Annual Report 2014
Extract from the German
original version

25 years of EnergieKontor
since 1990

Rethink – It's worth it

CONSOLIDATED KEY FIGURES (IFRS)

Income statement

in EUR million	2014	2013	Change
Revenue	153.3	117.8	+30 %
Total output	160.5	162.8	-1 %
EBITDA * (EBIT plus depreciation and amortisation)	54.9	46.2	+19 %
EBIT * (EBT plus financial result)	40.7	34.1	+19 %
EBT (earnings from ordinary activities before tax)	21.8	21.2	+3 %
Consolidated net income	14.1	13.5	+4 %
Earnings per share (EPS) in EUR	0.96	0.92	+4 %

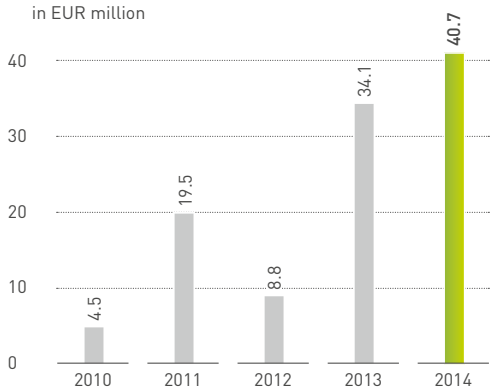
Balance sheet

in EUR million	2014	2013	Change
Plant and equipment (wind farms)	185.9	178.0	+4 %
Equity	40.2	39.6	+1 %
Total assets	355.2	351.0	+1 %
Equity ratio	11.3 %	11.3 %	
Notional equity ratio if limited partner capital is classified as equity; please see explanatory notes on IAS 32 in the Management Report	13.5 %	13.9 %	

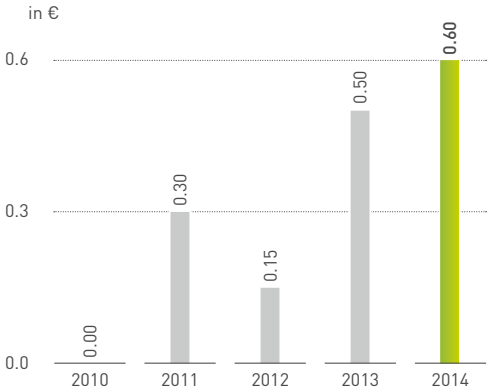
Cash flow

in EUR million	2014	2013	Change
Cash flow from operating activities (operating cash flow)	54.6	18.3	+198 %
Funds at end of period	81.6	71.4	+14 %

EBIT *



Dividend per share



*) different from previous years, in which EBIT/EBITDA included interest income

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. The Company's core business covers the planning, construction and operational management of wind farms in Germany and abroad, and was expanded to include solar power a number of years ago. In addition, Energiekontor currently owns and operates 29 wind farms with a total rated power of around 221 megawatts (MW).

Supplementing its headquarters in Bremen, Energiekontor also maintains offices in Bremerhaven, Hagen im Bremischen, Aachen, Bernau bei Berlin, Dortmund and Neubrandenburg. The Company also has subsidiaries in England (Leeds), Scotland (Glasgow) and Portugal (Lisbon). Our track record speaks for itself: 95 wind farms completed with around 550 turbines and a total rated power of just under 760 MW. This amounts to capital expenditure of over EUR 1.2 billion.

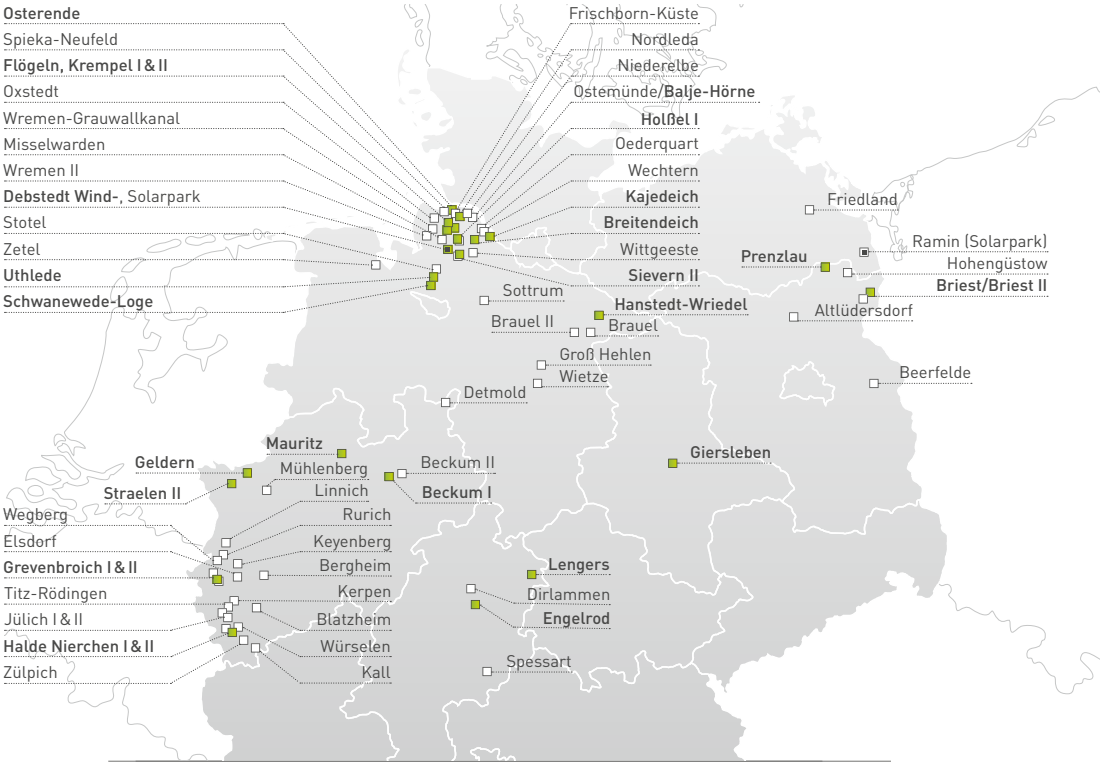
The Company went public on 25 May 2000. Energiekontor AG (WKN 531350/ISIN DE0005313506) is listed on the General Standard segment of the Frankfurt Stock Exchange and the Energiekontor share can be traded on any German exchange.

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:	EKTG
Shareholder structure:	71.2 % management bodies; 28.8 % free float
Research:	Dr Karsten von Blumenthal, First Berlin
Designated Sponsor:	Oddo Seydler Bank AG
Financial calendar:	31 March 2015: Publication of 2014 Annual Report 15 May 2015: Publication of Q1/2015 Interim Report 21 May 2015: Annual General Meeting 2015 31 August 2015: Publication of H1/2015 Interim Report 13 November 2015: Publication of Q3/2015 Interim Report
Investor Relations:	Dr Stefan Eckhoff; phone: +49 (0)421 - 3304 - 0 email: IR@energiekontor.de; website: www.energiekontor.de

PROJECT LOCATIONS

Germany



Great Britain

Portugal

Group-owned Sold Solar Both Group-owned and third-party-owned

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Please note that this report is an excerpt of the German Annual Report 2014. The complete, genuine and legally binding version of the Annual Report is the German "Geschäftsbericht 2014".

Peter Szabo, CEO
of Energiekontor AG

LETTER TO OUR SHAREHOLDERS

Dear shareholders, business partners, investors and employees,

Now celebrating its 25th year in business, Energiekontor can look back on an eventful quarter-century that has seen the Company progress from an idea in the minds of two bold pioneers from Cuxhaven via a creative project development office brimming over with dynamic idealists to a successful IPO and today's status as a leading European company in the wind power sector.

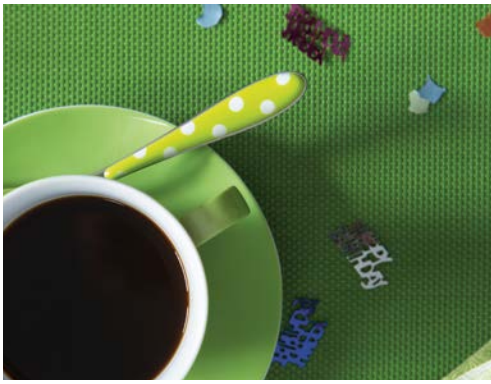
Energiekontor's 25-year history is reflected in the 25 % figure for power generation from renewables now achieved in Germany. This is the end result of a process in which conventional energy production, environmental pollution and anthropogenic climate change have all been critically reassessed at a political and social level. The initial impetus given by the Chernobyl disaster was further strengthened by the Fukushima reactor meltdown, leading to a radical shake-up of the energy supply infrastructure centred on sustainability as the driving factor.

The 25 years since Company formation also constitute a period of prudently managed growth. Our many years of careful preparation and efforts to secure an appropriate mix of premises, permissions, funding and the trust of our investors and business partners have borne us fruit that we can now harvest without losing track of the need to plan for future developments.

As it celebrates its 25th anniversary, the Energiekontor Group can therefore look back on another successful year. After the solid result achieved in the 2013 financial year, the Company proved capable of further improving its year-on-year figures in 2014, posting Group revenue of EUR 153.3 million (2013: EUR 117.8 million) and consolidated EBIT (earnings before interest and taxes) of EUR 40.7 million (2013: EUR 34.1 million). These gratifying developments were also reflected in our share price, which increased to roughly triple its starting value in the twelve months since the publication of figures from our last annual financial statements.

The foundation of this solid business performance is our corporate strategy, which itself rests on two separate pillars. The first pillar is our core competency, project development at our own sites in selected national markets and focal regions, which uses wind farms and now also solar parks to create assets that are either sold on to investors or added to our own portfolio. Our second pillar is the expansion of our Group-owned wind farm portfolio, which secures us regular long-term earnings and thus the continued existence of the Group as a whole by the sale of generated electricity. Both of these pillars are further reinforced by the operational management of Group-owned and third-party facilities, plus innovative and efficiency-boosting developments such as rotor blade extension.

To ensure the continuation of this long-term growth in the current financial year and in years to come, Energiekontor is taking steps to ensure its project pipeline is well-filled at all times. One example is the 38.5 MW Lunestedt wind farm: once finished, it will be one of the largest sites we have ever built. In the UK, the Gayton le Marsh wind farm (16 MW) is now under construction. Also in planning is a series of small and medium-sized projects in Germany and the UK, some of which are now at the pre-approval stage. In addition, Energiekontor has now secured sites in both countries suited to the installation of wind power turbines totalling several hundred megawatts.



Prospects are especially promising in Scotland, where wind power is favoured by excellent local conditions and site bundling on the part of the regulatory authorities makes it possible to get relatively large projects off the ground. In line with our core strategic principle of maintaining a regional presence, Energiekontor opened a branch office in Glasgow in the last financial year, so as to offer local support to our Scottish projects.

Other offices were also opened in Hagen im Bremischen (to support operational management in Bremerhaven) and in Neubrandenburg. This latter office will coordinate our new cooperation with EnBW in Mecklenburg-Western Pomerania, our second such venture following our partnership with the public utility group Trianel in North Rhine-Westphalia.

The August 2014 amendment to the German Renewable Energy Sources Act (EEG) naturally presents us with a new set of challenges. Repowering in particular has been hit by the abolition of the repowering bonus and the curtailing of subsidy periods for good wind power sites. We will need new approaches here to ensure our repowering projects continue to be economically profitable. The same applies to the new tendering procedure now planned – and already partially implemented – in Germany and the UK. This will result in shifting the focus of market competition from suitable sites for wind farms and solar parks to electricity pricing frameworks. The first invitations to tender have now been published in both countries for ground-mounted solar plants. The new regulations will also apply to wind farms from 2017. At Energiekontor, adaptation to these challenges is already underway: we are combining internal efforts and consultation with external business and financing partners to develop strategies capable of ensuring the Company's competitiveness to 2018 and beyond.

Following the sale of the project rights to Borkum Riffgrund West II, Energiekontor does not intend to develop any further offshore projects. In consideration of project lead times of around ten years and the associated high level of pre-production costs, the Company management has concluded that the resultant risk is entirely disproportional to expected yields for a medium-sized company.

In the solar segment, Energiekontor is now sounding out the French market alongside its core markets of Germany, Portugal and the UK. Here, the Company is also considering acquiring third-party project rights to complement its own development work.

Energiekontor is also assessing new markets for wind farm development. Initial analyses reveal the possibility of looking next door to the Netherlands as another potential Western market.

The long-term goals of the Energiekontor Group are to achieve independence from the government regulation of electricity pricing structures, to use Group-owned facilities to stabilise cash flows, and to diversify risk by ensuring a good regional distribution of wind farms and solar parks throughout Western Europe. Thanks to our forward-thinking strategy and our organic and hence sustainable growth trajectory, Energiekontor considers itself well-positioned to meet present and future challenges in a continuously evolving market environment.

On behalf of my management colleagues, I would like to take this anniversary as an opportunity to thank all of our supporters for their loyalty over the last 25 years. First and foremost among these fellow travellers are naturally our employees, whose unparalleled dedication guarantees the success of our day-to-day business. No less important are our investors and our shareholders, who have expressed great interest and confidence alike in Energiekontor from the outset – not only as an "ethical" investment but also due to an unerring belief in the success of the Company's business model. Last but certainly not least are our business and venture partners, who view Energiekontor as a competent and reliable partner with whom one can pursue long-standing and successful working relationships that yield positive results. Our partners also naturally include the various local municipalities with whose residents and councils we have developed community projects for sustainable energy generation offering direct local participation, for example, in the form of citizen investments.

We look forward very much to the next 25 years. Happy Birthday, Energiekontor!

Bremen, March 2015

Peter Szabo
Managing Director

THE ENERGIEKONTOR SHARES

Share buy-back programme

In accordance with the resolution of the General Meeting on 25 May 2011, a total of 128,450 shares were repurchased by Energiekontor AG between the date the resolution was passed and 31 December 2014, 26,600 thereof in the 2014 financial year; the purpose was to retire treasury shares and thus reduce share capital. After the reduction of share capital in September 2014 (cf. below) Energiekontor AG held 4,000 shares at the end of the period under review.

Retirement of treasury shares

Based on the authorising resolution of the General Meeting on 27 May 2010, the Management Board and the Supervisory Board of Energiekontor AG decided on 22 September 2014 to retire 124,450 treasury shares purchased before the end of August 2014, in accordance with Sec. 71 (1) No. 8 German Stock Corporations Act (AktG), to decrease the share capital of the Company. The resolution stipulated that all of the 124,450 fully paid-up no-par value shares held by Energiekontor AG were decreased with a notional proportion in the Company's share capital of EUR 1.00 per share.

The retirement of treasury shares took the Company's share capital down to EUR 14,653,160.00, which is split into 14,653,160 new bearer ordinary shares without nominal amount (no-par value shares with a notional value of EUR 1.00 per share).

The retirement of shares and decrease of share capital was carried out on 25 September 2014.

Directors' dealings

The management bodies of the Company did not carry out any share transactions in the 2014 financial year.

The member of the Supervisory Board Darius Oliver Kianzad and the members of the Management Board Peter Szabo (Chairman) and Thomas Walther did not hold any shares of the Company in the period under review (Thomas Walther until the end of his office on the Management Board on 15 October 2014).

