The summarised financial information represents amounts before intragroup eliminations.

| WKN AG<br>All figures in TEUR  | 31.12.2016 | 31.12.2015 |
|--|------------|------------|
| Short term assets  | 77,215     | 87,674     |
| Long term assets   | 20,879     | 26,992     |
| Short term liabilities   | 64,476     | 62,764     |
| Long term liabilities  | 2,242      | 14,679     |
| Share in equity attributable to the shareholders of the parent company | 38,336     | 43,525     |
| Non-controlling interests  | -6,960     | -6,302     |

| WKN AG<br>All figures in TEUR                                       | 2016   | 2015    |
|---|--------|---------|
| Revenues  | 60,208 | 48,931  |
| Expenses  | 66,712 | 62,851  |
| Net income  | -6,504 | -13,920 |
| of which:   |        |         |
| Net income attributable to the shareholders of the parent company   | -4,550 | -11,035 |
| Net income attributable to the non-controlling interests            | -1,954 | -2,885  |
| Other result attributable to the shareholders of the parent company | 0      | 0       |
| Other result attributable to the non-controlling interests          | 0      | 0       |
| Other result  | 0      | 0       |
| Total result attributable to the shareholders of the parent company | -4,550 | -11,035 |
| Total result attributable to the non-controlling interests          | -1,954 | -2,885  |
| Total result  | -6,504 | -13,920 |

| WKN AG<br>All figures in TEUR               | 31.12.2016 | 31.12.2015 |
|---|------------|------------|
| Dividends paid to non-controlling interests | 0          | 0          |
| Net cash flows from operating activities    | -1,429     | -538       |
| Net cash flows from investing activities    | -834       | -1,810     |
| Net cash flows from financing activities    | 0          | 0          |
| Total net cash flows                        | -2,264     | -2,348     |

## 9. Deferred subsidies from public authorities

Since 2000, the Company has received investment grants in the total amount of TEUR 1,746 for the construction of an office building, the extension of the office building and for fixtures and fittings.

The reversal of the investment grants is based on the useful life of the underlying assets. During the year under report, a total amount of TEUR 47 (prior year: TEUR 47) was reversed.

## 10. Tax provisions

The tax provisions include current taxes on income, which were set up for past fiscal years and the 2016 fiscal year.

## 11. Other provisions

The other provisions developed as follows:

| All figures in TEUR                              |               |             |              |              |             | Reclassification of scope of consolidation |
|--|---------------|-------------|--------------|--------------|-------------|--|
|  | 1.1.2016      | Consumption | Reversal     | Addition     |             | 31.12.2016                                 |
| Variable purchase price component Atlantis I-III | 9,400         | 0           | 1,455        | 0            | 0           | 7,945                                      |
| Distribution guarantees Silbitz                  | 354           | 366         | 0            | 375          | 0           | 363  |
| Legal costs                                      | 725           | 587         | 3            | 852          | 0           | 987  |
| Other  | 1,397         | 0           | 0            | 15           | -359        | 1,053                                      |
|  | <b>11,876</b> | <b>953</b>  | <b>1,458</b> | <b>1,242</b> | <b>-359</b> | <b>10,348</b>                              |

Other provisions of euro 0.9 million relate to long-term dismantling obligations for the wind farms held by the Company; the remaining amount is attributable to short-term provisions.

The provision for distribution guarantees in respect of Silbitz relates to a guarantee of PNE WIND AG. PNE WIND AG offered the limited partners of HKW Silbitz GmbH & Co. KG a distribution guarantee, which is included in the provisions at a discounted amount of approximately euro 0.4 million and which is required for the last time in the 2016 fiscal year.

The amount of variable purchase price components from the acquisition of offshore projects is estimated upon initial recognition and recognised in inventories as well as provisions. Changes in the fair values of variable purchase price components, which represent no corrections during the valuation period, are to be accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The Group recognises the change in the variable purchase price components from the acquisition of offshore wind farms in the corresponding amount in the inventories. As at December 31, 2016, a discounted purchase price liability of approximately euro 7.9 million (prior year: 9.4 million) is recorded.

## 12. Financial liabilities

The financial liabilities are attributable to convertible bonds issued, liabilities to banks, other financial liabilities and liabilities from leasing contracts.

The financial liabilities have the following remaining terms to maturity and are structured as follows based on interest rate agreements:

| All figures in TEUR         | Category as per IAS 39 | Total          | Up to 1 year  | 1 to 5 years   | More than 5 years | Fair Value     |
|-----------------------------|------------------------|----------------|---------------|----------------|-------------------|----------------|
| <b>As per 31.12.2016</b>    |                        |                |               |                |                   |                |
| Trade liabilities           | FLAC                   | 15,692         | 15,692        | 0              | 0                 | 15,692         |
| Fixed interest              |                        |                |               |                |                   |                |
| Bonds                       | FLAC                   | 104,526        | 0             | 104,526        | 0                 | 110,368        |
| Liabilities to banks        | FLAC                   | 13,496         | 2,163         | 6,725          | 4,608             | 14,512         |
| Other financial liabilities | FLAC                   | 9,254          | 8,623         | 631            | 0                 | 9,866          |
| Liabilities under leases    | FLAC                   | 346            | 346           | 0              | 0                 | 346            |
| Variable interest           |                        |                |               |                |                   |                |
| Liabilities to banks        | FLAC                   | 0              | 0             | 0              | 0                 | 0              |
|                             |                        | <b>143,314</b> | <b>26,824</b> | <b>111,882</b> | <b>4,608</b>      | <b>150,784</b> |
| <b>Per 31.12.2015</b>       |                        |                |               |                |                   |                |
| Trade liabilities           | FLAC                   | 16,852         | 16,852        | 0              | 0                 | 16,852         |
| Fixed interest              |                        |                |               |                |                   |                |
| Bonds                       | FLAC                   | 103,345        | 0             | 103,345        | 0                 | 110,253        |
| Liabilities to banks        | FLAC                   | 131,318        | 18,858        | 36,939         | 75,521            | 134,341        |
| Other financial liabilities | FLAC                   | 7,036          | 31            | 7,005          | 0                 | 7,199          |
| Liabilities under leases    | FLAC                   | 279            | 110           | 169            | 0                 | 279            |
| Variable interest           |                        |                |               |                |                   |                |
| Liabilities to banks        | FLAC                   | 17,000         | 17,000        | 0              | 0                 | 17,000         |
| Derivatives                 |                        |                |               |                |                   |                |
| Interest swaps              | FLHFT                  | 1,334          | 570           | 64             | 0                 | 1,334          |
|                             |                        | <b>277,164</b> | <b>53,421</b> | <b>148,222</b> | <b>75,521</b>     | <b>287,258</b> |

FLHFT = Financial liabilities held for trading  
FLAC = Financial liabilities at amortised cost

The fair values of financial instruments listed in the tables were derived from market information available on the reporting date and the methods and assumptions presented below. The fair value is determined in line with generally accepted pricing models based on discounted cash flow analyses and using observable current market prices for similar instruments (level 2). As in the previous year, there were no transfers between the hierarchy levels in the current fiscal year.

The fair values of liabilities to banks and other financial liabilities are determined using current interest rates at which similar loans with identical maturities could have been taken out on the reporting date.

The determination of the fair values of bonds is based on the observable price quotations as at the reporting date.

The fair values of interest rate swaps were calculated using forward interest rates (observable yield curves on the reporting date) and the estimated contractual interest rates, which were discounted on the reporting date using the yield curve.

The valuation of trade liabilities and other financial liabilities is based on the assumption that the fair values correspond to the carrying amounts of these financial instruments in view of their short remaining terms. The carrying amounts of liabilities under leases also roughly correspond to their fair values in view of their short-term maturities or overall insignificant amounts.

Net results from financial liabilities carried at amortised cost consist exclusively of interest totalling TEUR 13,515 (prior year: TEUR 11,965), which is included in financial expenses.

The net result from liabilities held for trading is derived from the subsequent measurement at fair value in the amount of TEUR -413 (prior year: TEUR -406).

### Bonds

The bonds developed as follows:

| All figures in TEUR               | 31.12.2016     | 31.12.2015     |
|-----------------------------------|----------------|----------------|
| <b>Convertible bond 2010:</b>     |                |                |
| - Status as at January 1          | 0              | 1,824          |
| - Repaid                          | 0              | 1,824          |
| <b>- Status as at December 31</b> | <b>0</b>       | <b>0</b>       |
| <b>Convertible bond 2014:</b>     |                |                |
| - Status as at January 1          | 6,160          | 6,075          |
| - Converted                       | 2              | 6              |
| - Interest accrued                | 97             | 91             |
| <b>- Status as at December 31</b> | <b>6,255</b>   | <b>6,160</b>   |
| <b>Convertible bond 2013:</b>     |                |                |
| - Status as at January 1          | 97,185         | 96,193         |
| - Interest accrued                | 1,086          | 992            |
| <b>- Status as at December 31</b> | <b>98,271</b>  | <b>97,185</b>  |
| <b>Total</b>                      | <b>104,526</b> | <b>103,345</b> |

### *2014/2019 Convertible Bond*

Based on the authorisation resolution of the general meeting of shareholders of May 15, 2012, the Board of Management resolved on September 11, 2014, with the approval of the Supervisory Board of the same day, to issue up to 7,750,000 individual pari passu convertible bonds at a nominal value of euro 3.30 each, corresponding to a total nominal value of up to euro 25,575,000.00. Thereafter, on the basis of the resolution of the Board of Management of October 1, 2014, the Company issued an aggregate of 1,989,434 individual pari passu convertible bonds at a nominal value of euro 3.30 each, corresponding to a total nominal amount of euro 6,565,132.20. The 2014/2019 convertible bond was included on October 9, 2014 in the regulated market of the Frankfurt Stock Exchange. The individual convertible bonds are evidenced for their entire term by a permanent global bearer certificate. The term of the convertible bond began on October 10, 2014 and ends on October 10, 2019. The nominal amount of the individual convertible bonds bears interest of 3.75 percent p.a. for the entire term of the bonds, unless they are redeemed early or unless the conversion right is exercised in a legally effective manner. Interest is due in arrears every quarter on January 10, April 10, June 10 and October 10 of each year, for the first time on January 10, 2015. In accordance with the bond terms and conditions, each bondholder has the irrevocable right to exchange the individual convertible bonds for no par value registered shares carrying voting rights of PNE WIND AG. Subject to any adjustment of the conversion price, each individual convertible bond grants the right for exchange into one no par value registered share of the Company. The conversion rights were secured by Conditional Capital II/2012 (see above point 7.). The conversion right can be exercised at any time, but not within certain non-exercise periods specified in the bond terms and conditions. In addition, the bond terms and conditions contain rights of termination, provisions regarding an adjustment of the conversion price in the event of mergers and a change of control, anti-dilutive clauses and amendments to the bond terms and conditions by way of bondholder resolutions.

