



SHORT PORTRAIT OF ENERGIEKONTOR AG

For the last 25 years, Energiekontor has stood for a sound approach to business and a wealth of experience in wind power. Formed in Bremerhaven in 1990, the Company was one of the pioneers in the industry and is now one of the leading German project developers. Its core business covers the planning, construction and operational management of wind farms in Germany and abroad, and was expanded to include solar power in 2010. Energiekontor also currently owns and operates 34 wind farms and one solar park with total rated power of nearly 270 megawatts. Now, Energiekontor AG intends to extend its pioneering role to commercial aspects and to realise wind farms and solar parks at market prices without state subsidies in all target markets as quickly as possible.

In addition to its headquarters in Bremen, Energiekontor also maintains offices in Bremerhaven, Hagen im Bremischen, Aachen, Bernau (near Berlin), Potsdam and Dortmund. The Company also has branch offices in England (Leeds), Scotland (Glasgow), Portugal (Lisbon), the Netherlands (Nijmegen), the US (Austin/Texas) and France (Toulouse). The formation of an additional branch office in France is currently in the making.

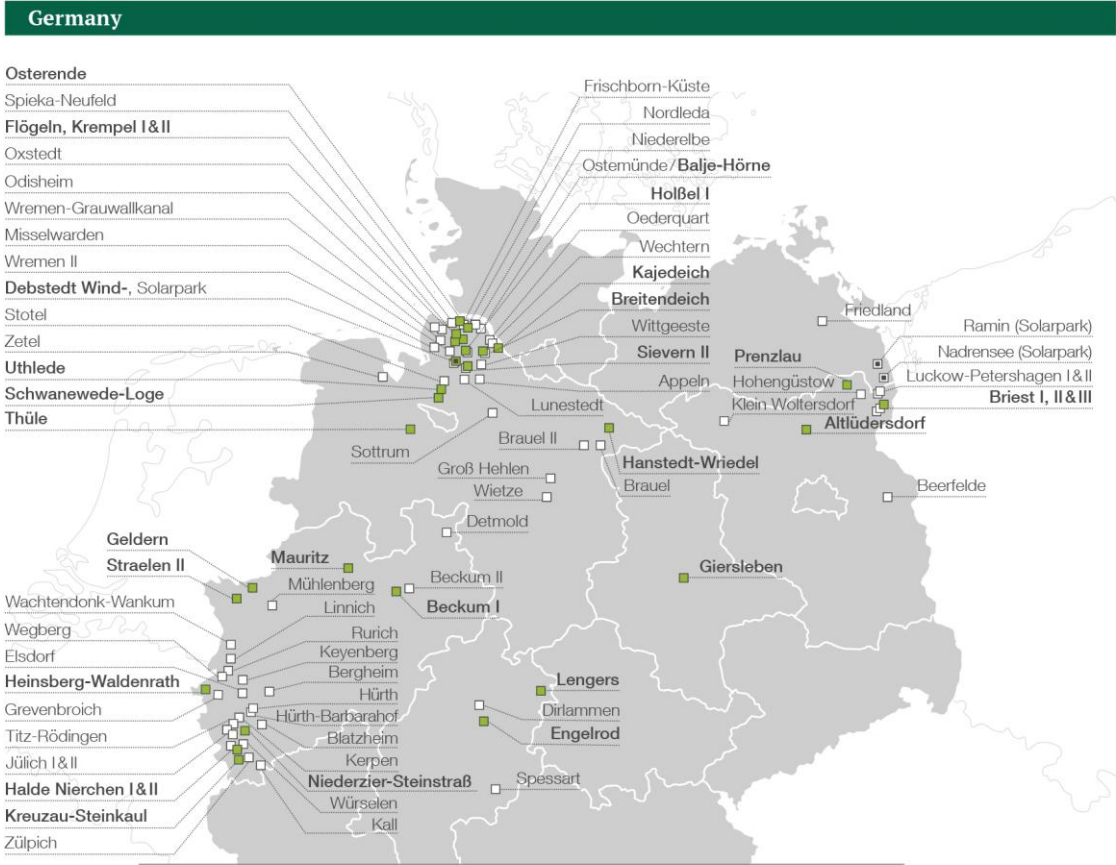
Our track record speaks for itself: We have realised 118 wind farms with total rated power of around 940 megawatts and three solar parks with total rated power of about 30 megawatts. This corresponds to an investment volume of roughly EUR 1.5 billion.

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

INVESTOR INFORMATION (OVERVIEW)

Stock exchange listing:	Deutsche Börse, Frankfurt (traded on the Frankfurt Stock Exchange, Xetra and all other German trading venues)
Market segment:	General Standard
Class of shares:	Bearer shares
Sector:	Renewable Energy
Initial listing (IPO):	25 May 2000
WKN (German securities identification number):	531350
ISIN:	DE0005313506
Reuters:	EKT
Shareholder structure:	51.5% management and supervisory bodies; 48.5% free float
Research:	Dr Karsten von Blumenthal, First Berlin Arash Roshan Zamir, Warburg Research
Designated Sponsor:	Oddo Seydler Bank AG
Financial calendar:	15 May 2018: Publication of the Report on Q1/2018 23 May 2018: Annual General Meeting of Energiekontor AG 31 August 2018: Publication of the H1/2018 Report 15 November 2018: Publication of the Report on Q3/2018 26-28 November 2018: German Equity Forum, Frankfurt a. M.
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REALISED WIND FARMS AND SOLAR PARKS



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

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Mission Statement

100% Renewable Energy

As a pioneer of renewable energy, Energiekontor is actively shaping the transition to 100% renewables. Concentration on our core competences and innovation will drive our business to a successful future.

Individual Responsibility and Autonomy

We support a high level of individual responsibility and create room for autonomy at all levels as they are the precondition for creativity, flexibility and achieving our goals.

Team Spirit and Collegiality

We encourage team spirit and collegiality as they are the key to our success.

Financial Stability and Sustainable Growth

The financial stability of our Company is the basis for sustainable growth and plays a key role in our long-term strategy.



SECTOR AND MARKET TREND

Industry growth in the renewable energy sector is still led by China for both wind and solar power, followed by the US. Together, the two countries cover significantly more than half of annual new installations of wind farms and solar power plants. Cuts in the subsidy systems for renewable energy sources in some European industrial countries, in contrast, brought slight declines in the number of new installations, and uncertainty with regard to investments. Uncertainty remains with regard to the Brexit in Europe and protective tariffs in the US.

The international goals for environmental protection and sustainable energy production continue to be the main drivers for the continued industry growth. The EU member states have undertaken to meet mandatory expansion targets. The international agreement resulting from the UN climate conference in Paris at the end of 2015 showed that climate protection and the corresponding containment of carbon emissions are meanwhile globally accepted, although this is called into question at times when there is a change in government.

The expansion of renewable energy sources also lowers the levelized cost of electricity. In Europe, the price of electricity from renewable energy sources is increasingly determined in auction processes. This has led to a significant decline in the remuneration for energy from wind farms and solar parks in 2017, particularly in Germany. Generally, the goal is to lead the renewable energy market to free market conditions. In some regions, the leading renewable technologies, wind energy and PV, are already competing directly with electricity from conventional energy sources.

The following section contains a detailed description of Energiekontor AG's core markets and new markets in the fields of wind and solar, which have not changed materially compared to the descriptions provided in the 2017 Annual Report.

