



## Report on the first quarter of 2019

## Short Portrait of Energiekontor AG

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

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

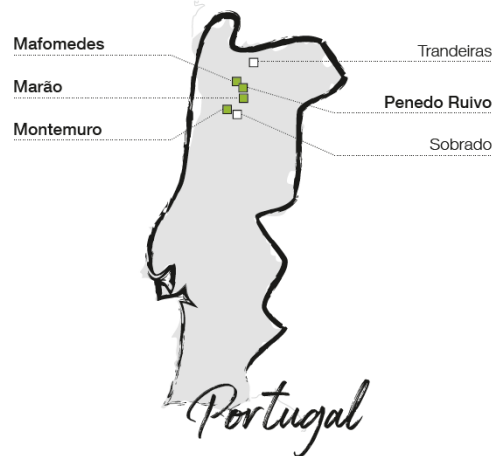
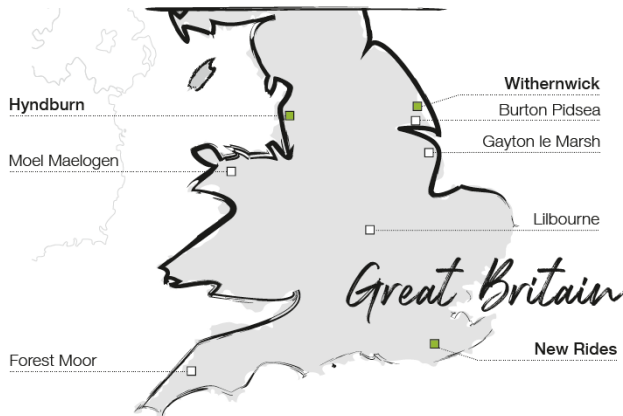
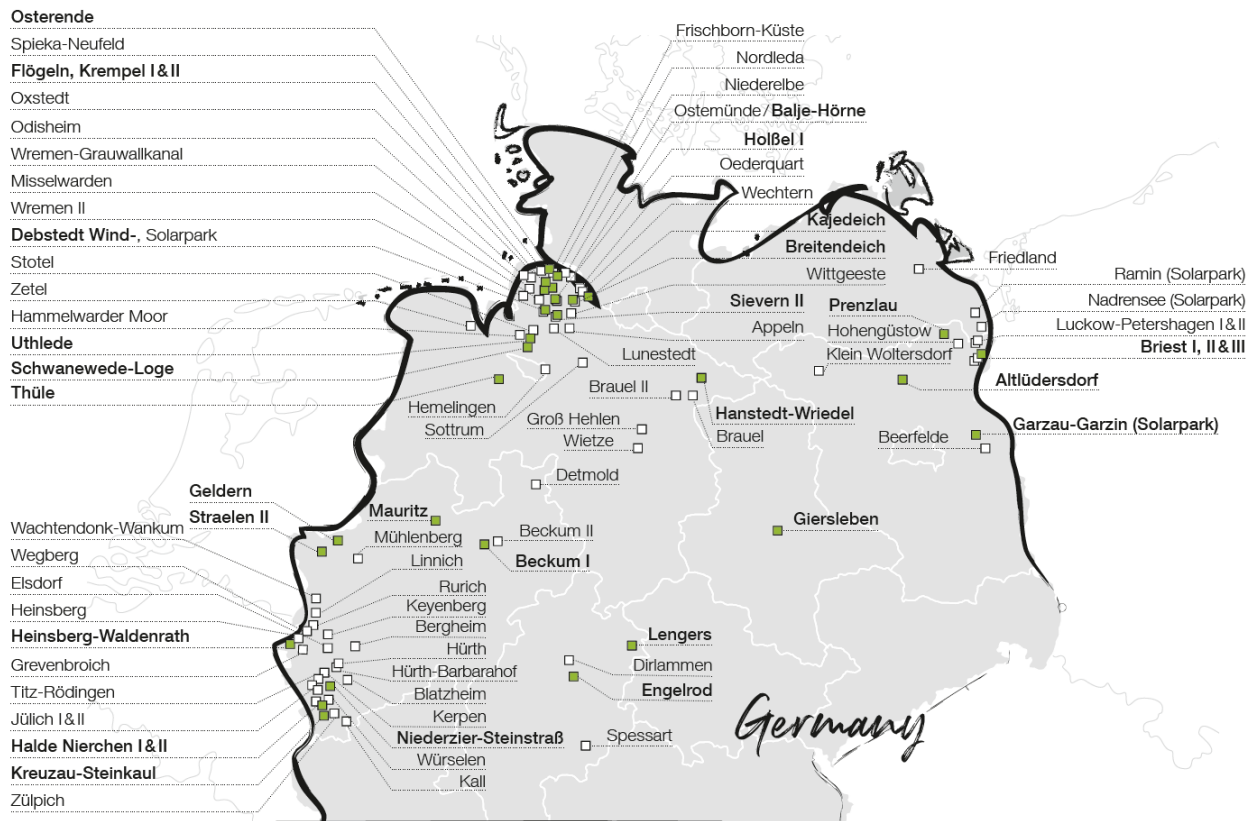
The proud balance since the Company was founded: 122 wind farms and seven solar parks with a total output of almost 1 gigawatt (GW). This corresponds to an investment volume of more than € 1.6 billion.

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

## Investor information

Listing on the stock exchange:	Deutsche Börse, Frankfurt (tradable on the Frankfurt Stock Exchange, XETRA and all other German trading venues)
Market segment:	General Standard
Class of shares:	bearer shares
Industry:	Renewable Energies
Initial listing (IPO):	May 25, 2000.
WKN:	531350
ISIN:	&LT;FONT COLOR="#FFFF00"&GT;DE0005313506
Reuters:	ECT
Shareholding structure:	51.5 % Executive bodies; 47.7 % free float; 0.8 % Energiekontor AG
Research:	Dr. Karsten von Blumenthal, First Berlin Guido Hoymann, Metzler Capital Markets Jan Bauer, Warburg Research
Designated Sponsor:	Oddo Seydler Bank AG
Financial Calendar:	22.05.2019: Annual General Meeting of Energiekontor AG 30.08.2019: Publication of Half-Year Report 2019 15.11.2019: Publication of report on 3rd quarter 2019 25-27 November 2019: German Equity Forum, Frankfurt a. M.
Investor Relations:	Peter Alex; Tel: 0421-3304-126 E-mail: IR@energiekontor.de Internet: www.energiekontor.de