In the year under review, the conversion rights arising from 576 convertible bonds at a total nominal amount of euro 1,907.40 were exercised and 592 new shares from the Conditional Capital II/2012 were issued (prior year: 1,995).

The 2014/2019 Convertible Bond is fully convertible.

### *Corporate bond 2013/2018*

In May 2013, PNE WIND AG issued a corporate bond totalling euro 66,338,000.00 in order to finance measures for external and internal growth, in particular to finance the acquisition of the investment in WKN AG, Husum, and for general business purposes. In the context of a private placement, this corporate bond was increased in September 2013 to a volume of euro 100 million. The bonds from the 2013/2018 Corporate Bond are admitted to the regulated market of the Frankfurt Stock Exchange and have been included since September 2013 in the Prime Standard for corporate bonds.

The bonds bear interest of 8 percent from May 14, 2013 (including) up to June 1, 2018 (excluding). Except for the first interest period, interest is due in arrears every half year on June 1 and December 1 of each year.

PNE WIND AG is obliged to repay the bonds on June 1, 2018 at the nominal amount, insofar as they have not been fully or partially repaid or bought back and invalidated.

In case of a change of control, each bond holder has the right in accordance with the bond terms and conditions to demand early repayment from PNE WIND AG as the issuer. In this connection, a change of control is deemed to occur if the issuer becomes aware that a person or a group of persons acting in concert in the sense of Section 2 (5) of the German Securities Acquisition and Takeover Act (WpÜG) has become the legal or beneficial owner of such a number of the issuer's shares, which represent 30 percent or more of the voting rights.

### *Liabilities to banks*

The interest rates for fixed interest liabilities to banks range between 3.17 percent and 4.35 percent. The Company is exposed to an interest rate risk in respect of its variable interest liabilities to banks. In 2016, the relevant interest rates ranged between 7.24 percent and 13.25 percent (2015: between 7.24 percent and 13.25 percent) (overdraft interest rate). Variable interest rates are adjusted at intervals of less than one year. The liabilities to banks have terms to maturity up to 2032.

An amount of TEUR 3,974 (prior year: TEUR 138,763) of the liabilities to banks is secured by:

1. Registered mortgage of TEUR 3,170 on the property at Peter-Henlein-Str. 2-4, Cuxhaven (amount drawn down TEUR 2,621) (prior year: TEUR 2,752)
2. Assignment of rental income from the property Peter-Henlein-Str. 2-4, Cuxhaven
3. Assignment as security of all rights under contracts in connection with the Silbitz timber power station and assignment of all receivables from this wind farm (amount drawn down TEUR 1,353) (prior year: TEUR 2,030)
4. Assignment as security of all rights under contracts in connection with the wind farms Gerdau Schwienau and Pülfringen and assignment of all receivables of these wind farms (amount drawn down TEUR 8,225 (in the previous year, the companies were not part of the Group.))

In July 2016, PNE WIND AG and WKN AG concluded a new syndicated loan agreement with a volume of euro 30 million and a credit facility with a volume of euro 10 million with a consortium consisting of several banks and an insurance company under the leadership of Commerzbank AG. The syndicated loan agreement provides for a term of both credit lines up to the end of 2017. The agreement includes a reduction of the syndicated credit line by euro 20 million upon the sale of the "YieldCo shares", which took place in December 2016. Accordingly, as at December 31, 2016, the Group had available a syndicated loan of euro 10.0 million (amount drawn down by December 31, 2016: euro 0.0 million) and a credit facility of euro 10 million (amount drawn down by December 31, 2016: euro 4.3 million). PNE WIND AG and WKN AG are jointly and severally liable for these two credit lines.

In addition, as at December 31, 2016, the Group had available credit lines for interim project financing of euro 19.4 million (prior year: euro 138.8 million).

There were no defaults or other performance failures regarding interest or redemption on the reporting date and it is not expected that the securities will be used.

### Other financial liabilities

The other financial liabilities include a contractual commitment of PNE WIND AG vis-à-vis the limited partners of the operating company HKW Silbitz to repurchase their limited partnership shares at the beginning of 2017 at a price of 110 percent of the nominal amount. Due to this commitment, other financial liabilities include a discounted purchase price liability totalling approximately euro 7.5 million as at December 31, 2016 (prior year: euro 6.9 million). The limited partner shares were acquired in January 2017 in accordance with the contract.

There were no defaults or other performance failures regarding interest or redemption on the reporting date.

### Lease liabilities

The Group concluded finance leases and lease purchase agreements for various items of equipment, fixtures and fittings. The agreements do not include renewal options, purchase options or price adjustment clauses.

The net book values of the assets under finance leases totalling TEUR 545 (prior year: TEUR 626) are fully attributable to technical equipment and machinery.

The future minimum lease payments under finance leases and lease purchase agreements can be reconciled to their present values as follows:

| All figures in TEUR  | Minimum lease payments |            | Present value of minimum lease |            |
|--|------------------------|------------|--------------------------------|------------|
|  | 31.12.2016             | 31.12.2015 | 31.12.2016                     | 31.12.2015 |
| Liabilities from finance leases:   |                        |            |                                |            |
| With a remaining term  |                        |            |                                |            |
| of up to one year  | 388                    | 172        | 346                            | 110        |
| With a remaining term  |                        |            |                                |            |
| of one year up to five years   | 701                    | 188        | 666                            | 169        |
| With a remaining term  |                        |            |                                |            |
| of more than five years  | 0                      | 0          | 0                              | 0          |
|  | 1,089                  | 360        | 1,012                          | 279        |
| Less:  |                        |            |                                |            |
| Future financing costs   | -77                    | -81        |                                |            |
| <b>Present value of leasing obligations</b>  | <b>1,012</b>           | <b>279</b> |                                |            |
| Amount due for repayment within twelve months (shown under short term liabilities) |                        |            | 346                            | 110        |
| Amount due for repayment after more than twelve months                             |                        |            | 666                            | 169        |

An amount of TEUR 169 (prior year: TEUR 279) of the liabilities to leasing companies is secured through the assignment of the legal ownership in the Kletzke transformer station

### 13. Other liabilities

#### *Deferred revenues*

The item of TEUR 16,308 (prior year: TEUR 10,263) is attributable primarily to prepayments from wind farm operating companies for the use of transformer stations. The amount is released to income over the term of the contracts of use (20 to 25 years).

#### *Other liabilities*

The other liabilities include mainly value added tax liabilities of approx. euro 3.4 million (prior year: approx. euro 1.0 million).

### 14. Financial instruments and principles of risk management

Apart from default risks and liquidity risks, the Group's assets, liabilities and planned transactions are exposed to risks from changing exchange rates and interest rates. The objective of financial risk management is to limit these risks through ongoing activities at the operational and financial level.

In respect of the market price risks, the Group uses derivative hedging instruments depending on the assessment of risk. Derivative financial instruments are used solely as hedging instruments, i.e. they are not used for trading or other speculative purposes.

The main elements of financial policy are determined by the Board of Management and are monitored by the Supervisory Board. The Finance and Controlling department is responsible for implementing financial policy and ongoing risk management. Certain transactions require the prior approval of the Board of Management, which is kept informed at regular intervals about the scope and the amount of the current risk exposure. The principles of risk management have not changed compared to the previous year.

#### *Risk categories within the meaning of IFRS 7*

##### *Credit risk*

The Group is exposed to a counterparty default risk from its operating business and certain financing activities. The default risk arising from financial assets is recognised through appropriate valuation adjustments, taking existing collateral into account. In order to reduce the default risk relating to non-derivative financial instruments, the Group takes various precautionary measures, such as obtaining collateral or guarantees where it appears appropriate as a result of creditworthiness checks. The default risk is considered minimal for the financial assets which are neither past due nor impaired.

The maximum default risk is reflected primarily by the carrying amounts of the financial assets stated in the statement of financial position (including derivative financial instruments with a positive market value). On the reporting date, there were no material agreements reducing the maximum default risk (e.g. netting arrangements).

#### *Interest rate risk*

At present, the Company has no hedging transactions in relation to the interest rate risk regarding changes in the market interest level for interest payments for existing and expected variable interest bearing liabilities to banks. In addition, there is no such contractual commitment for any of the Group's companies. As a rule, fixed interest financial instruments in the form of project funding are used to finance business operations so that there are no further material interest rate risks.

#### *Liquidity risk*

In order to guarantee the Group's ability to pay its debts at any time and its financial flexibility, revolving liquidity plans are prepared, which show the inflow and outflow of liquidity both in the short term and in the medium and long terms.

The analysis of maturities of financial liabilities with contractual terms to maturity is shown under "12. Financial liabilities".

#### *Market risk*

In the area of market price risks, the Group is exposed to currency risks, interest rate risks and other price risks.

#### *Currency risks*

The Group's currency risks result primarily from its operating activity and investments. Risks from foreign exchange rates are hedged insofar as they have a material influence on the cash flows of the Group.

In the operating area, the foreign exchange risks are attributable primarily to the fact that transactions recognised in the statement of financial position and planned transactions are processed in a currency other than the functional currency (EUR).

Foreign exchange risks in the financing area are attributable to financial liabilities in foreign currency and loans in foreign currency, which are granted to Group companies for financing purposes. At the end of the year, the Group had short term trade liabilities denominated in foreign currencies, which do not result in a material risk from the viewpoint of the Company.

In the investment area, foreign currency risks arise mainly from the acquisition or disposal of investments in foreign companies.

To hedge against material foreign exchange risks, the Group uses currency derivatives in the form of forward exchange transactions and foreign currency option contracts. These currency derivatives secure the payments up to a maximum of one year in advance. On the reporting date, the Group was not exposed to significant foreign exchange risks in the operating area. For this reason no hedging transactions had been concluded as at the reporting date.

In accordance with IFRS 7, the Group prepares sensitivity analyses in respect of market price risks in order to establish the effects of hypothetical changes of relevant risk variables on profit or loss and shareholders' equity. The periodic effects are determined by relating the hypothetical changes in the risk variables to the volume of the financial instruments on the reporting date. It is assumed that the volume of the financial instruments on the reporting date is representative for the year as a whole.

