New Energy Solutions
Annual Report 2017

PNE WIND
Passion for Energy

Summary

PNE WIND can look back on a successful financial year 2017 – both from a financial point of view and from a strategic point of view. The Company has begun to implement a strategic optimisation of its proven business model. PNE WIND is developing from one of the leading wind farm project developers into a "Clean Energy Solution Provider". In addition to wind energy, photovoltaics, storage and power-to-gas technology with a focus on hydrogen will become part of our operational business. Apart from the established markets in Europe and North America, we will in future also focus on emerging markets such as in Latin America as well as in the Middle and Far East.

The basis for strategic optimisation is our successful business model: In 2017, PNE WIND completed, started construction or sold project rights of wind farms with a nominal capacity of 233.6 MW in Germany, France, Sweden and the USA.

In addition, the project rights for an offshore wind farm with a planned capacity of 584 MW were sold. The "Gode Wind 3" offshore project in the North Sea, which was developed and already sold by PNE WIND, was awarded a contract in the first tender round for offshore wind energy.

For the 142 MW project portfolio, of which an 80 percent stake was sold at the end of 2016, the Company succeeded in optimising the project financing of the wind farms in 2017. At the end of 2017, the remaining 20 percent of the portfolio shares were also sold.

With respect to its strategic realignment, PNE WIND also continues to rely on its core competence: project development. In this context, the Company plans to build up the new European 2020 wind farm portfolio, in which projects of around 200 MW are to be bundled.

At a glance

PNE WIND AG group figures

In million EUR	1.1.–31.12.17	1.1.–31.12.16	1.1.–31.12.15
Total aggregate output	**186.9**	259.2	233.3
Revenues	**114.1**	248.6	109.5
Operating profit (EBIT)	**23.1**	97.0	9.8
Result before Taxes (EBT)	**14.1**	81.6	-5.0
Net income	**17.1**	69.0	3.5
Basic earnings per share (euro)	**0.22**	0.90	0.05
Average number of shares (million)	**76.6**	76.6	74.9

Im million EUR	31.12.2017	31.12.2016	31.12.2015
Equity as at December 31	**235.2**	229.4	165.9
Equity ratio as at December 31 (%)	**47.7**	53.1	34.0
Balance sheet total as at December 31	**493.3**	432.0	488.3

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“Kührstedt / Alfstedt” wind farm: progress with the construction of the new 200 MW portfolio

With the “Kührstedt / Alfstedt” wind farm, PNE WIND AG has successfully completed a first major step towards the construction of the new European wind farm portfolio: The “Kührstedt / Alfstedt” wind farm (43.2 MW) was fully put into operation by the end of 2017 and has been feeding electricity to the grids since then. This wind farm is part of the European portfolio (2020 wind farm portfolio), which is intended to combine German and French wind farms with approx. 200 MW by 2020. Since the “Kührstedt / Alfstedt” wind farm has been put into operation, PNE WIND AG has also benefited from the sale of climate-friendly electricity generated there. In this regard, the Company can rely on its many years of experience as a wind farm operator. At present, PNE WIND AG operates wind farms with a total nominal output of about 69 MW in its own portfolio. Some of these wind farms are intended for repowering with the aim of modernisation and of increasing efficiency.

PNE WIND CLOSE-UP

Foreword

Dear Shareholders

PNE WIND ended the 2017 fiscal year with success both in operational and in financial terms. At the same time, we also began to strategically expand our proven business model with the aim of opening up new areas of business and thus adequately meeting the challenges of international and national markets. We are developing from one of the leading wind farm project developers into a "Clean Energy Solution Provider". In addition to wind energy, photovoltaics, storage and power-to-gas technology with a focus on hydrogen should become part of our operational business.

Successes in 2017

The basis of our strategic expansion is our successful business model: Internationally operating PNE WIND is one of the most experienced project developers in the field of onshore and offshore wind farms. In fiscal 2017, the operational business was characterised by the development and realisation of onshore wind farm projects, project sales and business success in the offshore wind energy segment. In 2017, PNE WIND completed, started construction or sold project rights of wind farms with a nominal capacity of 233.6 MW in Germany, France, Sweden and in the USA. In addition, project rights for an offshore wind farm with a planned capacity of 584 MW were sold. The "Gode Wind 3" North Sea project, which was developed and already sold by us, was awarded a contract in first tender round for offshore wind energy.

For the 142 MW project portfolio, of which an 80 percent stake was sold at the end of 2016, we succeeded in optimising the project financing of the wind farms in 2017. Following refinancing, PNE WIND was able to achieve a considerable increase in the project portfolio's value and to receive a subsequent purchase price payment due to fixed regulations in the purchase agreement. At the end of 2017, the remaining 20 percent of the portfolio shares was sold as well.

We started building up the new European 2020 wind farm portfolio, in which projects with around 200 MW will be bundled. The first wind farm "Kührstedt/Alfstedt" (approx. 43 MW) intended for this portfolio was put into operation in 2017.

Good start to 2018

At the beginning of the new fiscal year, wind farms with a total capacity of approx. 51.9 MW were under construction in Germany, France and Sweden. After we were awarded the contract for a 71 MW wind farm project in Turkey at the end of 2017, we were also awarded a contract in the first German tender for onshore wind farms in 2018. We were successful with the repowering project "Windpark Gerdau". In repowering, we replace older wind power turbines by modern and more efficient ones. In the case of the "Windpark Gerdau" project, new wind power turbines with a nominal capacity of 21.6 MW have been planned and approved. They are planned to be erected during this year. Our core business of wind farm project planning is successful and forms the basis for the strategic expansion of our business model.

"The basis for our strategic enlargement is our successful business model."

Management Board of PNE WIND AG: Jörg Klowat, Markus Lesser and Kurt Stürken (l. to r.)

Forecast reached

In economic terms, the past financial year developed positively. As at December 31, 2017, the Group generated a total aggregate output of euro 186.9 million (prior year: euro 259.2 million) and operating profit (EBIT) of euro 23.1 million (prior year: euro 97.0 million). The basic earnings per share amount to euro 0.22 (prior year: euro 0.90). It should be borne in mind that the figures for 2016 were extraordinarily positive due to the pro rata sale of the wind farm portfolio. All in all, this result met our forecast for fiscal 2017, which was raised during the year.

Dividend proposed

According to the accounting principles of the German Commercial Code (HGB), PNE WIND AG recorded a net income of euro 32.6 million (prior year: euro 40.0 million). The retained earnings pursuant to HGB amounted to euro 130.9 million on December 31, 2017 (prior year: euro 107.5 million). Based on these pleasing results, the Board of Management and the Supervisory Board will propose to the general meeting of shareholders on June 6, 2018 that a dividend of euro 0.04 per eligible share be distributed from PNE WIND AG's retained earnings. In this way, we are continuing the dividend policy pursued over the last few years.

Progress in designing the Group's financing structure

PNE WIND has good liquidity after the successful transactions of the past years. The corporate bond with a volume of euro 100 million will be repaid as planned in mid-2018. This offers the opportunity of placing corporate financing on a more favourable foundation. Various options are currently being examined.

We have already secured the development of the 2020 wind farm portfolio on a pro rata basis by financing equity capital of euro 25 million. An equity financing facility for these wind farm projects was agreed with IKB Deutsche Industriebank AG. This is intended to finance equity capital for German and French wind farms to be included in the 2020 wind farm portfolio.

PNE WIND well prepared for industry-specific challenges

However, we cannot and will not rest on our successes. At the end of 2017, the companies of PNE WIND were working on onshore wind farm projects with more than 4,700 MW of nominal capacity in various phases of a multiple year development process. We can build on this. But the markets for clean 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 clean energies such as wind energy. On the other hand, we face a challenging competitive situation characterised by tender systems, cost pressure and competing energies.

In the future miscellaneous clean energies and storage technologies can be combined.

We are responding to this challenge by developing and implementing a strategy that envisages expanding our business model based on our successful core business.

Optimised strategy

The demand for clean energies and a secure power supply is growing worldwide. We take account of these developments and want to exploit the opportunities arising from the transformation of the markets as a "Clean Energy Solution Provider". Based on the extensive experience gained from the successful development, project planning and realisation of wind farms on land and at sea, projects and solutions for the planning, construction and operation of power plants based on clean energies will also be developed and implemented in the future. We are thus expanding our focus and looking at almost the entire value chain of clean energies. This is the core of the strategy presented in November 2017, which will be implemented by 2023 based on the "Scale up" concept.

Solutions – Provide clean energy solutions
Core – Grow our core business
Adapt – Optimise our structures
Leverage – Leverage our expertise
Expand – Expand along the value chain

Project development and portfolio

Project development remains our core business. This includes the development and direct marketing of quality projects as well as the erection of the 2020 wind farm portfolio with approx. 200 MW to be built by 2020.

Technologies

In addition to wind energy, photovoltaics, storage solutions and power-to-gas will be additional components of the corporate strategy. The development of power-to-gas projects with a focus on hydrogen production will be a new feature. In this way, we aim to gain entry into the segments of mobility and heating from clean energies. Based on the combination of wind farms, photovoltaic systems and storage, we also want to develop power plants and island solutions, i.e. self-sufficient clean energy systems that are independent of the electricity grid, in the future. Our cooperation beginning in 2017 with VPC GmbH, an engineering service provider for power generation and distribution systems, is a first step.

Markets

In addition to the established markets in Europe such as Germany and France or in the USA, we will in future also focus on emerging markets, for example, in Latin America, the Middle and Far East as well as in Africa. These are characterised by strongly increasing energy demand and have a great potential for the development of clean energies. The growth drivers for clean energy are intact: among other things, higher targets for the avoidance of carbon dioxide, growing energy demand in emerging markets and the withdrawal from coal and nuclear power.

Services

Additional services, for example, for operational management and further financing solutions for projects should also contribute to the expansion of the operative business. Inorganic growth through cooperation, investments or acquisitions of companies that fit our strategic development is also possible.

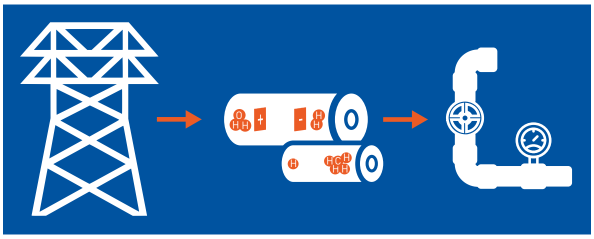
Energy supply management

Our agenda encompasses the optimisation of wind farms as well as offshore services, the expansion of operational management for wind farms and transformer stations to include photovoltaic projects and the build-up of know-how across all technologies. In addition, we want to tap further margin potential by optimising the marketing of electricity and gas from clean energies.

Realisation / Smart Development

We have experienced and specialised staff to implement the strategy. With an integrated project approach, business opportunities with new products and in new markets are already being developed. The aim is to combine various clean energies and storage technologies, optimise entry into and exit from new markets, shorten the time to project success and avoid high upfront expenditure in projects.

"As a 'Clean Energy Solution Provider' we want to provide solutions of clean energy and thereby exploit the opportunities that arise in the industry."



Power-to-Gas becomes additional module of the business strategy

Outlook

PNE WIND is well positioned to meet the challenges of the future. We build on a solid foundation and are developing further. The new strategy, which provides for an expansion of the business model, should make it possible to better balance fluctuations in the operating business in individual markets in the future.

In addition, we want to open up new future markets with growth potential and thus, in the interests of our shareholders, further increase and stabilise earnings. In parallel, we want to counteract the fluctuations that are inherent in the project business. The development of PNE WIND should become more predictable and calculable. This also offers the perspective of increasing the value of the enterprise on a continuous and lasting basis.

In the financial year 2018, we anticipate upfront expenditure of approx. euro 3 million for the strategic expansion of the business model and the preparations for entry into new markets, but nevertheless expect a clearly positive EBIT in the range of euro 10 to 16 million. According to the forecast, Group EBITDA is expected to range between euro 20 and 26 million. These results do not take account of the profits from projects to be built in 2018 for the 2020 wind farm portfolio, which is being established.

All the above clearly shows: PNE WIND is seizing the opportunities in the market and is steering towards a future in which the shareholder value concept is even more strongly focused. We invite you to accompany us on this journey.

Maintain your confidence in us!

Kind regards

The Board of Management

Report of the Supervisory Board

Dear Shareholders

PNE WIND AG ended the 2017 fiscal year with success both in operational and in financial terms. Significant operational successes included the sale of the offshore project "Atlantis 1" and the contract awarded for the "Gode Wind 3" offshore project developed by us in the first German tender for offshore wind farms. As regards the onshore wind farms, the completion of the "Kührstedt/Alfstedt" project with 43 MW is particularly noteworthy. This wind farm has been in operation since the end of 2017 and is part of the volume of the new European wind farm portfolio (2020 wind farm portfolio), in which wind farms with around 200 MW are to be bundled by 2020. At the end of 2017, PNE WIND AG sold its 20 percent stake in the existing wind farm portfolio to a subsidiary of Allianz Global Investors. The proceeds from this sale facilitate the financing and thus the establishment of the new portfolio. PNE WIND will also be responsible for the operational management of the wind farms for a period of 20 years, thus securing ongoing revenues. International business also developed very well. In France, additional wind farms were completed and construction work began on further projects. Approved wind farms were successfully sold in Sweden and the USA. In Turkey, we won the tender with a 70 MW project.

The Board of Management with CEO Markus Lesser, CFO Jörg Klowat and the COO Kurt Stürken not only pushed ahead with these developments, but also elaborated an optimised strategy of the Company. This includes, among other things, the identification of new markets, the expansion of the services offered by the Company as well as the development of combined wind/photovoltaic projects and power-to-gas solutions. The optimised strategy also comprises the development of "island solutions" for the energy supply of municipalities, trade and industry with decentralised services. Based on the successful development of wind farm projects, PNE WIND AG will further develop into a provider of solutions for clean energy, i.e. a "Clean Energy Solution Provider".

The course was also set at the general meeting of shareholders on May 31, 2017, at which Dr. Jens Kruse, Marcel Egger and Florian Schuhbauer were elected to the Supervisory Board with a clear majority. The previous Chairman, Alexis Fries, as well as Supervisory Board members Christoph Gross and Wilken Freiherr von Hodenberg resigned from the Supervisory Board. Mr. Per Hornung Pedersen was elected as the new Chairman of the Supervisory Board.

During the fiscal year 2017, the Supervisory Board met for a total of 13 ordinary meetings on January 19, March 1, March 22, April 6 (by phone), May 5, May 30, May 31, June 23, August 28, August 29, September 12, Novembe 7 and December 7, 2017. With the exception of Mr. Egger, who was unable to attend one meeting, the members of the Supervisory Board took part in all meetings. Before May 31, 2017, 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 31, 2017.

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 31, 2017 as well as the members Alexis Fries, Christoph Gross and Wilken Freiherr von Hodenberg, who retired on May 31, 2017, are independent.

In May 2017, the Supervisory Board determined, in accordance with Section 111 (5) sentence 1 AktG, that the target figure for the proportion of women on the Supervisory Board shall be one sixth (16.67 percent), which is to be achieved by the end of the general meeting of shareholders which resolves on the official approval of the Supervisory Board's actions for the 2021 fiscal year. The target of women representing one sixth of the Supervisory Board members is fulfilled based on the current Supervisory Board structure.

At the general meeting of shareholders on May 31, 2017, the Supervisory Board members Dr. Jens Kruse, Marcel Egger and Florian Schuhbauer were each elected for the period up to the end of the ordinary general meeting which resolves on the approval of the Supervisory Board's actions 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. The previous Chairman Alexis Fries as well as Christoph Gross and Wilken Freiherr von Hodenberg retired from the Supervisory Board at the end of the 2017 general meeting of shareholders. We want to thank them for their expert and dedicated work on the Supervisory Board. The general meeting of shareholders held on May 31, 2017 also resolved the approval of the actions of all Supervisory Board members for the 2016 fiscal year. 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.

The Personnel Committee held its meetings jointly with the Appointments Committee. During the fiscal year 2017, they held four meetings on March 1, March 21, April 3 and October 10. Topics of the meetings included, among other things, the target agreements of the members of the Board of Management as well as the exploration of the market and the preparation of proposals for elections to the Supervisory Board.

The Audit Committee met in four meetings on March 21, May 5 (by phone), August 7 (by phone) and November 7, 2017. The topics of these meetings were the audit of the annual financial statements as at December 31, 2016, the discussion of the half year financial report and the quarterly reports of 2017 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. The Supervisory Board was punctually and fully informed in writing and at its meetings through written and verbal reports from the Board of Management about the current business developments 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 inspected and reviewed the books, documents and the schedules 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 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 2017 were:

- the reports and discussions concerning the annual and the consolidated financial statements as at December 31, 2016
- the preparations for the general meeting of shareholders on May 31, 2017
- 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 changes in markets for renewable energies
- the resolution on the issuing of the declaration of compliance with the German Corporate Governance Code

The Supervisory Board dealt particularly intensively with the future orientation of the business model and the strategy of the Company.

No conflicts of interest of members of the Board of Management or the Supervisory Board were reported in the year under review, nor did they become apparent.

The Supervisory Board also adopted its declaration of compliance. Furthermore, the Supervisory Board resolved on other matters 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. The auditors, Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, appointed by the general meeting of shareholders on May 31, 2017, audited these statements and the accounting documents and issued an unqualified audit opinion on the annual financial statements and the consolidated financial statements.

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. the consideration paid by the Company in the legal transactions listed in the report was not inappropriately high."

The Supervisory Board issued the mandate for the audit of the 2017 annual financial statements on July 24, 2017. In accordance with the recommendations in no. 7.2.1 of the German Corporate Governance Code (GCGC), the Supervisory Board obtained, prior to issuing this mandate, a declaration of the auditors as to which professional, financial or other relationships exist between the auditors and the Company which might give rise to 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.

The Supervisory Board informed the auditors about the main topics for the audit of the annual financial statements of PNE WIND AG and of the Group for the 2017 fiscal year.

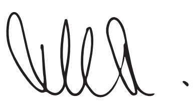
The financial statements 2017 of PNE WIND AG, the consolidated financial statements, the combined management and Group management report of PNE WIND AG, the report on relationships with affiliated companies and the reports of the auditors were made available on schedule to all members of the Supervisory Board prior to the meeting on the financial statements on March 21, 2018. The documents were comprehensively examined and discussed at the meeting of the Audit Committee on March 20, 2018 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 in the Supervisory Board's meeting on the financial statements as well as in the previous meeting of the Audit Committee and provided reports on the key audit matters and the audit measures. There were no objections. All questions of the Supervisory Board were answered fully following the reports from Board of Management and the auditors. The Supervisory Board, after its own comprehensive examination of the annual financial statements, the consolidated financial statements, the combined management and Group management report and the report on relationships with affiliated companies (including the final declaration of the Board of Management) and based on the recommendations of the Audit Committee, consented to the result of the audits by the auditors.

The Supervisory Board approved the annual financial statements as at December 31, 2017 of PNE WIND AG and the consolidated financial statements as at December 31, 2017. The financial statements were thus adopted. The proposal of the Board of Management regarding the appropriation of profits was reviewed and approved by the Supervisory Board in accordance with the interests of the Company and of the shareholders. In addition, following the definitive result of its examination, the Supervisory Board does not raise any objections to the final declaration of the Board of Management in the report on the Company's 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 does not consider any changes to be necessary in this respect.

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 2017.

Cuxhaven, March 21, 2018.



Per Hornung Pedersen

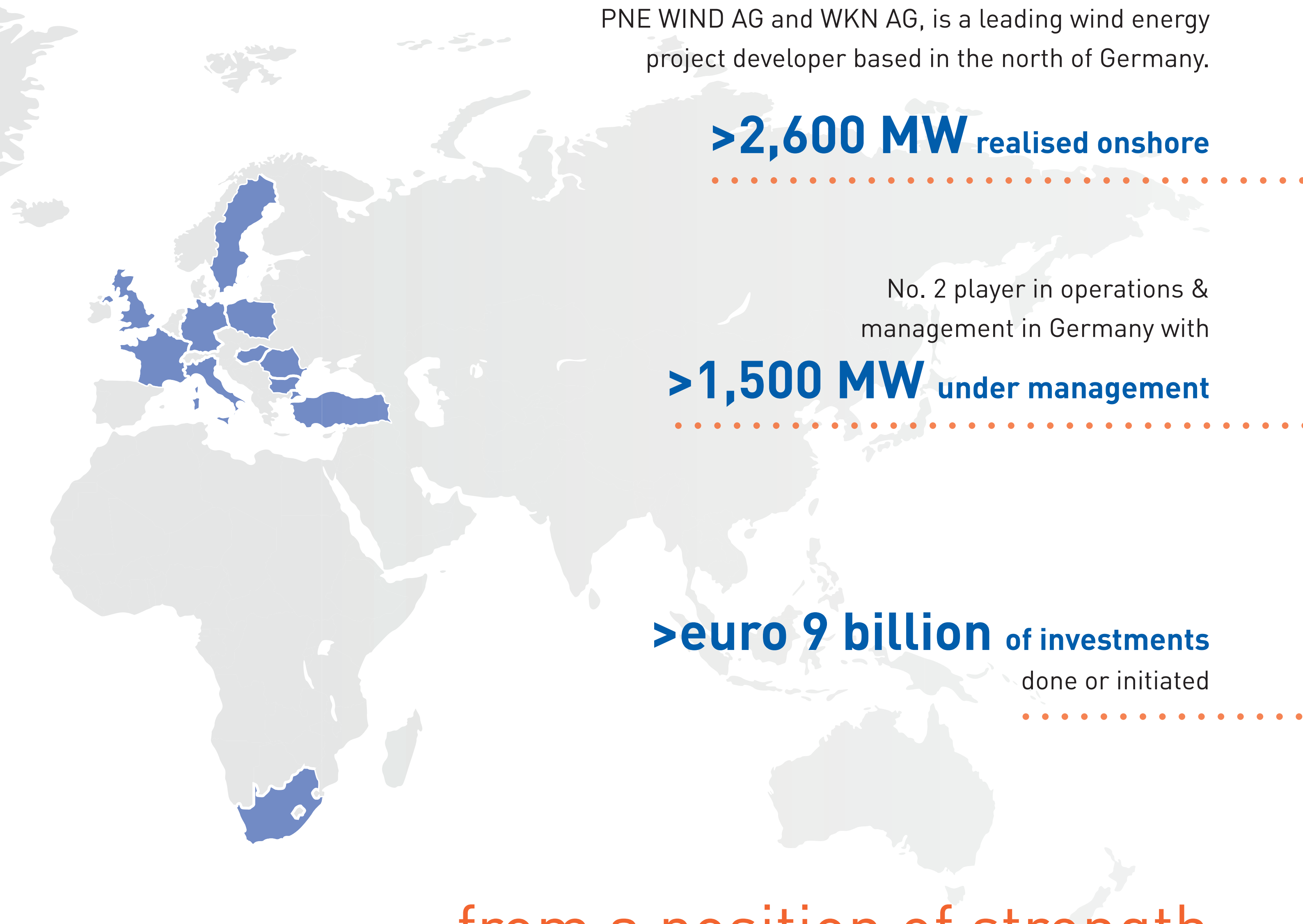
Chairman of the Supervisory Board

We are a leading developer of wind energy projects …

More than
25 years
of experience
in the sector

Germany's most successful project developer with
8 offshore projects sold totalling 2,852 MW

Active in **13 countries on 3 continents**



The PNE WIND Group, consisting of the companies PNE WIND AG and WKN AG, is a leading wind energy project developer based in the north of Germany.

>2,600 MW realised onshore

No. 2 player in operations & management in Germany with

>1,500 MW under management

>euro 9 billion of investments done or initiated

... from a position of strength we are developing into a CLEAN ENERGY SOLUTION PROVIDER

We will expand our business with the new “Scale up” corporate strategy

We are strategically realigning our operative business with the “Scale up” corporate strategy and will evolve from a specialist in the project planning, construction and operation of wind farms to a provider of solutions for clean energy. As a “Clean Energy Solution Provider”, we want to expand our range of services and will occupy new markets and technologies. The objective is to reduce the volatility of earnings and open up new margin potential.

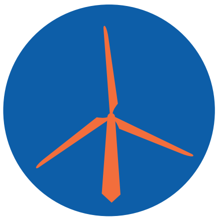
The strategy **“Scale up”** stands for:

SOLUTIONS	Provide clean energy solutions
CORE	Grow our core business
ADAPT	Optimise our structures
LEVERAGE	Leverage our expertise
EXPAND	Expand along the value chain

With our “Scale up” strategy, we aim to reach the next level in the Company’s history. The broader product portfolio enables us to expand our value chain. In addition, we are striving for growth in our core business of project development to significantly increase our portfolio. With the simultaneous structural optimisation, we will also be able to reduce costs in the long term.

The **key features** of the new strategy:

Technologies



In addition to wind energy, photovoltaics, storage and power-to-gas will be the key components of the corporate strategy in the future. The development of power-to-gas projects with a focus on hydrogen production will be a new feature. This will be the first step into the segments of mobility and heating from renewable energies. In addition, PNE WIND plans to develop renewable energy power plants and island solutions.

Markets

Apart from the established markets for wind energy such as Germany, France or the USA, we will also focus on emerging markets in the future. These include: Latin America, the Middle and Far East as well as Africa. These are characterised by high energy demand and thus offer great sales potential.

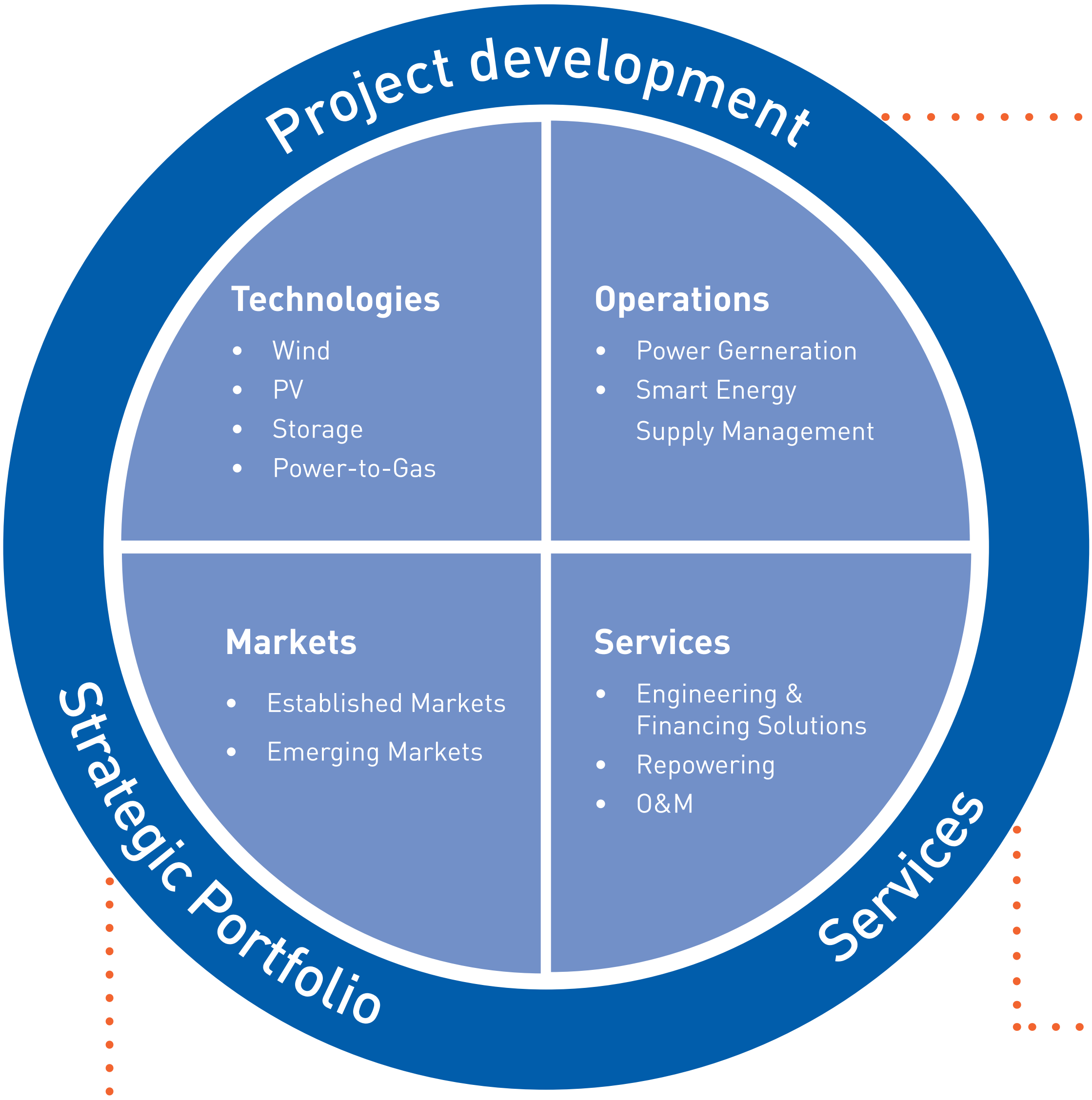
Services

The range of services offered is expanded. PNE Wind plans, among other things, to offer its operational management services for wind farms and transformer stations for photovoltaic projects as well. The Company is also working on financing solutions for renewable energy projects.

Operations

The generation of electricity from our own capacities will be supplemented in the future by smart energy supply management, i.e. through optimised marketing of electricity and gas via dealers or power purchase agreements. We will refine power generation with a view to creating added value.

“Scale up” strategy: We capitalise on our core competencies ...



Strategic Portfolio

- Build-up of an onshore project portfolio of ca. 200 MW in Europe by end of 2020
- Optimisation and sale – partially or completely
- Acquisition of existing wind farms for repowering and acquisition of already well developed projects

Markus Lesser, Chief Executive Officer of PNE WIND AG:

» In spite of implementation of our new "Scale up" corporate strategy, project development will remain our core business. This includes the development of quality projects, the build-up of a new wind farm portfolio with approx. 200 MW by the end of 2020 and projects across various technologies as well as other services. Through our new core strategy, we can put our core business on a significantly broader base, enabling us to grow more profitably and faster in the future. «

Project development

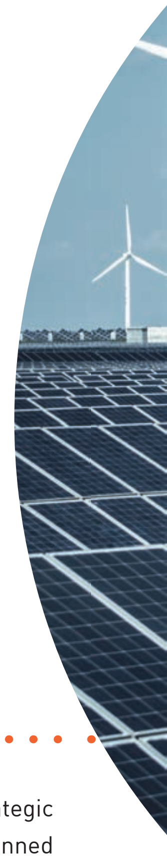
- Will remain core business
- Significant volume increase above 400 MW p.a. across various technologies in the mid term
- International markets will drive growth
- Combination of new technologies and markets creates huge market potential

Services

- Grow O&M business to >2200 MW under operational management
- Start smart energy supply management
- Expand consulting solutions and deliver everything necessary around operation and optimization for wind farms

... to open up further elements of the value chain

We are developing into a CLEAN ENERGY SOLUTION PROVIDER



We have **the know-how and the means** for the new strategy ...