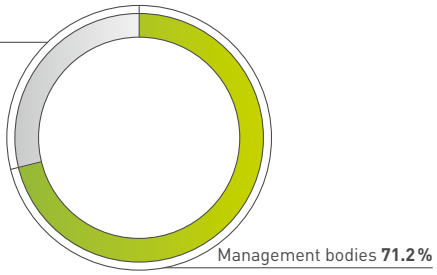
Shareholder structure

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

Dr Bodo Wilkens (Chairman of the Supervisory Board)	5,214,335 shares
Günter Lammers (Deputy Chairman of the Supervisory Board)	5,217,974 shares

The decrease of share capital led to an increase in the relative voting interest of each share compared to the previous financial year. Energiekontor AG therefore had the following shareholder structure at the end of the 2014 financial year:

Shareholder structure as of 31 December 2014



Share price development and trading volume of Energiekontor AG in 2014

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) from 1 January 2014 until 31 December 2014. The share price leap after the presentation of the strong profit in 2013 at the end of March stands out particularly. The daily trading volume has also increased significantly since then.

Energiekontor share price development and trading volume in 2014

Share trading and market capitalisation in the 2014 financial year

The following table shows the highs and lows per month as well as the average closing prices (Frankfurt) of the Energiekontor shares in the 2014 financial year. The average market capitalisation per month was then determined based on the average total trading volume and the average closing prices. This value has more than doubled in the course of one year.

Share trading and average market capitalisation of Energiekontor AG

2014 Month	High (EUR)	Low (EUR)	Average closing price (EUR)	Average trading volume per day (units)	Average market capitalisation (EUR m)
January	4.78	4.51	4.64	2,591	68.5
February	4.70	4.50	4.58	3,097	67.7
March	4.70	**4.28**	4.56	1,956	67.4
April	8.70	5.02	7.34	**25,386**	108.5
May	8.65	7.81	8.31	5,668	122.8
June	8.47	7.71	8.16	7,844	120.6
July	10.13	8.01	8.91	14,098	131.6
August	10.20	8.36	9.19	8,111	135.7
September	9.55	8.96	9.13	6,764	134.7
October	9.50	7.95	9.15	7,752	134.0
November	10.20	9.32	9.96	5,271	145.9
December	**11.22**	9.47	10.53	12,715	**154.2**

Source: Oddo Seydler/Bloomberg

2014 MANAGEMENT REPORT AND GROUP MANAGEMENT REPORT

THE FOUNDATIONS OF OUR GROUP

The Energiekontor AG business model

Energiekontor AG specialises in wind power project development and wind farm operation in both Germany and abroad. As a wind power pioneer, the Company can now look back on over 25 years of industry experience. In the onshore wind farm segment, the Company covers the entire value chain, from business and project development to financing and turbine installation and operational management of the completed facility.

In the offshore wind farm segment, Energiekontor AG has successfully developed and sold three projects in the German North Sea.

Five years ago, the Company's business model was also expanded to include the development of solar parks.

At the time of publication of the present annual financial statements, the Energiekontor Group had developed and installed a total of 549 wind turbines with a total rated power of nearly 760 MW in 95 wind farms in Germany, Portugal and the UK, as well as a ground-mounted solar plant rated at around 9 MW in Germany. Total capital spending on these projects amounts to over EUR 1.2 billion.

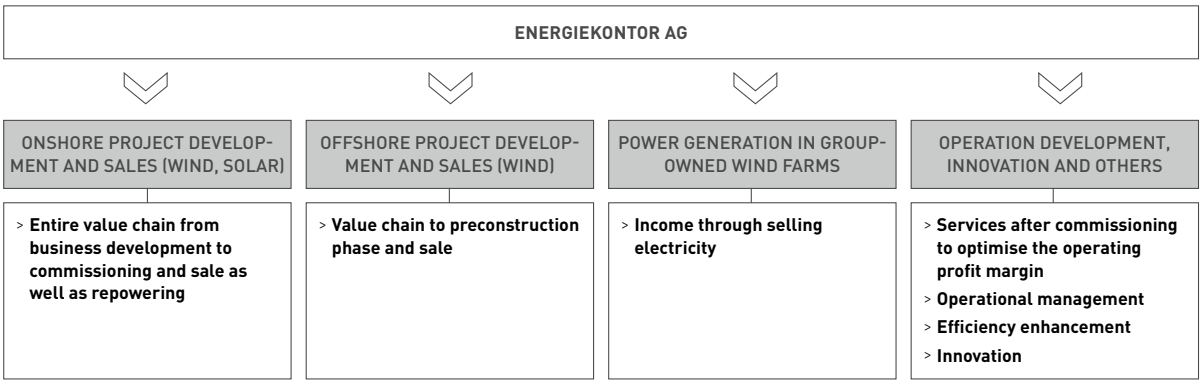
Complementing the sale of turnkey projects, the Energiekontor Group also operates a steadily increasing number of Group-owned wind farms as an independent power producer. Owner-operated facilities currently amount to around 221 MW.

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

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

a) Onshore Project Development and Sales (Wind, Solar)

The Onshore Project Development and Sales (Wind, Solar) segment comprises project development for onshore wind farms and solar parks for sale outside the Group. 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 systems. This division also covers solar power project development business. Buyers for wind farms and solar parks include domestic and international institutional investors, private turnkey system buyers and members of local communities. An independent special purpose vehicle (SPV) is formed for each wind farm or solar park project. To date, the German GmbH & Co. KG (limited



partnership with a limited liability company as sole general partner) has been chosen as the company form.

The repowering of old sites – i. e. the replacement of old facilities with new, more powerful systems – is a key part of business planning for the Energiekontor Group. The Group completed its first repowering projects as early as 2001/2002.

b) Offshore Project Development and Sales (Wind)

The second segment represents the project development and sales of offshore wind farms. Segment business involves all parts of the value chain, from business development to planning permission procedure and project development, and on to the sale of the project at the post-permission or pre-construction stage. Following the sale of the last offshore project at the planning stage, Borkum Riffgrund West II (BRW II), to a Danish energy supplier in November 2014, Energiekontor AG will be winding up the majority of its offshore business, and will disband the Offshore Project Development and Sales (Wind) segment from 2015 onwards.

c) Power Generation in Group-owned Wind Farms

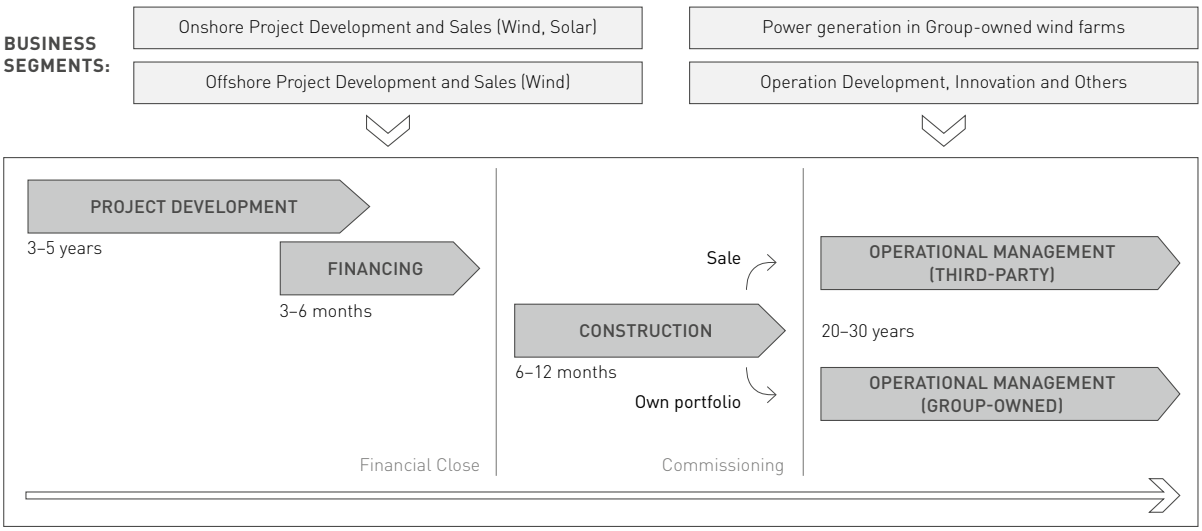
This segment comprises the generation of power in Group-owned wind farms. In expanding its portfolio of owner-operated wind farms, the Group is seeking to increase its independence from government policy and changes in interest rates or the prices of raw materials, while generating income to cover ongoing business costs if individual projects are delayed. The Group's owner-operated systems also constitute hidden reserves. If required, these facilities could be sold at any time, thus releasing the respective tied-up capital plus the associated hidden reserves. Additional potential is offered by the option of increasing the value of Group-owned wind farms via repowering.

The first addition to the Energiekontor Group's wind farm portfolio was made in 2002. Since then, the portfolio has seen regular expansion. The typical procedure is to assume final ownership of projects that the Group has developed itself. Another strategy is to acquire attractive business propositions offered by operational wind farms. Such wind farms may either be projects that Energiekontor itself developed and sold at an earlier point in time or projects developed and operated by other companies. With the addition of the 9 MW Flögeln wind farm to the Company's portfolio in the third quarter of 2014, the total rated power of Energiekontor's owner-operated sites in Germany, Portugal and the UK rose to 220.95 MW (see table below).

Group-owned wind farms

Name of the wind farm	Total output/MW
Debstedt (Tandem I)	11.0
Breitendeich (Tandem I)	7.5
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
Grevenbroich II (Energiekontor holds 96.2 percent)	5.0
Osterende	3.0
Nordleda (Energiekontor holds 51 percent)	6.0
Kajedeich	4.1
Engelrod	5.2
Krempel	14.3
Schwanewede	3.0
Giersleben	11.25
Beckum	1.3
Balje-Hörne	3.9
Hanstedt-Wriedel	16.5
Lengers	4.5
Krempel II	6.5
Prenzlau	1.5
Flögeln	9.0
Marão	10.4
Montemuro	10.4
Penedo Ruivo	13.0
Hyndburn	24.6
Withernwick	18.5
Wind farms in Portugal	*33.8*
Wind farms in Germany	*144.05*
Wind farms in the UK	*43.1*
Total	**220.95**

Energiekontor's activities taking onshore wind farms as an example (simplified)



d) 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 following the commissioning of the wind farm or solar park. Such activities include in particular:

- Operational management of wind farms (technical and commercial)
- All activities aimed at reducing costs, extending service life and increasing yields, e. g.
  - predictive, preventive maintenance
  - direct marketing of the generated power
  - rotor blade extension

Regardless of whether the developed projects are sold or remain 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 the settlement of accounts with the energy supplier, the service/maintenance companies and the facility lessors. Other activities include communicating with banks, insurance companies and investors.

Apart from wind farm monitoring and data reporting and analysis, the technical services provided 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 decisively extend the service life of both individual turbines and the overall site, while simultaneously achieving considerable savings in costs for repairs of primary components.

Another key topic within operational management is direct power marketing, which has become binding for all new wind farms in Germany since the amended German Renewable Energy Sources Act (EEG) was passed in August 2014. Unlike the previous market bonus scheme, no bonuses (management bonus or remote control bonus) are now paid for new power systems. These bonuses have been rolled up into the payment of EUR 8.9 cent/kWh.

Technical innovations such as rotor blade extension also form part of activities designed to optimise 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 successfully in the field for over three years.

Goals and strategy

In the 25 years since the formation of our Company, the renewable energy market has undergone constant change and continuous development. In contrast, Germany and other EU member states have maintained the political will to expand their commitment to renewable energy

sources – even though subsidy programmes have been gradually scaled back, thus increasing the competitive pressure within the industry. Accordingly, while the Energiekontor AG Management Board continues to view government policy frameworks as key guarantors of the successful expansion of the renewable energy market, the long-term objective of the Company's management is to achieve significant independence from the regulatory environment.

A solid foundation for sustainable growth

Energiekontor pursues a policy of sustainable growth. The Management Board believes that this incorporates three drivers, each of which acts to sustain the others: **successful project development** in selected national markets and priority regions, an expanding **portfolio of Group-owned wind farms** (and solar parks as appropriate), permanent **optimisation of the value chain** by enhancing efficiency and fostering innovation, while expanding operational management.

Our project development activities generate new projects that are either sold to investors or transferred to the Group's own portfolio. Project sales thus generate the necessary liquidity reserves required by our business operations. The sale of electricity generated by the Group's own wind farms and the provision of operational management services generate a constant cash flow that not only supports our volatile project development business but is also a factor driving the organic growth of our enterprise. Strategies for enhancing efficiency and fostering technological innovations further optimise value creation within the Company.

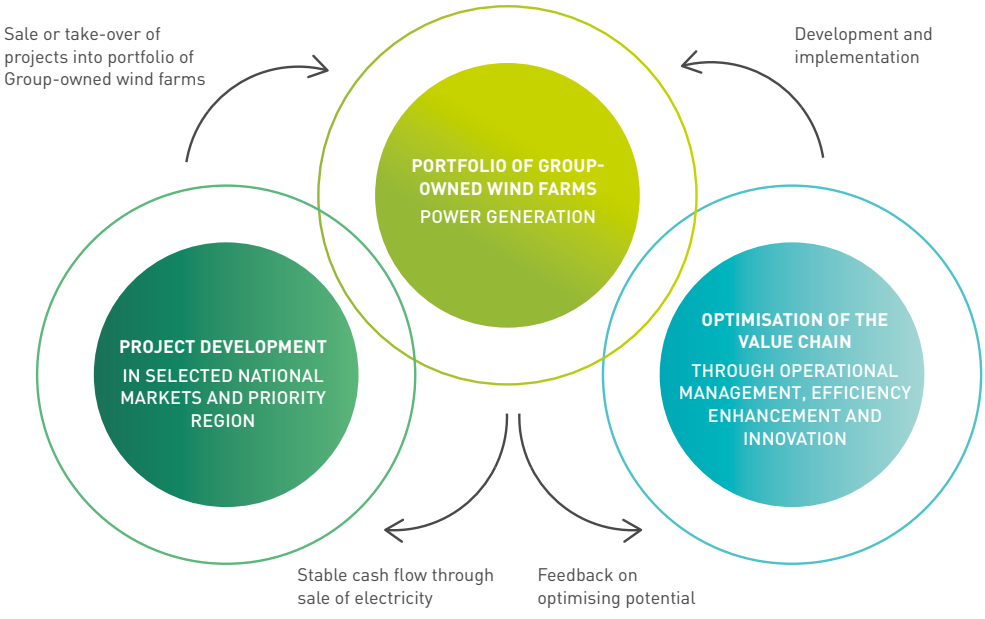
Our goals are therefore twofold. First, to further expand our business development activities in Germany and Europe, so as to ensure a well-stocked pipeline of projects for project development in the Onshore Projects segment (wind and solar). Second, to make further additions to our wind farm portfolio and to extend our operational management activities so as to stabilise income and secure corporate growth over the long term.

The following sections provide further details of the individual aspects of this strategy.

Successful project development

For Energiekontor, successful project development is crucially dependent on close collaboration with local authorities and a strong regional presence.