Due to the low level of assets and liabilities in foreign currency, the Group is not exposed to a material currency risk. Currencies other than the euro which are relevant for the Group were the British pound and the US dollar on the reporting date.

#### *Interest risks*

The Group is exposed to interest risks mainly in the Euro zone. Taking the actual and the planned debt structure into account, the Group uses generally interest derivatives (interest swaps, interest caps) to counteract interest rate risks.

In accordance with IFRS 7, interest rate risks are presented by means of sensitivity analyses. These show the effects of changes in market interest rates on interest payments, interest income and expense, other items included in the results and, if applicable, on the shareholders' equity. Interest rate sensitivity analyses are based on the following assumptions:

- Changes in the interest rate of non-derivative fixed interest bearing financial instruments affect profit or loss only if these instruments are measured at fair value. Accordingly, all fixed interest financial instruments carried at amortised cost are not exposed to interest rate risks within the meaning of IFRS 7.
- Changes in market interest rates have an effect on the interest result of non-derivative variable-interest financial instruments whose interest payments are not designated as underlying transactions in the context of cash flow hedges hedging against interest rate changes, and they are therefore taken into account in sensitivity analyses relating to the results.
- Changes in market interest rates of interest derivatives which are not integrated into a hedging relationship pursuant to IAS 39 have an effect on the interest result (valuation result from the adjustment of the financial assets to the fair value), and they are therefore taken into account in sensitivity calculations relating to the results.

If the market interest level on December 31, 2016 had been higher (lower) by 100 basis points, no effects would have occurred with regard to a revaluation reserve in the shareholders' equity. Beyond this, the interest result would have been TEUR 0 (prior year: TEUR 183) lower/higher.

#### *Other price risks*

In order to represent market risks, IFRS 7 also requires information on how hypothetical changes in other price risk variables can have an effect on the prices of financial instruments. In particular stock market prices or indices are relevant risk variables.

On December 31, 2016 and on December 31, 2015, the Company had no material financial instruments in its portfolio that were exposed to other price risks.

### *Risk concentration*

Beyond the general (capital) market risks, there is no significant risk concentration from the management's point of view.

### *Fair values*

The Group's financial instruments which are not carried at fair value include mainly cash equivalents, trade receivables, trade liabilities and other liabilities, overdrafts and long term loans.

The book value of cash equivalents and overdrafts is very close to their market value due to the short term of these financial instruments. As regards receivables and liabilities which are based on standard trade credit conditions, the book value based on historical cost is also very close to the market value.

The fair value of long term liabilities is based on the currently available interest rates for outside capital borrowed with the same maturity and credit rating profile.

Depending on the market value on the reporting date, derivative financial instruments are reported as other asset (with positive market value) or other liability (with negative market value).

### *Capital management*

The objectives of the Company's capital management are

- ensuring the continued existence of the Company,
- guaranteeing adequate interest yield on shareholders' equity and
- maintaining an optimum capital structure that minimises capital costs as much as possible.

In order to maintain or to modify the capital structure, the Company issues new shares as required, assumes liabilities or disposes of assets to redeem liabilities.

The capital structure is monitored using the debt/equity ratio, which is calculated from the ratio of net borrowed capital to total capital. The net borrowed capital consists of short- and long-term financial liabilities (liabilities to banks, convertible bonds, liabilities to leasing companies, other financial liabilities) less cash and cash equivalents. The total capital consists of shareholders' equity plus net borrowed capital.

Individual companies of the power generation segment are subject to liquidity reserve requirements from banks, which are taken into account in monitoring the capital structure, but which in total have no significant effects on the capital structure and its availability at the Group level.

The strategy of the Company is to maintain a debt/equity ratio of up to 70 percent in order to ensure continued access to borrowed capital at reasonable cost by maintaining a good credit rating.

Due to the economically highly successful 2016 financial year, the Group's debt/equity ratio in 2016 was positive.

| All figures in TEUR           | 31.12.2016     | 31.12.2015     |
|-------------------------------|----------------|----------------|
| Financial liabilities         | 127,622        | 260,313        |
| - Cash and cash equivalents   | 147,686        | 86,075         |
| <b>= Net borrowed capital</b> | <b>-20,064</b> | <b>174,237</b> |
| + Shareholders' equity        | 229,388        | 165,928        |
| <b>= Total capital</b>        | <b>209,324</b> | <b>340,165</b> |
| <b>Debt ratio</b>             | <b>-9.59 %</b> | <b>51.22 %</b> |

The strategy, unchanged in comparison with the previous year, for monitoring the capital structure has again achieved its objectives insofar as both the debt/equity ratio has not been exceeded and as all external requirements for securing liquidity were met.

## VI. Notes on the statement of comprehensive income

### 1. Revenues

Revenues are broken down according to product and service areas within the Group. In the period under report, revenues were generated primarily from the projecting of wind power turbines segment, management and servicing of wind power turbines as well as from transformer station usage fees. In the electricity generation segment, revenues related primarily to the sale of electricity from current operations of wind farms, the Silbitz biomass power station as well as the Passauer Land solar farm up to its sale in 2015.

Revenues from long term construction contracts were generated in the 2016 fiscal year (in the prior year, no revenues from long term construction contracts) (see Sections IV No. 9 and V No. 6).

| All figures in TEUR                                   | 2016           | 2015           |
|---|----------------|----------------|
| Revenues before HB II reconciliation                  | <b>244,378</b> | <b>116,542</b> |
| Revenues from stage of completion accounting          | 4,199          | 0              |
| Reverse effect from stage of completion accounting    | 0              | -7,018         |
| Share of revenues from stage of completion accounting | <b>4,199</b>   | <b>-7,018</b>  |
|   | <b>248,577</b> | <b>109,524</b> |

The revenue shares from percentage of completion accounting are linked to contract costs of TEUR 1,978 (prior year: TEUR 0) so that the percentage of completion profit in 2016 resulted in TEUR 2,221 versus the percentage of completion profit of the prior year (TEUR 0).

## 2. Other operating income

Other operating income includes mainly the following one-off effects:

- The reversal of impairment losses on receivables and other assets contributed TEUR 175 (prior year: TEUR 189) to other operating income.
- In fiscal 2016, deferred liabilities of TEUR 1,824 (prior year: TEUR 1,637) were released, since the reasons for such their recognition were no longer applicable.
- Other operating income includes an amount of euro 2.0 million, which resulted from a settlement with Volker Friedrichsen Beteiligungs-GmbH. The former arbitration proceedings were consensually ended by way of a settlement. Upon the advice of the arbitration court, the parties came to an agreement that the retained portion of the purchase price of euro 4.0 million, which was agreed in connection with the purchase of the shares in WKN AG and which was deposited in a trust account in line with the contract, should be paid half to PNE WIND AG and half to Volker Friedrichsen Beteiligungs-GmbH. In addition, a settlement agreement in the amount of approx. euro 0.5 million was concluded with Siemens Project Ventures GmbH, and the prepared arbitration proceedings were ended. This amount is also included in other operating income and, in accordance with IFRS, is not posted to existing goodwill as part of the first-time consolidation, instead it is to be recognised as other operating income in the statement of comprehensive income.
- The sale of an office building in Husum contributed euro 1.6 million to other operating income.

## 3. Personnel expenses

Personnel expenses are made up as follows:

| All figures in TEUR                  | 2016          | 2015          |
|--------------------------------------|---------------|---------------|
| Wages and salaries                   | 22,185        | 25,640        |
| Social security and pension expenses | 3,238         | 3,614         |
|                                      | <b>25,423</b> | <b>29,254</b> |
| Average annual number of employees   | 358           | 390           |
| Personnel expenses per employee      | 71            | 75            |

The expenses for defined contribution plans pursuant to IAS 19 amounted to TEUR 864 in the 2016 fiscal year (prior year: TEUR 924).

#### 4. Other operating expenses

Other operating expenses include mainly the following items:

- Legal and consulting costs TEUR 7,901 (prior year: TEUR 9,048)
- Rental and lease costs TEUR 3,632 (prior year: TEUR 2,511)
- Value adjustments on receivables or loss of receivables TEUR 2,243 (prior year: TEUR 1,662)
- Advertising and travel expenses TEUR 2,421 (prior year: TEUR 3,218)
- Vehicle costs TEUR 1,542 (prior year: TEUR 1,718)
- EDP costs TEUR 449 (prior year: TEUR 393)
- Insurance and contributions TEUR 1,390 (prior year: TEUR 1,184)
- Repair/maintenance costs (mainly "Silbitz" and the wind farm projects in the Group of PNE WIND Partners Deutschland GmbH) TEUR 2,333 (prior year: TEUR 1,302)

#### 5. Other interest and similar income

Interest income includes loans and overdrafts of TEUR 107 (prior year: TEUR 234) and the change in value of derivative financial instruments of TEUR 413 (prior year: TEUR 406).

#### 6. Interest and similar expenses

Interest and similar expenses include mainly interest on the 2013/18 loan of TEUR 8,000 (prior year: TEUR 8,000), convertible bonds of TEUR 246 (prior year: TEUR 246) as well as interest on loans and overdrafts of TEUR 5,269 (prior year: TEUR 3,718). During the 2016 fiscal year, interest on borrowed capital in an amount of TEUR 220 (prior year: TEUR 218) was capitalised at a capitalisation rate of 2.74 percent (prior year: 2.96 percent) and in an amount of TEUR 1,857 (prior year: TEUR 1,640) at a capitalisation rate of 8.0 percent (prior year: 8.0 percent).

## 7. Taxes on income

The income tax expense (prior year: income tax income) is made up as follows:

| All figures in TEUR                               | 2016   | 2015   |
|---|--------|--------|
| Current taxes                                     | 3,337  | 2,259  |
| Deferred taxes                                    |        |        |
| - from consolidation effects and HBII adjustments | 8,342  | -8,252 |
| - from individual financial statements            | 2,682  | 2,307  |
|   | 11,025 | -5,945 |
|   | 14,362 | -3,686 |

Current taxes include corporation tax plus solidarity surcharge and trade tax for the domestic companies and comparable taxes on income for the foreign companies.

For the domestic companies, the corporation tax amounted to 15 percent, the solidarity surcharge remained unchanged at 5.5 percent on corporation tax. Including the trade tax, the total tax liability of the domestic companies was approximately 30 percent.

The individual tax rates for the relevant countries provide the basis for the foreign companies.

There were no major changes in tax expense due to changes in the relevant national tax rates.