A first important milestone is our cooperation with VPC GmbH. Together, the two companies will develop off-grid and self-sufficient energy supply solutions for public and commercial use. Such "energy islands" can be individually planned, realised and operated according to requirements and location. They are very interesting not only for Germany but also abroad.

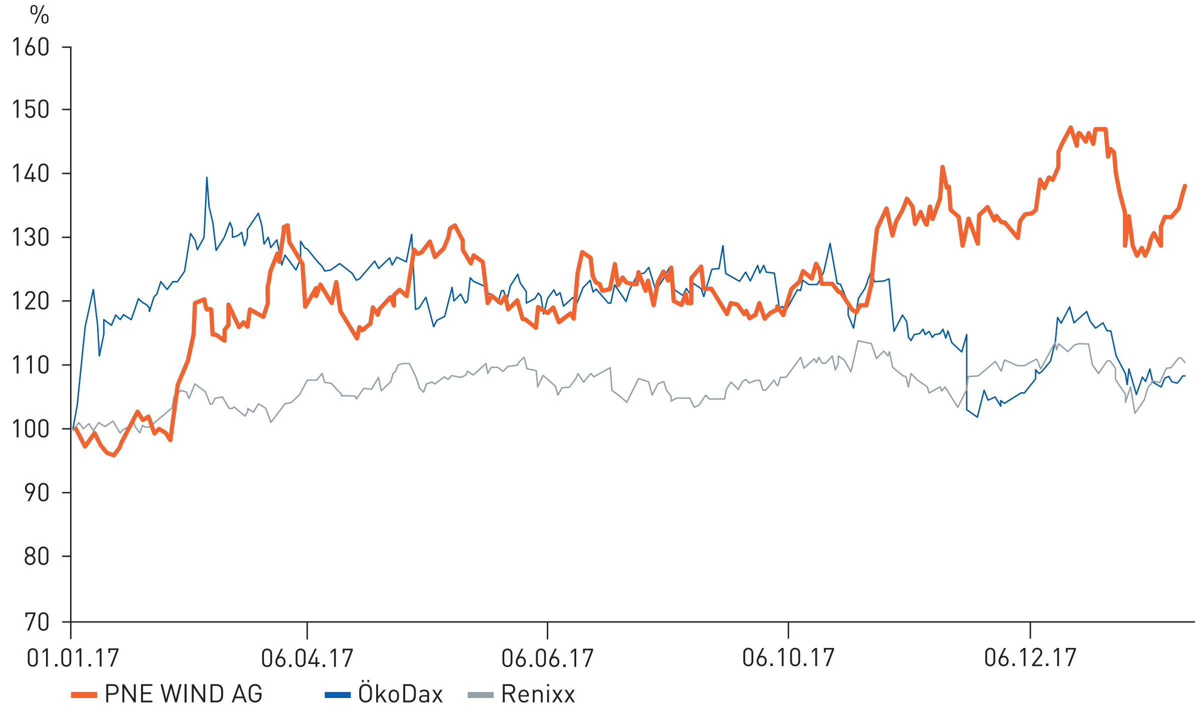
Another important success in the strategic implementation: The first wind farm for the planned new European project portfolio with around 200 MW has been completed. The Kührstedt/Alfstedt wind farm was put into operation in December 2017. The wind farm comprises 13 wind power turbines with a total nominal capacity of 43.2 MW.

... and have already begun with its implementation

Key Takeaways

- Strong global demand for renewable energy accelerates growth
- Markets are changing – the new strategy is tailored to address the significantly changing market conditions, generates new margin potential and reduces the volatility of earnings
- We want to be a Clean Energy Solution Provider in future
- Shareholder Value is central to all activities
- Investment in new technologies PV, Storage, Power-to-Gas, in new markets, additional services know-how and processes
- High cash position, secured financing and strong project pipeline back up the implementation of the strategy
- Great experience and know-how exist in the company
- Close to the previous business model

Capital market information



Share

PNE WIND AG's shares began the 2017 fiscal year at a price of euro 2.19. They saw a strong price development in the first six months of 2017. At closing on June 30, 2017, the shares were traded at a final price of euro 2.54. This corresponds to an increase of 18.1 percent compared to the final price on the first trading day of 2017. This means that the ÖkoDAX benchmark index, which recorded an increase of 6.9 percent in the same period, was exceeded. In the third quarter, the shares were characterised mainly by a sideways trend, although, viewed over the entire year, new record levels were achieved in the fourth quarter:

On November 15, PNE WIND announced its new corporate strategy and immediately began implementing it. The shares continued to gain value at the same time. In the fourth quarter, the price of the shares increased by 9.1 percent. This results in a performance of 33.5 percent for the year as a whole. The closing price on December 29, the last trading day of the reporting period, was euro 2.87. This corresponds to a market capitalisation of euro 219.7 million. The value of the enterprise – expressed in terms of market capitalisation on the stock exchange – thus increased by 31.6 percent in 2017.

There was a good start to the year in January, whereas the global stock market slump in February also had a negative impact on the PNE WIND share price. Nevertheless, the share recorded an annual increase of 2.6 percent up to 28 February.

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 in the reporting period at prices ranging between 102 and 106 percent. The equity ratio according to the definition in the bond prospectus was approx. 78,59 percent as at December 31, 2017 (31. Dezember 2016: 80,68 percent).

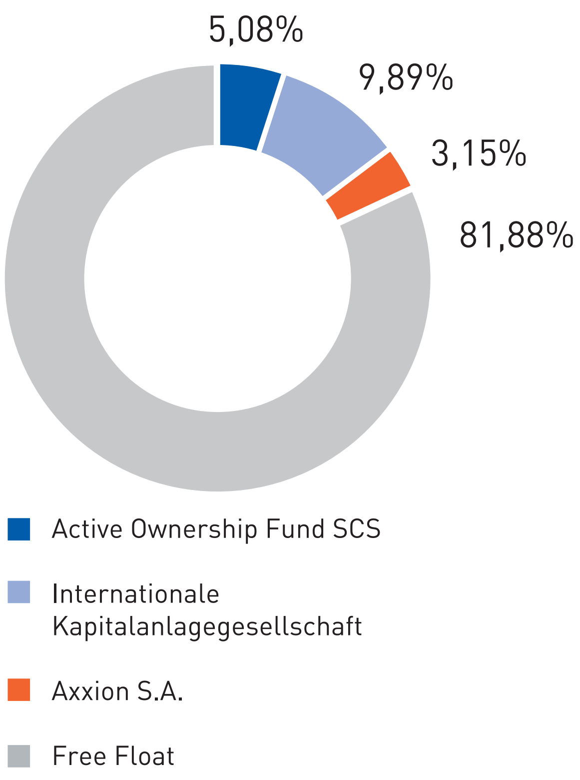
The 2014/19 convertible bond had a nominal value of approx. euro 6.6 million as at December 31, 2017. In the reporting period, no bonds were converted into shares.

Shareholder structure

On December 31, 2017, the total number of shares issued by PNE WIND AG amounted to 76,556,026.

Of the members of the Company's Board of Management, Mr. Jörg Klowat held 100,000 shares and Mr. Markus Lesser held 24,000 shares in the Company on December 31, 2017. Of the members of the Supervisory Board, Mr. Marcel Egger held 20,000 shares in the Company on December 31, 2017. On December 31, 2017, 3,885,383 shares were attributable to the Supervisory Board member, Mr. Florian Schuhbauer, via the Active Ownership Fund SICAV-FIS SCS.

In accordance with the voting right notifications published, Internationale Kapitalanlagegesellschaft mit beschränkter Haftung held 9.89 percent of the shares, Axxion S.A. 3.15 percent and Active Ownership Fund SCS 5.08 percent on December 31, 2017. Accordingly, all other shareholdings were to be classified as free floating.



Annual General Meeting 2017

The Annual General Meeting of PNE WIND AG was held on May 31, 2017 in Cuxhaven. By a large majority, the shareholders voted in favour of distributing a dividend of euro 0.04 and a special dividend of euro 0.08 per eligible share.

The shareholders also voted on the regular appointment of three new Supervisory Board members. Dr. Jens Kruse and Marcel Egger were elected members of the Supervisory Board. Furthermore, Mr. Florian Schuhbauer was elected to the Supervisory Board in the place of the previous Supervisory Board Chairman, Mr. Alexis Fries. Mr. Per Hornung Pedersen was elected as the new Chairman of the Supervisory Board.

The shareholders also agreed to the proposed resolution to give formal approval of actions to the members of the Board of Management Markus Lesser (CEO), Jörg Klowat (CFO) and Kurt Stürken (COO). By a clear majority, the shareholders also resolved to give formal approval of actions to the Supervisory Board and to appoint Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, as the auditors.

The proposals of the Board of Management and the Supervisory Board for the creation of new Authorised Capital, the authorisation to issue bonds, the creation of new Conditional Capital and the authorisation to acquire treasury shares were also approved.

Key share data (as at December 31, 2017)

WKN	A0JBPG
ISIN	DE000A0JBPG2
Number of shares	76,556,026
Market capitalisation	euro 219.7 million
Market segment	Prime Standard
Indices	CDAX Technology, ÖkoDAX
Designated Sponsors	Commerzbank, ODDO Seydler Bank
Reuters	PNEGn
Bloomberg	PNE3

Financial calendar

May 9, 2018	Publication of Financial Report Q1
June 6, 2018	Annual General Meeting, Cuxhaven
August 9, 2018	Publication of Financial Report Q2
November 8, 2018	Publication of Financial Report Q3
November 26–28, 2018	Analysts' Conference, Frankfurt

Additional information

On the website 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.

2017 fiscal year **successfully** completed!

PNE WIND ended the 2017 fiscal year with success both in operational and in financial terms. The Group generated a total aggregate output of euro 186.9 million (prior year: euro 259.2 million) and operating profit (EBIT) of euro 23.1 million (prior year: euro 97.0 million). The basic earnings per share amounted to euro 0.22 (prior year: euro 0.90). It should be borne in mind that the figures for 2016 were extraordinarily positive due to the pro rata sale of the wind farm portfolio. All in all, this result met our forecast for fiscal 2017, which was raised during the year.

Based on the pleasing retained earnings of euro 130.9 million pursuant to HGB (prior year: euro 107.5 million), the Board of Management and the Supervisory Board will propose to the general meeting of shareholders on June 6, 2018 that a dividend of euro 0.04 per eligible share be distributed. In this way, the Company is continuing the dividend policy pursued over the last few years.

COMBINED MANAGEMENT AND GROUP MANAGEMENT REPORT

Combined Management and Group Management Report

of PNE WIND AG, Cuxhaven, for the Fiscal Year 2017

1. Market/overall general economic conditions

Wind energy 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 2017, 52,575 MW of wind power capacity was added around the world, bringing total installed capacity to 539,581 MW[1]. 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 2017: at the end of the year, wind power turbines with a nominal capacity of approx. 56,164 MW (prior year: 50,018 MW) were in operation, of which 50,777 MW onshore and 5,387 MW offshore. 1,792 wind power turbines (2016: 1,624) with a nominal capacity of 5,333 MW (2016: 4,625 MW) were put into operation onshore, and an additional 222 plants (2016: 156) with approx. 1,250 MW (2016: 818 MW) offshore. At the same time, 387 older wind power turbines with a nominal capacity of 467 MW were dismantled.[2]

The construction of offshore wind farms will be continued in Germany in the long term. The aim is to increase the installed capacity of offshore wind energy installations to approx. 6,500 MW by 2020 and to 15,000 MW by 2030.[3]

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 onshore and offshore increased to 169,300 MW (prior year: 153,730 MW). Of the newly installed capacity, 12,526 MW were attributable to onshore and 3,154 MW to offshore wind farms.[4]

Improvements to the wind turbine technology have boosted energy yields in relation to the investment sum, and simultaneously 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 PNE WIND. 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.

[1] Global Wind Energy Council (GWEC)
[2] Deutsche WindGuard: Status of Land-based Wind Energy Development in Germany 2017/Status of Offshore Wind Energy Development in Germany 2017
[3] Offshore Wind Energy Act (WindSeeG) 2017
[4] WindEurope Wind in Power 2017

2. General political conditions

The markets in which PNE WIND operates are currently developing differently. There has been further growth in a number of markets, while others registered a decline due primarily to uncertainty regarding the changing general political conditions. The technology for generating electricity from wind energy has matured significantly over the past few years and the costs for the creation of plants and their operation have fallen, but there is still a dependency on political guidelines in many markets – especially for secure market access and for competing against conventional energy production, whose generation costs are often masked by subsidies. In contrast to clean 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, are only hardly reflected in the electricity selling prices. This means that it is still 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 clean energies worldwide has resulted from the World Climate Conferences 2015 in Paris and 2016 in Marrakesh, 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 clean energies.

EU targets

Support for electricity production from clean 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 clean 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 clean 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 will be based from 2020 onwards. 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 to 95 percent by 2050 compared to 1990. A key point of the new policy framework is to increase the share of clean energies to 27 percent of energy consumption by 2030. It is the responsibility of each member state to translate the EU targets into national policy. The EU Commission, the EU Parliament and the Council of Ministers are currently discussing the updating of the targets.

Germany

Wind energy onshore (EEG 2017)

On January 1, 2017, the Reform of the Renewable Energy Sources Act (EEG 2017) came into force. The EEG 2017 stipulates the expansion of the amount of electricity produced from clean energies from the current level of roughly 33 percent to 40 to 45 percent by 2025 and 55 to 60 percent by 2035. In 2050, the share of clean energies in electricity supply should amount to at least 80 percent.

However, the reform of the law also brought about a change in the system. Since the beginning of 2017, subsidies for renewable energy plants in Germany have been awarded through tenders. 2,800 megawatt (MW) for onshore wind farms are auctioned in each of the years 2017, 2018 and 2019 by the Bundesnetzagentur (Federal Network Agency). Thereafter, the Act provides for an increase of the annual tender volume to 2,900 MW gross. Repowering projects are included in the tender volume.

Onshore wind farms which obtained a building permit up to the end of 2016 and can be commissioned in 2017 or 2018 are still entitled to receive the statutory feed-in tariffs (transitional regulation of the EEG 2014), without participating in the auction.

Due to the sluggish expansion of the transmission grid, wind energy expansion in so-called grid bottleneck regions in northern Germany is temporarily limited to 902 MW per year.

The results of the auctions for onshore wind energy, carried out in 2017, have shown that so-called "citizens' energy entities" (Bürgerenergiegesellschaften) are clearly favoured by the legal regulations. These are allowed to participate in auctions even if the project has not yet received the permit under the Federal Immissions Control Act (BImSchG) and they are granted a significantly longer period for realising their projects and a competitive advantage. The legislator has responded to this by suspending these special regulations for the first two auctions in 2018 and is currently discussing an extension of this suspension.

Wind energy offshore – Offshore Wind Energy Act (WindSeeG)

Also, on January 1, 2017, the Offshore Wind Energy Act (WindSeeG) came into force. For offshore wind energy projects, the new WindSeeG is adhering to 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 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 Act calls for the introduction of auctions, as for onshore wind farms. This shall take place in two phases: Eligible offshore wind farms which are scheduled to be commissioned between 2021 and 2025 have the option of receiving 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 held May participate in this transitional system. The projects developed and already sold by PNE WIND "Atlantis I" (sold at the beginning of 2017) as well as "Gode Wind" 3 and 4, where PNE WIND continues to be active as a service provider, meet this criterion. The "Gode Wind 3" project developed by PNE WIND received an award in 2017.

As at January 1, 2017, all ongoing plan approval and authorisation procedures for the erection and operation of offshore wind power turbines ended, insofar as the projects were not covered by the aforementioned scope of auctions for existing projects. This legislative change affected, among others, the PNE WIND projects "Atlantis" II and III, "Jules Verne", "Nemo", "Nautilus I" and "Nautilus II/HTOD5" where PNE WIND was 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 these transitional regulations in 2025, 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. To comply with the EU framework for funding policy, France has also allocated the feed-in tariffs by way of national tender processes since 2017. However, since in France the allocation of the tariff to the respective wind farm does not only take place when it is put into operation, but can be applied for at an early stage shortly after submission of the building application, many more wind farms will be realised in France this year and in the following years on the basis of the old tariff system. However, given the French government's ambitious expansion targets, competition and corresponding price pressure are expected to remain limited.

United Kingdom

Since the Electricity Market Reform of 2014, wind energy has been marketed directly on the electricity exchange. Additional compensation payments are awarded by way of tender processes. Sites with particularly strong winds are already competitive without any subsidies as regards conventional electricity generation. The effects of the British decision to leave the European Union (Brexit) on the wind energy market and energy policy cannot currently be assessed conclusively.

Italy

Since 2012, Italy has used an obligatory direct marketing system with additional incentives being awarded through a competitive auction system. The national energy strategy "SEN 2017" envisages increasing the share of clean energies in electricity generation to 55 percent by 2030. To accelerate the expansion, the government plans to adjust the regulatory framework so that direct power purchase agreements with companies will also be possible at attractive conditions in the future.

Poland

The Polish Renewable Energies Act was revised in 2016 and a tender procedure was introduced. The framework conditions for the development of wind energy projects have deteriorated in some respects in recent years. However, the EU targets for climate protection and the economic perspectives speak in favour of a further expansion of clean renewable energies in Poland. In addition, the good wind conditions are also increasingly promising competitive marketing conditions without subsidies. The government is currently striving to improve the framework conditions again.

Romania

The regulatory changes in 2014 resulted in reductions in the number of Green Certificates 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 a positive change in the remuneration system for clean energy for some time now. It remains to be seen whether the present government will introduce new legislation. On the other hand, rising electricity prices and good economic growth lead us to expect an increasing demand for energy.

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 clean 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.

In 2017, two tenders were held for wind energy with a volume of 3,000 MW (YEKDEM tender) and 1,000 MW (YEKA tender). PNE WIND was awarded the contract for a 71 MW project in a regional tender with 260 MW. Further tenders are planned for 2018, although the dates have not yet been officially confirmed.

In Turkey, there was political uncertainty following the coup attempt in July 2016. Since then the situation has calmed down again. PNE WIND still sees good reasons that Turkey will promote the rapid expansion of clean energies, especially wind power. The preparation of further tenders for clean energies by the Turkish authorities reinforces this assessment.

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 extended again to the end of 2020, i.e. for a further five years. However, the tax credit is subject to an annual phase-down of 20 percent in each year after 2016. Projects that qualify for the PTC, because they commenced construction or purchased PTC-eligible equipment prior to 2017, receive 100 percent of the tax credit amount if they are placed in commercial service before the end of 2020 (within four years). This benefit is reduced by 20 percent for each year after 2016, in which the qualifying milestone has been or will be reached.

The 2017 tax reform does not result in any changes to the PTC regulations, but the reduction of tax rates from 35 percent to 21 percent and the entry into force of other regulations such as the Base Erosion Anti-Abuse Tax (BEAT) will reduce the tax benefits that can be drawn from the PTC.

The United States Bureau of Ocean Energy Management (BOEM) is currently in the process of leasing sites for offshore wind farms in state-controlled coastal waters. PNE WIND has applied at BOEM for five offshore wind farm sites and expects an answer from BOEM in 2018 as to whether these sites can be developed by PNE WIND.

In Canada, the regulatory requirements for approval procedures regarding the erection of wind power turbines are manifold and regulated differently in the individual Canadian provinces. These approval procedures mainly relate to communal construction policy, environmental issues as well as various aspects concerning grid connection. Cooperation with the communities is particularly important. It is difficult to obtain the grid connection and to meet the grid connection conditions. This means, the market for clean energies in Canada is developing only hesitantly.

Assessment

As a whole, the international markets are undergoing changes which require PNE WIND to adapt its activities accordingly, in order to minimise the risks and develop new opportunities. While the regulatory conditions in Hungary, Bulgaria, Romania and Poland have deteriorated in the past few years, they have improved significantly in France, Sweden 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, including in new markets in Latin America and in the Near East.

3. Corporate structure

During the fiscal year 2017, the corporate structure changed versus December 31, 2016 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 2017, there were 362 employees in the PNE WIND AG Group on an annual average basis, including members of the Board of Management (prior year: 358). The employees of the subsidiaries are included in this number. Of these employees (including the members of the Board of Management and trainees) an annual average of 152 (prior year: 148) were working at PNE WIND AG.

As at December 31, 2017, the Group employed 369 people (as at December 31, 2016: 356 people). Of which, 214 employees (as at December 31, 2016: 206 people) at the subsidiaries of PNE WIND AG; of which 159 people (as at December 31, 2016: 158 people) at domestic and 55 employees (as at December 31, 2016: 48 people) at foreign subsidiaries.

The existing number of staff is reviewed regularly in order to be prepared for the Group's future developments.

5. Overview of business activity

Summary

Internationally operating PNE WIND is one of the most experienced project developers in the field of onshore and offshore wind farms. Based on this success, the Company has developed to become a "**Clean Energy Solution Provider**". From initial site exploration and implementation of approval procedures, financing and turnkey construction to operation and repowering, the Company's range of services already encompasses all phases of developing and operating wind farms. Based on this strong position, the PNE WIND Group continues to develop. In addition to wind energy, photovoltaics, storage and power-to-gas technology with a focus on hydrogen will be part of our product range in the future.

In fiscal 2017, the operational business of the PNE WIND Group was characterised by the development and realisation of onshore wind farm projects, project sales and business success in the offshore area. In 2017, PNE WIND completed, started construction or sold project rights of wind farms with a nominal capacity of 233.6 MW in Germany, France, Sweden and the USA. In addition, an offshore wind farm with a planned capacity of 584 MW was sold.

In Germany and France, onshore wind farms with a total nominal capacity of 89.7 MW were built and commissioned in 2017. As at December 31, 2017, wind farms with a total capacity of 51.9 MW were under construction in Germany, France and Sweden.

The foreign business has clearly developed positively. In the period under review, the Company sold the wind farm "Vivaldi Springtime" (80 MW) in Montana, USA, the Swedish "Laxaskogen" wind farm project (25.2 MW), which is under construction, as well as the French "Riaucourt" wind farm project (12 MW) and the French wind farm "Longèves" (9 MW), which was completed in 2017.

In the offshore wind energy segment, the "Atlantis I" project was sold to Vattenfall in the reporting period. The "Gode Wind 3" offshore project, which was developed and already sold by PNE WIND was one of four projects being awarded a contract within the framework of the first German offshore call for tenders.

For the 142 MW project portfolio, of which an 80 percent stake was sold at the end of 2016, the Company succeeded in optimising the project financing of the wind farms in the third quarter of 2017. Following refinancing, PNE WIND was able to achieve a considerable increase in the project portfolio's value and to receive a subsequent purchase price payment due to fixed regulations in the purchase agreement. At the end of 2017, the remaining 20 percent of the portfolio shares were also sold.

The development of the individual segments:

Segment: projecting of wind energy turbines

Wind energy onshore sub-division

During the fiscal year 2017, the development and realisation of wind farm projects on land (onshore) were carried out continuously both in Germany as well as in the foreign markets in which PNE WIND is active through subsidiaries or joint ventures.

Overview of the onshore project activities of the PNE WIND Group as at December 31, 2017 in MW:

Country	I–II	III	IV	Total MW
Germany	1,403	97	10	1,510
Bulgaria	121	0	0	121
France	351	102	10	463
United Kingdom	43	0	0	43
Italy	102	14	0	116
Canada	505	0	0	505
Poland	223	42	0	265
Romania	54	102	0	156
South Africa	200	30	0	230
Sweden	0	158	0	158
Turkey	629	71	0	700
Hungary	0	42	0	42
USA	232	200	0	432
Total	**3,863**	**858**	**20**	**4,741**

Phase I – II = Exploration & Development
Phase III = Planning
Phase IV = Implementation

Germany

As at December 31, 2017, PNE WIND was working on wind farm projects with a nominal output of approx. 1,510 MW in various phases of project development.

Of these, the “Looft” wind farm with a nominal capacity of approx. 16.5 MW was under construction as at December 31, 2017 and is scheduled to be completed in the first half year of 2018.

The wind farms “Kührstedt-Alfstedt” (approx. 43 MW) based in Lower Saxony and “Kirchengel” (9.9 MW) in Thuringia as well as two wind power turbines in the “Altenbruch” repowering project (6 MW) were completed and put into operation in 2017. The “Kührstedt-Alfstedt” wind farm is intended for the new international portfolio, which is being established.

Project rights with 14.1 MW were sold to project partners in the reporting period. PNE WIND purchased project rights at a volume of 8 MW from project partners.

In order to expand the business model within the sense of increased provision of services the wind farm “Wangerland'“ in Lower Saxony (34 MW) will be serviced with a comprehensive range of services. PNE WIND will provide construction management, project development services and project financing services.

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:

PNE WIND also continued to carry out its core business of project development abroad. In the USA, in Sweden and in France, the rights in wind farm projects were successfully sold during the reporting period, and construction work began in some cases. Accordingly, the wind farm project planning business in foreign markets is gaining increasing importance.

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 continues to keep costs as low as possible to maintain the project rights obtained and therefore ensure the possibility to successfully market the projects.

France:

The “Sommette-Eaucourt” wind farm (21.6 MW) was completed for John Laing Investments Ltd. at the end of the year. The “Saint-Martin-L’Ars” wind farm (10.3 MW) was sold to the same investor and is expected to be completed in the first half of 2018 by WKN as the EPC Contractor.

The “Longèves” wind farm (9 MW) was sold to the French infrastructure fund Fund Quaero Capital in 2017 and put into operation at the end of the year. In December 2017, Quaero also acquired the project rights in the “Riaucourt” wind farm (12 MW).

In addition, the activities in France were significantly intensified; the total nominal output of the projects worked on was increased by 15 percent to approx. 463 MW.

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 to Brookfield in 2015. Further milestone payments were agreed upon depending on the project progress up to 2021. Brookfield is working on the further development of the wind farm projects. The effects of the British decision to leave the European Union (Brexit) on the wind energy market and energy policy cannot currently be assessed conclusively.

Since the sale of the subsidiary, PNE WIND has only one wind farm in the United Kingdom. The Scottish "Sallachy" wind farm project was refused by the Energy Minister in 2015, 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 building permission can only be made by the local council. Several potential partners submitted offers to realise the project jointly. 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.

Due to the slow progress of previous tenders, it can be expected that numerous wind farm projects will take part in the upcoming tenders.

Poland:

In Poland, the direct marketing of electricity from clean energies is under discussion, since the current government is not carrying out the tenders as announced. The two WKN wind farms "Jasna" (132 MW) and "Barwice" (42 MW) are approved and have a chance for direct purchasing contracts at competitive electricity generation costs.

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 hardly changed since then. However, rising electricity prices and excellent wind conditions are good prerequisites for the realisation of wind farm projects. In Romania, PNE WIND AG is currently working on wind farm projects with a nominal output of up to 156 MW at an advanced stage of development. Permits have already 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:

At the end of September 2017, the Swedish wind energy project "Laxaskogen" was sold to a German private investment group. The wind farm consisting of seven turbines and a total nominal output of 25.2 MW will be built in the South of Sweden. Construction is expected to be completed within the first quarter of 2019. WKN AG, a subsidiary of PNE WIND, will be responsible for the construction of the wind farm, which has been developed by the Swedish WKN cooperation VKS Vindkraft Sverige AB.

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 now expected to take place in 2018.

Turkey:

At the end of 2017, the state-owned grid operator TEÌAŞ carried out the second part of a tender for 3,000 MW wind capacity. PNE WIND took part in this round via its Turkish subsidiary with a project in the windy Canakkale region in western Turkey. The previous partner in the Turkish subsidiary, STEAG GmbH, indicated that it did not want to participate in the tender. This is the reason why PNE WIND repurchased the shares held by STEAG GmbH in PNE WIND Yenilibir Enerjiler Ltd. and, thus, in the six projects held by it. In the tender, PNE WIND was awarded a contract for the "Köseler" project (71.4 MW).

The state-owned grid operator TEÌAŞ is preparing the next wind power tender for 2018. PNE WIND still sees good reasons that Turkey will promote the rapid expansion of clean energies, especially wind power. This view is supported by the stability of electricity grids, the high dependence on gas imports and the forecast growing electricity demand. The preparation of further tenders for clean energies by the Turkish authorities reinforces this assessment.

Hungary:

The Hungarian government has been blocking the further expansion of wind energy for some time now. Accordingly, our remaining Hungarian subsidiary has minimised its activities and is waiting for the framework conditions to improve again as a result of the EU regulations.

USA / Canada:

In the USA, Windkraft Nord USA Inc., a subsidiary of WKN, which is also a member of the PNE WIND Group, sold the project rights of "Vivaldi Springtime" to Pattern Energy Group 2 LP ("Pattern Development"). Pattern Development is one of the leading companies in the development of renewable energy and electricity grid networks and has so far developed, financed and commissioned more than 4,000 MW of wind power projects. The rights to the 80 MW "Vivaldi Springtime" project located in the state of Montana, USA, have been sold to Pattern Development ready to build, including the power purchase agreement (PPA) and grid connection. Construction was started by Pattern Development in 2017, and commissioning is expected in 2018. The parties have also agreed on an option for an extension of the project.

The “Chilocco” wind farm project, for which work started in 2013, in order to secure the current PTC regulations, was continued with its planned nominal capacity of approx. 200 MW.

In addition, several wind farm projects in the USA are currently being prepared for the necessary permits for construction and operation.

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

Projecting of onshore wind power turbines in total:

As at December 31, 2017, PNE WIND, through subsidiaries and joint ventures, was working on wind farm projects with approx. 4,741 MW of nominal output in Germany and abroad in various phases of a multiple year development process.

Wind energy offshore sub-division

Overview

PNE WIND’s high level of competence in the offshore segment is reflected by visible successes: In January 2017, the “Atlantis I” wind farm project, located in the North Sea, was sold to the Swedish energy group Vattenfall. The “Atlantis I” project was handed over to the buyer after receipt of a payment in a lower double-digit million euro amount. PNE WIND will also participate in the project’s further value increase achieved by developments by Vattenfall through milestone payments. As this was the case with the previous sale of the offshore projects “Borkum Riffgrund” and “Gode Wind”, PNE WIND is supposed to remain involved in the further development of “Atlantis I” as a service provider in the long term.

In the first German tender for offshore wind farms, the “Gode Wind 3” project developed by PNE WIND was one of four projects that received an award.

Three offshore wind farms, which were developed by PNE WIND and sold after approval was granted, have already been erected and put into operation by the purchasers: “Borkum Riffgrund 1” and “Gode Wind” 1 and 2 with a total nominal output of 894 MW. For the “Borkum Riffgrund 2” project, which was also developed and sold by PNE WIND, the purchaser DONG Energy made the decision in 2016 to finance the project and to put it into operation in 2019.

PNE WIND AG: Overview of the offshore project references as at December 31, 2017:

Sold projects

Zone	Project	Phase	WPT	Total MW
1	Borkum Riffgrund 1	8	78	312
1	Borkum Riffgrund 2	6	56	448
1	Gode Wind 1 & 2	8/8	55 + 42	582
1	Gode Wind 3 & 4	5/4	14 + 42	450
2	Atlantis I	3	73	584
4	HTOD5 (Nautilus II)	2	68	476
	Total		**428**	**2.852**

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	WPT	Total MW
1	Borkum Riffgrund 1	Commissioned	78	312
1	Gode Wind 1	Commissioned	55	330
1	Gode Wind 2	Commissioned	42	252
	Total		**175**	**894**

Due to the EEG amendments adopted in 2016 and the new Offshore Wind Energy Act (WindSeeG), the risks for other projects developed by PNE WIND have increased significantly at the end of 2016. There have been no further changes since then. For further information about the opportunities and risks, refer to the "Report on opportunities and risks". At the end of July 2017, PNE WIND, Zweite Nordsee Offshore Holding GmbH (STRABAG Group) and International Mainstream Renewable Power Limited – via their respective project companies – submitted a joint constitutional complaint to the Federal Constitutional Court against some of the new legal regulations.