Sustainable growth based on the strategy of mutual reinforcement



A local partner

Ensuring close collaboration at a local level is a key element supporting Energiekontor's strategic orientation. Energiekontor does so by partnering with selected local authorities, municipalities and public utilities. An example of this kind of cooperation is offered by the agreement Energiekontor AG signed in 2013 with Trianel, Europe's largest public utility group, with the aim of completing wind farms with a total output of 100 MW in selected regions in North Rhine-Westphalia over the next few years. In Mecklenburg-Western Pomerania, Energiekontor is developing new projects in cooperation with energy supplier EnBW. Further partnerships with other public utilities, which target new regions from the twin perspectives of new business and project development, are currently being negotiated.

Our close collaboration with regional public utilities, suppliers, construction companies and banks – as well as offers for citizen participation in the projects developed – extends the value chain at a regional level while leading to greater acceptance for the expansion of renewables among the general public. In addition, this approach also means the Company is seen as a competent local partner who is ideally positioned to leverage the business potential and synergies with its quarter-century of experience.

A strong regional presence

Energiekontor AG pursues a strategy of focusing both nationally and internationally on specific regions, so as to establish a strong regional presence in these areas. Since the specialist teams we install on-site are fully informed about local circumstances, this permits them to plan and manage projects effectively, thus ensuring the best possible results for the Group's project development business. Accordingly, the Company's Bremen headquarters are supported by branches in the priority regions of Bremerhaven, Hagen im Bremischen, Aachen, Bernau bei Berlin, Dortmund, Neubrandenburg, Leeds, Glasgow and Lisbon.

This regional structure also permits special consideration of the respective needs of local authorities, residents and property owners, while also allowing these communities to reap the benefits of value creation.

Expanding the Group's own wind farm portfolio

The strategic decision to retain and operate a portion of completed wind farm projects within Energiekontor Group has the aim of steadily decreasing the Company's dependence on volatile project business.

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

- retaining projects we have developed and completed within the Group;
- optimising and enhancing the efficiency of our own portfolio (including repowering work); and
- acquiring operational wind farms and solar parks.

Accordingly, we intend to transfer around half of the projects that we develop to Group ownership. The other half is earmarked as sales business.

Energiekontor typically finances the acquisition of operational projects with step-up bonds, whose capital contributions fully repay all outstanding loans. Therefore, any external funding that may be tied up in a project company at the time of acquisition, should thus be redeemed almost entirely. This is the case only for wind farms that have been operational for a number of years. While Germany has been the focus of Energiekontor's existing facility acquisitions to date, the Company is now sounding out options in other markets such as the UK or France.

Expansion of operational management

Another source of steady income is assured by the provision of management services for completed and operational wind farms by specialised teams from Energiekontor Group – possibly extending 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 investors 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.

Sustainable growth and economic objectives

Energiekontor plans to use this strategy to increase project development EBIT in a stable and sustainable manner to around EUR 30 million p. a. in the medium term. This figure already accounts for the elimination of profit from the construction of wind farms intended for Group ownership arising from Group consolidation; this profit is therefore not recognised in 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 developments in

the market. In the medium term, the Company plans to expand its wind farm portfolio to around 500 MW, so as to ensure long-term EBITDA of EUR 70–80 million in this segment.

This expansion will be sourced from the Company's own projects, the repowering of existing portfolio assets and 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 liquidity surpluses 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-placed to face the challenges of the future in a highly competitive market.

Innovation (research and development)

While the Company does not conduct R&D in the conventional sense of the term, the various activities handled by the Operation Development, Innovation and Others division are, on the whole, nonetheless designed to improve the operational performance and efficiency of wind farms and solar parks. These activities include the repowering of Group-owned wind farms and the preventive maintenance of turbines, as well as technical innovations such as rotor blade extension.

The latter innovation involves the invention of a procedure for increasing the rotor diameter, for which Energiekontor AG holds a patent. A 1 MW class prototype in Germany has successfully tested the procedure for the last four years; three other turbines were retrofitted in 2014. An evaluation of the test results suggests facility earnings can be boosted by around 7 %. In 2013, permissions were granted in Portugal for 26 turbines in the 1.3 MW class: of these, two were subsequently equipped with lengthened rotor blades in 2014.

The deployment of this procedure is always advisable if the facility cannot be repowered in the short to medium term. The Company intends to step up rotor blade extension work both in its own wind farms and at third-party sites. Testing of the system will be expanded in Portugal and Spain before transitioning to production use and being launched on the market.

Management system

Internal management at Energiekontor Group is based on regular communication between Company management and the individual Company divisions, organised in the form of weekly sessions. The internal control system covers all Company divisions. This ensures the Group can respond quickly to changes in all divisions and at all management levels within Energiekontor Group.

The starting point for the management of the overall Group and its divisions is the set of strategic targets adopted by Company management, which are in turn derived from Energiekontor's overall strategy. These are supported by internal guidelines on processes, cost structures and risk assessment.

The individual Company divisions provide monthly, quarterly and Annual Reports on current developments or deviations from strategic targets. Alongside these operational indicators, the market situation and upcoming changes in individual countries are analysed on a regular basis, so as to enable internal committees to decide on the Company's appropriate response.

The management of business activities in Energiekontor's operating units is based on the above-mentioned performance indicators. The most important indicator of performance within the Energiekontor Group is EBIT (earnings before interest and taxes). Each business unit is assigned a target for this indicator, which is used as a benchmark for the unit's business performance. This overall EBIT target is broken down into different gross margins and surplus targets for the individual operational divisions (profit centres).

As a key performance indicator (KPI), EBIT is supplemented by two other key qualitative components: improvement in the stability of ongoing earnings from the operation of Group-owned wind farms, and the strength of the liquidity base. This is achieved on the one hand by the expansion of business activities that generate a continuous cash flow. And on the other hand, care is also taken to ensure that operating loans and other external funds are not tied up any longer than necessary.

Overall, this results in a medium-term, cash flow-oriented target for EBIT, and thus, in turn, a long-term evaluation criterion for Company performance at the Group level.

ECONOMIC REPORT

Macroeconomic and industry-specific environment

Industry growth varied widely again across technologies and countries in 2014. While the expansion of renewable energies in the emerging markets, above all in China, experienced considerable growth, discussions concerning subsidies and underlying conditions in some of the industrialised countries created uncertainty. The continuing tense budget situation in some crisis countries in southern Europe most definitely contributes to investor reluctance. However, given the general macroeconomic improvement, market activities are expected to pick up again as early as in the current year.

Following long and intensive discussions about the German government's draft amending the German Renewable Energy Sources Act (EEG), the reformed EEG came into effect on 1 August 2014. The federal government's objective is to expand the share of renewable energy sources to 40 to 45 percent by 2025 and to 55 to 60 percent by 2035. By 2050, the share of electricity generated from renewable energy sources in gross electricity consumption is to be increased to at least 80 percent.*

One of the key aspects of the amended EEG is the introduction of an auctioning procedure from 2017 at the latest in order to determine the level of subsidisation, starting with an auctioning model for ground-mounted solar plants, which is already to be launched in 2015. The amended EEG stipulates that the average tariffs for new plants are reduced from approximately 0.17 EUR/kWh to an average of 0.12 EUR/kWh from 2015 across all types of renewable technologies.

According to the Federal Ministry for Economic Affairs and Energy (BMWi), the new EEG focuses the efficient expansion of renewable energy sources on low-cost technologies such as wind energy and solar power.

Wind

After a decline in the previous year, the wind energy industry experienced a record high in terms of newly installed power in 2014 with more than 50 GW worldwide. With new installations of 23.4 GW, China expanded its leadership position to an accumulated capacity of just under 115 GW, equivalent to around 45 percent of worldwide installed power, followed by the US (around 66 GW in total) and Germany (more than 39 GW in total). New installations in Europe in 2014 were again highest in Energiekontor Group's key country markets, namely Germany (5.3 GW) and then the UK (1.7 GW). Worldwide installed power climbed to a total of 369.7 GW[1] in 2014.

The new EEG contains two major challenges for the further expansion of wind energy in Germany: the two-stage reference yield model (Referenzertragsmodell), which has already come into effect, and the auctioning procedure, which is planned to be introduced from 2017.

The two-stage reference yield model has already been a component of the EEG for many years and is to ensure that locations with weak winds are roughly as profitable as locations with strong winds. Depending on the location, the new EEG stipulates a reduction in initial tariffs, which is substantial in some cases, as well as in the length of remuneration for wind-strong onshore wind farms. This shifts profitability significantly in favour of locations with weaker winds, which pays heed to the desire of expanding wind energy to southern Germany.

Beyond this, the amendment of the German Renewable Energy Sources Act (EEG) entails further restrictions from August 2014. All new wind farms are now obliged to market the electricity directly under the market bonus scheme, i. e. electricity is provided to the market by a direct seller that buys the electricity from the wind farm or solar park operator and offers it on the electricity exchange. According to the EEG Amendment, this type of direct marketing no longer involves the payment of a management bonus to the direct seller. This needs to be taken into account when assessing the liquidity of new wind farms. Remote control capability is now a prerequisite for the participation in compulsory direct marketing and is no longer remunerated separately.

Moreover, bonus payments for system services (SDL bonus) provided by wind turbines paid in previous years ran out as of 31 December 2014 and are no longer included in the EEG.

The degression of the fixed initial tariff when a system is commissioned, which was already included in the previous version of the EEG, has been adjusted and is now based on

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

[1] Global Wind Energy Council (GWEC): Global Wind Statistics 2014 from 10 February 2014

installed power in MW (flexible cap) – comparable to the new installation corridor for solar power, which was already effective before. The target was set to new installations of 2,500 MW p. a.

The new EEG abolishes bonus payments for repowering projects, i. e. the replacement of existing wind farms with new, more powerful turbines. For the intended trajectory of 2,500 MW, only the gains will be taken into account that exceed the original capacity of the relevant site.

The analysis and evaluation of the changes implemented based on the EEG amendment reveals higher requirements for a successful realisation of projects at a number of locations, especially for sites with very strong winds. In an overall assessment, Energiekontor comes to the conclusion for its own projects, however, that the changes, especially remuneration levels, compulsory direct marketing and the new installation corridor, will not have any major impact on the further sustainable development of the Company. The biggest challenge – especially for repowering projects – is surely the reduction in tariffs and lengths of remuneration based on the change of the reference yield model. According to the Company's assessment, this effect can largely be offset by an intelligent configuration of the projects and a consistent selection of wind turbine generators that are ideally suited to the location.

The industry is more concerned about the auctioning model, planned to be introduced in 2016/2017. Such models have already been introduced in other European countries in the past. The consequence was, e. g. in Portugal, that new installation figures dropped dramatically, as network capacity was purchased by auction at considerably lower remuneration rates, which were not economically viable.

From Energiekontor's point of view, the exact design of the auctioning procedure should pay special attention to long-term planning and investment cycles for the implementation of wind farms.

Like in Germany, remuneration in the **UK** is also regulated by law. The country is also undergoing transition to a new, auction-based remuneration system.

The previous system is far more complex than the German EEG and also contains many remuneration elements that take into account the environmental benefits of renewable energy sources. In the UK, power purchase agreements (PPAs) are concluded that usually form the contractual basis for transactions between operators and energy suppliers. In the case of the Energiekontor projects, however, PPAs are negotiated directly by operators and end users, usually large industrial conglomerates. The PPA determines the basic remuneration for the electricity generated over a certain period of time. Moreover, the project company will also receive the certificates commonly awarded to renewable energy plants, i. e. renewable obligation certificates (ROCs) and levy exemption certificates (LECs) as well as embedded benefits, a financial bonus for power plants not feeding electricity to a high voltage transmission network but only using the medium-voltage grid. On balance, the resulting remuneration per kWh is therefore considerably higher than in Germany, for example.

Project developers can use the ROC system for projects that will start operations until the end of the first quarter of 2017. From this point in time, an auctioning system is to be introduced that is based on so-called contracts for difference (CFD), a structure that is similar to the German market bonus scheme and pays the difference between the market price and a fixed cap (award price). The difference amounts will be determined in an auctioning procedure, which increases competitive pressure and is also likely to lead to lower feed-in tariffs – as will also be the case in Germany.

The financial crisis continued to impede the expansion of wind power in Portugal. While there are first indications of an improvement in the environment, investment activity continues to be slow. As in Germany, energy suppliers in Portugal are legally obliged to purchase wind energy. New tendering procedures for the allocation of network licenses have not yet been announced. One option for expanding wind energy in Portugal is the use of so-called overcapacities. Under certain conditions, the legislator allows the addition of a certain number of further wind turbine generators to network connection points already approved.

Solar

Following the major slump in 2013, new PV installations in **Germany** dropped again in 2014 to just under 1.9 GW. This took total capacity of installed PV plants in Germany up to around 38 GW at the end of 2014.

In comparison, China saw the largest expansion in 2014 with new installations of more than 10 GW, followed by Japan with more than 9 GW newly installed solar power. In the US, existing PV capacity was increased by approximately 6 GW. With total new installations of around 40–42 GW [1], total capacity worldwide of solar power increased to around 180 GW.

The reason for the dramatic deceleration of growth dynamics in Germany was the amendment of the EEG that came into effect on 1 January 2012 (monthly reduction of electricity remuneration) together with punitive tariffs on cheaper solar modules from China as well as uncertainty relating to the new EEG from August 2014 with regard to the announced auctioning system.

The new EEG has a crucial influence on the further development of the PV industry in Germany. Comparable to the situation in the wind energy market, direct marketing for solar power is to become obligatory in several steps based on the size of the plant between 2015 and 2017. The management bonus is also abolished and will be incorporated in the tariff. All new solar power plants are to be equipped with remote control to further market integration.

The corridor for new installations per year according to the flexible cap principle will be reduced from previously 3,500 MW to 2,500 MW, the same level as for wind energy. Moreover, EEG apportionment will also apply to own consumption of electricity, which had previously been exempt.

Subsidies for ground-mounted solar arrays will now be determined based on auctions. A test phase with a contingent totalling 500 MW is planned for 2015, beginning with an auction volume of 150 MW in April. Further auctions will be carried out in August and December. Three auction rounds per year are planned until 2017, with an additional capacity of 400 MW (2016) and 300 MW (2017).

Larger companies such as Energiekontor AG can actually benefit from the new auctioning system, as they have more flexibility compared to smaller developers. Subject to the remuneration amounts resulting from the auctions, the procedure in combination with the expansion of solar power generation abroad could lead to a revival of the German PV market.

Top European country for new PV installations was the **UK** with approximately 2.2 GW. New installations were driven by the expiry of the attractive ROC subsidy system at the end of March 2015, which is based on the use of renewable obligation certificates (cf. chapter on Wind). In analogy to wind energy and similar to Germany, the ROC system is to be replaced by the auction-based contracts for difference (CFD) procedure. All of the solar parks that go into operation after this report has been published will already fall under the new CFD system. As expected, the first auction round produced lower electricity tariffs.

Portugal also regulates feed-in tariffs, but only for small and medium-sized PV plants. Feed-in tariffs for larger plants in particular are determined here in tender procedures, in which participants bid for apportioned grid connections. Given Portugal's high irradiation values, it can be assumed that in principle the PV market would even be competitive here without government subsidies. However, there are currently no auctions for available grid capacities. The euro debt crisis is still hampering investment in renewable energy sources on the Iberian Peninsula. In view of mixed economic prospects it is difficult to project how the situation will change in the next few years.