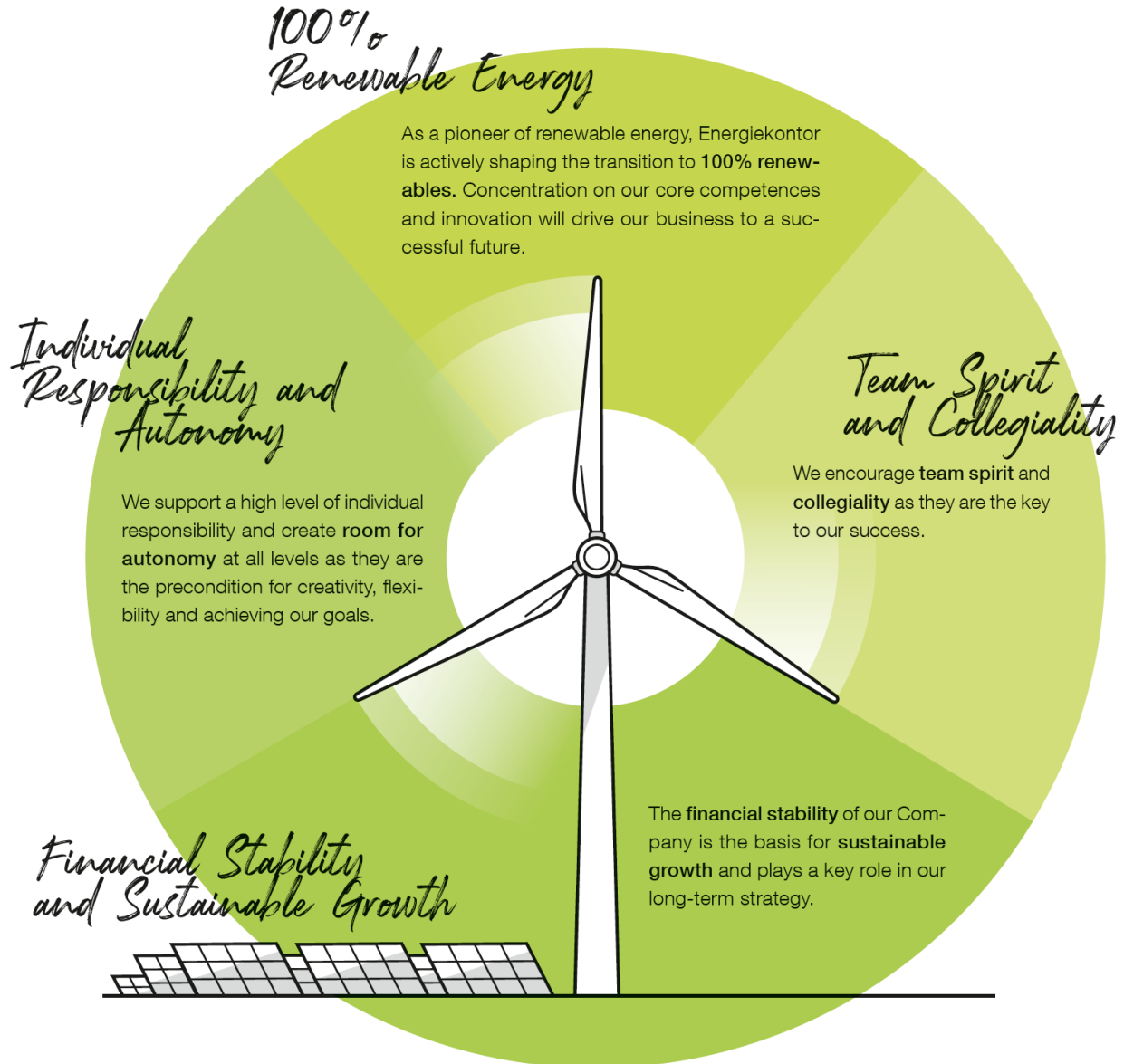
## Realized wind and solar parks



## Table of contents

Our mission .....	5
The Energiekontor share .....	6
capital stock .....	6
shareholder structure .....	6
share buyback programme .....	6
Industry and market development.....	8
wind .....	9
solar.....	9
The company .....	11
Business model of Energiekontor AG .....	11
Goals and strategy.....	14
course of business .....	19
outlook .....	20
OTHER .....	21
risk management .....	21
Corporate Governance Statement .....	21
Imprint (German).....	22

## Our mission statement



## The Energiekontor share

### Capital stock

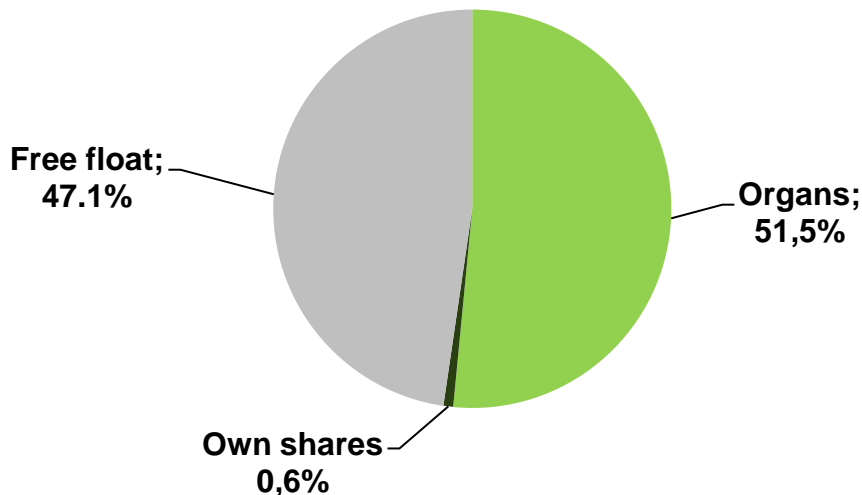
As of March 31, 2019, the subscribed capital (share capital) of the Company entered in the commercial register amounts to € 14,578,160 and is divided into 14,578,160 no-par value bearer shares.

