ANNUAL REPORT 2019

PNE AG

POWERFUL PERFORMANCE

PNE

pure new energy

THE PNE GROUP AT A GLANCE

The PNE Group consists of the companies PNE AG and WKN GmbH and is a leading wind farm developer located in Northern Germany.

36.3
million EUR
AVERAGE EBITDA OF THE YEARS 2014–2019

>3,100
MW
REALISED ONSHORE

>450
MW
PROJECTS SOLD, COMMISSIONED OR UNDER CONSTRUCTION IN 2019

5,235
MW
IN THE PIPELINE INTERNATIONALLY

>1,600
MW
UNDER OPERATIONAL MANAGEMENT

PNE Group key figures

in million EUR	1.1. – 31.12. 2019	1.1. – 31.12. 2018	1.1. – 31.12. 2017
Total aggregate output	174.0	111.8	186.9
Revenues	132.8	91.4	114.1
Earnings before interest, taxes, depreciation and amortization (EBITDA)	31.6	16.5	28.6
Operating profit (EBIT)	19.0	7.8	23.1
Result before Taxes (EBT)	7.3	-2.0	14.1
Net income	0.7	-1.0	17.1
Basic earnings per share (euro)	0.01	-0.01	0.22
Average number of shares (million)	74.8	76.5	76.6

in million EUR	31.12.2019	31.12.2018	31.12.2017
Equity as at 31.12.	220.0	216.3	235.2
Equity ratio as at 31.12. (%)	38.8	47.8	47.7
Balance sheet total as at 31.12.	567.6	452.6	493.3

POWERFUL PERFORMANCE

We are a **Clean Energy Solution Provider** operating at the international level. Our core competencies are the development and operation of wind farms, covering initial site exploration up to the operation phase and repowering at the end of the life cycle. Our portfolio also includes project planning and the operation of solar parks. We are also driving forward the storage of renewable energies and power-to-gas technologies.

FOREWORD OF THE BOARD OF MANAGEMENT

DEAR SHAREHOLDERS

The year 2019 was both an eventful and a good year for PNE AG. Operationally, we were very successful in various markets. Financially, we were able to close the past financial year with a pleasing result. Strategically, we have consistently developed further in line with the "Scale up" concept. The share price has also developed very positively, last but not least as a result of the takeover offer by Photon Management GmbH, a member of the Morgan Stanley Infrastructure Partners Group.

Even though this was a good year, it has become difficult to assess the consequences for society and the market resulting from the current developments concerning the spread of the COVID-19 virus (or coronavirus). We respond to this threat with a large number of measures to protect employees, but also to safeguard the implementation of projects as well as supplies. At the time of publication of the 2019 annual financial statements in March 2020, we assume that there may be shifts in our operating business as regards the sale of project rights and project implementation from 2020 to 2021 and from 2021 to 2022 and that there will be no significant impact on our business in the medium to long term. The good liquidity position gives the Company sufficient leeway to be able to cope well with longer-term restrictions. We continue to expect positive EBIT and EBITDA values in 2020.

Operating business expanded in Germany and abroad

With 450.8 MW (previous year: 235.7 MW) of projects that were sold, commissioned or under construction, we are well above the previous year's level and on schedule. We have also benefited from successes in our foreign markets such as Sweden and Poland, which we have successively developed in recent years. With an expected investment volume of around euro 1.4 to 1.8 million per MW of installed nominal capacity, PNE has initiated investments of approx. euro 631 to 811 million in 2019 (prior year: euro 330 to 424 million).

Profitable despite increased investing activities

This pleasing development in operating business is reflected in the results. The Group has operated profitably, although we have also invested in the construction of our own wind power turbines, which will become part of the wind farm portfolio, and in the implementation of our expanded strategy via the "Scale up" concept. All business divisions made a positive contribution to the result: national and international project development, electricity generation, operations management and the new service products. The construction of the wind farm portfolio has progressed further. The wind farms "Gerdau Repowering" (21.6 MW), "Schlenzer" (6.5 MW), "Kittlitz" (17.2 MW) and "Neuenwalde" (7.2 MW) were commissioned. As a result of the completion of these projects and the acquisition of a project in the reporting period, the nominal capacity of the wind farms operated by the Company increased from 76.9 MW to 130.1 MW.

MARKUS LESSER,
CEO

JÖRG KLOWAT,
CFO

Guidance achieved

In 2019, the Group generated EBITDA of approx. euro 31.6 million and EBIT of approx. euro 19.0 million. This means that the guidance for Group EBITDA of euro 25 to 30 million and the guidance for Group EBIT of euro 15 to 20 million were achieved in the 2019 fiscal year.

Dividend proposed

The Board of Management and the Supervisory Board propose to pay a dividend of euro 0.04 per eligible share of the 2019 fiscal year from the retained earnings of PNE AG, totalling euro 111,559,172.29. The remaining retained earnings shall be brought forward to a new account.

Early internationalisation is paying off

A central pillar of this good result was once again our international business, which continued to develop very satisfactorily and made a substantial contribution. This is particularly important because the framework conditions for the further expansion of renewable energies sometimes vary considerably from market to market. In some of the established markets, the development of new projects has become more difficult. These include Germany, where approval procedures are becoming more and more lengthy and granted approvals are increasingly subject to complaints. We are also affected by this development. For this reason, the early internationalisation of our business is paying off now. In the 2019 fiscal year, we started construction, completed or sold projects with a total capacity of 450.8 MW. Of this figure, 378.0 MW was attributable to projects in France, Poland, Sweden and Italy. In addition, with successful tenders in Germany and Poland, we have proven again that we can also operate with success under these new market conditions.

Project pipeline expanded further

At the end of 2019, the companies of the PNE Group were working on onshore wind farm projects with a nominal capacity to be installed of 5,235 MW (prior year: 4,883 MW), which are in different phases of the multi-year development process. This means that the "project pipeline" objective was also achieved, since the pipeline, i.e. the existing portfolio of projects in the various development phases, was increased by the end of 2019 compared with that of the previous year. This "project pipeline" is the basis for further development.

There has also been progress in the development of photovoltaic (PV) projects. In this area, a pipeline of PV projects in Germany, Romania and the USA totalling 123 MW can be reported for the first time at the end of 2019.

New orientation with our "Scale up" concept is progressing

We are proud of these successes. But we cannot and will not rest on our laurels. In the 2019 fiscal year, we have achieved significant progress in implementing our strategic expansion to become a Clean Energy Provider through our "Scale up" concept. Internal structures were adapted to the new orientation, as was segment reporting, in which three segments are now presented. Project development has been expanded. In addition to wind energy projects, we are also developing photovoltaic projects. Panama has been added as a new market, and we see good opportunities to develop further Latin American markets from there.

With this realignment, we are also responding to the global efforts to expand climate protection, which have received noticeable additional impetus in 2019. At the same time, however, we have noted another aspect: While political changes, tender markets and price pressure pose major challenges for the industry, the global demand for energy is growing. Renewable energies are already competitive in many areas. In addition, technological developments ensure that the energy markets are becoming increasingly interlinked and offer new business opportunities. We want to profit from this.

With our "Scale up" programme, we also want to raise and stabilise our earnings. A significant increase in the service share and even greater diversification in the project business will sustainably improve our risk profile. In this way, we are making the PNE Group even more resistant and robust.

A lot has happened since the start of the "Scale up" programme in November 2017:

PNE WIND AG has become PNE AG – and our "pure new energy" claim underscores our new, broader positioning.

The financial and organisational prerequisites for a successful implementation of the concept have been created.

Our product range has been redefined: wind energy, photovoltaics and hybrid solutions. We define hybrid solutions as projects in which we interlock wind energy with photovoltaics or storage technologies.

We have redefined our offers for service products: financial services, construction management, operations management, energy supply services, wind planning services and wind measurements. This is what we can do – and others can benefit from it.

The organisation in the companies of the PNE Group has been optimally aligned and standardised to meet these new challenges. This makes us more efficient and faster and enables us to increase productivity significantly and measurably.

Progress in the expansion of our service business

The Company has further expanded its expertise in services relating to wind power turbines. With the acquisition of various companies, the PNE Group has positioned itself even more broadly in the market in the fields of safety technology for wind power turbines and industrial plants, aviation obstruction markers for wind power turbines and rope access technology.

By concluding the first contracts for operations management of wind farms in France, Poland and Sweden, "energy consult", which is part of the PNE Group, succeeded in opening up additional markets in 2019. The PNE Group is thus significantly expanding its international business as a service provider. In total, PNE currently manages wind farms with a nominal capacity of more than 1,600 MW as a wind farm manager.

In addition, PNE has concluded a first direct power purchase agreement (PPA) for the German "Papenrode" wind farm.

New major shareholder

The entry of a new major shareholder into the company last year was of particular concern to us as the Board of Management, but also to the Supervisory Board. Photon Management GmbH, a member of the Morgan Stanley Infrastructure Partners Group, submitted a voluntary public takeover offer to PNE shareholders at the end of October 2019 and now holds almost 40 percent of the shares.

We have at all times dealt with the offer in a professional manner with a view to safeguarding the interests of shareholders and other stakeholders. We were required by law to provide a reasoned statement on the offer. We prepared this reasoned statement together with the Supervisory Board and published it on November 11, 2019. In the statement, we paid particular attention to the interests of the shareholders and we assessed the appropriateness of the offered takeover price per PNE share with the assistance of external experts. We also weighed the risks and opportunities for the enterprise, its employees, locations and further development in the context of the takeover offer in the statement. As a result, we supported the offer and recommended that PNE shareholders accept it.

In the run-up to the publication of the offer, the subsequent bidder had already signalled its interest in acquiring PNE. We published an ad-hoc announcement regarding this interest on August 26, 2019, including a first indicative price range per PNE share. This created transparency for the public and also gave other potentially interested enterprises the opportunity of making an offer. As part of our structured process, we held discussions with potential further parties interested in PNE before and after the ad-hoc announcement. In addition, we asked the enterprises that were mentioned in press articles following the ad-hoc announcement about their interest in a takeover offer. Since this did not result in an alternative offer, we concluded an investment agreement with Photon Management GmbH on October 10, 2019, on the basis of which we promised support for the expected offer, subject to compliance with certain conditions. These conditions include commitments to employees and existing business units, Photon Management's support of the corporate strategy, including financial support, and protection against possible consequences resulting from change-of-control regulations. This was and is important to us for a project planner like PNE AG in order to ensure that the enterprise has access to the specialist knowledge of its employees and to send out a strong signal of continuity to our customers and business partners.

In the course of the negotiations on the investment agreement, the share price per PNE share rose from euro 3.05 before the announcement of the talks with Photon Management at the end of August 2019 to approx. euro 4 per share at the end of 2019. At euro 4.00 per share, the offer price was also at a level that the price of PNE shares had never reached in the previous ten years. Photon Management's indicative price range of euro 3.50 to euro 3.80 per PNE share at the end of August 2019 was also significantly below the final offer price of euro 4.00.

Expansion of internal operations

The comfortable liquidity situation and the significantly increased project volume open up new opportunities for the PNE Group. The Management Board and Supervisory Board of PNE AG have therefore decided to strengthen the internal operation of wind farms. This is intended to further consolidate sales and earnings, as already envisaged in our strategy with the "Scale up" concept. This can now be done earlier than planned. The wind farms that have been developed and are already being operated as part of the wind farm portfolio 2020 will be retained in the Company's own portfolio and operated by the Company itself. The sale of the wind farms in a portfolio will therefore not be pursued further.

PNE AG currently operates wind farms with an installed nominal capacity of 130.1 MW itself. This also includes the projects that were previously earmarked for the planned portfolio. The plans are to expand the portfolio of internally operated projects, primarily in Germany, to up to 500 MW by the end of 2023.

Positive outlook

We are well positioned for our further development. This is shown by the positive developments in the 2019 fiscal year and is also reflected in our project pipeline for wind energy, in which around two thirds of the projects are located abroad. This is the potential of the future.

And the course for the coming years is also clear: we will continue to strengthen our core business and, at the same time, consistently push ahead with the expansion in services, technologies and markets. We are thus making progress in the industry.

In fiscal 2020, we will have further upfront expenditure in the low single-digit million range for the strategic expansion of the business model and the preparations for entry into new markets, which may also be higher due to takeovers. At the time of publication of the 2019 annual financial statements in March 2020, we must assume that there may be shifts in the operating business as regards the sale of project rights and project implementation from 2020 to 2021 and from 2021 to 2022 due to the current global spread of the COVID-19 virus (coronavirus).

Despite our investments in the establishment of the Company's own portfolio, we are expecting positive EBITDA of euro 15 to 20 million and EBIT of euro 5 to 10 million for the 2020 fiscal year for the guidance defined by the Group.

We are increasing the value of the enterprise

We want to improve earnings, make development more calculable and predictable and thus increase the value of the enterprise continuously and sustainably. The new segment reporting structure has further increased transparency for you. All this shows: The PNE Group is seizing the opportunities in the market and is steering towards a future in which the idea of creating sustainable added value is even more in focus. We invite you to accompany us on this journey.

Maintain your confidence in us!

Kind regards

The Board of Management

Markus Lesser
CEO

Jörg Klowat
CFO

REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS

Prior to the presentation of the 2019 fiscal year, we would like to inform you that the Supervisory Board is in constant contact with the Company's Board of Management due to the current and future developments in connection with the COVID-19 virus. The Supervisory Board and the Board of Management take the challenges of this situation very seriously. The Supervisory Board supports the measures taken by the Board of Management to minimise the impact on shareholders and all stakeholders. At present, we do not expect PNE's business to be significantly affected in the medium or long term.

PNE AG ended the 2019 fiscal year with success in structural and operational terms. The resulting positive consolidated results (EBITDA and EBIT) are pleasing. PNE AG has developed operationally by entering the market in Panama and expanding its range of services for clean energy projects. In addition, important operational successes were the contracts we were awarded for wind energy projects in tenders in Germany and Poland, the sale of projects in Sweden and Poland and the completion of various wind farms both in Germany and abroad. Internally, the Board of Management has created new, effective structures in order to rapidly advance the expansion of the business model.

The Board of Management with CEO Markus Lesser, CFO Jörg Klowat and, up to September 2019, COO Kurt Stürken not only pushed ahead with these developments, but also worked on the implementation of the Company's expanded strategy. This strategic orientation has been given substance via the "Scale up" programme. It includes PNE's entry into the market in Panama, the expansion of the service products offered by the Company as well as the development of combined wind/photovoltaic projects and power-to-gas solutions. Based on the successful development of wind farm projects, which are still the Company's core business, PNE AG is going to develop into a "Clean Energy Solution Provider".

During the 2019 fiscal year, the Supervisory Board held 18 ordinary meetings on January 23, March 20, April 5 (by phone), May 21, May 22, August 5 (by phone), August 19 (by phone), August 30, (by phone), September 5, September 6, September 17, October 1 (by phone), October 9 (by phone), October 10 (by phone), November 10 (by phone), November 11 (by phone), November 29 (by phone) and December 10, 2019. With the exception of Mr. Egger, who was unable to attend one meeting, the members of the Supervisory Board took part in all meetings.

One focus of the Supervisory Board's activities in 2019 was to deal with a takeover bid submitted by Photon Management GmbH, Frankfurt. Photon Management GmbH, a company of Morgan Stanley Infrastructure Partners, announced its decision to submit a voluntary public takeover offer to all shareholders of PNE AG on October 10, 2019 and published the corresponding offer document for the intended takeover on October 31, 2019.

The offer document was submitted to the Board of Management of PNE AG on October 31, 2019. The Board of Management provided the offer document to the Supervisory Board on the same day. The Supervisory Board and the Board of Management then dealt intensively with the offer and issued a joint reasoned statement on it. The Board of Management and the Supervisory Board each adopted this statement on November 11, 2019 and published it on the Company's website.

In accordance with the recommendation of the German Corporate Governance Code (GCGC), the Supervisory Board has enough independent members. In the opinion of the Supervisory Board, all Supervisory Board members in office are independent.

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

The general meeting of shareholders on May 22, 2019 elected Dr. Susanna Zapreva as a new member of the Supervisory Board. She thus succeeded Dr. Isabella Niklas, who had resigned from the Supervisory Board on December 31, 2018 due to a career change. The general meeting of shareholders resolved the official approval of the actions of the Supervisory Board members for the 2018 fiscal year. In order to ensure the efficient handling of its tasks, the Supervisory Board has set up a Personnel Committee, an Appointments Committee and an Audit Committee.

The Personnel Committee held its meetings jointly with the Appointments Committee. During the 2019 fiscal year, they met for seven meetings on February 13, March 19, March 20, April 15, May 5 (by phone), July 12 (by phone) and September 17, 2019. The topics discussed at the meetings included

» the renewal of the agreements with the members of the Board of Management, the target agreements for the members of the Board of Management,
» the reduction of the Board of Management from three to two members,
» the organisational structure to support the strategic programme "Scale up",
» the development of suggestions for the elections to the Supervisory Board and
» the efficiency review by way of a self-evaluation.

The Audit Committee met for a total of seven meetings on March 1 (by phone), March 8 (by phone), March 14 (by phone), March 19, May 8 (by phone), August 6 (by phone) and November 4, 2019. The topics of these meetings were the audit of the annual financial statements as at December 31, 2018, the discussion of the half-yearly financial report and the quarterly statements of 2019 as well as the related recommendations to the Supervisory Board for the adoption of relevant resolutions.

The Supervisory Board undertook the tasks for which it is responsible in accordance with the law, the articles of association and the internal regulations. It regularly advised the Board of Management concerning the management of the Company and supervised its activities. The Supervisory Board was directly included in all decisions of major importance for the Company. The Supervisory Board was punctually and fully informed in writing and at its meetings through written and verbal reports from the Board of Management about the current business developments and the asset, earnings and financial situation of the Company as well as about the planned business policy and the additional key questions of corporate planning, especially regarding financial, investment and personnel planning. These various topics were discussed extensively by the Board of Management and the Supervisory Board. Furthermore, the Supervisory Board inspected and reviewed the books, documents and the schedules of assets. Particular emphasis was given to future liquidity planning and the financing structure of PNE AG and the Group. Moreover, the Supervisory Board was kept informed on a regular basis in the context of individual discussions with the Board of Management.

The Supervisory Board examined in detail all transactions and measures requiring its consent due to the legal provisions, the articles of association and the internal regulations of the Board of Management and adopted relevant resolutions.

The focus of the Supervisory Board's activities and topics during the 2019 fiscal year was on:

- the reports and discussions concerning the annual and the consolidated financial statements as at December 31, 2018
- the preparations for the general meeting of shareholders on May 22, 2019
- the medium-term corporate planning of the PNE Group
- the reports on the development of current and planned business transactions
- the renewal of the Board of Management agreements with Markus Lesser and Jörg Klowat
- the discussions and the statement regarding the takeover offer submitted by a company of Morgan Stanley Infrastructure Partners
- the reports and discussions concerning the further strategic development of the Company and the analysis of the shareholder structure
- the discussions regarding the effects resulting from the changes in markets for renewable energies
- the resolution on the issuing of the declaration of compliance with the German Corporate Governance Code

The Supervisory Board dealt particularly intensively with the strategic direction of the enterprise and the future orientation of the business model as well as the takeover offer.

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

The Supervisory Board also adopted the declaration of compliance. Furthermore, the Supervisory Board passed resolutions on other matters of the Board of Management.

The annual financial statements of PNE AG, the consolidated financial statements as well as the management report of PNE AG and of the Group were drawn up on schedule by the Board of Management. The auditors, Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, appointed by the general meeting of shareholders on May 22, 2019, audited these documents and the accounting system and issued an unqualified audit opinion on the annual financial statements and the consolidated financial statements as well as on the combined management and group management report.

In addition, the Board of Management prepared a report on the Company's relations with affiliated companies, which it presented, together with the audit report prepared by the auditors, to the Supervisory Board. The auditors issued the following opinion on the report:

"Based on our due review and assessment, we confirm that

- » the factual information contained in the report is correct,
- » the payments made by the Company for the legal transactions were not unreasonably high."

The Supervisory Board issued the mandate for the audit of the 2019 financial statements on August 8, 2019. In accordance with the recommendations in no. 7.2.1 of the German Corporate Governance Code (GCGC), the Supervisory Board obtained, prior to issuing this mandate, a declaration of the auditors as to which professional, financial or other relationships exist between the auditors and the Company, which might give rise to concerns regarding their independence. The declaration also included the scope of other consulting services, which were provided to the Company during the past fiscal year. According to the declaration submitted by the auditors to the Supervisory Board, there are no doubts regarding their independence.