On the reporting date, the Group had estimated domestic tax loss carry-forwards of approx. euro 94 million (prior year: approx. euro 105 million) and of approx. euro 56 million abroad (prior year: approx. 53 million), which can be offset against future profits. A deferred tax claim of TEUR 1,389 was recognised for these losses (prior year: TEUR 1,389) and was netted fully against deferred tax liabilities. In view of the loss situation in the past (abroad) and the – almost full – tax exemption of disposals of shares in corporations in Germany, the Group only capitalises deferred tax claims on loss carry-forwards in an amount that can be realised in the future with certainty through positive taxable differences in results. Domestic losses can be carried forward for an indefinite period. In respect of the substantial losses in the USA, the use of losses in the USA is limited to 20 years. No deferred tax has been recognised on the loss carry forwards in Germany totalling euro 89 million (prior year: euro 100 million) and abroad totalling euro 56 million (prior year: euro 53 million).

The following table shows the reconciliation from the calculated tax expenses to those reported in the consolidated statement of comprehensive income:

| All figures in TEUR                                   | 2016          | 2015          |
|---|---------------|---------------|
| Consolidated earnings before taxes                    | 81,442        | -5,076        |
| Tax rate  | 30.0 %        | 30.0 %        |
| Income tax expense – calculated                       | 24,433        | -1,523        |
| Difference in tax rate                                | 0             | 226           |
| Tax refund from loss carryback                        | -239          | 0             |
| Non-recognized deferred taxes                         | 5,206         | 11,121        |
| Utilization of loss carryforwards                     | -5,589        | -1,500        |
| Tax free gains on disposals and other tax free income | -9,774        | -11,557       |
| Permanent differences                                 | -1,758        | -1,279        |
| Tax expense/income not related to the period          | -42           | 84            |
| Non-deductible expenses                               | 871           | 135           |
| Other consolidation effects                           | 1,254         | 607           |
| <b>Reported tax expense</b>                           | <b>14,362</b> | <b>-3,686</b> |

Deferred taxes on valuation adjustments are determined generally on the basis of specific national tax rates. Since all items involving deferred taxes are domestic, an average tax rate of 30.0 percent (prior year: 30.0 percent) was applied.

Deferred taxes resulting from valuation differences arose in the following items of the statement of financial position:

| All figures in TEUR                                 | Deferred tax assets |              | Deferred tax liabilities |              |
|---|---------------------|--------------|--------------------------|--------------|
|   | 31.12.2016          | 31.12.2015   | 31.12.2016               | 31.12.2015   |
| Receivables and other assets                        | 1,266               | 0            | 1,295                    | 0            |
| Inventories   | 539                 | 321          | 1,412                    | 141          |
| Property, plant and equipment                       | 4,345               | 2,248        | 7,853                    | 1,312        |
| Intangible assets                                   | 754                 | 278          | 4,144                    | 1,164        |
| Financial assets                                    | 190                 | 500          | 400                      | 1,160        |
| Other provisions                                    | 41                  | 0            | 212                      | 996          |
|   | <b>7,135</b>        | <b>3,347</b> | <b>15,316</b>            | <b>4,773</b> |
| Losses carried forward                              | 1,389               | 0            | 1,389                    | 0            |
| Other consolidation effects incl. value adjustments | 1,436               | 2,825        | 2,464                    | 332          |
|   | <b>9,960</b>        | <b>6,172</b> | <b>19,169</b>            | <b>5,105</b> |
| Offsettable share                                   | -2,825              | -2,825       | -1,729                   | -1,729       |
| <b>Deferred taxes</b>                               | <b>7,135</b>        | <b>3,347</b> | <b>17,440</b>            | <b>3,376</b> |

## 8. Earnings per share

### *Basic earnings per share*

In 2016, the annual average number of registered shares amounted to 76,556 thousand (prior year: 74,894).

The basic earnings per share thus amounted to euro 0.90 per share (prior year: euro 0,05 per share).

|   | 2016        | 2015        |
|---|-------------|-------------|
| Consolidated net income (TEUR)              | 68,973      | 3,474       |
| Weighted average number of shares (in Tsd.) | 76,556      | 74,894      |
| <b>Earnings per share (EUR)</b>             | <b>0.90</b> | <b>0.05</b> |

### *Diluted earnings per share*

The diluted earnings per share are calculated as follows:

|   | 2016          | 2015          |
|---|---------------|---------------|
| Consolidated net income before elimination of dilution effects (TEUR) | 68,973        | 3,474         |
| - Interest expense on convertible bond (TEUR)                         | 246           | 246           |
| <b>Result after elimination (TEUR)</b>                                | <b>69,219</b> | <b>3,720</b>  |
| Weighted average number of shares (undiluted) (in Tsd.)               | 76,556        | 74,894        |
| + weighted average of convertible shares (in Tsd.)                    | 2,059         | 1,988         |
| <b>Weighted average number of shares (diluted) (in Tsd.)</b>          | <b>78,615</b> | <b>76,881</b> |
| <b>Diluted earnings per share (EUR)</b>                               | <b>0.88</b>   | <b>0.05</b>   |

## VII. Notes on the statement of cash flows

The statement of cash flows was prepared using the indirect method of reporting cash flows.

### 1. Liquid funds

The liquid funds correspond to the item “cash and cash equivalents” in the statement of financial position.

### 2. Reconciliation between amounts in the statement of cash flows and the statement of financial position

The statement of cash flows presents the change in cash and cash equivalents during the year under report due to the inflow and outflow of funds. In accordance with IAS 7, cash flows are classified as cash flows from operating activities, investing activities and financing activities. The effects of changes in the scope of consolidation have been eliminated.

### 3. Non-cash effects

The statement of cash flows (net) includes TEUR 221 as non-cash effects. This value consists of:

- Currency translation differences (TEUR 221)

## VIII. Notes on the statement of changes in equity

### Transaction costs

In the 2016 fiscal year, transaction costs of TEUR 0 (prior year: TEUR 396) (after deferred taxes) were deducted directly from equity (capital reserve).

## IX. Segment reporting

During the year under report, the operating business activities of the Company consisted primarily of the projecting, construction and operation of wind farms and transformer stations for the generation of electricity, the servicing of wind power turbines as well as the raising of equity capital for wind farm operating companies. Another area of activity is the environmentally friendly production of electricity under economically sustainable conditions.

In the 2015 and 2016 fiscal years, the Company planned and constructed wind farms in Germany, which were initially held in its own portfolio. Since the company-owned wind farms are operated by the Company itself regardless of their current or future shareholder structure and are used to generate electricity, the wind farms have been included in the electricity generation segment from the date of sale within the Group.

The internal organisation and management structure as well as internal reporting to the Board of Management and the Supervisory Board form the foundation for determining the segment reporting format of PNE WIND AG. As a result, a categorisation is made into the two areas of projecting of wind power turbines and electricity generation.

As a matter of principle the business relationships between the companies of the PNE WIND AG Group are based on prices that are also agreed with third parties. The internal reporting, which is underlying the segment reporting, is based exclusively on data of the IFRS accounting, which is explained in these consolidated financial statements. Both onshore and offshore wind power turbines are projected in accordance with a standardised process.

The amounts in the business segment "Projecting of wind power turbines" are attributable as follows:

### 1. Sub-segment wind power onshore Germany

- total aggregate output of euro 189.2 million (prior year: euro 194.5 million),
- revenues of euro 187.1 million (prior year: euro 198.7 million),
- operating results of euro 67.1 million (prior year: euro 5.7 million),
- a share of segment assets of euro 457.2 million (prior year: euro 367.1 million) and
- an equity share of euro 181.9 million (prior year: euro 84.4 million).

### 2. Sub-segment wind power onshore international

- total aggregate output of euro 11.2 million (prior year: euro 47.3 million),
- revenues of euro 4.2 million (prior year: euro 41.7 million),
- operating results of euro -12.9 million (prior year: euro 21.6 million)
- a share of segment assets of euro 85.0 million (prior year: euro 84.4 million) and
- an equity share of euro 13.3 million (prior year: euro 23.8 million).

The revenues with external customers and the segment assets of the “Projecting of wind power turbines” and “Electricity generation” segments are attributable mainly to Germany. In the “Projecting of wind power turbines” segment, revenues were realised with external customers, which amounted to more than 10 percent of total revenues. During the reporting year, sales of approx. euro 115.0 million were generated from one customer and of approx. euro 33.6 million with another customer, which can be assigned to the international area. No other single customers contributed 10 percent or more of consolidated sales. In the previous year, sales of approx. euro 37 million, which can be assigned to the domestic area, were generated from a customer.

Long term assets are attributable to the following regions:

| All figures in TEUR | 31.12.2016     | 31.12.2015     |
|---------------------|----------------|----------------|
| Germany             | 134,412        | 232,976        |
| Other countries     | 671            | 680            |
|                     | <b>135,083</b> | <b>233,656</b> |

In the segment of projecting of wind power turbines, a major part of all external sales is attributable to customers with whom the Group has maintained long term and sustainable business relationships. The electricity produced in the electricity generation segment is fed into the public grid.

The share of the result for the period of the associated companies that are included at equity, totalling TEUR 578 (prior year: TEUR -173), is included in the wind power segment.

## X. Other disclosures

### 1. Operating leases

Other financial obligations exist under leasing contracts and amount to TEUR 6,543 (prior year: TEUR 1,122).

A significant component of these other financial obligations (TEUR 4,860, prior year: euro 0) is attributable to a leased office building, which was sold in 2016 under a sale and leaseback agreement. The lease has a term of fifteen years and includes two options of extending the lease by a further five years after the end of this initial period. In addition, there is a one-off special right of termination after 10 years. The rent to be paid to the lessor will be adjusted regularly to the market rent based on a price index, and the Group has no share in the residual value of the land and buildings. Accordingly, it was determined that all risks and rewards of the land and buildings are attributable to the lessor.

The Company has the right to sublease. A total of 4 subtenants rented 21 % of the building’s useful space. All of the subleases have a term of one year and are extended automatically if not terminated prior to the end of the period of notice. The subtenants are two companies of the PNE WIND Group and 2 external enterprises. The annual rental income amounts to TEUR 98.

Other obligations arise primarily from leasing contracts for vehicle and office equipment.