Certain developments in both the wind energy and solar industry are likely to have varying impact in the future, depending on the size and location of the plants:

- Own consumption
- Direct marketing
- Power purchase agreements (PPAs)
- Regional/municipal development concepts

All of these developments and trends have the objective of using direct contracts to make electricity providers independent of levies and subsidies. The successful implementation of these concepts essentially depends on the medium to long-term development of electricity prices, but also on the utilisation of further cost reduction potential as well as the risk tolerance of financing banks and other financing partners/financial backers.

[1] PV Market Alliance: Press release from 22 January 2015

Business development by segment

a) Onshore Project Development and Sales (Wind, Solar)

The **Wind** division saw the following developments in **Germany** in the 2014 financial year:

The Flögeln wind farm in the key region of **Lower Saxony** (total 18 MW) was commissioned at the beginning of the third quarter of 2014. The wind farm replaces a former project that had been in place for more than ten years with 3 MW rated power and was realised in cooperation with the previous owners. Both Energiekontor and the previous owners of the turbines now operate three wind turbines (3 MW per turbine) each. With this project, Energiekontor's Group-owned, wind farm capacity increased to about 221 MW.

One of the most important and largest projects – with 33 MW rated power – implemented by Energiekontor in 2014, was the Uthlede wind farm in the district of Cuxhaven. Here, the turbine manufacturer GE Wind Energy also celebrated an impressive anniversary: it set up its 25,000th turbine worldwide at the Uthlede wind farm. With a total of twelve wind turbine systems, the wind farm was sold to a financial investor and successfully commissioned at the end of 2014.

Another important milestone in the Lower Saxony region was the planning permission granted in mid-October for the Lunestedt wind farm to the southeast of Bremerhaven with 14 turbines and total rated power of 38.5 MW. The construction of Lunestedt commenced in the fourth quarter of 2014 and is planned to be completed by the end of 2015. Part of the value creation remains in the region as mainly local companies have been commissioned for the cable works and road construction.

Energiekontor is developing several projects in the district of Cuxhaven. The situation there continues to be dominated by the fact that parts of the regional planning programme (Raumordnungsprogramm) from 2012 are invalid due to the successful avoidance of the old regional plan. A notice of appeal by the district against the avoidance was rejected back in 2014. The adopted redraft of the regional plan is still in the consultation phase. Nevertheless, four further projects with total rated power of about 50 MW are expected to be approved in 2015 based on the completed area development planning (Bauleitplanung); this includes the Debstedt repowering project with a planned rated power of 18 MW.

In the key region of **North Rhine-Westphalia**, the Straelen II wind farm (4 MW) was commissioned in October 2014. The project was sold to a municipal utilities investor back in the second quarter of 2014. According to the agreement, one of the two turbines will be sold directly to a local community cooperative (Bürgergenossenschaft).

Energiekontor obtained permission for the Hürth (8.55 MW) and Linnich (3.2 MW) projects at the end of 2014. Further projects with some 25 MW are currently undergoing the permitting process in North Rhine-Westphalia.

A cooperation agreement was already concluded between the municipal utilities network Trianel and Energiekontor AG in 2013. The objective is to jointly plan and realise wind farms with total rated power of 100 MW in coming years. The cooperation partners will initially focus on project development in selected target regions in North Rhine-Westphalia. Site identification in the target region in connection with this cooperation was largely completed during the period under review. Thus, options were concluded for potential sites for the construction of more than 25 MW and the Group commenced talks with local authorities concerning the realisation of wind energy projects.

In the key region of **Brandenburg**, planning work for a series of projects was continued. Permission for four turbines could be obtained before the end of 2014 for the Luckow-Petershagen project in Uckermark with five wind turbine generators (12.5 MW). All the preconditions have been fulfilled for the Beerfelde II project (2.4 MW) to obtain permission. However, a conflict in connection with air traffic control is yet unsolved (radio beacon).

Mecklenburg-West Pomerania has become a new key region. Energiekontor entered into a cooperation with the energy supplier EnBW and opened a new office in Neubrandenburg just before the end of the reporting period. As one of the first concrete projects under this cooperation, Energiekontor is planning a wind farm in Groß Laasch, the 10–14 wind turbine generators of which are supposed to supply 26,000 households with green power. Energiekontor is getting interested residents involved in the planning already in the early planning phase. As such, residents and municipal representatives can attend consultations to obtain information about the current planning status and to state their point of view on the wind

farm. The Group is also planning to offer a citizen participation programme to provide the members of the community with the possibility to benefit directly from the project.

Currently, intensive talks are under way with further potential cooperation partners in other regions.

Furthermore, sites had been acquired for a total of approx. 250 MW wind energy power as of the end of the reporting period.

Plans for repowering wind farms are currently at different stages depending on the project, varying between concluding transactions for securing a site and preparation of the planning application. Planning periods for repowering projects do not differ significantly from those for new projects. The financial close was obtained in autumn 2014 for the Rurich repowering project (4.1 MW) in North Rhine-Westphalia that had already been approved in the previous year. The project is currently both under construction and in the process of being sold.

Generally, it should be noted that the amendment of the German Renewable Energy Act (EEG) impacted the repowering business two-fold; first, through abolition of the repowering bonus and, second, through the adjustment of the reference yield model (Referenzertragsmodell), which resulted in a significant reduction in remuneration at sites with strong winds. As repowering activities focus on sites with strong winds, the economic viability of some projects had to be reviewed.

The district of Cuxhaven was additionally burdened by the abovementioned avoidance of parts of the 2012 regional planning programme. The first draft of the new regional plan provides for massive cuts regarding existing sites under which economically viable repowering would not be possible. The second draft, which seems to be the one that will be adopted, would ease this situation for the most part. Based on current assessments, the Debstedt repowering project (18 MW), which is currently still undergoing the permitting process, would be granted permission, if the new regional plan is adopted as expected in the third quarter of 2015.

The Krempel repowering project (13.5 MW), which is located in the same district, was rejected after the reporting period had ended due to safety concerns at the military airport Nordholz. The original concept is currently under review and project development may continue.

Moreover, applications for two additional repowering projects in Lower Saxony and North Rhine-Westphalia are being prepared.

In the **UK**, Lilbourne wind farm (10 MW) in central England, between Birmingham and Northampton, became the second important project for the annual result to be connected to the grid. In addition to the projects developed by Energiekontor itself in the UK, the Company had bought the project rights to this project in mid-2013. At the end of the third quarter of 2014, the wind farm, comprising five wind turbine generators, was sold to a financial investor.

Energiekontor reached another important milestone in the UK with the financial close for the Gayton le Marsh (16 MW) wind farm in September 2014. Eight Senvion MM 92 turbines are to be erected at this site in Lincolnshire on the east coast of England. The wind farm is expected to be commissioned at the end of 2015.

Furthermore, Energiekontor is currently working on obtaining planning permission for four projects in the UK with total rated power of about 40 MW, including the extension of the Hyndburn and Withernwick projects (each approx. 8 MW). One of these project extensions could still be implemented under the currently valid ROC system.

In addition to the exclusive rights obtained already in 2013 for approx. 300 MW wind power in Scotland, Energiekontor obtained further exclusive rights to 350 MW in England and Scotland in 2014. The Group is currently preparing the planning application for one of the projects in Scotland.

Having considered various scenarios and negotiations with several potential interested parties, the project rights for the Guardão wind farm in **Portugal** were sold to a project developer in Portugal at the end of July. Other activities in this country are predominately in connection with rotor blade extension on existing turbines (see item d) Operation Development, Innovation and Others).

Back in 2013, the **Solar** business acquired three further sites in **Germany** for solar parks with about 30 MW power and obtained permission for the Weitgendorf (Brandenburg) project with 6.5 MW. The project rights for Weitgendorf

were sold in the fourth quarter of 2014. The Groß Behnitz development plan (approx. 8 MW) was officially adopted as a prerequisite for the planning permission.

The adoption of such an official plan is also expected in spring 2015 for the Nadrensee project (8–10 MW), for which area development planning was successfully conducted in 2014. Following the changes in the subsidy system, this project is planned to be realised within the scope of the new auction tendering process. Applications for the first round of the new tendering process can be handed in until mid-April 2015 (total volume 150 MW).

In addition to the previous solar activities in Germany, Energiekontor has begun to build up its own project development for solar projects **in the UK**. Furthermore, the acquisition of one or more solar projects with planning permission is being considered as an option.

In the **direct sales** business, the purchase agreements for the Holßel III (2.3 MW) and Straelen II (4 MW) wind farms were negotiated and concluded with investors in the first quarter of the period under review. Furthermore, the Uthlede wind farm (33 MW) was also sold. In the second half of the year, a purchase agreement was also signed for the British wind farm Lilbourne (10 MW).

The Rurich repowering project (4.1 MW) in North Rhine-Westphalia, approved in autumn 2013, achieved financial close at the beginning of the third quarter enabling initial construction preparation to be started. Due to delays in the supply chain, the sales process was interrupted in the third quarter and taken up again at the beginning of 2015.

b) Offshore Project Development and Sales (Wind)

In the 2014 financial year, Energiekontor AG had just one Offshore project: the Borkum Riffgrund West II wind farm (BRW II). The wind farm is located in an area some 50 km north of the island of Borkum that was classified as a suitable area for the use of wind turbines. According to the status of the application process at the end of 2014, which Energiekontor has been conducting since 2006, the construction of up to 43 5–6 MW class wind turbines is planned in the area. As per the current version of the offshore network development plan, commissioning of the offshore wind farm is currently planned to start in 2022.

A tender procedure was carried out for the sale of project rights due to the long project realisation timescale. This procedure ended in December 2014 with the sale of the BRW II project rights to the Danish energy supplier Dong Energy A/S. The purchase price due in December 2014 amounted to EUR 4 million. Further conditional purchase price payments amounting to EUR 8 million in total depend on the approval procedure for the development plan, the allocation of network capacity and the final realisation decision. Energiekontor expects further payments in various tranches until approx. 2018/19.

c) Power Generation in Group-owned Wind Farms

With the addition of the 9 MW rated power from the Flögeln wind farm to the Company's own portfolio in the third quarter of 2014, the total rated power of Energiekontor's owner-operated wind farms in Germany, Portugal and the UK rose to approx. 221 MW at the end of 2014. Furthermore, there are several projects currently being planned or under construction, some of which are to be added to the Company's portfolio.

Although the storm fronts in December brought new records for producing electricity from German wind turbine generators, the wind volumes were below the average reference level over the full year in Germany, slightly above the average in the UK and in line with the forecast in Portugal. Accordingly, income from power generation in Group-owned wind farms was slightly below expectations in Germany, in line with expectations in Portugal and slightly above expectations in the UK.

Measures to optimise rotor blades, however, brought increased performance from the beginning of the year at the Krempel, Debstedt and Penedo Ruivo wind farms.

Another wind farm, the Altlüdersdorf wind farm (13.5 MW) in Brandenburg, will become part of Energiekontor's portfolio at the turn of the year. The purchasing agreement for the acquisition of this wind farm was signed in mid-2014. A step-up bond (Stufenzinsanleihe VII) was issued at the end of the third quarter to finance the project acquisition, which could be placed at EUR 8.6 million within just a few weeks.

Several wind farms on the market were assessed based on technological, economical and legal considerations to further continue the expansion.

d) Operation Development, Innovation and Others

Income from ongoing **operational management** has increased continuously in recent years thanks to the constant expansion of the Group-owned wind farm portfolio. Efficient market observation and the resulting agreements for direct power marketing under the German Renewable Energy Sources Act (EEG) contributed to optimising income. It was possible to place almost the entire German wind farm portfolio with reputable direct power marketers. Energiekontor also achieved attractive marketing bonuses for 2015. Direct power marketing and the remuneration regulations incorporated therein were introduced in the amended German Renewable Energy Sources Act (EEG) as of 1 January 2012; since the latest amendment of the German Renewable Energy Sources Act (EEG), direct marketing is obligatory as from August 2014.

The Energiekontor Group's patented **technical innovation**, i. e. rotor blade extension, was implemented in another three 1 MW class turbines at the Debstedt wind farm at the end of the second quarter, quarter/beginning of the third quarter. The corresponding permission had already been granted by the district of Cuxhaven in 2013. In addition to the extension for this type of turbine, further development for the 1.3 MW class has meanwhile been completed. Certification for this type of turbine is expected soon.

Permission for converting 26 wind turbine generators in Portugal was granted in November 2013. By the end of the period under review, the first two of these turbines were equipped with the rotor blade extension. Installation was carried out with the blade attached, i. e. without dismantling the blade. This concept is also innovative and keeps crane costs and downtimes at a minimum. Currently, manufacturing of the rotor blade extension for serial operation is being tested. Due to the large number of 1.3 MW class turbines and their structural conditions, the Portuguese and Spanish markets are particularly suitable for subsequent rotor blade extension.

Overall conclusion

Overall, the Company management is very satisfied with business performance in 2014. Revenue and EBIT were in line with the forecast for the year under review. Both figures increased year-on-year, thus the growth process continued. The most important projects such as the construction and sale of the Uthlede and Lilbourne wind farms, but also smaller projects including Holßel, Straelen and Guardão, as well as various permissions and financial closes for other projects were reached and carried out in line with the schedule. The sales process for just one smaller project could not be completed as scheduled due to construction delays.

Financial position, financial performance and results of Group operations

Results of Group operations

The 2014 financial year was again very positive for Energiekontor Group. The expansion of Group-owned wind farms has been proceeding as planned with the completion of a German wind farm and the acquisition of two additional wind farms in Germany in the year under review. The construction of two additional German and one British wind farm started in the financial year.

The sale of shares in ten wind farm operation companies with wind farms in Germany and one in the UK as well as the sale of project rights to the offshore wind farm Borkum Riffgrund West II also had a positive effect on the consolidated balance sheet and income statement. Moreover, a wide range of potential opportunities in Germany and abroad have been further developed in the financial year, which are expected to drive the successful profit development in the future. The Group reports the below-stated positive results in comparison with the previous year:

in EUR thousand	**2014**	2013
EBT (income from ordinary activities before tax)	21,756	21,153
EBIT* (EBT plus financial result)	40,718	34,140
EBITDA* (EBIT plus depreciation and amortisation)	54,901	46,221

* different from previous years, in which EBIT/EBITDA included interest income.

Group revenue increased due to the expansion of Group-owned wind farms and related proceeds from the sale of electricity, project implementations in the wind segment as well as the sale of project rights in the offshore wind farm Borkum Riffgrund West II to EUR 153,280 thousand (previous year: EUR 117,803 thousand). Consolidated revenue in the financial year comprised in particular revenue in the Onshore Project Development and Sales (Wind, Solar) segment in the amount of EUR 101,481 thousand (previous year: EUR 65,826 thousand), the Power Generation in Group-owned Wind Farms segment in the amount of EUR 45,244 thousand (previous year: EUR 38,802 thousand) as well as the Offshore Project Development and Sales (Wind) segment in the amount of EUR 4,000 thousand (previous year: EUR 11,087 thousand). Activities classified as Operation Development, Innovation and Others, especially operational management services, generated revenue of EUR 2,555 thousand (previous year: EUR 2,088 thousand).

The **Onshore Project Development and Sales (Wind, Solar)** segment includes proceeds from the sale of wind farms after their initial construction or repowering as well as proceeds from services rendered in connection with economic planning and the contractual and legal implementation, project management, company management in the foundation phase, sales and marketing measures and the procurement of own and external funds for the wind farm operators in the amount of EUR 101,481 thousand (previous year: EUR 65,826 thousand).