The Supervisory Board informed the auditors about the main topics for the audit of the annual financial statements of PNE AG and of the Group for the 2019 fiscal year.

The financial statements of PNE AG, the consolidated financial statements, the combined management and group management report of PNE AG for fiscal 2019, the report on the Company's relations with affiliated companies and the audit reports of the auditors were made available on schedule to all Supervisory Board members prior to the meeting on the financial statements on March 19, 2020. The documents were comprehensively examined and discussed by the members of the Supervisory Board at the meeting of the Audit Committee on March 18, 2020 and at the meeting on the financial statements. The Chairman of the Audit Committee gave a report on the treatment of the financial statements and the consolidated financial statements as well as the report on the relations with affiliated companies, including the related audit report, in the Audit Committee to the full Supervisory Board at the meeting on the financial statements. Representatives of the auditors participated in the meeting on the financial statements and reported on the significant results of the audits with a special focus on the key audit matters and the audit measures performed. There were no objections. All questions of the Supervisory Board were answered fully following the reports from the Board of Management and the auditors. The Supervisory Board, after its own comprehensive examination of the annual financial statements, the consolidated financial statements, the combined management and group management report and the report on the relations with affiliated companies (including the final declaration of the Board of Management) as well as based on the recommendations of the Audit Committee, consented to the result of the audits by the auditors.

Supervisory Board

f. l. t. r.
Dr. Susanna Zapreva, Florian Schuhbauer,
Per Hornung Pedersen (Chairman of the Supervisory Board),
Dr. Jens Kruse (Deputy Chairman of the Supervisory Board),
Marcel Egger, Dipl.-Ing. Andreas M. Rohardt

The Supervisory Board approved the annual financial statements as at December 31, 2019 of PNE AG and the consolidated financial statements as at December 31, 2019. The financial statements were thus adopted. The proposal of the Board of Management regarding the appropriation of profits was reviewed and approved by the Supervisory Board in accordance with the interests of the Company and the shareholders. In addition, the Supervisory Board accepted the final declaration of the Board of Management in the report on the Company's relations with affiliated companies.

The regulations and obstacles which could impede the takeover of and exercise of control over the Company by third parties were reviewed and analysed by the Supervisory Board. The Supervisory Board does not consider any changes to be necessary in this respect.

The Supervisory Board wants to thank the members of the Board of Management as well as all employees of PNE AG for their outstanding commitment and responsible and successful work during the 2019 fiscal year.

Cuxhaven, March 19, 2020

Per Hornung Pedersen
Chairman of the Supervisory Board

FULL POWER FOR CLEAN ENERGY

WITH WIND AND SUN INTO THE FUTURE

One hundred percent energy supply from renewable energies – this is our vision, which is supported on a daily basis by our approximately 430 employees with great passion. We have almost 30 years of experience in the project development and operation of wind farms worldwide. We also use this expertise to plan and operate photovoltaic plants and to promote ecologically generated hydrogen as an energy source. In addition, we support operators and planners with our know-how in project planning and the operation of their own wind farms and solar power plants.

The expansion of our business model based on the "Scale up" concept has proven to be successful. We will therefore report on three segments in future. We have achieved considerable growth in the "project development" segment and are generating stable earnings in the "electricity generation" and "service products" segments. We are on a good course.

We see our wind farms as an important contribution to climate protection, since no pollutants are released during the generation of electricity. After only a few months, the overall ecological balance of wind power turbines is positive. This means that more pollutants are saved than were consumed in production, transport and construction. The electricity generated by the wind farms we have developed on land and at sea covers the annual electricity consumption of around 2.5 million households.

PROJECT DEVELOPMENT

- Wind energy onshore national and international
- Wind energy offshore national and international
- Photovoltaic projects national and international
- Further projects

SERVICES

- Technical and commercial operations management
- Construction management
- Transformer station services
- Wind measurements
- Technical inspections
- Financing and electricity marketing services

ELECTRICITY GENERATION

- Self-operated projects/ own wind farm portfolio

PROJECT DEVELOPMENT

WE ARE AT THE FORE-FRONT WHEN IT COMES TO CLEAN ENERGY

We are one of the most experienced project planners of wind farms on land and at sea in Germany. From the initial idea to the turnkey project, we are there as partners to operators and other project developers.

SOUGHT-AFTER AND EXPERIENCED PROJECT PLANNERS

The construction and operation of wind and solar power plants require not only time and capital, but also expertise and sensitivity, because there are many questions to be clarified.

This already begins with the selection of suitable locations. Only about two percent of the land in Germany is suitable for such plants. Do the wind measurements promise good yields? Do the distances to residential areas or roads comply with the regulations? Do migratory birds fly through the area, or do protected species live there? Are residents disturbed by noise and shadow?

The questions go further in choosing the right turbines. How large should the output be? How high should the turbines be? How long should the rotors be? Central tasks in the run-up to the project are also the involvement of citizens – from information to financial participation –, the financing of the project and a concept for marketing the electricity. Overall, the planning

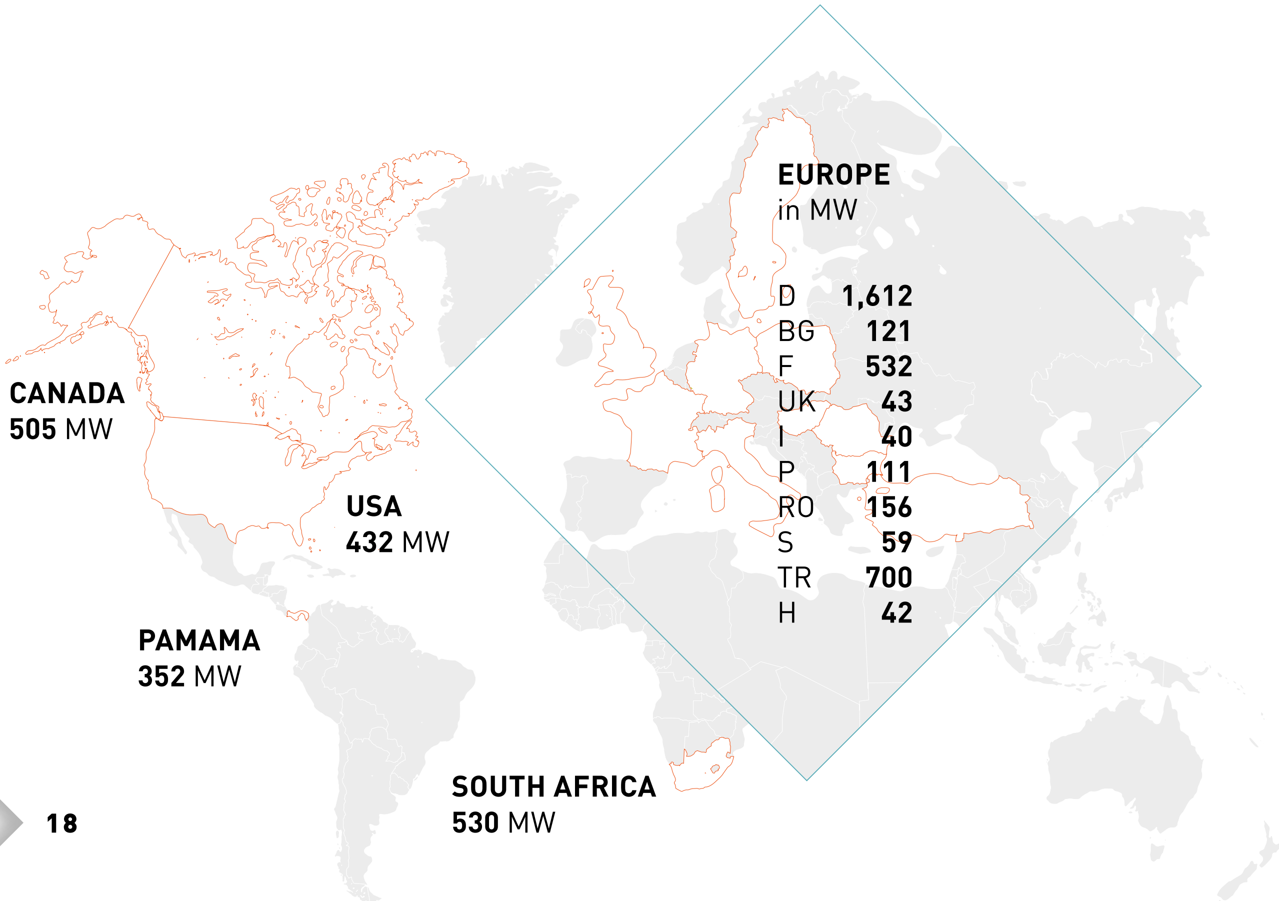
and approval process usually takes three to five years, and we as project planners are in discussion with many stakeholders.

Once the construction is approved and financing is clarified, the infrastructure and grid connections must be provided usually within three to twelve months – often carried out by regional companies. They build the roads, grid connections, foundation, erect the tower and nacelle, and then assemble the rotor blades.

The investment period for wind turbines is about 20 years. During this time, the operator must market the electricity and perform technical maintenance on the turbine. After this period, repowering begins: It is replaced by a more modern and efficient turbine or disposed of professionally.

In addition to the planning and operation of wind farms and solar power parks, we take care of their operation or sale – to utilities, infrastructure funds, insurance companies or consortia of private investors and industry (IPP).

OUR PROJECTS IN THE PIPELINE WITH 5,235 MW IN TOTAL



We are growing internationally

Our Group is active in project development on three continents (Europe, North and Latin America, and South Africa). The main difference to projects in the German domestic market is that projects abroad are generally only developed up to the readiness of construction and then sold as project rights. We often take over the supervision of the construction phase for the buyers. In Germany, on the other hand, we usually construct our projects after we have received approval and won the tender. This means that the plants can be handed over to the buyers ready for operation or can be added to our own generation portfolio. This is called "turnkey".

We have already realised more than 240 onshore wind farms with a total nominal capacity of well over 3,100 MW. 1,632 wind power turbines generate environmentally friendly electricity there. These are located in Germany, the USA, Great Britain, Sweden, Poland, Italy, Spain and France.

In many locations, however, the sun is also an ideal source of energy. In the past fiscal year, we carefully selected locations. We develop the locations on site on a greenfield basis in cooperation with local partners.

Our project pipeline comprises projects of 5,235 MW across all our markets. This is the basis for further growth.

Stakeholders use our expertise in the entire cycle of wind power turbines

Landowners appreciate our know-how in planning and implementation, in securing operations and in dismantling or repowering. As operators, we in the PNE Group have almost 30 years of experience in the operational management of wind farms. We ensure repair and technical maintenance for smooth operation – with fast response times and high flexibility. Our customers appreciate our commercial expertise and our knowledge of all aspects of tax and financial matters.

Planners use our expertise in matters relating to the approval, construction and sale of wind farms. We also support them in planning-related, economic or operational considerations with a view to speedy implementation.

Other stakeholders can also benefit from our activities:

- Municipalities and citizens can benefit from the fact that we commission local companies and strengthen the economic power of the municipality through the wind farm at many other levels.
- Investors will find attractive investment opportunities with a high level of security in our projects. Because we pay attention to a high project quality.

450.8 MW

STRONG TRACK RECORD IN 2019: 450.8 MW OF PROJECTS SOLD, COMMISSIONED OR UNDER CONSTRUCTION

OUR EXPERTISE FOR THE ENERGY TRANSITION

As experienced project planners for wind power turbines, we also offer our expertise to more and more customers as individual service products. The aim of this strategy is to provide us with continuous income. This is because our project business is very volatile – with long phases in which projects are planned and investments made in the wind farms.

SUPPORT OF PROJECTS AS EXTERNAL PARTNERS

Our services cover the entire spectrum from the planning to the operation of wind farms and photovoltaic plants. We offer them through our company “energy consult” and support the energy revolution with our know-how. In total, we manage wind farms with a nominal capacity of more than 1,600 MW.

PNE in international demand as a construction manager

We often take over the construction management for buyers of wind farms – i.e. the planning, coordination and supervision of the construction phase. It is important that the entire construction phase is perfectly prepared

and executed precisely. We also select the suitable turbines and monitor their installation through to completion and acceptance.

Current examples are the wind farms "Laxaskogen" (Sweden), "Barwice" and "Jasna" (Poland), which have already been sold, and the Swedish "Malarberget" project. Here, we took over construction management on behalf of the purchasers.

Our operation managers ensure that wind farms and transformer stations run optimally

"Energy consult" also offers the technical and commercial operations management of wind farms, PV plants and substations – with considerable success also in France, Sweden and Poland. Operations management includes the continuous monitoring and technical

coordination of maintenance and repair work – from checking the flawless condition of the rotor blade to controlling the power feed into the grid.

On the commercial side, we enforce the interests of investors and communicate with all relevant parties involved in the process, such as municipalities, landowners, legislators, politicians or environmental associations. We integrate all legal regulations into our processes and keep an eye on all relevant market conditions for the customer. Thanks to our networking with relevant trade associations, we can align our processes also to future criteria.

1,600 MW

OUR EXPERIENCED EMPLOYEES ARE CURRENTLY SERVICING WIND TURBINES WITH A TOTAL MAXIMAL CAPACITY EXCEEDING 1,600 MW THROUGHOUT EUROPE.

Wind measurements for a meaningful yield prognosis

Through a separate company within our Group, we offer wind measurement services, which we also use for our own projects. This allows us to explore the quality of a potential location for a wind farm. We erect a mast at a potential wind farm location and measure the wind conditions over at least one year. This detailed preliminary examination clarifies the possible return of the investment so that an investor can make a well-founded decision for or against the use of a location.

Planning services also for ongoing projects

Wind and solar parks are complex projects with a high investment volume. With our expertise, we help with many questions concerning the approval, construction and sale of wind farms. Sometimes, we are also consulted when the project is already in the implementation phase. We provide assistance with all outstanding planning, economic or operational steps that are still necessary for a speedy realisation.

Securing the funding

Because of our long-term expertise in project development, we have a lot of experience in financing projects. We also offer this experience to third parties in order to help them develop or optimise the financing of a wind or solar farm. We have a good overview of the financing options in the market and are able to find the best funding possibilities for our customers.

Electricity marketing outside the EEG

The government subsidies under the EEG are coming to an end for more and more power plants. For this reason, direct electricity marketing will become increasingly important. We look for optimum solutions to sell electricity for our customers in the best possible way – just as we do for our internally generated electricity.

We pre-select suitable electricity purchasers, negotiate contracts with defined purchase conditions and ensure the optimum marketing of electricity via traders or power purchase agreements (PPAs) to large customers. As a full-service provider, we take care of all aspects of PPA management in the field of corporate and merchant PPAs. In this way, we enable our customers to plan the operation of their plant.

ELECTRICITY GENERATION

130.1 MW

FROM THE OPERATION OF OUR OWN PLANTS

WE GENERATE A CONSTANT STREAM OF INCOME

We also operate wind farms ourselves – our self-operated wind farms. They reliably produce green electricity and generate sustainable income. For this, we use newly erected wind farms and those that are intended for repowering.

INCOME FROM OUR SELF-OPERATED WIND FARMS

We have had good experiences with selling wind farms. In some projects, however, we decide to operate them ourselves and thus generate electricity yields. The generation of electricity by our own plants fits well into the cycle of our projects. This is because the income ensures earnings and stable cash flows. This adds to the income from project sales.

Know-how in electricity marketing ensures steady income

Currently, we generate and market our own electricity from a whole series of wind farm projects. Here, we use our expertise in electricity marketing and negotiate relevant contracts with large customers or traders – a service that we also offer separately in our "service products" segment.

Our self-operated wind farms have a total nominal capacity of 130.1 MW.

- Kührstedt-Alfstedt wind farms (43.2 MW)
- Papenrode repowering project (22.3 MW)
- Gerdau-Repowering wind farm (21.6 MW)
- Kittlitz III wind farm (17.25 MW)
- Neuenwalde wind farm (7.2 MW)
- Schlenzer wind farm (6.5 MW)
- Pülfringen wind farm (6.5 MW)
- Laubuseschbach wind farm (3 MW)
- Erfeld wind farm (2.6 MW)

Electricity prices are likely to rise when the conventional power plants in Germany and France are decommissioned and electricity consumption continues to increase. We can benefit from this development as asset manager for customers and operator. In addition, the demand for CO_2 certificates will go up. We can meet this demand, because we only produce green electricity. This makes us an attractive partner to utilities.

IRREVERSIBLE CLIMATE PROTECTION HAS BEGUN

PROF. DR. CLAUDIA KEMFERT
Prof. Dr. Claudia Kemfert is Head of the department „Energy, Transportation, Environment“ at the German Institute of Economic Research (DIW Berlin). She is also Professor of Energy Economics and Sustainability at the private University, Hertie School of Governance, in Berlin. In 2016 Claudia Kemfert was appointed by the Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety as a member of the German Advisory Council on the Environment.

2020 will be the year of irreversible climate change; it will also be the year of the beginning of fundamental global climate protection. The "Fridays for future" movement is getting bigger, more global and more successful. Greta Thunberg is the person of the year. The "Fridays for future" movement is driving politics forward. A climate package is being developed. Europe is setting the Green Deal in motion and wants to reduce greenhouse gas emissions even faster in all areas. At the same time, Saudi Aramco goes public and collects two trillion euros. At the same time, the second string of the Nord Stream II natural gas pipeline is being completed and will bring even more fossil natural gas to Europe and Germany in the future. In the course of EU climate protection, however, hardly any fossil natural gas will be needed; renewable energies are already cheaper today.

It is becoming increasingly clear that climate change is progressing massively worldwide and that the current climate policy – despite international efforts – is inadequate. We are at the beginning of the disruptive change towards more climate protection. Electromobility is coming, renewable energies are getting cheaper and cheaper. Even the European Investment Bank has recently announced that in the future it will not invest in any projects at all, not even in fossil natural gas projects. The now completed and highly controversial pipeline is – similar to many coal-fired power plants in Germany but also worldwide – a stranded investment, i.e. a failed investment that causes enormous costs. Fossil energies are experiencing increasing devaluation overall. The decade of the sale of fossil fuels is beginning. Globally, all nations that generate high revenues from the sale of fossil fuels must change their course. In order not to end up with a kind of "carbon bad bank" that has to destroy fossil scrap capital, the reversal should be initiated now. Europe now rightly wants to set the appropriate framework conditions for sustainable financial markets.

As the World Economic Forum recently reported, the greatest risk worldwide is climate change, followed by the extinction of species and the dangers of digitalisation. Blackrock, the world's largest asset management company, calls on companies to do more to combat climate change. "Every government, company, and shareholder must confront climate change," warned Blackrock CEO Larry Fink in a letter to chief executives of companies around the world in which the world's largest asset manager has a stake. He expects a "fundamental reshaping of finance". Shortly before, Blackrock had already joined the network "Climate Action 100+". The alliance of international investors demands more transparency and comprehensible climate protection targets from companies.

At the same time, an increasingly open fossil fuel energy war is raging. US President Trump introduces sanctions against the Nord Stream II natural gas pipeline, allegedly to "protect Germany's and Europe's dependence on Russia". In reality, however, his sole aim is to sell his own fossil fuels, above all fossil natural gas obtained by fracking, to Europe at the highest possible price.

The best answer to fossil energy wars, of whatever kind, is to implement the energy transition on site, with more renewable energies, more energy saving and more electromobility. Unfortunately, the climate package announced with great fanfare turned out to be a small beginning instead of a great success. Unfortunately, it does not provide for what is necessary in terms of climate policy, but only for what appears politically feasible.

It will not be possible to achieve the emission reduction targets by 2030 with the measures adopted, without readjustments being made. Particularly in the transport sector, the climate targets are clearly being missed. The coal phase-out comes too late and is too half-hearted to achieve the climate targets. Even worse: the expansion of renewable energies is being slowed down so that, in addition to failing to meet climate targets, there is the threat of a shortfall in green electricity, jeopardizing security of supply. What is also regrettable: Instead of reducing environmentally harmful subsidies, they are even still being increased. The government failed to abolish the diesel privilege or, at least, to introduce a climate toll, i.e. to increase the kerosene tax. Missing the target is thus inevitable: We will have to buy additional CO_2 certificates in Europe, which will cost billions. Little climate protection for a lot of money – that does not increase acceptance.