Independent of the WindSeeG as well as possible claims for damages and unconstitutionality of the legislation, PNE WIND has been developing solutions for an alternative use of the offshore regions in the North Sea for some time now.

In the offshore wind energy segment, PNE WIND also examines opportunities of generating electricity from other energy carriers such as hydrogen at 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.

Offshore wind energy - international

PNE WIND is currently examining the possibility of marine wind farms off the US coasts. The United States Bureau of Ocean Energy Management (BOEM) is currently in the process of leasing additional sites for offshore wind farms in state-controlled coastal waters. PNE WIND has applied to BOEM for five offshore wind farm sites and expects to receive feedback in 2018 as to whether these sites can be developed further by PNE WIND. The fact that the first US offshore wind farm was put into operation in July 2017 shows that wind farms off the coasts of the USA are possible.

Electricity generation segment

The electricity generation segment combines all activities of the Group companies, which are engaged directly in the production of electricity from clean energies. This division includes the "Laubuseschbach", "Gerdau-Schwienau", "Pülfringen" and "Kührstedt-Alfstedt" wind farms operated by PNE WIND, with a total nominal capacity of approx. 69 MW as well as PNE Biomasse GmbH, which provides staff for the "Silbitz" timber biomass power plant under a business supply contract, which is also included in this segment. Furthermore, the segment 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.

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. In January 2017, PNE WIND AG fulfilled this contractual commitment and acquired the shares in HKW Silbitz GmbH & Co. KG at a price of about euro 7.5 million.

In the fiscal year 2017, the electricity generation segment achieved an EBIT of euro 1.1 million (prior year: euro 8.7 million). The 142 MW wind farm portfolio with its earnings contributions had still been included in the electricity generation segment up to the date of its sale at the end of December 2016 and, as a consequence, represents the decisive difference compared to the EBIT results of this year's reporting period.

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.

Explanation

Under the contract of December 9, 2016, PNE WIND AG sold 80 percent of its interest in PNE WIND Partners Deutschland GmbH to AREF II Wind Germany I GmbH. The closing took place on December 29, 2016. In the relevant sales contract, an earn-out for optimising project financing was also agreed upon. The probability of the earn-out was initially estimated by management to be 0 percent in the consolidated financial statements as at December 31, 2016 due to uncertainty about the development of the financial markets with regard to maturities and interest rates.

In the consolidated financial statements as at December 31, 2016, this transaction resulted in a transitional consolidation from full consolidation to the at-equity inclusion of PNE WIND Partners Deutschland GmbH. In this connection, the shares retained were measured in accordance with IFRS 10.25 at fair value, which was derived from the selling price – without taking account of the earn-out component – for the 80 percent interest sold, and the corresponding income from the revaluation was recorded under other income.

The refinancing was completed successfully in the 2017 reporting period. The optimisation of the financing structure included an increase in the debt ratio and cost reductions in the portfolio and, with a constant return for the purchaser of the shares before and after the optimisation, led to a subsequent increase in last year's enterprise value from approx. euro 330 million to an enterprise value of approx. euro 360 million. Due to the increase in enterprise value, PNE WIND AG received a subsequent purchase price payment of approx. euro 21.4 million in the third quarter of 2017, which is included in the Group's revenues.

The adjusted fair value of the shares retained represents a change in accounting estimates in accordance with IAS 8.34, which is to be recognised in profit or loss of the 2017 reporting period in accordance with IAS 8.36. In line with the procedure followed for the original accounting treatment in the 2016 fiscal year, the income of approx. euro 5.4 million is to be recognised in other income.

a. Revenues and earnings

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

In the 2017 fiscal year, the PNE WIND AG Group achieved a total aggregate output of euro 186.9 million (prior year: euro 259.2 million). Of this, euro 114.1 million was attributable to revenues (prior year: euro 248.6 million), euro 63.3 million to changes in inventories (prior year: euro 1.6 million), and euro 9.5 million to other operating income (prior year: euro 9.1 million). The decline in revenues versus the prior year is attributable mainly to the sale of the shares in PNE WIND Partners Deutschland GmbH in 2016 (80 %) and the resulting realisation of intragroup revenues, which were eliminated in this context in previous years. In the 2017 financial year, the work performed for projects owned by the Company itself was shown under changes in inventories, which explains the increase in work in progress.

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 133.8 million (prior year: euro 116.6 million) of the total aggregate output in the Group was attributable to PNE WIND AG. The total performance of PNE WIND AG consists of revenues totalling euro 93.9 prior year: euro 73.6 million) for changes in inventories totalling euro -0.4 million (prior year: euro 3.4 million) and proceeds from other operating income totalling euro 40.3 million (prior year: euro 39.6 million). The other operating income of PNE WIND AG consisted primarily of the profit from the sale of shares (20 %) and the subsequent purchase price payment received for the shares sold in 2016 (80 %) in PNE WIND Partners Deutschland GmbH (pursuant to IFRS recognised in the Group under the item "Revenues") as well as of the reversal of provisions and the sale of the shares in the "Atlantis I" offshore wind farm project. This item also includes the reversal of provisions and other income, such as credit notes, amounts passed on, reversal of investment subsidies and income from the vehicle use.

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 108.4 million (prior year: euro 97.0 million). The Groups higher cost of materials ratio (cost of materials compared to aggregate performance) is due to the fact that, in the previous year, the eliminated internal income from project development and implementation of the previous years have realised upon the sale of the project portfolio. In addition, the additional income from the sale of shares in PNE WIND Partners Deutschland GmbH was included in 2016. The income accrued, since the sales value of the shares was above the shares' book value, and this was reflected in sales. These facts were not reflected by any significant material expenses in the prior year.

In the separate financial statements of PNE WIND AG, the cost of materials amounted to euro 78.9 million in fiscal 2017 (prior year: euro 52.5 million). The cost of materials is mainly attributable to the costs for the wind power turbines and the construction costs for the infrastructure of the wind farm projects realised or under construction.

Personnel expenses amounted to euro 25.8 million in the Group in the 2017 fiscal year and thus remained roughly at the level of the prior year period (euro 25.4 million). The number of employees in the Group as at December 31, 2017 increased to 369 (as at December 31, 2016: 356 employees). The increase in the number of employees is mainly due to organisational adjustments to the new strategy.

In the separate financial statements of PNE WIND AG, the personnel expenses totalled euro 11.7 million in the 2017 fiscal year (prior year: euro 10.9 million). The number of employees as at December 31, 2017 at PNE WIND AG increased to 155 (December 31, 2016: 150 employees).

The other operating expenses in the Group totalling euro 24.1 million (prior year: euro 26.9 million), mainly divided into:

- legal and consulting costs totalling euro 5.4 million (prior year: euro 7.9 million),
- legal and consulting costs totalling euro 2.2 million (prior year: euro 2.4 million),
- insurance premiums and contributions totalling euro 1.1 million (prior year: euro 1.4 million),
- vehicle costs totalling euro 1.5 million (prior year: euro 1.5 million),
- repair and maintenance expenses mainly for the portfolio projects and HKW "Silbitz" of euro 1.4 million (prior year: euro 2.3 million)
- as well as rental and leasing expenses, mainly attributable to the portfolio projects, totalling euro 1.5 million (prior year: euro 3.6 million),

- supervisory board costs totalling euro 0.6 million (prior year: euro 0.5 million),
- IT costs totalling euro 0.5 million (prior year: euro 0.4 million),
- expenses from impairments on receivables and other assets as well as bad debts totalling euro 2.5 million (prior year: euro 2.3 million).

In the separate financial statements of PNE WIND AG, the other operating expenses totalled euro 7.1 million in the 2017 fiscal year (prior year: euro 9.4 million).

When comparing the 2017 figures for depreciation and interest with those of the 2016 financial year, the significant changes are attributable to the fact that in 2016, until the sale of the Company's own project portfolio, wind farms with 142 MW as well as other wind farms with 26 MW (Laubuseschbach, Gerdau and Pülfringen) were included in the Group, and in 2017 wind farms with only around 69 MW.

Depreciation fell to euro 5.5 million (prior year: euro 12.9 million), mainly due to the lower number of wind farms in the Group compared with the previous year.

Interest expenses in the Group decreased from euro 17.3 million in the prior year to euro 10.7 million. Interest and similar expenses decreased primarily as a result of the lower number of wind farms in the Group's portfolio and their project financing.

Interest expense of PNE WIND AG decreased only slightly compared to the previous year and amounted to euro 8.5 million (prior year: euro 8.9 million) and is mainly attributable to interest for the 2013/2018 bond.

At Group level, in 2017, the Company generated operating profit (EBIT – corresponds to the value of the total Group result in the line "operating result") of euro 23.1 million (previous year: euro 97.0 million) and earnings before taxes (EBT – corresponds to the Group's total comprehensive income shown in the line "income before taxes" totalling euro 14.1 million (prior year: euro 81.6 million). The consolidated net income after the share in income attributable to non-controlling interests amounted to euro 17.1 million (prior year: euro 69.0 million). The basic earnings per share for the Group amounted to euro 0.22 (prior year: euro 0.90) and the diluted earnings per share for the Group amounted to euro 0.22 (prior year: euro 0.88).

In the fiscal year 2017, PNE WIND AG generated operating earnings (EBIT – corresponds to the "profit and loss" in the profit and loss account) of euro 35.5 million (prior year: euro 43.2 million) and (EBT – corresponds to the earnings before taxes shown in line "earnings before taxes") of euro 33.2 million (prior year: euro 41.0 million.

Due to the positive business results, retained earnings at the Group level increased to euro 84.9 million in the reporting period (prior year: euro 76.9 million). In fiscal 2017, a dividend (including special dividend) of euro 9.2 million was distributed from the available retained earnings. As at December 31, 2017, the retained earnings of PNE WIND AG totalled euro 130.9 million (prior year: euro 107.5 million). The net income of PNE WIND AG amounted to euro 32.6 million (prior year: euro 40.0 million). The basic earnings per share of PNE WIND AG amounted to euro 0.43 (prior year: euro 0.52) and the diluted earnings per share amounted to euro 0.42 (prior year: euro 0.51).

With regard to the subsidiaries consolidated in the Group, the major portion of revenues achieved in the 2017 fiscal year related to management remuneration and service payments in the amount of euro 6.5 million (prior year: euro 7.0 million), payments for the use of transformer stations in the amount of euro 3.1 million (prior year: euro 2.8 million) and proceeds from the sale of electricity in the electricity generation segment in the amount of euro 8.3 million (prior year: euro 26.3 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 (in EUR million)	01.01–31.12 2017	01.01–31.12 2016
Revenues	59.7	59.3
Total aggregate output	61.0	66.9
Personnel expenses	9.3	10.1
Personnel expenses	11.0	9.4
EBIT	9.3	-3.5
Employees on December 31, 2017	**141 MA**	**135 MA**

b. Financial situation / liquidity

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

Finance Management of PNE WIND AG and of the PNE WIND Group is concentrated on providing sufficient liquidity

- for financing the ongoing operations
- to create the prerequisite for implementing the extended strategy and to
- counteract the risks of project business.

This financing will be provided at the level of the relevant project companies by way of loans, and at the level of PNE WIND AG by the way of emission of bonds. Derivative financial instruments such as interest swaps will only be used at the level of the project companies to secure interest risks of variable-interest loans. As at December 31, 2017, there were no derivative financial instruments.

The statement of cash flow provides information on the liquidity situation and the financial situation of the Group. As at December 31, 2017, the Group companies had available liquidity of euro 225.6 million, including credit lines for interim project financing, of which euro 1.1 million is pledged to banks (prior year: euro 177.1 million, of which euro 0.1 million pledged).

The liquidity available is broken down as follows

- cash and cash equivalents of euro 194.0 million,
- interim project equity financing available of euro 25.0 million and
- interim project debt financing available of euro 6.6 million.

PNE WIND AG and WKN AG had no working capital facilities as at December 31, 2017 (as at December 31, 2016: euro 10 million) and no facility for guarantee and contract fulfilment obligations (as at December 31, 2016: euro 10 million). The facilities existing in the previous year expired at the end of 2017 in accordance with the contract.

The cash flow from ordinary activities shown in the statement of cash flows amounts to euro 22.6 million (prior year: euro 64.4 million) and was primarily attributable to

- the Group result of the fiscal year,
- the expenses for the further development of the project pipeline and the realisation of wind farm projects, which are reflected in the changes in the inventories, receivables and liabilities and were mainly financed by interim project funds (see Cash flow from financing activities),
- the profit from the disposal of fixed assets and from deconsolidation, e.g. of PNE WIND Atlantis I GmbH (in the previous year, 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 incoming and outgoing payments for investments in property, plant and equipment of the Group and intangible assets totalling euro -69.6 million (prior year: euro -105.6 million). Incoming and outgoing payments relating to the sale and purchase of consolidated entities totalled euro 10.6 million (prior year: euro 102.9 million). In the 2017 fiscal year, this was attributable primarily to the purchase of shares in HKW Silbitz GmbH & Co. KG and the sale of shares in PNE WIND Atlantis I GmbH (prior year: related primarily to the sale of shares in PNE WIND Partners Deutschland GmbH). The investments in property, plant and equipment related mainly to investments in the implementation of wind farms for the wind farm portfolio being established and in transformer stations for these wind farm projects. Incoming and outgoing payments for the sale and purchase of financial assets totalled euro 32.7 million (prior year: euro 0.4 million). This mainly includes the proceeds from the sale of the shares (20 percent) in PNE WIND Partners Deutschland GmbH, which had previously been held by the Group.

During the reporting period, the cash flow from financing activities of euro 49.9 million (prior year: euro 20.1 million) was influenced primarily by

- the repayment of credit liabilities of euro -2.1 million,
- the payment of the dividend of euro -9.2 million,
- the taking of bank loans of euro 61.2 million – mainly used for the project financing of the wind farm projects for the wind farm portfolio being established.

There were no conversions of bonds arising from the 2014/2019 Convertible Bond during the reporting period. As at December 31, 2017, the share capital of PNE WIND AG thus remained unchanged at euro 76,556,026.00.

As at December 31, 2017, the Group had liquid funds of euro 194.0 million (prior year: euro 147.7 million).

As at December 31, 2017, PNE WIND had liquidity of euro 156.8 million (prior year: euro 128.1 million, of which euro 0.1 million pledged), of which euro 0.5 is pledged to banks)

The financial situation of PNE WIND AG in fiscal year 2017 was marked by the positive cash flow from investing activities of euro 33.9 million (prior year: euro 73.6 million) in connection with the sale of the remaining shares in PNE WIND Partners Deutschland GmbH (20 percent) and the positive cash from operating activities of euro 12.6 million (prior year: euro 6.3 million). These cash inflows were used, in particular, for financing the negative cash flow from financing activities of euro -17.8 million (prior year: euro -11.3 million).

c. Statement of financial position

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

a. *Group*

in EUR million	31.12.2017	31.12.2016
Assets		
Total long term assets	**184.9**	**142.2**
Intangible assets	66.8	67.4
Property, plant and equipment	103.9	39.2
Long term financial assets	2.5	28.5
Deferred taxes	11.7	7.1
Total short term assets	**308.4**	**289.8**
Inventories	86.4	112.9
Receivables and other assets	26.8	28.4
Tax receivables	1.2	0.8
Cash and cash equivalents	194.0	147.7
Total assets	**493.3**	**432.0**

On the reporting date, the consolidated total assets of PNE WIND AG amounted to euro 493.3 million. This means an increase of 14.2 percent in comparison with December 31, 2016.

Total long-term assets increased from euro 142.2 million at the end of 2016 to euro 184.9 million. As at December 31, 2017, intangible assets totalled euro 66.8 million and decreased by approx. euro 0.6 million compared to December 31, 2016. The most important elemens of this item are the goodwill items totalling euro 63.4 million (of which projecting of wind energy turbines PNE is valued at euro 23.0 million and projecting of wind energy turbines WKN is valued at euro 40.2 million). In the same period, fixed assets increased, mainly due to the completion of the three wind farms intended for the new Kührstedt wind farm portfolio, by euro 64.7 million to euro 103.9 million (December 31, 2016: euro 39.2 million). This item primarily includes land and buildings (euro 11.6 million without the land and buildings of "Silbitz"), transformer stations owned or under construction (euro 13.0 million) and the technical equipment and machinery of the Silbitz timber biomass power plant (euro 3.5 million including land and buildings of euro 2.8 million), the "Gerdau-" and "Pülfringen" wind farms (euro 6.0 million) as well as the three Kührstedt wind farms (euro 66.4 million). The change in property, plant and equipment is mainly due to the project portfolio and the resulting property received from the wind farms.

During the period under review, short term assets increased from euro 289.8 million (December 31, 2016) to euro 308.4 million on December 31, 2017. This change is mainly attributable to the decrease in inventories (euro -26.5 million) and the increase in cash and cash equivalents (euro +46.3 million). Of the short term assets, euro 5.1 million is attributable to trade receivables (December 31, 2016: euro 13.2 million).

The work in progress recognised under the inventories decreased from euro 105.0 million as at December 31, 2016 to euro 83.4 million.

Work in progress is divided as follows:

- offshore projects (euro 23.9 million),
- onshore projects in Germany (euro 20.3 million),
- onshore projects abroad (euro 39.2 million),

The advance payments in connection with onshore projects under construction, which are included in the inventories item, decreased by euro 5.0 million from euro 7.9 million to euro 2.9 million.

As at December 31, 2017, cash and cash equivalents amounted to euro 194.0 million (as at December 31, 2016: euro 147.7 million).

in EUR million	31.12.2017	31.12.2016
Liabilities		
Equity capital	235,2	229,4
Deferred subsidies from public authorities	0,9	0,9
Provisions	5,9	11,9
Long term liabilities	77,0	119,9
Short term liabilities	156,4	53,6
Deferred revenues	17,9	16,3
Total assets	**493,3**	**432,0**

On the liability side, consolidated shareholders' equity increased from euro 229.4 million (December 31, 2016) to euro 235.2 million as December 31, 2017. This development was attributable primarily to the positive result of the Group and the counteracting effect of the dividend payment in fiscal 2017. The equity ratio of the Group was 48 percent as at December 31, 2017 (December 31, 2016: 53 percent) and the debt ratio was 52 percent (as at December 31, 2016: 47 percent).

The long term liabilities decreased from euro 119.9 million at the end of 2016 to euro 77.0 million. This item consists mainly of financial liabilities totalling euro 72.8 million (as at December 31, 2016: euro 116.5 million). As at December 31, 2016, the "Long term liabilities" item still included the liability under the corporate bond issued in May and in September 2013 to the total amount of euro 100.0 million (book value at December 31, 2016: euro 98.3 million). Due to maturity at the end of May 2018, this is now accounted for under the "Short-term liabilities": book value: December 31, 2017: euro 99.5 million). The long term financial liabilities include the 2014/2019 convertible bond issued in the 2014 fiscal year in an amount of euro 6.4 million. The item also includes long term liabilities to banks in the amount of euro 66.0 million (as at December 31, 2016: euro 11.3 million).

The short and long term liabilities to banks mainly include:

- the project financing of the timber biomass power plant (HKW) "Silbitz" (as at December 31, 2017: euro 0.7 million, of which long term euro 0.0 million),
- financing of the building PNE WIND AG at the corporate seat at Cuxhaven (as at December 31, 2017: euro 2.5 million, of which long term euro 2.3 million),
- the project financing of the Gerdau-Schwienau and Pülfringen wind farms (as at December 31, 2017: euro 7.0 million, of which long term euro 5.8 million), and
- project financing of the wind farms Kührstedt-Alfstedt, Kührstedt-Alfstedt A and Kührstedt-Alfstedt B (as at December 31,2017: euro 61.2 million, of which long term euro 57.1 million).

On December 31, 2017, the total number of shares issued by PNE WIND AG amounted to 76,556,026.

During the 2017 fiscal year, the value of short-term liabilities changed from euro 53.6 million (December 31, 2016) to euro 156.4 million, predominantly as a results of the euro 100 million corporate bond now being accounted for under the "Short-term liabilities" item. The short term liabilities to banks, included in this item, increased from euro 2.2 million (December 31, 2016) to euro 6.4 million due to borrowings for interim financing of the onshore wind farms under construction. In the reporting period, the trade liabilities decreased from euro 15.7 million (December 31, 2016) to euro 25.3 million.

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. In January 2017, PNE WIND AG fulfilled this contractual commitment and acquired the shares in HKW Silbitz GmbH & Co. KG at a price of about euro 7.5 million. This financial liability was recorded in 2016 under the short-term liabilities.

Taking the liquid funds into account, the net liquidity (cash and cash equivalents less the short and long term financial liabilities) as at December 31, 2017 amounted to euro 14.1 million (December 31, 2016: euro 20.1 million).

b. *PNE WIND AG*

in EUR million	31.12.2017	31.12.2016
Assets		
Intangible assets	0.1	0.0
Property, plant and equipment	11.5	11.8
Financial assets	91.2	102.8
Inventories	10.2	13.1
Receivables and other assets	140.0	122.8
Liquid funds	156.8	128.1
Total assets	**409.8**	**378.6**

The fixed assets consist of intangible assets of euro 0.1 million (prior year: euro 0.0 million), property, plant and equipment of euro 11.5 million (prior year: euro 11.8 million), and financial assets of euro 91.2 (prior year: euro 102.8 million). The changes in financial assets are mainly due to the sale of the 20-share in PNE WIND Partners Deutschland GmbH in December 2017, the investment in the shares in KW Silbitz GmbH & Co. KG and the write-downs assumed.

The current assets consist of inventories of euro 10.2 million (prior year: euro 13.1 million), of which work in progress totalling euro 10.0 million (prior year: euro 10.5 million) and prepayments made totalling euro 0.1 million (prior year: euro 2.6 million) and receivables and other assets of euro 140.0 million (prior year: euro 122.8 million). Of the receivables and other assets, euro 1.2 million is attributable to trade receivables (December 31, 2016: euro 10.5 million), euro 137.3 million to receivables from affiliated companies (prior year: euro 109.7 million), euro 1.4 million (prior year: euro 0.8 million) for other assets.

The liquid funds amounted to euro 156.8 million as at December 31, 2017 (prior year: euro 128.1 million).

in EUR million	31.12.2017	31.12.2016
Liabilities		
Equity capital	265.9	242.5
Special item for investment subsidies	0.9	0.9
Provisions	12.8	9.3
Liabilities	130.1	125.8
Deferred items	0.1	0.1
Total assets	**409.8**	**378.6**

The shareholders' equity of PNE WIND AG amounted to euro 265.9 million as at December 31, 2017 (prior year: euro 242.5 million). The equity ratio of PNE WIND AG was approx. 65 percent as at December 31, 2017 (December 31, 2016: approx. 64 percent) and the debt ratio approx. 35 percent (as at December 31, 2016: approx. 36 percent).

On December 31, 2017, the total number of shares issued by PNE WIND AG amounted to 76,556,026.

The major items on the liability side are the liabilities in the amount of euro 130.1 million (prior year: euro 125.8 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 2.5 million (prior year: euro 2.6 million), prepayments received on orders totalling euro 0.0 million (prior year: euro 4.6 million), the trade liabilities of euro 6.8 million (prior year: euro 2.9 million) and the liabilities to affiliated companies of euro 7.7 million (prior year: euro 6.2 million).

The main components of provisions relate to outstanding invoices in respect of wind farm projects totalling euro 8.4 million (as at December 31, 2016: euro 5.5 million) as well as provisions for variable remuneration of the members of the Board of Management and senior executives totalling euro 1.9 million (as at December 31, 2016: euro 1.6 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 has had positive experience with these direct sales for many years and will continue to follow this proven sales channel for this reason. This also allows for selling larger project portfolios if there is interest on the part of investors.

Such a sale of a 142 MW project portfolio was successfully completed in the 2016 fiscal year with the sale of 80 percent of the shares and finalised in the 2017 fiscal year with the sale of the remaining 20 percent stake. In addition, wind farm projects in France, Sweden and the USA were successfully marketed in the financial year 2017.

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.

This successful path is also to be followed in the future.

9. Development and innovation

There were no research and development activities outside the operative business purpose of project development in the PNE WIND AG Group during the reporting period.

10. Intangible assets / sustainable development

The successful development of wind farm projects on land and at seat is based primarily on the knowledge and experience of qualified employees of many years standing as well as trustful cooperation with all those involved in a project. 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 of a wind farm. The value of a wind farm project, on which the commercial success of PNE WIND AG and the Group depends, is created primarily in the planning phase until the approval is obtained. 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 utilised 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 as well as the replacement of older wind power turbines by modern equipment ("Repowering").

We are also aware of the great importance of experienced partners in the context of both the international expansion and the strategic expansion of our business model by other renewable energies, storage technologies and power-to-gas solutions. Our policy is to only enter new markets if we can do this together with local partners who have good networks in their regions. Here, too, the principle of professional, qualified and trustworthy cooperation with the project partners and participants in a project applies.

It is also important to maintain the network of partners and supporters of our business, 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. The project managers of PNE WIND also seek and maintain direct dialogue with all those involved in a project, from the landowners and local residents to municipal politicians and the authorities involved.

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

We are making a substantial contribution, both nationally and internationally, to the reduction of damaging climatic gases with the wind farms planned and operated by us and our future clean energy projects and thus to the protection of humanity, the environment and nature. Generation of electricity from clean energies such as wind power not only makes positive contributions to the environment, but it also contributes to saving the limited reserves of fossil fuels 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 clean energies. As a result, the projects 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. Based on the analysis of the existing core processes, the identified risks are evaluated. 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 significantly compared to December 31, 2016. The implementation of the strategic expansion of the business model to include other clean energies and storage technologies May entail additional risks.

Risks from operating activities

A major risk is the approval risk of projects. In the event of time delays regarding 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 planned inflows of funds. Furthermore, projects can become uneconomical in such cases, 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 clean energy power plants is limited. In the future, this might result in increased competition for these sites and thus higher acquisition costs as well as higher operating costs, such as compensation for use of sites, which would reduce the achievable contribution margin accordingly.

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 projects, as is the case with all companies developing clean energy projects. In order to meet this risk, PNE WIND 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. However, negative effects from rising rates of interest on the project marketing cannot 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. 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.

The funds provided to the PNE WIND Group are subject in part to variable interest rates, which are mainly linked to the 3 month EURIBOR or the EONIAN. The companies have only partially hedged against rising short-term interest rates.

Liquidity risks for the financing of the operating business during the course of the year exist, in particular, if the closing of project sales through 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 on the part of our partner companies (Oersted, previously DONG Energy, Vattenfall) 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 "Atlantis I" and "Gode Wind" 3 and 4 projects. The purchasers of the projects have not yet taken a decision to construct the projects. It is not certain that these projects will be realised and the outstanding payments will be paid to PNE WIND AG.

Risks for the further development and realisation of projects by partner companies will also arise from the project pipeline sale in Great Britain in 2015. Milestone payment might result from this sale. It is not certain that these milestone payments will be made in full as expected, as they depend on market conditions and buyer activity, among other factors.

A supplier risk exists in the wind power turbine sector due to the worldwide demand in relation to the available capacities. 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 attaches great importance to concluding delivery contracts with renowned manufacturers of wind power turbines and suppliers (e.g. of foundations) as early as possible and to agreeing on timely delivery.

The projects in the international sector May entail medium- and long-term currency risks. 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. As far as possible and economically feasible, it is planned to hedge material foreign currency transactions outside the Group by means of currency hedging transactions in good time prior to the date of the respective 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 evaluation of projects for the use of clean energies depends, inter alia, on the assessment of the future development of electricity prices in target countries. Changes in the development of electricity prices can lead to changes in the market situation.

PNE WIND plans and develops projects abroad, both in established markets and in developing countries, which are included in the Group's planning with the corresponding income from the relevant wind farm configuration. Should investors abroad demand fundamental changes, e.g. a change in the number or type of wind power turbines, as a condition for the purchase of the project and no other suitable investors be available to the PNE WIND Group, this could lead to inventory write-downs regarding the project and thus PNE WIND Group's key indicators, which in turn could result in unplanned negative results for the PNE WIND Group.

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. The bond will be due for repayment at the end of May 2018, so that an increased interest payment for the bond and termination of the bond would not have a serious impact on PNE WIND AG's future net assets, financial position and results of operations.

The purchase of the majority shareholding in WKN AG in 2013 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 an impairment should arise in the future, this would have an impact on the asset and earnings situation of the Company.

The credit rating for PNE WIND AG issued by Creditreform was last renewed in April 2017. A project developer could be exposed to negative changes of the rating company's 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.

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 PNE WIND. The Board of Management of PNE WIND AG is of the opinion that wind farms can be developed and operated economically based on fees that are currently applicable or achievable in tenders and on the 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.

Due to the EEG amendments adopted in 2016 and the new Offshore Wind Energy Act (WindSeeG), the risks for other projects developed by PNE WIND have increased significantly at the end of 2016. There have been no further changes since then. As a result of the above-mentioned amendments to the law, the implementation of the projects can be significantly delayed or completely prevented. Pursuant to two legal opinions, parts of the WindSeeG are unconstitutional. The main reason is that this Act invalidates bona-fide investments which the Company had already made in the past, without any provisions concerning compensation payments, based on retrospective effect which is not admissible on the basis of German constitutional law. On the basis of this assessment, the Board of Management of PNE WIND AG is of the opinion that these parts of the legislation are 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. At the end of July 2017, PNE WIND AG, Zweite Nordsee Offshore Holding GmbH (STRABAG Group) and International Mainstream Renewable Power Limited – via their respective project companies – submitted a joint constitutional complaint to the Federal Constitutional Court against some of the new legal regulations.

As at December 31, 2017, due to the possibilities described above, the Board of Management did not make any value adjustments to the assets of the offshore projects that May be affected ("Nemo", "Nautilus", "Jules Verne" and "Atlantis II – III"). 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 and that the alternative options to realise the offshore projects in some other form cannot be used, a value adjustment of these assets might become necessary. Assets amounting to euro 23.7 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, 2017.

The Polish parliament adopted a considerably more stringent zoning regulation for wind energy systems. The law stipulates that the distance required between wind energy 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. For projects that have already been approved, this regulation does not apply if an operating permit is granted by July 2019. Otherwise, the building permit will lose its validity as well.

Political and market risks abroad – in particular, in emerging countries – 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 changes in the market situation or the political landscape as early as possible 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.

Tax risks

PNE WIND AG and its subsidiaries as well as other Group companies are currently active in Asia, South and North America, Europe and Africa 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. PNE WIND 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.