### Shareholder structure

The Management Board is not aware of any direct or indirect shareholdings in excess of 10 percent of the capital (Section 315 (4) No. 3 HGB), with the exception of the shareholdings described below:

Dr. Bodo Wilkens (Chairman of the Supervisory Board)	3,759,835 shares
Günter Lammers (Deputy Chairman of the Supervisory Board)	3,752,474 shares

As of 31 March 2019, Energiekontor AG thus had the following shareholder structure:



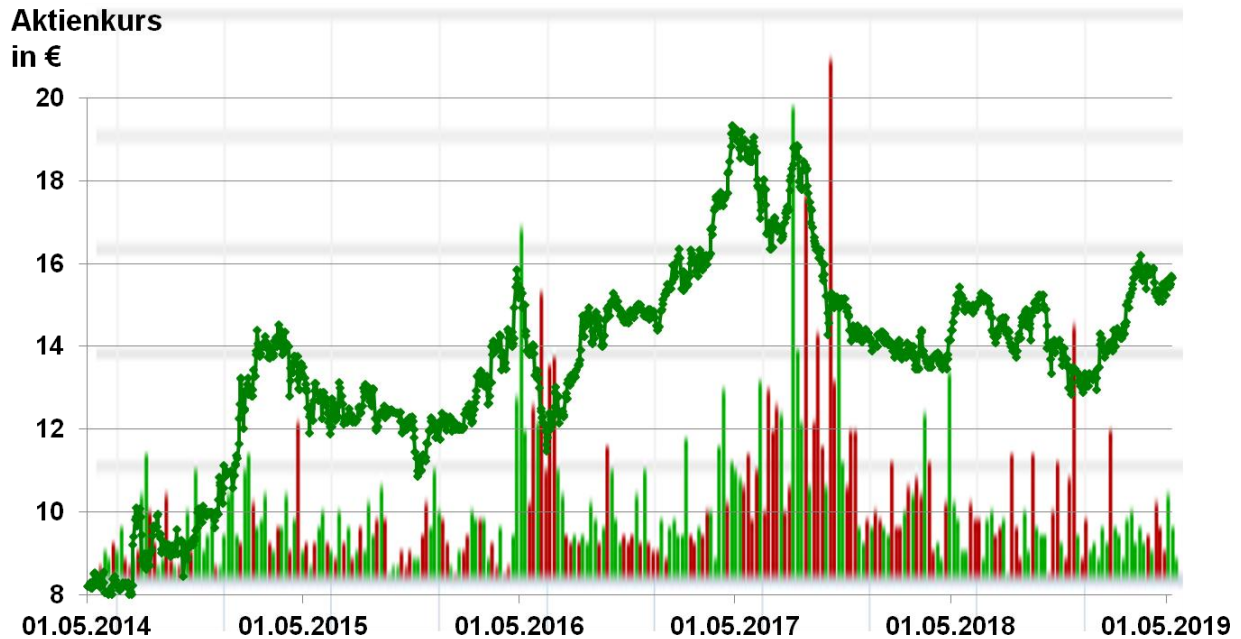
### Share buyback programme

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

As part of the current share buyback programme, 86,544 shares were acquired for a total amount of € 1,250,760.59 by March 31, 2019. This corresponds to an average price of € 14.45 per share.

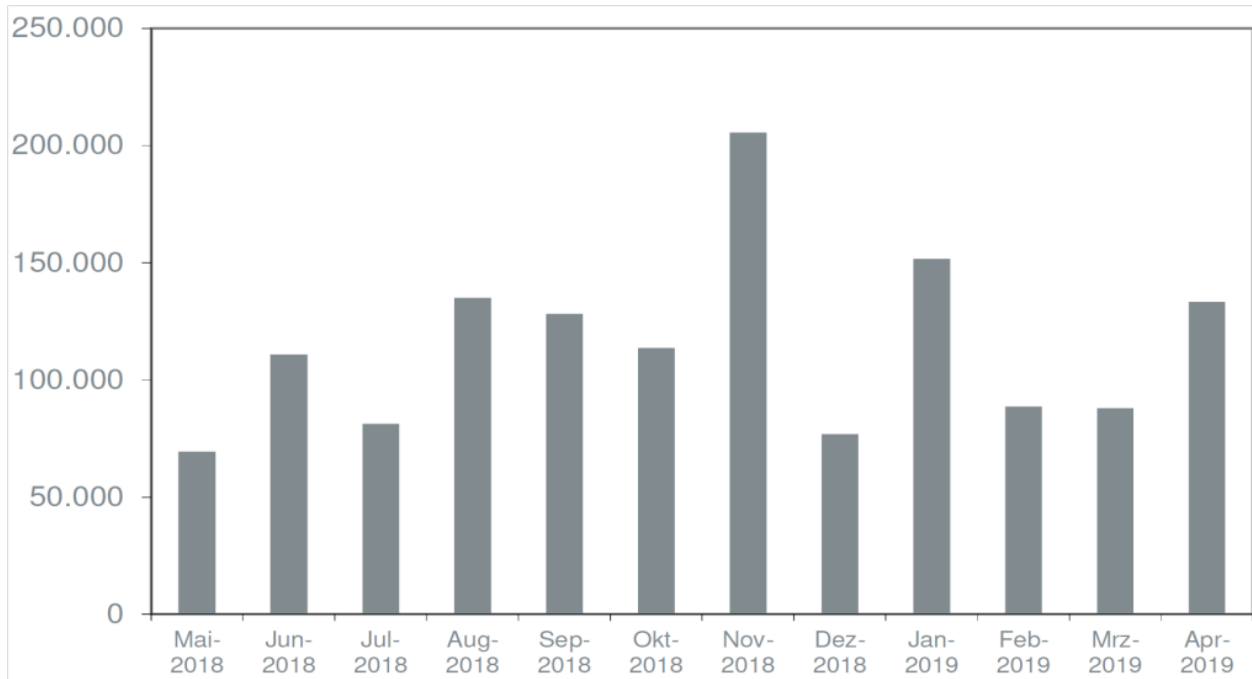
## Share price development and trading volume of Energiekontor AG since January 2016

The following diagram shows the development of the Energiekontor share and the trading volume on XETRA over the last five years.



The Energiekontor share rose from € 13.25 to € 15.95 in the first quarter of 2019, representing an increase of around 28 %. The broad market also developed positively, but remained clearly behind with an increase of approx. 9 % in the same period.

The average monthly trading volume on XETRA oscillates between 100,000 and 150,000 shares.