The maturities of rental and leasing obligations are structured as follows:

| Rental and leasing obligations      | 31.12.2016   | 31.12.2015   |
|-------------------------------------|--------------|--------------|
| Remaining term of up to 1 year      | 1,254        | 481          |
| Remaining term of 1-5 years         | 2,845        | 641          |
| Remaining term of more than 5 years | 2,444        | 0            |
|                                     | <b>6,543</b> | <b>1,122</b> |

## 2. Contingent liabilities and other financial obligations

On the reporting date, there were contingent liabilities arising from the provision of guarantees for:

| All figures in TEUR        | 31.12.2016    | 31.12.2015    |
|----------------------------|---------------|---------------|
| Various wind farm projects | 34,980        | 9,477         |
| Other                      | 1,295         | 978           |
|                            | <b>36,275</b> | <b>10,455</b> |

WKN AG issued contract performance guarantees totalling TEUR 24,762 for transactions of its own and transactions of subsidiaries. These contract performance guarantees are based on contracts that obligate WKN AG to provide future construction services (e.g. dismantling of a wind measurement station), which will be provided as scheduled. The guarantees serve to protect the contracting parties. At present, it is not expected that the guarantees will be used, since the underlying obligations have not yet occurred.

From the current perspective, it is also not expected that the other guarantees issued totalling TEUR 11,513 will be used.

Moreover, there are obligations from order commitments for wind power turbines in the net amount of TEUR 19,562 (prior year: TEUR 85,362). The obligations under order commitments are fully due within one year.

Other financial obligations of TEUR 149 (prior year: TEUR 252) arise from cooperation in respect of project development abroad.

No material risks can be identified from these transactions.

## 3. Assumptions of the management concerning future developments and other valuation uncertainties

The companies of the PNE WIND Group are active in the development, project planning and operation of onshore and offshore wind farms in 13 countries on three continents. The general conditions have undergone changes. Because of the Paris climate protection agreement (COP 21), which came into effect in November 2016, the expansion of renewable energies will experience an upswing throughout the world. Wind energy, as a particularly economic form of electricity generation, will be of special importance. Growing dynamics regarding the expansion of wind energy can be expected, among others, in several emerging nations.

On the other hand, market changes due to various political developments and the ongoing banking crisis have resulted in regulatory uncertainties.

At the same time, the investors' pressure to invest, low interest levels and climate policy constraints as well as high energy requirements in growing countries have triggered high demand for plants and projects in the renewable energy sector. These developments are intensified by falling technology costs in the renewable energy sector and uncertainty caused by volatile oil and gas prices.

At present, an increasing number of markets is going to establish tendering systems. PNE WIND has already gained experience with such systems, e.g., in Italy, South Africa and Great Britain. Nevertheless, reducing costs is becoming increasingly important in light of the rising cost pressure. Current price developments in bidding markets have, in part, anticipated technological developments and cost reduction effects. However, there are also overreaction effects that will balance out in the medium term as the experience of market participants increases.

Therefore, we pursue the objective of building up internal electricity generation capacity through the development of European onshore wind farm portfolios by 2019/2020. PNE WIND will be involved as was the case with the wind farm portfolio sold successfully at the end of 2016. The new portfolio can be established through internally developed wind farm projects, the acquisition of obsolete wind farms for subsequent repowering and the increased acquisition of projects that are at a late stage of development.

#### **4. Transactions with related parties**

With regard to the financial statements of PNE WIND AG and its subsidiaries included in the consolidated financial statements, please consult the list of shareholdings.

The Supervisory Board of WKG AG consists of the following persons:

- Markus Lesser, CEO of PNE WIND AG, (since October 1, 2015),
- Jörg Klowat, CFO of PNE WIND AG, (since November 1, 2015),
- Thorsten Fastenau, General Representative of PNE WIND AG, (since November 1, 2015).

In the 2016 financial year, the Supervisory Board of WKN AG held a total of 16 meetings (prior year: 20 meetings) and received attendance fees totalling net TEUR 45 (prior year: TEUR 123). Liabilities for attendance fees of net TEUR 3 were recognised in the annual financial statements of WKN AG as at December 31, 2016.

As at December 31, 2016, an amount of TEUR 54 (prior year: TEUR 12.4) was recorded in the balance sheet as deferred liabilities for the Supervisory Board's fixed remuneration for the 2016 fiscal year.

The remuneration and the shareholdings of the Supervisory Board and of the Board of Management are explained in Section X.5.

## 5. Information on the Supervisory Board and the Board of Management

### *Supervisory Board*

- Mr. Alexis Fries, Pfaffhausen, Switzerland, independent management consultant, graduate physicist (Chairman),
- Mr. Wilken Freiherr von Hodenberg, Hamburg, self-employed lawyer (Deputy Chairman),
- Mr. Christoph Gross, Mainz, self-employed auditor,
- Dr. Isabella Niklas, Hamburg, lawyer in the law firm Osborne Clarke (since May 25, 2016)
- Mr. Per Hornung Pedersen, Hamburg, self-employed corporate consultant (mandate suspended during the period from December 1, 2015 to November 30, 2016),
- Mr. Andreas M. Rohardt, Hermannsburg, managing shareholder of ARO greenergy GmbH, Hermannsburg,
- Dr. Andreas Beyer, Munich, member of the management Board of ACON Actienbank AG, Munich (up to May 25, 2016)

Mr. Alexis Fries is or was a member of the Supervisory Board or another controlling body of the following companies within the meaning of Section 125 (1) sentence 3 of the German Stock Corporation Act (AktG):

- Pöyry PLC, Helsinki, Finland (until March 9, 2017)

Mr. Wilken Freiherr von Hodenberg is or was a member of the Supervisory Board or another controlling body of the following companies within the meaning of Section 125 (1) sentence 3 of the German Stock Corporation Act (AktG):

- Deutsche Beteiligungs AG, Frankfurt am Main
- Sloman Neptun Schiffahrts-Aktiengesellschaft, Bremen
- Sektmanufaktur Schluss Vaux AG, Eltville, (Deputy Chairman of the Supervisory Board)

Mr. Christoph Gross is or was a member of the Supervisory Board or another controlling body of the following companies within the meaning of Section 125 (1) sentence 3 of the German Stock Corporation Act (AktG):

- Amadeus Fire AG, Frankfurt am Main, (Chairman of the Supervisory Board)
- IC Immobilien Holding AG, Unterschleißheim, (Deputy Chairman of the Supervisory Board)
- AVECO AG, Frankfurt am Main

Mr. Per Hornung Pedersen is or was a member of the Supervisory Board or another controlling body of the following companies within the meaning of Section 125 (1) sentence 3 of the German Stock Corporation Act (AktG):

- SE Blue Renewables, Copenhagen, Denmark (Chairman of the Supervisory Board),
- Suzlon Energy Ltd., Mumbai, India
- Sea Tower AS, Oslo, Norway

Mr. Andreas M. Rohardt is or was a member of the Supervisory Board or another controlling body of the following companies within the meaning of Section 125 (1) sentence 3 of the German Stock Corporation Act (AktG):

- SOEX Textilvermarktungsgesellschaft m.b.H., Ahrensburg, (Chairman of the Advisory Board)

The fixed remuneration paid to the Supervisory Board during the fiscal year 2016 amounted to TEUR 461 (prior year: TEUR 398). Pursuant to the articles of association, the Chairman received TEUR 120, the Deputy Chairman TEUR 90 and the other members of the Supervisory Board TEUR 60 as fixed remuneration. In addition, each member of the Supervisory Board received TEUR 1 per meeting. The Chairman of the Audit Committee receives fixed remuneration of TEUR 30 and each other member of the Audit Committee TEUR 15 as additional remuneration. The chairpersons of other Supervisory Board committees receive additional remuneration of TEUR 20. Since the general meeting of shareholders in October 2015, no variable remuneration has been paid to the members of the Supervisory Board. As a result, for variable remuneration, a provision of TEUR 0 (prior year: TEUR 454) was formed in the year under report. The total remuneration of the Supervisory Board in the 2016 fiscal year amounted to TEUR 528 (prior year: TEUR 852). In addition, the Company bears the cost of directors' and officers' liability insurance for all members of the Supervisory Board.

| All figures in TEUR        | Fixed remuneration 2016 | Attendance fees 2016 | Total remuneration 2016 |
|----------------------------|-------------------------|----------------------|-------------------------|
| Mr. Fries                  | 140.0                   | 14.0                 | 154.0                   |
| Mr. Freiherr von Hodenberg | 90.0                    | 14.0                 | 104.0                   |
| Mr. Groß                   | 90.0                    | 12.0                 | 102.0                   |
| Mr. Rohardt                | 60.0                    | 14.0                 | 74.0                    |
| Mrs. Niklas                | 45.0                    | 6.0                  | 51.0                    |
| Mr. Dr. Beyer              | 30.0                    | 6.0                  | 36.0                    |
| Mr. Pedersen               | 6.3                     | 1.0                  | 7.3                     |
|                            | <b>461.3</b>            | <b>67.0</b>          | <b>528.3</b>            |

Of the members of the Supervisory Board, Mr. Wilken Freiherr von Hodenberg held 500 shares and Mr. Andreas M. Rohardt held one share of the Company on December 31, 2016. This corresponds to a total of 501 shares of the Company.

#### Board of Management

- Mr. Markus Lesser, Kaarst, (Chairman) (CEO) (up to May 25, 2016, COO, since May 26, 2016 CEO)
- Mr. Jörg Klowat, Cuxhaven, (CFO)
- Mr. Kurt Stürken, Hamburg, (COO) (since September 15, 2016)
- Mr. Per Hornung Pedersen, Hamburg, (up to May 25, 2016, interim CEO, since May 26, 2016 up to November 30, 2016 interim COO)

Mr. Markus Lesser is or was a member of the Supervisory Board or another controlling body of the following companies within the meaning of Section 125 (1) sentence 3 of the German Stock Corporation Act (AktG):

- WKN AG, Husum, (Chairman of the Supervisory Board)
- RenCon GmbH, Kaarst

Mr. Jörg Klowat is or was a member of the Supervisory Board or another controlling body of the following companies within the meaning of Section 125 (1) sentence 3 of the German Stock Corporation Act (AktG):

- WKN AG, Husum, (Deputy Chairman of the Supervisory Board)

Mr. Kurt Stürken is or was a member of the Supervisory Board or another controlling body of the following companies within the meaning of Section 125 (1) sentence 3 of the German Stock Corporation Act (AktG):

- Vindstyrka i Trelleborg AB, Eslöv, Sweden
- Lejesta Kraft AB, Eslöv, Sweden
- Sturken GmbH, Salzhausen

For their activity during the fiscal year 2016, the members of the Board of Management received total remuneration (including provisions for bonuses) in the amount of TEUR 2,162 (prior year: TEUR 4,533), shown in the balance sheet.