Wind

Germany

Germany is - in the course of its energy transition scheme - planning to generate 40-45 percent of its required power from renewable energy sources by 2025; by 2035 this figure is supposed to reach 55 to 60 percent. By 2050, the share of electricity generated from renewable energy sources in gross electricity consumption will even be increased to a minimum of 80 percent.¹ The newly formed German government has announced that it wants to adhere to the objective of being able to cover 65 percent of German energy needs with power from renewable sources by 2030.

The German Renewable Energy Sources Act (EEG) forms the framework for the expansion of renewable energies. Since the introduction of the EEG, the share of renewable energies has increased from 6 percent of gross electricity consumption in 2000 to more than one third in 2017.

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

The auction process will be based on a single-stage reference yield model. According to this, the subsidy rate will be constant for a period of 20 years. The bids will relate to a 100% reference site that is defined via the average expected wind speeds. Depending on the quality of the concrete project site (wind conditions), the actual remuneration amount is adjusted by means of several factors along the reference yield curve (a site with low wind levels receives higher remuneration than a location with strong wind). This makes sites with weaker winds more profitable, thereby accommodating the desire to expand wind energy all the way to southern Germany. For the first auction rounds in 2017, the highest bid price for the 100% reference site was set at 7 euro cent/kWh.

¹ Website of the Federal Ministry for Economic Affairs and Energy (BMWi)

Since the EEG was introduced in 2000, onshore wind power has been subsidised based on the two-stage reference yield model. The power generated in the wind farms was remunerated in two stages. A higher initial tariff reverted to the so-called basic subsidy after five years at the earliest. The duration of the period in which the higher initial tariff is paid (max. 20 years) depended on the quality of the site; the weaker the wind at the site, the longer the period with a higher initial tariff. Pursuant to a transitional provision in the EEG 2017, this rule still applies to all wind farms that obtained permission before 31 December 2016 and will start operations before 31 December 2018.

The amended EEG 2014 also stipulated a deployment corridor. This has since been determining the degression of the remuneration rate that is fixed as of commissioning and that was already included in the previous German Renewable Energy Sources Act (EEG). New installations of 2,500 MW p.a. was set as the target. The more this target amount is exceeded by actual installed wind turbine capacity, the more drastic the degression of the remuneration rate (so-called "breathing cap"). In the case of repowering projects, only the gains that exceed the original capacity of the relevant site for the intended trajectory of 2,500 MW will be taken into account.

A special feature of the amended EEG 2017 is the definition of so-called grid expansion areas. These include the northern federal states Lower Saxony (in parts), Bremen/Bremerhaven, Hamburg, Schleswig-Holstein and Mecklenburg-Western Pomerania, where the total volume of projects that might receive subsidies has been limited to 58 percent of the average capacity commissioned between 2013 and 2015. The impact of this on Energiekontor is marginal thanks to its high number of new projects in the key regions North Rhine-Westphalia and Brandenburg as well as the expansion into new national markets.

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

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

All three auctions of the year 2017 were heavily oversubscribed. Average weighted bidding prices dropped from 5.71 euro cent/kWh in the May auction and 4.28 euro cent/kWh in August to 3.82 euro cent/kWh in November. This means that remuneration for onshore wind power more than halved within one year. 93 percent of the projects (65 out of 70) awarded in the auction in May 2017 were citizens' energy initiatives. In August, the proportion amounted to 95 percent and in November to 99 percent. The reason for this result, which is disillusioning from a professional project developer's point of view, was a special regulation (prequalification requirement) in the German Renewable Energy Sources Act (EEG): while project developers must provide financial collateral of EUR 30,000/MW and may only participate in auctions with approved projects, citizens' energy initiatives need no permission and the bid bond they must provide is reduced by 50 percent. The German Renewable Energy Sources Act (EEG) stipulates a 30-month deadline for realising the projects. Citizens' energy initiatives have another 24 months to implement their projects. In addition, citizens' energy initiatives do not get the bid price but the highest price awarded in the relevant auction round, while project developers' remuneration is based on the bid price (pay as bid).

In the opinion of Energiekontor AG, industry associations and other project developers, the special regulation led to a significant distortion of competition in 2017. This was recognised by the legislator, and the special regulation has largely been suspended for the first two auction rounds of 2018 in order to reestablish a plurality of actors. In fact, uniform conditions apply to all bidders in the market in the first half of 2018, with all bidders requiring previous permission and full collateral for their projects, and having 30 months in total to realise their projects. Moreover, the Federal Network Agency increased the highest bid price for the 100% reference site, which is derived from the average of all weighted bidding prices in 2017 and would have amounted to 5.0 euro cent/kWh, to 6.3 euro cent/kWh for 2018. Both measures are expressly welcomed by Energiekontor AG, as they prevent strategic bidding and ensure swift and efficient project realisation.

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

Total rated power of the wind turbines approved by the end of 2016 and entered into the system register in due time amounted to 9.1 GW. 5.3 GW thereof went into operation in 2017. Deducting the permissions that were withdrawn in the amount of about 0.5 GW, this leaves turbines with total rated power of around 3.3 GW expected to go into operation in the course of 2018 in accordance with the transitional provision.²

As the majority of projects awarded in the 2017 auctions will only have to be completed within five years, there is still a risk that there will be an insufficient number of new wind farms in Germany in 2018 and 2019 for the country to reach its expansion targets. The newly formed German government is therefore considering to increase the auction volumes in the auction rounds in August and October 2018 from currently 700 MW to far more than 1,000 MW. Moreover, special auctions are planned for wind and solar projects in 2018 and 2019, with a capacity of 2 GW each. In addition, two joint auctions for wind and solar projects are scheduled in 2018 (April and November), where the two technologies will compete with one another. These auctions provide for projects with total rated power of 400 MW which is, however, supposed to be deducted again from the auction volume in 2019.

All of the projects awarded in the first of these technology-neutral auctions in April 2018 were photovoltaic projects. The average weighted price of the 32 bids accepted for projects covering 210 MW was 4.67 euro cent/kWh, and was thus higher than the price generated in the solar-specific auction in February 2018 (4.33 euro cent/kWh). A total of 54 bids totalling nearly 400 MW had been submitted, 18 for wind and 36 for photovoltaic projects. The auction was thus oversubscribed twice. The weighted bid price for solar plants was 4.82 euro cent/kWh, whereas the price for onshore wind turbines was 7.23 euro cent/kWh. One of the particularities of this mixed wind-solar auction was that the disadvantages of onshore wind sites with lower yields were not compensated for as would have been the case in a pure wind auction. Furthermore, a new instrument, the so-called distribution network expansion areas, was introduced in this auction. Now, bids for these areas that already have a large amount of renewable energy plants receive a premium on the bid price, thereby decreasing their chances of succeeding in the auction. The Federal Network Agency introduced this distribution network component to account for the higher need for an expansion of the distribution network in such areas. Without this modification, at least one of the bids for wind turbines could have succeeded in the auction.

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

Irrespective of the future development of bidding prices in connection with the auction procedure, Energiekontor has always aimed to pioneer the sector as the first project developer to realise projects in which the levelized cost of electricity is below that of conventional power plants, thus helping renewable

² German WindGuard: "The status of onshore wind energy expansion in Germany, in 2017"

energy sources to achieve a breakthrough. Especially in the light of the current situation it is becoming increasingly obvious that this objective is also the right approach to ensure our continued competitive power.