The **Offshore Project Development and Sales (Wind)** segment reports proceeds of EUR 4,000 thousand (previous year: EUR 11,087 thousand) in connection with the sale of project rights in the offshore wind farm Borkum Riffgrund West II.

Revenue in the **Power Generation in Group-owned Wind Farms** segment increased to EUR 45,244 thousand (previous year: EUR 38,802 thousand), mainly due to the wind farms constructed by us or acquired in the financial year and in the year before.

Revenue in the **Operation Development, Innovation and Others** segment was mainly driven by revenue from operational management services and amounted to EUR 2,555 thousand (previous year: EUR 2,088 thousand).

The item **Changes in inventories and other work performed and capitalised** amounted to EUR 7,171 thousand (previous year: EUR 44,970 thousand), resulting for example from the completion of the Flögeln wind farm (EUR 12,805 thousand), which has been added to Group inventory.

Income from the write-up of wind farms that had been written down in previous years, the profit from the sale of the Holßel 3 wind farm, compensation and insurance settlements for Group-owned wind farms and the reversal of provisions are the main drivers of **Other operating income** in the amount of EUR 3,569 thousand (previous year: EUR 3,762 thousand).

in EUR thousand	2014	2013
Write-ups property, plant and equipment (value recovery)	1,720	0
Gains on disposal	1,151	21
Misc. other operating income	366	607
Reversal of provisions	158	859
Compensation of damages and insurance settlements	152	1,105
Income from foreign currency translation	22	1,166
Reimbursement of cost of materials	0	4
Other operating income total	**3,569**	**3,762**

The **Cost of raw materials and supplies and of purchased services** fell to EUR 82,431 thousand compared to the prior-year level of EUR 96,158 thousand; **personnel expenses** increased slightly to EUR 10,043 thousand (previous year: EUR 9,754 thousand) due to the rise in headcount.

in EUR thousand	2014	2013
Wages and salaries	8,651	8,551
Social security contributions and benefit expenses	1,391	1,203
Total personnel expenses	**10,043**	**9,754**

The reported **Depreciation and amortisation of property, plant and equipment and intangible assets** in the amount of EUR 14,183 thousand (previous year: EUR 12,081 thousand) pertains mainly to the scheduled, prorated depreciation of plant and equipment of the Group-owned wind farms as well as, to a lesser degree, to

software and operational and office equipment. Like in the previous year, no non-scheduled write-downs were recognised on Group-owned wind farms in the year under review.

in EUR thousand	2014	2013
Amortisation of intangible assets	32	33
Depreciation of buildings	9	0
Depreciation of wind farms and plant and equipment	14,108	11,997
Depreciation of operational and office equipment	34	50
Total depreciation and amortisation	**14,183**	**12,081**

The year-on-year increase in depreciation of property, plant and equipment was mainly the result of the full-year depreciation of wind parks added to the Group inventory in the previous year as well as additional depreciation of the Prenzlau and Krempel II wind farms acquired in the year under review and of the Flögeln wind farm, which became operational in 2014.

Repair and maintenance expenses for Group-owned wind farms, selling expenses in connection with the issuance of bonds as well as legal and consultancy fees contributed to **Other operating expenses** of EUR 16,646 thousand (previous year: EUR 14,401 thousand).

in EUR thousand	2014	2013
Repair and maintenance expenses wind farms	5,465	4,377
Lease payments for wind farms	2,378	1,642
Expense from foreign currency translation	1,636	1,107
Legal, tax, audit and other consultancy fees, litigation expenses	1,474	1,632
Fees, dues and contributions	1,249	782
Insurance	1,135	1,053
Administrative expenses	951	514
Project-related expenses (incl. planning, travel costs, etc.)	901	778
Occupancy expenses	434	525
Electricity procurement from wind power plants	425	239
Advertising and selling expenses	406	1,304
Misc. other operating expenses	192	255
Payments related to guaranteed distributions	0	192
Total other operating expenses	**16,646**	**14,401**

The **Financial result** of EUR -18,962 thousand (previous year: EUR -12,987 thousand) was mainly influenced by long-term expenses related to bank financing of wind farms, interest expenses for the issued bond capital as well as operating loans and construction period interest. Interest income continues to be low due to the historically low interest level on the capital market. Scheduled interest expenses for long-term financing of Group-owned wind farms, construction period interest expenses for the large number of wind farms constructed in the reporting year and expenses related to operating loans and bond capital together generated **Interest expenses** with a total volume of EUR 19,891 thousand (previous year: EUR 13,425 thousand).

in EUR thousand	2014	2013
Total interest and other income	**929**	**438**
Interest expenses to banks for capex loans	8,910	7,231
Interest expenses for bond capital	5,513	4,513
Financing expenses for other debt capital (external limited partners)	318	280
Other interest expenses	5,150	1,402
Total interest expenses	**19,891**	**13,425**
Interest result	**(-18,962)**	**(-12,987)**

Financial performance of the Group

Financial management of Energiekontor Group continues to be based on the efficient and sustainable use of existing financial resources and liquidity reserves, taking into account the expected development of the sector.

Energiekontor Group's financial policy has proven its worth in past financial years. With the issuance of corporate bonds, which has continuously been successful, the Company managed to become relatively independent from banks' loan policies and thus created an important foundation for the Group's future growth.

Against the backdrop of the project volume currently planned to be realised in 2015 and 2016, another corporate bond has been issued successfully by Energiekontor Finanzanlagen II GmbH & Co KG in the year under review, which complements the bonds already placed. Credit lines with financial institutions amount to EUR 20,000 thousand (previous year: EUR 10,000 thousand) and a framework agreement for the granting of subordinate credit tranches for project financing ensure that short-term operating resources are available for the interim financing of wind

farm projects. Long-term bank financing, pertaining mainly to the financing of investments in the Group's own wind farms, amounted to EUR 143,181 thousand at the end of the financial year (previous year: EUR 122,878 thousand) due to the acquisition and start-up of Group-owned wind farms.

Cash and cash equivalents increased to EUR 81,594 thousand at the reporting date (previous year: EUR 71,413 thousand). The Other securities portfolio, on the other hand, dropped to EUR 39 thousand in the financial year (previous year: EUR 1,371 thousand) due to the return of government bonds upon maturity.

Liabilities to financial institutions fell to EUR 159,821 as of the reporting date (previous year: EUR 171,919 thousand). Redemption payments for borrowings by project companies were in line with the schedule, both in the financial year and in previous years.

in EUR thousand	2014	2013
Non-current liabilities to financial institutions	143,181	122,878
Current liabilities to financial institutions	16,641	49,042
Total liabilities to financial institutions	**159,821**	**171,919**

Non-current loans and borrowings pertain mainly to investments in Group-owned wind farm operators for the construction and acquisition of wind farms.

Current loans and borrowings comprise mainly operating loans for interim financing provided to wind farm operators, accrued interest from financing Group-owned wind farms as well as redemption payments for long-term loans that are due within the time frame of one year.

Total financial liabilities amount to EUR 268,302 thousand (previous year: EUR 270,248 thousand) and break down as follows:

in EUR thousand	2014	2013
Non-current financial liabilities		
Liabilities to financial institutions	143,181	122,878
Liabilities from bond capital	93,316	87,931
Other financial liabilities	11,002	2,300
Liabilities to external limited partners	1,637	3,064
Total non-current financial liabilities	**249,136**	**216,173**
Current financial liabilities		
Liabilities to financial institutions	16,641	49,042
Liabilities from bond capital	2,525	0
Liabilities to external limited partners	0	5,034
Total current financial liabilities	**19,166**	**54,075**
Total financial liabilities	**268,302**	**270,248**

Liabilities to external limited partners stated above under **non-current** financial liabilities also include limited partner shares (minorities) in wind farm operators, which are designated to remain in the Company for the long term, as these are classified as borrowings in accordance with IAS 32.

Due to the low level of capital market interest rates, **Other financial liabilities** include substantial negative fair values of interest swaps, which were entered into as long-term cash flow hedges, of EUR -10,442 thousand (previous year: EUR -1,789 thousand).

Financial position of the Group

Due to negative fair values of interest and currency swaps as well as the dividend distribution, equity of EUR 40,154 thousand is approximately at the previous year's level (EUR 39,597 thousand), despite the positive profit performance in the year under review. Together with the slight increase in total assets to EUR 355,198 thousand (previous year: EUR 350,980), this also applies to the arithmetic equity ratio of 11.3 percent (previous year: 11.3 percent).

Compared to German commercial law, the application of the International Financial Reporting Standards (IFRS) involves certain conventions that have a negative effect on the Group's equity ratio.

At Energiekontor, hedging interest and currency risks, especially with regard to the interest and redemption plan of Group-owned wind farms, is a priority; this pays heed to economic considerations and disregards potential effects on the balance sheet. Increasingly, Energiekontor takes out loans with variable terms to finance its wind farms in order to hedge terms and conditions for the long term; these loans are already hedged with interest swaps (cash flow hedges) at closing. In IAS 39, IFRS requires that derivatives (interest swaps with a fixed interest rates) are accounted for separately from the underlying transaction (loans with variable terms) and requires that the derivative is recognised in the balance sheet. The derivatives, which are always included in the loan contract, are always fully effective as interest hedges. According to German commercial law, which is known to maintain very strict principles of prudence when assessing liabilities, these loan contracts are not classified as liabilities that need to be recognised based on the available valuation units (Sec. 254 HGB); therefore, these would not be included in the balance sheet, if the consolidated financial statements had been prepared according to the principles of the German Commercial Code (HGB). In a situation of falling interest rates on the capital market, IFRS hence requires the recognition of liabilities that are not actually existent, which leads to a lower equity ratio (compared to HGB). The negative fair values of interest and currency swaps are calculated based on mathematical simulation models that forecast currency and interest developments; for Energiekontor Group, these calculations are purely arithmetic, especially since a sale or the realisation of the fair values before the scheduled expiry of the interest contract hedged with the derivatives is not an option. Economically, the negative fair values in the case of such synthetic fixed-interest loans compare to prepayment penalties for conventional fixed-interest loans, which are not included in the balance sheet under IFRS either. The fair values are therefore no longer included in segment reporting (segment liabilities); instead, their balance sheet values are neutralised when the net assets for the segment are calculated.

Moreover, the implementation of IAS 32, which is also controversial, stipulates that limited partner capital is usually not classified as equity but as borrowed capital, which means for the Group that minorities in wind farm operators, which are designated to remain in the Company for the long term, as well as in project companies held for sale must be classified as borrowings.

If the equity ratio were adjusted for these two IFRS specialities, the (notional) equity ratio at the reporting date would be 13.5 percent (previous year: 13.9 percent).

When looking at the equity ratio, not only IFRS characteristics but an even more significant issue needs to be taken into account, which distorts the ratios compared to the actual equity position of the Group. This is the issue that substantial assets related to Group-owned wind farms, which the Group constructed itself, are not recognised at their fair values but only at external construction costs. In addition to several wind farm projects that have been acquired or not yet realised, which will also only be recognised at cost in the inventory, the property, plant and equipment item in the consolidated balance sheet therefore contains considerable hidden reserves.

Non-current assets increased to EUR 195,309 thousand (previous year: EUR 186,588 thousand) as a result of the further expansion, as planned, of the Power Generation in Group-owned Wind Farms segment. These break down to the following balance sheet items and are explained below.

in EUR thousand	**2014**	2013
Property, plant and equipment	187,241	178,804
Deferred tax assets	7,577	6,479
Receivables and other financial assets	261	988
Income tax receivables	123	188
Investments	71	71
Other intangible assets	37	57
Total non-current assets	**195,309**	**186,588**

Other intangible assets include software licences for ongoing business operations.

Property, plant and equipment is recognised at cost of acquisition or production less depreciation and includes the complete plant and equipment of the wind farm operators to be consolidated in the year under review, operational and office equipment of the office locations in Germany and abroad as well as the wind farm sites and

compensatory land, and the real estate portfolio of Energiekontor Umwelt GmbH & Co. Ökologische Wohn-Immobilien KG in the amount of EUR 554 thousand.

New additions to property, plant and equipment were a new, self-constructed wind farm that went operational in the year under review, a transformer station and two newly acquired additional wind farms; the additions totalled EUR 24,778 thousand (previous year: EUR 52,395 thousand) in the year under review. Taking into account scheduled depreciation in the period under review of EUR 14,108 thousand (previous year: EUR 11,997 thousand), the balance sheet item Plant and equipment of the wind farm operators amounts to EUR 185,867 thousand (previous year: EUR 178,048 thousand). The provisions for decommissioning and restoration included in the balance sheet increase as planned in the period under review due to the expected cost increases.

In the **Non-current receivables and financial assets** item, **Receivables from associates** include loans to and minority investments in wind farm operators. **Other non-current** assets mainly include deferred items in the amount of EUR 45 thousand as of the balance-sheet date (previous year: EUR 447 thousand).

Non-current income tax receivables include discounted repayment claims pursuant to Sec. 37 Corporation Tax Act (KStG) based on the German corporation tax moratorium with a pro-rata capitalisation of the claims over the coming years.

Deferred tax assets of the Group are recognised at EUR 7,577 thousand (previous year: EUR 6,479 thousand) and explained in detail in the Notes. Deferred tax liabilities of EUR 4,641 thousand (previous year: EUR 4,205 thousand) eligible for netting pursuant to IAS 12 were deducted.

Current assets less cash and cash equivalents and other securities already explained in the report on the financial performance amount to EUR 78,256 thousand (previous year: EUR 91,608 thousand).

Inventory reported in this item of EUR 50,858 thousand (previous year: EUR 62,033 thousand) includes capitalised services related to construction projects currently in process as well as planning services for new projects to be realised, especially pre-production costs related to planning activities in Germany and the UK.

Current receivables and other financial assets fell from EUR 29,396 thousand to EUR 27,193 in the year under review.

Income tax receivables (current) in the amount of EUR 204 thousand (previous year: EUR 179 thousand) include creditable withholding taxes, corporation tax refunds and the balance of VAT receivables and liabilities.

Non-current liabilities amount to EUR 269,778 thousand (previous year: EUR 231,920 thousand). In addition to total non-current financial liabilities and deferred tax liabilities already explained in the report on the Group's financial performance, this item also includes provisions for decommissioning and restoration at the Group-owned wind farm operators.

in EUR thousand	**2014**	2013
Provisions for decommissioning and restoration	11,033	10,484
Non-current financial liabilities	249,136	216,173
Other non-current liabilities	2,943	0
Deferred tax liabilities	6,666	5,263
Non-current liabilities	**269,778**	**231,920**

The provisions for the decommissioning of Group-owned wind farms and the restoration of the corresponding sites listed at present values have developed as follows:

in EUR thousand	**2014**	2013
Total provisions for decommissioning and restoration as of 1 January	10,484	7,343
Addition from accumulation of interest in the current year	363	(-75)
Additions to present value (changes in production costs, interest rate)	1,029	175
Additions related to completion/ acquisitions	1,137	1,869
Additions and depreciation of present values (changes in production/decommissioning costs)	(-1,981)	1,172
Total provisions for decommissioning and restoration as of 31 December	**11,033**	**10,484**

Provisions and accounts payable, especially those related to wind farm construction, other liabilities and tax liabilities plus the current financial liabilities already stated in the report on the financial performance together produce current liabilities of EUR 45,266 thousand (previous year: EUR 79,462 thousand).