## Industry and market development

Growth in the renewable energy sector in both wind power and solar energy continues to be led by China, followed by the USA. Together, the two countries each cover well over half of the annual increase in wind and solar power. On the other hand, cuts in the promotion of renewable energies and discussions about the continued existence of subsidy conditions in some European industrialized countries led to declines in the number of new installations and uncertainties regarding investments.

However, the industry continues to grow. The main drivers here are the international goals on climate protection and sustainable energy supply. The countries within the EU have committed themselves to binding expansion targets. In the summer of 2018, the member states agreed to increase the share of renewable energies in total energy consumption to 32 percent. The international agreement resulting from the UN climate conference in Paris at the end of 2015 has also shown that there is now an almost worldwide consensus on climate protection and the necessary reduction of carbon dioxide emissions. The Special Report of the International Panel on Climate Change (IPCC) of October 2018 once again underscored the urgency of curbing greenhouse gas emissions.

With the expansion of renewable energies, electricity production costs are also falling. In Europe, the price of electricity from renewable energies is increasingly being regulated through tenders. In 2017, this led to a significant decline in the remuneration for electricity from wind and solar parks in Germany. The price level stabilised again in the course of 2018. In general, renewable energies should be brought into line with free market conditions. In some regions, the leading renewable technologies, wind energy and photovoltaics, now compete directly with electricity from conventional energy sources.

The volatile competitive conditions repeatedly lead to changes in the composition of the industry. At the beginning of April, Senvion, a leading manufacturer of wind turbines, had to file an application for the opening of insolvency proceedings in its own administration. It is difficult for outsiders to predict further developments. We assume that the profitable maintenance area will be continued in any case and that there will therefore be no lasting negative impact on Energiekontor's existing parks. The consequences for Energiekontor are therefore likely to remain manageable. Only in the case of a single turbine planned with a Senvion wind turbine is there a high probability that we will have to carry out a new planning. The use of Senvion systems is no longer planned for other new projects.

Since the general conditions in the international markets in which Energiekontor operates have changed only slightly in comparison to the explanations in the 2018 Annual Report, we refer you to the comments made there.



## Germany

### Wind

In Germany, 40 to 45 percent of the electricity required is to be generated from renewable energies by 2025 as part of the energy turnaround, and by 2050 the share of electricity generated from renewable energies in gross electricity consumption is to be increased to at least 80 percent. In the coalition agreement of the federal government, the interim target for 2030 was increased to 65 percent at the beginning of the year.

The Renewable Energy Sources Act (EEG) provides the framework for the expansion of renewable energies in Germany. Since the introduction of the EEG, the share of renewable energies in gross electricity consumption has risen from 6 percent in 2000 to well over one third in 2018.

The new EEG 2017 has been in force in Germany since the beginning of 2017. It stipulates that the promotion of wind energy will now also be regulated via a tender model. This has led to considerable distortions in the market, which continue to this day.

In the tender for the bid deadline of February 1, 2019, only 72 bids with a volume of 499 megawatts were submitted for a tendered quantity of 700 megawatts. 67 bids with a volume of 476 megawatts were accepted. Eleven surcharges went to citizen energy companies. The result for the May invitation to tender was even more drastic. The competitive level for the second tender round in 2019 has reached a new worrying dimension with a signature of 55 percent. The difficult situation regarding approvals for the construction of wind turbines by the responsible state authorities continues to have a decisive influence on the tender procedure and result. The average surcharge value of 6.13 ct/kWh was slightly higher than in the previous round (6.11 ct/kWh). The successful bids ranged from 5.4 ct/kWh to 6.20 ct/kWh (preliminary round: 5.24 to 6.20 ct/kWh).

For a tendered quantity of 650 megawatts, 41 bids with a volume of 295 megawatts were submitted. All 35 bids with a volume of 270 megawatts were accepted. The next tender date for onshore wind energy is August 1, 2019.

### Solar

In the context of the first solar tender in 2019, 80 bids with a capacity of 465 megawatts were submitted. This meant that the 175 megawatt tendered out was approximately two and a half times oversubscribed. In total, the Federal Network Agency awarded 24 contracts for a solar capacity of 178 megawatts to be built. The majority of the contracts were awarded to bidders with bids in Bavaria (22) and, in particular, to bidders who submitted bids for open space installations on arable land (21).

The surcharges determined in the bid price procedure ranged from 4.11 ct/kWh to 5.18 ct/kWh (preliminary round: 3.86 to 5.15 ct/kWh) and the average quantity-weighted surcharge value was 4.80 ct/kWh (preliminary round: 4.69 ct/kWh).

In the context of the second solar tender in 2019, 163 bids were submitted with an output of 869,147 kW. Thus the tendered quantity of 500,000 kW was clearly oversubscribed.

The Federal Network Agency awarded a total of 121 bids for a solar output of 505,185 kW to be built. This round also saw a large number of competitive bids for land in Bavaria, in particular arable land and grassland (35). Due to the Bavarian arable land quota, which was completely used up in this tender round, the majority (26) of the bids for arable land and grassland could not be taken into account. From a regional

point of view, the subsidised bids are concentrated in Bavaria (41), Saxony-Anhalt (18) and Brandenburg (15).

The surcharge values determined in the bid price procedure ranged between 3.90 ct/kWh and 8.40 ct/kWh (preliminary round 4.11 to 5.18 ct/kWh). The average, quantity-weighted surcharge value (before receipt of the second collateral) in this procedure was 6.59 ct/kWh and, despite oversubscription, has risen significantly compared to the previous round (preliminary round 4.80 ct/kWh).

## The Company

### Business model of Energiekontor AG

Energiekontor AG specialises in the project planning and operation of wind and solar parks in Germany and abroad. As one of the pioneers in this field, the company can draw on almost 30 years of experience and covers the entire value chain in onshore wind farms and solar parks, from acquisition and project development through financing and construction of the plants to operational management.