UK

The British government has come to regard onshore wind as a mature technology in the UK and therefore excluded it from the auction system to promote renewable energy sources, also referred to as Contracts for Difference (CfD). All wind farms realised in the UK are therefore remunerated at market rates and can only be realised based on long-term power purchase agreements (PPAs), which are usually concluded between operators and energy suppliers. In the case of the Energiekontor projects, however, PPAs are negotiated directly between the operator and an end user, usually industrial conglomerates (end-user PPAs). The PPA determines the basic remuneration for the electricity generated over a certain period of time. It normally includes a price increase in the agreed tariff over the term of the PPA. In addition, most of the wind farms still receive embedded benefits, which subsidise power plants that feed into the medium-voltage grid instead of the high-voltage grid.

Since subsidy measures in the UK have been abolished, the onshore wind sector focuses on maintaining the profitability of projects by improving system parameters (e.g. more powerful turbines with greater hub height) while at the same time cutting costs. Whereas Scottish authorities support the approval of high wind turbines, there are only a few examples in the UK where higher turbines have been granted planning permission. In general, Scotland, which has its own, independent planning legislation, assumes a positive stance when it comes to the expansion of onshore wind power. Energiekontor has therefore been focusing for years on securing suitable sites in Scotland, where large-scale wind farms are to be built on sites with excellent wind conditions.

The decision of the UK to leave the EU (Brexit) is having an impact on Energiekontor AG's business to the extent that the potential reintroduction of customs duties and interest rate fluctuations could increase costs for the construction of wind farms and the financing thereof. As a preventive measure, Energiekontor already prices these effects in to the profitability calculations for its development projects. Currency fluctuations would mainly impact income from Energiekontor's own British wind farms, if generated cash flow were to be converted to euro and distributed to the parent company in Germany. In sum, the short term will be plagued with a degree of uncertainty over the possible effects of Brexit on the domestic European market, and investments from other EU member states in the UK might be restrained for the time being. In the medium term, however, Energiekontor still does not expect it to have any lasting effects on the project business in the field of renewable energy sources.

Portugal

Portugal is considered to be one of the most advanced European countries when it comes to environmental, climate and energy policies. The ambitious plans of the Portuguese government envisage that 31 percent of total energy consumption in Portugal is to be covered by renewable energy from 2020. In 2015, the share already amounted to around 25 percent³. In 2016, hydro power, wind and solar energy as well as other renewable energy sources contributed far more than half of the overall power generation volume in Portugal⁴.

³ Sara Stefanini: "Portugal's clean-power problem", article published on 5 September 2016

⁴ Website of the Portuguese Renewable Energy Association, APREN (Associação Portuguesa de Energias Renováveis)

Nonetheless, Portugal is in danger of missing its targets for 2020, as the development of renewable energy sources has been stagnating for years. There are still no new auctioning procedures that would provide grid licenses and thus promote new project developments. While grid connections for wind farms and solar parks can be applied for, the electricity produced would be remunerated at general market prices. Project developers can therefore only apply for licenses at market price conditions (MIBEL). As in Germany, energy suppliers in Portugal are legally obliged to purchase wind energy.

Increased environmental protection and nature conservation requirements represent a hurdle at many sites. A project developer wishing to connect to the grid therefore needs to meet two key requirements: sufficient grid connection capacity for the inclusion of an additional wind farm or solar park in the area, and a positive assessment of the environmental impact.

The Netherlands

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

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

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

France

The French renewable energies legislation “Loi relative à la transition énergétique pour la croissance verte” (in short: LTE) was adopted in August 2015; with this legislation, France sets ambitious objectives for the expansion of renewable energies. The share of renewable energy sources in final energy consumption is to be raised to 23 percent by 2020 and to 32 percent by 2030 (at the end of 2016 it stood at 16.0 percent according to Eurostat)⁵. In addition, the share of nuclear energy in the electricity mix is to be reduced to 50 percent (expected to be completed in 2030 or 2035).

With new installations of nearly +1.7 GW in 2017⁶, France wants to expand its onshore wind power capacity from currently about 13.5 GW to 14.3 GW in 2018 and 21.8-26.0 GW in 2023.

⁵ Ministère de l'Environnement, de l'Énergie et de la Mer: “Chiffres clés des énergies renouvelables – Édition 2016”, February 2017

⁶ French-German Office for Renewable Energy (DFBEW): “Windenergie an Land – aktuelle Entwicklungen”, March 2018

In the course of 2016, the remuneration terms for onshore wind power were defined in more detail. Based on the German blueprint, France introduced a mandatory direct marketing scheme for onshore wind farms, which is to replace the previous tariff model. Wind farm operators receive a “gradual” market bonus in addition to the respective market price, which corresponds to the delta between the technology-specific reference tariff plus a management bonus of 0.28 euro cent/kWh and the average weighted market revenue per calendar month (based on Epex Spot Day Ahead)⁷.

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

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

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

United States

Regulations concerning the expansion of renewable energy sources in the US vary across states. Like in Europe, expansion targets for renewable energy sources have been defined. However, they are not binding and their definition varies across states. These so-called Renewable Portfolio Standards (RPSs) either state the absolute expansion targets in megawatts, or a percentage share of renewable energy sources in the energy mix for each of the 29 states and Washington D.C. In California and New York, the RPSs are set to 50 percent, for example, to be reached by 2030. Hawaii has set itself the most ambitious target with 100 percent by 2045. However, the sharp drop in prices, particularly of PV modules, is reducing the relevance of RPSs. In some states, the expansion of renewable energy sources is continued for economic reasons, although the RPS targets have already been reached. This shows that the energy transition towards power supply based on renewable energies has also reached the US.

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

⁷ French-German Office for Renewable Energy (DFBEW): “Neuordnung der Fördermechanismen für erneuerbare Energien in Frankreich (Stand Februar 2017)”, March 2017 and answer given to a written question submitted

However, indirect subsidies are granted at state level via tax benefits. The corresponding mechanisms are either Investment Tax Credit (ITC) or Production Tax Credit (PTC). They had originally been introduced at the beginning of the 1990s, were amended in 2009 by the Obama administration with the “American Recovery and Reinvestment Act (ARRA)” and were extended in 2015 until 2020 via the “Consolidated Appropriations Act”.

PTC takes effect in the first ten years of operation, i.e. tax credit is given on profits from the sale of electricity generated with wind turbine systems. This typically involves an agreement with a tax equity investor (TEI) who is able to use the PTCs for tax purposes as a partner or operator of the facility. Depending on the construction start of the wind farm, the PTC will gradually be reduced in the coming years (by 40 percent in 2018 and 60 percent in 2019)⁸.

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

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

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

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

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

Solar

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

Germany

Since 2015, financial subsidies for electricity generated in new ground-mounted solar arrays can only be obtained by participating successfully in a centralised auction organised by the German Federal Network Agency. In a pilot phase with three auction rounds, the Federal Network Agency tendered 500 MW of solar PV capacity in 2015, followed by 410 MW in 2016. From the first auction in April 2015 to the auction in December 2016, the average subsidy amount was reduced gradually from 9.17 euro cent/kWh to 6.90 euro cent/kWh.

Since the EEG 2017 entered into force, the subsidy amounts for all ground-mounted solar arrays with a size of over 750 kilowatt peak (kWp) have been determined in a tendering procedure. Since 2017, an annual total of 600 MW is set to be tendered in three auctions per year. In the auctions held in February,

⁸ Website of the US Department of Energy (DoE)

June and October 2017, average subsidies dropped further from 6.58 euro cent/kWh at the beginning of the year to 4.91 euro cent/kWh at the end of the year. This means that prices have roughly halved over a time period of two-and-a-half years.