Provisions for taxes were made for expected additional trade and corporation tax payments for past tax periods.

Other provisions include project-related provisions for wind farms of EUR 7,727 thousand (previous year: EUR 3,659 thousand), personnel-related provisions, e. g. for leave, overtime and performance-related bonus payments, totalling EUR 1,598 thousand (previous year: EUR 1,429 thousand) as well as provisions for legal disputes of EUR 105 thousand (previous year: EUR 108 thousand).

Current accounts payable fell from EUR 8,109 thousand in the previous year to EUR 5,947 thousand in the year under review. Additional liabilities include current tax liabilities for wage and church taxes as well as other miscellaneous liabilities.

Employees

A total of 116 permanent employees were working for Energiekontor Group as of 31 December 2014 (previous year: 103), with an additional 20 temporary employees, students and interns (previous year: 14). The Company also employs 31 freelancers (previous year: 29). The workforce thus increased further. Employees are predominantly engineers, economists, business experts and administrative staff. The subsidiaries in Great Britain and Portugal employ only local staff who are familiar with local business requirements and have knowledge of German practices. In addition to a monthly basic salary, the majority of the employees receive a performance-related bonus. This aims at raising motivation and ensuring the employees identify strongly with the Company. The Management Board and the Supervisory Board would like to thank the employees for their outstanding commitment and high motivation.

POST-CLOSING EVENTS

Due to a cooperation with EnBW in Mecklenburg-West Pomerania, Energiekontor opened a new office in Neubrandenburg in January 2015. Another new office has been established in Hagen im Bremischen. This office will mainly be responsible for the operational management of the Group's own wind farms.

The Linnich project (3.2 MW) in North Rhine-Westphalia reached financial close in March 2015. Just before this report was published, approval was also granted for the Appeln project (11.4 MW) near Cuxhaven.

FORECAST REPORT

The forecast for the current financial year takes into account Energiekontor AG's growth plans based on a solid business model, with a view to the upcoming regulatory changes in the remuneration of electricity from renewable sources.

a) Onshore Project Development and Sales (Wind, Solar)

The Management Board of Energiekontor AG expects a positive performance of the Onshore Project Development and Sales (Wind, Solar) segment in the 2015 financial year. This is to be supported by the implementation of wind farm and solar park projects in Germany and the UK, which have already reached the permit stage or financial close, which are currently under construction or which are in the final pre-construction stages.

The largest project ready to be implemented is the Lunestedt wind farm (38.5 MW) in Lower Saxony, which has been under construction since the autumn of 2014. Commissioning of the project is planned before the end of 2015.

Commissioning of the Appeln project (11.4 MW) is also expected before the end of 2015; the permission was obtained at the end of March 2015.

As matters currently stand, permissions for three more projects in the region of Cuxhaven with a total capacity of around 40 MW are to be obtained in 2015. These include the Debstedt repowering project (18 MW), the approval of which depends on the implementation of the new regional plan in the administrative district of Cuxhaven. The remaining two projects are to be completed in 2016.

In **North Rhine-Westphalia**, Energiekontor obtained the permission for the Hürth (8.55 MW) and Linnich (3.2 MW) projects in late 2014. These projects are to start operations before the end of this year.

Further projects with around 25 MW are currently undergoing the permitting process in North Rhine-Westphalia. Their implementation is planned for 2016.

Another important project, which has already been approved and is planned to be implemented in 2015, is the Luckow-Petershagen wind farm (12.5 MW) in **Brandenburg**. Whether the Beerfelde II project (2.4 MW) can still start operations before the end of 2015, hinges on finding a prompt solution for the air traffic issue (radio beacon).

The acquisition of new sites is also crucial for the Energiekontor Group's long-term expansion of wind power. Germany is starting to show signs of excessive lease charges, which could prove a heavy burden for future projects. However, the cooperation of the Energiekontor Group with the public utility group Trianel in North Rhine-Westphalia and the energy supplier EnBW in **Mecklenburg-West Pomerania** is expected to have a positive effect. Energiekontor expects that these cooperations will not only bring an expansion of the project pipeline because of joint investment and the might of a strong group with common interest, but also create stronger regional ties and cooperation with the municipalities and their inhabitants.

The objective of the cooperation agreement concluded with Trianel as early as in 2013, is the implementation of a wind farm portfolio with total output of 100 MW. As one of the first concrete projects in Mecklenburg-West Pomerania, Energiekontor is currently planning a wind farm in Groß Laasch. Here, the members of the local community are to be included in the planning at an early stage. The implementation of these first cooperation projects is not expected to be realised before 2016.

In the repowering business, commissioning of the Rurich wind farm and the permission for the Debstedt project are expected in autumn 2015. However, this is subject to the regional plan for the district of Cuxhaven coming into effect by the third quarter of 2015, as planned. Moreover, applications for two projects in North Rhine-Westphalia and Lower Saxony will be prepared in the first half of 2015.

Although the environment for repowering has deteriorated significantly since the amendment of the EEG (German Renewable Energies Act) came into effect in August 2014, these efficiency enhancement measures are still possible. It remains to be seen how the planned tendering procedures as of 2017 will affect the repowering projects. First terms will be published by the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) in the course of the year and assessed subsequently.

In the **UK**, Energiekontor achieved the financial close for the Gayton le Marsh (16 MW) wind farm in September 2014 and thus reached another important milestone here. The wind farm is to be commissioned at the end of 2015.

The permitting processes for the expansion of the Hyndburn (8 MW) and Withernwick (8 MW) wind farms have made good progress. While the permission for Hyndburn is expected to be granted soon, the management expects that some political decisions related to the Withernwick expansion will be pushed out to after the general elections in the UK, which will take place in May. This means that at least the Hyndburn expansion could still fall under the currently applicable ROC system.

Moreover, Energiekontor plans to apply for construction permits in 2015 for five additional projects (around 90 MW) in the UK, one of them in Scotland. In addition, Energiekontor is pursuing the option of acquiring project rights together with financial partners. Corresponding talks have already entered an advanced stage.

All in all, the Energiekontor Group commands a large pipeline of planning projects to be implemented in the coming years, with further attractive sites in different regions of the UK. The management classes the planning uncertainty in the UK as much higher than in Germany, both with regard to the general realisation of wind farms and in terms of the time line.

In **Portugal**, there are first signs of an improvement in the business environment. Project rights for the Guardão wind farm were successfully sold in 2014. With regard to the further planning in Portugal, the management expects that the government will tender new procedures relating to the allocation of network capacities. However, due to the continuing financial crisis in Portugal, this is not expected to be implemented very soon. Owed to a legislative change recently implemented, existing facilities can be expanded to receive remuneration for additionally generated electricity. This is due to the overcapacities compared to the volumes approved in the license, which were previously not paid for when fed into the network. It is currently under review how economically feasible the use of these overcapacities is.

The Netherlands as our neighbouring country is also a potential new market, not least because of its regional proximity to Lower Saxony and North Rhine-Westphalia. Energiekontor is currently reviewing conditions for the development and implementation of wind farms in the country.

In the **Solar** market, Germany and the UK already have an auctioning system in place. In **Germany**, Energiekontor plans to enter one project (possibly Nadrensee, 8–10 MW) in the first auction round in mid-April 2015.

In the **UK**, the legal and the economic environment for photovoltaics have changed over previous years in that the remuneration of projects is now to be determined in contracts for difference (CFD) auctions. Based on its comprehensive expertise in the wind business with more than ten years of experience, Energiekontor regards itself well positioned to enter CFD auctions and gain a foothold in the UK in 2016, either through buying project rights or through own developments. The first auction was already held in the autumn of last year. In principle, Energiekontor is keeping the option open to acquire project rights that result from the auctions. However, the first auction has not produced sufficient market offerings so far.

Moreover, the Company is also reviewing the French market with regard to project rights for approved solar projects.

The general objective of the Energiekontor Group is to stabilise and sustainably increase the level of project realisations, which has been varying from year to year in the past. Roughly half of revenue and earnings are to be generated abroad in the future.

A stable environment is the essential prerequisite for a plannable expansion of the wind power business in order to safeguard long-term financing for new projects. This seems to be given in both Germany and the UK – albeit with changing conditions.

b) Offshore Project Development and Sales (Wind)

The only offshore project Energiekontor pressed ahead with in 2014 is the Borkum Riffgrund West II wind farm (BRW II), located approx. 50 km north of the island of Borkum. According to the offshore network development plan, operations of the offshore wind farm that allows the construction of up to 43 wind turbines of 5–6 MW, are currently planned to start in 2022. The project rights to BRW II were sold to the Danish energy supplier Dong Energy A/S at the end of 2014. Out of the total purchase price of EUR 12 million, EUR 4 million was due in 2014. The conditional purchase price payment of the remaining EUR 8 million is expected to take place in several tranches by approx. 2018/2019. There are currently no other offshore projects in the planning.

As the potential proceeds generated in offshore projects are not high enough to offset potential risks for a medium-sized project developer such as Energiekontor, the management decided at the beginning of 2015 to discontinue all activities in the area of offshore project development. The main risks associated with offshore projects are long project development times (approx. ten years until the financial close), high planning costs (approx. EUR 15–20 million until the financial close) as well as substantial construction and cost risks. Given the specific risk structure and enormous capital requirements, major energy suppliers and financially strong investors are now dominating the offshore market in Germany and abroad.

c) Power Generation in Group-owned Wind Farms

The Power Generation in Group-owned Wind Farms segment is to be further expanded systematically in order to decrease the Group's dependence on the volatile project development market. In addition to the acquisition of external wind farms and/or the inclusion of Energiekontor projects in the Group's own portfolio, the possibility of

repowering Group-owned wind farms is also reviewed regularly. The objective is to optimise the use of current locations and boost profits by exchanging existing turbines for modern more powerful wind turbines. The cancellation of the repowering bonus pursuant to the amendment of the EEG in August 2014 meant that some of the new projects will have to be reassessed.

The expansion of Energiekontor's own wind farm portfolio is based half on the takeover of own-developed projects and half on the acquisition of externally constructed wind farms. The Altlüdersdorf wind farm (13.5 MW), for example, which had been financed based on the step-up bond (Stufenzinsanleihe VII), was integrated into the Energiekontor portfolio at the beginning of the year. The acquisition of up to three additional wind farms in Germany with total output of around 30 MW, which are to be financed via another step-up bond (Stufenzinsanleihe VIII), is already in the planning status.

Several wind farms currently on the market were assessed based on technological, economical and legal considerations to further continue the expansion. The French market, in particular, is currently also being reviewed with regard to potential takeover projects.

d) Operation Development, Innovation and Others

Despite fluctuating income due to changing wind years, the coming years should see a rising liquidity and earnings trend. This is supported by the continuously climbing number of wind farms under operational management. Even operations of wind farms sold are usually still managed by the Energiekontor Group. It is also conceivable that this will be expanded by taking over operational management of external wind farms.

The technological innovations area is to be expanded further, especially the patented rotor blade extension process for existing wind turbines. Based on the successful development for a 1 MW wind turbine generators, additional promising turbine types will be adapted in the future. The first transformation of two wind turbines (1.3 MW each) has been completed in Portugal. Following a successful test run, the remaining 24 of the 26 approved systems are to be equipped with the rotor blade extension in 2015. Moreover, market research and feasibility studies support the development of rotor blade extensions for additional turbine types. However, it is becoming increasingly difficult to equip new turbine generators with extended rotor blades in Germany because of regulatory height limits that apply to many locations and concerns of the financing banks.

The Portuguese and Spanish markets appear to offer the largest implementation potential for rotor blade extensions, as these regions have more of the relevant wind turbine generators in place than Germany, where in most cases profitability of existing systems cannot be enhanced substantially by repowering. On the Iberian Peninsula, on the other hand, it is usually not profitable to replace existing wind turbines with more powerful ones, as in most cases the network capacity required to feed in all generated electricity cannot be expanded. This means that income improvements can only be achieved through better utilisation of the wind farms, supported by technical optimisation such as rotor blade extension.

Group level

A sustainable and reliable regulatory environment for wind and solar power in our current target markets is essential for the further growth of the Group. The amendment to the EEG in Germany has created investment security until 2016. This should continue beyond 2017, as the current remuneration structure applies to all projects approved until the end of 2016 and implemented by the end of 2018. The management expects first economic effects of the auctioning system as from 2018, for which Energiekontor is already preparing intensively today.

A similar situation is found in the UK, where the currently effective ROC tariff regime will be replaced by an auctioning system, from 2017 for wind and from 2015 for photovoltaics. Portugal is also facing further amendments that will increasingly involve direct marketing and tariff auctions – comparable to Germany and the UK. Thanks to many years of diversification of its activities across different countries, focus regions and energy carriers as well as the portfolio of Group-owned wind farms, the Energiekontor Group has a solid base for continued success in coming years, despite changes in the regulatory environment and the downward feed-in tariff trend.

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.

Wide-ranging project-pipelines have been established in recent years in order to generate stable and sustainable future company growth. Project-specific or situation-specific issues, however, can lead to delays – as has been the case in the past – with regard to permit approvals, 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). These types of external developments cannot be ruled out for the future either.

In the Solar division, in-house development and turnkey implementation of projects in Germany has considerably lost appeal in recent years due to decreasing feed-in tariffs and fixed module prices in the Far East because of punitive tariffs. The auctioning system will bring new opportunities in both Germany and the UK. Moreover, the management plans to expand the scope for the further implementation of PV projects by reviewing opportunities to take over project rights from third parties in the UK as well as in new markets such as France.

The Power Generation in Group-owned Wind Farms segment has gained substantial significance. The further expansion of the segment as a strategic key element of the Energiekontor Group is planned. Despite wind-related fluctuations in income, revenue generated in the Power Generation in Group-owned Wind Farms segment is easier to forecast than revenue generated in project development. Income from the sale of energy is generally a stable foundation for liquidity planning in the Group. Surplus liquidity generated in the operations of Group-owned wind farms is to be steadily increased in the coming years by expanding the existing portfolio of own facilities. Both the purchase of existing wind farms and the takeover of new development projects carry potential here. The prerequisite in both cases is that the turbines can be operated profitably and sustainably in the long term. The decision to take over wind farms into the Group's own portfolio always depends on situational and project parameters.

All in all, the Management Board expects a positive business performance and net income in the 2015 financial year, at the AG level as well as for the Group. The 2015 financial year is to see a continuation of the course taken in recent years and an increase in total output and EBIT compared to the previous year. The Group confirms that it has the relevant projects and potential needed to achieve these objectives. Risks are mainly related to project delays that could have a negative effect on commissioning and the sales of the projects planned for 2015.

Expectations for the individual segments can be summarised as follows:

Total output and EBIT of the Onshore Project Development and Sales segment are to reach the previous year's level.

The Offshore Project Development and Sales segment will be integrated into the Onshore Project Development and Sales segment in the 2015 financial year and renamed Project Development and Sales. From today's point of view, no earn-out proceeds are expected in the 2015 financial year from the 2014 sale of the last offshore project Borkum Riffgrund West II.

Revenue and EBIT are expected to increase slightly compared to the previous year in the Power Generation in Group-owned Wind Farms segment, driven by the further expansion of the Group-owned wind farm portfolio.