There are tax risks from the corporate, trade and sales tax field audit at WKN AG for the years from 2010 to 2013. This audit has not yet been completed finally and there are no tax audit reports or drafts of tax audit reports available to date. Accordingly, no adjusted tax assessments have been issued yet. Based on the discussions between the Board of Management of WKN AG and its tax advisors on the one hand and the tax authorities on the other, there are different views regarding the tax treatment of individual items. Possible findings of the tax audit might have an impact on the net assets, financial position and results of operations of WKN AG and the PNE WIND Group in the single-digit to a low double-digit million range. Based on the current state of knowledge, the Board of Management of PNE WIND AG continues to assume that the tax-related presentation of the issues is accurate. Nonetheless, a provision of approx. euro 0.9 million was formed as a precautionary measure for individual selected issues addressed in the context of the tax audit. However, for the economically relevant part of the issues raised during the tax audit, the Board of Management still sees no reason to recognise a provision in the consolidated balance sheet as at December 31, 2017. Should the results of the tax audit be negative and lead to charges in excess of the accrued provision, there would also be no impact on the published guidance, since possible effects on earnings would be reported under tax expense and thus outside EBIT.

Opportunities

As a developer of onshore and offshore wind farms, PNE WIND is active in an international growth market. Independent studies assume high rates of growth for wind energy 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 has been continuing its ongoing further development of the business model by establishing a subsidiary in which, once again, after the successful realisation of the first wind farm portfolio in the years 2014–2016, completed and commissioned onshore wind farms with a total output of approx. 200 MW will be bundled by 2020. For the time being, PNE WIND will remain directly involved and thus benefit from future earnings as well as the commercial plant management and has the chance of making additional profits in the event of a possible complete or proportionate sale at a later time. The previous portfolio has already shown that this approach can be successfully pursued.

Particular opportunities are offered by the Group's foreign activities and by potential new markets as well as the expansion of the business model to include additional clean energies and storage technologies as well as new markets. PNE WIND 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 will also pursue this policy for selective foreign expansion and decisively take advantage of existing market opportunities.

The core competence of PNE WIND 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 wind energy, both onshore and offshore, offers a range of perspectives. 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 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 by the purchasers. 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. We are therefore examining the possibilities of developing offshore wind farms in the USA and in other countries.

In addition, the growth of the wind power sector in Germany offers increased opportunities in the area of the provision of services. PNE WIND 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 wind power turbines with a nominal capacity of more than 1,500 MW, a large number of transformer stations as well as photovoltaics systems. With its headquarters in Cuxhaven and offices in Husum, energy consult GmbH offers technical plant management services in the German and international markets.

Optimised strategy:

The long-standing success of our work in these business areas is a good basis for the strategic optimisation of the Group's activities.

The demand for clean energies and a secure power supply is growing worldwide. PNE WIND responds to these developments by expanding its operational business and wants to exploit the opportunities arising from the transformation of the markets as a "**Clean Energy Solution Provider**". The strategic further development encompasses almost the entire clean energy value chain. Based on the extensive experience gained from the successful development, project planning and realisation of wind farms on land and at sea, the Company will also develop and implement projects and solutions for the planning, construction and operation of clean energy power plants in the future. This is the core of the new strategy presented in November 2017.

Project development and portfolio

Project development continues to be the core business. This includes the development of quality projects, the establishment of a new European wind farm portfolio with a capacity of approx. 200 MW by 2020 (2020 wind farm portfolio) and cross-technology projects as well as other services.

Technologies

In addition to wind energy, photovoltaics, storage solutions and power-to-gas will be key components of the Company's strategy in the future. This will be the first step into the segments of mobility and heating from clean energies. The development of power-to-gas projects with a focus on hydrogen production will be a new feature. Based on the combination of wind farms, photovoltaic systems and storage, PNE WIND also want to develop power plants and island solutions, i.e. self-sufficient clean energy systems that are independent of the electricity grid, in the future. Our cooperation beginning in 2017 with VPC GmbH, an engineering service provider for power generation and distribution systems, is a first step.

Markets

In addition to the established markets in Europe and America for wind energy such as Germany, France or the USA, PNE WIND will in future also focus on emerging markets, for example in Central and South America, the Middle and Far East as well as in Africa, which have great potential for the development of clean energies. These are characterised by growing energy requirements. Cooperation with experienced partners ensures secure market entries in these countries.

Services

Additional services such as operations management and additional solutions for the financing for clean energy projects also represent an expansion of PNE WIND's activities. Inorganic growth through cooperation, investments or takeovers of companies from the service, photovoltaic, battery and storage industry is also possible.

The agenda includes the optimisation of wind farms as well as offshore services, the expansion of operations management for wind farms and transformer stations to include photovoltaic projects and the development of cross-technology know-how.

Energy Supply management

In addition, we want to tap further margin potential by optimising the marketing of electricity and gas from clean energies.

Realisation / Smart Development

We have experienced and specialised staff to implement the strategy. With an integrated project approach, business opportunities with new products and in new markets are already being developed. The aim is to combine various clean energies and storage technologies, accelerate entry into and exit from new markets, shorten the time to project success and avoid high upfront expenditure in projects.

Risk minimisation and new potentials

With this new strategy, we are minimising market risks, opening up new potentials and markets for PNE WIND and, in the medium term, we will stabilise primarily the very volatile results achieved so far. After a transitional phase, in which investments will pave the way for the implementation of the strategy, this is expected to lead to an increase in average operating results (EBIT) by 2023 and reduced volatility. With the "Scale up" strategy, we continue to capitalise on our core competencies and will open up further elements of the value chain.

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, 2016. From the viewpoint 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. Based on the Company's positive economic situation as at December 31, 2017, no individual risk represents a material threat to the Group, even if risks could have an impact in the lower double-digit million range (e.g. risk, of inventory write-downs offshore, risk of WKN AG tax audit). Thus, from the viewpoint of the Board of Management, there are no risks threatening the existence of the Company.

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 controlling 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 activities of our operating units are controlled on the basis of the stated control parameter; in this context, the earnings figures EBIT and, in the future, EBITDA are of particular importance against the backdrop of the portfolio establishment by 2020, since in our view, these are the appropriate parameters for assessing the earnings power of the PNE WIND Group. In addition, the project pipeline is used as a non-financial control parameter. On the basis of the key performance indicators EBIT (operating result as per the consolidated statement of comprehensive income or at PNE WIND AG as per the income statement), EBITDA (Group EBIT plus depreciation and amortisation of intangible fixed assets and property, plant and equipment and depreciation of fixed assets and, for PNE WIND AG EBIT plus depreciation and amortisation of intangible fixed assets and property, plant and equipment) and project pipeline, the PNE WIND Group compares the actual business development with the forecast. At the end of the 2017 fiscal year, the forecast for Group EBIT for the fiscal year was reached or exceeded. At the same time, the key parameter “projecting pipeline” was achieved, since the pipeline was identical at the end of 2017 as it was at the end of 2016.

13. Description of the key characteristics of the ICS / RMS of the parent company and the Group as a whole

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 regarding 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 WIND 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.

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
Considerable	Middle	Middle	High	High
Moderate	Low	Middle	Middle	High
Low	Low	Low	Middle	Middle
Probability	**Very low**	**Low**	**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 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.

14. Management declaration (Section 289f and Section 315d of the German Commercial Code (HGB)

The management declaration, summarised with the declaration pursuant to Section 289f HGB, in accordance with Section 315d HGB is published on our internet site www.pnewind.com under "Investor Relations" in the Corporate Governance section 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 for the period from January 1 to February 8, 2017, 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.

16. Supplementary information in accordance with Section 289a (1) and Section 315a (1) of the German Commercial Code (HGB) (Takeover Directive Implementation Act)

Capital situation

As at December 31, 2017, PNE WIND AG had 76,556,026 registered shares with a nominal value of euro 1.00 per share. As at December 31, 2017, free float shares (holdings of less than 3 percent of the share capital) amounted to approximately 82 percent. A direct or indirect participation, which exceeded the amount of 10 percent of the voting shares, was not reported on the closing date of December 31, 2017.

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 2017 and, if the Authorised Capital 2017 has not been utilised in full by May 30, 2022, 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 31, 2017 authorised the Company's Board of Management to purchase up to May 30, 2022 on one or several occasion treasury shares in a volume of up to 10 percent of the share capital existing at the time the relevant resolution becomes effective or – if this amount is lower – of the share capital existing at the time this authorisation is exercised, for one or more permissible purposes within the scope of the statutory restrictions in accordance with the following provisions. The shares acquired because of this authorisation, together with other treasury shares that the Company has already acquired and that are owned by or attributable to the Company, May not at any time account for more than 10 percent of the share capital. The acquisition May be carried out by the Company, by dependent companies or companies owned by the Company or by third parties acting for the account of such companies or of the Company if the legal requirements, in particular pursuant to Section 71 para. 2 of the German Stock Corporation Act (AktG), are met. Pursuant to the authorisation, the acquisition shall be effected at the discretion of the Board of Management via the stock exchange or by means of a public purchase offer addressed to all shareholders or by means of a public invitation to all shareholders to submit offers to sell or by granting rights to tender. In the event of an acquisition via the stock exchange, the purchase price per share (excluding incidental acquisition costs) May not be more than 10 percent higher or lower than the share price determined by the opening auction in the XETRA trading system (or in a successor system replacing the XETRA system) on the Frankfurt Stock Exchange on the day the obligation to purchase is entered into. In the event of an acquisition based on a public purchase offer, the purchase price per share (excluding incidental acquisition costs) May not be more than 10 percent higher or lower than the non-weighted average closing price of the share in the XETRA trading system (or in a successor system replacing the XETRA system) on the Frankfurt Stock Exchange during the last three trading days prior to the first publication of the offer. In the event of an acquisition based on an invitation to submit sales offers or acquisition by granting rights to tender, the purchase price per share (excluding incidental acquisition costs) May not be more than 10 percent higher or lower than the non-weighted average closing price of the share in the XETRA trading system (or in a successor system replacing the XETRA system) on the Frankfurt Stock Exchange during the last three trading days prior to the day of acceptance of the sales offers or the day of granting the rights to tender. If, after the publication of a public purchase offer or a public invitation to shareholders to submit sales offers or after the granting of rights to tender, there are significant deviations from the relevant share price, the offer, the invitation to submit sales offers or the rights to tender May be adjusted. In this case, the closing price in the XETRA trading system on the last trading day prior to the publication of the adjustment shall be decisive; the 10 percent limit is to be applied to this amount. The volume of a public purchase offer or a public invitation to submit sales offers (collectively "public purchase offer") can be limited. If the total number of shares tendered for a public purchase offer exceeds the volume of the shares, the acquisition May be effected in proportion to the number of shares tendered (tender quotas); in addition, a preferential acceptance of small numbers (up to 50 shares per shareholder) and rounding in accordance with commercial principles May be provided for in order to avoid fractional amounts of shares. Any further rights of shareholders to tender shares in accordance with the participation quotas are excluded. The total volume of tender rights May also be limited in the case of the granting of rights to tender. If shareholders are granted rights to tender for the purpose of acquisition, these are allocated to the shareholders in proportion to their shareholdings in accordance with the relationship of the volume of shares to be repurchased by the Company to the outstanding share capital. Fractions of rights to tender do not have to be allocated; in this case, any partial rights to tender are excluded. The Board of Management determines the details of the respective acquisition, in particular, of a purchase offer or invitation to submit sales offers. This also applies to the details of any rights to tender, in particular in respect of the term and, if applicable, their tradability. In this context, capital market law and other legal restrictions and requirements must also be observed.

The Board of Management is also authorised to use the shares acquired on the basis of the aforementioned or previously granted authorisation for the following purposes: The shares May be sold via the stock exchange or, with the approval of the Supervisory Board, in accordance with the principle of equal treatment through a public offer to all shareholders pro-rata to their shareholding quota. In the event of a public offer to all shareholders, the subscription right for fractional amounts May be excluded. In addition, the shares May be sold, with the approval of the Supervisory Board, otherwise against payment of a cash purchase price per share which is not significantly lower than the stock price of listed shares of the same class and type at the time of sale. The proportionate amount of the share capital attributable to the total number of shares sold under this authorisation May not exceed 10 percent of the share capital existing at the time this authorisation becomes effective or – if this value is lower – of the share capital existing at the time this authorization is exercised. In addition, with the approval of the Supervisory Board, acquired treasury shares May also be offered and transferred in return for non-cash contributions, in particular as (partial) consideration for the acquisition of companies, parts of companies or participations in companies or of other assets, including rights and receivables – also against the Company – or of rights to the acquisition of assets, or in connection with business combinations. Furthermore, acquired treasury shares May be used to service purchase rights to shares of the Company from or in connection with bonds with conversion and/or option rights issued by the Company or a direct or indirect 100 percent holding company. Furthermore, acquired treasury shares May be redeemed, with the approval of the Supervisory Board, without the redemption or the implementation requiring a further resolution of the general meeting of shareholders. The redemption results in a capital reduction. However, in accordance with Section 237 (3) no. 3 AktG, the Board of Management May determine that the share capital shall not be reduced, but that the proportion of the remaining shares in the share capital shall be increased in accordance with Section 8 (3) AktG. In this case, the Board of Management is authorised in accordance with Section 237 (3) no. 3, second half-sentence, to adjust the number of shares specified in the articles of association. All the above-mentioned authorisations to sell or otherwise use or redeem acquired treasury shares May be exercised on one or more occasions, in whole or in part, individually or collectively.

Up to December 31, 2017, 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 31, 2017. In the period under review, the Board of Management Board also made no use of the previously existing authorisation to acquire treasury shares, which had been granted to the Board of Management by resolution of the general meeting of shareholders on May 22, 2013 and was revoked as part of the authorisation granted by resolution of the general meeting of shareholders on May 31, 2017.

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). In 2014, the Board of Management made use of the authorisation granted in the context of Conditional Capital II/2012, which expired on May 14, 2017, by issuing the convertible bond 2014/2019.

The general meeting of shareholders of May 31, 2017 again authorised the Company's Board of Management to issue, with the approval of the Supervisory Board, bearer or registered convertible and / or option bonds (together the "bonds") on one or several occasions. Pursuant to this authorisation, the bonds can have a total nominal amount of up to euro 80,000,000.00 and a maximum term of 20 years. The holders or creditors of the bonds can be granted conversion and / or option rights for a total of up to 20,000,000 no-par value registered shares of the Company corresponding to a pro rata amount of euro 20,000,000.00 of the share capital. At the same time, the Company's share capital was increased conditionally by up to a further euro 20,000,000.00 (Conditional Capital 2017). In the period under review, the Board of Management made no use of the authorisation granted in the context of Conditional Capital 2017.

Furthermore, by a resolution of the general meeting of shareholders of May 31, 2017, 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 30, 2022, on one or several occasions to a total of up to euro 38,250,000.00 (Authorised Capital 2017) by issuing new no-par value registered shares against contributions in cash or in kind. The Board of Management also made no use of this authorisation in the period under review.

As at December 31, 2017, the Authorised Capital 2017 therefore existed in its entirety in the amount of euro 38,250,000.00.

The previously existing authorisation for authorised capital, which was granted by general meeting of shareholders by resolution of May 22, 2013 was revoked in the course of the resolution of the general meeting of shareholders of May 31, 2017 on the creation of Authorised Capital 2017. The Board of Management had made use of this previous authorisation twice, i.e. in 2014 and in 2015.

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), since January 3, 2018, Section 34) 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 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.

IKB loan agreement with PNE WIND West Europe GmbH

If a change of control occurs within the sense of the agreement, IKB Deutsche Industriebank AG as the lender is entitled to terminate the loan agreement for good cause without giving notice in accordance with the terms of the loan agreement. Under the agreement, a change of control means that PNE WIND AG, as the guarantor of the loan agreement, no longer directly or indirectly holds the majority of the shares or voting rights in the borrower or that a natural person or legal entity holds at least 30.1 percent of the voting shares in PNE WIND AG as guarantor.

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 (since January 3, 2018, Section 33) that it has reached or exceeded a participation of 50 percent in 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; this is to be paid out 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, 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 the management bonus to be expected up to the end of the contract. Depending in each case on the market capitalisation, the increase in value in this respect must be calculated based on 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 2,668 in fiscal 2017 (prior year: TEUR 2,690).

The fixed remuneration paid to the Supervisory Board during the fiscal year 2017 amounted to TEUR 530 (prior year: TEUR 461).

Pursuant to 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 receives 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. The total remuneration of the Supervisory Board in the 2017 fiscal year amounted to TEUR 622 (prior year: TEUR 528). In addition, the Company bears the cost of directors' and officers' liability insurance for all members of the Supervisory Board.

in TEUR	Fixed remuneration 2017	Attendance fee 2017	Total remuneration 2017
Mr. Pedersen	112,9	15,0	127,9
Mrs. Niklas	75,0	15,0	90,0
Mr. Rohardt	60,0	16,0	76,0
Mr. Kruse	61,3	8,0	69,3
Mr. Fries	58,3	8,0	66,3
Mr. Egger	52,5	7,0	59,5
Mr. Freiherr von Hodenberg	37,5	8,0	45,5
Mr. Groß	37,5	7,0	44,5
Mr. Schuhbauer	35,0	8,0	43,0
Total remuneration	**530,0**	**92,0**	**622,0**

For their activity during the fiscal year 2017, 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 2,046 (prior year: TEUR 2,162).

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 Total Management Board				Allocation Total Management Board	
	2016	2017	2017 (Min)	2017 (Max)	2016	2017
Fixed remuneration	1,321	885	885	885	1,321	885
Fringe benefits	61	76	76	76	61	76
Total	**1,382**	**961**	**961**	**961**	**1,382**	**961**
One-year variable remuneration	342	598	0	598	168	342
Multi-year variable compensation	357	487	0	730	308	357
For the 2012–2014 period	0	0	0	0	308	0
For the 2014–2016 period	357	0	0	0	0	357
For the 2016–2018 period	0	487	0	730	0	0
Service costs	81	0	0	0	81	0
Total	**780**	**1,085**	**0**	**1,328**	**557**	**699**
Pension payments	0	0	0	0	0	0
Total compensation	**2,162**	**2,046**	**961**	**2,289**	**1,939**	**1,660**

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 cap on the total remuneration per year. 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 cap 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 (since January 3, 2018, Section 33) that it has reached or exceeded a participation of 50 percent in 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. If 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 Markus Lesser Chief Executive Officer (CEO)				Allocation Markus Lesser Chief Executive Officer (CEO)	
	2016	2017	2017 (Min)	2017 (Max)	2016	2017
Fixed remuneration	322	350	350	350	322	350
Fringe benefits	24	24	24	24	24	24
Total	**346**	**374**	**374**	**374**	**346**	**374**
One-year variable remuneration	158	236	0	236	78	158
Multi-year variable compensation	192	193	0	289	143	192
For the 2012–2014 period	0	0	0	0	143	0
For the 2014–2016 period	192	0	0	0	0	192
For the 2016–2018 period	0	193	0	289	0	0
Service costs	35	0	0	0	35	0
Total	**385**	**429**	**0**	**525**	**256**	**350**
Pension payments	0	0	0	0	0	0
Total compensation	**731**	**803**	**374**	**899**	**602**	**724**

in TEUR	Benefits granted Jörg Klowat Chief Financial Officer (CFO)				Allocation Jörg Klowat Chief Financial Officer (CFO)	
	2016	2017	2017 (Min)	2017 (Max)	2016	2017
Fixed remuneration	330	315	315	315	330	315
Fringe benefits	31	32	32	32	31	32
Total	**361**	**347**	**347**	**347**	**361**	**347**
One-year variable remuneration	135	213	0	213	90	135
Multi-year variable compensation	165	173	0	260	165	165
For the 2012–2014 period	0	0	0	0	165	0
For the 2014–2016 period	165	0	0	0	0	165
For the 2016–2018 period	0	173	0	260	0	0
Service costs	46	0	0	0	46	0
Total	**346**	**386**	**0**	**473**	**301**	**300**
Pension payments	0	0	0	0	0	0
Total compensation	**707**	**733**	**347**	**820**	**662**	**647**

in TEUR	Benefits granted Kurt Stürken Chief Operating Officer (COO)				Allocation Kurt Stürken Chief Operating Officer (COO)	
	2016	2017	2017 (Min)	2017 (Max)	2016	2017
Fixed remuneration	64	220	220	220	64	220
Fringe benefits	6	20	20	20	6	20
Total	**70**	**240**	**240**	**240**	**70**	**240**
One-year variable remuneration	49	149	0	149	0	49
Multi-year variable compensation	0	121	0	181	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	121	0	181	0	0
Service costs	0	0	0	0	0	0
Total	**49**	**270**	**0**	**330**	**0**	**49**
Pension payments	0	0	0	0	0	0
Total compensation	**119**	**510**	**240**	**570**	**70**	**289**

in TEUR	Benefits granted Per Hornung Pedersen Ex-Board				Allocation Per Hornung Pedersen Ex-Board	
	2016	2017	2017 (Min)	2017 (Max)	2016	2017
Fixed remuneration	605	0	0	0	605	0
Fringe benefits	0	0	0	0	0	0
Total	**605**	**0**	**0**	**0**	**605**	**0**
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
Total	**0**	**0**	**0**	**0**	**0**	**0**
Pension payments	0	0	0	0	0	0
Total compensation	**605**	**0**	**0**	**0**	**605**	**0**

18. Outlook / Forecast

Outlook / Forecast

PNE Wind is an internationally operating wind energy pioneer from Germany and one of the most experienced developers of wind farms on land and at sea, combining economic success with ecological responsibility. It has offered services covering the entire value-added chain around wind farms, ranging from the development, planning, realisation, sales and operation of wind farms and transformer stations to repowering – i.e. the replacement of older wind power turbines by new modern equipment.

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 and the cost framework from the development to the start of operation.

After successfully establishing and selling a first wind farm portfolio, the Company is pursuing the goal of realising a new European wind farm portfolio with a total output of approx. 200 MW by 2020 (2020 wind farm portfolio). The portfolio will comprise primarily wind farms in Germany and France. 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 partially developed projects. The first 43 MW wind farm for this portfolio was built and put into operation in 2017. Until the establishment of the new portfolio has been finalised, completed wind farms will be bundled in a subsidiary in order to generate regular income from the sale of electricity.

In addition, the combination of power plants with clean energies and storage technologies is an issue of the future. We have therefore expanded the Group's strategic orientation. The operative business will be realigned and the activities will be placed on a significantly broader basis, both nationally and internationally. The objective is to develop PNE WIND from a wind farm specialist to a provider of solutions for clean energy. The fundamentals of this expanded strategy of a "Clean Energy Solution Provider" are the expansion of our range of services and the development of new markets and technologies. This expansion of the successful business model is intended to reduce the volatility of earnings and open up new margin potential.

With this new strategic orientation, we are responding to changes in the clean energy markets. While clean energies will grow dynamically worldwide in the coming years, countervailing trends can be observed in individual established markets. Subsidies for wind energy are reduced and remuneration systems converted to tenders or other market mechanisms, thereby limiting the expansion of wind energy in some countries. This increases competitive pressure. The optimisation of the costs associated with a project is therefore becoming increasingly important.

PNE WIND responds to these developments by expanding its operational business and wants to exploit the opportunities arising from the transformation of the markets as a "Clean Energy Solution Provider". Based on the extensive experience gained from the successful development, project planning and implementation of wind farms, projects and solutions for the planning, construction and operation of clean energy power plants will also be developed and implemented in the future. This is the core of the new strategy presented in November 2017.

In this way, we are minimising market risks, opening up new potentials and markets for PNE WIND and, in the medium term, we will stabilise primarily the, to date, very volatile results. After a transitional phase, in which investments will pave the way for the implementation of the strategy (Scale-up), this is expected to lead to an increase in average operating results (EBIT) by 2023.

In the financial year 2018, we anticipate upfront expenditure of approx. euro 3 million for the strategic expansion of the business model and the preparations for entry into new markets, but nevertheless expect a clearly positive Group EBIT in the range of euro 10 to 16 million. According to the forecast, Group EBITDA is expected to be range between euro 20 and 26 million. These results do not take account of the profits from projects to be built in 2018 for the 2020 wind farm portfolio, which is being established. For the 2018 fiscal year, PNE WIND AG anticipates positive operating results on an EBIT basis in the low single-digit million euro range. The MW figures of the project pipeline are expected to remain at least constant throughout the Group in the financial year 2018.

Cuxhaven, March 20, 2018

PNE WIND AG, Board of Management

We are developing into a **“Clean Energy Solution Provider”**

The PNE Wind Group is a German wind power pioneer operating on an international level and is one of the most experienced project developers of onshore and offshore wind farms. From this position of strength, the Company is developing into a “Clean Energy Solution Provider”. This means: In the future, PNE WIND AG will put its portfolio of products and services on a significantly broader base. The strategic orientation will encompass the entire value chain of clean energies as well as the refining of electricity. In addition to wind energy, photovoltaics, storage and power-to-gas technology with a focus on hydrogen will be part of our range of offers. This expansion of the business segments is coupled with a regional extension of our activities: alongside established markets, emerging markets in Latin America and the Middle and Far East are moving into the focus of entrepreneurial involvement.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of comprehensive income (IFRS)

of PNE WIND AG, Cuxhaven, for the period from January 1 to December 31, 2017

in TEUR (differences due to rounding possible)	**Notes**	**2017**	**2016**
1. Revenues	VI.1.	114,076	248,577
2. Increase in finished goods and work in process		63,331	1,591
3. Other operating income	VI.2.	9,483	9,075
4. Total aggregate output		**186,891**	**259,244**
5. Cost of materials		-108,381	-96,951
6. Personnel expenses	VI.3.	-25,789	-25,423
7. Amortisation of intangible assets and depreciation of property, plant and equipment	IV.3./V.1./ V.2.	-5,466	-12,884
8. Other operating expenses	VI.4.	-24,097	-26,918
9. Impairment expense – goodwill	IV.3./V.1.	-28	-28
10. Operating result		**23,129**	**97,040**
11. Income from participations		147	158
12. Other interest and simlilar income	VI.5.	619	1,111
13. Income from assumption of profits of associates		1,002	644
14. Amortisation of financial assets and marketable securities		-85	0
15. Expenses from assumption of losses of associates		-42	-66
16. Interest and similar expenses	VI.6.	-10,709	-17,331
17. Result before Taxes		**14,061**	**81,556**
18. Taxes on income	VI.7.	330	-14,362
19. Other taxes		-156	-114
20. Consolidated net profit/loss before non-controlling interests		**14,235**	**67,080**
21. Non-controlling interests in the result	V.7.	-2,840	-1,893
22. Consolidated net income/income		**17,075**	**68,973**
Other comprehensive income/items that May be reclassified in the future in the profit and loss account			
23. Foreign currency translation differences		90	-222
24. Others		0	0
25. Other comprehensive income for the period (net of tax)		**90**	**-222**
26. Total comprehensive income for the period		**14,325**	**66,857**

in TEUR (differences due to rounding possible)	Notes	2017	2016
Consolidated profit / loss for the period attributable to:			
Owners of the parent company		17,075	68,973
Non-controlling interests		-2,840	-1,893
		14,235	**67,080**
Total comprehensive income for the period attributable to:			
Owners of the parent company		17,165	68,750
Non-controlling interests		-2,840	-1,893
		14,325	**66,857**
Weighted average of shares in circulation (undiluted) (in thousands)	VI.8	76,556	76,556
Undiluted earnings per share from continuing operations in EUR		0.22	0.90
Weighted average of shares in circulation (diluted) (in thousands)	VI.8	78,709	78,615
Diluted earnings per share from continuing operations in EUR		0.22	0.88

Consolidated statement of financial position (IFRS)

of PNE WIND AG, Cuxhaven, as at December 31, 2017

Assets

in TEUR (differences due to rounding possible)	**Notes**	**Status as at 31.12.2017**	**Status as at 31.12.2016**
A. Long term assets			
I. Intangible assets	IV.1./IV.3./V.1.		
1. Franchises, trademarks, licences and other similar rights as well as licences from such rights		3,444	3,991
2. Goodwill		63,381	63,409
		66,825	**67,400**
II. Property, plant and equipment	IV.2./IV.3./V.2.		
1. Land and buildings including buildings on third-party land		14,379	14,855
2. Technical equipment and machinery		87,142	21,670
3. Other plant and machinery, fixtures and fittings		2,330	2,545
4. Prepayments and plant under construction		21	159
		103,872	**39,230**
III.Long term financial assets	IV.5./V.3.		
1. Shares in affiliated companies		27	26
2. Shares in associates		475	27,194
3. Participations		1,785	1,092
4. Other loans		178	115
5. Other long term loan receivables		26	25
		2,490	**28,452**
IV. Deferred tax assets	IV.6./VI.7.	**11,718**	**7,136**
B. Current assets			
I. Inventories	IV.7./V.4.	**86,361**	**112.946**
II. Receivables and other assets	IV.9./V.6.		
1. Trade receivables		5,119	13,187
2. Other short term loan receivables		61	1,472
3. Receivables from affiliated companies		4,455	4,937
4. Receivables from associated companies and from other investments		642	2,533
5. Other assets		16,548	6,261
		26,826	**28,390**
III. Tax receivables		**1,208**	**754**
IV. Cash and cash equivalents	IV.10.	**193,984**	**147,686**
		493,285	**431,994**

Liabilities

in TEUR (differences due to rounding possible)	Notes	Status as at 31.12.2017	Status as at 31.12.2016
A. Shareholders' equity	V.6.		
I. Capital subscribed		**76,556**	**76,556**
II. Capital reserve		**82,288**	**82,288**
III. Retained earnings			
1. Legal reserve		5	5
2. Other retained earnings		46	46
		51	**51**
IV. Foreign exchange reserve		**-908**	**-997**
V. Retained consolidated profit		**84,911**	**76,883**
VI. Non-controlling interests	V.7.	**-7,679**	**-5,393**
		235,220	**229,388**
B. Long term liabilities			
I. Other provisions	IV.12./V.10.	**1,060**	**7,945**
II. Deferred subsidies from public authorities	IV.14./V.8.	**855**	**902**
III. Long term financial liabilities	IV.13./V.11.		
1. Bonds		6,357	104,526
2. Liabilities to banks		65,965	11,334
3. Other financial liabilities		0	631
4. Liabilities from leasing contracts		429	0
		72,751	**116,491**
IV. Deferred tax liabilities	IV.6./VI.7.	**4,247**	**3,347**
C. Current liabilities			
I. Provisions for taxes	V.9.	**2,154**	**1,565**
II. Other provisions	IV.12./V.10.	**2,704**	**2,403**
III. Short term financial liabilities	IV.13./V.11.		
1. Bonds		99,459	0
2. Liabilities to banks		6,383	2,163
3. Other financial liabilities		1,087	8,623
4. Liabilities from leasing contracts		179	346
		107,109	**11,131**
IV. Other liabilities	IV.13./V.12.		
1. Trade payables		25,295	15,692
2. Liabilities to affiliated companies		490	582
3. Liabilities to associated companies and to other investments		1,347	1,562
4. Deferred revenues		17,894	16,308
5. Deferred liabilities		13,456	18,298
6. Other liabilities		8,701	6,380
		67,183	**58,822**
		493,285	**431,994**