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

In the first mixed wind-solar auction in April 2018, solar projects prevailed over wind turbines; all awards were given to photovoltaic projects. The average weighted price of bids accepted in the auction that was oversubscribed two times was 4.67 euro cent/kWh, thus exceeding the average price in the solar auction in February 2018. More information on this special auction is provided in the “Wind/Germany” section.

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

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

France

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

Since 2016, remuneration for power generated with ground-mounted solar arrays in the size of 500 kWp to 17 MWp is determined in auction processes in France. Six auction rounds with 500 MW each are planned for between 2017 to mid-2019. The auction volume has been divided into three plant categories: 300 MW for ground-mounted solar arrays with a capacity between 5 MWp and 17 MWp (Category 1), 135 MW for ground-mounted solar arrays with a capacity between 500 kWp and 5 MWp (Category 2) and 65 MW for roof-mounted solar arrays with a capacity between 500 kWp and 10 MWp (Category 3).

In the three auctions held in 2017, 79, 77 and again 77 projects with a focus on Southern France were awarded contracts. The average prices of bids accepted fell for Category 1 from 6.25 euro cent/kWh in February to 5.53 euro cent/kWh in December and from 6.81 euro cent/kWh to 6.31 euro cent/kWh in Category 2. Out of the projects that were awarded contracts, 83 percent are based on citizen participation with a bonus of 0.3 euro cent/kWh⁹.

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

⁹ French-German Office for Renewable Energy (DFBEW): „Barometer Photovoltaik in Frankreich“ (from March 2018)

United States

At the end of 2017, total PV capacity in the US amounted to more than 50 GW¹⁰, which is only slightly more than in Germany, a country almost 28 times smaller than the US.

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

ITCs allow investors to deduct 30 percent of the invested system costs from their tax load. Depending on when the construction of PV projects is started, the ITC will be reduced to 26 percent in 2020 and 22 percent in 2021. From 2022, the plan is for just 10 percent to be deductible. In order to use the ITC for a project, either an investor is needed who is able to activate the ITCs, or, as is the case with wind farms, a tax equity investor (TEI) must be integrated. Such TEIs must stay in the project company operating the PV park for at least five years.

With regard to the development of solar projects, Energiekontor is focusing on the western and central part of Texas. This region boasts excellent solar radiation conditions with global radiation of partly far more than 2,000 kWh/m² a (kilowatt hours per square metre and year), i.e. approximately twice as much as at very good German sites. The levelized cost of electricity of solar parks is therefore correspondingly lower. The power grid in West Texas is very well developed, and the need for electricity is high due to several large cities in the region.

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

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

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

¹⁰ Solar Energy Industry Association (SEIA): “U.S. Solar Market Notches Another Quarter of 2 GW Growth, But Uncertainty Holds Back Installations”, 14 December 2017

THE COMPANY

The Energiekontor AG business model

Energiekontor AG specialises in wind and solar power project development and wind and solar farm operation in both Germany and abroad. As one of the pioneers in this area, the Company can call on more than 25 years of experience and covers the entire value chain in the onshore wind farm segment, ranging from business and project development over financing and turbine installation to the operational management of the completed facility.

By the end of the first quarter 2018, the Energiekontor Group has developed and installed 623 wind turbines with total rated power of 940 MW at 118 wind farms in Germany, the UK and Portugal as well as three ground-mounted solar arrays rated at around 30 MW in Germany. Total capital spending on these projects amounts to about EUR 1.5 billion.

Complementing the sale of turnkey projects, the Energiekontor Group also operates a portfolio of Group-owned wind farms and solar parks as an independent power producer. Owner-operated facilities amount to around 270 MW at the end of March 2018.

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

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

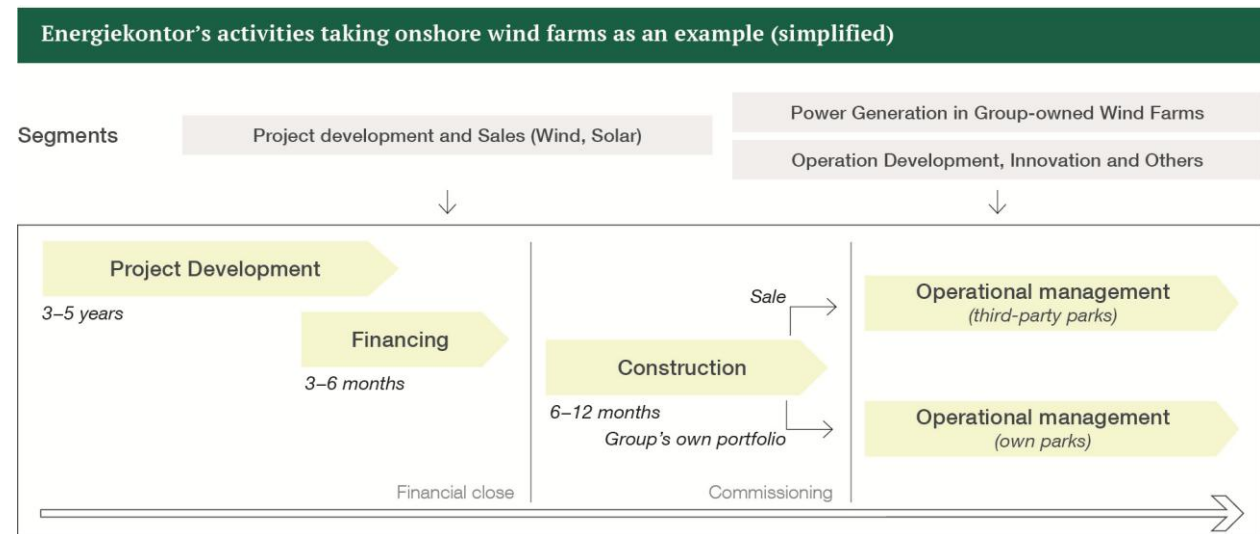
- a) Project Development and Sales (Wind, Solar)
- b) Power Generation in Group-owned Wind Farms
- c) Operation Development, Innovation and Others



a) Project Development and Sales (Wind, Solar)

The Project Development and Sales (Wind, Solar) segment comprises project development for onshore wind farms and solar parks that are either included in the Group's own portfolio or sold to third parties. This division handles the entire value chain from business development, planning and financing through to construction and/or repowering and the final sale of the plants. Buyers of wind farms and solar parks include German and international institutional investors, private turnkey system buyers and members of local communities. An independent project company is formed for each wind farm or solar park project.

Wind farm repowering, i.e. replacing old turbines with new, more powerful turbines, holds considerable potential for Energiekontor as several gigawatts of generation capacity per year will cease to receive EEG remuneration from 2020.



b) Power Generation in Group-owned Wind Farms

This segment comprises the generation of power in Group-owned wind farms. Expanding the portfolio of Group-owned wind farms is the main pillar of the Company's organic growth. The operation of Group-owned wind farms and solar parks further allows Energiekontor to cover the running costs of the Company, e.g. if the realisation of projects is delayed; it also makes the Company less dependent on political framework conditions, such as interest rates and raw material prices. The turbine portfolio additionally creates hidden reserves. If required, these turbines could be sold, thus releasing the respective tied-up financial resources plus the associated hidden reserves. Additional potential lies in the possibility of upgrading Group-owned wind farms, for example through repowering or efficiency-enhancing measures such as rotor blade extension which is allocated to the Operation Development, Innovation and Others segment described under item c).