In addition, the Company bears the costs of Directors' and Officers' Liability Insurance for all members of the Board of Management.

The distribution of remuneration of the individual members of the Board of Management pursuant to the Corporate Governance Code is shown under Point 17. "Remuneration report" in the condensed management and Group management report.

The members of the Company's Board of Management held the following number of shares on December 31, 2016:

|                           |   |
|---------------------------|---|
| Mr. Jörg Klowat, Cuxhaven | 100,000 shares (prior year: 100,000 shares) |
| Mr. Markus Lesser, Kaarst | 24,000 shares (prior year: 24,000 shares)   |

## Additional disclosures for German parent companies in the IFRS consolidated financial statements in accordance with Section 315a of the German Commercial Code (HGB)

### 6. Group auditors' fees

During the fiscal year 2016, the following fees were charged by the group auditors:

|  |                        |
|--|------------------------|
| Audit of annual financial statements (separate and consolidated) | TEUR 601 <sup>11</sup> |
| Other attestation services                                       | TEUR 0                 |
| Other services   | TEUR 5                 |
|  | <b>TEUR 606</b>        |

<sup>11</sup> Of which for the prior fiscal year: TEUR 25.

### 7. German Corporate Governance Code

The German Corporate Governance Code is a legal guideline for the monitoring and supervision of listed companies in Germany. It summarises the nationally and nationally recognised standards for responsible business management. The objective of the guideline is to support the confidence of investors, customers, employees and the general public in German business management. Once every year, the Board of Management and the Supervisory Board must issue a declaration, in which they declare to what extent they have complied with the German Corporate Governance Code.

The last declaration of compliance was issued in December 2016.

The declaration of compliance is published on our website [www.pnewind.com](http://www.pnewind.com) in the section "Investor Relations" under Corporate Governance and can be downloaded from there.

## 8. Information on employees

### *Average annual number of employees*

|   | 2016       | 2015       |
|---|------------|------------|
| Wage earners  | 28         | 28         |
| Salaried employees  | 272        | 298        |
| Executives (excluding Board of Management of PNE WIND AG) | 56         | 64         |
|   | <b>356</b> | <b>390</b> |

## 9. Events after reporting date

### *Sale of the „Atlantis 1“ offshore project*

In January 2017, PNE WIND AG sold the "Atlantis I" offshore wind farm project, located in the North Sea, to Swedish utility Vattenfall. The "Atlantis I" project was handed over to the buyer at the beginning of February 2017. PNE WIND AG received a payment in a lower double-digit million euro amount.

PNE WIND AG will also participate in the project's further value increase achieved by developments by Vattenfall through milestone payments. PNE WIND AG will remain involved in the "Atlantis I" project as a service provider.

### *Purchase of the Silbitz timber biomass power plant*

PNE WIND AG gave a contractual commitment to the limited partners participating in the operating company of the Silbitz biomass power plant to repurchase their limited partnership shares at the beginning of 2017 at a price of 110 percent of the nominal value. This was implemented as agreed in January 2017. PNE WIND AG paid approx. euro 7.5 million for the repurchase of the shares and has held 100 percent of shares since then.

Since the end of the reporting period, no further events which have significant effects on the earnings, financial and asset situation have occurred.

Cuxhaven, March 21, 2017

PNE WIND AG



Markus Lesser  
Chairman of the  
Board of Management



Jörg Klawat  
Board of Management



Kurt Stürken  
Board of Management

# INDEPENDENT AUDITORS' REPORT

We have audited the consolidated financial statements prepared by PNE WIND AG, Cuxhaven/Germany, – comprising the statement of comprehensive income, the statement of financial position, the cash flow statement, the statement of changes in equity, the segment reporting and the notes to the consolidated financial statements – and the combined management report on the parent Company and the group for the year ended December 31, 2016. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the European Union (EU), and the additional requirements of German commercial law pursuant Section 315a (1) German Commercial Code (HGB) are the responsibility of the parent Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 German Commercial Code (HGB) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany). 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 group 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 group 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 entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group 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 of PNE WIND AG, Cuxhaven/Germany, comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to Section 315a (1) German Commercial Code (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 requirements. The group 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/Germany, March 21, 2017

Deloitte GmbH  
Wirtschaftsprüfungsgesellschaft

|                         |                         |
|-------------------------|-------------------------|
| (Bäßler)                | (Wendlandt)             |
| Wirtschaftsprüfer       | Wirtschaftsprüfer       |
| [German Public Auditor] | [German Public Auditor] |

## STATEMENT MADE BY THE LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

PNE WIND AG, The Board of Management



Markus Lesser



Jörg Klawat



Kurt Stürken



## Stormy sea Specialist for wind power farms on the high seas

We regard the realisation of wind farms at sea as a key to a successful energy revolution. At sea, the wind is strong and constant, and there is plenty of space to build large wind farms with a capacity of several hundred megawatt. However, this is a very demanding endeavour: marine environmental protection, water depth, shipping routes, tides and long distances from the coast make the planning a particular challenge.

In addition, the multi-year approval procedure for offshore wind farms is extremely complex and complicated. As one of the pioneers in this field, PNE WIND has developed offshore wind farms for more than 15 years. With seven successfully sold offshore projects, of which three have already been commissioned, we are one of the leading German enterprises in this sector.



## FINANCIAL STATEMENTS OF THE AG

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# PROFIT AND LOSS ACCOUNT (HGB)

of PNE WIND AG, Cuxhaven, for the period from January 1 to December 31, 2016

| (differences from rounding off possible) |   | 2016<br>EUR           | 2015<br>TEUR    |
|--|---|-----------------------|-----------------|
| 1.                                       | Revenues  | 73,605,766.32         | 151,199         |
| 2.                                       | Decrease/Increase in work in process  | 3,352,370.81          | -2,209          |
| 3.                                       | Other operating income  | 39,625,459.68         | 894             |
| <b>4.</b>                                | <b>Total aggregate output</b>   | <b>116,583,596.81</b> | <b>149,884</b>  |
| 5.                                       | Cost of purchased materials   |                       |                 |
|  | a) Cost of raw materials, supplies and purchased materials                                    | -39,343,762.28        | -100,049        |
|  | b) Cost of purchased services   | -13,138,270.06        | -18,143         |
|  |   | <b>-52,482,032.34</b> | <b>-118,192</b> |
| 6.                                       | Personnel expenses  |                       |                 |
|  | a) Wages and salaries   | -9,767,672.20         | -12,216         |
|  | b) Social security contributions  | -1,109,146.79         | -1,109          |
|  |   | <b>-10,876,818.99</b> | <b>-13,325</b>  |
| 7.                                       | Amortisation and depreciation of intangible assets and items of property, plant and equipment | -638,233.83           | -663            |
| 8.                                       | Other operating expenses  | -9,367,253.88         | -9,198          |
| <b>9.</b>                                | <b>Operating result</b>   | <b>43,219,257.77</b>  | <b>8,506</b>    |
| 10.                                      | Income from profit transfer agreements  | 1,657,352.57          | 1,223           |
| 11.                                      | Income from participations  | 342,400.00            | 5,000           |
| 12.                                      | Other interest and similar income   | 4,662,286.98          | 5,093           |
| 13.                                      | Amortisation of financial assets  | -28,000.00            | -28             |
| 14.                                      | Interest and similar expenses   | -8,895,020.99         | -8,701          |
| <b>15.</b>                               | <b>Profit before Taxes</b>  | <b>40,958,276.33</b>  | <b>11,093</b>   |
| 16.                                      | Taxes on income (prior year: taxes on income reimbursed)                                      | -862,750.04           | -768            |
| <b>17.</b>                               | <b>Profit after Taxes</b>   | <b>40,095,526.29</b>  | <b>10,325</b>   |
| 18.                                      | Other taxes   | -57,013.78            | -56             |
| <b>19.</b>                               | <b>Net income</b>   | <b>40,038,512.51</b>  | <b>10,269</b>   |
| 20.                                      | Profit carried forward  | 70,494,808.74         | 63,289          |
| 21.                                      | Dividend  | -3,062,217.36         | -3,062          |
| <b>22.</b>                               | <b>Retained earnings</b>  | <b>107,471,103.89</b> | <b>70,495</b>   |
|  | Earnings per share (undiluted)  | 0.52 €                | 0.14 €          |
|  | Average number of shares in circulation (undiluted) (in thousands)                            | 76,556                | 74,894          |
|  | Earnings per share (diluted)  | 0.51 €                | 0.14 €          |
|  | Average number of shares in circulation (diluted) (in thousands)                              | 78,615                | 76,881          |

# BALANCE SHEET (HGB)

of PNE WIND AG, Cuxhaven, as at December 31, 2016

## Assets

| (differences from rounding off possible) |  | 2016<br>EUR           | 2015<br>TEUR   |
|--|--|-----------------------|----------------|
| <b>A. Fixed assets</b>                   |  |                       |                |
| I.                                       | Intangible assets  |                       |                |
|  | Acquire by purchase franchises, trademarks, licences and other similar rights as well as licences from such rights | 36,841.27             | 69             |
|  |  | <b>36,841.27</b>      | <b>69</b>      |
| II.                                      | Property, plant and equipment  |                       |                |
|  | 1. Land and buildings including buildings on third-party land  | 10,952,020.26         | 11,359         |
|  | 2. Technical equipment and machinery   | 630,449.28            | 496            |
|  | 3. Other plant and machinery, fixtures and fittings  | 237,253.09            | 330            |
|  |  | <b>11,819,722.63</b>  | <b>12,185</b>  |
| III.                                     | Financial assets   |                       |                |
|  | 1. Participations in associated companies  | 81,308,538.18         | 143,608        |
|  | 2. Loans to associated companies   | 1,450,105.58          | 1,450          |
|  | 3. Participations  | 20,059,861.98         | 70             |
|  |  | <b>102,818,505.74</b> | <b>145,128</b> |
|  | <b>Total fixed assets</b>  | <b>114,675,069.64</b> | <b>157,382</b> |
| <b>B. Current assets</b>                 |  |                       |                |
| I.                                       | Inventories  |                       |                |
|  | 1. Work in process   | 10,485,206.15         | 7,133          |
|  | 2. Finished goods  | 2,310.33              | 2              |
|  | 3. Prepayments   | 2,566,215.70          | 500            |
|  |  | <b>13,053,732.18</b>  | <b>7,635</b>   |
| II.                                      | Receivables and other assets   |                       |                |
|  | 1. Trade receivables   | 10,548,946.24         | 1,766          |
|  | 2. Receivables from associated companies   | 109,665,778.38        | 111,784        |
|  | 3. Receivables from participations   | 1,352,613.87          | 1,165          |
|  | 4. Other assets  | 759,221.87            | 1,290          |
|  |  | <b>122,326,560.36</b> | <b>116,005</b> |
| III.                                     | Cash on hand and cash in banks   | 128,105,796.53        | 59,583         |
|  | <b>Total current assets</b>  | <b>263,486,089.07</b> | <b>183,223</b> |
|  | <b>C. Deferred charges</b>   | <b>445,107.94</b>     | <b>420</b>     |
|  | <b>Total assets</b>  | <b>378,606,266.65</b> | <b>341,025</b> |