Consolidated statement of cash flows (IFRS)

of PNE WIND AG, Cuxhaven, for fiscal year 2017

in TEUR (differences due to rounding possible)		Notes	2017	2016
Consolidated net result			**14,235**	**67,080**
-/+	Income tax benefit and expense	VI.7.	-330	14,362
-/+	Income tax received		-1,360	-3,162
-/+	Interest income and expense	VI.5./VI.6.	10,091	16,219
-	Interest paid		-9,506	-13,580
+	Interest received		618	1,075
+/-	Amortisation and depreciation of intangible assets, property, plant and equipment and long-term financial assets		5,579	12,912
+/-	Increase/decrease in provisions	V.10.	2,584	4,562
-/+	Non-cash effective income/expenses		-5,273	-221
-	Profit from the disposal of fixed assets and from final consolidation	III.2.	-5,999	-64,630
+/-	Increase of inventories and other assets	IV.7./V.4.	-7,070	17,149
+/-	Decrease/increase of trade receivables and stage of completion accounting	IV.7./IV.10./ V.3./V.5.	9,759	-14,387
+/-	Increase/decrease of trade liabilities and other liabilities	IV.13.V.11./ V.12.	9,303	27,047
Cash flow from operating activities			**22,630**	**64,426**
+	Inflow of funds from intangible assets		9	0
+	Inflow of funds from disposal of items of property, plant, equipment and intangible assets		445	3,114
-	Outflow of funds for investments in property, plant, equipment and intangible assets	V.1./V.2.	-70,015	-108,699
+	Inflow of funds from disposal of financial assets		33,970	428
-	Outflow of funds from disposal of financial assets		-1,239	0
+	Inflow of funds from disposal of consolidated units	III.2.	18,115	103,334
-	Outflow of funds for investments in consolidated units		-7,535	-418
Cash flow from investing activities			**-26,250**	**-2,241**
+	Inflow of funds from financial loans	V.13.	61,240	66,563
-	Outflow of funds for the redemption of financial loans	V.13.	-2,134	-43,392
-	Outflow of funds for dividend		-9,187	-3,062
Cash flow from financing activities			**49,919**	**20,109**
Cash effective change in liquid funds			46,299	82,294
+	Change in liquid funds due to changes in scope of consolidation		-1	-20,684
+	Liquid funds at the beginning of the period	IV.10./VII.1.	147,686	86,076
Liquid funds at the end of the period*		IV.10./VII.1.	**193,984**	**147,686**
* of which are pledged to a bank as security guaranteed credit lines		V.13.	1,054	98

Consolidated statement of changes in equity (IFRS)

of PNE WIND AG, Cuxhaven, for the fiscal year 2017

in TEUR (differences due to rounding possible)	Capital subscribed	Capital reserve	Profit reserves	Foreign exchange reserve	Retained loss	Shareholdersb equity before non-controlling interests	Non-controlling interests	Total shareholders equity
Status as at January 1, 2016	**76,555**	**82,287**	**51**	**-775**	**10,912**	**169,030**	**-3,102**	**165,928**
Consolidated net result 2016	**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
Status as at December 31, 2016	**76,556**	**82,288**	**51**	**-997**	**76,883**	**234,781**	**-5,393**	**229,388**
Consolidated net result 2017	**0**	**0**	**0**	**0**	**17,075**	**17,075**	**-2,840**	**14,235**
Dividend	0	0	0	0	-9,187	-9,187	0	-9,187
Other items	0	0	0	90	140	229	554	783
Status as at December 31, 2017	**76,556**	**82,288**	**51**	**-908**	**84,911**	**242,899**	**-7,679**	**235,220**

Consolidated schedule of fixed assets (IFRS)

of PNE WIND AG, Cuxhaven, for the fiscal year 2017

in TEUR (differences due to rounding possible)	**Acquisition and manufacturing cost**						
	Status at 1.1.2017	Changes in consoli-dated	Additions	Reclassi-fications	Disposals	Exchange Differences	Status as at 31.12.2017
I. Intangible assets							
1. Franchises, trademarks and similar rights as well as licences to such rights	9,337	23	251	0	77	-2	9,531
2. Goodwill	147,777	0	0	0	0	-6	147,771
	157,114	**23**	**251**	**0**	**77**	**-8**	**157,302**
II. Property, plant and equipment							
1. Land and buildings including buildings on third party land	20,668	0	33	0	0	-1	20,701
2. Technical equipment and machinery	49,058	202	68,991	341	86	-148	118,358
3. Other equipment, fixtures and furnishings	5,931	0	460	117	577	-10	5,921
4. Prepayments and plant under construction	163	0	338	-458	0	-18	25
	75,820	**202**	**69,822**	**0**	**663**	**-177**	**145,005**
III. Financial assets							
1. Shares in affiliated companies	6,623	0	88	0	2	0	6,709
2. Shares in associates	28,056	0	374	0	27,093	0	1,337
3. Participations	1,092	0	750	0	58	0	1,785
4. Other loans	153	0	104	0	41	0	216
	35,924	**0**	**1,316**	**0**	**27,194**	**0**	**10,046**
	268,858	**225**	**71,389**	**0**	**27,933**	**-185**	**312,353**

Accumulated amortisation and depreciation						Book values	
Status at 1.1.2017	Changes in consoli-dated	Additions	Disposals	Exchange Differences	Status as at 31.12.2017	Status as at 31.12.2017	Status as at 31.12.2016
5,345	22	789	69	0	6,087	3,444	3,991
84,368	0	28	0	-6	84,390	63,381	63.409
89,713	**22**	**817**	**69**	**-6**	**90,477**	**66,825**	**67,400**
5,813	0	508	0	0	6,322	14,379	14,855
27,387	184	3,783	28	-111	31,215	87,142	21,670
3,385	0	386	171	-9	3,591	2,330	2,545
4	0	0	0	0	4	21	159
36,590	**184**	**4,677**	**198**	**-120**	**41,133**	**103,872**	**39,230**
6,597	0	85	0	0	6,682	27	26
862	0	0	0	0	862	475	27,194
0	0	0	0	0	0	1,785	1,092
38	0	0	0	0	38	178	115
7,497	**0**	**85**	**0**	**0**	**7,582**	**2,464**	**28,427**
133,800	**206**	**5,579**	**267**	**-126**	**139,191**	**173,161**	**135,057**

Consolidated schedule of fixed assets (IFRS)

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

in TEUR (differences due to rounding possible)	Acquisition and manufacturing cost						
	Status at 1.1.2016	Changes in consoli-dated	Additions	Reclassi-fications	Disposals	Exchange Differences	Status as at 31.12.2016
I. Intangible assets							
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**
II. Property, plant and equipment							
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**
III. Financial assets							
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**
	384,396	**-243,962**	**135,449**	**0**	**7,007**	**-19**	**268,858**

Accumulated amortisation and depreciation						Book values	
Status at 1.1.2016	Changes in consoli-dated	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**
151,180	**-27,860**	**12,912**	**2,445**	**14**	**133,800**	**135,057**	**233,216**

Consolidated segment report (IFRS)

of PNE WIND AG, Cuxhaven, for the fiscal year 2017

in TEUR (differences due to rounding possible)	Projecting of wind power turbines		Electricity generation	
	2017	2016	2017	2016
External sales	106,526	223,053	7,550	25,524
Inter-segment sales	81,361	-26,983	722	751
Change in inventories	-158	1,591	0	0
Other operating income	9,232	9,300	1,553	1,883
Total aggregate output	**196,961**	**206,961**	**9,826**	**28,158**
Depreciation and amortisation	-2,368	-2,904	-3,126	-10,007
Operating result	**31,012**	**57,775**	**1,111**	**8,701**
Other Interest and similar income	5,816	6,133	5	415
Interest and similar expenses	-15,367	-16,819	-545	-5,949
Taxes on income	-2,310	-3,039	-58	-2,154
Investments	4,391	3,122	74,398	105,577
Segment assets	599,187	584,535	115,249	24,925
Segment liabilities[1]	401,001	391,258	116,670	35,190
Segment equity	198,186	193,277	-1,420	-10,265

[1] The deferred subsidies from the public authorities were included under segment liabilities

	Consolidation		PNE WIND AG Group	
	2017	2016	2017	2016
	0	0	114,076	248,577
	-82,083	26,232	0	0
	63,489	0	63,331	1,591
	-1,302	-2,108	9,483	9,075
	-19,896	**24,124**	**186,891**	**259,244**
	0	0	-5,494	-12,912
	-8,993	**30,564**	**23,129**	**97,040**
	-5,203	-5,437	618	1,111
	5,203	5,437	-10,709	-17,331
	2,698	-9,169	330	-14,362
	0	0	78,789	108,699
	-221,152	-177,466	493,285	431,994
	-259,606	-223,841	258,065	202,606
	38,453	46,375	235,220	229,388

List of companies included in the consolidated financial statements and list of shareholders

of PNE WIND AG, Cuxhaven, as at December 31, 2017

	Company	Headquarter	Partici-pation previ-ous year (%)	Partici-pation (%)	Equity in TEUR	Net income in TEUR	Date of first consoli-dation
I. List of the companies included in the consolidated financial statements							
1	PNE WIND Betriebsführungs GmbH	Cuxhaven	100.00	100.00	1,264	69[1]	31.12.1998
2	PNE Biomasse GmbH	Cuxhaven	100.00	100.00	-86	122[1]	23.04.2000
3	PNE WIND Netzprojekt GmbH	Cuxhaven	100.00	100.00	866	0[8]	01.01.2002
4	PNE WIND Laubuseschbach GmbH & Co. KG	Cuxhaven	100.00	100.00	-117	-27[1]	29.12.2004
5	PNE WIND Grundstücks GmbH	Cuxhaven	100.00	100.00	132	13[1]	01.12.2000
6	PNE WIND Jules Verne GmbH	Cuxhaven	100.00	100.00	1,006	-20[1]	30.06.2010
7	PNE WIND Nemo GmbH	Cuxhaven	100.00	100.00	1,006	-20[1]	30.06.2010
8	PNE WIND Nautilus GmbH	Cuxhaven	100.00	100.00	1,006	-20[1]	30.06.2010
9	PNE Erneuerbare Energien Offshore I GmbH	Cuxhaven	100.00	100.00	79	-19[1]	24.11.2016
10	PNE Erneuerbare Energien Offshore II GmbH	Cuxhaven	100.00	100.00	79	-19[1]	24.11.2016
11	PNE WIND Atlantis II GmbH	Cuxhaven	100.00	100.00	11	-20[1]	18.06.2013
12	PNE WIND Atlantis III GmbH	Cuxhaven	100.00	100.00	11	-20[1]	18.06.2013
13	Wind Kapital Invest Verwaltungs GmbH	Cuxhaven	100,00	100.00	80	-3[1]	16.07.2011
14	Wind Kapital Invest GmbH & Co. KG	Cuxhaven	100.00	100.00	-36	-20[1]	16.07.2011
15	PNE WIND Verwaltungs GmbH	Cuxhaven	100.00	100.00	53	4[1]	21.11.2012
16	energy consult GmbH	Cuxhaven	100.00	100.00	332	0[8]	11.12.2013
17	energy consult Prüfgesellschaft GmbH	Husum	0.00	100.00	93	-7[1]	11.08.2017
18	PNE WIND Park Kührstedt-Alfstedt A GmbH & Co. KG	Cuxhaven	100.00	100.00	-132	-111[1]	01.04.2013
19	PNE WIND Park Kührstedt-Alfstedt B GmbH & Co. KG	Cuxhaven	100.00	100.00	-41	-31[1]	01.04.2013
20	PNE WIND Park Kührstedt Alfstedt GmbH & Co. KG	Cuxhaven	50.00	100.00	6	24[1]	31.03.2017
21	PNE WIND Park Calau II B GmbH & Co. KG	Cuxhaven	100.00	100.00	-14	43[2]	01.04.2013
22	PNE WIND Ausland GmbH	Cuxhaven	100.00	100.00	-1,363	48[1]	16.11.2007
23	PNE WIND USA Inc.	Chicago, USA	100.00	100.00	-9,701	-1,495[1]	27.10.2008
24	PNE WIND DEVELOPMENT LLC	Chicago, USA	100.00	100.00	-2,986	-1,192[1]	29.07.2011
25	Chilocco WIND FARM LLC	Chicago, USA	100.00	100.00	-461	-10[1]	01.10.2012
26	PNE WIND Central States LLC	Minnesota, USA	100.00	100.00	-1,168	-34[1]	01.10.2009
27	Underwood Windfarm LLC	Minnesota, USA	100.00	100.00	-270	-5[1]	01.10.2009
28	Butte Windfarm LLC	Minnesota, USA	100.00	100.00	-1,979	-16[1]	01.10.2009
29	PNE WIND Canada Inc.	New Brunswick, Canada	100.00	100.00	-722	13[1]	26.01.2010

	Company	Headquarter	Participation previous year (%)	Participation (%)	Equity in TEUR	Net income in TEUR	Date of first consolidation
30	NH North Hungarian Windfarm Kft.	Budapest, Hungary	100.00	100.00	62	-18[1]	07.08.2008
31	PNE WIND Yenilenebilir Enerjiler Ltd.	Ankara, Turkey	50.00	100.00	1,659	-28[1]	08.12.2017
32	PNE WIND Elektrik Üretim Ltd.	Ankara, Turkey	100.00	100.00	-2,462	-963[1]	20.02.2015
33	PNE WIND Bati Rüzgari Elektrik Üretim Ltd.	Ankara, Turkey	100.00	100.00	-83	-46[1]	16.09.2015
34	PNE WIND Güney Rüzgari Elektrik Üretim Ltd.	Ankara, Turkey	100.00	100.00	-166	-93[1]	16.09.2015
35	PNE WIND Kuzey Rüzgari Elektrik Üretim Ltd.	Ankara, Turkey	100.00	100.00	-49	-40[1]	10.10.2016
36	S.C. PNE WIND Romania Energy Holding S.R.L	Bucharest, Romania	80.00	80.00	-1,108	-251[1]	10.05.2012
37	S.C. PNE WIND Romania S.R.L	Bucharest, Romania	100.00	100.00	-4,596	-1,230[1]	27.11.2008
38	S.C. PNE WIND MVI S.R.L	Bucharest, Romania	100.00	100.00	-1,416	-98[1]	31.08.2012
39	S.C. EVN WINDPOWER DEVELOPMENT & CONSTRUCTION S.R.L.	Bucharest, Romania	100.00	100.00	-1,040	-261[1]	14.11.2012
40	PNE WIND Bulgaria EOOD	Sofia, Bulgaria	100.00	100.00	-1,859	-72[1]	09.11.2010
41	PNE WIND PARK Dobrudzha EOOD (vormals PNE WIND Park Dobrudzha OOD)	Sofia, Bulgaria	51.00	100.00	-1,183	-38[1]	26.03.2010
42	HKW Silbitz GmbH & Co. KG	Silbitz	0.00	100.00	-2,527	1,210[1]	01.09.2009
43	WKN AG	Husum	83.10	83.10	43,703	4,015[1]	04.07.2013
44	Windkraft Nord USA, Inc.	Chicago, USA	100.00	100.00	799	2,022[1]	04.07.2013
45	WKN Italia s.r.l.	Catania / Sicily, Italy	100.00	100.00	-5,245	-242[1]	04.07.2013
46	Aero Sol s.r.l	Catania / Sicily, Italy	100.00	100.00	57	-383[1]	04.07.2013
47	Aero-Tanna s.r.l.	Catania / Sicily, Italy	100.00	100.00	428	-71[1]	04.07.2013
48	ATS Energia s.r.l.	Torremaggiore / Foggia, Italy	70.00	70.00	502	-106[1]	04.07.2013
49	WKN France S.A.S.U.	Nantes, France	100.00	100.00	3,556	4,444[1]	04.07.2013
50	Sevivon Sp. z o.o.	Koszalin, Poland	80.00	80.00	-15,512	-2,417[1]	04.07.2013
51	VKS Vindkraft Sverige AB	Motala, Sweden	80.00	80.00	1,626	1,615[1]	04.07.2013
52	WKN Windcurrent SA (Pty) Ltd.	Wilderness, South Africa	80.00	80.00	-3,575	-2,804[1]	04.07.2013
53	NordStrom New Energy GmbH	Husum	100.00	100.00	823	0[5]	04.07.2013

(Fortsetzung auf der nächsten Seite)

	Company	Headquarter	Partici-pation previ-ous year (%)	Partici-pation (%)	Equity in TEUR	Net income in TEUR	Date of first consoli-dation
54	NordStrom Solar GmbH	Husum	100.00	100.00	541	31[1]	04.07.2013
55	NordStrom Bioenergie GmbH	Husum	100.00	100.00	-975	-6[1]	04.07.2013
56	BGZ Fondsverwaltung GmbH	Husum	100.00	100.00	207	0[5]	04.07.2013
57	WKN Sallachy Ltd.	Glasgow, Great Britain	100.00	100.00	-656	-274[2]	01.07.2015
58	WKN Windpark Groß Niendorf GmbH & Co. KG	Husum	100.00	100.00	-9	-3[1]	01.07.2015
59	Windpark Gerdau-Schwienau GmbH & Co. KG (vormals Plambeck Neue Energien Windparks Fonds VIII Gerdau-Schwienau GmbH & Co. KG)	Cuxhaven	86.42	89.79	-4,696	108[1]	01.10.2016
60	Windpark Pülfringen GmbH & Co. KG (vor-mals Plambeck Neue Energien Windpark Pülfringen GmbH & Co. Betriebs KG)	Cuxhaven	100.00	100.00	-3,494	-174[1]	01.10.2016
61	PNE WIND Middle East GmbH	Cuxhaven	0.00	100.00	79	-21[1]	22.02.2017
62	PNE WIND Middle East Verwaltungs GmbH	Cuxhaven	0.00	100.00	20	-5[1]	06.07.2017
63	PNE WIND Middle East Alpha I GmbH & Co. KG	Cuxhaven	0.00	100.00	1	-1[1]	28.08.2017
64	PNE WIND Middle East Alpha II GmbH & Co. KG	Cuxhaven	0.00	100.00	1	-1[1]	28.08.2017
65	PNE WIND Middle East Beta I GmbH & Co. KG	Cuxhaven	0.00	100.00	1	-1[1]	28.08.2017
66	PNE WIND Middle East Beta II GmbH & Co. KG	Cuxhaven	0.00	100.00	1	-1[1]	28.08.2017
67	PNE WIND Middle East RE One GmbH & Co. KG	Cuxhaven	0.00	100.00	1	-1[1]	28.08.2017
68	PNE WIND Middle East RE Two GmbH & Co. KG	Cuxhaven	0.00	100.00	1	-1[1]	28.08.2017
69	PNE WIND Middle East Service GmbH & Co. KG	Cuxhaven	0.00	100.00	1	-1[1]	28.08.2017
70	PNE WIND West Europe GmbH	Cuxhaven	0.00	100.00	466	-34[1]	12.06.2017
71	PNE WIND West Europe Verwaltungs GmbH	Cuxhaven	0.00	100.00	21	-4[1]	10.07.2017
72	PNE WIND Türkei HoldCo I GmbH	Cuxhaven	0.00	100.00	3,361	-6[1]	30.05.2017
73	Pavana GmbH	Husum	0.00	100.00	684	-204[1]	30.09.2017
74	Parc Eolien de Haie de Useroles S.A.S.U.	Nantes, France	100.00	100.00	-183	-65[2]	31.12.2016
II. List of joint ventures and associates companies included in the consolidated financial statements							
1	Societa' Energetica Sarda s.r.l.	Villaurbana/ Sardinia, Italy	50.00	50.00	-38	-28[3]	04.07.2013
2	PNE WIND Infrastruktur Calau II GmbH	Cuxhaven	25.00	25.00	21	-1[2]	01.04.2013
3	PNE WIND Park III GmbH & Co. KG	Cuxhaven	25.00	25.00	54	40[2]	01.04.2013
4	Windpark Altenbruch GmbH	Cuxhaven	50.00	50.00	897	-8[2]	01.10.2016

Company		Headquarter	Participation previous year (%)	Participation (%)	Equity in TEUR	Net income in TEUR	Date of first consolidation
III. Non-consolidated companies due to minor significance							
1	Pilger Wind Farm Inc.	New Brunswick, Canada	100.00	100.00	0	0[2]	
2	Climax Wind Farm Inc.	New Brunswick, Canada	100.00	100.00	0	0[2]	
3	Watson Wind Farm Inc.	New Brunswick, Canada	100.00	100.00	0	0[2]	
4	Wadena Wind Farm Inc.	New Brunswick, Canada	100.00	100.00	0	0[2]	
5	Eston Wind Farm Inc.	New Brunswick, Canada	100.00	100.00	0	0[2]	
6	Whiska Wind Farm Inc.	New Brunswick, Canada	100.00	100.00	0	0[2]	
7	Burleigh Wind LLC	Chicago, USA	100.00	0.00	0	0[2]	
8	Netzanschluss Genthin GbR	Nielebock	52.00	52.00	10	18[2]	
9	ATS Energia PE Sant'Agata s.r.l.	Torremaggiore/Foggia, Italy	52.00	52.00	0	-8[1]	
10	ATS Energia PE Fiorentino s.r.l.	Torremaggiore/Foggia, Italy	52.00	52.00	6	-4[3]	
11	ATS Energia PE Florio s.r.l.	Torremaggiore/Foggia, Italy	52.00	52.00	6	-4[3]	
12	ATS Energia PE Valle s.r.l.	Torremaggiore/Foggia, Italy	52.00	52.00	6	-4[3]	
13	WKN PE Piombino s.r.l.	Catania/Sicily, Italy	74.90	74.90	14	-3[3]	
14	WKN Solar PE 1 s.r.l.	Catania/Sicily, Italy	100.00	100.00	-33	0[3]	
15	WKN Basilicata Development PE1 s.r.l.	Catania/Sicily, Italy	100.00	100.00	-1	-4[3]	
16	WKN Basilicata Development PE2 s.r.l.	Catania/Sicily, Italy	100.00	100.00	3	-4[3]	
17	WKN PE Polidon s.r.l.	Catania/Sicily, Italy	100.00	100.00	6	-3[3]	
18	Parc Eolien de Puchot S.A.S.U.	Nantes, France	100.00	100.00	-90	-14[3]	
19	Parc Eolien des Grands Champs S.A.S.U.	Nantes, France	100.00	100.00	-50	-7[3]	
20	SAS la Haie Perron	Nantes, France	100.00	100.00	-46	-9[3]	
21	SAS Parc Eolien de la Tardoire	Nantes, France	100.00	100.00	-24	-9[3]	

(Fortsetzung auf der nächsten Seite)

	Company	Headquarter	Partici-pation previ-ous year (%)	Partici-pation (%)	Equity in TEUR	Net income in TEUR	Date of first consoli-dation
22	SAS Parc Eolien d'Ermenonville de la Grande	Nantes, France	100.00	100.00	-24	-9[3]	
23	SAS Parc Eolien de La Fosse Descroix	Nantes, France	0.00	100.00	k.A.	k.A.[6]	
24	SAS Parc Eolien de La Plaine de la Minée	Nantes, France	0.00	100.00	k.A.	k.A.[6]	
25	SAS Parc Eolien de Pierre-Morains	Nantes, France	0.00	100.00	k.A.	k.A.[6]	
26	SAS Parc Eolien de Vill'Aire	Nantes, France	0.00	100.00	k.A.	k.A.[6]	
27	SAS Parc Eolien des Hauts Poiriers	Nantes, France	0.00	100.00	k.A.	k.A.[6]	
28	SAS Parc Eolien des Monts de Chalus	Nantes, France	0.00	100.00	k.A.	k.A.[6]	
29	SAS Parc Eolien de la Cote des Moulins	Nantes, France	100.00	100.00	-9	-9[3]	
30	SAS Parc Eolin de Dameraucourt	Nantes, France	100.00	100.00	-9	-9[3]	
31	SAS Parc Eolin de la Coutanciere	Nantes, France	100.00	100.00	-9	-9[3]	
32	Windfarm Polska III Sp. z o.o.	Koszalin, Poland	60.00	60.00	-1,520	-423[3]	
33	Windfarm Polska IV Sp. z o.o.	Koszalin, Poland	80.00	80.00	-275	-45[3]	
34	Windfarm Polska V Sp. z o.o.	Koszalin, Poland	58.00	58.00	-110	-33[3]	
35	Windfarm Polska VI Sp. z o.o.	Koszalin, Poland	100.00	100.00	-97	-18[3]	
36	Windfarm Zomar Sp. z o.o.	Koszalin, Poland	57.00	57.00	-61	-15[3]	
37	Windfarm Polska II Sp. z o.o.	Koszalin, Poland	100.00	100.00	-584	-165[3]	
38	Vindpark Hultema i Motala AB	Motala, Sweden	80.00	80.00	5	0[2]	
39	Vindpark Målarberget i Norberg AB	Motala, Sweden	80.00	80.00	5	0[2]	
40	Vindpark Norrberget i Sala AB	Motala, Sweden	80.00	80.00	5	0[2]	
41	Vindpark Näshult i Högsby AB	Motala, Sweden	80.00	80.00	5	0[2]	
42	Banna Ba Pifhu Wind Farm (Pty) Ltd.	Wilderness, South Africa	80.00	80.00	-4	0[1]	

	Company	Headquarter	Participation previous year (%)	Participation (%)	Equity in TEUR	Net income in TEUR	Date of first consolidation
43	Ubuntu Wind Farm (Pty) Ltd.	Wilderness, South Africa	80.00	80.00	-68	-9[1]	
44	Phemba PV (RF) PTY) Ltd.	Wilderness, South Africa	80.00	80.00	k.A.	k.A.[6]	
45	Broadlands Solar PV Park (Pty) Ltd.	Wilderness, South Africa	80.00	80.00	k.A.	k.A.[6]	
46	Windchills SPV (RF) (PTY) LTD	Wilderness, South Africa	80.00	80.00	k.A.	k.A.[6]	
47	Haga Haga Wind Farm (RF) (Pty) Ltd	Wilderness, South Africa	80.00	80.00	k.A.	k.A.[6]	
48	WKN WERTEWIND GmbH	Husum	0.00	100.00	25	-64[3]	
49	WKN Turkey GmbH	Husum	100.00	100.00	3	-4[3]	
50	WKN Windkraft Nord Beteiligungs-GmbH	Husum	100.00	100.00	109	52[3]	
51	Windpark Meerhof Verwaltungsgesellschaft mbH	Husum	100.00	100.00	21	3[3]	
52	Zukunftsenergien Beteiligungs-GmbH	Husum	100.00	100.00	5	-1[3]	
53	WKN Windkraft Nord GmbH & Co. Windpark Daberkow KG	Husum	100.00	100.00	k.A.	k.A.[6]	
54	WKN Windkraft Nord GmbH & Co. Windpark Steffenshagen KG	Husum	100.00	100.00	k.A.	k.A.[6]	
55	WKN Windkraft Nord GmbH & Co. Windpark Immenrode KG	Husum	100.00	100.00	k.A.	k.A.[6]	
56	WKN Windkraft Nord GmbH & Co. Windpark Oelsig II KG	Husum	100.00	100.00	k.A.	k.A.[6]	
57	WKN Windkraft Nord GmbH & Co. Windpark Weinstraße KG	Husum	100.00	100.00	k.A.	k.A.[6]	
58	WKN Windkraft Nord GmbH & Co. Windpark Weinstraße II KG	Husum	100.00	100.00	k.A.	k.A.[6]	
59	WKN Windpark Beerfelde GmbH & Co. KG	Husum	100.00	100.00	k.A.	k.A.[6]	
60	WKN Windpark Kirchheilingen GmbH & Co. KG	Husum	100.00	100.00	k.A.	k.A.[6]	
61	WKN Windpark Zinndorf II GmbH & Co. KG	Husum	100.00	100.00	k.A.	k.A.[6]	
62	WKN Windkraft Nord GmbH & Co. Windpark Bebensee KG	Husum	100.00	100.00	k.A.	k.A.[6]	
63	WKN Windkraft Nord GmbH & Co. Windpark Berkenthin KG	Husum	100.00	100.00	k.A.	k.A.[6]	
64	WKN Windkraft Nord GmbH & Co. Windpark Hamwarde KG	Husum	100.00	100.00	k.A.	k.A.[6]	
65	WKN Windkraft Nord GmbH & Co. Windpark Kuhs-Sarmstorf KG	Husum	100.00	100.00	k.A.	k.A.[6]	

(Fortsetzung auf der nächsten Seite)

	Company	Headquarter	Partici-pation previ-ous year (%)	Partici-pation (%)	Equity in TEUR	Net income in TEUR	Date of first consoli-dation
66	WKN Windkraft Nord GmbH & Co. Windpark Kollow KG	Husum	100.00	100.00	k.A.	k.A.[6]	
67	WKN Windpark Kittlitz III GmbH & Co. KG	Husum	0.00	100.00	k.A.	k.A.[6]	
68	WKN Windkraft Nord GmbH & Co. Windpark Kleinbüllesheim KG	Husum	100.00	100.00	k.A.	k.A.[6]	
69	Windpark Rositz GmbH & Co. KG	Husum	100.00	100.00	k.A.	k.A.[6]	
70	WKN Windkraft Nord GmbH & Co. Windpark Kannawurf KG	Husum	100.00	100.00	k.A.	k.A.[6]	
71	Windpark Brilon GmbH & Co. KG	Husum	100.00	100.00	k.A.	k.A.[6]	
72	WKN Windpark Groß Oesingen GmbH & Co. KG	Husum	100.00	100.00	k.A.	k.A.[6]	
73	WKN Windpark Großbrembach GmbH & Co. KG	Husum	100.00	100.00	k.A.	k.A.[6]	
74	WKN Windpark Hamwarde GmbH & Co. KG	Husum	100.00	100.00	k.A.	k.A.[6]	
75	WKN Windpark Lütau GmbH & Co. KG	Husum	100.00	100.00	k.A.	k.A.[6]	
76	WKN Windpark Großenehrich GmbH & Co. KG	Husum	100.00	100.00	k.A.	k.A.[6]	
77	WKN Windpark Christianshöhe GmbH & Co. KG	Husum	100.00	100.00	k.A.	k.A.[6]	
78	WKN Windpark Cornberg GmbH & Co. KG	Husum	100.00	100.00	k.A.	k.A.[6]	
79	WKN Windpark Wölsickendorf-Wollenberg GmbH & Co. KG	Husum	100.00	100.00	k.A.	k.A.[6]	
80	WKN Windpark Karstädt IV GmbH & Co. KG (vormals WKN Windpark 62 GmbH & Co. KG)	Husum	100.00	100.00	k.A.	k.A.[6]	
81	WKN Windpark 61 GmbH & Co. KG	Husum	100.00	100.00	k.A.	k.A.[6]	
82	NordStrom Beteiligungsgesellschaft mbH	Husum	100.00	100.00	39	3[3]	
83	NordStrom Bioenergie Beteiligungs-gesellschaft mbH	Husum	100.00	100.00	21	0[3]	
84	REE GmbH	Husum	100.00	100.00	48	2[3]	
85	GREENWIND GmbH	Husum	100.00	100.00	40	6[3]	
86	EWEG Europäische Windenergie-Entwick-lungsgesellschaft mbH	Husum	100.00	100.00	19	0[3]	
87	IWC Bulgaria Project EOOD	Dobrich, Bulgaria	100.00	100.00	-4,974	-81[2]	
88	IWC Bulgaria 3 EOOD	Dobrich, Bulgaria	100.00	100.00	k.A.	k.A.[6]	
89	IWC Bulgaria 4 EOOD	Dobrich, Bulgaria	100.00	100.00	k.A.	k.A.[6]	

	Company	Headquarter	Participation previous year (%)	Participation (%)	Equity in TEUR	Net income in TEUR	Date of first consolidation
90	IWC Bulgaria WP 5 EOOD	Dobrich, Bulgaria	100.00	100.00	k.A.	k.A.[6]	
91	IWC Bulgaria 6 EOOD	Dobrich, Bulgaria	100.00	100.00	k.A.	k.A.[6]	
92	Innovative Wind Concepts GmbH	Husum	100.00	100.00	-41	-183[4]	
93	PNE WIND Park Nordleda A GmbH & Co. KG	Cuxhaven	0.00	100.00	k.A.	k.A.[6]	
94	PNE WIND Park Nordleda B GmbH & Co. KG	Cuxhaven	0.00	100.00	k.A.	k.A.[6]	
95	PNE WIND Park XIV GmbH & Co. KG	Cuxhaven	0.00	100.00	k.A.	k.A.[6]	
96	PNE WIND Park XV GmbH & Co. KG	Cuxhaven	0.00	100.00	k.A.	k.A.[6]	
97	PNE WIND Park XVI GmbH & Co. KG	Cuxhaven	0.00	100.00	k.A.	k.A.[6]	
98	PNE WIND Park XVII GmbH & Co. KG	Cuxhaven	0.00	100.00	k.A.	k.A.[6]	
99	PNE WIND Park XVIII GmbH & Co. KG	Cuxhaven	0.00	100.00	k.A.	k.A.[6]	
100	PNE WIND Park XIX GmbH & Co. KG	Cuxhaven	0.00	100.00	k.A.	k.A.[6]	
101	PNE WIND Park XX GmbH & Co. KG	Cuxhaven	0.00	100.00	k.A.	k.A.[6]	
IV. Non-consolidated associated companies due to minor significance							
1	Windpark Köhlen GmbH	Oldenburg	50.00	50.00	1,499	45[2]	
2	Elbe-Weser-Windkraft GmbH	Cuxhaven	50.00	50.00	20	-1[2]	
3	STEAG ve PNE WIND Rüzgar Enerjisi Üretim A.S.	Ankara, Turkey	50.00	50.00	-58	-34[2]	
4	WKN Windkraft Nord GmbH & Co. Windpark Milda KG	Husum	50.00	50.00	15	0[3]	
5	EVN Energieversorgung Nord GmbH & Co. KG	Husum	50.00	50.00	-247	-13[3]	
6	Windpark Gebstedt GmbH & Co. KG (vormals WKN Windkraft Nord GmbH & Co. Windpark Weinstraße KG)	Husum	100.00	50.00	k.A.	k.A.[6]	

[1]per the financial statements as at December 31, 2017
[2]per the provisional financial statements as at December 31, 2017
[3]per the financial statements as at December 31, 2016
[4]per the financial statements as at September 30, 2016
[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 2017

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 and the servicing of wind power turbines.