The first addition to the Energiekontor Group's wind farm portfolio was made in 2002. Since then, the portfolio has seen regular expansion. This currently refers primarily to projects that the Group has developed itself. We intend to transfer around half of the projects developed during a year to Group ownership. In the past, the Group also bought financially promising operational wind farms. Such wind farms may either be projects that Energiekontor developed itself and sold at an earlier point in time or projects developed and operated by other companies. In the first quarter of 2018, Energiekontor transferred the first solar park - the Garzau-Garzin park (10 MW) - to its portfolio Group-owned power generation plants. The total rated power of the wind farms and solar parks operated by Energiekontor in Germany, the UK and Portugal amounted to 269.2 MW at the end of the first quarter of 2018.

Group-owned wind farms and solar parks (31.03.2018)

Name of the wind farm	Total rated power/MW
Debstedt	3.0
Breitendeich	6.0
Sievern (Tandem II)	2.0
Briest (Tandem II)	7.5
Briest II	1.5
Geldern	3.0
Mauritz-Wegberg (Energiekontor holds 88.52 percent)	7.5
Halde Nierchen I	5.0
Halde Nierchen II	4.0
Osterende	3.0
Nordleda (Energiekontor holds 51 percent)	6.0
Kajedeich	4.1
Engelrod	5.2
Krempel	14.3
Schwanewede	3.0
Giersleben	11.3
Beckum	1.3
Balje-Hörne	3.9
Hanstedt-Wriedel	16.5
Lengers	4.5
Krempel II	6.5
Prenzlau	1.5
Flögeln	9.0
Altlüdersdorf	13.5
Thüle	14.0
Kreuzau-Steinkaul	5.5
Niederzier-Steinstraß	8.3
Heinsberg-Waldenrath	7.2
Solar park Garzau Garzin	10.0
<i>Wind farms and solar parks in Germany</i>	<i>188.1</i>
Marão	10.4
Montemuro	10.4
Penedo Ruivo	13.0
Mafomedes	4.2
<i>Wind farms in Portugal</i>	<i>38.0</i>
Hyndburn	24.6
Withernwick	18.5
<i>Wind farms in the UK</i>	<i>43.1</i>
Total	269.2

c) Operation Development, Innovation and Others

The Operation Development, Innovation and Others segment brings together all of the various activities aimed at improving the operating profit margin after commissioning a wind farm or solar park. This includes, in particular, operational management of wind farms (technical and commercial) and direct marketing of the electricity generated in these farms as well as all activities aimed at reducing costs, extending service life and increasing yields to optimise the income from wind turbines. Such measures include:

- rotor blade extension and improving blade aerodynamics
- updates in the turbine control systems or exchanging old for new, modern control systems
- more exact yawing systems and enhancing generator performance
- reducing failure rates by preventive maintenance measures
- reducing downtimes by equipping all wind farms with continuous condition monitoring with an automated workflow for fault clearance
- consistently reducing the levelized cost of electricity of existing wind farms

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

Commercial activities include, in particular, predictive liquidity management, settling accounts with the energy supplier, the service/maintenance companies and the facility lessors as well as optimising long-term profitability. Other activities include communicating with banks, insurance companies, tax advisors and investors as well as accounting in connection with feed-in management either via the flat rate or the peak load procedure.

Apart from wind turbine monitoring and data reporting and analysis, the technical services rendered by Energiekontor mostly involve the coordination of repairs and servicing teams working on-site, as well as the planning and implementation of preventive maintenance work. This preventive maintenance work can substantially extend the service life of both individual turbines and the overall site, while simultaneously lowering the costs of repairing primary components. The main objective is to maximise the availability and yields of turbines and to ensure reliable operation throughout their useful lives. Therefore, real-time data and automated workflows are used to monitor the turbines 24/7. Moreover, we assume responsibility for the turbines and guarantee legally sound operation of the wind farm by ensuring compliance with all the legal requirements.

Technical innovations such as rotor blade extension also form part of the activities aimed at optimising performance, yield and cost savings. This extension process invented and patented by Energiekontor is a technique for lengthening the rotor diameter that has now been tested and implemented successfully in the field for some years. Installation is carried out with the blade attached, i.e. without dismantling the blade. This concept allows crane costs and downtimes to be kept at a minimum. Preparation of serial production for rotor blade extension is currently underway. During the past three years, the improvement measures on own wind farms had already had a positive effect on operating profit.

Goals and Strategy

Since the formation of our Company almost three decades ago, the renewable energy market has seen ongoing change and continuous development. Back in 1990 when the first Electricity Feed-in Act (StrEG) was introduced, renewable energies were still widely regarded as a rather crazy eco-idealist idea. Initially, especially the large power companies, that have meanwhile come to play a major role in renewable energies, were highly critical of these modern technologies. Today, more than a quarter of a century later, renewable energies have evolved into sophisticated, established and recognised technologies, making a significant contribution to energy production in many industrial nations. In Germany alone, the share of renewable energies already accounts for about a third of the total energy produced; and the higher the share of renewable energies meeting demand, the more sustainable and environmentally friendly the entire energy supply.

Our understanding of the pioneering role

Energiekontor has always had a clear vision for the future: a world where energy needs are covered 100 percent by renewable energy sources. Our mission statement begins with this vision. It is the key principle underlying Energiekontor's business activities and the strongest motivating factor for our staff in their endeavours to progress towards this overall target each day by bringing forward creative ideas and taking pleasure in achieving joint success.

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

This step will do away with a number of barriers, such as the economic barrier: users will always opt for the cheaper provider as long as this does not entail further disadvantages, above all if the cheaper option is also the more environmentally friendly one. At the same time, a social barrier will fall: renewables are bound to receive stronger backing from politicians and society, especially when wind and solar energy cease to depend on state subsidies. All this will give the renewable energy sector a strong boost.

By taking on a pioneering role in realising wind farms and solar parks at actual market prices, Energiekontor is contributing significantly to promoting the breakthrough to a world where renewable energy sources cover 100 percent of energy needs. By paving the way, Energiekontor simultaneously gains a competitive edge over other market participants and occupies a strong position within the industry. Having extensively prepared and enhanced efficiency measures for reducing costs along the value chain, Energiekontor gains a crucial competitive advantage. As an innovative forerunner, the Company promotes the ongoing expansion of renewable energy without state subsidies.

A solid foundation for sustainable growth

The growth model of Energiekontor AG is closely linked to the Company's mission statement. The Company aims to strengthen its organic growth by intensifying its regional approach and by opening up new markets and by thus actively accelerating the expansion of renewable energy sources despite fiercer competition. The management believes in employee involvement and development and creates the corresponding organisational framework. The basis and foundation of Energiekontor's growth strategy is its financial stability. This stability is predominately based on the steady flow of surplus cash from Power Generation in Group-owned Wind Farms and from commercial and technical operational management activities.



Intensifying the regional approach

Energiekontor has always emphasised the importance of the regional approach. This allows close collaboration with local authorities and regions as well as a bespoke regional approach with a high level of local acceptance. At the same time, it generates a competitive advantage in each region and accelerates project development. In terms of organisation, the regional approach is implemented by local Energiekontor teams with far-reaching discretionary powers. This principle shall be further intensified by increasing the number of regions, in which Energiekontor is active, both in Germany and abroad.

Tapping into new foreign markets

One major element of the Energiekontor growth strategy is increased internationalisation through gradual expansion of the existing portfolio of countries (Germany, UK, Portugal) in order to develop additional growth potential for the coming years. Simultaneously, the expansion of the solar business is being driven forward, especially in countries with favourable irradiation conditions and the correspondingly low electricity generation costs. At present, Energiekontor is venturing into the following new foreign markets:

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

In the Netherlands, the Company is developing onshore wind farms, while the initial focus in France and the US will primarily be on solar energy. Following the first successful acquisitions, Energiekontor has

made good progress in project development, especially in the Netherlands and the US. Sites have been secured and own offices opened in both of these countries, where project development will be coordinated and driven forward by newly employed native speakers in designated local companies.