## Liabilities

| (differences from rounding off possible)          |   | 2016<br>EUR           | 2015<br>TEUR   |
|---|---|-----------------------|----------------|
| <b>A. Shareholders' equity</b>                    |   |                       |                |
| I.  | Capital issued/subscribed   | 76,556,026.00         | 76,555         |
|   | Conditional capital EUR 5,760,566.00 (prior year: EUR 5,760,566.00) |                       |                |
| II.   | Capital reserves  | 58,430,110.17         | 58,429         |
| III.  | Retained earnings   | 107,471,103.89        | 70,495         |
| <b>Total shareholders' equity</b>                 |   | <b>242,457,240.06</b> | <b>205,479</b> |
| <b>B. Special items for investment grants</b>     |   | <b>902,146.57</b>     | <b>949</b>     |
| <b>C. Provisions</b>                              |   |                       |                |
| 1.  | Provision for taxes   | 251,716.00            | 1,240          |
| 2.  | Other taxes   | 9,004,437.29          | 14,999         |
|   |   | <b>9,256,153.29</b>   | <b>16,239</b>  |
| <b>D. Liabilities</b>                             |   |                       |                |
| 1.  | Bonds   | 106,556,641.90        | 106,559        |
| 2.  | Liabilities to banks  | 2,621,020.10          | 2,752          |
| 3.  | Prepayments received on orders                                      | 4,572,366.89          | 0              |
| 4.  | Trade payables  | 2,881,465.96          | 1,384          |
| 5.  | Liabilities to associated companies                                 | 6,203,467.14          | 5,972          |
| 6.  | Liabilities to participations                                       | 17,850.00             | 6              |
| 7.  | Other liabilities   | 3,063,315.74          | 1,603          |
| <b>Total Liabilities</b>                          |   | <b>125,916,127.73</b> | <b>118,276</b> |
| <b>E. Deferred income</b>                         |   | <b>74,599.00</b>      | <b>82</b>      |
| <b>Total liabilities and shareholders' equity</b> |   | <b>378,606,266.65</b> | <b>341,025</b> |

# STATEMENT OF CASH FLOWS (HGB)

of PNE WIND AG, Cuxhaven,  
for the period from January 1 to December 31, 2016

| All figures in TEUR<br>(differences from rounding off possible)  | 2016           | 2015*          |
|--|----------------|----------------|
| Net income   | 40,039         | 10,268         |
| +/- Interest expense and income  | 4,233          | 3,608          |
| -/+ Other income/losses from participations and profit (-)/losses from transfer agreements   | -2,000         | -6,223         |
| +/- Income tax expense and benefit   | 863            | 768            |
| - Income tax payments  | -1,197         | -355           |
| + Amortisation and depreciation of intangible assets and items of property, plant and equipment  | 638            | 663            |
| + Amortisation of financial assets   | 28             | 28             |
| +/- Decrease/Increase in provisions  | -6,983         | 3,734          |
| +/- Other non-cash effective expenses and income   | 1              | 2              |
| - Gain from the disposal of fixed assets   | -26,547        | 0              |
| +/- Decrease/Increase of inventories and other assets  | -2,648         | 49,110         |
| -/+ Decrease/increase in trade receivables   | -7,125         | 7,704          |
| -/+ Decrease/Increase in trade payables and other liabilities  | 6,976          | -31,219        |
| + Expenses from extraordinary items  | 0              | 396            |
| <b>Cash flow from operating activities</b>   | <b>6,278</b>   | <b>38,484</b>  |
| + Inflow of funds from disposal of items of property, plant and equipment  | 1              | 1              |
| - Outflow of funds for investments in intangible assets and property, plant and equipment  | -242           | -222           |
| + Inflow of funds from the disposal of financial assets  | 109,533        | 0              |
| - Outflow of funds for investments in financial assets   | -40,704        | -44,583        |
| + Interest received  | 4,662          | 4,640          |
| +/- Dividends received/profit transfer/assumption of losses  | 342            | 6,223          |
| <b>Cash flow from investing activities</b>   | <b>73,592</b>  | <b>-33,941</b> |
| + Inflow of funds from additions to shareholders' equity/Capital increase in cash  | 0              | 9,455          |
| - Payments to shareholder  | -3,062         | -3,062         |
| - Outflow of funds from the repayment of bonds   | 0              | -1,825         |
| - Outflow of funds from the repayment of financial loans   | -131           | -126           |
| - Interest paid  | -8,154         | -8,554         |
| - Payments for extraordinary items (capital increase costs)  | 0              | -396           |
| <b>Cash flow from financing activities</b>   | <b>-11,347</b> | <b>-4,508</b>  |
| <b>Cash effective change in liquid funds (≤ 3 months)</b>  | <b>68,523</b>  | <b>35</b>      |
| <b>+ Liquid funds (≤ 3 months) as at the beginning of the period</b>   | <b>59,583</b>  | <b>59,548</b>  |
| <b>Liquid funds (≤ 3 months) months as at the end of the period*</b>   | <b>128,106</b> | <b>59,583</b>  |
| Supplementary note: the value of the liquid funds as at 31.12 corresponds to the balance sheet item „cash on hand and cash in banks, etc.“ |                |                |
| * of which are pledged to a bank as security guaranteed credit lines   | 98             | 3,098          |

## DEVELOPMENT OF SHAREHOLDERS' EQUITY (HGB)

of PNE WIND AG, Cuxhaven,  
for the fiscal year from January 1 to December 31, 2016

| All figures in TEUR<br>(differences from rounding off possible) | Capital<br>subscribed | Capital<br>reserve   | Retained<br>earnings/loss | Total<br>shareholders<br>equity |
|---|-----------------------|----------------------|---------------------------|---------------------------------|
| <b>Status as at January 1, 2015</b>                             | <b>71,974,939.00</b>  | <b>53,548,115.83</b> | <b>63,288,721.50</b>      | <b>188,811,776.33</b>           |
| Convertible bond 2014/2019                                      | 1,995.00              | 4,588.50             | 0.00                      | 6,583.50                        |
| Capital increase in cash  | 4,578,500.00          | 4,876,102.50         | 0.00                      | 9,454,602.50                    |
| Dividend  | 0.00                  | 0.00                 | -3,062,137.56             | -3,062,137.56                   |
| Net income 2015   | 0.00                  | 0.00                 | 10,268,224.80             | 10,268,224.80                   |
| <b>Status as at December 31, 2015</b>                           | <b>76,555,434.00</b>  | <b>58,428,806.83</b> | <b>70,494,808.74</b>      | <b>205,479,049.57</b>           |
| Convertible bond 2014/2019                                      | 592.00                | 1,303.34             | 0.00                      | 1,895.34                        |
| Dividend  | 0.00                  | 0.00                 | -3,062,217.36             | -3,062,217.36                   |
| Net income 2016   | 0.00                  | 0.00                 | 40,038,512.51             | 40,038,512.51                   |
| <b>Status as at December 31, 2016</b>                           | <b>76,556,026.00</b>  | <b>58,430,110.17</b> | <b>107,471,103.89</b>     | <b>242,457,240.06</b>           |

# SCHEDULE OF FIXED ASSETS (HGB)

of PNE WIND AG, Cuxhaven, for the fiscal year 2016

| All figures in TEUR<br>(differences from rounding off possible)                                  | Acquisition and manufacturing cost |                      |                        |                      | Status as at<br>31.12.2016 |
|--|------------------------------------|----------------------|------------------------|----------------------|----------------------------|
|  | Status as at<br>1.1.2016           | Additions            | Reclassifica-<br>tions | Disposals            |                            |
| <b>I. Intangible assets</b>  |                                    |                      |                        |                      |                            |
| Acquire by purchase franchises, trademarks and similar rights as well as licences to such rights | 522,569.34                         | 3,391.15             | 0.00                   | 0.00                 | 525,960.49                 |
|  | <b>522,569.34</b>                  | <b>3,391.15</b>      | <b>0.00</b>            | <b>0.00</b>          | <b>525,960.49</b>          |
| <b>II. Property, plant and equipment</b>   |                                    |                      |                        |                      |                            |
| 1. Land and buildings including buildings on third party land                                    | 16,985,011.24                      | 0.00                 | 0.00                   | 0.00                 | 16,985,011.24              |
| 2. Technical equipment and machinery   | 657,658.75                         | 173,728.00           | 0.00                   | 8,031.91             | 823,354.84                 |
| 3. Other plant and machinery, fixtures and fittings  | 1,928,670.47                       | 64,608.43            | 0.00                   | 15,460.02            | 1,977,818.88               |
|  | <b>19,571,340.46</b>               | <b>238,336.43</b>    | <b>0.00</b>            | <b>23,491.93</b>     | <b>19,786,184.96</b>       |
| <b>III. Financial assets</b>   |                                    |                      |                        |                      |                            |
| 1. Shares in associated companies  | 146,582,991.47                     | 56,087,931.00        | -20,008,286.20         | 98,351,142.78        | 84,311,493.49              |
| 2. Loans to associated companies   | 1,450,675.58                       | 0.00                 | 0.00                   | 570.00               | 1,450,105.58               |
| 3. Participations  | 69,825.78                          | 0.00                 | 20,008,286.20          | 18,250.00            | 20,059,861.98              |
|  | <b>148,103,492.83</b>              | <b>56,087,931.00</b> | <b>0.00</b>            | <b>98,369,962.78</b> | <b>105,821,461.05</b>      |
|  | <b>168,197,402.63</b>              | <b>56,329,658.58</b> | <b>0.00</b>            | <b>98,393,454.71</b> | <b>126,133,606.50</b>      |