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 315e 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, 2017, were approved at the meeting of the Board of Management on March 12, 2018 for submission to the Supervisory Board.

The consolidated financial statements as at December 31, 2017 are filed with the operator of the Federal Gazette (Bundesanzeiger).

During the fiscal year 2017, 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 endorsement	Application obligation in the EU
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	November 6, 2017	January 1, 2017
Amendments to IAS 7: Disclosure Initiative – Reconciliation of liabilities from financing activities	November 6, 2017	January 1, 2017

In fiscal year 2017, 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	open
IFRS 15: New Standard: "Revenue from Contracts with Customers"	September 22, 2016	January 1, 2018
Clarification regarding IFRS 15 "Revenue from Contracts with Customers"	October 31, 2017	January 1, 2018
IFRS 16: New standard "Leases":	October 31, 2017	January 1, 2019
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	open	deferred by the IASB for an indefinite period
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	February 26, 2018	January 1, 2018
Amendments to IFRS 4: Application of IFRS 9 "Financial Instruments" in conjunction with IFRS 4	November 3, 2017	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"	February 7, 2018	January 1, 2017 / January 1, 2018
IFRIC 22: New interpretation "Foreign Currency Transactions and Advance Consideration"	Not yet endorsed	January 1, 2018
IFRIC 23: New Interpretation "Uncertainty over Income Tax Treatments"	Not yet endorsed	January 1, 2019
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	Not yet endorsed	January 1, 2019

Standard / Interpretation	Date of EU endorsement	(expected) Application obligation in the EU
Amendments to IFRS 9: Prepayment Features with Negative Compensation	Not yet endorsed	January 1, 2019
Annual improvements project "Improvements to IFRSs 2015–2017 Cycle"	Not yet endorsed	January 1, 2019
IFRS 17: New standard "Insurance Contracts":	Not yet endorsed	January 1, 2021

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 2017.

IFRS 9 "Financial Instruments"

New standard, which was 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 examination of the effects of the application of IFRS 9 on the consolidated financial statements has been completed. 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 accordance with IFRS 9, only shares in affiliated companies and those in which an investment is held are to be measured at fair value through profit or loss, as the contractually agreed cash flows do not only include interest and redemption payments. In accordance with IAS 39, these shares have previously been classified as "available-for-sale", so that their changes in value – if applicable – were recorded under other income. No changes are expected regarding impairment losses under the "expected-loss" model pursuant to IFRS 9. As a rule, selective explanatory notes on financial instruments are to be widened in view of the more detailed regulations.

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 examination of the effects of the application of IFRS 15 on the consolidated financial statements has been completed; apart from additional disclosures in the notes, the management expects no or only a minor impact from the application of IFRS 15 on the basis of the sales expected to be recognised. Where a contract has multiple performance obligations, the revenues realised from the individual performance service obligations already correspond to their standalone selling prices. IFRS 15 also does not result in any changes with regard to the time of revenue recognition. PNE will apply IFRS 15 for the first time for the financial year beginning on January 1, 2018. PNE currently envisages selecting the modified retrospective method for initial application.

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 completed. The most significant effect identified to date is that the Group will recognise new assets (rights of use) and liabilities for existing operating lease agreements (see chapter X. Other disclosures, no. 1) where PNE is the lessee. In addition, there will be changes in the recognition of expense related to these leases. Currently, rental and lease payments under operating leases are recognised as an expense on a straight line basis over the term of the lease. With the application of IFRS 16, depreciation charges for rights of use and interest expenses must be recognised in profit or loss over the term of the lease using the effective interest method for the liabilities arising from the leases.

We do not include any further details regarding new or amended standards or interpretations, since the effects of their initial 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, percentage holding and segment category):

1. Energy consult Prüfgesellschaft, Husum (100 percent, first consolidation on August 11, 2017, segment "projecting of wind power turbines") (established),

2. PNE WIND Middle East GmbH & Co. KG, Cuxhaven (100 percent, first consolidation on February 22, 2017, segment "projecting of wind power turbines") (established),

3. PNE WIND Middle East Verwaltungs GmbH & Co. KG, Cuxhaven (100 percent, first consolidation on July 6, 2017, segment "projecting of wind power turbines") (established),

4. PNE WIND Middle East Alpha I GmbH & Co KG, Cuxhaven (100 percent, first consolidation on August 28, 2017, segment "projecting of wind power turbines") (established),

5. PNE WIND Middle East Alpha II GmbH & Co KG, Cuxhaven (100 percent, first consolidation on August 28, 2017, segment "projecting of wind power turbines") (established),

6. PNE WIND Middle East Beta I GmbH & Co KG, Cuxhaven (100 percent, first consolidation on August 28, 2017, segment "projecting of wind power turbines") (established),

7. PNE WIND Middle East Beta II GmbH & Co KG, Cuxhaven (100 percent, first consolidation on August 28, 2017, segment "projecting of wind power turbines") (established),

8. PNE WIND Middle East RE One GmbH & Co KG, Cuxhaven (100 percent, first consolidation on August 28, 2017, segment "projecting of wind power turbines") (established),

9. PNE WIND Middle East RE Two GmbH & Co KG, Cuxhaven (100 percent, first consolidation on August 28, 2017, segment "projecting of wind power turbines") (established),

10. PNE WIND Middle East Service GmbH & Co KG, Cuxhaven (100 percent, first consolidation on August 28, 2017, segment "projecting of wind power turbines") (established),

11. PNE WIND West Europe GmbH, Cuxhaven (100 percent, first consolidation on June 12, 2017, segment "electricity generation") (established),

12. PNE WIND West Europe Verwaltungs GmbH, Cuxhaven (100 percent, first consolidation on July 10, 2017, segment "electricity generation") (established),

13. PNE WIND Türkei HoldCo I GmbH, Cuxhaven (100 percent, first consolidation on May 30, 2017, segment "projecting of wind power turbines") (established),

14. Pavana GmbH, Husum (100 percent, first consolidation on September 30, 2017, segment "projecting of wind power turbines") (established),

15. SAS Parc Eolien de Longèves, Nantes, France, (100 percent, first consolidation on June 30, 2017, segment "projecting of wind power turbines") (established) (the company was sold in the year under review – see below).

The object of company no. 1 is the execution of technical tests, inspections and assessments regarding installations for the production of renewable energies.

The object of companies no. 2 and no. 3 is the function of an investment company in respect of cooperation partnerships for the development, project planning and realisation of wind farm projects abroad.

The object of companies no. 4–10 and no. 15 is the construction and operation of wind power turbines as part of wind farms and the sale of the electricity generated.

The object of companies no. 11–13 is exercising the activities of a managing company, in particular the acquisition and management of companies and shareholdings, and acquisition transactions at home and abroad, in particular of wind farms.

The object of company no. 14 is the provision of services in the field of renewable energies.

The carrying amounts and fair values of the identifiable assets and liabilities of companies no. 1–15 were insignificant for the asset, financial and earnings position on the date of first-time consolidation.

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 Dobrudzha EOOD, Sofia, Bulgaria (from 51.0 percent to 100 percent, segment of "projecting of wind power turbines"),

The change in the shareholding did not result in a change or the nature of consolidation, but only in a change in minority interests of approx. TEUR 600. The payment made for the acquisition of the shares amounted to euro approx. TEUR 3. The transactions have not resulted in any significant effects on the Group's statement of comprehensive income.

PNE WIND Yenilenebilir Enerjiler Ltd., Ankara, Turkey (from 50 percent to 100 percent; segment "projecting of wind power turbines).

Due to the change in the shareholding and the resulting full control over PNE WIND Yenienelilir Enerjiler Ltd., the Group received assets of euro 2.6 million as part of the transitional consolidation, of which cash and cash equivalents of euro 1.9 million as well as debts of euro 0.0 million. By the date of full consolidation of this company, it was shown under the associated companies with a value of euro 1.4 million. The payment made for the acquisition of the shares amounted to euro 1.1 million. The transitional consolidation was effected as of December 8, 2017, which means that there were no significant effects on the Group's statement of comprehensive income.

PNE WIND Park Kührstedt-Alfstedt GmbH & Co. KG, Cuxhaven, (from 50 percent to 100 percent, segment "electricity generation").

The change in the shareholding has not resulted in a change of the type of consolidation, but only in an insignificant change in minority interests. The payment made for the acquisition of the shares amounted to euro approx. TEUR 5. The transactions have not resulted in any significant effects on the Group's statement of comprehensive income.

Windpark Gerdau-Schwienau GmbH & Co. KG, Cuxhaven, (from 86.42 percent to 89.79 percent, segment "electricity generation").

The change in the shareholding has not resulted in a change of the type of consolidation, but only in a change in minority interests. The payment made for the acquisition of the shares amounted to euro approx. TEUR 16. The transactions have not resulted in any significant effects on the Group's statement of comprehensive income.

Accordingly, apart from PNE WIND AG, the scope of consolidation as at December 31, 2017 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, 2017 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" and under Point IV "non-consolidated associated companies due to minor significance."

In the 2017 fiscal year, 13 shelf companies, which were not consolidated due to minor significance, were merged into consolidated companies. This had no significant impact on the consolidated financial statements.

2. Disposals of shares

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

1. 20 percent of shares in PNE WIND Partners Deutschland GmbH, Husum, Germany (stated in the balance sheet under "Shares in associated companies"),

2. 100% of the shares in PNE WIND Atlantis I GmbH, Cuxhaven (disposal from the segment "projecting of wind power turbines"),

3. SAS Parc Eolien de Longèves, Nantes, France, (disposal from the segment "projecting of wind power turbines").

In addition, due to their now minor significance, Ukrainische Windenergie Management GmbH and New Energy Association International GmbH were deconsolidated (disposal from the segment "projecting of wind power turbines").

To 1. The purchase price for 20 percent of the shares in PNE WIND Partners Deutschland GmbH totalled approx. euro 23.1 million.

Due to the deconsolidation of PNE WIND Partners Deutschland GmbH, the recorded at-equity value of approx. euro 21.7 million was eliminated. The deconsolidation resulted in income of euro 6.8 million. This amount includes income from the revaluation of the remaining shares (see below under Explanation) of euro 5.4 million. The payment received for the sale of the shares amounted to approx. euro 23.1 million. The gain on disposal is included in the Group's revenues.

Explanation

Under the contract of December 9, 2016, PNE WIND AG sold 80 percent of its interest in PNE WIND Partners Deutschland GmbH to AREF II Wind Germany I GmbH. The closing took place on December 29, 2016. In the relevant sales contract, an earn-out for optimising project financing was also agreed upon. The probability of the earn-out was initially estimated by management to be 0 percent in the consolidated financial statements as at December 31, 2016 due to uncertainty about the development of the financial markets with regard to maturities and interest rates.

In the consolidated financial statements as at December 31, 2016, this transaction resulted in a transitional consolidation from full consolidation to the at-equity inclusion of PNE WIND Partners Deutschland GmbH. In this connection, the shares retained were measured in accordance with IFRS 10.25 at fair value, which was derived from the selling price – without taking account of the earn-out component – for the 80 percent interest sold, and the corresponding income from the revaluation was recorded under other income.

The refinancing was completed successfully in the 2017 reporting period. The optimisation of the financing structure included an increase in the debt ratio and cost reductions in the portfolio and, with a constant return for the purchaser of the shares before and after the optimisation, led to a subsequent increase in last year's enterprise value from approx. euro 330 million to an enterprise value of approx. euro 360 million.

The adjusted fair value of the shares retained represents a change in accounting estimates in accordance with IAS 8.34, which is to be recognised in profit or loss of the 2017 reporting period in accordance with IAS 8.36. In line with the procedure followed for the original accounting treatment in the 2016 fiscal year, the income of approx. euro 5.4 million is to be recognised in other income.

To 2.

The purchase price for 100 percent of the shares in PNE WIND Atlantis I GmbH, including the repayment of the shareholder loans, totalled approx. euro 18.1 million. In addition, the purchaser made a payment to be made upon the sale of the shares under the purchase agreement concluded with the previous owner. Through milestone payments, PNE WIND AG will also benefit from a further increase in the value of the project achieved by further development by the purchaser.

Due to the deconsolidation of PNE WIND Atlantis I GmbH, assets totalling approx. euro 22.1 million, which primarily represent the capitalised services of the project (work in progress), as well as debts and provisions amounting to approx. euro 8.6 million, plus the shareholder loans of euro 14.9 million, were eliminated at the Group level. The deconsolidation of the company resulted in income of approx. euro 1.3 million. The payment received for the sale of the company amounted to approx. euro 3.3 million, plus the repayment of shareholder loans (in total approx. euro 18.1 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.

To 3.

The purchase price for 100 percent of the shares in SAS Parc Eolien de Longèves amounted to approx. euro 7.3 million.

Due to the deconsolidation of SAS Parc Eolien de Longèves, assets totalling approx. euro 19.3 million, which primarily represent technical plant and machinery of the project, as well as debts and provisions of approx. euro 19.7 million were eliminated at the Group level. The deconsolidation of the company resulted in income of approx. euro 7.8 million. The payment received for the sale of the company amounted to approx. euro 7.3 million. The Company's funds eliminated from the balance sheet as a result of the transaction amounted to approx. euro 1.6 million. The gain on disposal is included in the Group's revenues.

in TEUR	PNE WIND Atlantis I GmbH	PNE WIND Partners Deutschland GmbH (20 %)	Parc Eolien de Longeves
1. Total consideration received	**18,115**	**23,100**	**7,345**
2. Disposal of assets and liabilities			
Current assets	22,115	0	1,931
Non-current assets	0	21,686	17,345
Current liabilities	-8,584	0	-669
Long-term liabilities	0	0	-19,047
Net assets sold	**13,530**	**21,686**	**-440**
3. Gain / loss on disposal			
Amounts received	18,115	23,100	7,345
Net assets disposed	-13,530	-21,686	440
Gain / loss on disposal	**4,585**	**1,414**	**7,785**
4. Net cash flow			
Cash payment sale price	18,115	23,100	7,345
Less the cash position disposed from sale	-1	0	-1,556
Net cash flow from the sale	**18,115**	**23,100**	**5,789**

*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, 2017 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 policy. 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 lives 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 in 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 resulted in expenses from the assumption of losses totalling TEUR 42 (prior year: TEUR 66) and income of TEUR 1,002 (prior year: TEUR 644). The change in the book value of the shares in associated companies resulted mainly from the sale of the 20 percent interest in PNE WIND Partners Deutschland GmbH (as per December 31, 2016: TEUR 25,833) and the increased shareholding (from 50 % to 100 %) and the resulting full consolidation of PNE WIND Yenilenebilir Enerjiler Ltd. (as at December 31, 2016: TEUR 1.026).

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. 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.

8. 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.

9. 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.

10. 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.

11. 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.

12. 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.

13. 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.

14. 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.

15. Statement of comprehensive income

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

16. 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 chapter IV.9.

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

17. 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 item V.2 "Property, plant and equipment".

1. Intangible assets

The intangible assets in an amount of TEUR 63,381 (prior year: TEUR 63,409) 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 8.19 percent (prior year: 9.32 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 8.23 percent (prior year: 8.99 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 4.12 percent (prior year: 5.84 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, 2017 and December 31, 2016:

Projecting of wind power turbines WKN and PNE

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 2.07 percent (prior year: 4.94 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 5 percent change in the interest rate would have the effect that the total of book values would exceed the recoverable amount of the CGU by TEUR 3,567.

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

in TEUR	Projecting of wind power turbines PNE		Projecting of wind power turbines WKN		Electricity generation		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Carrying amount of goodwill	23,032	23,032	40,207	40,207	142	170	63,381	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 464 (prior year: TEUR 545). At the end of the finance lease at the beginning of 2017, the title to the transformer station was transferred to the Group.

The item "Other equipment, fixtures and furnishings" includes 10 LIDAR wind measurement devices, capitalised at net acquisition costs of TEUR 928 (prior year: TEUR 928). 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. For information about future lease payments, refer to chapter "X. Other disclosures".

During the 2016 and 2017 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. Until a decision is made regarding the external sale or internal operation, they are be 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.

There are restrictions on disposal regarding the company's headquarters in Cuxhaven. A land charge of TEUR 3,170 is registered on this property.

3. Long term financial assets

In addition to the Company's investments in associated companies (incl. joint ventures) totalling TEUR 475 (prior year: TEUR 27,194), 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 27 (prior year: TEUR 26). The Company does not intend to sell the investments in the long term. Moreover, the item contains loans totalling TEUR 178 (prior year: TEUR 115) and other loan receivables totalling TEUR 26 (prior year: TEUR 25).

As in the previous year, impairment losses totalling TEUR 28 were made on long-term financial assets in fiscal 2017.

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

Interests in joint ventures are accounted for using the equity method. It is a joint venture because there is joint control on the basis of contractual agreements.

In the prior year, the joint ventures included primarily PNE WIND Partners Deutschland GmbH (20 % interest) and PNE WIND Yenilenebilir Ltd. (50 % interest). The shares in PNE WIND Partners Deutschland GmbH were sold at the end of 2017 (see chapter III./2.) and the shareholding in PNE WIND Yenilibilir Ltd. was raised to 100 percent (see chapter III./1.).

Summarised financial information in respect of PNE WIND Partners Deutschland GmbH and PNE WIND Yenilenebilir Ltd. for the prior year is set out below.

The shareholding in PNE WIND Partners Deutschland GmbH amounted to 20 percent at the end of 2016. As at December 31, 2016, the book value of the Group's interest was TEUR 25,833.

The shareholding in PNE WIND Yenilenebilir Ltd. amounted to 50 percent at the end of 2016. As at December 31, 2016, the book value of the Group's interest was TEUR 1,026.

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

Details regarding Windpark Altenbruch GmbH as a material associated company of the Group are indicated in the following tables:

Associated companies	Core business	Seat	Equity and voting rights	
			31.12.2017	31.12.2016
Windpark Altenbruch GmbH	Power generation from wind energy	Cuxhaven	50 %	50 %

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	31.12.2017 TEUR	31.12.2016 TEUR
Net assets of the joint venture	897	1.331
Group equity	50 %	50 %
Goodwill	0	0
Received dividend	0	-342
Book value of the Group share	**449**	**324**

Windpark Altenbruch GmbH	31.12.2017 TEUR	31.12.2016 TEUR
Current assets	75	482
Non-current assets	829	871
Current liabilities	-7	-22
Long-term liabilities	0	0

Windpark Altenbruch GmbH	31.12.2017 TEUR	31.12.2016 TEUR
Revenues	46	1,144
Net profit for the year from continuing operations	-8	1,110
Post-tax result from discontinued operations	0	0
Net income	-8	1,110
Other result	0	0
Total result	-8	1,110
Dividend received from associates	0	342

Summarised information about associated companies that are of minor significance:

in TEUR	31.12.2017	31.12.2016
Total of the carrying amounts of the Group's shares in these companies	26	11

4. Inventories

in TEUR	31.12.2017	31.12.2016
Raw materials, consumables and supplies	104	115
Work in progress	83,375	104,962
Finished goods and merchandise	2	2
Prepayments made	2,881	7,866
	86,361	**112,946**

During the 2016 and 2017 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 2017 fiscal year, an amount of TEUR 7,251 (prior year: TEUR 8,564) in respect of write-downs of inventories to the net realisable value was recognised as an expense. TEUR 2,698 (prior year: TEUR 0) of this amount is attributable to Germany and TEUR 4,553 (prior year: 8,564) to foreign countries. The expense is included in the changes in inventories. The write-downs were made primarily, since, due to certain circumstances, several projects can no longer be realised profitably and the existing assets had to be written down.

The total cost of inventories recognised as an expense was TEUR 63,331 (prior year: TEUR 1,591).

Work in progress includes assets of TEUR 71,027 (prior year: TEUR 63,799), which are expected to be recovered after more than twelve months.

Work in progress is divided as follows:

- offshore projects (euro 23.9 million),
- onshore projects in Germany (euro 20.3 million),
- onshore projects abroad (euro 39.2 million),

Work in progress decreased from TEUR 104,962 (December 31, 2016) to TEUR 83,375. The decrease is due primarily to the sale of the Atlantis I offshore project and the sale and related deconsolidation of PNE WIND Atlantis I GmbH. As at December 31, 2016, the Group recorded inventories of TEUR 21,925 in relation to the Atlantis I project.

5. 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 12,605 (prior year: TEUR 4,199). After being netted against prepayments received, the following balance results, which is shown under trade receivables:

in TEUR	31.12.2017	31.12.2016
Accrued cost including stage of completion profits realised	12,605	4,199
Prepayments received	-12,605	-4,147
	0	**52**

Trade receivables

In the fiscal year 2017, write-downs of TEUR 1,450 (prior year: TEUR 1,374) 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):

in TEUR	31.12.2017	31.12.2016
1.1	**3,942**	**2,782**
Additions	1,450	1,374
Utilisation (-)	953	0
Reversals (-)	113	214
31.12.	**4,326**	**3,942**

The total receivables written down amounted to TEUR 4,391 as at December 31, 2017 (prior year: TEUR 4,010).

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:**

in TEUR		Total	Fair Value
As per 31.12.2017			
Short term financial assets			
Cash and cash equivalents	LaR	193,984	193,984
Trade receivables	LaR	5,119	5,119
Other short term loan receivables	LaR	61	61
Receivables from affiliated companies	LaR	4,455	4,455
Receivables from associated companies and those in which an investment is held	LaR	642	642
Long term financial assets			
Shares in affiliated companies	AfS	27	-
Shares in companies in which an investment is held	AfS	1,785	-
Other loans	LaR	178	178
Other short term loan receivables	LaR	26	26
		206,277	**204,466**
Total loans and receivables		204,466	204,466
Total financial assets available for sale		1,812	
As per 31.12.2016			
Short term financial assets			
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
Long term financial assets			
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
		171,073	**169,955**
Total loans and receivables		169,955	169,955
Total financial assets available for sale		1,118	-

LaR= Loans and receivables
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 1,812 as at December 31, 2017 (prior year: TEUR 1,118). 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 1,450 (prior year: TEUR 1,402) for impairment losses, shown in other operating expenses, as well as TEUR 393 (prior year: TEUR 107) for interest income, shown in the financial result.

Other assets

Other assets include primarily value added tax receivables.

6. Equity capital

Subscribed capital

As at January 1, 2017, 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. The Company’s share capital has not changed in the reporting period.

Accordingly, on the reporting date, the Company’s share capital still amounted to euro 76,556,026.00, divided into 76,556,026 no par value registered shares with a notional share of euro 1.00 per share in the share capital.

Authorised Capital 2017

The general meeting of shareholders of May 31, 2017 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 30, 2022, on one or several occasions to a total of up to euro 38,250,000.00 (Authorised Capital 2017) by issuing new no par value registered shares against contributions in cash or in kind. The shareholders are to be granted a subscription right with the following restrictions, whereby the subscription right May also be granted indirectly to shareholders in accordance with Section 186 (5) AktG. In addition, the Board of Management was authorised to exclude, with the approval of the Supervisory Board, the shareholders' subscription rights for fractional amounts resulting from the subscription ratio. The Board of Management was also authorised to exclude, with the approval of the Supervisory Board, the shareholders' subscription right up to an amount not exceeding 10 percent of the share capital existing at the time this authorisation becomes effective or – if this value is lower – of the share capital existing at the time the authorisation is exercised in order to issue the new shares against cash contributions at an issue price which is not significantly below the stock market price of already listed shares of the Company of the same class and type at the time of final determination of the issue price (simplified exclusion of subscription rights in accordance with Section 186 (3) sentence 4 AktG). The aforementioned 10 percent threshold must include the pro rata amount of the share capital, which is attributable to new or repurchased shares that have been issued or sold during the term of the authorisation under the simplified exclusion of shareholders' subscription rights pursuant to or in accordance with Section 186 (3) sentence 4 AktG as well as the pro rata amount of the share capital, which is attributable to conversion and/or option rights under bonds which have been issued during the term of the authorisation by applying mutatis mutandis Section 186 (3) sentence 4 AktG.

In addition, the Board of Management was authorised to exclude, with the approval of the Supervisory Board, the subscription right for a partial amount of up to euro 15,300,000.00

- if the capital increase is effected against non-cash contributions, in particular, in the event of acquisition of companies, parts of companies or participations in companies or other assets, including rights and receivables - also against the Company – or of rights to the acquisition of assets, or in connection with business combinations, and

- in order to grant the holders and/or creditors of the bonds carrying conversion and/or option rights issued by the Company or its subsidiaries subscription rights for new shares in the scope to which they would have been entitled as shareholders following the exercise of their conversion and/or option rights.

The Board of Management may, subject to the approval of the Supervisory Board, exercise the afore-mentioned authorisations regarding exclusion of subscription rights, in aggregate, only to the extent that the share capital's pro rata amount which is attributable to the Company's shares issued or sold during the term of Authorised Capital 2017 under exclusion of subscription rights and/or to which the instruments or rights issued during the term of Authorised Capital 2017 under exclusion of subscription rights refer and enable the subscription for shares of the Company, including from conditional capital, does not exceed 20% of the share capital existing at the time the authorisation becomes effective or – if lower – at the time the authorisation is exercised.

Finally, the authorisation regarding Authorized Capital 2017 stipulates that the Board of Management, with the approval of the Supervisory Board, May determine the content of the rights embodied in the shares and the further conditions of the share issue, including the issue price.

The Authorised Capital 2017 was registered in the commercial register of the Company on August 17, 2017.

The Board of Management made no use of Authorised Capital 2017 in the period under review. The Board of Management also made no use of the previously existing Authorised Capital of EUR 4,290,305.00, which was revoked by the general meeting of shareholders by resolution of May 31, 2017 in the context of the authorisation regarding Authorised Capital 2017.

The Authorised Capital thus amounted to euro 38,250,000.00 on December 31, 2017.

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 a wholly-owned indirect or direct investment company 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. No use was made in the period under review regarding the remaining amount of up to EUR 5,760,566.00. On May 14, 2017, the authorisation to use Conditional Capital II/2012 expired due to lapse of time, so that utilisation of the remaining amount of Conditional Capital II/2012 and the corresponding granting of subscription rights are no longer possible

In the period under review, no conversion rights (prior year: 576) were exercised and no new shares were issued from Conditional Capital II/2012 (prior year: 592).

Conditional Capital 2017

The general meeting of shareholders of May 31, 2017 also resolved a conditional increase of the Company's share capital by a further amount of up to euro 20,000,000.00.

The share capital is conditionally increased by a further amount of up to euro 20,000,000.00, divided into up to 20,000,000 no par value registered shares, each representing a pro-rata amount of euro 1.00 of the share capital (Conditional Capital 2017). The conditional capital increase is implemented only to the extent that the holders or creditors of option or conversion rights resulting from convertible and/or option bonds, which are issued or guaranteed up to May 30, 2022 by the Company or an indirect or direct wholly-owned investment company of the Company on the basis of the authorisation resolution of the annual meeting of shareholders of May 31, 2017, exercise their option or conversion rights. The conditional capital increase will not be implemented if a cash settlement has been granted or if treasury shares, shares from authorised capital or shares of another listed company are used for servicing purposes. The new shares will be issued at the conversion or option price to be determined in each case in accordance with the aforementioned authorisation resolution. The new shares shall participate in profits from the beginning of the fiscal year in which they are created; to the extent permitted by law, the Board of Management may, with the approval of the Supervisory Board, determine the profit participation of new shares in deviation from this and from Section 60 (2) AktG, including for a fiscal year that has already elapsed. 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.

In the period under review, the Board of Management made no use of the authorisation in respect of Conditional Capital 2017.

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, 2017. 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 2017 dividend payment, dividends of TEUR 3,062 (euro 0.04 per share) (prior year: dividend of TEUR 3,062 (euro 0.04 per share)) plus a special dividend of TEUR 6,124 (euro 0.08 per share) (prior year: TEUR 0.00), i.e. a dividend totalling TEUR 9,187 (euro 0.12 per share), were distributed to the shareholders from the retained profits shown in the financial statements of PNE WIND AG prepared pursuant to the German Commercial Code. The Board of Management and the Supervisory Board propose to distribute a dividend of four percent on the notional interest in the share capital of the eligible shares of the 2017 fiscal year from the retained profits of PNE WIND AG totalling euro 130,896,618.23 (prior year: euro 107,471,103.89). The remaining retained profits shall be brought forward to a new account.