Concrete emission reduction targets for individual sectors are indeed important; the achievement of these targets should be reviewed annually and aligned with European targets. It is also important to promote the expansion of renewable energies more intensively – distance regulations for wind energy plants are not very conducive to this. The expansion limit for solar energy must be abolished as soon as possible. In addition, no new oil-fired heating systems will be permitted after 2026, and more financial support will be given to the energy-efficient refurbishment of buildings as well as to rail transport. Charging infrastructure for electric cars and public transport will also be expanded. It would have been even better to reduce the electricity tax so that more electricity from renewable energies is used in both the transport and the buildings sectors.

But perhaps the EU Green Deal will offer a remedy: Now, Germany must further increase its climate targets and adapt them to the more ambitious goals. Europe also wants to extend emissions trading to the transport and buildings sectors. This is why it is so important that Europe wants to ensure that targets are achieved by introducing a climate law; annual reviews and, if necessary, adjustments in the event of non-compliance are particularly important.

The climate protests will thus become even louder and more intense. Indeed, we are only at the beginning of our commitment to courageous climate protection. With the EU Green Deal, Europe and Germany can finally assume a pioneering role in international climate protection again. The year of 2020 will perhaps go down in history as the "tipping point": The year in which irreversible climate protection started, the fossil fuel sale began and the world averted the global climate crisis. It is high time in any case!

Contribution by Prof. Dr. Claudia Kemfert relating to the 2019 Annual Report of PNE AG

PROF. DR. WERNER BEBA

Prof. Dr. Werner Beba is the head of the Competence Center for Renewable Energy and Energy Efficiency (CC4E) at the Hamburg University of Applied Sciences (HAW Hamburg). In addition, he is the spokesperson for the Hamburg energy grid council (Energienetzbeirat), director of the Renewable Energy Hamburg Cluster and chairperson of the supervisory board of UMaAG. At the same time, he is project coordinator of the collaborative project "NEW 4.0: Energy Transition in Northern Germany" and of the "North German Real-world Laboratory", which is currently being set up.

COURAGE AND INNOVATIVE STRENGTH FOR THE THIRD PHASE OF THE ENERGY TRANSITION

The transition of the energy system is progressing at a rapid pace. This entails some challenges, but also great opportunities for the regional economy. What developments are foreseeable and where do we still have to set the course?

Over the past 30 years, the construction and efficiency of wind power turbines as well as photovoltaic and biomass plants have made major progress and they have become the main pillar of electricity supply. It is thanks to the Renewable Energy Act (EEG), but also to the innovative strength of enterprises, that the cost of energy has been significantly reduced and the prerequisites for a sustainable energy supply have been created. Today, electricity from renewable energies is cheaper than that generated from conventional power plants. The development of the necessary basic technologies for achieving the energy transition has largely been completed, and we have reached the second phase of system integration: How do we integrate the existing technologies into a stable overall system? How do we combine security of supply and effective climate protection in a functioning market, in other words, how do we create the energy system of the future that supplies us safely without nuclear and fossil energy sources? With showcase projects such as "NEW 4.0: Energy Transition in Northern Germany", the northern federal states are at the forefront here, because thanks to windy coastal regions, the north is a good ten years ahead of the challenges of the energy transition in Germany.

We are at the beginning of the third and decisive phase of the energy transition and climate change. The aim is to develop sector coupling technologies and implement them on a large scale. From the electricity change to the energy transition affecting all areas of life. In concrete terms, this means either using electricity directly across all consumption sectors or converting it into other forms of energy for areas of application in which merely electrical solutions are not foreseeable – road, sea and air transport, industrial processes and heat supply. This requires a massive increase in renewable energy generation, namely by a factor of 3 by 2030 if a CO_2 reduction target of 55 percent is to be achieved.

Hydrogen as the technology of the future

In addition to electricity-based sector coupling, green hydrogen will play a decisive role in this third phase of the energy transition due to the diversity of its uses: On the one hand, the conversion of electricity from renewable energies into hydrogen has the advantage of using this electricity if it would otherwise be limited due to grid bottlenecks. This creates system security and avoids the use of balancing energy from fossil power plants. On the other hand, large quantities of hydrogen can be stored in the gas infrastructure or in caverns. This storage of large amounts of energy for deferred use has a high-performance potential. This is because the expansion of generation capacities will lead to large, volatile volumes of electricity from renewable energies, which can no longer be absorbed by direct consumption, short-term storage and load management alone.

The great power of hydrogen is its ability to make the German industry a pioneer of technological innovations for climate-neutral products and production processes. The conversion into synthetic fuels, but also direct use in industrial processes, makes an important contribution to decarbonising our energy consumption. This requires the production of green hydrogen to be tested on an industrial scale and developed for market ramp-up. This is the goal of the major project "North German Real-world Laboratory", which is expected to start at the end of 2020 and in which PNE will also participate.

There are still many challenges to be met before hydrogen can be widely used – from the most efficient generation and safe transport and storage options to economic use in industry, transport and households. These questions help to initiate innovation processes that lead to entrepreneurial growth, a strengthened regional economy and the creation of new jobs.

Climate protection and economic growth: the energy transition offers great opportunities

PNE is an example of how sustainable solutions for climate protection and positive business development can go hand in hand. Against the backdrop of climate change, the transformation from a successful wind energy project planning and operating company to a listed company that has expanded its business area to include the development of hybrid solutions for storage, system integration and sector coupling is both consistent and visionary: If the energy transition is also to be a success from an economic point of view, companies must develop new business perspectives, implement technical solutions and leverage new value creation potential. It requires a broader view of the energy system chain in order to develop an overall systemic understanding.

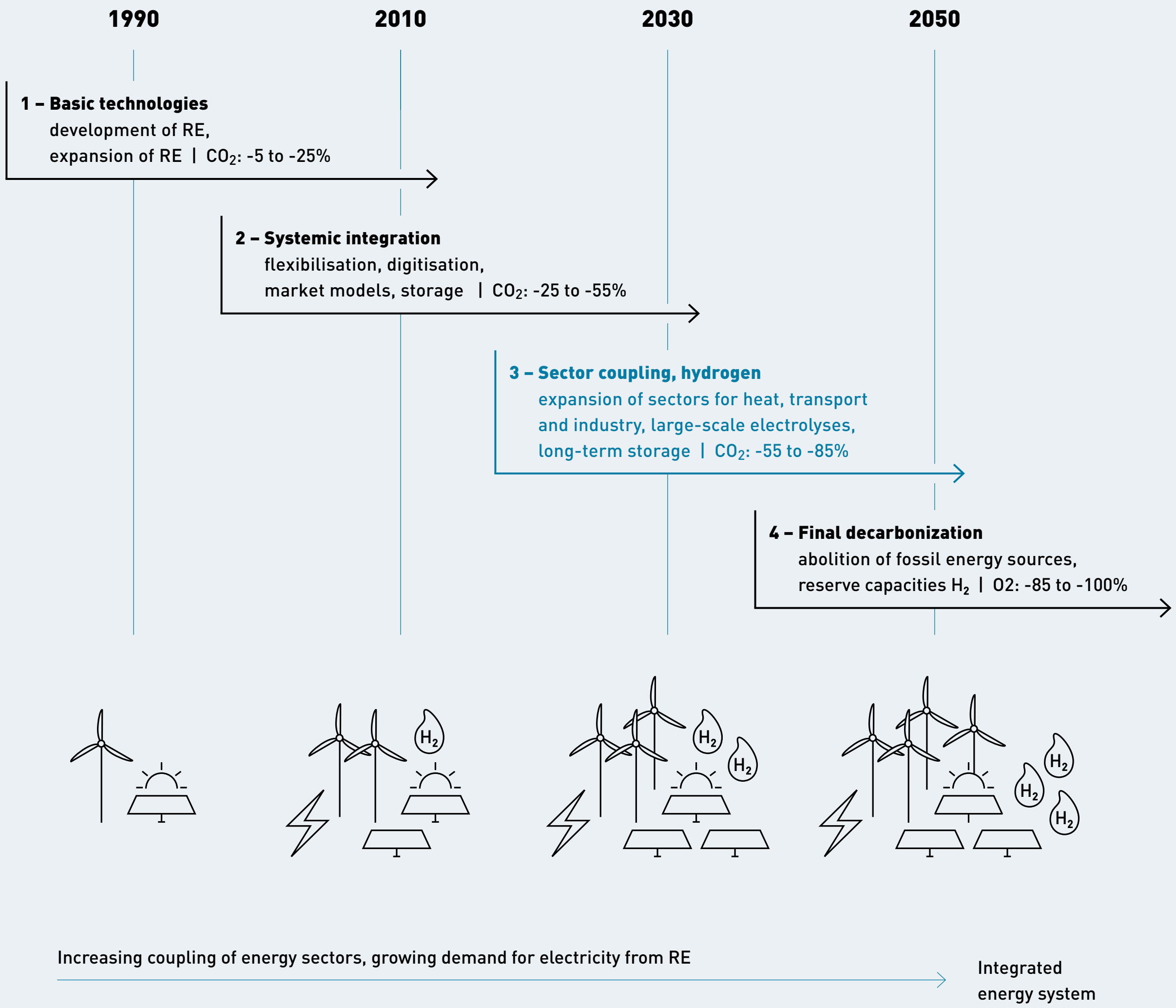
The energy transition is therefore also a turning point in thinking, with enormous potential for Germany as a location for industry and innovation. The expansion of renewable energies – in the north, above all wind energy – continues to form the basis for this. But it is only through the parallel development of storage and flexibility solutions, their integration into a stable overall system and not least through the coupling of different consumption sectors that the decarbonisation of our living environment can be decisively advanced. This requires companies that not only want to participate in this innovative development, but also want to drive it forward significantly, to think in terms of a holistic system. And courage.

Technological innovations are no longer an end in themselves, but become an important impetus for the economic orientation of an enterprise: With the future-oriented expansion of its business segments, PNE was able to increase its enterprise value sustainably. The energy transition will thus also result in a strengthening of the regional economy – rather than a challenge of the century, it is an opportunity of the century.

Necessary setting of courses for the energy transition

It takes companies like PNE to drive forward the energy transition here in the North of Germany with courage and innovation. But it also needs the support of politicians: In fact, most technologies for storing and refining electricity from renewable energies for sector coupling could already be operated economically today. However, the regulatory framework from the “old” energy world poses obstacles. Electricity from renewable sources is subject to taxes and levies, which artificially increase the price of electricity compared to coal, oil and gas. And hydrogen, the hope of the future, is also burdened by these charges and levies on the electricity price. The still existing restrictions must be lifted and removed in order to avoid impeding the progress of the energy transition in Germany even more. In order to make innovative power-to-X technologies competitive with fossil fuels and attractive for investment, a dual strategy must be implemented: on the one hand, regulating the CO_2 prices and, on the other, reducing taxes and charges on green electricity. The level of

PHASES OF THE ENERGY TRANSITION



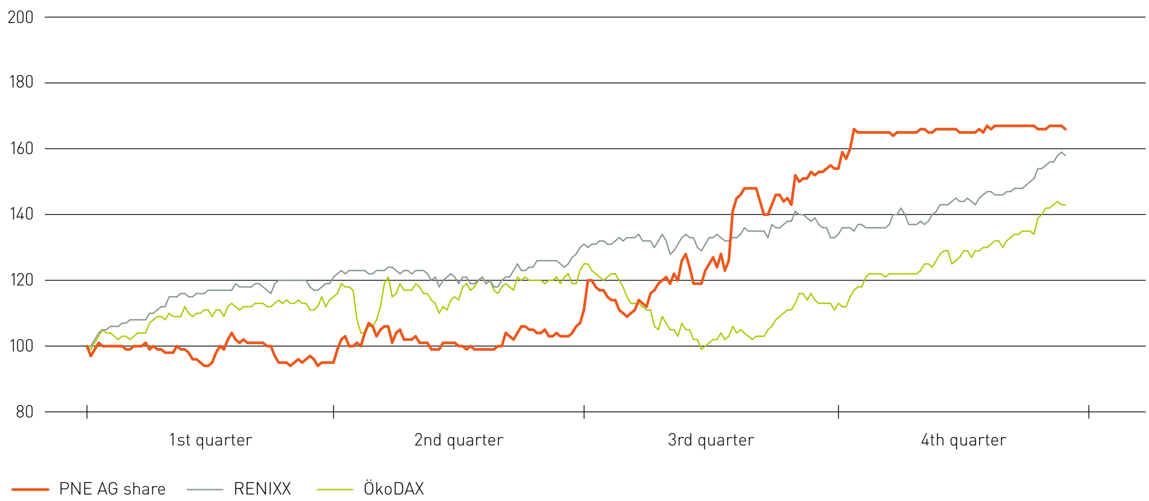
CO_2 emissions must become the benchmark for taxes and charges on electricity. This creates the investment security required by companies.

Business, science, politics and society must now together set the course for the energy transition. Everyone must play their part and pull together with determination. If this tour de force is successful, the German energy transition could become an export hit – with the North of Germany and PNE as pioneers.

Contribution by Prof. Dr. Werner Beba relating to the 2019 Annual Report of PNE AG

CAPITAL MARKET INFORMATION

PNE SHARES VS. RENIXX VS. ÖKODAX indexed to 100%



SHARE

PNE AG's shares began the 2019 fiscal year at a price of euro 2.395. In the first half of the year, the share price stabilised within a corridor of between euro 2.30 and euro 2.60. In the second half of 2019, the share price increased significantly. This development was in no small part driven by the takeover bid of euro 4 per share by Photon Management GmbH, which is part of Morgan Stanley Infrastructure Partners (MSIP). On December 30, 2019, the last trading day of the reporting period, the shares were traded at a final price of euro 4.02. This corresponds to an annual performance of 66.5 percent compared with the final price on the first trading day of 2019. Over the same period, the ÖkoDAX benchmark index increased by 42.6 percent and the RENIXX by 58.2 percent.

CORPORATE BOND 2018/2023

By way of a notice in the Federal Gazette on December 19, 2019, PNE AG announced that a change of control in accordance with the bond terms and conditions occurred at PNE AG on December 12, 2019 and that the bondholders thus had a "change of control termination right". Due to the occurrence of the prerequisites for the change of control termination right, each bondholder was granted the right to demand on February 6, 2020 (the "change of control redemption date") redemption of the bonds held by them at their nominal amount plus interest accrued up to the change of control redemption date (exclusive), i.e. at an amount of euro 1,030.68 (rounded to two decimal places) per bond. Out of bonds totalling euro 50 million, bonds for only euro 418,000 were terminated as part of the extraordinary termination right.

2014/2019 CONVERTIBLE BOND

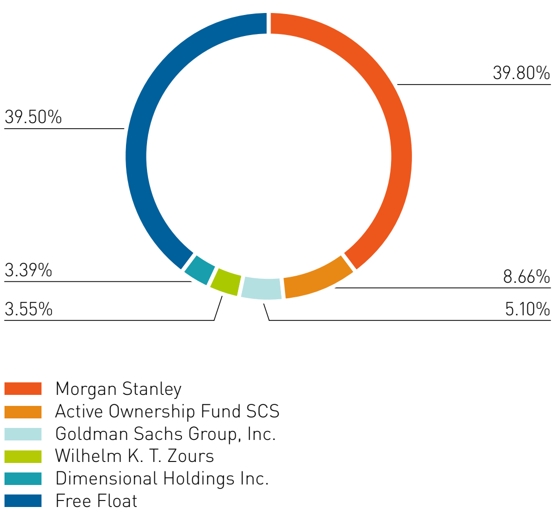
By the end of the term of the 2014/2019 convertible bond on October 10, 2019, a total of 1,762,653 convertible bonds with a total nominal value of euro 5,816,754.90 were converted into shares of the Company, of which 1,758,469 partial bonds with a total nominal value of euro 5,802,947.70 in the 2019 fiscal year.

The majority of the conversion rights exercised were serviced by treasury shares that PNE AG had repurchased at the end of 2018. By repurchasing the shares and using them to service conversion rights, an increase in the number of shares and thus a dilution of the shareholders could be largely avoided. In total, 1,923,050 treasury shares were used to service conversion rights. The remaining conversion rights exercised during the term were serviced by 49,888 new shares, of which 45,531 new shares were issued in the reporting period. Convertible bonds not converted into shares were repaid at the end of the term with a volume of euro 748,377.30 at par value.

SHAREHOLDER STRUCTURE

On December 31, 2019, the total number of shares issued by PNE AG amounted to 76,603,334. The Supervisory Board member, Mr. Florian Schuhbauer, via the Active Ownership Fund SICAV-FIS SCS, held 6,633,433 shares on December 31, 2019. The Board of Management members Markus Lesser and Jörg Klowat and Supervisory Board member Marcel Egger tendered their shares to Photon Management GmbH as part of the takeover offer and no longer held any shares following the closing of the takeover offer.

According to published notifications regarding voting rights and directors' dealings, Morgan Stanley/Photon Management GmbH held 39.80 percent of the shares, Active Ownership Fund SCS 8.66 percent, Goldman Sachs Group, Inc. 5.10 percent, Dimensional Holdings Inc. 3.39 percent and Mr. Wilhelm K. T. Zours 3.55 percent on February 14, 2020. All other shareholdings were therefore classified as other free float.



ANNUAL GENERAL MEETING 2019

The general meeting of shareholders of PNE AG took place on May 22, 2019 in Cuxhaven.

The shareholders voted by a large majority in favour of the proposal of the Board of Management and the Supervisory Board to pay a dividend of euro 0.04 per eligible share.

The shareholders also agreed to the proposed resolution to give formal approval of the actions of the members of the Board of Management Markus Lesser (CEO), Jörg Klowat (CFO) and Kurt Stürken (COO). In addition, the shareholders decided with a clear majority to give formal approval of the actions of the Supervisory Board. Dr. Susanna Zapreva was newly elected to the Supervisory Board.

Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, was elected as the auditor of the financial statements and consolidated financial statements by a large majority.

Finally, the general meeting of shareholders also adopted a resolution to grant a new authorisation to the Board of Management to acquire treasury shares, which replaces the previous authorisation.

KEY SHARE DATA (AS AT DECEMBER 31, 2019)

WKN	A0JBPG
ISIN	DE000A0JBPG2
Number of shares	76,603,334
Market capitalisation	euro 307.9 million
Market segment	Prime Standard
Indices	CDAX Technology, ÖkoDAX
Designated Sponsors	Commerzbank, Baader Bank
Reuters	PNEGn
Bloomberg	PNE3

FINANCIAL CALENDAR

13.5.2020	Publication of Financial Report Q1
12.8.2020	Publication of Financial Report Q2
11.11.2020	Publication of Financial Report Q3
November 2020	Analyst Conference/Frankfurt

ADDITIONAL INFORMATION

On the website www.pne-ag.com, you will find extensive information on PNE AG as well as current data concerning the share in the section "Investor Relations". Furthermore, financial and quarterly reports, press announcements and background information on PNE AG can be accessed and downloaded from there.

COMBINED MANAGEMENT AND GROUP MANAGEMENT REPORT

OF PNE AG, CUXHAVEN,
FOR THE FISCAL YEAR 2019

CONTENTS

1. FUNDAMENTALS OF THE GROUP

During the 2019 fiscal year, the corporate structure changed versus December 31, 2018 due to the first-time consolidation of companies and the deconsolidation of companies sold. For detailed information, please refer to the chapter "Scope of Consolidation" in the notes to the consolidated financial statements.

1.1 BUSINESS MODEL

The internationally operating PNE Group with its brands PNE and WKN is one of the most experienced project developers in the field of onshore and offshore wind farms. During the reporting period, the PNE Group also entered the market in Panama and decided to cease its activities in Bulgaria and Hungary in 2020, which means that the PNE Group will then operate in 12 countries on three continents. On this successful basis, the Group has developed further into a "Clean Energy Solution Provider". In addition to wind energy, this now also includes the development of photovoltaic projects in Germany and abroad. From initial site exploration and implementation of approval procedures, financing and turnkey construction to operation and repowering, the range of services covers all phases of project planning and operation of clean power plants using the wind, the sun and storage technology. This is how our products are defined: project development wind energy, project development photovoltaics and project development hybrid solutions. We are also involved in the development of power-to-gas solutions. In addition to these products, services for projects and the supply of clean electricity are an increasingly important part of our offering, which has been significantly expanded to the benefit of our customers. Our services include, among others, financial services, construction management, wind planning services/wind measurements, operations management and energy supply services. We are going to develop into a strong partner to our customers over the entire life cycle of wind and photovoltaic farms.