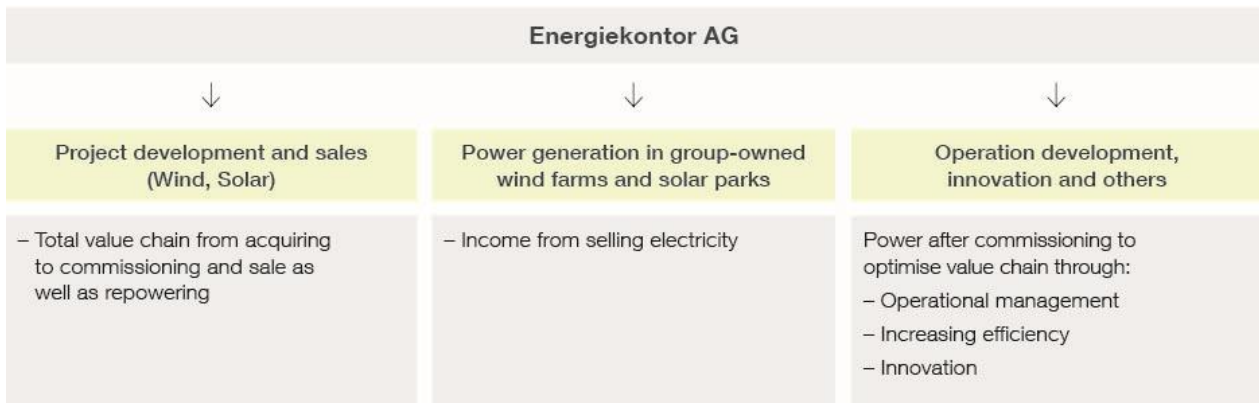
At the time of this report, the Energiekontor Group had planned and installed 630 wind turbines with a total capacity of around 973 MW in 122 wind farms in Germany, Great Britain and Portugal as well as seven PV free-field turbines with a capacity of around 50 MW in Germany. The total investment volume of these projects amounts to approximately € 1.6 billion.

In addition to the sale of turnkey projects, the Energiekontor Group operates a portfolio of the Group's own wind and solar parks as an independent electricity producer. At present, 286.5 MW of operating capacity is held in the company's own portfolio.

The company is active in the national markets of Germany, Great Britain, Portugal, the USA and France.

In organisational terms, the Energiekontor Group is divided into three business segments, which are also used for segment reporting:

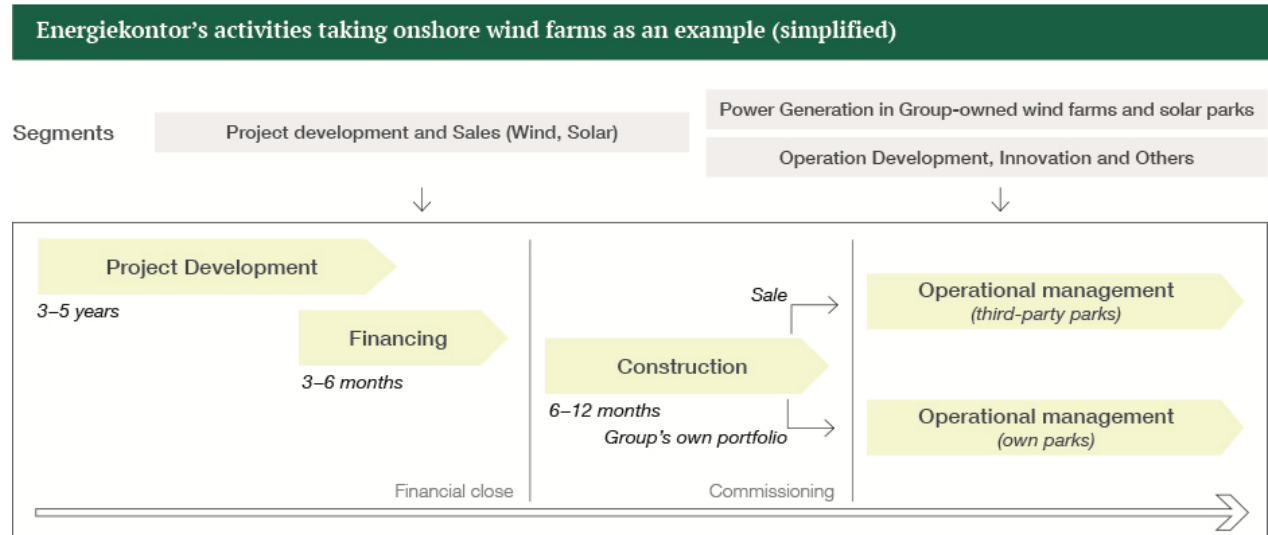
- a) Project planning and sale (wind, solar)
- b) Power generation in the Group's own wind and solar parks
- c) Business development, innovation and others



**a) Project planning and sale (wind, solar)**

The project planning and sales segment (wind, solar) comprises the project planning of onshore wind farms and solar parks, which are either included in the company's own portfolio or sold to third parties. This division covers the entire value chain, from acquisition, planning, financing, construction and repowering to the sale of plants. The wind and solar parks are sold at home and abroad to institutional investors, complete private customers or local citizens. An independent project company is founded for each wind/solar park.

The repowering of wind farms, i.e. the replacement of old turbines by new, more powerful ones, offers enormous potential for Energiekontor, as from 2020 several gigawatts of generation capacity will fall annually from the EEG tariff.



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

This segment comprises the generation of electricity in the Group's own wind farms. The expansion of the Group's own wind farm portfolio is the core component for the organic growth of the company. In addition, the operation of Energiekontor's own wind and solar parks allows the company to cover its ongoing costs, e.g. in the event of delays in project implementation, as well as increased independence from political conditions and interest and raw material price developments. In addition, hidden reserves are created by the investments in the company's own portfolio. If necessary, these plants could be sold and the funds tied up in them plus the hidden reserves released. Additional potential lies in the possibility of upgrading the company's own wind farms, for example through repowering or efficiency-enhancing measures such as the rotor blade extension allocated to the third segment and described under c).

The first wind farm was taken over by the Energiekontor Group in 2002. Since then, the portfolio has been continuously expanded. At present, this is mainly done by incorporating projects developed in-house into our own portfolio. Thus about half of all projects developed by the company itself each year are to be transferred to the company's own portfolio. In the past, economically interesting operative wind farms were also purchased. These were projects developed and sold by Energiekontor itself in previous years as well as projects by other developers and operators. The total output of the wind farms operated by Energiekontor in Germany, Great Britain and Portugal amounted to 286.5 MW at the time of publication of this report.