7. 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 -12,401 (prior year: TEUR -9,265). On the reporting date, there was a share of TEUR -7,679 (prior year: TEUR -5,393).

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**	
		31.12.2017	31.12.2016	2017 in TEUR	2016 in TEUR	31.12.2017 in TEUR	31.12.2016 in TEUR
WKN AG	Deutschland	16.90 %	16.90 %	-3,179	-1,954	-10,140	-3,014
Others				339	61	2,461	-2,379
Total of non-controlling interests				**-2,840**	**-1,893**	**-7,679**	**-5,393**

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.

in TEUR	31.12.2017	31.12.2016
WKN AG		
Short term assets	84,696	77,215
Long term assets	21,477	20,879
Short term liabilities	68,096	64,476
Long term liabilities	1,070	2,242
Share in equity attributable to the shareholders of the parent company	47,147	38,336
Non-controlling interests	-10,140	-6,960

in TEUR	31.12.2017	31.12.2016
WKN AG		
Revenues	63,514	60,208
Expenses	58,790	66,712
Net income	4,724	-6,504
of which:		
Net income attributable to the shareholders of the parent company	7,904	-4,550
Net income attributable to the non-controlling interests	-3,179	-1,954
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	7,904	-4,550
Total result attributable to the non-controlling interests	-3,179	-1,954
Total result	**4,724**	**-6.504**

in TEUR	31.12.2017	31.12.2016
WKN AG		
Dividends paid to non-controlling interests	0	0
Net cash flows from operating activities	13,898	-1,429
Net cash flows from investing activities	116	-834
Net cash flows from financing activities	-640	0
Total net cash flows	**13,374**	**-2,264**

8. 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.

9. Tax provisions

The tax provisions include current taxes on income, which were set up for past fiscal years and the 2017 fiscal year.

There are tax risks from the corporate, trade and sales tax field audit at WKN AG for the years from 2010 to 2013. This audit has not yet been completed finally and there are no tax audit reports or drafts of tax audit reports available to date. Accordingly, no adjusted tax assessments have been issued yet. Based on the discussions between the Board of Management of WKN AG and its tax advisors on the one hand and the tax authorities on the other, there are different views regarding the tax treatment of individual items. Possible findings of the tax audit might have an impact on the net assets, financial position and results of operations of WKN AG and the PNE WIND Group in the single-digit to a low double-digit million range. Based on the current state of knowledge, the Board of Management continues to assume that the tax-related presentation of the issues is accurate. Nonetheless, a provision of approx. EUR 0.9 was formed as a precautionary measure for individual selected issues addressed in the context of the tax audit. However, for the economically relevant part of the issues raised during the tax audit, the Board of Management still sees no reason to recognise a provision in the consolidated balance sheet as at December 31, 2017. Should the results of the tax audit be negative and lead to charges in excess of the accrued provision, there would also be no impact on the published guidance, since possible effects on earnings would be reported under tax expense and thus outside EBIT.

10. Other provisions

The other provisions developed as follows:

in TEUR	1.1.2017	Con-sumption	Reversal	Addition	Reclassi-fication of scope of consoli-dation	31.12.2017
Variable purchase price component Atlantis I–III	7,945	6,885	0	0	0	1,060
Distribution guarantees Silbitz	363	363	0	0	0	0
Legal costs	987	219	0	1,032	-826	974
Other	1,053	0	0	676	0	1,729
	10,348	**7,467**	**0**	**1,708**	**-826**	**3,763**

Other provisions of euro 1.7 million relate primarily to long-term dismantling obligations for the wind farms held by the Company; the remaining amount is attributable to short-term provisions.

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. Upon the sale of the Atlantis I offshore project in 2017 (see chapter III./2.), the other provisions have changed by approx. euro 6.9 million. A discounted purchase price liability of approx. euro 1.1 million (prior year: euro 7.9 million) was recorded as at December 31, 2017.

11. 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:

in TEUR		Total	up to 1 year	1 to 5 years	More than 5 years	Fair Value
As Per 12/31/2017						
Trade liabilities	FLAC	25,295	25,295	0	0	25,295
Fixed interest						
Bonds	FLAC	105,816	99,459	6,357	0	107,933
Liabilities to banks	FLAC	72,349	6,383	20,383	45,583	74,370
Other financial liabilities	FLAC	1,087	1,087	0	0	1,087
Liabilities unter leases	FLAC	608	179	429	0	608
		205,155	**132,403**	**27,169**	**45,583**	**209,293**
As Per 12/31/2016						
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 unter leases	FLAC	346	346	0	0	346
		143,314	**26,824**	**111,882**	**4,608**	**150,784**

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 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 9,282 (prior year: TEUR 13,515), 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 0 (prior year: TEUR -413).

Bonds

The bonds developed as follows:

in TEUR	31.12.2017	31.12.2016
Convertible bond 2014:		
Status as at January 1	6,255	6,160
Converted	0	2
Interest accrued	102	97
Status as at December 31	**6,357**	**6,255**
Convertible bond 2013:		
Status as at January 1	98,271	97,185
Interest accrued	1,188	1,086
Status as at December 31	**99,459**	**98,271**
Total	**105,816**	**104,526**

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 6.). 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, no conversion rights arising from convertible bonds (prior year: 576) were exercised and no new shares from Conditional Capital II/2012 (prior year: 592) were exercised.

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 bondholder has the right, in accordance with the bond terms and conditions, to demand early repayment of bonds 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 1.35 percent and 5.34 percent. The Company is exposed to an interest rate risk in respect of its variable interest liabilities to banks. In 2017, the relevant interest rates ranged between 7.24 percent and 12.00 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 71,376 (prior year: TEUR 3,974) 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 2,486 (prior year: TEUR 2,621))
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 676) (prior year: TEUR 1,353))
4. Assignment as security of all rights under contracts in connection with the wind farms Gerdau Schwienau and Pülfringen as well as assignment of all receivables from these wind farms (amount drawn down TEUR 7,002 (prior year: TEUR 8,225))
5. Assignment as security of all rights under contracts in connection with the wind farms Kührstedt A, Kührstedt B and Kührstedt Bederkesa and assignment of all receivables from these wind farms (amount drawn down TEUR 61,213 (prior year: TEUR 0))

In addition, the Group had available credit lines for interim project financing of approx. euro 6.6 million as at December 31, 2017 (prior year: euro 19.4 million) and an unused credit line of euro 25.0 million (prior year: euro 0.0 million) for equity financing of the 200 MW wind farm portfolio, which is under construction.

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

In the previous year, the other financial liabilities included 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 in the prior year included a discounted purchase price liability totalling approx. euro 7.5 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 665 (prior year: TEUR 545) 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:

in TEUR	Minimum lease payments		Present value of minimum lease	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Liabilities from finance leases:				
With a remaining term of up to one year	200	388	179	346
With a remaining term of one year up to five years	466	701	429	666
With a remaining term of more than five years	0	0	0	0
	666	1,089	608	1,012
Less:				
Future financing costs	-58	-77		
Present value of leasing obligations	608	1,012		
Amount due for repayment within twelve months (shown under short term liabilities)			179	346
Amount due for repayment after more than twelve months			429	666

The following reconciliation account presents the changes between the opening balance sheet value to the closing balance sheet value of the financing activity – both cash and non–cash changes.

in TEUR			Non-cash changes			
	31.12.2016	Cash flow (cash change)	Acquisition of companies	Changes in fair value	Other	31.12.2017
Bonds	104,526	-	-	1,290	0	105,816
Liabilities to banks	13,496	59,106	-	-	253	72,855
Other financial liabilities	9,254	-	-7,535	-	-632	1,087
Liabilities from leasing contracts	346	-179	-	-	441	608
Liabilities from financing activities	**127,622**	**58,927**	**-7,535**	**1,290**	**62**	**180,366**

12. Other liabilities

Deferred revenues

The item of TEUR 17,894 (prior year: TEUR 16,308) 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 6.6 million (prior year: approx. euro 3.4 million).

13. 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 in chapter "V 11. 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, 2017 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 0) 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, 2017 and on December 31, 2017, 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, 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 and 2017 financial years, the Group's debt/equity ratio was positive in both years.

in TEUR	31.12.2017	31.12.2016
Financial liabilities	179,860	127,622
./. Cash and cash equivalents	193,984	147,686
= Net borrowed capital	**-14,124**	**-20,064**
+ Shareholders' equity	235,220	229,388
= Total capital	**221,096**	**209,324**
Debt ratio	**-6.39 %**	**-9.59 %**

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 the wind farms and the Silbitz biomass power station.

In the 2016 and 2017 fiscal years, revenues originated from long-term construction contracts (see chapters IV no. 9 and V no. 6).

in TEUR	2017	2016
Revenues before HB II reconciliation	**105,670**	**244,378**
Revenues from stage of completion accounting	12,605	4,199
Reverse effect from stage of completion accounting	-4,199	0
Share of revenues from stage of completion accounting	**8,406**	**4,199**
	114,076	**248,577**

The revenue shares from percentage of completion accounting are linked to contract costs of TEUR 2,368 (prior year: TEUR 1,978) so that the percentage of completion profit amounts to TEUR 6,038 (prior year: TEUR 2,221).

2. Other operating income

Other operating income includes mainly the following one-off effects:

- Income from the revaluation of PNE WIND Partners Deutschland GmbH (share of PNE WIND AG at that time was 20 %) of approx. euro 330 million to euro 360 million. The increase in value was due to an optimised financing structure of the wind farms. The Group recorded income of TEUR 5,362 resulting from this transaction.
- The reversal of impairment losses on receivables and other assets contributed TEUR 112 (prior year: TEUR 175) to other operating income.
- In fiscal 2017, deferred liabilities of TEUR 1,160 (prior year: TEUR 1,824) were released, since the reasons for such their recognition were no longer applicable.
- In the previous year, other operating income included an amount of euro 2.5 million, resulting from comprises under arbitration proceedings with former shareholders of WKN AG.

3. Personnel expenses

Personnel expenses are made up as follows:

in TEUR	2017	2016
Wages and salaries	22,417	22,185
Social security and pension expenses	3,372	3,238
	25,789	**25,423**
Average annual number of employees	362	358
Personnel expenses per employee	71	71

The expenses for defined contribution plans pursuant to IAS 19 amounted to TEUR 920 in the 2017 fiscal year (prior year: TEUR 864).

4. Other operating expenses

Other operating expenses include mainly the following items:

- Legal and consulting costs TEUR 5,438 (prior year: TEUR 7,901)
- Rental and lease costs TEUR 1,497 (prior year: TEUR 3,632)
- Value adjustments on receivables or loss of receivables TEUR 2,468 (prior year: TEUR 2,243)
- Advertising and travel expenses TEUR 2,185 (prior year: TEUR 2,421)
- Vehicle costs TEUR 1,506 (prior year: TEUR 1,542)
- EDP costs TEUR 475 (prior year: TEUR 449)
- Insurance and contributions TEUR 1,142 (prior year: TEUR 1,390)
- Supervisory Board fees TEUR 622 (prior year: TEUR 529)
- Repair/maintenance costs (mainly "Silbitz" and the wind farm projects in the Group) TEUR 1,539 (prior year: TEUR 2,333)

5. Other interest and similar income

Interest income includes loans and overdrafts of TEUR 393 (prior year: TEUR 107) and the change in value of derivative financial instruments of TEUR 0 (prior year: TEUR 413).

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 1,036 (prior year: TEUR 5,269). During the 2017 fiscal year, interest on borrowed capital in an amount of TEUR 210 (prior year: TEUR 220) was capitalised at a capitalisation rate of 2.67 percent (prior year: 2.74 percent) and in an amount of TEUR 910 (prior year: TEUR 1,857) at a capitalisation rate of 8.0 percent (prior year: 8.0 percent).

7. Taxes on income

The income tax expense is made up as follows:

in TEUR	2017	2016
Current taxes	2,482	3,337
Deferred taxes		
- from consolidation effects and HBII adjustments	-3,149	8,342
- from individual financial statements	337	2,682
	-2,812	**11,025**
	-330	**14,362**

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 91 million (prior year: approx. euro 94 million) and of approx. euro 59 million abroad (prior year: approx. euro 56 million), which can be offset against future profits. A deferred tax claim of TEUR 2,588 was recognised for these losses (prior year: TEUR 1,389) and was netted against deferred tax liabilities in the amount of TEUR 576 and adjusted in the amount of TEUR 1,389, respectively. 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 12 or 20 years, respectively. No deferred tax has been recognised on the loss carry forwards in Germany totalling euro 86 million (prior year: euro 89 million) and abroad totalling euro 59 million (prior year: euro 56 million).

The following table shows the reconciliation from the calculated tax expenses to those reported in the consolidated statement of comprehensive income:

in TEUR	2017	2016
Consolidated earnings before taxes	13,905	81,442
Tax rate	30.0 %	30.0 %
Income tax expense – calculated	4,172	24,433
Tax refund from loss carryback	-211	-239
Non-recognized deferred taxes	2,716	5,206
Utilization of loss carryforwards	-972	-5,589
Tax free gains on disposals and other tax free income	-6,974	-9,774
Permanent differences	0	-1,758
Tax expense / income not related to the period	40	-42
Non-deductible expenses	-105	871
Other consolidation effects	1,005	1,254
Reported tax expense	**-330**	**14.362**

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:

in TEUR	31.12.2017		31.12.2016	
	Deffered tax assets	Deffered tax liabilities	Deffered tax assets	Deffered tax liabilities
Receivables and other assets	1,213	0	1,266	0
Inventories	962	1,378	539	321
Property, plant and equipment	8,152	2,510	4,345	2,248
Intangible assets	732	725	754	278
Liabilities	0	222	190	500
Other provisions	50	1	41	0
	11,109	**4,836**	**7,135**	**3,347**
Losses carried forward	2,588	0	1,389	0
Other consolidation effects incl. Value adjustments	-1,389	0	1,436	2,825
	12,308	**4,836**	**9,960**	**6,172**
Deferred taxes	-590	-590	-2,825	-2,825
Latente Steuern	**11,718**	**4,246**	**7,135**	**3,347**

8. Earnings per share

Basic earnings per share

In 2017, the annual average number of registered shares amounted to 76,556 thousand (prior year: 76,556).

The basic earnings per share thus amounted to euro 0.22 per share (prior year: euro 0.90 per share).

	2017	2016
Consolidated net income (TEUR)	17,075	68,973
Weighted average number of shares (in Tsd.)	76,556	76,556
Earnings per share (EUR)	0.22	0.90

Diluted earnings per share

The diluted earnings per share are calculated as follows:

	2017	2016
Consolidated net income before elimination of dilution effects (TEUR)	17,075	68,973
- Interest expense on convertible bond (TEUR)	246	246
Result after elimination (TEUR)	**17,321**	**69,219**
Weighted average number of shares (undiluted) (in Tsd.)	76,556	76,556
+ weighted average of convertible shares (in Tsd.)	2,153	2,059
Weighted average number of shares (diluted) (in Tsd.)	**78,709**	**78,615**
Diluted earnings per share (EUR)	0.22	0.88

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 5,273 (prior year: TEUR 221) as non-cash effects. This value consists of

- Income of TEUR 5,362 from the revaluation of PNE WIND Partners Deutschland GmbH (share of PNE WIND AG at that time was 20 %) from approx. euro 330 million to euro 360 million.
- currency translation differences totalling TEUR -89 (prior year: TEUR 221).

VIII. Notes on the statement of changes in equity

Transaction costs

As in the previous year, no transaction costs were incurred.

IX. Segment reporting

During the year under report, the operating business activities of the Company consisted primarily of the project 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. Another area of activity is the environmentally friendly production of electricity under economically sustainable conditions.

In the 2016 and 2017 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 revenues with external customers and the segment assets of the “Projecting of wind power turbines” and “Electricity generation” segments are attributable mainly to Germany and France. In the “Projecting of wind power turbines” segment, revenues were realised with external customers, which amounted to more than 10 percent of total revenues. In the year under report, sales of approx. euro 22.9 million were generated from one customer, sales of approx. euro 13.3 million from another customer and sales of approx. euro 12.9 million from a third customer, which can be assigned to the domestic area. Sales attributable to a foreign customer were generated in the amount of euro 11.7 million. No other single customers contributed 10 percent or more of consolidated sales. In the previous year, sales of approx. euro 115,0 million were generated from one customer and sales of approx. euro 33,6 million from another customer, which can be assigned to the domestic area.

Long term assets are attributable to the following regions:

in TEUR	31.12.2017	31.12.2016
Germany	172,675	134,412
Other countries	512	671
	173,187	**135,083**

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 -451 (prior year: TEUR 578), is included in the segment "projecting of wind power turbines and of TEUR 1,411 (prior year: TEUR 0) in the "electricity generation" segment.

X. Other disclosures

1. Operating leases

Other financial obligations exist under rental and leasing agreements and amount to TEUR 6,001 (prior year: TEUR 6,543).

A significant component of these other financial obligations of TEUR 4,374 (prior year: TEUR 4,860) 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 as of 2017 and includes two options of extending the lease by a further five years after the end of this initial period. In addition, the Company has a one-off unilateral special right of termination after ten 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 sublet the object. Nine subtenants have rented 27 % of the building's useable area. The sublease agreements of the years before 2017 each have a term of one year and are renewed automatically, unless they are terminated before the end of the period of notice. With the new subtenants, who have been admitted to the building as of 2017, open-ended tenancy agreements have been concluded, which provide for a period of notice of three months. The subtenants are two companies of the PNE WIND Group as well as seven companies outside the Group. The annual rental income amounts to TEUR 129.

In January 2018, a further four sublease agreements were concluded with a company of the PNE WIND Group and with three companies outside the Group. Under these agreements, a further 19 % of the building's useable area has been let up to April 2018. The annual rental income of these further lease agreements will amount to TEUR 88.

Other obligations arise primarily from leasing contracts for vehicle and office equipment.

The maturities of rental and leasing obligations are structured as follows:

in TEUR	31.12.2017	31.12.2016
Rental and leasing obligations		
Remaining term of up to 1 year	1,203	1,254
Remaining term of 1–5 years	2,852	2,845
Remaining term of more than 5 years	1,946	2,444
	6,001	**6,543**

2. Contingent liabilities and other financial obligations

On the reporting date, there were contingent liabilities arising from the provision of guarantees for:

in TEUR	31.12.2017	31.12.2016
Various wind farm projects	20,518	34,980
Other	466	1,295
	20,984	**36,275**

WKN AG issued contract performance bonds totalling TEUR 14,010 (prior year: TEUR 24,762) for its own transactions and transactions of subsidiaries. These contract performance guarantees are based on contracts that obligate WKN AG to provide construction services (e.g. dismantling of a wind measurement station) in the future, 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 6,974 (prior year: TEUR 11,513) will be used.

Moreover, there are obligations from order commitments for wind power turbines in the net amount of TEUR 6,585 (prior year: TEUR 19,562). The obligations under order commitments are fully due within one year.

Other financial obligations of TEUR 26 (prior year: TEUR 149) 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 are continually subject to changes. On the one hand, the expansion of renewable energies will experience a worldwide upswing as a result of the climate protection agreement of Paris (COP 21), which came into force in November 2016.

On the other hand, market changes due to various political developments and the ongoing banking crisis have resulted in regulatory uncertainties. For details regarding uncertain future developments and the strategic objectives of PNE WIND AG, we also refer to the explanations in chapter 11 of the management report "Report on opportunities and risks".

4. Transactions with related companies and persons

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 WKN AG consists of the following persons:

- Markus Lesser, CEO of PNE WIND AG,
- Jörg Klowat, CFO of PNE WIND AG,
- Thorsten Fastenau, General Representative of PNE WIND AG.

In the 2017 financial year, WKN AG held a total of 9 meetings (prior year: 16 meetings) and received attendance fees totalling TEUR 27 net (prior year: TEUR 45). Liabilities for attendance fees of net TEUR 0 (prior year: 3) were recognised in the annual financial statements of WKN AG as at December 31, 2017.

As at December 31, 2017, an amount of TEUR 54 (prior year: TEUR 54) was recorded in the balance sheet as deferred liabilities for the Supervisory Board's fixed remuneration for the 2017 fiscal year.

The remuneration and the shareholdings of the Supervisory Board and of the Board of Management are explained in chapter 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) (up to May 31, 2017),
- Mr. Wilken Freiherr von Hodenberg, Hamburg, self-employed lawyer (Deputy Chairman) (up to May 31, 2017),
- Mr. Christoph Gross, Mainz, self-employed auditor (up to May 31, 2017)
- Mr. Per Hornung Pedersen, Hamburg, self-employed corporate consultant (Chairman since May 31, 2017)
- Dr. Jens Kruse, Hamburg, Head of Corporate Finance at M.M. Warburg & Co., Hamburg, (Deputy Chairman) (since May 31, 2017)
- Mr. Marcel Egger, Apensen, member of the group management board of the EUROGATE Group (since May 31, 2017)

- Dr. Isabella Niklas, Hamburg, lawyer at the law firm Osborne Clarke, Hamburg
- Mr. Andreas M. Rohardt, Hermannsburg, managing shareholder of ARO greenenergy GmbH, Hermannsburg
- Mr. Florian Schuhbauer, Frankfurt am Main, managing director of Active Ownership Advisors GmbH, Frankfurt am Main (since May 31, 2017)

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) (up to August 31, 2017)
- Suzlon Energy Ltd., Mumbai, India
- Sea Tower AS, Oslo, Norway

Dr. Jens Kruse 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):

- Biesterfeld AG, Hamburg
- MAX AUTOMATION AG, Düsseldorf (Deputy Chairman of the Supervisory Board)

Mr. Marcel Egger 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):

- J.F. Müller & Sohn AG, Hamburg
- EUROGATE Tanger S.A., Tanger, Morocco
- Member of the Board of Directors (group-internal mandates of the EUROGATE Group) of:
  - NTB North Sea Terminal Bremerhaven GmbH & Co, Bremerhaven
  - MSC Gate Bremerhaven GmbH & Co. KG, Bremerhaven
  - LISCONT Operadores de Contentores S.A., Lisbon, Portugal
  - EUROGATE Container Terminal Limassol Limited, Limassol, Cyprus
  - OOO Ust-Luga Container Terminal, Ust-Luga, Russia

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 GROUP, Ahrensburg, (Chairman of the Advisory Board)

Mr. Florian Schuhbauer 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):

- Active Ownership Capital S.à r.l., Luxemburg
- Active Ownership Fund SICAV-FIS SCS, Luxemburg
- exceet Group SE, Luxemburg

The fixed remuneration paid to the Supervisory Board during the fiscal year 2017 amounted to TEUR 530 (prior year: TEUR 461). Pursuant to 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 receives 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. The total remuneration of the Supervisory Board in the 2017 fiscal year amounted to TEUR 622 (prior year: TEUR 528). In addition, the Company bears the cost of directors' and officers' liability insurance for all members of the Supervisory Board.

in TEUR	Fixed remuneration 2017	Attendance fees 2017	Total remuneration 2017
Mr. Pedersen	112.9	15.0	127.9
Mrs. Niklas	75.0	15.0	90.0
Mr. Rohardt	60.0	16.0	76.0
Mr. Kruse	61.3	8.0	69.3
Mr. Fries	58.3	8.0	66.3
Mr. Egger	52.5	7.0	59.5
Mr. Freiherr von Hodenberg	37.5	8.0	45.5
Mr. Groß	37.5	7.0	44.5
Mr. Schuhbauer	35.0	8.0	43.0
	530.0	**92.0**	**622.0**

Of the members of the Supervisory Board, Mr. Marcel Egger held 20,000 shares in the Company on December 31, 2017. On December 31, 2017, 3,885,383 shares were attributable to the Supervisory Board member, Mr. Florian Schuhbauer, via the Active Ownership Fund SICAV-FIS SCS. This corresponds to a total of 3,905,383 shares of the Company.

Board of Management

- Mr. Markus Lesser, Kaarst, (Chairman) (CEO)
- Mr. Jörg Klowat, Cuxhaven, (CFO)
- Mr. Kurt Stürken, Hamburg, (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 2017, the members of the Board of Management received total remuneration (including provisions for bonuses) in the amount of TEUR 2,046 (prior year: TEUR 2,162), 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, 2017:

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 315e of the German Commercial Code (HGB)

6. Group auditors' fees

During the fiscal year 2017, the following fees were charged by the group auditors:

in TEUR	
Audit of annual financial statements (separate and consolidated)	538[1]
Other attestation services	0
Other services	16
	554

[1] Of which for the prior fiscal year: TEUR 69

The fees for auditing services also include fees for a review of the half-year financial report and the fees for the execution of voluntary audits of group companies.

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 September 2017.

The declaration of compliance is published on our website 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

	2017	2016
Wage earners	59	56
Salaried employees	272	272
Executives (excluding Board of Management of PNE WIND AG)	28	28
	359	**356**

9. Events after reporting date

No events have occurred since the end of the period under report which have significant effects on the earnings, financial and asset situation.

Cuxhaven, March 20, 2018

PNE WIND AG

Markus Lesser
Chairman of the
Board of Management

Jörg Klowat
Board of Management

Kurt Stürken
Board of Management

Independent auditor’s report

To PNE WIND AG, Cuxhaven / Germany

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of PNE WIND AG, Cuxhaven / Germany, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity and the group segment reporting for the financial year from 1 January to 31 December 2017, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the management report on the Parent and the Group of PNE WIND AG, Cuxhaven / Germany, for the financial year from 1 January to 31 December 2017. In accordance with the German legal requirements, we have not audited the content of the combined management report specified in the “Other Information” section of our auditor’s report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the International Financial Reporting Standards (IFRS) as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) German Commercial Code (HGB) and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2017, and of its financial performance for the financial year from 1 January to 31 December 2017, and
- the accompanying combined management report as a whole provides an appropriate view of the Group’s position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of the combined management report specified in the “Other Information” section of our auditor’s report.

Pursuant to Section 322 (3) Sentence 1 German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 German Commercial Code (HGB) and the EU Audit Regulation (No. 537 / 2014; referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) Point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In the following, we present the key audit matters we have determined in the course of our audit:

1. Goodwill impairment test

2. Recoverability of the offshore project inventories

3. Recoverability of the foreign onshore project inventories

4. Recognition of revenue generated with the planning and construction as well as sale of onshore and offshore wind farm projects

5. Risks arising from income taxes

Our presentation of these key audit matters has been structured as follows:

a. Description (including reference to corresponding information in the consolidated financial statements and in the combined management report)
b. Auditor's response

1. Goodwill impairment test

a. The item "Intangible assets" in the consolidated statement of financial position includes goodwill in the amount of mEUR 63.4 (accounts for 12.8 % of total assets). The goodwill is tested for impairment as at 31 December each financial year in accordance with IAS 36. During these impairment tests, the carrying values of the cash-generating units are compared with the realisable values. The impairment tests were conducted by an independent advisor consulted by the executive directors of PNE WIND AG. This advisor prepared expert opinions pursuant to the requirements of the opinion on financial reporting of the Institut der Wirtschaftsprüfer (IDW) (IDW RS HFA 40). Measurement was based on valuation techniques according to the discounted cash flow method. The result of the measurement highly depends on estimations about future cash inflows made by the executive directors and on the discount rates used and, therefore, is subject to major uncertainties. In the light of the significant amount of goodwill and due to the complex underlying valuation techniques, we considered this matter to be a key audit matter as part of our audit.

   The information of the Company on the goodwill is provided in Chapters "IV.1 Intangible assets", "IV.3 Impairment of intangible assets and property, plant and equipment" and "V.1 Intangible assets" in the notes to the consolidated financial statements. In addition, the risks related to the recoverability of the goodwill for the cash-generating unit of WKN are specified in Chapter "11. Reporting on opportunities and risks" in the combined management report.

b. As part of our audit of the audit matter, we used the knowledge and audit results gained in previous years. For the purpose of risk assessment, we obtained an understanding of the past adherence to the budget. We assessed the operational and organisational structure with respect to appropriateness and effectiveness of the implemented controls regarding the corporate budgeting process. This particularly relates to the periodical assessment of liquidity as well as the appropriateness and realisability of the corporate budget of the cash-generating units by the executive directors of PNE WIND AG for the purpose of the goodwill impairment test.

As part of our audit, we used the work of the expert consulted by the executive directors of PNE WIND AG. We assured ourselves of the competence, capabilities and objectivity of the expert. As regards the evaluation of the appropriateness of the assumptions, techniques and models of the valuation technique, we consulted internal experts of the Valuation Services function, who assisted us in assessing the approach used to conduct the impairment test and determine the discount rate and the parameters used to determine the used discount rates including the weighted average cost of capital as well as the calculation methods. Furthermore, in order to assess the future cash inflows, we compared the future cash inflows used in the calculation with the current target values specified in the three-year budget adopted and approved by the executive directors and supervisory board, respectively, and examined them for plausibility. As we know that even relatively small changes of the discount rate used can have major effects on the amount of the realisable amount determined in this way for the cash-generating units, we also assessed the sensitivity analyses prepared by the Company. In addition, we inspected all minutes of the executive directors' meetings and supervisory board meetings and considered the therein held discussions and explanations about the business development of the individual cash-generating units for the purpose of plausibility.

2. Recoverability of the offshore project inventories

a. The item "Inventories" in the consolidated statement of financial position includes work in progress of mEUR 23.9 (accounts for 4.8 % of the Group's total assets) resulting from the offshore wind farms under development.

Following the Offshore Wind Energy Act ("WindSeeG"), which entered into force on 1 January 2017, the subsidies and approval process of offshore wind farms considerably changed. According to the Offshore Wind Energy Act, only the wind farms that had obtained approval prior to 1 August 2016 under the Offshore Installations Ordinance ("SeeAnlV") or for which a discussion in the planning process was held under the Administrative Procedures Law are allowed to participate in the recently introduced tariff auctions to secure public funding. All pending planning approval and authorisation procedures for the construction and operation of offshore wind energy plants were terminated as at 1 January 2017 unless the corresponding projects have fulfilled the specified requirements. A new planning approval procedure for offshore wind farms in the areas 3, 4 and 5 of the North Sea defined by the Federal Maritime and Hydrographic Agency ("BSH") is not expected in the near future. This also affects, amongst others, the offshore wind farm projects "Nemo", "Nautilus", "Nautilus II / HTOD5", "Jules Verne", "Atlantis II" and "Atlantis III" projected by PNE WIND AG. This resulted in sharply increased risks for the offshore wind farm projects of the Group. Based on two legal opinions, PNE WIND AG is of the opinion that elements of the Offshore Wind Energy Act ("WindSeeG") do not comply with the constitution. Accordingly, the group companies affected by these changes made a constitutional complaint in August 2017. The executive directors of PNE WIND AG expect that this constitutional complaint is more likely than not to result in at least a compensation for the loss incurred by the Group and, consequently, the refund of the expenses already incurred. As a result, the Company has not set up valuation allowances for work in progress capitalised for the concerned wind farm projects.

Due to the considerable amount of related work in progress and as the assessment of the recoverability highly depends on the estimations of the executive directors, this matter was considered to be a key audit matter as part of our audit.