The same applies to the Operation Development, Innovation and Others segment, where we also generally expect a slight increase in revenue and EBIT. As the operational management remuneration is linked to the electricity production in all wind farms, positive earnings effects of the planned portfolio expansion could however be offset by negative effects of a below-average wind year.

The management's general objective is to continue improving the basis for sustainable company growth by stepping up business development activities, flanked by economic optimisation measures, in order to gradually and sustainably increase total output and EBIT in the coming years. At the same time, headcount is to be gradually expanded in the key growth areas in a targeted fashion.

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (IFRS)

Page **36** → Consolidated income statement

Page **37** → Consolidated statement of comprehensive income

Page **38** → Consolidated balance sheet

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Page **44** → Segment report 2014 (IFRS)

CONSOLIDATED INCOME STATEMENT (IFRS)

1 January 2014 to 31 December 2014

EUR thousand		2014	2013
1.	**Revenue**	**153,280**	**117,803**
2.	Changes in inventories and other work performed and capitalised	7,171	44,970
3.	**Total output**	**160,451**	**162,772**
4.	Other operating income	3,569	3,762
5.	**Total operating output**	**164,021**	**166,534**
6.	Cost for raw materials and supplies and purchased services	(-82,431)	(-96,158)
7.	Personnel expenses	(-10,043)	(-9,754)
8.	Depreciation and amortisation	(-14,183)	(-12,081)
9.	Other operating expenses	(-16,646)	(-14,401)
10.	*Operating expenses (Total)*	*(-123,303)*	*(-132,394)*
11.	**Operating profit (EBIT)**	**40,718**	**34,140**
12.	Interest and similar income	929	438
13.	Interest and similar expenses	(-19,891)	(-13,425)
14.	*Interest result*	*(-18,962)*	*(-12,987)*
15.	**Earnings from ordinary activities before tax (EBT)**	**21,756**	**21,153**
16.	Income tax expense	(-7,623)	(-7,603)
17.	**Consolidated net income**	**14,132**	**13,549**
Disclosure of EPS as per IAS 33)*			
Undiluted number of shares (weighted)		14,659,939	14,698,179
Diluted number of shares (weighted)		14,659,939	14,698,179
Basic earnings per share		0.96	0.92
Diluted earnings per share		0.96	0.92

* dilution would occur if EPS were reduced through the issuance of potential shares, for example from option rights. Potential shares are only dilutive, however, if exercising them would lead to the issuance of shares below their average stock market price. As in the previous year, there was no dilutive effect on EPS in 2014.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 January 2014 to 31 December 2014

in EUR thousand	2014	2013
Consolidated net income	**14,132**	**13,549**
Items that may be reclassified subsequently to profit or loss	**(-6,069)**	**3,311**
Available-for-sale securities before taxes	0	(-46)
Cash flow hedges before taxes	(-8,772)	4,753
Reclassification adjustments	119	0
Income tax expense	2,584	(-1,395)
Total comprehensive income	**8,063**	**16,861**
Shares attributable to Energiekontor AG's shareholders	8,063	16,861

CONSOLIDATED BALANCE SHEET (IFRS)

as of 31 December 2014

ASSETS		31.12.2014 EUR thousand	31.12.2013 EUR thousand
A.	**Non-current assets**		
I.	Other intangible assets	37	57
II.	Property, plant and equipment		
	1. Land, land improvements and buildings	1,291	688
	2. Plant and equipment (wind farms)	185,867	178,048
	3. Other equipment, operational and office equipment	82	68
		187,241	*178,804*
III.	Investments	71	71
IV.	Receivables and other financial assets		
	1. Receivables from associates	216	541
	2. Other receivables and financial assets	45	447
		261	*988*
V.	Income tax receivables	123	188
VI.	Deferred tax assets	7,577	6,479
	Total non-current assets	**195,309**	**186,588**
B.	**Current assets**		
I.	Inventory		
	Unfinished goods and work in process	50,858	62,033
II.	Receivables and other financial assets		
	1. Accounts receivable	23,781	28,567
	2. Other receivables and financial assets	3,412	829
		27,193	*29,396*
III.	Income tax receivables	204	179
IV.	Securities	39	1,371
V.	Cash and cash equivalents	81,594	71,413
	Total current assets	**159,889**	**164,392**
	Total assets	**355,198**	**350,980**

EQUITY AND LIABILITIES		31.12.2014 EUR thousand	31.12.2013 EUR thousand
A.	**Equity**		
I.	Issued capital		
	1. Subscribed capital (nominal capital)	14,653	14,778
	2. Treasury shares (to be retired)	(-4)	(-102)
		14,649	*14,676*
II.	Capital reserves	40,293	40,278
III.	Other reserves (not affecting earnings)		
	1. Foreign currency translation	(-61)	(-61)
	2. Fair value measurement (IAS 39)	(-7,327)	(-1,258)
		(-7,388)	*(-1,319)*
IV.	Retained earnings		
	1. Legal reserves	15	15
	2. Other retained earnings	10,097	6,107
		10,112	*6,122*
V.	Accumulated other comprehensive income	(-17,511)	(-20,159)
	Total equity	**40,154**	**39,597**
B.	**Non-current liabilities**		
I.	Other provisions		
	Provisions for decommissioning and restoration	11,033	10,484
II.	Financial liabilities		
	1. Bond capital	93,316	87,931
	2. Liabilities to financial institutions	143,181	122,878
	3. Liabilities to external limited partners	1,637	3,064
	4. Other financial liabilities	11,002	2,300
		249,136	*216,173*
III.	Other liabilities	2,943	–
IV.	Deferred tax liabilities	6,666	5,263
	Total non-current liabilities	**269,778**	**231,920**
C.	**Current liabilities**		
I.	Provisions for taxes	4,123	3,213
II.	Other provisions		
	Other current provisions	11,342	6,653
III.	Financial liabilities		
	1. Bond capital	2,525	–
	2. Liabilities to financial institutions	16,641	49,042
	3. Liabilities to external limited partners	0	5,034
		19,166	*54,075*
IV.	Accounts payable	5,947	8,109
V.	Other liabilities	4,564	7,203
VI.	Income tax liabilities	124	209
	Total current liabilities	**45,266**	**79,462**
	Total equity and liabilities	**355,198**	**350,980**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(IFRS) 2014

in EUR thousand	Share capital outstanding	Capital reserves	Foreign currency translation reserve	
as of 31.12.2012	**14,710**	**40,278**	**(-61)**	
Changes in 2013 financial year				
Allocations to retained earnings				
Dividend distribution				
Repurchase of treasury shares	(-35)			
Differences from fair value measurement				
Differences from deferred taxes on fair value measurement				
Consolidated net income				
as of 31.12.2013	**14,676**	**40,278**	**(-61)**	
Changes in 2014 financial year				
Allocations to retained earnings				
Dividend distribution				
Repurchase of treasury shares/retirement	(-27)			
Differences from stock option plan measurement		15		
Differences from fair value measurement				
Differences from deferred taxes on fair value measurement				
Consolidated net income				
as of 31.12.2014	**14,649**	**40,293**	**(-61)**	

[1] from fair-value measurement of securities
[2] from unrealised gains/losses of cash flow hedges

	Fair value reserve (available for sale) [1]	Fair value reserve (cash flow hedges) [2]	Retained earnings	Accumulated other comprehensive income	**Total**	Number of shares (in thousand units)
	32	**(-4,602)**	**3,507**	**(-28,771)**	**25,094**	**14,710**
			2,731	(-2,731)		
				(-2,206)	(-2,206)	
			(-117)		(-151)	(-35)
	(-46)	4,753			4,707	
	14	(-1,409)			(-1,395)	
				13,549	13,549	
		(-1,258)	**6,122**	**(-20,159)**	**39,597**	**14,676**
			4,154	(-4,154)		
				(-7,331)	(-7,331)	
			(-164)		(-191)	(-27)
					15	
		(-8,653)			(-8,653)	
		2,584			2,584	
				14,132	14,132	
		(-7,327)	**10,112**	**(-17,511)**	**40,154**	**14,649**

CONSOLIDATED CASH FLOW STATEMENT

1 January to 31 December 2014 (IFRS)

in EUR thousand		2014	2013
1.	**Cash flow from operating activities**		
	Net income before interest and taxes	40,718	34,140
	Write-ups/write-downs on intangible assets and property, plant and equipment	12,463	12,081
	Gains on disposals	(-1,151)	(-21)
	Other non-cash expenses/income in equity	15	0
	Operating profit before changes in net working capital	***52,045***	***46,200***
	Changes in		
	accounts receivable and other assets	2,930	(-23,675)
	unfinished goods and work in process	6,546	(-15,537)
	accounts payable	(-2,161)	3,976
	other current liabilities and provisions	(-2,984)	8,067
	other non-current liabilities and provisions	1,085	2,546
	provisions for decommissioning and restoration based on changes in interest rates (recognised directly in equity as per IFRIC 1.5a)	1,029	(-175)
	Income taxes paid	(-3,869)	(-3,107)
	Cash flow from operating activities	**54,620**	**18,295**

in EUR thousand		2014	2013
2.	**Cash flow from investing activities**		
	Payments for investments in intangible assets	(-12)	(-41)
	Payments for equity investments	0	(-71)
	Payments for investments in property, plant and equipment	(-20,149)	(-47,420)
	Additions to property, plant and equipment arising from first-time consolidation	0	0
	Proceeds from sale of property, plant and equipment	5,062	0
	Proceeds from sale of securities	1,332	10,131
	Interest expense for the production of qualifying assets (IAS 23.4)	(-1,953)	(-3,183)
	Interest received	929	438
	Cash flow from investing activities	**(-14,792)**	**(-40,146)**
3.	**Cash flow from financing activities**		
	Interest expenditure	(-17,938)	(-10,242)
	Proceeds/payments related to bonds	7,910	27,404
	Proceeds from taking out loans	136,923	48,152
	Payments for redeeming loans	(-149,021)	(-23,146)
	Dividends paid	(-7,331)	(-2,206)
	Payments for repurchase of treasury shares	(-191)	(-151)
	Cash flow from financing activities	**(-29,647)**	**39,810**
4.	Net change in cash and cash equivalents	10,182	17,960
	Cash and cash equivalents at beginning of period	71,413	53,453
	Cash and cash equivalents at end of period	**81,594**	**71,413**
5.	**Components of cash and cash equivalents**		
	Cash	81,594	71,413
	Cash and cash equivalents at end of period	**81,594**	**71,413**

SEGMENT REPORT 2014 (IFRS)

1. Principles of segment reporting

Based on the organisational and reporting structures at Energiekontor, business activities are organised in the business segments Onshore Project Development and Sales (Wind, Solar) (or, in short, Onshore Projects), Offshore Project Development and Sales (or, in short, Offshore Projects), Power Generation in Group-owned Wind Farms (or, in short, Power Generation) and Operation Development, Innovation and Others (or, in short, Others). The allocation to these segments also depends on the different product groups on offer. The commercial and technical operational management services offered are reported in the Operation Development, Innovation and Others segment, as are services in connection with repowering of third-party wind farms.

Financial information derived from the internal control system is reported separately for these Group units to the Management Board, who regularly reviews this information to be able to assess the business performance and decides on the allocation of resources.

As the data reported regularly to the management is compiled using pre-tax data (up to the EBT level), the income statements at segment level do not include expenses and income from income taxes.

The fair values of interest hedging instruments (interest swaps) that are based on mathematical simulation models and take into account forecasts of currency and interest developments are purely arithmetic and are not shown in segment reporting as they are not relevant to Company management and segment reporting.

2. Group segments

Onshore Project Development and Sales (Wind, Solar)

The Onshore Project Development and Sales (Wind, Solar) segment includes all stages of the value chain that finally lead to the sale of wind farms and solar parks developed by the Group itself on the main land, i. e. the development, project development, realisation and sale of wind farms and solar parks in Germany, the UK and Portugal as well as the sale of shares in operating companies founded by the Group and repowering of Group-owned wind turbines. Usually wind farms and solar parks are sold in the way that a separate company is incorporated for each farm or park as a German GmbH & Co. KG (limited partnership with a limited liability company as sole general partner), which enters into all legal relationships required to construct and operate the farm or park (farm or park operator).

The sale of the wind farm or solar park by the Group is then effected via the sale of shares in the corresponding limited partnership.

All services rendered by Group companies in connection with the project development and sale of solar parks or onshore wind farms are also included in this segment. Specifically, this refers to the services that are always required for the construction and sale of projects in connection with economic planning and the contractual and legal implementation, project management, company management in the foundation phase, sales and marketing measures and the procurement of own and external funds for the wind farm operators. Since these services usually cannot be separated from the sale of the wind farm or solar park and are therefore an inseparable element of the project development and sales stage of the value chain, the management always assesses these services in connection with the construction and sale of the corresponding wind farm or solar park.

As such, they do not constitute an independent operating segment in terms of IFRS 8, the financial information of which must be reported separately from the construction and sale and reviewed and assessed separately by the chief operating decision makers with regard to business performance criteria.

Because of the planned inclusion of the previous Offshore Project Development and Sales (Wind) segment, the segment will be renamed Project Development and Sales (Wind, Solar) in 2015.

Offshore Project Development and Sales (Wind)

The activities comprised in this segment include the development and project development of offshore wind farms and the sale of rights in such projects. Given the sale of project rights in the Borkum Riffgrund West II offshore wind farm that was effected in the year under review and the planned future reduction in offshore activities, the segment will be merged with the Onshore Project Development and Sales (Wind, Solar) segment in 2015.

Power Generation in Group-owned Wind Farms

In recent years, more and more shares in wind farm operators have not been sold to third parties, but remain in the Group to secure reliable income from these wind farms in the

long term. In addition to self-constructed wind farms, third-party facilities are also acquired to expand the wind farm portfolio. The corresponding Power Generation segment now includes the generation of energy in Group-owned wind farms and the sale of electricity to regional energy suppliers.

Operation Development, Innovation and Others

This segment includes all services rendered after the wind farms and solar parks are completed that aim to optimise the operating profit margin as from the time of commissioning. This comprises, in particular, technical and commercial operational management as well as services in connection with the replacement of facilities for power generation with new and more efficient facilities (repowering), measures to reduce costs, extend the service life (e. g. by way of preventive maintenance) and increase earnings (e. g. by direct marketing of electricity, rotor blade extension, etc.).

3. Transfers between segments

There are regular transfers between the individual segments of the Group. These transactions between segments, which are in principle invoiced and recognised at general market prices, are consolidated and fully eliminated in Group accounting, but shown in segment reporting together with the consolidation effects.

3.1. Transfers between Onshore Project Development and Sales (Wind, Solar) and Power Generation

Transfers between the Onshore Project Development and Sales (Wind, Solar) and the Power Generation in Group-owned Wind Farms segments refer to wind farms that are developed and constructed without being sold to third parties but, instead, to a Group subsidiary that uses the wind farm to generate and sell energy in the long term. The actual acquisition cost is recognised and depreciated at the level of the separate financial statements.

At the level of the consolidated financial statements, the profits of the involved Group companies pertaining to the construction price and the other fees are fully eliminated, so that only the production costs are capitalised and depreciated in the consolidated financial statements.

As the internally generated hidden reserves in wind farms (difference between fair values and carrying amounts) may not be recognised in the consolidated financial statements, they have to be eliminated again for Group accounting purposes. The segment report only contains the figures that were adjusted accordingly.