1.2 OBJECTIVES AND STRATEGY

We are continually developing the PNE Group as well as our products and services. We have already made significant progress in the 2019 fiscal year with the new strategic orientation of our business model, which provides for an expanded focus on technologies, markets and a significantly broader range of services. In this way, we aim to achieve both an improvement in and a stabilisation of the results, which are naturally very volatile in the project business. This can be measured primarily by earnings before interest, taxes, depreciation and amortisation (EBITDA), since, due to the bundling of wind farms into portfolios, we will continuously have projects in our own operations until a possible sale. The operating result (EBIT) is still used as the second financial performance indicator within the Group. In order to optimise the results in the Group, the operating business will be allocated to the divisions/companies in the Group during the year. Against this background, the predictability of the results per company is limited. PNE AG therefore intends to use earnings before taxes (EBT) internally as a key indicator from 2020 and to conclude a profit and loss transfer agreement with WKN GmbH in 2020. Another key indicator of the achievement of our objectives is the number of national and international projects in progress ("project pipeline"), which is to be consistently expanded. Success is also measured by how we succeed in entering new markets and new technologies for PNE, such as photovoltaics, and implementing our business model there. Finally, the expansion of the services we offer is an important milestone in achieving our goals. We expect an increase in efficiency due to the consistent organisation across company boundaries within the PNE Group, which also supports the reasons for consolidating the key figures at Group level.

1.3 CONTROLLING SYSTEM

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

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

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

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

The activities of our operating units are controlled using the stated performance indicators; in this context, the earnings figure EBITDA, against the backdrop of the portfolio expansion, and the EBIT at the Group level are of particular importance, since we believe that these are the appropriate indicators for assessing the earnings power of the PNE Group. Furthermore, the project pipeline is used as a non-financial control parameter in the Group (see "Overview of the status of onshore project activities of the PNE Group in MW and MWp"). Using the Group-wide key performance indicators EBITDA (Group EBIT plus depreciation and amortisation of intangible fixed assets, property, plant and equipment as well as goodwill), EBIT (earnings as per the consolidated statement of comprehensive income) and the project pipeline as well as, at the level of PNE AG from 2020, EBT (earnings before income taxes and other taxes), a comparison of the actual and forecast business performance is carried out at the level of PNE AG and of the PNE Group, whereby the forecast business performance of the Group is decisive for the reason described above (see 1.2. Objectives and strategy).

2. ECONOMIC REPORT

2.1 OVERALL STATEMENT OF THE BOARD OF MANAGEMENT

Business continued to develop positively in 2019. Projects with a volume of 450.8 megawatts (MW)(prior year: 235.7 MW) were completed, under construction or sold. Project realisation is thus significantly higher than in the previous year. This was mainly due to the sale of large wind farm projects in Poland and Sweden.

In line with the claim "pure new energy", we have developed the Company beyond wind energy into an even more broadly positioned provider of solutions for clean energies. In addition to our core business of project development of wind farms on land and at sea, we have started developing photovoltaic projects and solutions in the power-to-gas field.

We have created the further prerequisites for implementing this strategy through the "Scale up" process. After having secured medium-term corporate financing in the previous year through the corporate bond with a volume of euro 50.0 million, we have realigned our internal structures in the reporting period. Segment reporting was changed accordingly to the three segments "project development", "electricity generation" and "service products". This structure better reflects the current status of the Group's activities.

The guidance for Group EBITDA of euro 25 to 30 million and the guidance for Group EBIT of euro 15 to 20 million were achieved or exceeded in the 2019 fiscal year. The Group generated EBITDA of approx. euro 31.6 million and EBIT of approx. euro 19.0 million in the 2019 fiscal year.

The Group achieved the "project pipeline" objective, since the pipeline, i.e. the existing portfolio of wind farm projects in the various development phases, was increased compared to the previous year by 352 MW from 4,883 MW to 5,235 MW at the end of 2019.

At the level of PNE AG, the annual guidance, i.e. a planned positive EBIT in the low single-digit million range, was not achieved with EBIT of approx. euro -6.2 million in the 2019 fiscal year; this was mainly due to the optimisation of the results in the Group, since the operating business was allocated to the divisions/companies in the Group during the year for this purpose.

2.2 GENERAL ECONOMIC AND INDUSTRY-SPECIFIC FRAMEWORK CONDITIONS

Renewable energies, especially wind energy and photovoltaics, have developed into an important pillar of electricity generation in recent years. In some of the world's major economies, annual capacity growth is higher than in any other type of power generation. Since 2000, cumulative installed capacity of renewable energies has grown continuously. This is demonstrated especially by the development of wind energy and photovoltaics. According to the International Renewable Energy Agency (IRENA)[1], total renewable energy capacity installed worldwide developed very positively in the period from 2009 to 2018. In this decade, worldwide installed wind energy capacity increased from 150,096 MW to 563,726 MW and installed photovoltaic capacity from 22,606 MW to 480,357 MW. This increase has continued in 2019.

[1] Renewable Capacity Statistics 2019

Annual investment volumes in this area amount to several tens of billions euro. Wind power capacity also rose at the level of the member states of the European Union (EU): According to data from the European Wind Energy Association (WindEurope), installed wind power capacity onshore and offshore increased to 192.2 GW (prior year: 178.8 GW). Of this capacity, 9.5 GW (prior year: 7.4 GW) were added onshore and 3.6 GW (prior year: 2.6 GW) offshore[2].

In 2019, the German wind energy market recorded a significant slump in onshore expansion compared to previous years, but growth at sea: At the end of the year, wind power turbines with a total nominal capacity of 61,428 MW (prior year: 59,313 MW) were in operation – of which 53,912 MW (prior year: 52,931 MW) onshore and a further 7,516 MW (prior year: 6,382 MW) offshore. 325 wind turbines (prior year: 743) with a nominal capacity of 1,078 MW (prior year: 2,402 MW) were commissioned onshore, and a further 160 turbines (prior year: 136) with a nominal capacity of approx. 1,111 MW (prior year: 969 MW) offshore. At the same time, 82 (prior year: 205) old wind power turbines with a nominal capacity of 97 MW (prior year: 249 MW) were dismantled[3].

Improvements to the wind turbine technology have boosted energy yields in relation to the investment sum, and simultaneously reduced operation and maintenance (O&M) costs. The resulting cost reduction means that electricity from wind energy and photovoltaics is already competitive with fossil fuels in some markets. This is also reflected in the ongoing global expansion of photovoltaics, which, in addition to expanding wind energy, contributes significantly to increasing renewable energy capacity.

These developments provide evidence of the opportunities ahead for PNE. In order to be in an optimum position in the global markets, the Group concentrates on the development and construction as well as the sale and operation of wind farms and photovoltaic parks in selected core markets. In addition, the first hybrid projects, in which wind and photovoltaics are combined, are being developed.

2.3 GENERAL POLITICAL CONDITIONS

The markets in which PNE operates are currently developing differently. While some markets have continued to grow, others have experienced a slowdown, mainly because of uncertainties due to changing political conditions, such as the introduction of tendering systems. The technology for generating electricity from wind energy and photovoltaics has matured significantly in recent years and the costs of construction and operation of the plants have fallen. Nevertheless, many markets are still dependent on political guidelines – especially for secure market access, also in order to prevail against conventional, sometimes covertly subsidised energy generation. In contrast to renewable energies, the actual generation cost of conventional electricity, including the cost of environmental pollution or dismantling and the cost of final storage of nuclear waste, are only reflected to a small extent in the electricity sales prices. This means that it is still the task of policymakers to ensure a level playing field for competition between the different forms of energy production.

A further stimulus to the expansion of clean energies worldwide has resulted from the World Climate Conferences, most recently held in Madrid in December 2019. The target of limiting the rise in the global average temperature to a maximum of 2 degrees Celsius can only be achieved by stepping up the expansion of clean energies.

EU targets

The expansion of renewable energies is one of the central pillars of European climate and energy policy. This policy will have a new focus, after the new EU Commission started its work in November 2019. A key point here is the "Green Deal" with which the EU Commission wants to achieve climate neutrality throughout Europe by 2050. Whether and how this can be realised, is currently being discussed in the European Union between the Commission, the Parliament and the Member States. However, this goal can only be achieved through a continuous and significant increase in the use of renewable energy sources.

As early as in 2018, the European legislators, the European Parliament and the Member States agreed in the Council on a legislative package for the energy and climate policy framework by 2030, the so-called "Clean energy for all Europeans" package. The aim is to increase the share of renewable energies in gross final energy consumption to at least 32 percent by 2030. The Member States are required to transpose the provisions of this directive into national law by mid 2021 at the latest. The Member States are given some leeway depending on national circumstances.

[2] WindEurope – Wind in Power 2019
[3] Deutsche WindGuard: Status of Land-based Wind Energy Development in Germany 2019/Status of Offshore Wind Energy Development in Germany 2019

Among other things, the Member States will in future be obliged to draw up National Energy and Climate Plans (NECPs) every ten years and submit them to the Commission. These plans are intended to coordinate national and European energy and climate policy measures and political structures in order to achieve the Energy Union's targets regarding decarbonisation, the internal energy market, energy supply security and efficiency as well as regarding innovation and competitiveness.

Germany

Onshore wind energy

The German government was the first government worldwide to define binding national climate targets in the so-called Federal Climate Change Act. It entered into force on December 18, 2019 and provides, among other things, for a gradual reduction of greenhouse gas emissions in Germany by at least 55 percent by 2030. As a long-term goal, the German government included greenhouse gas neutrality to be achieved by 2050 in the legislation.

The Climate Change Act also specifies how the measures for saving greenhouse gases are to be implemented and monitored in the individual sectors of the economy. In the so-called Climate Action Programme, concrete projects were defined for this purpose, with which Germany intends to achieve its climate targets for the year 2030, including public investment and comprehensive support programmes, regulatory agreements such as the binding coal phase-out plan and a newly introduced CO_2 pricing system for the transport and heating sectors.

For wind energy, the climate package provides for concrete measures to strengthen the expansion of wind energy onshore. For example, hurdles in the planning process are to be removed, thus simplifying and accelerating previously long-term approval procedures in the future. The total of 18 measures were allocated by the Federal Ministry of Economics to the respective departments for elaboration and further specification. No detailed information was available at the time of preparation of this business report.

With the "Energy Collective Act" (Energiesammelgesetz), which came into force at the end of December 2018, the German legislator specified the tender volumes for onshore wind energy in 2019, 2020 and 2021. In addition, joint tenders for onshore wind energy and photovoltaic systems are planned.

There were six tender rounds for onshore wind energy in 2019 with a total volume of 3,675 MW, whereby the bidding volumes in five tenders were significantly below the values put out. Only in the tendering round in December was the tender volume exhausted.

Wind energy offshore – Offshore Wind Energy Act (WindSeeG)

On January 1, 2017, the Offshore Wind Energy Act (WindSeeG) came into force. For offshore wind energy projects, the new WindSeeG adheres to the target of having 15 gigawatts (GW) installed by 2030. In order to meet this target, 500 MW should be installed each year during 2021 and 2022, and 700 MW per year thereafter up to 2025.

Offshore wind farms that are commissioned by the end of 2020 are still entitled to receive the statutory feed-in remuneration (transitional regulation of the EEG 2014).

For offshore wind farms that go into operation after 2020, the Act provides for the introduction of tenders, as for onshore wind farms. This takes place in two phases: Eligible offshore wind farms which are scheduled to be commissioned between 2021 and 2025 had the option of receiving state funds in the context of two tender rounds in 2017 and 2018 with volumes of 1,550 MW each. Wind farms which obtained a permit pursuant to the Offshore Installations Ordinance prior to August 1, 2016 or for which a plan approval has been issued and/or a public hearing pursuant to the Administrative Procedure Act was held were allowed to participate in this transitional system. The "Gode Wind 3" and "Gode Wind 4" projects developed by PNE were each awarded a contract in 2017 and 2018, respectively.

As at January 1, 2017, all ongoing plan approval and authorisation procedures for the erection and operation of offshore wind power turbines ended, insofar as the projects were not covered by the aforementioned scope of tenders for existing projects. This legislative change affected, among others, the PNE projects "Atlantis II and III", "Jules Verne", "Nemo", "Nautilus I" and "Nautilus II/HTOD5" where PNE was active as a service provider. The final site development plan 2019 was published on June 28, 2019. Regarding the effects on the projects, we refer to the explanations in chapter 8 "Report on opportunities and risks".

After the end of these transitional regulations in 2025, available wind farm locations will be examined and offered for tender in the future by the state as part of the conversion to the "centralised model". From 2021 onwards, an annual volume of 700 to 900 MW will be put out to tender for offshore wind farms to be commissioned between 2026 and 2030.

In the "Climate Action Programme 2030 for implementing the Climate Action Plan 2050", which was published on October 8, 2019, the German government defined an expansion target for offshore wind energy of 20 GW by 2030. Integration of this programme into the law is scheduled for 2020.

Bulgaria

In 2012, the government substantially reduced the payments for electricity produced from wind farms, and this has impaired the development of wind power projects since then. Another amendment to the law was adopted in 2015, which stipulates that newly erected wind power turbines now have to sell electricity exclusively on the open market. PNE AG decided at the end of 2019 to cease operations in Bulgaria for the time being and to completely stop all activities. The winding-up will take place in 2020.

France

With the Energy Transition for Green Growth Act promulgated in 2015, the French government and the parliament affirmed their ambitious goals beyond 2020. The concrete expansion targets for wind energy were readjusted in 2018 to 24.6 GW by 2023. To comply with the EU funding policy framework, the feed-in tariffs in France have been awarded through national tenders since 2017. However, given the French government's ambitious expansion targets, competition and corresponding price pressure are expected to remain limited.

In France, tenders are also planned for photovoltaic projects. This is intended to speed up the introduction and to reduce costs. The concrete proposal is a six-year tender programme for photovoltaics. From 2020, tenders for 1 GW of open-site systems will take place twice a year during the following five years.

United Kingdom

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

Italy

Since 2012, Italy has used an obligatory direct marketing system with additional incentives being awarded through a competitive auction system. The national energy strategy "SEN 2017" envisages increasing the share of clean energies in electricity generation to 55 percent by 2030. This strategy was also adopted by the current government in almost unchanged form. Further tenders for wind energy and photovoltaic projects are planned. In addition, direct power purchase agreements (PPAs) with companies at attractive conditions are also possible.

Canada

In Canada, the regulatory requirements for approval procedures regarding the erection of wind power turbines are manifold and regulated differently in the individual Canadian provinces. These approval procedures mainly relate to construction-site policy, environmental issues and grid connection. The market for clean energy in Canada is still developing hesitantly, but the federal government is increasingly promoting the expansion of renewable energies.

Poland

In Poland, the expansion of renewable energies is regulated by tenders. PNE successfully participated in the 2019 tender with one project and with two further cooperation-based projects. The EU targets for climate protection and the economic perspectives support a further expansion of clean renewable energies in Poland. A change in the approval procedures is expected to make this expansion possible.

Romania

So far, the market for wind energy in Romania has been based on a system of "green certificates". There have been considerable political discussions in Romania as well as between Romania and the EU Commission about a positive change in the remuneration system for clean energy for some time now. A fixed-price system is currently being discussed, in which the difference between the fixed price and the market price for electricity from renewable sources could be offset. In addition, the government that the free conclusion of PPAs should be possible in the future. Rising energy demand and good economic growth lead us to expect higher electricity prices. This would mean considerable potential for renewable energies.

Sweden

The remuneration achieved in Swedish wind farm projects is essentially based on earnings from electricity sales. Green certificates make a minor contribution to the income situation. The current Swedish Government formulated the objective of generating 100 percent of Sweden's energy from clean energy sources in the long term.

South Africa

The government has introduced a competitive tender system under the Renewable Energy Independent Power Producer Programme (REIPPP), in which long-term power purchase agreements are auctioned. In 2019, the government adopted the "Integrated Resource Plan", which provides for 1,600 MW of annual installed capacity for wind power turbines from 2022 to 2030.

Turkey

The wind energy market in Turkey is based on a system of state-guaranteed feed-in tariffs and tenders. In addition, a licensing system for grid connection capacity was presented in 2013, which allows access to the individual grid connection points through an auction procedure.

In 2017, two tenders were held for wind energy with a volume of 3,000 MW (YEKDEM tender) and 1,000 MW (YEKA tender). PNE was awarded the contract for a 71 MW project in a regional tender with a total of 260 MW. The next application date for a total of 2,000 MW is planned for April 2020. Further tenders for onshore and offshore wind energy in the YEKA area are planned, although the dates have not yet been officially announced.

PNE continues to see good reasons for Turkey to promote and rapidly expand renewable energies, especially wind energy. The government sees the use of renewable energies as an important instrument for reducing the external trade deficit and the dependence on oil and gas. The preparations for further tenders for clean energies by the Turkish authorities support this assessment.

Hungary

The development of wind power in Hungary has been limited for many years by insufficient electricity grid capacity. PNE AG decided at the end of 2019 to cease operations in Hungary for the time being and to completely stop all activities. The winding-up will take place in 2020.

USA

In the USA, the system of Production Tax Credits of (PTC) dominates. At the end of 2015, this regulation was extended again until the end of 2020, i.e. for a further five years, but has been subject to an annual phase-down of 20 percent since 2016. Projects that qualify for the PTC, because they commenced construction or purchased PTC-eligible equipment prior to 2017, receive 100 percent of the tax credit amount if they commence commercial operations before the end of 2020 (within four years).

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

The United States Bureau of Ocean Energy Management (BOEM) is currently in the process of leasing sites for offshore wind farms in state-controlled coastal waters. For this purpose, a tender was launched in 2018 for three sites at sea off the US east coast (Massachusetts), which ended with the award of bids totalling 405 million US dollars. PNE took part in the tender.

Assessment of the market development

Overall, the international markets are still undergoing changes which require the PNE Group to adapt its activities accordingly in order to minimise the risks and develop new opportunities. While the general conditions for the expansion of wind energy in Romania and the USA remain difficult, they have improved in France, Sweden and Poland. The general conditions for the economic expansion of photovoltaics are in place in selected markets such as Germany, France, Italy, Poland, Romania and the USA. The Board of Management is confident that the expanded corporate strategy and further internationalisation, including in Europe and in new markets such as Latin America, will promote the positive development of the Group.

2.4 DEVELOPMENT OF BUSINESS

Summary of operating performance

The operational business of the PNE Group during the 2019 fiscal was characterised mainly by the development of wind farms and the strategic further development, including in the photovoltaics area, and the further expansion of services. The focus of its operational business is still on the development, realisation, operation and sale of onshore wind farm projects. In addition, the internal operation of wind power turbines enables environmentally friendly production of electricity under economically sustainable conditions.

In total, PNE completed, sold or started construction of projects with a capacity of approx. 450.8 MW during the reporting period (prior year: 235.7 MW). Particularly noteworthy was the sale of projects in Sweden and Poland with a total output of 245 MW at the beginning of the reporting period, for which PNE took over construction management on behalf of the purchasers and will later support them in the operating phase. Moreover, the rights to projects with a total nominal capacity of 44.4 MW were sold in Italy.

Seven wind farm projects with a total capacity of 100.4 MW (prior year: 72.5 MW) were completed and commissioned in Germany, France and Sweden in the 2019 fiscal year.

As a result of the completion of projects and the acquisition of a project in the reporting period, the nominal capacity of the wind farms operated by the Company increased from 76.9 MW to 130.1 MW. Other wind farms are under construction and in the approval process.

Four wind farms were under construction in Germany, Poland and Sweden as at December 31, 2019. 84 wind power turbines with a total nominal capacity of 303.8 MW (prior year: 93.2 MW) will be erected in these wind farms. These four projects with 303.8 MW were already sold. PNE is active in these projects as a service provider as part of construction management on behalf of the customer.

In the fourth quarter of 2019, wind farm projects in Germany and Poland successfully participated in tenders. Contracts for 30.1 MW in Germany and 94.8 MW in Poland were awarded.

In the first quarter of 2019, PNE expanded its business activities by entering the Panamanian market. PNE is examining the possibility of becoming active in other markets in Central and South America, starting from Panama.