The Company's information about the related work in progress is provided in Chapters "IV.7 Inventories" and "V.4 Inventories" as well as "X.3 Assumptions made by Management about future trends and other measurement uncertainties" in the notes to the consolidated financial statements. In addition, the risks related to the recoverability of work in progress are specified in Chapter "11. Reporting on opportunities and risks" in the combined management report.

b. We assessed the operational and organisational structure with respect to appropriateness and effectiveness of the implemented controls regarding the assessment of the recoverability of the offshore project inventories. This particularly relates to the periodical impairment tests of the project inventories disclosed in the consolidated financial statements conducted by the executive directors.

   As part of our audit, we used the legal opinions prepared by the experts consulted by the executive directors of PNE WIND AG. We assured ourselves of the competence, capabilities and objectivity of the experts.

   In addition, we assessed the legal opinions of the experts and the estimation of the executive directors regarding the outcome of the constitutional complaint for plausibility, line of argument and conclusions made and discussed them with the executive directors of the Parent and the head of the function Offshore Wind of PNE WIND AG.

3. Recoverability of the foreign onshore project inventories

a. The item "Inventories" in the consolidated statement of financial position includes work in progress of mEUR 59.5 (accounts for 12.1 % of the Group's total assets) resulting from the onshore wind farms under development, with mEUR 39.2 relating to onshore project inventories abroad.

   The success of the onshore wind farm projects projected by PNE WIND Group primarily depends on the corresponding feed-in tariffs, which considerably affects the projects' profitability in the individual countries. Changes in the regulatory framework in countries, where PNE WIND Group has operations, (e.g. changes in the legally guaranteed feed-in tariff) have a considerable effect on the measurement of work in progress stated in the consolidated statement of financial position. In addition, projects can become unprofitable and result in liquidity shortages and endanger the required cash flows due to the lack of approvals, unsuccessful participation in auctions generally required in foreign countries to secure feed-in tariffs and due to delays. Each of this affects the recoverability of the project inventories. The estimation on the recoverability of onshore wind farm projects made by the executive directors of PNE WIND AG is to a great extent subject to the executive directors' judgement in the light of frequent regulatory changes and little experience with projects in foreign countries.

   Due to the considerable amount of work in progress and as the assessment of the recoverability highly depends on the judgement-related estimations of the executive directors, this matter was considered to be a key audit matter as part of our audit.

   The Company's information about the related work in progress is provided in Chapters "IV.7 Inventories" and "V.4 Inventories" as well as "X.3 Assumptions made by Management about future trends and other measurement uncertainties" in the notes to the consolidated financial statements. In addition, the risks related to the recoverability of work in progress are specified in Chapter "11. Reporting on opportunities and risks" in the combined management report.

b. As part of our audit, based on our knowledge gained during audits in previous years and on information about the economic and legal environment of the Group, we examined the organisational and operational structure regarding the measurement of inventories with respect to appropriateness and effectiveness of the implemented controls. This particularly relates to the periodical impairment tests of the project inventories disclosed in the consolidated financial statements conducted by the executive directors.

   We classified the recoverability of foreign project inventories as a major risk.

   As part of our audit, we examined the audit processes of the foreign component auditors by inspecting selected onshore projects and based on discussions with the component auditors during phone calls or on site. In addition, we reviewed the reports prepared by the component auditors.

   In addition, we discussed the recoverability of work in progress regarding foreign project inventories with the executive directors of PNE WIND AG and with the executive directors of the corresponding subsidiaries.

   Moreover, we reviewed the information provided by the executive directors of PNE WIND AG on the realisability of foreign onshore projects on a sample basis based on budgets and project calculations prepared by group companies.

   Furthermore, we inspected all minutes of executive directors' meetings and supervisory board meetings as well as the minutes of the periodical meetings of the project leaders for any indication for need of impairment.

4. Recognition of revenue generated with the planning and construction as well as sale of onshore and offshore wind farm projects

a. The revenue disclosed in the consolidated statement of comprehensive income amounts to mEUR 114.1. In this context, revenue of mEUR 106.5 relates to the planning and construction as well as to the sale of onshore and offshore wind farm projects.

   The revenue generated with the planning and construction as well as the sale of onshore and offshore wind farm projects results in part from complex contract arrangements. Consequently and due to the recognition of the revenue according to the percentage of completion method (POC method) and the material effects on the consolidated financial statements of the Company, this matter is a key audit matter.

   The information provided by the executive directors on the revenue generated with the planning and construction as well as the sale of onshore and offshore wind farm projects is included in Chapters "IV. 8 Accounting for long-term construction contracts", "IV.16 Revenue / realisation of profits" and "VI.1 Revenue" in the notes to the consolidated financial statements.

b. As part of our audit of the revenue, we assessed at Group level the organisational and operational structure of the projection process with regard to the appropriateness and effectiveness of the implemented controls by using the knowledge gained during audits in previous years and based on the economic and legal environment of the Company. In this context, we focused on the compliance with the criteria set out in IAS 11 and IAS 18 concerning the recognition of revenue according to the POC method. In addition, we examined compliance with the criteria of revenue recognition according to IAS 11 and IAS 18 with respect to all major transactions based on contracts, invoices and customer acceptance protocols and other proof of services rendered as well as records of payment. Moreover, as part of our audit, we examined the audit processes of the foreign component auditors by inspecting selected onshore projects and based on discussions with the component auditors during phone calls or on site. Moreover, we reviewed the reporting of the component auditors. In addition, we assessed complex matters by consulting internal experts of our IFRS Centre of Excellence as regards their compliance with the IFRS.

5. Risks arising from income taxes

a. The current government tax audit at WKN AG, Husum/Germany, concerning the assessment periods from 2010 until 2013 May result in risks for the PNE WIND Group in the light of potential findings and resulting additional tax payments and interest. Draft reports on the government tax audit or adjusted tax assessment notices have not been issued yet. Based on discussions between the executive directors of WKN AG and their tax advisers on the one hand and the tax office on the other hand, there are different opinions regarding tax deduction of individual transactions. Potential findings of the government tax audit May have a one-digit million to a lower two-digit million effect on the net assets, financial position and results of operations of WKN AG and PNE WIND Group. Based on current information, the executive directors of WKN AG and PNE WIND AG expect that the tax-related matters have been accurately presented. However, by way of precaution, a provision of about mEUR 0.9 was set up for selected matters that have been reviewed as part of the government tax audit. For the majority of the transactions reviewed as part of the government tax audit, the executive directors of PNE WIND AG, however, see no reason to set up a provision in the consolidated statement of financial position as at 31 December 2017.

   The information on tax risks is provided by the executive directors in Chapter „V. 9 Tax provisions“ in the notes to the consolidated financial statements as well as Chapter "11. Opportunities and risk reporting" in the combined management report.

b. As part of our audit, we used the work of the experts consulted by the executive directors of WKN AG for the preparation of the tax-related effects of the risks. We assured ourselves of the competence, capabilities and objectivity of the experts.

   In addition, we assessed the legal opinions of the experts and the estimation of the executive directors regarding the outcome for plausibility, line of argument and conclusions made and discussed them with the executive directors of the Parent as well as the executive directors of WKN AG and the tax advisers of WKN AG. For these audit procedures we consulted internal tax experts.

Other Information

The executive directors are responsible for the other information. The other information comprises:

- the combined statement on corporate governance pursuant to Section 289f German Commercial Code (HGB) and to Section 315d German Commercial Code (HGB) referred to in the combined management report,
- the Corporate Governance Report pursuant to No. 3.10 of the German Corporate Governance Code,
- the executive directors' confirmation relating to the consolidated financial statements and to the combined management report pursuant to Section 297 (2) Sentence 4 and Section 315 (1) Sentence 5 German Commercial Code (HGB) respectively, and
- all the remaining parts of the Annual Report, with the exception of the audited consolidated financial statements and combined management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) German Commercial Code (HGB) and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 German Commercial Code (HGB) and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also

- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that May cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions May cause the Group to cease to be able to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and with the additional requirements of German commercial law pursuant to Section 315e (1) German Commercial Code (HGB).

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information..

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that May reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 31 May 2017. We were engaged by the supervisory board on 31 May 2017. We have been the group auditor of PNE WIND AG, Cuxhaven / Germany, without interruption since the financial year 2009.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided to group entities the following services that are not disclosed in the consolidated financial statements or in the combined management report:

- Holding a workshop to present the general changes as part of the introduction of the new IFRS standards IFRS 9 "Financial Instruments", IFRS 15 "Revenues from Contracts with Customers" as well as IFRS 16 "Leases".

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Patrick Wendlandt.

Hamburg / Germany, 20 March 2018

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed: Dr. Probst	Signed: 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 Klowat   Kurt Stürken

Shareholder Value is **central to all activities!**

As a capital market-oriented company, PNE WIND AG places Shareholder Value at the centre of all its activities. The Company has set itself the goal of increasing the value of the enterprise for its shareholders in the short and long term. This concept has been firmly anchored in corporate governance, in particular since its listing on the stock exchange in December 1998. This means that PNE WIND celebrates the 20^{th} anniversary of its IPO.

The foundation stone of the corporate history was laid in Cuxhaven in 1994 with the establishment of "Windpark Marschland GmbH". To date, PNE WIND has realised onshore wind farm projects with more than 2,600 MW and sold offshore projects with an output of 2,852 MW. The Company is now active in countries on 3 continents.

FINANCIAL STATEMENTS OF THE AG

Profit and loss account (HGB)

of PNE WIND AG, Cuxhaven, for the period from January 1 to December 31, 2017

(differences from rounding off possible)	2017 in EUR	2016 in TEUR
1. Revenues	93,922,369.21	73,606
2. Increase/decrease in work in process	-436,215.81	3,352
3. Other operating income	40,322,263.85	39,625
4. Total aggregate output	**133,808,417.25**	**116,583**
5. Cost of purchased materials		
a) Cost of raw materials, supplies and purchased materials	-54,751,121.89	-39,344
b) Cost of purchased services	-24,101,253.23	-13,138
	-78,852,375.12	**-52,482**
6. Personnel expenses		
a) Wages and salaries	-10,436,990.44	-9,768
b) Social security contributions	-1,229,872.22	-1,109
	-11,666,862.66	**-10,877**
7. Amortisation and depreciation of intangible assets and items of property, plant and equipment	-678,371.90	-638
8. Other operating expenses	-7,070,404.52	-9,367
9. Operating result	**35,540,403.05**	**43,219**
10. Income from profit transfer agreements	2,191,857.96	1,658
11. Income from participations	9,939.39	342
12. Other interest and similar income	4,045,155.74	4,662
13. Amortisation of financial assets	-28,000.00	-28
14. Interest and similar expenses	-8,525,652.28	-8,895
15. Profit before Taxes	**33,233,703.86**	**40,958**
16. Taxes on income (prior year: taxes on income reimbursed)	-563,404.00	-863
17. Profit after Taxes	**32,670,299.86**	**40,096**
18. Other taxes	-58,062.40	-57
19. Net income	**32,612,237.46**	**40,039**
20. Profit carried forward	107,471,103.89	70,495
21. Dividend	-9,186,723.12	-3,062
22. Retained earnings	**130,896,618.23**	**107,471**
Earnings per share (undiluted)	0.43	0.52
Average number of shares in circulation (undiluted) (in thousands)	76,556	76,556
Earnings per share (diluted)	0.42	0.51
Average number of shares in circulation (diluted) (in thousands)	78,709	78,615

Balance sheet (HGB)

of PNE WIND AG, Cuxhaven, as at December 31, 2017

Assets

(differences from rounding off possible)	31.12.2017 in EUR	31.12.2016 in TEUR
A. Fixed assets		
I. Intangible assets		
Acquire by purchase franchises, trademarks, licences and other similar rights as well as licences from such rights	135,276.17	37
	135,276.17	**37**
II. Property, plant and equipment		
1. Land and buildings including buildings on third-party land	10,545,147.93	10,952
2. Technical equipment and machinery	584,418.24	630
3. Other plant and machinery, fixtures and fittings	323,472.55	237
	11,453,038.72	**11,819**
III. Financial assets		
1. Participations in associated companies	88,968,927.52	81,309
2. Loans to associated companies	1,450,075.58	1,450
3. Participations	801,575.78	20,060
	91,220,578.88	**102,819**
Total fixed assets	**102,808,893.77**	**114,675**
B. Current assets		
I. Inventories		
1. Work in process	10,048,990.34	10,485
2. Finished goods	2,252.36	2
3. Prepayments	145,500.00	2,566
	10,196,742.70	**13,053**
II. Receivables and other assets		
1. Trade receivables	1,181,808.87	10,549
2. Receivables from associated companies	137,319,285.47	109,666
3. Receivables from participations	0.00	1,353
4. Other assets	1,356,325.18	759
	139,857,419.52	**122,327**
III. Cash on hand and cash in banks	**156,809,232.28**	**128,106**
Total current assets	**306,863,394.50**	**263,486**
C. Deferred charges	**149,095.05**	**445**
Total assets	**409,821,383.32**	**378,606**

Liabilities

(differences from rounding off possible)	31.12.2017 in EUR	31.12.2016 in TEUR
A. Shareholders' equity		
I. Capital issued / subscribed	**76,556,026.00**	**76,556**
Conditional capital EUR 20,000,000.00 (prior year: EUR 5,760,566.00)		
II. Capital reserves	**58,430,110.17**	**58,430**
III. Retained earnings	**130,896,618.23**	**107,471**
Total shareholders' equity	**265,882,754.40**	**242,457**
B. Special items for investment grants	**855,178.14**	**902**
C. Provisions		
1. Provision for taxes	306,324.00	252
2. Other taxes	12,476,279.43	9,004
	12,782,603.43	**9,256**
D. Liabilities		
1. Bonds	106,556,641.30	106,557
2. Liabilities to banks	2,485,596.48	2,621
3. Prepayments received on orders	0.00	4,572
4. Trade payables	6,808,493.45	2,881
5. Liabilities to associated companies	7,725,701.43	6,204
6. Liabilities to participations	59.50	18
7. Other liabilities	6,657,482.19	3,063
Total liabilities	**130,233,974.35**	**125,916**
E. Deferred income	**66,873.00**	**75**
Total liabilities and shareholders' equity	**409,821,383.32**	**378,606**

Statement of cash flows (HGB)

of PNE WIND AG, Cuxhaven, for the period from January 1 to December 31, 2017

in TEUR (differences from rounding off possible)		2017	2016
Net income		**32,612**	**40,039**
+/-	Interest expense and income	4,480	4,233
-/+	Other income/losses from participations and profit (-)/losses from transfer agreements	-2,202	-2,000
+/-	Income tax expense and benefit	563	862
-	Income tax payments	-813	-1,197
+	Amortisation and depreciation of intangible assets and items of property, plant and equipment	678	638
+	Amortisation of financial assets	28	28
+/-	Decrease/Increase in provisions	3,526	-6,983
+/-	Other non-cash effective expenses and income	-45	1
-	Gain from the disposal of fixed assets	-17,053	-26,547
+/-	Decrease/increase of inventories and other assets	-22,960	-2,648
-/+	Decrease/increase in trade receivables	9,367	-7,125
-/+	Decrease/Increase in trade payables and other liabilities	4,445	6,976
Cash flow from operating activities		**12,626**	**6,278**
+	Inflow of funds from disposal of items of property, plant and equipment	9	1
-	Outlow of funds for investments in intangible assets and property, plant and equipment	-419	-242
+	Inflow of funds from the disposal of financial assets	37,508	109,533
-	Outflow of funds for investments in financial assets	-8,885	-40,704
+	Interest received	4,045	4,662
+/-	Dividends received/profit transfer/assumption of losses	1,667	342
Cash flow from investing activities		**33,925**	**73,592**
-	Payments to shareholder	-9,187	-3,062
-	Outflow of funds from the repayment of financial loans	-135	-131
-	Interest paid	-8,526	-8,154
Cash flow from financing activities		**-17,848**	**-11,347**
Cash effective change in liquid funds (< = 3 months)		28,703	68,523
+	**Liquid funds (< = 3 months as at the beginning of the period**	**128,106**	**59,583**
Liquid funds (< = 3 months as at the end of the period*		**156,809**	**128,106**

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 credt lines		543	98

Development of schareholders' equity (HGB)

of PNE WIND AG, Cuxhaven, for the fiscal year from January 1 to December 31, 2017

in EUR (differences from rounding off possible)	Capital subscribed	Capital reserve	Retained earnings/loss	Total shareholders equity
Status as at Janueary 1, 2016	**76,555,434.00**	**58,428,806.83**	**70,494,808.74**	**205,479,049.57**
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
Status as at December 31, 2016	**76,556,026.00**	**58,430,110.17**	**107,471,103.89**	**242,457,240.06**
Dividend	0.00	0.00	-9,186,723.12	-9,186,723.12
Net income 2017	0.00	0.00	32,612,237.46	32,612,237.46
Status as at December 31, 2017	**76,556,026.00**	**58,430,110.17**	**130,896,618.23**	**265,882,754.40**

Schedule of fixed assets (HGB)

of PNE WIND AG, Cuxhaven, for the fiscal year 2017

in EUR (Rundungsdifferenzen möglich)	**Acquisition and manufacturing cost**			
	Status at 1.1.2017	Additions	Disposals	Status at 31.12.2017
I. Intangible assets				
Acquire by purchase franchises, trademarks and similar rights as well as licences to such rights	525,960.49	137,804.99	18,155.94	645,609.54
	525,960.49	**137,804.99**	**18,155.94**	**645,609.54**
II. Property, plant and equipment				
1. Land and buildings including buildings on third party land"	16,985,011.24	0.00	0.00	16,985,011.24
2. Technical equipment and machinery	823,354.84	0.00	0.00	823,354.84
3. Other plant and machinery, fixtures and fittings	1,977,818.88	280,849.79	136,079.99	2,122,588.68
	19,786,184.96	**280,849.79**	**136,079.99**	**19,930,954.76**
III. Financial assets				
1. Shares in associated companies	84,311,493.49	8,135,000.00	446.,610.66	91,999,882.83
2. Loans to associated companies	1,450,105.58	0.00	30.00	1,450,075.58
3. Participations	20,059,861.98	750,000.00	20,008,286.20	801,575.78
	105,821,461.05	**8,885,000.00**	**20,454,926.86**	**94,251,534.19**
	126,133,606.50	**9,303,654.78**	**20,609,162.79**	**114,828,098.49**

Accumulated amortisation and depreciation				Book Value	
Status at 1.1.2017	Additions	Disposals	Status at 31.12.2017	Status as 31.12.2017	Status as 31.12.2016
489,119.22	39,370.09	18,155.94	510.333,37	135,276.17	36,841.27
489,119.22	**39,370.09**	**18,155.94**	**510.333,37**	**135,276.17**	**36,841.27**
6,032,990.98	406,872.33	0.00	6.439.863,31	10,545,147.93	10,952,020.26
192,905.56	46,031.04	0.00	238.936,60	584,418.24	630,449.28
1,740,565.79	186,098,44	127,548.10	1.799.116,13	323,472.55	237,253.09
7,966,462.33	**639,001.81**	**127,548.10**	**8.477.916,04**	**11,453,038.72**	**11,819,722.63**
3,002,955.31	28,000.00	0.00	3.030.955,31	88,968,927.52	81,308,538.18
0.00	0.00	0.00	0,00	1,450,075.58	1,450,105.58
0.00	0.00	0.00	0,00	801,575.78	20,059,861.98
3,002,955.31	**28,000.00**	**0.00**	**3.030.955,31**	**91,220,578.88**	**102,818,505.74**
11,458,536.86	**706,371.90**	**145,704.04**	**12.019.204,72**	**102,808,893.77**	**114,675,069.64**

Schedule of liabilities (HGB)

of PNE WIND AG, Cuxhaven, as at December 31, 2017

in EUR (differences from rounding off possible) (Prior years in brackets)	**Maturities**			
	Up to one year	One to five years	More than five years	Total amount
Type of liabilities				
1. Bonds	100,000,000.00	6,556,641.30	0.00	106,556,641.30
	(0.00)	(106,556,641.90)	(0.00)	(106,556,641.90)
2. Liabilities to banks	140,257.61	612,645.89	1,732,692.98	2,485,596.48
	(135,441.00)	(591,604.33)	(1,893,974.77)	(2,621,020.10)
3. Trade liabilities	0.00	0.00	0.00	0.00
	(4,572,366.89)	(0.00)	(0.00)	(4,572,366.89)
4. Trade payables	6,808,493.45	0.00	0.00	6,808,493.45
	(2,881,465.96)	(0.00)	(0.00)	(2,881,465.96)
5. Liabilities to participations	7,725,701.43	0.00	0.00	7,725,701.43
	(6,203,467.14)	(0.00)	(0.00)	(6,203,467.14)
6. Liabilities to associated companies	59.50	0.00	0.00	59.50
	(17,850.00)	(0.00)	(0.00)	(17,850,00)
7. Other liabilities	6,657,482.19	0.00	0.00	6,657,482.19
	(3,063,315.74)	(0.00)	(0.00)	(3,063,315.74)
of which from taxes: EUR 5,909,627.08 (prior year: TEUR 2,322)				
of which for social security EUR 0.00 (prior year: TEUR 0)				
Total	**121,331,994.18**	**7,169,287.19**	**1,732,692.98**	**130,233,974.35**
	(16,873,906.73)	**(107,148,246.23)**	**(1,893,974.77)**	**(125,916,127.73)**

Securities
None
1. Registered mortgage of TEUR 3,170 on the property at Peter-Henlein-Str. 2 - 4, Cuxhaven. As at 31.12.2017 TEUR 2,486 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 auditor's report

To PNE WIND AG, Cuxhaven/Germany

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Audit Opinions

We have audited the annual financial statements of PNE WIND AG, Cuxhaven/Germany, which comprise the balance sheet as at 31 December 2017, and the statement of profit and loss for the financial year from 1 January 2017 to 31 December 2017, and the notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report on the Group and the Company of PNE WIND AG, Cuxhaven/Germany, for the financial year from 1 January to 31 December 2017. In accordance with the German legal requirements, we have not audited the content of the combined management report specified in the "Other information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2017 and of its financial performance for the financial year from 1 January to 31 December 2017 in compliance with German Legally Required Accounting Principles, and

- the accompanying combined management report as a whole provides an appropriate view of the Company's position. In all material respects, this combined management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of the combined management report specified in the "Other information" section of our auditor's report.

Pursuant to Section 322 (3) Sentence 1 German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the combined management report.

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the combined management report in accordance with Section 317 German Commercial Code (HGB) and the EU Audit Regulation (No. 537/2014; referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) Point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the combined management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2017. These matters were addressed in the context of our audit of the annual financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In the following, we present the key audit matters we have determined in the course of our audit:

1. Recoverability of the shares in WKN AG, Husum/Germany

2. Realisation of revenue generated with the planning and construction as well as sale of onshore and offshore wind farm projects

Our presentation of these key audit matters has been structured as follows:

a. Description (including reference to corresponding information in the annual financial statements)

b. Auditor's response

1. Recoverability of the shares in WKN AG, Husum/Germany

a. The balance sheet item "Shares in affiliated companies" includes the shares in WKN AG which amount to kEUR 76,203. This corresponds with acquisition costs and 18.6% of balance sheet total.

   In periodical impairment tests conducted on major financial assets, the book values of the shares in WKN AG are compared with the fair value. The executive directors instructed an objective expert to determine the fair value of the shares in WKN AG. This expert prepared a report pursuant to the requirements of Standard 1 of the Institut der Wirtschaftsprüfer (IDW), as amended in 2008 (IDW S. 1 i. d. F. 2008) and to the opinion on financial reporting of the Institut der Wirtschaftsprüfer (IDW RS HFA 10). As part of the report, the fair value was determined using the income approach, with the future cash inflows to be capitalised being derived from the consolidated budget of WKN AG prepared by the executive directors and approved by the supervisory board and being adjusted based on assumptions about long-term growth rates. The cash flows were discounted based on the specific cost of equity.

   The result of this valuation highly depends on the estimation on future cash inflows of the executive directors of WKN group and the discount rate used and, therefore, is subject to major uncertainties. In the light of the significance of the value of the shares and due to the complex underlying valuation techniques, we classified this matter as a key audit matter as part of our audit.

   The information provided by the executive directors concerning the valuation of the financial assets is included in Chapter "A. Accounting standards" in the notes to the financial statements.

b. As part of our audit of the audit matter, we used the knowledge and audit results gained in previous years. For the purpose of risk assessment, we obtained an understanding of the past adherence to the budget. We assessed the operational and organisational structure with respect to appropriateness and effectiveness of the implemented controls. This particularly relates to the periodical assessment of liquidity as well as the appropriateness and realisability of the corporate budget of

c. WKN AG by the executive directors of PNE WIND AG and the review of the recoverability of the shares.

As part of our audit, we used the report prepared by the expert instructed by the executive directors of PNE WIND AG. We assured ourselves of the competence, capabilities and objectivity of the expert. As regards the evaluation of the appropriateness of the assumptions, techniques and models of the valuation technique, we consulted internal experts of the Valuation Services function, who assisted us in assessing the approach used to conduct the impairment test and determine the discount rate. Furthermore, in order to assess the future cash inflows, we compared the future cash inflows used in the evaluation with the current target values specified in the three-year budget of WKN group adopted and approved by the executive directors and supervisory board, respectively, and examined them for plausibility. Moreover, we inspected all minutes of meetings of the executive directors and of the supervisory board.

2. Realisation of revenue generated with the planning and construction as well as sale of onshore and offshore wind farm projects

a. In the statement of profit and loss revenue amounts to kEUR 93,922. In this context, revenue of kEUR 92,814 relates to the planning and construction as well as the sale of onshore and offshore wind farm projects.

The revenue generated with the planning and construction as well as the sale of onshore and offshore wind farm projects results in part from complex contract arrangements. Consequently and due to the major effects on the annual financial statements, this revenue is considered to be a key audit matter.

The information provided by the entity on the revenue generated with the planning and construction as well as the sale of onshore and offshore wind farm projects is included in Chapter "B.II.1 Revenue" in the notes to the financial statements. In addition, the risks related to the realisation of projects are specified in Chapter "11. Reporting on opportunities and risks" in the combined management report.

b. As part of our audit, we assessed the organisational and operational structure of the projection process with regard to the appropriateness and effectiveness of the implemented controls by using the knowledge gained during audits in previous years and based on the economic and legal environment of the entity. In addition, we examined compliance with the requirements of revenue realisation with respect to all major transactions based on contracts, invoices and customer acceptance protocols and other proof of services rendered as well as records of payment.

Other Information

The executive directors are responsible for the other information. The other information comprises

- the combined statement on corporate governance pursuant to Section 315d German Commercial Code (HGB) and to Section 289f German Commercial Code (HGB) referred to in the combined management report,
- the Corporate Governance Report pursuant to No. 3.10 of the German Corporate Governance Code,
- the executive directors' confirmation relating to the annual financial statements and to the combined management report pursuant to Section 264 (2) Sentence 3 and Section 289 (1) Sentence 5 German Commercial Code (HGB) respectively, and
- all the remaining parts of the Annual Report, with the exception of the audited annual financial statements and combined management report and our auditor's report.

Our audit opinions on the annual financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Combined Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the combined management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 German Commercial Code (HGB) and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this combined management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the annual financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud May involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.

- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that May cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions May cause the Company to cease to be able to continue as a going concern.

- evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

- evaluate the consistency of the combined management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.

- perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that May reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

SONSTIGE GESETZLICHE UND ANDERE RECHTLICHE ANFORDERUNGEN

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on 31 May 2017. We were engaged by the supervisory board on 31 May 2017. We have been the auditor of PNE WIND AG, Cuxhaven / Germany, without interruption since the financial year 2009.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided to the Company and its controlled undertakings the following services that are not disclosed in the annual financial statements or in the combined management report:

- Holding a workshop to present the general changes as part of the introduction of the new IFRS standards IFRS 9 "Financial Instruments", IFRS 15 "Revenues from Contracts with Customers" as well as IFRS 16 "Leases".

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Patrick Wendlandt.

Hamburg / Germany, 20 March 2018

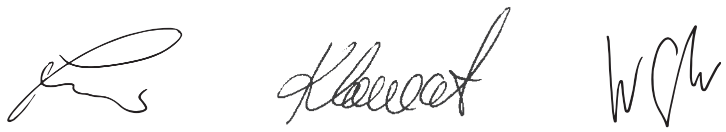
Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed: Dr. Probst	Signed: 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 Klowat | Kurt Stürken

Glossary

Bonds	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.
BSH	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.
Convertible bond	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.
Corporate bond	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.
Covenants	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.
EBIT	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.
EEG	Renewable Energies Law, which determines the extent and promotion of regenerative energies.
EEZ	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).
EURIBOR	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.
Federal Immission Control Act (Bundes-Immissionsschutz-gesetz)	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 Imission Control Act is necessary.
HGB	German Commercial Code, which specifies the German accounting regulations; decisive for the capability of capital market companies in Germany to pay dividends.
Independent Power Producer (IPP)	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).

International Financial Reporting Standards (IFRS)	International accounting regulations, the objective of which is the make comparable the financial statements of (mainly capital market) companies.
Joint Venture	When two or more companies join forces for a joint project, then one talks of a joint venture.
KfW	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.
Limited Partner	Shareholder of a limited partnership (KG), whose liability is linked only to his investment in contrast with the general partner.
Market Value	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.
Megawatt (MW)	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.
Offshore	“Offshore” is the term used for electricity generation from wind power at sea.
ÖkoDAX	The ÖkoDAX consists of ten Prime Standard companies in the renewable energy sector. It is presented as a performance index and as a price index. The composition is reviewed quarterly in March, June, September and December.
Onshore	“Onshore” is the term used for the generation of electricity at wind farms on land.
Prime Standard	Stock market segment of the Frankfurt Stock Exchange with the highest transparency standards.
RENIXX	The Renewable Energy Industrial Index (RENIXX) is the first global sector stock index to present the performance of companies in the renewable energy sector. The calculation is based on the principles of a performance index.
Repowering	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.
WPT	Wind power turbine, which converts the kinetic energy of the wind into electrical energy and feeds it into the electricity network.

Imprint

PNE WIND AG

Peter-Henlein-Straße 2 - 4
27472 Cuxhaven
Germany
Telephone: + 49 (0) 47 21–718–06
Telefax: + 49 (0) 47 21–718–444
E-Mail: info@pnewind.com

www.pnewind.com

Board of Management: Markus Lesser (CEO), Jörg Klowat, Kurt Stürken
Registergericht: Tostedt
Registernummer: HRB 110360

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cometis AG
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65195 Wiesbaden

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This annual report includes statements concerning the future, which are subject to risks and uncertainties. They are estimations of the Board of Management of PNE WIND AG and reflect their current views with regard to future events. Such expressions concerning forecasts can be recognised with terms such as „expect", „estimate", „intend", „can", „will" and similar terms relating to the Company. Factors, which can have an effect or influence are, for example (without all being included): the development of the wind power market, competitive influences including price changes, regulatory measures and risks with the integration of newly acquired companies and participations. Should these or other risks and uncertainty factors take effect or should the assumptions underlying the forecasts prove to be incorrect, the results of PNE WIND AG could vary from those, which are expressed or implied in these forecasts. The Company assumes no obligation to update such expressions or forecasts.

PNE WIND

Passion for Energy