In the course of developing new markets, Energiekontor may decide to extend the selection of countries or, if the management believes that a more intensive involvement in one or several of these countries is not promising, it may decide to discontinue activities in one or more countries. Energiekontor always applies the same approach. The Company does not enter a market and start the cost-intensive process of setting up project development directly whenever a new national market is added; instead, Energiekontor carries out a systematic review, analysis and selection process to analyse and evaluate the specific conditions for wind and solar projects in the individual countries (legal, political, subsidy systems, grid connection regulations, authorisation etc.). Furthermore, in order to create the structural prerequisites for a possible market entry at an early stage, Energiekontor identifies and, if suitable, takes under contract the first partners for site acquisitions and further market development. The aim of this gradual and inexpensive review process - which can mainly be carried out by existing employees - is to identify the foreign markets that are best suited for the next market entry. Setting up local branches, employing own local staff and local project development will only begin once the final market entry decision has been made. This approach improves the chances of success for developing the market while reducing the risk of misallocating resources.

Innovation and efficiency measures

As a pioneer, Energiekontor wants to actively shape the transition to 100 percent renewables. It also wants to be one of the first companies to realise wind farms and solar parks at actual market prices in direct competition with the conventional energy sector. This will safeguard the Company's competitive position in an increasingly market-oriented environment.

For this purpose, Energiekontor has developed various measures over recent years to enhance economic efficiency when planning, building and operating wind farms and solar parks as well as measures to optimise the processes along the entire value chain. Examples include technical innovations, such as rotor blade extension, optimising the supply chain, useful life and financing as well as constant improvements to internal processes and structure. These measures have three objectives:

- to increase the economic viability of projects planned by Energiekontor;
- to increase profits of Group-owned wind farms;
- to accelerate project development solution finding.

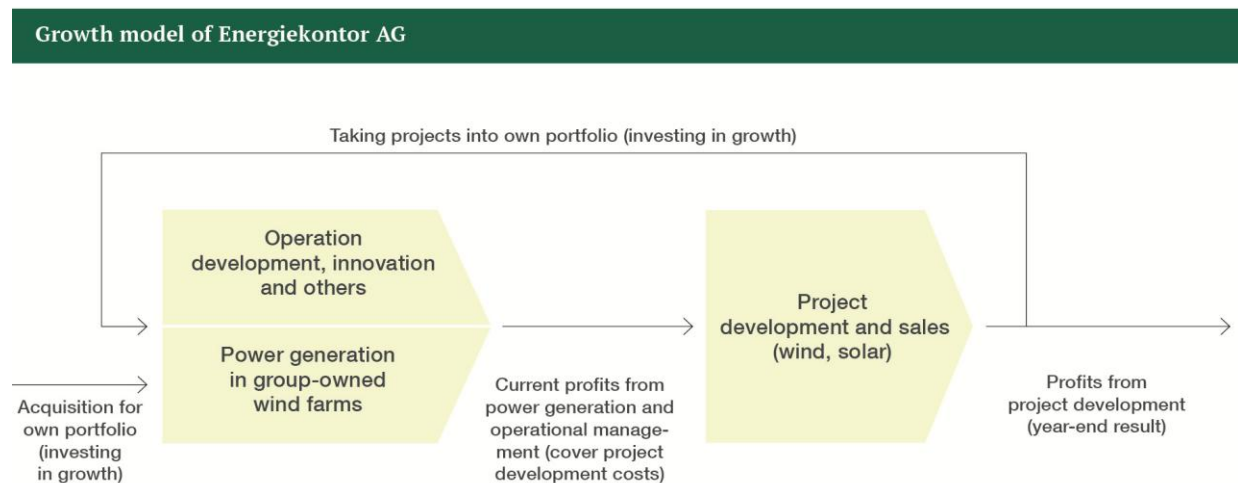
These measures play an important role in broadening the decentralised organisation and the project management under the responsibility of employees.

Room for initiative and organisational decentralisation

Innovation and efficiency are not necessarily restricted to technical innovations. For Energiekontor, widening the decentralised organisational structure also contributes to increasing the Company's efficiency. Thus, the management deliberately focuses on marked decentralisation of the working and decision-making processes with flat hierarchies in order to avoid unnecessary bureaucracy and to ensure flexibility and fast decisions, even with a growing number of employees. At the same time, the Company creates room for creative and flexible problem-solving approaches and motivates each individual employee to act autonomously.

Owner-operated wind farms as a reliable growth driver

Expansion of power generation from Group-owned wind farms is the driving force behind and a central element of the growth model. Steady income is generated by selling the power generated with our own wind farms. Another source of steady income is the provision of management services for completed and operational wind farms by specialised teams from the Energiekontor Group – a service which may be extended to solar parks in the future. This applies not only to the wind farms owned by the Group but also to turnkey facilities that have been sold to energy suppliers, strategic or financial investors. The provision of operational management services to the Company's facility buyers ensures that Energiekontor AG can retain the majority as customers, thus securing regular income from these wind farms well beyond their project completion dates.



Together with the steady income from the operational management of own and third-party farms, the income from selling electricity ensures financial stability and builds the basis for the Company's sustainable growth. Energiekontor uses the surplus cash thus generated to cover most of the costs of project development including Group-wide personnel and overhead costs. Income from selling in-house developed wind farms and solar parks drives net income and is used to pay taxes and dividends as well as create a liquidity reserve.

Our strategy of expanding power generation in Group-owned wind farms includes

- keeping projects that we have developed and completed in the Group,
- repowering Group-owned facilities, and
- optimising and increasing efficiency.

We intend to transfer around half of the projects that we develop to Group ownership; the other half is designated for sale. The management reserves the right to adjust this ratio depending on the Company's business situation.

Varying growth dynamics

Company growth varies in the individual segments. In the area of project development, Energiekontor drives growth by increasing site acquisitions and its regional approach as well as by expanding to new markets. In contrast, growth in the Power Generation in Group-owned Wind Farms division is based on transferring projects from project development to Company ownership. The higher the number of wind farms that become Group-owned wind farms, the more cash can be generated from the sale of electricity and operational management, and the more funds are available for project development in order to promote growth. In conclusion, growth is mainly accomplished by expanding the Group-owned farm portfolio as well as increasing the surplus cash gained from operating Group-owned wind farms and from operational management. The accompanying innovation and efficiency measures that lead to further rises in profits and that further increase the surplus cash from power generation in Group-owned wind farms intensify this organic growth process.

One positive side effect of this growth strategy is the fact that it reduces dependency on project selling and proceeds from project sales. The Group's liquidity and project development financing (including the Group-wide personnel and overhead costs) is covered by the surplus cash generated from power generation in Group-owned wind farms and operational management even if no income is generated from project sales. Financial risk is thus minimised to the greatest possible extent. The Energiekontor growth model thus differs from many competitors' business models in the industry that do not have a comparable portfolio of Group-owned wind farms.

Business objectives

Energiekontor plans to use this strategy to increase project development EBT in a stable and sustainable manner to around EUR 30 million per year in the medium term. This figure is based on the assumption that around half the projects realised per year will be included in the Group's own portfolio. The profit from setting up these Group-owned wind farms is eliminated in the consolidated financial statements and thus has no effect on Group profit.