**Group-owned wind farms/solar parks as of March 31, 2019:**

<b>Name Wind- or solar park</b>	<b>Total output MW</b>	<b>Name Wind- or solar park</b>	<b>Total output MW</b>
Altlüdersdorf	13.5	Mafomedes	4.2
Balje-Hörne	3.9	Marão	10.4
Beckum	1.3	Montemuro	10.4
Breitendeich	6.0	Penedo Ruivo	13
Briest (Tandem II)	7.5	<b>Wind farms in Portugal</b>	<b>38.0</b>
Briest II	1.5		
Debstedt	3.0	Hyndburn	24.6
Engelrod	5.2	New Rides	9.0
Flögeln	9.0	Withernwick	18.5
Geldern	3.0	Withernwick II	8.3
Giersleben	11.3	<b>Wind farms in Great Britain</b>	<b>60.4</b>
Halde Nierchen I	5.0		
Halde Nierchen II	4.0	Garzau-Garzin	10.0
Hanstedt-Wriedel	16.5	<b>Solar parks in Germany</b>	<b>10.0</b>
Heinsberg-Waldenrath	7.2		
Kajedeich	4.1		
Krempel	14.3		
Krempel II	6.5		
Kreuzau-Steinkaul	5.5		
Lengers	4.5		
Mauritz-Wegberg (Energiekontor holds 88.52 %)	7.5		
Niederzier-Steinstraß	8.3		
Nordleda (Energiekontor holds 51 %)	6.0		
Osterende	3.0		
Prenzlau	1.5		
Schwanewede	3.0		
Sievern (Tandem II)	2.0		
Thüle	14.0		
<b>Wind farms in Germany</b>	<b>178.1</b>		
<b>Total</b>	<b>286.5</b>		

### c) Business development, innovation and others

All services aimed at optimising operating value added after the wind and solar parks have been commissioned are grouped together in the Operations Development, Innovation and Other segment. This includes in particular the technical and commercial management of wind farms including the direct marketing of the generated electricity as well as all measures to reduce costs, extend service life and increase yield in order to optimise the yield of wind turbines, e.g. by means of

- Rotor blade extension and improvement of blade aerodynamics
- Updates in the system control or exchange of the old for new, modern controls
- More precise wind tracking and increase in generator output
- Reduction of failure rates through preventive maintenance
- Reduction of downtimes by converting all wind farms to permanent live data monitoring with automated fault clearance workflow
- Consistent reduction of electricity generation costs for existing parks

Irrespective of whether the planned plants are sold or incorporated into the company's own portfolio, EnergieKontor usually provides the commercial and technical management and thus generates an ongoing cash flow for the company.

In the commercial area, the core tasks include forward-looking liquidity management, billing with the energy supplier, the service and maintenance companies and the lessors, and long-term optimisation of profitability. It also includes communication with banks, insurance companies, tax advisors and investors. In addition, the bills for the feed-in management, variable, either via the flat-rate or peak load procedure, are carried out.

In the technical area, in addition to monitoring the wind turbines and evaluating and evaluating data, the main tasks include coordinating repair and maintenance operations and planning and implementing preventive maintenance measures. This process can significantly extend the service life of the individual plant and the overall project. At the same time, the costs for repairing the main components can be significantly reduced. The primary goal is to maximize the availability and yield of the systems and to guarantee safe operation over the entire service life. The system data is monitored around the clock using live data and automated workflows. In addition, we guarantee the legally compliant operation of the wind farm by complying with all legal requirements and also assume responsibility for the wind farm.

Technical innovations, such as rotor blade extension, are also part of the performance, yield and cost optimisation measures. This is a process patented by EnergieKontor for enlarging the rotor diameter, which has been successfully tested and used in practice for several years. The assembly is carried out on the hanging blade, i.e. without dismantling the blade. This means that crane costs and downtimes can be significantly minimised. The production of rotor blade extensions for series production is currently being prepared. In the last three years, the improvement measures at the company's own wind farms have already had a positive impact on the operating result.

### Goals and strategy

In the almost three decades since the company was founded, the market for renewable energies has continuously changed and developed. In 1990, when the first Electricity Feed Act was introduced, wind and solar energy were still absolute exotics and only hydropower provided a modest share of the total energy supply. It was not until the turn of the millennium that the triumphant advance of renewables slowly

began, and renewables grew out of their sometimes smiled at niche. It is well known that the large electricity companies, which now also play an important role in the renewable energy sector, were initially extremely critical of the new technologies. Today, however, renewable energies have developed into a mature, established and recognised technology that already makes a significant contribution to energy supply in many industrial nations. In Germany alone, renewable energies currently account for more than one third of total energy generation. The higher the share of renewable energies in meeting demand, the more sustainable and environmentally friendly the entire energy supply will be.

### **New self-image of the pioneering role**

Energiekontor has always had a clear vision of the future: a world in which the entire energy requirement is covered 100 percent by renewable energy. The company has put this vision first in its mission statement. It is the highest guiding principle of Energiekontor's entrepreneurial activities and the strongest motivation for the employees in their efforts to come a step closer to this goal every day with creative ideas and the joy of joint success.

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

As soon as this has been achieved, many barriers will disappear, such as economic barriers: users will always opt for the less expensive supplier, provided there are no further disadvantages, especially if the latter provides the electricity in an environmentally friendly way. But also a social one: support in politics and society will increase significantly, especially if wind and solar energy are no longer dependent on public subsidies. This will give a strong boost to the spread of renewable energies.

As a pioneer in the realisation of wind and solar parks at pure market prices, Energiekontor not only makes an important contribution to helping renewable energies to break through on their way to 100 percent full supply. At the same time, Energiekontor's pioneering role secures it an advantage over other competitors and thus a strong position in the industry. The efficiency measures to reduce costs along the entire Energiekontor value chain, which have been prepared for a long time and developed further and further, were intended to create decisive competitive advantages in order to advance the expansion of renewable energies as an innovative pioneer and independent of government support measures.

### **Sustainable growth on solid foundations**

The growth model of Energiekontor AG is based on the company's mission statement. By strengthening the regional approach and opening up new foreign markets, organic corporate growth is to be consolidated in order to further actively accelerate the expansion of renewable energies, even in an intensified competitive environment. The management relies heavily on the cooperation and development of the employees and creates the organisational framework necessary for this. The basis and foundation of the growth strategy is the financial stability of Energiekontor, which is essentially based on the stable cash surpluses from electricity generation in the Group's own wind and solar parks and from commercial and technical management activities.