The Company has further expanded its expertise in services relating to wind power turbines. In the reporting period, the group company "MEB Safety Services GmbH" (MEB) took over material stocks and personnel from "argus GmbH", which has specialised in services for aviation obstruction markers for wind power turbines. At the end of 2019, the wind farm management company "energy consult GmbH", which is part of the PNE Group, took over the Bremen-based "Rope Access Solutions GmbH" (RAS) and integrated it into its subsidiary MEB. RAS is a special services provider in the field of rope access technology and offers rotor blade and tower services for wind power turbines in addition to services in other industrial sectors for work at heights and in depths. Further focal points are education and training in rope-supporting work techniques and the sale of components in the field of personal protective equipment against falls from a height.

By concluding the first contracts for operations management of wind farms in France, Poland and Sweden, "energy consult", which is part of the PNE Group, succeeded in opening up additional markets in 2019. The PNE Group is thus significantly expanding its international business as a service provider. In total, PNE currently manages wind farms with a nominal capacity of more than 1,600 MW.

In addition to the German market, "energy consult" is active in Italy, where it provides services for wind farms with a total nominal capacity of 122 MW. In France and Sweden, the enterprise has been managing wind power turbines with a total nominal capacity of 44.4 MW since the beginning of the year. "energy consult" will also take over operations management of a further capacity of 42 MW in Poland. In Sweden, the company will provide operations management services for a total of 138.6 MW after commissioning in 2020.

Since 2017, we have also created values that are not readily apparent. These are connected to the establishment of the wind farm portfolio owned by the Company. The earnings before tax accrued in this portfolio to date – not yet realised at the Group level – amount to approx. euro 31.7 million since 2017. With a portfolio of company-owned projects, complete or partial sales to third parties outside the Group are postponed, and thus also the Group's earnings from these sales. Whether these profits, as currently calculated, can be achieved in the future in the event of a sale depends on whether or not the assumed market conditions of the project calculations (e.g. return expectations of investors) will change (refer to the explanations in chapter 8 "Report on opportunities and risks"). If the projects are held in the Group's own portfolio in the long term, the previously unrealised pre-tax profits are reported annually on a pro rata basis over the operating life of the projects in the Group. This is due to the lower depreciation value of technical equipment at Group level, as a result of the elimination of intercompany profits in the Group, compared with the depreciation value at the level of individual project companies.

The successful operating activities, excluding the postponed results from the development of the "wind farm portfolio 2020", have led to Group EBITDA of approx. euro 31.6 million (prior year: approx. euro 16.5 million) and Group EBIT of approx. euro 19.0 million (prior year: approx. euro 7.8 million). This means that the guidance for the Group EBIT (euro 15 to 20 million) and the guidance for the Group EBITDA (euro 25 to 30 million) for the 2019 fiscal year were achieved (see explanations in section 2.5. "Earnings, financial and asset position").

At the level of PNE AG, the EBIT was approx. euro -6.2 million in the 2019 fiscal year. This was mainly due to the optimisation of the results in the Group, since the operating business was allocated to the divisions/companies in the Group during the year for this purpose (see explanations in section 2.5. "Earnings, financial and asset position").

The development of the individual segments:

"Project development" segment

Wind energy onshore

During the fiscal year 2019, the development and realisation of wind farm projects on land were carried out continuously both in Germany as well as in the foreign markets, in which PNE is active through subsidiaries or joint ventures.

Overview of the status of onshore wind energy project activities of the PNE Group as at December 31, 2019 in MW:

Country	Phase I – II	Phase III	Phase IV	Total MW	Sold Service Provider
Germany	1,251	361	0	1,612	20
Bulgaria	121	0	0	121	0
France	271	261	0	532	0
United Kingdom	43	0	0	43	0
Italy	40	0	0	40	0
Canada	505	0	0	505	0
Panama	352	0	0	352	0
Poland	92	19	0	111	174
Romania	54	102	0	156	0
South Africa	500	30	0	530	0
Sweden	0	59	0	59	113
Turkey	629	71	0	700	0
Hungary	0	42	0	42	0
USA	266	166	0	432	0
Total	**4,124**	**1,111**	**0**	**5,235**	**307**

Phase I – II = Exploration & Development
Phase III = Planning
Phase IV = Implementation
Sold/Service Provider = This column includes projects already sold, for which PNE is currently providing construction management services

Wind energy onshore – national

In Germany, the PNE Group worked on wind farms with a nominal output of approx. 1,612 MW as at December 31, 2019 (prior year: 1,656 MW) in the various phases of project development.

Four projects were completed and put into operation during the reporting period. These are the wind farms "Gerdau-Repowering" (Lower Saxony) with six wind power turbines (WPT) (21.6 MW), "Schlenzer" (Brandenburg) with two WPT (6.5 MW), "Kittlitz" (Brandenburg) with five WPT (17.2 MW) and "Neuenwalde" (Lower Saxony) with two WPT (7.2 MW). Since then, these wind farms have been operated by PNE itself. The "Wölsickendorf" wind farm

(16.8 MW), which was built on behalf of the buyer, was also in the commissioning phase on the reporting date. In the "Kittlitz" project, one wind power turbine (3.4 MW) erected by us for the purchaser was sold.

Another four wind farm projects with 43.8 MW successfully participated in tenders in 2019: "Katzenstirn" (17.5 MW), "Kleinbüllesheim" (4.7 MW), "Langstedt" (12.6 MW) and "Willerstedt" (9.0 MW). Furthermore, the "Lentföhrden" wind farm with 8.4 MW received approval at the end of 2019. Further projects from the pipeline are currently in the approval process.

The Company has also made progress in setting up a wind farm portfolio, in which wind farms with a nominal capacity of 95.7 MW were bundled. In the period under review, the projects "Gerdau-Repowering" (21.6 MW, Lower Saxony), "Schlenzer" (6.5 MW, Brandenburg), "Kittlitz" (17.2 MW, Brandenburg) and "Neuenwalde" (7.2 MW, Lower Saxony) were put into operation for the portfolio. This means that wind farms with a capacity of 95.7 MW of the portfolio are currently in operation. PNE intends to operate these wind farms itself in the future.

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

Wind energy onshore – international

PNE also successfully continued its core business of project development abroad. In France, Italy, Poland and Sweden, the rights in wind farm projects were successfully marketed in the reporting period, and construction of some of the projects sold began.

Bulgaria

The general political and economic conditions in Bulgaria continue to make it difficult to profitably construct and operate wind farms there. Against this backdrop, PNE decided at the end of 2019 to cease operations in Bulgaria for the time being and to completely stop all activities. The winding-up will take place in 2020.

France

As at December 31, 2019, projects with a planned nominal capacity of approx. 532 MW (prior year: 504 MW) were underway in France in various phases of project development. Thus, the portfolio of projects was increased again despite the sale and completion of projects. The construction of the previously sold "Laperrière" wind farm with eight wind power turbines (19.2 MW) was completed.

United Kingdom

The shares in the former British subsidiary "PNE WIND UK Ltd." and thus the entire project pipeline developed by this company were sold to Brookfield in 2015. Further milestone payments were agreed upon depending on the project progress up to 2021. Brookfield is working on the further development of the wind farm projects. The probability that milestone payments can still be achieved in the future has decreased significantly, since the effects of the decision of the UK to leave the EU (Brexit) on the wind energy market and energy policy cannot be assessed conclusively.

Since the sale of this subsidiary, PNE is only active for one wind farm in the United Kingdom. The Scottish "Sallachy" wind farm project was refused by the Energy Minister in 2015, despite broad support by communities and politicians. The project was further developed during the reporting period and regularly reviewed for sales opportunities.

Italy

In the reporting period, PNE sold two project rights with 44.4 MW in Italy. This means that PNE has an operating and environmental permit for one wind farm with a total nominal capacity of approx. 40 MW at the end of the reporting period in Italy. The Company plans to sell the project rights in this wind farm in the short term. Due to the slow progress of tenders in Italy, it can be expected that numerous wind farm projects will take part in the upcoming tenders and that the market will continue to be difficult. Against this background, PNE decided to temporarily discontinue its operating activities in the wind sector in Italy, once the last project right has been sold, and to concentrate on activities in the photovoltaic sector.

Panama

In February 2019, PNE entered the Latin American renewable energy markets. Panama is to become the gateway of the PNE Group for the development of business in this region. As part of the strategic expansion of the business model, PNE has defined the development of foreign markets as one of the important cornerstones of future economic progress.

Via subsidiaries, five projects in Panama have been taken over from innoVent Central America S.A., Panama, which is a subsidiary of innoVent GmbH in Varel, Germany. Some of the projects with up to 352 MW in total are already at a very advanced stage of development. They are now being optimised and further developed by us.

In Panama, PNE is focusing on the emerging market for renewable energies. The electricity generated in the projects after commissioning will be marketed via direct power purchase agreements (PPAs) under private law.

Poland

After the "Barwice" project (42 MW) had been sold at the end of 2018, the construction of this wind farm was started in the reporting period. The "Jasna" wind farm project (132 MW) was also sold in the period under review, and construction of this project was started. For this project as well, PNE has taken over construction management on behalf of the purchaser and will continue to manage the wind farm during the operating phase.

At the end of 2019, PNE acquired a project in Poland and secured the rights to two further projects subject to certain conditions that were still to be met by the seller (for this reason, the two projects were not yet included in the project pipeline). All three projects with a total of approx. 94.8 MW successfully participated in the tender in December 2019 and were awarded contracts.

Romania

The development of wind farms in Romania was continued by PNE with minimised costs. However, rising electricity prices, the possibility of concluding PPAs and excellent wind conditions have led to increasingly better conditions for the realisation of wind farm projects. In Romania, PNE is currently working on wind farm projects with a nominal output of up to 156 MW at an advanced stage of development. The projects will be reorganised to include more efficient wind power turbines. At present, however, the sale of the projects proves to be difficult due to regulatory uncertainty.

Sweden

In Sweden, the "Laxaskogen" wind farm project (25.2 MW) developed by the PNE Group and sold in 2017 was completed and commissioned in the first quarter of 2019. The construction phase was managed by PNE under a service agreement with the purchaser of the wind farm.

The "Malarberget" project (113 MW) was sold in the second quarter of 2019. This project is currently under construction. PNE has taken over the construction management of the wind farm on behalf of the purchaser and will continue to support it during the operating phase.

South Africa

In South Africa, projects with a nominal capacity of up to 530 MW are being processed in various phases of project development. The "Banna Ba Pifhu" project (30 MW) is in a very advanced development stage and will participate in the next tender for wind energy projects, following the cancellation of earlier tenders. In December 2019, the PNE Group, together with its joint venture WKN Windcurrent, was able to obtain environmental approval for 75 wind power turbines with a maximum rotor diameter of 180 metres for the "Paulputs" project.

Turkey

At the end of 2017, the state-owned grid operator TEÌAŞ carried out the second part of a tender for 3,000 MW wind capacity. In the tender, PNE was awarded a contract for the "Köseler" project (71.4 MW). In August 2018, PNE received the pre-licence from the Energy Regulatory Authority EPDK. This secured feed-in capacity and the project area. In addition, the 36-month period for further development began for approving the project ready for construction and applying for the operating licence.

As before, the aim is to further develop the PNE project portfolio in preparation for participation in future tenders and to submit corresponding pre-license applications. In addition, the approval procedure for the "Köseler" project is being pursued. The development of the project has been delayed for official reasons. The period for project development up to readiness for construction was extended accordingly.

Hungary

The Hungarian government has been blocking the further expansion of wind energy for some time now. Against this backdrop, PNE decided at the end of 2019 to cease operations in Hungary for the time being and to completely stop all activities. The winding-up will take place in 2020.

USA/Canada

In the USA, the rights to the "Burleigh" wind farm project developed by PNE were sold. The "Burleigh" project is in the US state of North Dakota. It comprises land lease agreements for over 15,000 hectares with private landowners. The project was also in the waiting position for the 298 MW grid connection.

The "Chilocco" wind farm project was further developed with a planned nominal capacity of approx. 166 MW.

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

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

Project development of onshore wind power in total

As at December 31, 2019, the companies of the PNE Group were working on wind farm projects with approx. 5,235 MW of nominal output (prior year: 4,883 MW) in various phases of the multi-year development process in Germany and in the foreign markets, in which they are active via subsidiaries or joint ventures. This is the basis for the future development in the sector of onshore wind energy.

Wind energy offshore

Wind energy offshore – national

PNE's high level of competence in offshore project development has resulted in visible successes: In recent years, PNE has sold eight offshore wind farm projects after their development was completed. These include the projects "Atlantis I", "Borkum Riffgrund" and "Gode Wind". PNE continues to act as a service provider for the divested projects.

Four offshore wind farms, which were developed by PNE and sold after approval was granted, have already been erected and put into operation by the purchasers: "Borkum Riffgrund 1", "Gode Wind 1" and "Gode Wind 2" and finally in 2019 "Borkum Riffgrund 2" with a total nominal capacity of 1,344 MW.

Overview of the PNE references of the offshore wind energy division as at December 31, 2019:

Projects sold

Zone	Project	Phase	WPT	Total MW
1	Borkum Riffgrund 1	8	78	312
1	Borkum Riffgrund 2	8	56	448
1	Gode Wind 1 & 2	8/8	55 + 42	582
1	Gode Wind 3 & 4	5/5	30	242
2	Atlantis I	3	73	584
4	HTOD5 (Nautilus II)	2	68	476
	Total		**402**	**2,644**

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

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

Wind energy offshore – international

PNE continues to examine the possibility of starting the development of marine wind farms off the US coasts. To this end, a company was founded and an office established in Boston. The United States Bureau of Ocean Energy Management (BOEM) is currently in the process of leasing additional sites for offshore wind farms in state-controlled coastal waters. In 2018, a tender was launched for three sites off the US east coast (Massachusetts). In this context, contracts for a total volume of USD 405 million were awarded. This demonstrates the value of offshore wind projects off the US coast and shows that this market will continue to develop in the future. PNE was one of eleven companies to take part in the tender. PNE is currently preparing for future tenders.

Photovoltaic projects – national and international

In recent years, photovoltaic installations have become increasingly cost-effective and thus more marketable in the area of electricity generation.

In addition, the legal and economic framework conditions for the development of photovoltaic projects are in place in many countries. The development of photovoltaic projects is therefore part of the strategic expansion of the business model of PNE AG. Numerous markets are currently being examined in detail and the first rights are being secured. Particular attention will initially be paid to Germany, France, Italy, Romania and the USA as well as other international markets.

Overview of the status of photovoltaic project activities of the PNE Group as at December 31, 2019 in MWp:

Country	Phase I – II	Phase III	Phase IV	Total MWp
Germany	10	0	0	10
Romania	112	0	0	112
USA	1	0	0	1
Total	**123**	**0**	**0**	**123**

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

Results of the "project development" segment

In the 2019 fiscal year, the "project development" segment achieved

- » total aggregate output of euro 154.4 million (prior year: euro 98.2 million),
- » EBITDA of euro 25.5 million (prior year: euro 7.9 million) and
- » EBIT of euro 23.4 million (prior year: euro 6.6 million).

"Service products" segment

The "service products" segment will report in summary on services. These include technical and commercial operations management, construction management, transformer station services, wind measurements, financing and electricity marketing services.

The international business of operations management was expanded in the reporting period by activities in France, Poland and Sweden.

In the Swedish wind farm "Laxaskogen", developed and sold by PNE, Group companies provided construction management services until the start of operation. With this project, PNE once again successfully implemented its strategy of increasing the share of services. This is also the case in the Swedish "Malarberget" project, which was sold in the second quarter of 2019 and is currently under construction. The Polish projects "Barwice" and "Jasna", which were developed, successfully tendered for, and sold by Group companies ("Barwice" at the end of 2018, "Jasna" in April 2019), are also in the construction phase. The Company also provided services for these projects during the construction and operating phases.

Results of the "service products" segment

In the 2019 fiscal year, the "service products" segment achieved

- » total aggregate output of euro 18.4 million (prior year: euro 11.9 million),
- » EBITDA of euro 5.2 million (prior year: euro 4.0 million) and
- » EBIT of euro 2.4 million (prior year: euro 2.6 million).

The investments in and the reorganisation of the "service products" segment have led to changed results mainly in the 2019 reporting period compared to the 2018 reporting period.

"Electricity generation" segment

The "electricity generation" segment combines all activities of the Group companies that are engaged directly in the production of electricity from clean energies. This division includes primarily the PNE-operated wind farms "Laubuseschbach", "Gerdau-Repowering", "Pülfringen", "Erfeld", "Kührstedt-Alfstedt", "Schlenzer", "Kittlitz", "Neuenwalde" and the "Papenrode" wind farm intended for repowering, which have a total nominal capacity of approx. 130.1 MW, and the Silbitz biomass power plant with approx. 5.6 MW. Furthermore, the segment includes interests in limited partnerships, in which wind farm projects will be realised in the future.

Until the successful sale and delivery of wind farms to the operators, the "electricity generation" segment will include the revenues of these projects as part of segment reporting.

Results of the "electricity generation" segment

In the 2019 fiscal year, the "electricity generation" segment achieved

- » total aggregate output of euro 19.4 million (prior year: euro 18.2 million),
- » EBITDA of euro 14.0 million (prior year: euro 13.9 million) and
- » EBIT of euro 6.3 million (prior year: euro 8.1 million).

In the previous year, the results included the sale of the "Gerdau Schwienau" project rights within the Group to another segment ("project development") (approx. euro 4.2 million). This wind farm was allocated to the "electricity generation" segment and, therefore, the results from the sale of the project rights were reported in the "electricity generation" segment. Despite the larger number of MW in the Company's own portfolio, the segment's results were lower than in the same period of the previous year.

2.5 EARNINGS, FINANCIAL AND ASSET SITUATION

The figures in the text and in the tables were rounded, and small rounding differences are possible. Due to the reorganisation of the segments, the information and figures for the segments are only partially comparable with those of the previous year.

IFRS 16 Leases

IFRS 16 specifies how to recognise leases and replaces the previous standard IAS 17. The new standard requires the general recognition of rights and obligations under leases by the lessee. As a result, lessees will in future recognise the right to use the leased asset (so-called right-of-use asset) and a corresponding lease liability. The "leases" in the PNE Group include leasing contracts (e.g. car leasing), rental agreements (e.g. for the building in Husum) and lease agreements (e.g. in connection with the "wind farm portfolio 2020").

The PNE Group accounted for leases in accordance with IFRS 16 for the first time as of January 1, 2019 using the modified retrospective transition approach. Due to the initial recognition of rights of use and lease liabilities, which are reported in the balance sheet items "short-term and long-term financial liabilities", the balance sheet total has increased by approx. euro 39.3 million as at December 31, 2019. The increase in financial liabilities has a negative effect on the net liquidity of the PNE Group. As a result of the increase in the balance sheet total due to the first-time application of IFRS 16, with equity remaining almost unchanged compared with December 31, 2018, the Group's equity ratio fell by approx. 2 to 3 percent as a result of the first-time application of IFRS 16. In contrast to the previous approach, under which expenses for operating leases were shown in full in the operating result (in the reporting period: approx. euro 3.4 million), under IFRS 16 only the depreciation charges for rights of use are allocated to the operating result (in the reporting period: approx. euro 2.8 million). Interest expenses incurred for interest accrued on lease liabilities are reported in the financial result (in the reporting period: approx. euro 0.9 million). On the basis of the leases existing as at January 1, 2019, the Group EBITDA for the reporting period improved by approx. euro 3.4 million and Group EBIT improved by approx. euro 0.6 million. Earnings before taxes (EBT) declined by approx. euro -0.3 million. A comparison with the previous year is therefore only partially possible in these items of the statement of comprehensive income.

Modified segment reporting

The determination and presentation of segment reporting as at December 31, 2019 has changed versus December 31, 2018.

The strategic expansion of the business model by means of the "Scale up" concept has also affected the segments and segment reporting. The segments have been expanded to three: "project development", "service products" and "electricity generation".

The "project development" segment reports on onshore wind power – national and international, offshore wind power – national and international, photovoltaics – national and international as well as other projects.

The "service products" segment will report in summary on services. These include technical and commercial operations management, construction management, transformer station services, wind measurements, financing and electricity marketing services.

As before, the "electricity generation" segment combines all activities of the Group companies which are engaged directly in the production of electricity from clean energies.