The intention behind expanding the portfolio of Group-owned wind farms is to establish Energiekontor as a medium-sized producer of renewable energy while effectively minimising dependency on general market trends. With the income from additional Group-owned wind farms and operation development, the Company intends to sustainably generate EBT of EUR 25-30 million p.a.

The expansion of the Group-owned wind farm portfolio will be sourced from the Company's own projects, the repowering of existing portfolio assets and, where appropriate, the acquisition of third-party facilities. The Company will finance this new tranche of capital spending with project financing loans, project-related bonds, equity capital and regular surplus cash from existing portfolio wind farm operations.

Energiekontor has spent the last few years creating an environment that favours a stable and sustainable growth trajectory, and is extremely well positioned to face the challenges of the future in a highly competitive market.

BUSINESS DEVELOPMENT BY SEGMENT

a) Project Development and Sales (Wind, Solar)

The 2018 financial year started with the completion of several projects in Germany, the construction of which had already commenced in 2017. However, Energiekontor also achieved substantial progress in the UK and the US.

In **Germany**, Energiekontor AG finally completed the Hammelwarder Moor wind farm (10.2 MW) at the beginning of February 2018 and commissioned the last of the three turbines. Further, Energiekontor started setting up the Bremen-Hemelingen wind farm (12.8 MW) and the single turbine for Debstedt II (4.5 MW) in February 2018. The Debstedt II single turbine is an extension of the Debstedt repowering wind farm, which had already been sold and commissioned with three turbines in 2016. Thus, Energiekontor is realising the last two projects that were approved before the end of 2016 and are therefore still subject to the old tariff system as per the transitional provisions of the 2017 German Renewable Energy Sources Act (EEG).

Another project with total rated power of 3.4 MW was granted a planning permission at the end of April 2018.

Energiekontor also opened a new office in Potsdam at the beginning of May 2018. In line with the strategically important principle of regionality, the Company managed to conclude its spin-off activities in the key region of Brandenburg. With its office in Bernau near Berlin and the new office in Potsdam, the key region of Brandenburg has now been divided into the two regions Brandenburg-East and Brandenburg-West. This measure relieves project development in the relatively large key region of Brandenburg, which also includes the adjacent regions in Mecklenburg-Western Pomerania. This is another step in maintaining the Company's decentralised structure and decision-making processes.

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

Based on optimised project parameters, the Pencarreg project (approx. 5 MW) in Wales was granted planning permission in March 2018. The Group also reached the financial close for another project with nearly 9 MW rated power in March 2018. Construction and commissioning of the wind farm situated southwest of London in the county of Kent is expected to be completed in the current 2018 financial year.

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

Overall, the Energiekontor Group is concentrating on developing its product pipeline in Scotland in the next few years. Including the sites already secured (exclusivity/options), total rated power of Energiekontor Group's project pipeline in the UK increased to about 900 MW. The majority of these sites is in Scotland.

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

In the **Solar** segment, construction and commissioning of the Garzau-Garzin solar park (10 MW) was completed and commissioned in March 2018. This is the first solar park Energiekontor is including in its own power generation portfolio.

In February 2017, Energiekontor's Solar division was awarded its third photovoltaic project since the introduction of the auctioning procedure in 2015. On this basis, Energiekontor intends to realise a solar park with roughly 6 MW_p in 2018. The project is currently in the area development planning stage.

To be able to submit additional projects in the upcoming solar auctions, the Company also initiated acquisition activities in Schleswig-Holstein to add further options besides the key regions of Brandenburg and Mecklenburg-Western Pomerania. Bavaria and Baden-Württemberg were added as new target regions in the 2017 financial year. With two decisions to draw up a development plan, which were made at the beginning of the current financial year, Energiekontor has now completed its market entry in Bavaria – an important step in the expansion of the Energiekontor Group's solar activities in accordance with corporate strategy.

In the **US**, Energiekontor was able to increase the capacity of the secured areas for solar projects in West Texas to a total of around 650 MW. The office in Austin was officially set up in the first quarter of 2018. From here, the project development of the photovoltaic projects is coordinated locally by a dedicated team. The objective is to sell project rights for the construction of large solar parks after the conclusion of suitable PPAs.

Progress was also made in the Wind segment in the first months of the 2018 financial year. In early May 2018, for example, a US expert was hired as General Manager for the development of onshore wind projects in South Dakota. With wind speeds from 8 to 10 m/s at 80 meters altitude, this region has conditions that Europe boasts nearly only on the open sea.

The other new markets are also making good progress. In the **Netherlands**, project development for a specific project in the southeast of the country is proceeding according to plan. Together with a community cooperative, Energiekontor is planning to erect up to eight turbines here. The community wants to be completely energy-neutral by 2050 and sees the planned wind farm as an important milestone towards this target.

In **France**, solar activities in the south of the country are being driven from a new office in Toulouse, with the support of freelancers. Projects with an overall capacity of several hundred megawatts are currently being processed there. Talks with landowners about onshore wind power usage rights in north western France are also on a positive track. Over the past few months, several of the municipalities approached by Energiekontor have expressed interest in cooperating in the development of wind turbines in Normandy.

In addition to the projects completed at the beginning of 2018, a wind farm and a solar park with total rated power of around 20 MW, Energiekontor currently has projects of around 30 MW approved or under construction. Further projects with total rated power of around 150 MW have been submitted for planning permission or are in preparation for submission, and projects with around 500 MW are in preparatory project development processes. In addition, sites for roughly 2,300 MW were secured. Energiekontor Group's total pipeline thus amounts to around 3,000 MW.

b) Power Generation in Group-owned Wind Farms

The integration of the Garzau-Garzin solar park (10 MW) has increased the total output of the Group's own portfolio to just under 270 MW at the end of the first quarter of 2018.

Otherwise, the Company continued to focus on measures aimed at optimising operational management by reducing costs and enhancing efficiency:

- **Repowering:** Wherever possible, Energiekontor intends to gradually replace old turbines with new, more powerful wind turbine systems and to thereby simultaneously extend the useful life of these sites.
- **Increasing efficiency through technical innovation:** This comprises yield-enhancing measures (up to 10 percent) like optimising the aerodynamics of blades and extending the length of rotor blades in own wind farms.
- **Optimising operating costs:** For this purpose, operational management introduced an efficiency enhancement programme aimed at lowering operating costs per kilowatt-hour by means of various measures.
- **Extending the useful life:** The terms of existing turbines are to be secured beyond the guaranteed state subsidisation period by means of suitable lease and loan agreements.
- **Refinancing and repaying loans:** Liabilities and the interest burden in the Power Generation in the Group-owned Wind Farms segment are to be reduced via refinancing of existing farms.

Compared to the previous year, the 2018 wind year has been relatively positive in all regions in which Energiekontor operates wind farms.

c) Operation Development, Innovation and Others

In the wake of the auctioning procedure and the corresponding drastic drop in electricity prices from renewable energy sources, direct power purchase agreements (PPA) between energy producers and end users are becoming increasingly attractive. Energiekontor is currently involved in several talks with interested industrial end users in this respect.

The Company has developed and tested a number of new measures for operational optimisation, including measures to improve turbine control and yawing and to reduce downtimes by equipping all wind farms with continuous condition monitoring and an automated workflow for fault clearance. These measures further include more efficient maintenance and repair concepts so that Group-owned wind farms can be operated profitably even after the remuneration as per the German Renewable Energy Sources Act (EEG) expires.