3.2. Transfers between Operation Development, Innovation and Others and Power Generation

Transfers between the Operation Development, Innovation and Others and the Power Generation in Group-owned Wind Farms segments refer to optimisation and innovation services as well as commercial and technical operational management services rendered by Group subsidiaries to wind farm operators.

Income and expenses recognised in the relevant segments are also eliminated in the scope of reconciliation to Group income in the Reconciliation and consolidation item.

4. Reconciliation of segment assets and liabilities

Segment assets and liabilities that are broken down in the following segment report relate to gross assets and liabilities as follows:

in EUR thousand	2014	2013
Gross assets as per the balance sheet	355,198	350,980
Deferred and current tax assets	(-7,905)	(-6,847)
Segment assets	**347,294**	**344,133**
Gross liabilities as per the balance sheet	315,044	311,382
Neutralisation of cash flow hedges from wind farm financing (interest and interest/currency hedges)	(-10,442)	(-1,789)
Deferred and current tax liabilities	(-10,913)	(-8,685)
Segment liabilities	**293,689**	**300,909**
Gross net assets as per the balance sheet	40,154	39,597
Neutralisation of cash flow hedges from wind farm financing (interest and interest/currency hedges)	10,442	1,789
Deferred and current net taxes	3,009	1,838
Net segment assets	**53,604**	**43,224**

The figures pertaining to assets and liabilities allocated to the segments were also adjusted for tax items as adjusted in internal reporting and the mathematical fair values of cash flow hedges.

5. Income statement by segment

	Onshore Project Development and Sales (Wind, Solar)		Offshore Project Development and Sales (Wind)		Power Generation in Group-owned Wind Farms	
in EUR thousand	2014	2013	2014	2013	2014	2013
Revenue						
Revenue	101,481	65,826	4,000	11,087	45,244	38,802
Revenue with other segments	0	0	0	0	128	27
Total revenue	**101,481**	**65,826**	**4,000**	**11,087**	**45,372**	**38,829**
Changes in inventories and other work performed and capitalised	7,448	55,604	(-576)	(-10,769)	7	25
Total output	**108,929**	**121,429**	**3,424**	**318**	**45,379**	**38,854**
Other operating income	270	1,699	0	0	3,300	2,063
Total operating output	**109,199**	**123,128**	**3,424**	**318**	**48,678**	**40,917**
Cost of raw materials and supplies and purchased services	(-80,954)	(-93,284)	(-1,318)	(-2,850)	0	(-25)
Personnel expenses	(-8,235)	(-7,604)	(-469)	(-786)	(-594)	(-625)
Other operating expenses	(-5,386)	(-5,955)	(-224)	(-131)	(-11,706)	(-8,917)
EBITDA	**14,624**	**16,285**	**1,414**	**(-3,448)**	**36,378**	**31,351**
Depreciation and amortisation of intangible assets and property, plant and equipment	(-66)	(-81)	0	(-1)	(-14,108)	(-11,998)
EBIT	**14,558**	**16,204**	**1,414**	**-3,449**	**22,270**	**19,353**
Interest and similar income	913	373	0	(-10)	13	75
Interest and similar expenses	(-7,100)	(-3,485)	(-191)	(-173)	(-12,575)	(-9,767)
EBT	**8,370**	**13,091**	**1,223**	**(-3,632)**	**9,709**	**9,660**

	Operation Development, Innovation and Others		Total before reconciliation/ consolidation		Reconciliation		Energiekontor Group	
	2014	2013	2014	2013	2014	2013	2014	2013
	2,555	2,088	153,280	117,803	0	0	153,280	117,803
	1,869	1,716	1,998	1,743	(-1,998)	(-1,743)	0	0
	4,425	**3,804**	**155,277**	**119,546**	**(-1,998)**	**(-1,743)**	**153,280**	**117,803**
	292	110	7,171	44,970	0	0	7,171	44,970
	4,717	**3,914**	**162,449**	**164,515**	**(-1,998)**	**(-1,743)**	**160,451**	**162,772**
		0	3,569	3,762			3,569	3,762
	4,717	**3,914**	**166,018**	**168,277**	**(-1,998)**	**(-1,743)**	**164,021**	**166,534**
	(-159)	0	(-82,431)	(-96,158)	0	0	(-82,431)	(-96,158)
	(-744)	(-740)	(-10,043)	(-9,754)	0	0	(-10,043)	(-9,754)
	(-1,328)	(-1,141)	(-18,644)	(-16,144)	1,998	1,743	(-16,646)	(-14,401)
	2,486	**2,033**	**54,901**	**46,221**	**0**	**0**	**54,901**	**46,221**
	(-9)	0	(-14,183)	(-12,081)	0	0	(-14,183)	(-12,081)
	2,477	**2,033**	**40,718**	**34,140**	**0**	**0**	**40,718**	**34,140**
	2	0	929	438	0	0	929	438
	(-25)	0	(-19,891)	(-13,425)	0	0	(-19,891)	(-13,425)
	2,454	**2,033**	**21,756**	**21,153**	**0**	**0**	**21,756**	**21,153**

6. Assets by segment

	Onshore Project Development and Sales (Wind, Solar)		Offshore Project Development and Sales (Wind)		Power Generation in Group-owned Wind Farms	
in EUR thousand	2014	2013	2014	2013	2014	2013
SEGMENT ASSETS						
Non-current segment assets						
Other intangible assets	37	57	0	0	0	0
Property, plant and equipment						
Land, land improvements and buildings	0	0	0	0	738	688
Plant and equipment (wind farms)	0	0	0	0	185,867	178,048
Other equipment, operational and office equipment	80	58	0	6	2	4
Investments	71	71	0	0	0	0
Receivables and financial assets	37	849	0	0	224	139
Total non-current segment assets	**224**	**1,035**	**0**	**6**	**186,831**	**178,879**
Current segment assets						
Inventory	50,329	61,227	0	576	127	120
Receivables and financial assets	14,168	13,777	0	5,771	12,906	9,812
Securities classified as current assets	7	1,339	0	0	32	32
Cash and cash equivalents	56,374	40,074	0	10,978	23,845	19,875
Total current segment assets	**120,877**	**116,417**	**0**	**17,325**	**36,911**	**29,840**
Total segment assets	**121,101**	**117,452**	**0**	**17,331**	**223,742**	**208,720**

	Operation Development, Innovation and Others		Energiekontor Group	
	2014	2013	2014	2013
	0	0	37	57
	554	0	1,291	688
	0	0	185,867	178,048
	0	0	82	68
	0	0	71	71
	0	0	261	988
	554	**0**	**187,609**	**179,920**
	402	110	50,858	62,033
	120	35	27,193	29,396
	0	0	39	1,371
	1,375	484	81,594	71,413
	1,897	**630**	**159,685**	**164,213**
	2,450	**630**	**347,294**	**344,133**

7. Liabilities and net assets by segment

	Onshore Project Development and Sales (Wind, Solar)		Offshore Project Development and Sales (Wind)		Power Generation in Group-owned Wind Farms	
in EUR thousand	2014	2013	2014	2013	2014	2013
SEGMENT LIABILITIES						
Non-current segment liabilities						
Provisions for decommissioning and restoration	0	0	0	0	11,033	10,484
Financial liabilities	43,234	32,146	0	4,936	193,191	174,238
Liabilities to external limited partners	0	0	0	0	1,637	3,064
Other liabilities	0	0	0	0	2,943	0
Total non-current segment liabilities	**43,234**	**32,146**	**0**	**4,936**	**208,803**	**187,786**
Current segment liabilities						
Provisions	9,997	3,907	0	1,735	1,341	1,011
Financial liabilities	8,310	37,433	0	2,007	10,854	9,601
Accounts payable	5,222	6,581	0	457	651	1,071
Liabilities to external limited partners	0	5,034	0	0	0	0
Other liabilities	4,564	7,018	0	0	0	186
Total current segment liabilities	**28,093**	**59,973**	**0**	**4,199**	**12,845**	**11,869**
Total segment liabilities	**71,328**	**92,119**	**0**	**9,135**	**221,649**	**199,655**
Net segment assets	**49,774**	**25,333**	**0**	**8,196**	**2,093**	**9,065**

8. Capital expenditure by segment

	Onshore Project Development and Sales (Wind, Solar)		Offshore Project Development and Sales (Wind)		Power Generation in Group-owned Wind Farms	
in EUR thousand	2014	2013	2014	2013	2014	2013
Segment capital expenditure	57	145	0	0	24,167	52,362

	Operation Development, Innovation and Others		Energiekontor Group	
	2014	2013	2014	2013
	0	0	11,033	10,484
	633	0	237,058	211,320
	0	0	1,637	3,064
	0	0	2,943	0
	633	**0**	**252,671**	**224,868**
	4	0	11,342	6,653
	2	0	19,166	49,042
	74	0	5,947	8,109
	0	0	0	5,034
	0	0	4,564	7,203
	80	**0**	**41,019**	**76,040**
	713	**0**	**293,689**	**300,909**
	1,737	**630**	**53,604**	**43,224**

	Operation Development, Innovation and Others		Energiekontor Group	
	2014	2013	2014	2013
	566	0	24,790	52,507

9. Additional geographical information

The Group does not perform geographical segment reporting.

The buyers of the domestic and foreign wind farms and solar parks realised by the Company all are German companies, even if the wind farms are located abroad; therefore, no geographical information is disclosed with regard to the Onshore Project Development and Sales (Wind, Solar) segment.

Likewise, the operational management services allocated to the Other operating segments are all rendered in Germany.

Additional information on geographical segments is only relevant in the Power Generation segment, as this segment deals with foreign markets in that the Group earns electricity income from Portuguese utilities as well as British electricity buyers.

Therefore, electricity income is broken down in accordance with the wind farm location as follows:

in EUR thousand	2014	2013
Country where the wind farm is located		
Germany	20,219	16,692
Portugal	8,013	8,659
UK	17,012	13,452
Total electricity income	**45,244**	**38,802**

The carrying amounts of property, plant and equipment are broken down to geographical regions as follows:

in EUR thousand	2014	2013
Country where the wind farm is located		
Germany	92,662	79,399
Portugal	26,040	28,353
UK	67,165	70,296
Carrying amounts of the wind farms	**185,867**	**178,048**

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BALANCE SHEET (HGB)

as of 31 December 2014

	ASSETS	31.12.2014 in EUR	31.12.2013 in EUR thousand
A.	**Fixed assets**		
I.	Intangible assets		
	Purchased concessions, patents, licenses, trademarks and similar rights and assets	36,734.00	57
II.	Tangible assets		
	Fixtures, fittings, tool and equipment	71,176.00	52
III.	Financial assets		
	1. Shares in affiliated companies	29,927,509.35	27,817
	2. Loans to affiliated companies	21,081,892.85	19,620
	3. Investments	92,546.37	71
	4. Other loans	0.00	458
		51,101,948.57	
B.	**Current assets**		
I.	Inventories		
	1. Unfinished goods and work in progress	9,177,277.92	7,665
	2. Payments received on account	(-273,000.00)	0
		8,904,277.92	
II.	Receivables and other assets		
	1. Trade receivables	7,513,940.71	6,015
	2. Receivables from affiliated companies	12,677,530.86	20,133
	3. Other assets	1,404,768.80	11,555
		21,596,240.37	
III.	Securities		
	Other securities	6,500.00	1,338
IV.	Cash in hand and bank balances	48,370,663.43	45,038
C.	**Prepaid expenses**	**23,732.25**	**25**
	Total assets	**130,111,272.54**	**139,843**

LIABILITIES		31.12.2014 in EUR	31.12.2013 in EUR thousand
A.	**Equity**		
I.	Issued capital		
	1. Subscribed capital	14,653,160.00	14,778
	2. Nominal amounts/arithmetic value for retirement of purchased shares	(-4,000.00)	(-102)
II.	Capital reserves	41,237,445.11	41,237
III.	Retained earnings		
	1. Statutory reserve	15,000.00	15
	2. Other retained earnings	9,614,895.87	5,625
		9,629,895.87	
IV.	Net income	8,791,896.00	7,389
B.	**Provisions**		
	1. Provisions for taxes	2,634,902.00	1,364
	2. Other provisions	4,224,830.00	3,513
		6,859,732.00	
C.	**Liabilities**		
	1. Bonds	21,600,000.00	21,600
	2. Liabilities to banks	3,275,030.70	17,754
	3. Trade payables	1,757,852.88	1,095
	4. Liabilities to affiliated companies	11,622,355.69	13,411
	5. Other liabilities	4,837,827.29	7,510
		43,093,066.56	
D.	**Deferred tax liabilities**	**5,850,077.00**	**4,655**
	Total liabilities	**130,111,272.54**	**139,843**

INCOME STATEMENT (HGB)

1 January to 31 December 2014

		2014 in EUR	2013 in EUR thousand
1.	**Revenue**	**24,381,261.09**	**36,384**
2.	Change in inventories of finished goods and work in progress	1,512,258.47	(-9,773)
3.	**Total output**	**25,893,519.56**	**26,612**
4.	Other operating income	3,819,336.51	1,881
5.	Cost of materials		
	Expenses for purchased services	5,850,667.49	7,523
6.	**Gross result**	**23,862,188.58**	**20,969**
7.	Personnel expenses		
	a) Wages and salaries	7,276,648.05	7,494
	b) Social security, pension and other benefits *of which EUR 79,871.05 (previous year: EUR 84 thousand)* relating to pensions	1,021,471.58	935
		8,298,119.63	
8.	Depreciation and amortisation		
	a) Depreciation and amortization of intangible and tangible assets	60,585.65	58
	b) Depreciation and amortization of current assets in excess of normal depreciation	0.00	757
		60,585.65	
9.	Other operating expenses	3,747,074.50	5,739
10.	Income from investments *of which EUR 0.00 (previous year: EUR 1,169 thousand)* from affiliated companies	0.00	1,169
11.	Income from profit and loss transfer agreements with affiliated companies	7,252,585.97	9,472
12.	Income from other long-term securities and loans *of which EUR 799,155.11 (previous year: EUR 789 thousand)* from affiliated companies	799,155.11	914
13.	Interest and similar income *of which EUR 134.908.55 (previous year: EUR 522 thousand)* from affiliated companies	952,378.87	681
14.	Depreciation and amortisation of financial assets and securities classified as current assets	918,746.11	2,575
15.	Interest and similar expenses *of which EUR 163,597.65 (previous year: EUR 206 thousand)* to affiliated companies	1,852,108.37	1,847
16.	**Net operating income**	**17,989,674.27**	**13,798**
17.	Tax on profit	5,102,419.92	3,688
18.	**Profit or loss for the year**	**12,887,254.35**	**10,110**
19.	Profit carried forward		
	a) Profit carried forward before utilisation	7,388,805.00	2,217
	b) Dividend payments	(-7,330,630.00)	(-2,206)
		58,175.00	
20.	Allocations to retained earnings	(-4,153,533.35)	(-2,731)
21.	**Net income**	**8,791,896.00**	**7,389**

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Translation
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Besendahl & Lehnich
Übersetzer & Dolmetscher
Partnerschaft, Hamburg
www.discoverlegal.de

Concept, layout, text and typesetting
IR-One AG & Co., Hamburg
www.ir-1.com

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