2.5.1 Earnings

Developments in the Group

In the 2019 fiscal year, the PNE Group achieved a total aggregate output of euro 174.0 million (prior year: euro 111.8 million). Of this, euro 132.8 million was attributable to revenues (prior year: euro 91.4 million), euro 36.6 million to changes in inventories (prior year: euro 15.1 million), and euro 4.7 million to other operating income (prior year: euro 5.3 million).

The increase in revenues versus the prior year is attributable mainly to the type of revenues in the project business. If the Group sells its projects on a turnkey basis, high revenues are achieved, also due to the purchase of wind power turbines. In the event of a sale of project rights, the Group generates lower revenues compared to "turnkey" revenues. Particularly in international markets, the sale of project rights is preferred for reasons of risk minimisation. However, the operating results of both types of revenues are close together, since the main performance of the

Group companies is achieved by project development. The "real" performance of the Group can be seen by looking at the nominal capacity of the projects that have been completed, sold or started to be built. In 2019, this capacity totalled 450.8 MW (prior year: 235.7 MW). With an assumed mean investment volume of approx. euro 1.4 to 1.8 million per MW of installed nominal capacity for wind energy projects, PNE has thus initiated investments of approx. euro 631 to 811 million (prior year: euro 330 to 424 million), thus being above the value of the previous year.

In the 2019 fiscal year:

- In the "project development" segment, the Company invoiced to another segment internal revenues of euro 61.6 million (prior year: euro 18.0 million), including for general contractor and project development services for the Company's own wind farms "Gerdau-Repowering", "Kittlitz III", "Neuenwalde" and "Schlenzer" as well as external revenues of euro 100.1 million (prior year: euro 68.8 million), including from project sales in Poland, Sweden and the USA, from contract milestone payments for wind farms projects sold in 2018 in Germany and abroad, e.g. in France, as well as from project development and general contractor services provided to current wind farm projects in Germany and abroad.
- In the "service products" segment, the Company billed external revenues of euro 15.8 million (prior year: euro 10.3 million). The main revenues were generated from commercial and technical operations management and from transformer station services.
- In the "electricity generation" segment, external revenues of approx. euro 16.9 million were achieved in the reporting period (prior year: euro 12.2 million). These revenues were mainly attributable to the electricity income from the wind farm portfolio owned by PNE, the income from the "Papenrode" repowering project and the revenues from the Silbitz biomass power plant. The main reason for the higher revenues compared to the prior-year period is that the number of wind power turbines operated by the Group as at January 1, 2019 was higher than in the previous year on January 1, 2018 and therefore a larger amount of electricity could be produced in 2019.

In the 2019 financial year, as in the previous year, the work performed for projects owned by the Group was shown under changes in inventories.

Explanation: Since the company-owned wind farms were operated by the Company itself regardless of their current or future shareholder structure and used to generate electricity, the wind farms were classified as fixed assets from the date of sale within the Group in accordance with IAS 16. The reclassification from Group inventories to Group fixed assets was carried out without affecting the statement of comprehensive income and, therefore, has not resulted in a reduction in the "change of inventories" item.

Other operating income includes, inter alia, the reversal of provisions and individual value adjustments, cost allocations and the reversal of the investment subsidy for the headquarters in Cuxhaven.

The activities of the Group in the area of project development in Germany and abroad, both onshore and offshore, are reflected in the expense items. The share of cost of materials in the consolidated aggregate output amounts to euro 93.0 million (prior year: euro 36.7 million). The Group's higher cost of materials ratio (cost of materials in relation to aggregate output) compared to the previous year is due to the way projects were sold in the fiscal year, either as "turnkey" projects (high cost of materials) or as project rights (low cost of materials) (see also the explanation on the increase in revenues). In the 2019 fiscal year, less project rights than turnkey projects were sold compared with the 2018 fiscal year or projects were constructed for internal operations, which is one reason for the higher cost of materials ratio.

The Group's personnel expenses amounted to euro 30.6 million in the 2019 fiscal year and thus increased by euro 2.8 million compared to the level of the prior year period (euro 27.8 million). The number of employees in the Group as at December 31, 2019 increased to 427 (as at December 31, 2018: 390 employees). These figures include the two members of the Board of Management (prior year: three members). The increase in the number of employees is mainly due to organisational adjustments to the new strategy and business acquisitions, which led to higher personnel expenses compared to 2018. Other reasons for the higher personnel expenses is the rise in starting salaries and the variable remuneration for employees, which must be paid for qualified personnel in line with the market conditions.

The first-time application of "IFRS 16 Leases" in 2019 has an impact on the values of depreciation, amortisation, other operating expenses and interest expense in the statement of comprehensive income. In 2019, other operating expenses of approx. euro 3.4 million in leasing expenses were not recognised due to application of the IFRS 16 standard, but approx. euro 2.8 million of depreciation charges and approx. euro 0.9 million of interest expenses were reported in the statement of comprehensive income.

Amortisation of intangible fixed assets and depreciation of property, plant and equipment increased due to

- » the higher average number of wind power turbines in the Group ("electricity generation" segment: euro 7.7 million compared to euro 5.9 million in 2018) compared to the prior-year period
- » the application of "IFRS 16 Leases" and
- » the depreciation items for investments (e.g. wind measurement stations) in the "service products" segment (euro 2.8 million compared to euro 1.5 million in 2018)

to euro 12.6 million (prior year: euro 8.7 million).

The other operating expenses in the Group totalling euro 18.9 million (prior year: euro 20.1 million) in the Group are below the previous year's level (mainly due to the application of IFRS 16) and are primarily attributable to the following items:

in million EUR	1.1. – 31.12. 2019	1.1. – 31.12. 2018
Legal and consulting costs	6.7	4.2
Advertising and travel expenses	2.5	2.1
Insurance premiums and contributions	1.0	1.0
Vehicle costs	1.2	1.2
Repair and maintenance expenses	2.5	2.0
Rental and lease expenses	0.1	2.8
Supervisory Board remuneration	0.6	0.6
IT costs	0.8	0.5
Accounting and auditing costs, including tax advice	0.9	1.0
Losses from the disposal of assets	0.1	0.3

The increase in legal and consulting fees results mainly from the costs in connection with the "takeover offer by Morgan Stanley Infrastructure Partners", including for legal advice and the preparation of a "fairness opinion". This was a one-off event that had not occurred in the previous year.

With the continued construction and ongoing operation of the wind farms owned by the Group, the "Papenrode" repowering project and the HKW "Silbitz" ("electricity generation" segment), other operating expenses increased in the item "repair and maintenance expenses". Further cost items within the other operating expenses remained essentially at the same level or decreased compared to the previous year.

The change in the "Rental and lease costs" is due primarily to the first-time application of IFRS 16 "Leases".

Interest and similar expenses in the Group changed from euro 10.6 million in the prior year period to euro 12.3 million in the reporting period. Interest and similar expenses were incurred mainly in connection with

- » the 2018/2023 bond (euro 2.0 million),
- » the equity and debt financing of wind farm projects and of PNE WIND West Europe GmbH (euro 2.7 million),
- » the application of "IFRS 16 Leases" (euro 0.9 million) and
- » the valuation of interest swaps concluded as part of the project financing for wind farm projects (including value changes resulting from swaps disposed of during the year) (euro 4.3 million).

Since 2017, PNE has created values that are not readily apparent. This relates to the establishment of the wind farm portfolio, which is owned by the Company. The earnings before tax accrued in this portfolio to date – not yet realised at the Group level – amount to approx. euro 31.7 million since 2017. With a portfolio of company-owned projects, complete or partial sales to third parties outside the Group are postponed, and thus also the Group's earnings from these sales.

At Group level, the following results were achieved in the 2019 financial year, excluding the deferred results from the establishment of a wind farm portfolio:

- » earnings before interest, taxes, depreciation and amortisation (EBITDA = EBIT plus amortisation and depreciation of intangible assets, property, plant and equipment and rights of use as well as goodwill) of euro 31.6 million (prior year: euro 16.5 million),
- » operating profit (EBIT = corresponds to the value stated in line "Operating result" of the consolidated statement of comprehensive income) of euro 19.0 million (prior year: euro 7.8 million).

The consolidated net income after the share in income attributable to non-controlling interests amounted to euro 0.7 million (prior year: euro -1.0 million). The undiluted earnings per share for the Group amounted to euro 0.01 (prior year: euro -0.01) and the diluted earnings per share for the Group amounted to euro 0.01 (prior year: euro -0.01).

Taking into account the business results, the dividend distribution and the issue of treasury shares as part of the conversion of the 2014/2019 bond, the balance sheet profit in the Group changed to euro 75.2 million in the reporting period (prior year: euro 77.5 million). In fiscal 2019, a dividend of euro 3.0 million was distributed from the available retained earnings.

Developments in PNE AG (figures pursuant to the HGB separate financial statements)

Euro 54.7 million of the Group's total aggregate output was attributable to PNE AG (prior year: euro 34.6 million). The total aggregate output of PNE AG consists of revenues totalling euro 51.0 million (prior year: euro 19.8 million), changes in inventories totalling euro 1.7 million (prior year: euro 4.5 million) and other operating income totalling euro 2.0 million (prior year: euro 10.3 million).

The increase in revenues compared with the previous year is due to the higher number of turnkey project implementations or sales in the 2019 fiscal year compared with 2018.

Other operating income includes the reversal of provisions as well as other income, such as credit notes, amounts charged on, reversal of the investment subsidy for the Cuxhaven headquarters and income from the reversal of individual value adjustments.

In the previous year, other operating income resulted primarily from milestone payments for the offshore projects "Gode Wind 3" and "Borkum Riffgrund 2" (approx. euro 8.2 million in total).

In the separate financial statements of PNE AG, the cost of materials amounted to euro 37.0 million (prior year: euro 12.2 million). The cost of materials consists mainly of the costs for the wind power turbines and the construction costs for the infrastructure of the wind farm projects realised or under construction. The increase in the cost of materials is due to the higher level of implementation of turnkey projects compared with the previous year's figure.

In the separate financial statements of PNE AG, the personnel expenses totalled euro 13.1 million in the 2019 fiscal year (prior year: euro 11.9 million). The number of employees of PNE AG as at December 31, 2019 changed to 167 (as at December 31, 2018: 154 employees). The personnel figures include the two members of the Board of Management (prior year: three members).

In PNE AG's separate financial statements, the other operating expenses totalled euro 10.3 million in the 2019 fiscal year (prior year: euro 8.4 million). Other operating expenses increased mainly in connection with the "takeover offer by Morgan Stanley Infrastructure Partners", including for legal advice and the preparation of a "fairness opinion". This was a one-off event that had not occurred in the previous year.

In the 2019 fiscal year, PNE AG reported an operating profit (EBIT – corresponds to the value shown in the profit and loss account in line "Operating result") of euro -6.2 million (prior year: euro -7.0 million).

Interest and similar expenses of PNE AG decreased from euro 5.2 million in 2018 to euro 2.5 million and were mainly incurred for interest on the 2018/2023 bond. The reduction in interest is due primarily to the refinancing process in May 2018 through the repayment of the 2013/2018 bond (euro 100.0 million/8 percent interest) and the new issue of the 2018/2023 bond (euro 50.0 million/4 percent interest).

Income from profit transfer agreements increased compared to the previous year from euro 1.7 million to euro 2.2 million. This increase results primarily from the profit generated by PNE WIND Netzprojekt GmbH, which is approx. euro 0.5 million higher than in the previous year and attributable to PNE AG via a profit transfer agreement.

As at December 31, 2019, the retained earnings of PNE AG totalled euro 111.6 million (prior year: euro 114.3 million). The net deficit of PNE AG amounted to euro -2.9 million (prior year: net income of euro -9.9 million). The basic earnings per share of PNE WIND AG amounted to euro -0.04 (prior year: euro -0.13) and the diluted earnings per share amounted to euro -0.04 (prior year: euro -0.12).

2.5.2 Financial situation

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

Developments in the Group

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

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

This financing will be provided at the level of the relevant project companies by way of loans, and at the level of PNE AG by the way of emission of bonds. Derivative financial instruments such as interest swaps will only be used at the level of the project companies to secure interest risks of variable-interest loans. As at December 31, 2019, there were derivative financial instruments for the project financing of wind farms in the Group.

The statement of cash flow provides information on the liquidity situation and the financial position of the Group. As at December 31, 2019, the Group companies had available liquidity of euro 139.3 million, including project equity interim financing, of which euro 6.5 million is pledged to banks (as at December 31, 2018: euro 157.8 million, of which euro 10.0 million pledged).

The available liquidity is broken down as follows:

- » cash and cash equivalents in the amount of euro 111.9 million (as at December 31, 2018: euro 129.1 million),
- » working capital facilities available of euro 1.2 million (as at December 31, 2018: euro 10.0 million),
- » project interim equity financing available of euro 2.5 million (as at December 31, 2018: euro 16.4 million) and
- » project interim debt financing available of euro 23.7 million (December 31, 2018: euro 2.3 million).

As at December 31, 2019, the Group had working capital facilities totalling euro 10.1 million (as at December 31, 2018: euro 10.0 million) and facilities for guarantee and contract fulfilment obligations of euro 14.3 million (as at December 31, 2018: euro 23.3 million). As at December 31, 2019, the Group had used euro 8.9 million of the working capital facilities (as at December 31, 2018: euro 0.0 million) and euro 1.9 million of the guarantee and contract fulfilment credit lines as at December 31, 2019 (as at December 31, 2018: euro 3.9 million).

The cash flow from ordinary activities shown in the statement of cash flows of euro 35.4 million (prior year: euro -28.2 million) was characterised mainly by

- » the consolidated results in the reporting year,
- » the expenses for the further development of the project pipeline and the realisation of wind farm projects, which are reflected in the changes in the inventories, receivables and liabilities and were mainly financed by project interim funds (see cash flow from financing activities).

The cash flow from investing activities in the reporting period included payments received for investments relating to Group property, plant and equipment and intangible assets totalling euro -77.8 million (prior year: euro -4.3 million). The investments in property, plant and equipment in the 2019 fiscal year and the previous year related mainly to investments in the realisation of wind farms for the wind farm portfolio being established ("electricity generation" segment) and in transformer stations for these wind farm projects ("service products" segment).

There were no outgoing and incoming payments from the purchase and sale of consolidated entities in the current fiscal year.

Incoming and outgoing payments for the sale and purchase of financial assets totalled euro -0.1 million (prior year: euro 0.5 million).

During the reporting period, the cash flow from financing activities of euro 40.2 million (prior year: euro -32.6 million) was influenced primarily by

- » the issue of treasury shares in the amount of euro 5.7 million
- » the repayment of credit liabilities of euro -5.3 million,
- » the payment of the dividend of euro -3.0 million,
- » the taking of bank loans of euro 47.0 million, which are mainly used for the project financing of the wind farm projects owned by the Group,

» the repayment of lease liabilities totalling euro -3.4 million (pursuant to IFRS 16 to be recorded as outflow of funds in the cash flow from investing activities).

Bonds from the 2014/2019 convertible bond were converted into 45,531 shares in the reporting period. As at December 31, 2019, the share capital of PNE AG amounted to euro 76,603,334.00 (as at December 31, 2018: euro 76,557,803.00).

As at December 31, 2019, the Group had liquid funds of euro 111.9 million, of which euro 6.5 million is pledged to banks (as at December 31, 2018: euro 129.1 million, of which euro 10.0 million pledged).

Developments in PNE AG

As at December 31, 2019, PNE AG had liquidity of euro 72.7 million, of which euro 0.3 million is pledged to banks (as at December 31, 2018: euro 83.7 million, of which euro 8.3 million pledged).

The financial situation of PNE AG in fiscal 2019 was marked, in particular,

» by the negative cash flow from investing activities of euro -16.0 million (prior year: euro -13.9 million), mainly due to the investments in the capital reserve of PNE WIND West Europe GmbH for acquiring the shares and the payment of equity by PNE WIND West Europe GmbH to the wind farm entities held by the Company and the investments in the assets of the "Papenrode" repowering project, which is operated by PNE Power Generation GmbH,
» the positive cash flow from operating activities of euro 5.7 million (prior year: euro 5.0 million) and
» the slightly negative cash flow from financing activities of euro -0.7 million (prior year: euro -64.2 million; in the prior year, the negative cash flow resulted mainly from the repayment of the 2013/2018 bond).

2.5.3 Statement of financial position

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

Developments in the Group

in million EUR	31.12.2019	31.12.2018
Assets		
Total long-term assets	**300.6**	**179.7**
Intangible assets	64.7	65.1
Property, plant and equipment	174.1	96.1
Rights of use	39.4	0.0
Long-term financial assets	2.0	2.0
Deferred taxes	20.4	16.5
Total short-term assets	**267.0**	**272.9**
Inventories	101.4	117.3
Receivables and other assets	51.7	25.1
Tax receivables	2.0	1.4
Cash and cash equivalents	111.9	129.1
Total assets	**567.6**	**452.6**

On the reporting date, the consolidated total assets of PNE AG amounted to euro 567.6 million. This is a change of approx. +25 percent in comparison with December 31, 2018.

Total long-term assets increased from euro 179.7 million at the end of 2018 to euro 300.6 million on the reporting date.

As at December 31, 2019, intangible assets totalled euro 64.7 million and changed by approx. euro -0.4 million compared to December 31, 2018. The largest element of this item is the goodwill totalling euro 63.3 million (prior year: euro 63.4 million). Due to the reorganisation of the segment structure as of January 1, 2019, euro 52.8 million of goodwill is attributable to the "project development" segment, euro 10.4 million to the "service products" segment and euro 0.1 million to the "electricity generation" segment (in the prior year: project planning of wind power turbines PNE euro 23.0 million, project planning of wind power turbines WKN euro 40.2 million and electricity generation euro 0.2 million).

In the same period, property, plant and equipment changed by euro +78.0 million to euro 174.1 million (December 31, 2018: euro 96.1 million). This item primarily includes

- land and buildings (euro 11.2 million, excluding the "Silbitz" land and buildings),
- transformer stations owned or under construction (euro 13.2 million),
- the technical equipment and machinery
  - of HKW "Silbitz" (euro 2.9 million, including land and buildings of euro 2.6 million),
  - of the "Pülfringen" wind farm (euro 0.8 million),
  - of the three "Kührstedt" wind farms (euro 56.6 million),
  - of the "Gerdau-Repowering" wind farm (euro 29.1 million),
  - of the "Neuenwalde" wind farm (euro 8.7 million),
  - of the "Schlenzer" wind farm (euro 11.1 million),
  - of the "Kittlitz" wind farm (euro 28.6 million) and
  - of the "Papenrode" repowering wind farm (euro 8.5 million),
- other equipment, fixtures and furnishings (euro 2.5 million).

The increase in property, plant and equipment is mainly due to the "growing" wind farm portfolio with corresponding write-downs of property, plant and equipment of the wind farms. Another reason is the financing of the wind farm projects operated by PNE, which was provided, in part, by public KfW loans at an interest rate below the market rate. The difference between the fair value and the nominal value of the loan in the amount of euro 4.7 million was set off against the acquisition or production costs of the corresponding assets (wind power turbines) and is recognised over the useful life of these assets (2019: depreciation charges of euro 0.3 million).

IFRS 16 specifies how to recognise leases and replaces the previous standard IAS 17. The new standard requires the general recognition of rights and obligations under leases by the lessee. Accordingly, lessees will in future recognise the right of use relating to a leased asset ("right-of-use asset") either in fixed assets under the balance sheet item "rights of use" (long-term assets such as wind farms in own operation or wind farms planned for own operation) or under the balance sheet item "inventories" (short-term assets such as wind farm projects to be sold during or after construction). The "right-of-use assets" in the PNE Group include leasing contracts (e.g. car leasing), rental agreements (e.g. for the building in Husum) and lease agreements (e.g. in connection with the wind farms held by PNE or wind farms under construction). As at December 31, 2019, the Group recognised right-of-use assets of euro 39.4 million (as at December 31, 2018: euro 0.0 million). No right-of-use assets were reported in inventories as at December 31, 2019 (as at December 31, 2018: euro 0.0 million).

During the period under review, short-term assets changed from euro 272.9 million as at December 31, 2018 to euro 267.0 million on December 31, 2019. This change is mainly attributable to the change in receivables and other assets (euro +26.6 million) and in cash and cash equivalents (euro -17.2 million). Of the short-term assets, euro 34.3 million is attributable to trade receivables (December 31, 2018: euro 6.4 million), which mainly originate from project billing for project development and general contractor services for wind farms at the end of the year and should be balanced out for the most part in the first quarter of 2020.