Technical innovation work continues to focus on rotor blade extension. Following a successful test and optimisation phase, Penedo Ruivo, the first wind farm consisting of ten turbines in the 1.3 MW class, was fully equipped with rotor blade extensions in autumn 2016. In 2017, the rotor blades of another six turbines were extended in two more Group-owned wind farms in Portugal. The remaining ten turbines are to be retrofitted in 2018 and are expected to consistently generate a five percent higher yield.

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

OUTLOOK

The forecast for the current financial year takes into account Energiekontor AG's growth plans based on a sound business model, with a view to the regulatory changes in the remuneration of electricity from renewable sources. It has not changed vis-à-vis our statement in the 2017 Annual Report and is summarised below.

Assuming that 100 percent of the energy need will be covered by renewable energy sources, Energiekontor is striving to realise the first wind farms and solar parks with levelized cost of electricity lower than that of conventional energy sources in order to help the renewable energies achieve better market penetration. All the Group's departments have been preparing for this for years by developing various efficiency measures along the entire value chain. The cost cutting measures also give the Company a competitive edge, ensuring a good position within the sector despite fiercer competition and increasing price pressure.

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

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

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

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

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

by tapping into the French and the US markets. In the US, in particular, the plans are becoming more concrete after Energiekontor and its local team have managed to secure sites for setting up PV parks with total rated power of more than 600 MW in West Texas. Besides the option of concluding PPAs with major utilities in the scope of auctions, Energiekontor is also negotiating with large industrial companies in order to conclude end-user PPAs, following the proven "British model". As soon as the Company concludes a PPA, the project rights are to be sold to an investor, probably in several tranches. Therefore, some of these activities might already be reflected in 2018 earnings. The US business thus provides for additional upside potential in the 2018 financial year as the possible earnings contribution is not yet accounted for in the Company's current planning for 2018. However, the Group is not expecting any earnings contributions from the Netherlands and France in 2018, as the lead times of the wind farms and solar parks developed in these regions will take the usual three to five years from acquiring sites to turnkey completion.

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

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

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

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

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

THE ENERGIEKONTOR SHARES

Share capital

The Company's subscribed capital (share capital) as entered in the commercial register amounts to EUR 14,578,160 as of 31 March 2018 and is divided into 14,578,160 bearer ordinary shares.

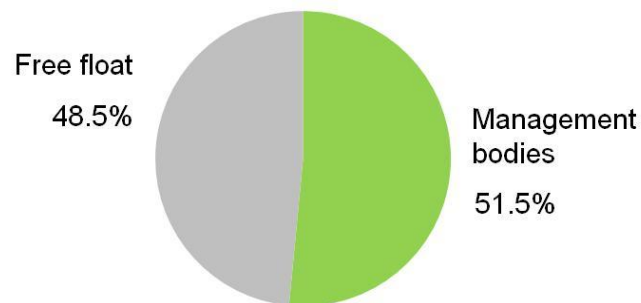
Shareholder structure

The Management Board is not aware of any direct or indirect shareholdings (sec. 315 (4) No. 3 German Commercial Code (HGB)) in excess of 10 percent, with the exception of the shareholdings stated below:

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

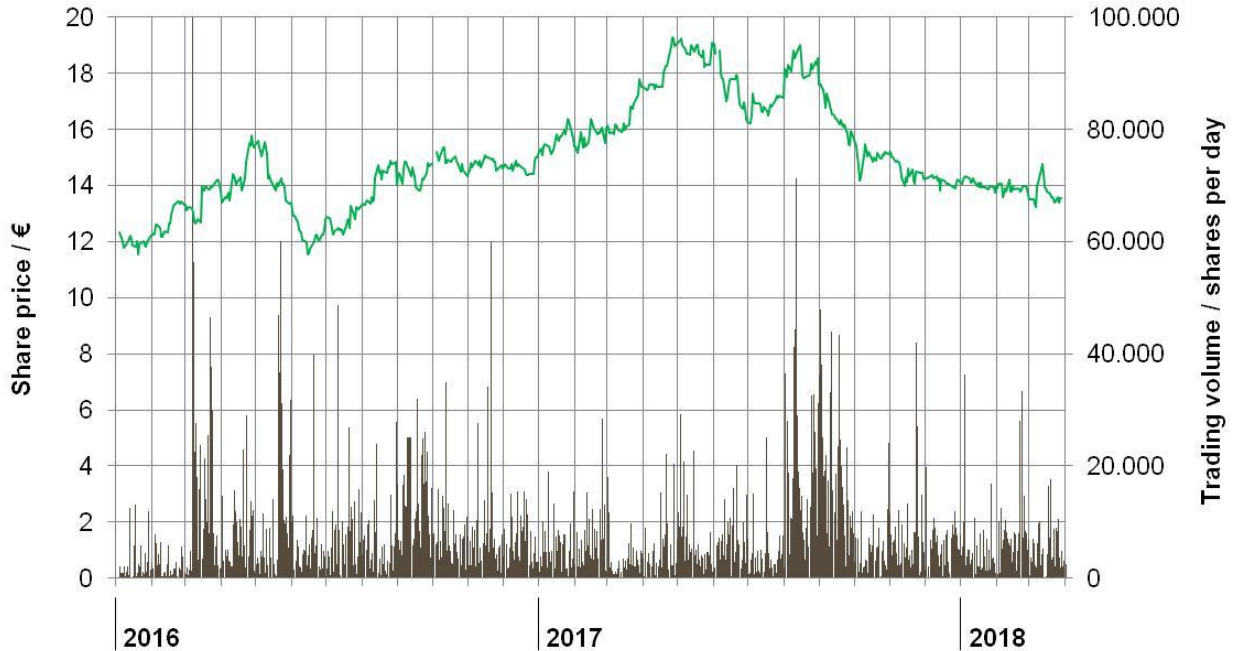
The shareholder structure of Energiekontor AG as of 31 March 2018 was as follows:

Shareholder structure as of 31 March 2018:



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

The following chart shows the development of the closing price of the shares in Frankfurt (green) as well as the total daily stock trading volume of Energiekontor AG at all German exchanges (grey) between 1 January 2016 and 31 March 2018.



Source: Oddo Seydler

General Meeting 2018

The Annual General Meeting of Energiekontor AG will take place on Wednesday, 23 May 2018, in the "Hamme Forum", RIESstraße 11, 27721 Ritterhude near Bremen. The invitation and all relevant documents can be downloaded in German from www.energiekontor.de > Investor Relations > Annual General Meeting (only available in German).

OTHER DISCLOSURES

Risk management

The statements made in the Report of opportunities and risks included in the Annual Report 2017 continue to apply to the current situation. The annual financial statements and other financial reports of Energiekontor are available on our website www.energiekontor.de under "Investor Relations – Financial Reports".

Corporate Governance Statement

The Corporate Governance statement pursuant to the German Accounting Law Modernisation Act (BilMoG) is available on the www.energiekontor.de website under "Investor Relations" (only available in German).

LEGAL INFORMATION

Published by

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Disclaimer

This report contains forward-looking statements. These statements, including information regarding the expectations and views of the management of Energiekontor AG, do not constitute historical facts. They are based on current plans, assessments and forecasts of the Company management. Investors should not place unqualified trust in these statements. Forward-looking statements must be interpreted in connection with the time and the environment in which they were made. The Company does not assume any obligation to update the forward-looking statements in this report to account for new information or future events. This does not affect the Company's obligation to comply with its legal disclosure and reporting duties. Forward-looking statements always carry a certain degree of risk and uncertainty. Numerous factors may cause actual or future events to differ significantly from the forward-looking statements in this report.

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