|  | Accumulated amortisation and depreciation |                   |                  | Book values             |                         |                         |
|--|---|-------------------|------------------|-------------------------|-------------------------|-------------------------|
|  | Status as at 1.1.2016                     | Additions         | Disposals        | Status as at 31.12.2016 | Status as at 31.12.2016 | Status as at 31.12.2015 |
|  | 453,311.26                                | 35,807.96         | 0.00             | 489,119.22              | 36,841.27               | 69,258.08               |
|  | <b>453,311.26</b>                         | <b>35,807.96</b>  | <b>0.00</b>      | <b>489,119.22</b>       | <b>36,841.27</b>        | <b>69,258.08</b>        |
|  | 5,626,117.72                              | 406,873.26        | 0.00             | 6,032,990.98            | 10,952,020.26           | 11,358,893.52           |
|  | 161,668.62                                | 38,554.56         | 7,317.62         | 192,905.56              | 630,449.28              | 495,990.13              |
|  | 1,599,027.76                              | 156,998.05        | 15,460.02        | 1,740,565.79            | 237,253.09              | 329,642.71              |
|  | <b>7,386,814.10</b>                       | <b>602,425.87</b> | <b>22,777.64</b> | <b>7,966,462.33</b>     | <b>11,819,722.63</b>    | <b>12,184,526.36</b>    |
|  | 2,974,955.31                              | 28,000.00         | 0.00             | 3,002,955.31            | 81,308,538.18           | 143,608,036.16          |
|  | 0.00                                      | 0.00              | 0.00             | 0.00                    | 1,450,105.58            | 1,450,675.58            |
|  | 0.00                                      | 0.00              | 0.00             | 0.00                    | 20,059,861.98           | 69,825.78               |
|  | <b>2,974,955.31</b>                       | <b>28,000.00</b>  | <b>0.00</b>      | <b>3,002,955.31</b>     | <b>102,818,505.74</b>   | <b>145,128,537.52</b>   |
|  | <b>10,815,080.67</b>                      | <b>666,233.83</b> | <b>22,777.64</b> | <b>11,458,536.86</b>    | <b>114,675,069.64</b>   | <b>157,382,321.96</b>   |

# SCHEDULE OF LIABILITIES (HGB)

of PNE WIND AG, Cuxhaven, as at December 31, 2016

| All figures in EUR<br>(differences from rounding off possible)<br>(Prior years in brackets) |  | Maturities                                    |  |  | Total amount                                     |
|---|--|---|--|--|--|
|   |  | Up to one year                                | One to five years                                | More than five year                          |  |
| Type of liabilities   |  |   |  |  |  |
| 1. Bonds  |  | 0.00<br>(0.00)                                | 106,556,641.90<br>(106,558,548.70)               | 0.00<br>(0.00)                               | 106,556,641.90<br>(106,558,548.70)               |
| 2. Liabilities to banks   |  | 135,441.00<br>(130,794.83)                    | 591,604.33<br>(571,285.44)                       | 1,893,974.77<br>(2,049,717.27)               | 2,621,020.10<br>(2,751,797.54)                   |
| 3. Prepayments received on orders   |  | 4,572,366.89<br>(0.00)                        | 0.00<br>(0.00)                                   | 0.00<br>(0.00)                               | 4,572,366.89<br>(0.00)                           |
| 4. Trade liabilities  |  | 2,881,465.96<br>(1,384,124.74)                | 0.00<br>(0.00)                                   | 0.00<br>(0.00)                               | 2,881,465.96<br>(1,384,124.74)                   |
| 5. Liabilities to participations  |  | 6,203,467.14<br>(5,972,133.46)                | 0.00<br>(0.00)                                   | 0.00<br>(0.00)                               | 6,203,467.14<br>(5,972,133.46)                   |
| 6. Liabilities to associated companies  |  | 17,850.00<br>(5,795.00)                       | 0.00<br>(0.00)                                   | 0.00<br>(0.00)                               | 17,850.00<br>(5,795.00)                          |
| 7. Other liabilities  |  | 3,063,315.74                                  | 0.00   | 0.00   | 3,063,315.74                                     |
| of which from taxes: EUR<br>2,322,395.02 (prior year: TEUR<br>862)                          |  | (1,603,274.17)                                | (0.00)   | (0.00)                                       | (1,603,274.17)                                   |
| of which for social security EUR<br>0.00 (prior year: TEUR 0 )                              |  |   |  |  |  |
| <b>Total</b>  |  | <b>16,873,906.73</b><br><b>(9,096,122.20)</b> | <b>107,148,246.23</b><br><b>(107,129,834.14)</b> | <b>1,893,974.77</b><br><b>(2,049,717.27)</b> | <b>125,916,127.73</b><br><b>(118,275,673.61)</b> |

### Securities

None

1. Registered mortgage of TEUR 3,170 on the property at Peter-Henlein-Str. 2-4, Cuxhaven. As at 31.12.2016 TEUR 2,621 had been drawn down.
2. Assignment of the rental income from the property at Peter-Henlein-Str. 2-4, Cuxhaven.

None

As is usual in the branch, retention of title exists with regard to items delivered.

None

None

None

# INDEPENDENT AUDITORS' REPORT

We have audited the annual financial statements – comprising the balance sheet, the income statement and– the notes to the financial statements – together with the bookkeeping system, and the combined management report on the Company and the Group of PNE WIND AG, Cuxhaven/Germany, for the year ended December 31, 2016. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Section 317 German Commercial Code (HGB) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany). 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 annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company 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 books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and the 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 annual financial statements of PNE WIND AG, Cuxhaven/Germany, comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements, complies with legal requirements, as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Hamburg/Germany, March 21, 2017

Deloitte GmbH  
Wirtschaftsprüfungsgesellschaft

|                         |                         |
|-------------------------|-------------------------|
| (Bäßler)                | (Wendlandt)             |
| Wirtschaftsprüfer       | Wirtschaftsprüfer       |
| [German Public Auditor] | [German Public Auditor] |

## STATEMENT MADE BY THE LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of PNE WIND AG, and the management report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

PNE WIND AG, The Board of Management



Markus Lesser



Jörg Klawat



Kurt Stürken

# GLOSSARY

|  |  |
|--|--|
| <b>Bonds</b>   | Bonds which are divided into many individual securities by the issuer on placement in the market and can thus be subscribed to by a large number of market participants.   |
| <b>BSH</b>   | Federal Office for Shipping and Hydrographics, a German Federal authority, which is part of the Federal Ministry of Transport, Construction and Urban Development with offices in Hamburg and Rostock; this office is responsible inter alia for tasks such as environmental protection in maritime transport, surveys in the North Sea and the Baltic, development in the German Exclusive Economic Zone as well as approval processes for offshore wind farms and pipelines. |
| <b>Convertible bond</b>  | An interest-bearing security which gives the holder the right to convert such securities into shares at a previously determined price during the conversion period.  |
| <b>Corporate bond</b>  | Mostly publicly traded security with a limited duration and a fixed rate which guarantees regular interest payments for the holder. At the end of the term the corporate bond is repaid at par.  |
| <b>Covenants</b>   | Mostly describe investor protection clauses in loan agreements or indentures. Covenants are contractually binding undertakings by the borrower or loan debtor during the term of the contract.   |
| <b>EBIT</b>  | Earnings Before Interest and Taxes, a key economic performance figure, which represents the profit before taxes, interest and extraordinary result (also known as operating profit) and which shows the profitability of a company independent of its capital structure.   |
| <b>EEG</b>   | Renewable Energies Law, which determines the extent and promotion of regenerative energies.  |
| <b>EEZ</b>   | Exclusive Economic Zone: the area beyond the coastal sea, the extent of which is up to 200 nautical miles from the basic line of the coastal sea (so-called 200 nautical mile zone).   |
| <b>EURIBOR</b>   | Euro Interbank Offered Rate (EURIBOR), a reference interest rate on time deposits in Euro in the interbank market. The interest rates on the debt financing of companies often bases on EURIBOR.   |
| <b>Federal Immission Control Act (Bundes-Immissionsschutzgesetz)</b> | Law on protection against harmful effects of air pollution, noise, vibration and similar phenomena. It provides for the protection of people, animals, plants, soils, water, atmosphere and cultural goods. In the course of the construction of new wind farms, a filing according the Federal Immission Control Act is necessary.  |
| <b>HGB</b>   | German Commercial Code, which specifies the German accounting regulations; decisive for the capability of capital market companies in Germany to pay dividends.  |

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| <b>Independent Power Producer (IPP)</b>                   | An independent producer of electricity. Refers to those operators of power plants and power generation plants, which do not have an own power grid (eg. Independent operators of wind turbines).   |
| <b>International Financial Reporting Standards (IFRS)</b> | International accounting regulations, the objective of which is the make comparable the financial statements of (mainly capital market) companies.   |
| <b>Joint Venture</b>                                      | When two or more companies join forces for a joint project, then one talks of a joint venture.   |
| <b>KfW</b>  | Kreditanstalt für Wiederaufbau, a support bank of the German economy, the task of which is the realisation of public contracts (financing of energy saving technologies and communal infrastructures, the support of medium-sized industry and entrepreneurs, the granting of loans to small and medium-sized companies as well as financing of infrastructure projects).  |
| <b>Limited Partner</b>                                    | Shareholder of a limited partnership (KG), whose liability is linked only to his investment in contrast with the general partner.  |
| <b>Market Value</b>                                       | The price which can be currently achieved on the market for a (tangible or intangible) asset, subject to the free effect of supply and demand.   |
| <b>Megawatt (MW)</b>                                      | The performance unit named after James Watt (W). A million watts correspond to a megawatt (MW). A watt is generally the physical unit for the output of energy in time.  |
| <b>Offshore</b>   | "Offshore" is the term used for electricity generation from wind power at sea.   |
| <b>Onshore</b>  | "Onshore" is the term used for the generation of electricity at wind farms on land.  |
| <b>Prime Standard</b>                                     | Stock market segment of the Frankfurt Stock Exchange with the highest transparency standards.  |
| <b>Repowering</b>   | The replacement of older wind power turbines with low performance by modern and more efficient equipment is known a repowering. This exchange opens up new perspectives for the use of wind energy on land. For example, the landscape benefits from the reduction in the number if turbines, improved technologies increase the energy efficiency and positive value added and employment effects can also be achieved. |
| <b>VorstAG</b>  | Law for the Appropriateness of the Remuneration of Members of the Board of Management, which includes clear standards for the Supervisory Board for the determination of the remuneration of the Board of Management and strengthens the incentives for the sustainable development of the company.  |
| <b>WPT</b>  | Wind power turbine, which converts the kinetic energy of the wind into electrical energy and feeds it into the electricity network.  |

# IMPRINT

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