The work in progress shown under the inventories changed from euro 90.0 million as at December 31, 2018 to euro 77.6 million as at December 31, 2019.

Work in progress is divided as follows:

- offshore projects (euro 16.5 million),
- onshore projects Germany (euro 33.8 million),
- onshore projects abroad (euro 27.3 million).

The prepayments made in connection with onshore projects under construction, which are included in the inventories item, changed by euro -3.8 million from euro 27.2 million to euro 23.4 million.

Cash and cash equivalents amounted to euro 111.9 million as at December 31, 2019, of which euro 6.5 million is pledged to banks (as at December 31, 2018: euro 129.1 million, of which euro 10.0 million pledged).

in million EUR	31.12.2019	31.12.2018
Shareholders' equity and liabilities		
Equity capital	220.0	216.3
Deferred subsidies from public authorities	0.8	0.8
Provisions	9.4	9.2
Long-term liabilities	232.2	140.1
Short-term liabilities	84.9	67.7
Deferred revenues	20.3	18.5
Total liabilities and shareholders' equity	**567.6**	**452.6**

Group equity changed from euro 216.3 million as at December 31, 2018 to euro 220.0 million as at December 31, 2019. The change is attributable primarily to the positive consolidated result for the fiscal year (euro +1.3 million), the effects of the dividend distribution (euro -3.0 million) and the issue of treasury shares in connection with the conversion of the 2014/2019 convertible bond (euro +5.7 million). As a result of the issue for the conversions of the 2014/2019 convertible bond by December 31, 2020, the treasury stock was reduced from 2,189,853 shares (as at December 31, 2018) by 1,923,050 shares to 266,803 shares.

The equity ratio of the Group was approx. 39 percent as at December 31, 2019 (December 31, 2018: approx. 48 percent).

The long-term liabilities changed from euro 140.1 million at the end of 2018 to euro 232.2 million in 2019. This item consists mainly of financial liabilities totalling euro 226.2 million (as at December 31, 2018: euro 136.7 million). The long-term financial liabilities include the bond issued in May 2018 (euro 50.0 million/interest rate of 4 percent per year) with a carrying amount of euro 48.9 million. The difference of approx. euro 1.1 million (as at December 31, 2019) to the value of the bond issued is attributable to the transaction costs incurred for the bond. Pursuant to IFRS, the transaction costs are offset against the liabilities resulting from the bond and recognised as "interest expense" over the term of the bond. The item also includes long-term liabilities to banks of euro 135.6 million (as at December 31, 2018: euro 86.1 million). The most significant long-term liabilities to banks relate to the "non-recourse" project financing of the wind farms owned by PNE. In addition, the first-time application of "IFRS 16 Leases" led to a change in financial liabilities as at December 31, 2019 compared to December 31, 2018. Due to the first-time application of IFRS 16, approx. euro 37.2 million for lease liabilities is reported under long-term liabilities and of approx. euro 3.1 million under short-term liabilities as at December 31, 2019 (December 31, 2018: euro 0.0 million each).

As at December 31, 2019, the total number of shares issued by PNE AG was 76,603,334 (December 31, 2018: 76,557,803 shares). The change by 45,531 shares compared to the previous year is attributable to the exercise of conversion rights under the 2014/2019 corporate bond.

As at December 31, 2019, the Company held 266,803 (prior year: 2,189,853) treasury shares, which it acquired in 2018 using the authorisation existing at the time on the basis of a share buyback offer to all shareholders. In the 2019 fiscal year, 1,923,050 treasury shares were used for the conversion rights exercised under the 2014/2019 corporate bond.

In the 2019 fiscal year, the short-term liabilities changed from euro 67.7 million (December 31, 2018) to euro 84.9 million. This balance sheet item includes the short-term liabilities to banks. These changed from euro 18.3 million (December 31, 2018) to euro 10.3 million, among other things due to the restructuring of short-term project funds into long-term project funds for wind farms owned by the Group. In the period under review, trade liabilities changed from euro 14.9 million (December 31, 2018) to euro 35.3 million. These mainly originate from project billing from subcontractors for wind farms at the end of the year and should be balanced out for the most part at the time the trade receivables are paid, as described above under trade receivables.

The Company used "non-recourse" debt financing of approx. euro 36.0 million and approx. euro 10.9 million from the available project interim equity financing during the reporting period, which contributed to the changes in short-term and long-term liabilities to banks described above.

The liabilities to banks (long-term and short-term) mainly include:

- » the financing of the building of PNE AG at the headquarters in Cuxhaven (value as at December 31, 2019: euro 2.2 million, of which long-term euro 2.0 million),
- » the non-recourse project financing of the "Pülfringen" wind farm (value as at December 31, 2019: euro 1.4 million, of which long-term euro 1.0 million),
- » the non-recourse project financing of the "Gerdau-Repowering" wind farm (value as at December 31, 2019: euro 21.9 million, of which long-term euro 20.3 million),
- » the non-recourse project financing of the wind farms "Kührstedt-Alfstedt", "Kührstedt-Alfstedt A" and "Kührstedt-Alfstedt B" (value as at December 31, 2019: euro 56.9 million, of which long-term euro 52.7 million),
- » the non-recourse project financing of the "Kittlitz" wind farm (value as at December 31, 2019: euro 23.8 million, of which long-term euro 22.2 million),

- the non-recourse project financing of the "Neuenwalde" wind farm (value as at December 31, 2019: euro 10.9 million, of which long-term euro 10.4 million),
- the non-recourse project financing of the "Schlenzer" wind farm (value as at December 31, 2019: euro 11.2 million, of which long-term euro 10.5 million),
- the proportionate interim equity financing for the company-owned wind farms "Gerdau-Repowering", "Kittlitz", "Kührstedt-Alfstedt", "Neuenwalde" and "Schlenzer" (value as at December 31, 2019: euro 15.0 million, of which long-term euro 15.0 million) and
- the proportionate interim equity financing for the "Papenrode" repowering project (value as at December 31, 2019: euro 4.5 million, of which long-term euro 3.4 million).

Taking the liquid funds into account, the net debt (cash and cash equivalents less the short-term and long-term financial liabilities) as at December 31, 2019 amounted to euro -129.0 million (December 31, 2018: net debt of euro -33.7 million).

Developments in PNE AG

in million EUR	31.12.2019	31.12.2018
Assets		
Intangible assets	0.1	0.1
Property, plant and equipment	10.7	11.0
Financial assets	129.2	107.9
Inventories	17.4	30.8
Receivables and other assets	92.4	109.6
Liquid funds	72.7	83.7
Total assets	**322.5**	**343.1**

The fixed assets consist of intangible assets of euro 0.1 million (as at December 31, 2018: euro 0.1 million), property, plant and equipment of euro 10.7 million (as at December 31, 2018: euro 11.0 million) and financial assets of euro 129.2 million (as at December 31, 2018: euro 107.9 million).

The changes in financial assets are mainly due to

- the payments to the capital reserve of PNE WIND West Europe GmbH for the payment of equity into the "Gerdau-Repowering", "Kittlitz", "Neuenwalde" and "Schlenzer" wind farm projects (euro 16.4 million) and
- the payment to the capital reserve of PNE Power Generation GmbH for the pro-rata financing of the assets of the "Papenrode" repowering wind farm (euro 4.9 million).

The current assets consist of inventories of euro 17.4 million (as at December 31, 2018: euro 30.8 million), of which work in progress totalling euro 16.3 million (as at December 31, 2018: euro 14.6 million) and prepayments made totalling euro 1.1 million (as at December 31, 2018: euro 16.2 million) as well as receivables and other assets of euro 92.4 million (as at December 31, 2018: euro 109.6 million). Of the receivables and other assets, euro 1.1 million is attributable to trade receivables (as at December 31, 2018: euro 0.5 million), euro 88.0 million to receivables from affiliated companies (as at December 31, 2018: euro 106.5 million) and euro 3.2 million (as at December 31, 2018: euro 2.5 million) to other assets.

The liquid funds amounted to euro 72.7 million as at December 31, 2019 (as at December 31, 2018: euro 83.7 million).

in million EUR	31.12.2019	31.12.2018
Liabilities		
Shareholder equity	247.0	247.1
Special item for investment grants	0.8	0.8
Provisions	8.6	7.8
Liabilities	66.0	87.3
Deferred income	0.1	0.1
Total liabilities and shareholder equity	**322.5**	**343.1**

The shareholders' equity of PNE AG amounted to euro 247.0 million as at December 31, 2019 (December 31, 2018: euro 247.1 million). The equity ratio of PNE AG was approx. 77 percent as at December 31, 2019 (as at December 31, 2018: approx. 72 percent). Equity changed mainly due to the net loss for the year (euro -2.9 million) and the issue of treasury shares in connection with the conversion of the 2014/2019 partial bond (euro +5.7 million) as well as the dividend payment in the 2019 fiscal year (euro -3.0 million).

As at December 31, 2019, the total number of shares issued by PNE AG was 76,603,334 (December 31, 2018: 76,557,803 shares). The year-on-year change by 45,531 in the shares issued is attributable to the exercise of conversion rights under the 2014/2019 corporate bond.

As at December 31, 2019, the Company held 266,803 (prior year: 2,189,853) treasury shares, which it acquired in 2018 using the authorisation existing at the time on the basis of a share buyback offer to all shareholders. In the 2019 fiscal year, 1,923,050 treasury shares were used for the conversion rights exercised under the 2014/2019 corporate bond.

The major items on the liability side are liabilities of euro 66.0 million (as at December 31, 2018: euro 87.3 million). These are attributable mainly to:

- the 2018/2023 bond in the amount of euro 50.0 million (as at December 31, 2018: euro 50 million),
- liabilities to banks of euro 3.9 million (as at December 31, 2018: euro 4.0 million),
- prepayments received on orders totalling euro 0.0 million (as at December 31, 2018: euro 15.2 million),
- trade liabilities of euro 2.1 million (as at December 31, 2018: euro 1.1 million) and
- liabilities to affiliated companies of euro 8.3 million (as at December 31, 2018: euro 8.8 million).

The main components of provisions relate to outstanding invoices in respect of wind farm projects totalling euro 3.9 million (as at December 31, 2018: euro 4.1 million) as well as provisions for variable remuneration of the members of the Board of Management and senior executives totalling euro 2.2 million (as at December 31, 2018: euro 2.1 million).

3. SALES AND MARKETING

The marketing of renewable energy power plants erected on land is based successfully on direct sales to individual and large investors. PNE has had positive experience with this direct sales model for many years and will continue to follow this proven sales channel for this reason. The strategy of bundling projects and developing them up to a stage of maximum value has already proven its worth. This allows for selling larger project portfolios if there is interest on the part of investors, as has been demonstrated, for example, by

- the sale of the "Gode Wind" offshore portfolio in 2012,
- the sale of the "UK" onshore project pipeline in 2015, or
- the sale of the "YieldCo" onshore portfolio in 2016.

The Company intends to pursue this successful path in the future in individual cases.

Direct sales is a business model that is becoming increasingly important in the service sector as well. The wider positioning of the PNE Group in the service sector will require increased efforts in the future to reach customers directly and inform them about these offers. In addition to advertising and printed product information, this includes the presentation of the range of services on the website, via social media and at trade fairs. PNE AG addressed this topic at an early stage and offers, for example, tailor-made PPA models (PPA = Power Purchase Agreement) for electricity marketing outside the EEG. These are of particular interest for wind power turbines that are not eligible for fixed remuneration under the Renewable Energy Sources Act (EEG subsidies). The first direct electricity supply contract for a German wind farm was signed in May 2019.

PNE sees potential for new business in this field in future, as the EEG support for numerous old wind farms will expire in 2020.

4. DEVELOPMENT AND INNOVATION

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

5. EMPLOYEES

During the fiscal year 2019, there were 397 employees in the Group on an annual average basis, including members of the Board of Management (prior year: 369). Of these employees (including the members of the Board of Management and trainees), an annual average of 158 employees (prior year: 151) were working at PNE AG.

As at December 31, 2019, the Group employed 427 persons, including the members of the Board of Management (as at December 31, 2018: 390 persons). Of these,

» 166 employees (as at December 31, 2018: 154 persons) were employed directly by PNE AG and
» 261 employees (as at December 31, 2018: 236 persons) by the subsidiaries of PNE AG.

When distinguished between Germany and abroad,

» 354 employees (as at December 31, 2018: 332 persons) were employed by domestic
» 73 employees (as at December 31, 2018: 58 persons) by foreign companies of the Group.

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

6. INTANGIBLE ASSETS/ SUSTAINABLE DEVELOPMENT

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

Furthermore, we place great importance on ensuring that the potential of our employees can be utilised optimally through an effective internal organisational structure and a high degree of self-responsibility. Regular evaluations of the employees and their tasks enable us to constantly adjust in a performance-related manner specially tailored requirement profiles to the corresponding tasks. In this way, high standards can be achieved and maintained in the most varied areas of tasks. Our expertise in the market will be strengthened further by ensuring the qualification and further training of our employees as well as the ongoing optimisation of procedures and processes.

Based on our practical work, we have transferred many years of experience in project development into processes that enable us to plan, implement and complete all phases of wind farm project planning successfully in a targeted and intensive manner, from site acquisition through turnkey construction and operation of wind farms to repowering, i.e. the replacement of old wind power turbines with modern systems.

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

It is also important to maintain the network of partners and supporters of our business, which we have built up over many years. Since the planning and development of wind farms and of photovoltaic projects are based mainly on general regulatory conditions, we cooperate closely and intensely with industry associations and maintain constant dialogue. In addition, the project managers of PNE seek and maintain direct dialogue with all those involved in a project, from the landowners and local residents to municipal politicians and the authorities involved.

With the continuous training and qualification of young people, we ensure training places and we assume social responsibility. In general, the young employees remain with the Company after their training period.

We offer our employees ongoing internal and external training opportunities so that they can maintain and expand their qualifications. We also attach great importance to the exchange of experience and the strengthening of internal communication across our sites, which is supported within the Group by a software tool for more efficient team communication and an employee APP.

We are making a substantial contribution, both nationally and internationally, to the reduction of damaging climatic gases with the wind farms planned and operated by us and our future projects for clean energies and to the protection of humanity, the environment and nature. Generation of electricity from clean energies such as wind power or photovoltaics not only makes positive contributions to the environment, but it also contributes to saving the limited reserves of fossil fuels. From an economic point of view, there is a positive effect in that the generation of electricity is decentralised and thus the import of expensive fuels is reduced and avoided. Value is added where electricity is generated from clean energies. As a result, the projects developed and operated by us are ensuring that the generation of electricity is done in an ecologically meaningful and economically correct manner.

7. SUPPLEMENTARY REPORT

The supplementary report regarding significant events after the end of the reporting period is included in the notes to the financial statements in chapter X. Other disclosures, "8. Events after the reporting date".

8. REPORT ON OPPORTUNITIES AND RISKS

DESCRIPTION OF THE KEY CHARACTERISTICS OF THE ICS/RMS OF THE PARENT COMPANY AND THE ENTIRE GROUP

Internal control system (ICS)

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

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

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

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

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

KEY CHARACTERISTICS OF THE ACCOUNTING-RELATED INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The objective of the internal control and risk management system regarding the (Group) accounting process is to ensure that accounting is performed in a uniform manner and in compliance with the legal requirements, the principles of proper accounting and the International Financial Reporting Standards (IFRS) as well as internal (Group) guidelines and that the recipients of the consolidated and separate financial statements are provided with accurate and reliable information. To this end, PNE has set up an accounting-related internal control and risk management system comprising all relevant guidelines, procedures and measures.

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

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

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

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

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

Risk management

The risk policy of the Group and of the Company forms part of the corporate strategy and is aimed at securing the substance of the Group as well as the Company and simultaneously at increasing their value systematically and continuously. The risk management system is integrated largely into the existing corporate organisation. This helps to avoid double activities and parallel organisational, decision-making and reporting structures. This also ensures that the central risks are dealt with on a regular basis at the management levels.

The risk strategy is based on a valuation of the risks as well as the opportunities related thereto. In the areas of key competence of the Group and of the Company we focus on appropriate, visible and controllable risks if they simultaneously lead to an appropriate income or are unavoidable. In certain cases, we transfer risks in supporting processes to other risk areas. Other risks, which have no connection with key and/or support processes, are on the other hand avoided insofar as this may be possible. In addition, the majority of the risks are project-specific and/or region-specific risks, which are predominantly dealt with on a decentralised basis in the respective departments and divisions. This has proved its worth.

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

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

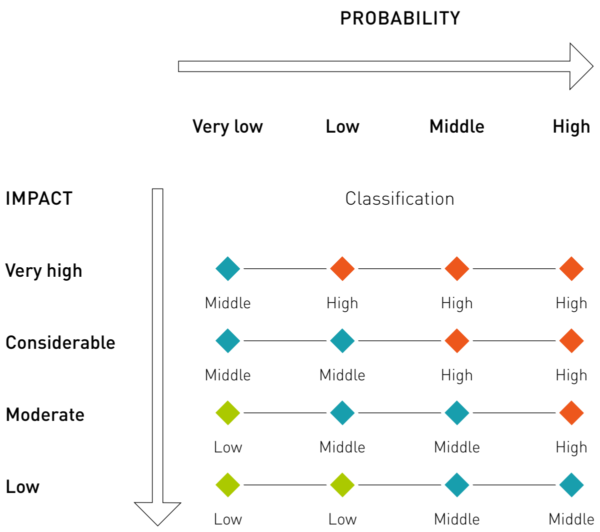
Classification of probability

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

Classification according to the degree of influence

Expected impact in TEUR	Degree of impact
TEUR 0 to TEUR 250	Low
>TEUR 250 to TEUR 1,000	Moderate
>TEUR 1,000 to TEUR 2,000	Considerable
>TEUR 2,000 to TEUR 40,000	Very high

Based on the combination of the expected probability of occurrence and the expected impact of the risk, risks are classified as "high", "medium" and "low" in accordance with the risk management definitions.



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

Overall, risk management is integrated into the company's routine processes. Reporting takes place from the employee level to the Board of Management level. Possible risks are thus identified at the working level and discussed and assessed promptly in the teams, departments and divisions. Where appropriate, measures to deal with the respective risks are already adopted at this level. If necessary, any issues regarding the handling of risks are submitted to the Board of Management or by the Board of Management to the Supervisory Board. In addition, in the case of fundamental and cross-divisional risks, working groups consisting of in-house experts are formed in order to work out solutions to such issues in regular consultations or as required.

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

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

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

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

- The effects of the acquisition of shares by Photon Management GmbH with the thresholds for exercising termination rights under financing agreements if the thresholds have been exceeded or might be exceeded as a result of a change of control.
- Possible risks that may arise from the ongoing constitutional complaint against the Offshore Wind Energy Act.
- Risks that may arise from the ongoing tax audit at WKN GmbH.
- Possible risks which may arise from the lack of grid capacities in Germany and abroad.
- Possible technical risks which may arise from our own operation of wind farms and which could negatively influence the expected results.
- Particular importance is given to compliance with the regulations of the German Corporate Governance Code as amended. However, risks may also arise from non-compliance with the regulations and the internal guidelines by individuals.

ASSESSMENT OF RISKS AND OPPORTUNITIES

In the opinion of the Board of Management, the scope and the potential of risks have not changed significantly versus December 31, 2018, except for the changes mentioned below. From the Board of Management's viewpoint, the future prospects for the development of the Group and PNE AG are good in light of the global development of climate protection and the expansion of wind and photovoltaic energy as well as the well-filled project pipeline for wind energy and photovoltaic projects. A positive development of the Company can thus be expected in the coming fiscal years according to the estimates of the Board of Management. Based on the positive economic situation as at December 31, 2019, no individual risk represents a material threat to the Group, even though risks could have a financial impact in the upper single-digit million range (the risk arising from the tax audit at WKN GmbH) to the lower double-digit million range (the risk from the write-downs of offshore inventories or the exercise of termination rights under financing agreements due to a change of control) and are therefore classified as high. Thus, from the viewpoint of the Board of Management, there are no risks threatening the existence of the Company.