## **Strengthening the regional approach**

Energiekontor has always attached importance to a regional approach. This allows close cooperation with the municipalities and regions as well as tailor-made regional approaches with high local acceptance. At the same time, this generates a competitive advantage in the respective region and accelerates project development. Organizationally, this approach is implemented with our own teams on site and largely independent decision-making competencies. This principle is to be further strengthened by expanding the number of regions in which Energiekontor has a local presence, both in Germany and abroad.

## **Development of new foreign markets**

A key element of the Energiekontor growth strategy is increased internationalisation through successive expansion of the existing country portfolio (Germany, Great Britain, and Portugal) in order to tap additional growth potential for the coming years. In the course of this, the solar sector is currently also being further expanded, especially in countries with favourable irradiation conditions and corresponding electricity production costs. Currently, Energiekontor is opening up new foreign markets in France and the USA. On the other hand, we will soon end our involvement in the Netherlands. We have come to the conclusion that the existing markets and the two newly addressed markets USA and France offer greater potential and that a concentration on these markets is therefore appropriate.

The focus in France and the USA will initially be primarily on the solar sector. Following initial acquisition successes, Energiekontor has already made significant progress in project development in the USA. Thus, areas were secured there and separate offices were opened for the solar sector in Austin (Texas) and for the wind sector in Rapid City (South Dakota), from where newly hired native speakers coordinate and advance the development of the projects in their own local companies.

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

The countries selected can also be extended or reduced in the course of further exploratory processes if the management comes to the conclusion that a deeper involvement in one or more of the countries is not promising. Energiekontor always proceeds according to the same principle. For each new country market, no direct market entry and cost-intensive development of the project development is initially planned, but the implementation of a systematic exploratory, analysis and selection process in which the specific conditions in the individual countries (legal, political, support system, grid connection regulations, approval practice, etc.) for wind and solar projects are analysed and evaluated. In addition, the first partners for land acquisition and further market development are identified and, if necessary, contractually bound in order to create the structural prerequisites for a possible market entry at an early stage. The aim of this successive and cost-saving exploratory process - which can essentially be carried out with existing personnel - is to identify the most suitable foreign markets for further market entry. Only when the final market entry decision has been made will the establishment of the company's own branches, personnel and project development begin on site. This approach is intended to improve the chances of success in opening up new markets and reduce the risks of misallocating resources.

## **Innovation and efficiency measures**

As a pioneer, Energiekontor wants to make a contribution to the vision of a 100% supply of renewable energy for the electricity demand and be one of the first companies to realise wind and solar parks at pure market prices in direct competition with the conventional energy industry. At the same time, this ensures



the competitiveness of the company in an increasingly market-oriented environment.

In recent years, Energiekontor has developed a series of measures to increase economic efficiency in the planning, construction and operation of wind and solar parks and optimize processes along the entire value chain. Examples of this are technical innovations such as rotor blade extension and the optimization of the supply chain, running time and financing as well as the improvement of internal company processes and structures.

There are three directions of attack here:

- increasing the profitability of projects planned by Energiekontor
- the increase in earnings from wind farms in the Group's own portfolio
- the accelerated solution finding in project development

These measures are closely interlinked with the deepening of the decentralized organization and an employee-led project organization.

### **Design areas and organisational decentralisation**

Innovation and efficiency are not necessarily limited to technical innovation. For Energiekontor, increasing the company's efficiency involves deepening the decentralized organization. For example, the management consciously focuses on a strong decentralisation of work and decision-making processes with flat hierarchies in order to avoid unnecessary bureaucratisation and to guarantee flexibility and fast decisions even with a growing number of employees. At the same time, the company creates scope for creative and flexible solutions and motivates each individual employee to act independently.

### **Own park portfolio as a reliable growth generator**

The engine and core element of the growth model is the expansion of power generation from the Group's own wind farms. The sale of the electricity generated in the wind farms generates continuous income. A further guarantee for continuous income is the assumption of the operational management of the completed and running wind farms and in future possibly also the solar parks by specialized teams of the Energiekontor Group. This applies both to the wind farms in our own portfolio and to the turnkey plants that are sold to energy suppliers, strategic investors or financial investors. By taking over the operational management, the majority of the purchasers of Energiekontor AG remain connected as customers and thus secure the company ongoing income from the wind farms beyond the completion date.

Together with the steady income from the management of own and third-party parks, the income from the sale of electricity provides financial stability and forms the basis for the sustainable growth of the company. With the cash surpluses generated, Energiekontor essentially covers the costs of project development including Group-wide personnel and overhead costs. The income from the sale of the wind and solar parks developed in-house generates the annual result and is used to pay taxes and dividends as well as to form liquidity reserves.

Electricity generation in the group's own wind and solar parks is to be expanded through:

- Takeover of self-developed and erected projects
- Repowering of own stock
- Optimization and efficiency increase

About half of the self-developed projects are to be transferred to the company's own portfolio, the other half is intended for distribution. The management reserves the right to adjust this ratio according to the business situation.

### **Different growth dynamics**

The growth of the company takes place in different ways in the individual segments. In the area of project development, EnergieKontor is driving growth by strengthening the acquisition of locations and the regional approach as well as expanding into new markets. By contrast, the area of power generation in the Group's own wind and solar parks is growing because the company is taking over projects from project development into its own portfolio. The more wind farms that are transferred to our own portfolio, the greater the increase in cash surpluses from electricity sales and operating activities. This in turn means that more funds are available for project development in order to accelerate growth. Further growth will thus mainly be determined by the further expansion of the company's own portfolio and the increase in cash surpluses from the operation of its own wind farms and from operational management. This organic growth process will be reinforced by accompanying innovation and efficiency measures, which will lead to further increases in earnings and further increase the cash surplus from electricity generation in the Group's own wind and solar parks.

A positive side effect of this growth strategy is that it reduces dependency on project sales and income from project sales. Even if no income could be generated from project sales, the liquidity of the Group and the financing of project development (including Group-wide personnel and overhead costs) are ensured by the cash surpluses generated from electricity generation in the Group's own wind and solar parks and from operational management. The risk of financial distress is thus minimised as far as possible. The EnergieKontor growth model also differs in this respect from the business models of many competitors in the industry who do not have a comparable portfolio of their own wind and solar parks.

### **Economic objective**

With this strategy, EnergieKontor plans in the medium term to increase the EBT from the project development stable and sustainable to approx. € 30 million p. a. This already takes into account the fact that approximately half of the projects realised are to be transferred to the Group's own portfolio each year, whereby the construction profits from these own portfolios are eliminated as part of Group consolidation and therefore have no effect on Group profit.

The expansion of the portfolio of Group-owned wind farms is intended to establish EnergieKontor as a medium-sized regenerative electricity producer and to guarantee a high degree of independence from general market developments. It is planned to further expand the own park portfolio and to generate a sustainable EBT of € 25-30 million p. a. with the income from the own park portfolio and the company development.

The expansion of the own park portfolio is to take place from the company's own project development, the repowering of existing parks and, if necessary, the purchase of third-party parks. These new investments are to be financed through project financing loans, project-related bonds, own contribution and current liquidity surpluses from the operation of the own park portfolio.

In the medium term, the EBT generated by the Group is expected to rise to € 55 to 60 million p. a.

In recent years, EnergieKontor has laid the foundations for stable and sustainable growth and is well equipped to meet the challenges of the future in a competitive market environment.

## Course of business

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

After EnergieKontor had been awarded the contract for a wind farm project (13.5 MW) and a solar project (6.3 MW) in February 2019, we were also successful in the following tenders in March and May. In March we secured the contract for a solar park in the municipality of Karstädt, district of Prignitz (Brandenburg) with an output of 6.3 MW and in May we won the contract for a repowering project (wind) in the municipality of Beckum (NRW) with an output of 9 MW. Following the dramatic decline in onshore wind hammer prices in 2017, the price level recovered significantly due to the low supply. Now that the first tenders in 2019 were still characterized by a demand overhang and relatively high hammer prices, the quantity offered is likely to increase in the coming tenders, which should again lead to falling hammer prices.

We were able to announce a milestone in the company's history in February. After a relatively short negotiation period, we concluded a long-term PPA with EnBW Energie Baden-Württemberg AG for a solar park planned by EnergieKontor. The solar park planned east of Rostock, which EnergieKontor will build and operate, will have an installed capacity of around 85 MW and will produce around 88 GWh of electricity per year. This is sufficient to cover the annual electricity needs of around 25,000 households. EnergieKontor will implement the project on 120 hectares of agricultural land in the city of Marlow and the municipality of Dettmannsdorf. Commissioning of the solar park is scheduled for the end of 2020.

One day before the publication of this report we were able to announce the renewed conclusion of a PPA; this time with innogy SE. The PV plant planned in Absberg in the Franconian district of Weißenburg-Gunzenhausen is to produce around 5 million kWh of electricity per year on an area of approx. 5.5 hectares - equivalent to around eight football pitches. This is sufficient to cover the annual electricity needs of around 1,400 households. Even if this solar park is considerably smaller than the planned solar park in the community of Dettmannsdorf, this new conclusion shows that we have gained a competitive advantage in our industry.

The scope of the project pipeline is being continuously expanded. In particular, the expansion of projects in Scotland and the USA, which are at various stages of development, will make foreign markets increasingly important in the medium term. Overall, the project pipeline has now been expanded to 3,800 MW.

With the commissioning of the Withernewick II wind farm (8.3 MW), the total output of the Group's own portfolio increased to just less than 287 MW at the beginning of the year.

Overall, wind yields in the first quarter of 2019 were slightly above budget. While the coastal locations in Germany achieved about 10 % more yield than the long-term average, the inland locations achieved 5 - 8 % more yield. In Great Britain and Portugal the wind yields were almost exactly on the forecast values (+/- 1%).

Due to the still low in-house capacities in the solar segment, the above-average solar radiation in the first quarter did not lead to any significant increases in earnings.

The operating remuneration depends largely on the energy generated in the wind and solar parks managed. In the first quarter, this largely developed according to plan.

## Outlook

The forecast for the current financial year is based on the growth plans of Energiekontor AG on the basis of a solid business model and against the background of the various systems for the remuneration of electricity generated from renewable sources.

Under the premise of a 100 percent supply of the energy demand with renewable energies, Energiekontor has set itself the goal of realizing the first wind and solar parks whose electricity production costs are lower than those of the conventional energy industry in order to help renewable energies achieve a higher market penetration overall. The various departments of the company have been preparing for this for years with various efficiency measures along the entire value chain. At the same time, these cost reduction measures represent a competitive advantage and help the company to achieve a good position within the industry in a tightening market environment with increased cost pressure.

In addition to participating in future tenders, Energiekontor concentrates primarily on concluding power purchase agreements with major industrial partners (PPAs). With these PPAs, the company has already been able to successfully gain experience and trust among its industrial partners in Great Britain for many years.

Currently, the focus for the development of further projects is on Scotland, where large-scale wind farms are to be economically realised without subsidies under excellent wind conditions. Building permits are currently available for four major projects in Scotland, construction of which is scheduled to begin in 2019.

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

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

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

Overall, the Management Board assumes that consolidated EBT in fiscal 2019 will be moderately higher than EBT in 2018. The main reason for this is the market environment in Germany, which remains challenging due to regulatory requirements.

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

## OTHER

### Risk management

The statements described in the Opportunities and Risk Report of the Annual Financial Report 2018 continue to apply with regard to current developments. The annual financial report and other financial reports of Energiekontor AG are published on our homepage [www.energiekontor.de](http://www.energiekontor.de) under "Investor Relations - Financial Reports".

### Corporate Governance Statement

The declaration on corporate governance in accordance with the German Accounting Law Modernization Act (BilMoG) can be found on the website [www.energiekontor.de](http://www.energiekontor.de) under the heading "Investor Relations/Corporate Governance".

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### Disclaimer

This report contains forward-looking statements. These are statements that are not historical facts, including statements about expectations and opinions of the management of Energiekontor AG. These statements are based on current plans, estimates and projections of the Company's management. Investors should not fully rely on these statements. Forward-looking statements stand in the context of their time of origin and their environment. The Company assumes no obligation to update any forward-looking statements contained in this report as a result of new information or future events. This does not affect the Company's obligation to comply with its statutory information and reporting obligations. Forward-looking statements always involve risks and uncertainties. Many factors could cause actual and future events to differ materially from those described in the forward-looking statements contained in this report.



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