General factors

As a result of its business activities, the Group and the individual consolidated companies are exposed to risks which are inseparable from its entrepreneurial activities. Through our internal risk management system, we minimise the risks associated with our business activity and invest only if a corresponding benefit can be created for the Company while maintaining a manageable risk. Risk management is a continuous process. Based on the analysis of the existing core processes, the identified risks are evaluated. A risk report is submitted regularly to the Board of Management and to the Supervisory Board. Unless otherwise indicated below, the assessment of the risks has not changed significantly compared to December 31, 2018. The implementation of the strategic expansion of the business model to include other clean energies and storage technologies may entail additional risks.

General explanations on the assessment of risks

Unless otherwise stated below, the relevant risk is classified with a very low to low probability and a low to moderate impact on the future net assets, financial position and results of operations of PNE AG and the Group. The occurrence of such a risk would have an impact of euro 0 to 1 million on the net assets, financial position and results of operations. These risks would have to be classified as low to medium according to the risk classification. The main risks are described at the beginning of each chapter.

Risks from operating activities

A typical risk is the approval risk of projects both in established and in new markets. In the event of time delays regarding permits, the negative outcome of tenders or significant shifts in the demand/supply relationship due to market-based support mechanisms, this can lead to postponements in the flow of liquidity, higher prepayment requirements as well as the loss of planned inflows of funds. Furthermore, projects can become uneconomical in such cases, which can lead to the write-off of work in progress which has already been capitalised. Apart from the inventories, this risk can also have an effect on the value of receivables. Risks may also arise regarding the balance sheet values of onshore and offshore projects in Germany and abroad if projects become uneconomical or realisation is not possible. However, the operative opportunities in the area of project development of onshore and offshore wind farm or photovoltaic plants on land can only be realised if such entrepreneurial risks are taken.

Delays in project implementation may arise, inter alia, due to the intensive environmental impact assessments required today, the uncertain timing of the granting of permits and grid connection commitments, possible appeals/complaints against permits already granted or collective actions, the timely availability of wind power turbines or solar panels or the timely availability of other necessary preconditions and components required for the construction of a wind farm or photovoltaic park. Through comprehensive project controlling, the Company attempts to take these complex requirements into consideration at the right time.

The number of suitable sites in Germany for the construction of renewable energy power plants is limited. In the future, this might result in increased competition for these sites and thus higher acquisition costs as well as higher operating costs, such as compensation for use of sites, which would reduce the achievable contribution margin accordingly.

Within the context of project realisation, the Company must rely on its ability to cover its capital requirements resulting from the liabilities arising in the future or which may become due in the future. Furthermore, additional capital requirements might arise if and to the extent that PNE AG should be required to honour guarantees granted by it indirectly or directly or to fulfil comparable commitments or if other risks described in this section materialise.

As with all enterprises that develop projects with clean energies, a risk for future development lies in the financing and sale of projects. In order to counter this risk, PNE has relied on the sales channel of "individual and large investors" for several years as well as on the erection and distribution of portfolios of already commissioned wind farms. However, negative effects from rising rates of interest on project marketing cannot be ruled out, since rising interest rates lead to higher project costs. In addition, rising capital market interest rates can simultaneously lead to declining sales prices, since the requirements of the individual and large investors for a return on the project may increase in this case. Risks in respect of project realisation could result from a financial crisis and the reluctance resulting therefrom on the part of the banks with regard to project financing.

Financing risks also exist on the part of our partner companies (Ørsted, formerly DONG Energy, Vattenfall) with regard to offshore wind farm projects. Depending on the progress of the project, payments will still be due to PNE AG for the "Atlantis I" and "Gode Wind 4" projects. The purchasers of the projects have not yet taken a decision to construct the projects. It is not certain that these projects will be realised and that PNE AG will still receive any payments in this context.

Risks for the further development and realisation of projects by partner companies will also arise from the project pipeline sale in Great Britain in 2015. Milestone payment might result from this sale. It is not certain that these milestone payments will be made, since they depend, inter alia, on market conditions (e.g. the Brexit effects) and buyer activity.

A supplier risk exists in the wind power turbine sector due to the worldwide demand in relation to the available capacities. Delivery bottlenecks cannot be excluded in the event of further increases in international demand. Such delivery bottlenecks could lead to delays in the realisation of wind farm projects. The Company therefore attaches great importance to concluding delivery contracts with well-known manufacturers of wind power turbines and sub-suppliers (e.g. of foundations) as early as possible and to agreeing on timely delivery. The supplier risks in the photovoltaics segment are significantly lower. Country-specific and seasonal module bottlenecks, for example, are largely known and depend mainly on the size of the plant and the time available for structural completion.

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

The evaluation of projects for the use of clean energies depends, inter alia, on the assessment of the future development of electricity prices in target countries. Changes in the development of electricity prices can lead to changes in the market situation.

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

The goodwill included in the balance sheet must be reviewed for impairment losses at the end of each year by way of an impairment test. If an impairment should arise in the future, this would have an impact on the asset and earnings situation of the Company.

The credit rating for PNE AG issued by Creditreform was last renewed in April 2019. A project developer could be exposed to negative changes of the rating company's rating due to the long-term project development periods if unforeseen changes in the environment occur. This might have a negative impact on the refinancing costs of the Company in the future.

Interest rate, financing and currency risks

The Group is exposed to interest rate risks, since the Group companies borrow funds at fixed and variable interest rates. The Group manages the risk by maintaining an appropriate ratio between fixed and variable borrowings. This is done using interest rate swaps. The hedging measures are assessed regularly in order to match them to expected interest rates and the readiness to take risks. The hedging strategies are selected on this basis.

The Group grants short-term and long-term loans. All loans granted have a fixed interest rate. This also applies to loans granted to associated companies and joint ventures so that no material effects on the earnings situation of the Company are to be expected for the terms of the loans.

From the issue of the 2018/2023 bond and the covenants concerning the equity ratio included in the bond conditions, increased interest payments could arise prior to the scheduled maturity in the event of a breach of the covenant. The bond will be due for repayment at the beginning of May 2023. As a result of the first-time application of IFRS 16 "Leases", the equity ratio experienced a negative change in the low single-digit percentage range, which does not lead to an increased risk from today's perspective.

At the end of the reporting period, Photon Management GmbH, which is controlled by the US company Morgan Stanley, held more than 30 percent, but less than 50 percent of the shares (voting rights) in PNE AG. Exceeding the 30 percent limit gives bond creditors and lenders a right of termination under certain financing agreements. It remains to be seen to what extent this right will be exercised. If Photon Management GmbH acquires more than 50 percent of the shares, this would open up further termination options under loan agreements for debt financing and guarantee agreements (see also "Events after the reporting date").

The Group is exposed to a counterparty default risk from its operating business and certain financing activities. The default risk arising from financial assets is recognised through appropriate valuation adjustments, taking existing collateral into account. In order to reduce the default risk relating to non-derivative financial instruments, the Group takes various hedging measures, such as obtaining collateral and guarantees where it appears appropriate as a result of creditworthiness checks.

A part of the funds provided to the PNE Group is subject to variable interest rates which are primarily linked to the 3-month EURIBOR or the EONIA. The companies have only partially hedged against rising short-term interest rates.

Part of the liquid funds available to the PNE Group is subject to negative interest on the companies' bank accounts. The companies try to avoid negative interest by investing money in short- and medium-term investments, some of which do not generate a negative return.

In order to guarantee the Group's ability to pay its debts at any time and its financial flexibility, revolving liquidity plans are prepared, which show the inflow and outflow of liquidity both in the short term and in the medium and long terms. Liquidity risks for the financing of the operating business during the course of the year exist, in particular, if the closing of project sales through direct sales to external investors is delayed.

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

The projects in the international sector may entail medium- and long-term currency risks. In the operating field, foreign currency risks result primarily from the fact that planned transactions are undertaken in a currency other than the euro. With regard to investments, foreign currency risks may arise mainly from the acquisition or divestment of foreign companies. The Group companies aim to settle transactions in euro as far as possible. Otherwise, they intend to hedge, as far as feasible and economically sensible, major foreign currency transactions outside the Group by means of currency hedging transactions in good time before the date of the respective transactions.

Political risks/market risks

Due to the EEG amendments adopted in 2016 and the new WindSeeG, the risks for further offshore projects developed by PNE increased significantly at the end of 2016. As a result of the above-mentioned amendments to the law, the implementation of the projects has been significantly delayed or might be completely prevented. Pursuant to two legal opinions, parts of the WindSeeG are unconstitutional. The main reason is that this Act invalidates bona-fide investments which the Company had already made in the past, without any provisions concerning compensation payments, based on retrospective effect which is not admissible on the basis of German constitutional law. On the basis of this assessment, the Board of Management of PNE AG is of the opinion that these parts of the legislation are unconstitutional and will ultimately not last. At the end of July 2017, PNE AG, Zweite Nordsee Offshore Holding GmbH (STRABAG Group) and International Mainstream Renewable Power Limited – via their respective project companies – submitted a joint constitutional complaint to the Federal Constitutional Court against some of the new legal regulations. On January 31, 2019, the draft 2019 land development plan (version of October 26, 2018) was discussed for the last time. In zone 3, this plan provides for an expansion by 2 GW in addition to the 15 GW already included. In addition, the 2019 land development plan also defines zone 3 as a priority zone for the further expansion of offshore wind energy beyond 17 GW. Therefore, it is likely that the "Atlantis" II and III projects will be realised. Zone 4 has not yet been affected by the provisions of the 2019 land development plan. In accordance with the current regulatory requirements, it has become less likely that the offshore projects "Jules Verne", "Nautilus" and "Nemo", which are located in zone 4, will be realised. In line with the situation described above, no value adjustments have been made so far to the inventories of the offshore projects "Atlantis II" and "Atlantis III". The consolidated balance sheet as at December 31, 2019 includes assets of euro 15.5 million and provisions of euro 1.1 million relating to the offshore projects "Atlantis II" and "Atlantis III". The probability of such risks occurring regarding these project assets is considered to be low to medium, but the impact of occurrence to be very high. The occurrence of such a risk would have an impact of up to euro 14.4 million on the net assets, financial position and results of operations. The risk must therefore be classified as "high" in accordance with the risk management definition.

Incalculable risks can also affect the market from outside. These include, in particular, sudden changes in the general legal conditions in Germany or in PNE's foreign markets. The Board of Management of PNE AG is of the opinion that wind farms and photovoltaic parks can be developed and operated economically based on fees that are currently applicable or achievable in tenders and based on the legal framework. The general conditions in the countries in which PNE is active or plans to become active in the future are reviewed regularly in order to be able to react promptly to possible changes and to minimise risks.

A revision of the Renewable Energy Sources Act (EEG) is planned for 2020. Changes to the previous regulatory framework may affect the operating business.

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

Health risks

Health risks such as epidemics or pandemics can affect the operating business by causing delays in approval processes and in the realisation of projects. In extreme cases, delays can lead to the loss of permits or contracts awarded in tenders. At present, however, the Company is only expecting time delays and, thus, shifts within the year 2020 or from one year to the next (2020 to 2021 or 2021 to 2022). Should such events have a significant impact on the general economic and financial situation, this could also lead to investor risks and higher demands on return on the part of investors.

Specifically, the Company has received notifications from various wind turbine manufacturers that the delivery of wind power turbines or spare parts could be postponed. Some of these would be produced in China, where the outbreak of the COVID-19 virus (coronavirus) has led to the temporary closure of production facilities and resulting cuts in production.

The Group is currently in such a good financial position that a loss of earnings would have no significant impact on the short- and medium-term continuation of business operations (going concern). However, a possible impact on the Group guidance cannot be ruled out in the event of postponement of project sales ("project development" segment) or of revenues in the "service products" segment.

The Company keeps itself continuously informed about existing or future health risks and responds to possible effects on employees. Among other things, there is the possibility of working at home. In individual cases, travel to countries with a high risk of infection may be prohibited and orders may be issued to avoid large crowds, as is currently the case.

Legal risks

All recognisable risks are constantly reviewed and are taken into consideration in this report as well as in corporate planning. These also include risks from proceedings that have not yet been finally concluded.

Tax risks

There are tax risks from the corporate, trade and sales tax field audit at WKN GmbH for the years from 2010 to 2013 and 2014 to 2016. These audits have not yet been completed finally. Based on the discussions between the management of WKN GmbH and its tax advisors on the one hand and the tax authorities on the other, there are different views regarding the tax treatment of individual items of the years 2010 to 2013. Possible findings of the tax audit for 2010 to 2013 might have an impact on the net assets, financial position and results of operations of WKN GmbH and the PNE Group in the single-digit million range. Based on the current state of knowledge, the Board of Management of PNE AG continues to assume that the tax-related presentation of the issues is accurate. Taxes were paid for individual selected issues addressed in the context of the tax audit. However, for the economically predominant part of the issues raised during the tax audit for 2010 to 2013, the Board of Management still sees no reason to recognise a provision in the consolidated balance sheet as at December 31, 2019. Should the findings of the tax audit for 2010 to 2013 be negative, the Company would file a lawsuit against the ruling in respect of the economically predominant part of the issues. Even if a provision were formed covering all aspects of the tax audit, this would have no effect on the published guidance as possible effects on earnings would be reported under tax and interest expenses and thus outside EBITDA and EBIT. The probability of such risks occurring is regarded as low, but the impact of occurrence as serious. The occurrence of such a risk would have an impact of up to a further euro 7.1 million, in addition to the provisions already made, on the net assets, financial position and results of operations. The risk must therefore be classified as "high" in accordance with the risk management definition.

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

Opportunities

As a developer of onshore and offshore wind farms as well as of photovoltaic parks on land, PNE is active in an international growth market. Independent studies assume high rates of growth for wind energy during the next few years due to the finite availability of fossil fuels, the pressure to reduce dangerous climate emissions as well as the requirement for secure sources of energy. The successful conclusion of the World Climate Change Conferences 2015 in Paris and 2018 in Katowice has shown that the need for an energy revolution has been recognised worldwide. From their many years of activity in the market, the companies of the PNE Group have the prerequisites and experience needed to benefit over the long term from this development.

PNE AG has been continuing the constant further development of its business model, inter alia, with a subsidiary in which, following the successful realisation of the first wind farm portfolio in the years 2014–2016, completed and commissioned onshore wind farms with a total capacity of 95.7 MW were bundled by 2020. For the time being, PNE will remain directly involved and will thus benefit from future earnings as well as operations management services.

Particular opportunities are offered by the Group's foreign activities and by potential new markets as well as the expansion of the business model to include additional clean energies and storage technologies as well as new markets. PNE is already active in a number of attractive growth markets. The focus of expansion is primarily on countries with stable political conditions and reliable remuneration and promotion regulations or on countries with relatively high market potential. This also includes new markets with significantly rising electricity requirements. In order to sufficiently take into consideration the corresponding local conditions, the market introduction mostly takes place in cooperation with a local partner. This type of internationalisation has proved itself to be a cost-efficient and promising strategy. PNE will continue to pursue this proven policy of selective international expansion and will decisively exploit existing market opportunities.

PNE's core competence lies in the project development, construction, operation and repowering of wind farm projects as well as the project development of photovoltaic parks at a high international level. These skills can be leveraged in other foreign markets offering potential for expansion. These markets are therefore monitored continuously and opportunities for a possible market entry are carefully examined.

In addition to the opportunities of internationalisation, the established German market for wind energy, both onshore and offshore, as well as for photovoltaic projects on land, offers a range of perspectives. The climate objectives of the German government and the necessity of increasing the security of supply require the accelerated expansion of renewable energy projects both on land and on at sea. PNE is distinguished by the fact that it has already realised six offshore wind farm projects through the whole process up to approval by the Federal Office for Shipping and Hydrographics. Four of these wind farms have already been completely built and put into operation by the purchasers. We have developed a high level of competence in the area of offshore project development, which can also be transferred to our international markets. We are therefore examining the possibilities of developing offshore wind farms in the USA and in other countries.

The growth of the wind energy sector in Germany also offers additional prospects for the provision of services over the entire life cycle of wind farm assets. PNE considers itself to be a reliable partner for developers and operators of wind farms and, following the sale of the wind farms, it provides technical and commercial operations management services in many cases. This area is being expanded continuously in a focused manner. For this reason, services have already been provided in project development, construction management and project financing.

The Group has gained a strong position in the field of technical and commercial operations management with energy consult GmbH, which provides services for wind power turbines with a nominal capacity of more than 1,600 MW, a large number of transformer stations as well as several photovoltaics plants. With its headquarters in Cuxhaven and its business establishment in Husum, energy consult GmbH offers technical operations management services in the German and international markets.

Optimised strategy

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

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

Project development and portfolio

Project development continues to be the core business. This includes, among others, the development of high-quality projects, the successful establishment of a wind farm portfolio operated by the Company and cross-technology projects.

Technologies

In addition to wind energy, photovoltaics, storage solutions and power-to-gas will be key components of the corporate strategy in the future. This will be the first step into the segments of mobility and heating from clean energies. This also includes the development of power-to-gas projects, inter alia, regarding hydrogen production. Based on the combination of wind farms, photovoltaic systems and storage solutions, PNE also wants to develop power plants and island solutions, i.e. self-sufficient clean energy systems that are independent of the electricity grid, in the future.

Markets

In addition to the established markets for wind energy in Europe and America such as Germany, France or the USA, PNE will in future also focus on new markets, for example, in Latin America, the Middle and Far East as well as in Africa, provided that they offer great potential for the development of clean energies. Such markets are characterised by growing energy requirements. Cooperation with experienced partners ensures secure market entries in these countries.

Services

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

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

Energy supply management

In addition, we want to tap further margin potential by optimising the sale of electricity and gas from clean energies. First contracts were concluded in 2019.

Realisation/Smart Development

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

Risk minimisation and new potentials

With this new strategy, we can minimise market risks and open up new potentials and markets for PNE. After a transitional phase, in which investments will pave the way for the implementation of the strategy, this is expected to lead to an increase in average operating results by 2023 and to a stabilisation of the previously very volatile results. With our "Scale up" programme, we continue to focus on our core competencies and will open up further elements of the value chain.

9. FORECAST REPORT

The PNE Group is an internationally operating enterprise and one of the most experienced project developers of clean energy projects on land and at sea. We combine economic success with ecological responsibility. We offer services covering the entire value-added chain, ranging from the development, planning, realisation, sale and operation of wind and photovoltaic farms as well as transformer stations to repowering – i.e. the replacement of older wind power turbines by new modern equipment. We also offer our skills acquired in this context as a service provider to third parties. This extended approach towards customers is part of the strategic orientation to develop into a "Clean Energy Solution Provider".

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

After the successful construction of wind farms in the last few years, we have achieved the goal of realising a new portfolio comprising wind farms with a total capacity of 130.1 MW. These completed wind farms will be operated by the Company itself to generate current income from the sale of electricity.

In addition, the combination of power plants with clean energies and storage technologies is an issue of the future. We have therefore expanded the strategic orientation of the Group via the "Scale up" concept. The operative business will be realigned, and the activities will be placed on a significantly broader basis, both nationally and internationally. Our objective is to develop

PNE from a wind farm specialist into a broad-based provider of clean energy solutions. The fundamentals of this expanded strategy of a "Clean Energy Solution Provider" are the expansion of our range of services and the development of new markets and technologies.

With this new strategic orientation, we are responding to changes in the clean energy markets. While clean energies will grow dynamically worldwide in the coming years, countervailing trends can be observed in individual established markets. Subsidies for wind energy are being reduced, remuneration systems are being converted to tenders (more electricity purchase agreements are being put out to tender by individual companies) or other market mechanisms, and the expansion of wind energy in some countries is being limited as a result. This increases competitive pressure. The optimisation of the costs associated with a project is therefore becoming increasingly important. We will also focus on photovoltaic projects and hybrid solutions as well as storage technologies.

Based on this broader position, we are minimising market risks, opening up new potentials and markets for PNE and, in the medium term, we will stabilise primarily the, to date, volatile results.

After a transitional phase, in which investments will pave the way for the implementation of the "Scale up" programme, this is expected to lead to an increase in average operating results (EBIT) by 2023. Due to the larger number of internally operated wind farms, this strategic goal can be envisaged earlier, i.e. as of 2022.

The following forecasts are based on the results derived

- » from the implementation of operationally planned projects in Germany and abroad (onshore, offshore, photovoltaics),
- » from the service business, and
- » from the electricity generation business.

In fiscal 2020, we will have further upfront expenditure in the lower single-digit million range for the strategic expansion of the business model and the preparations for the entry into new markets. At the time of publication of the 2019 annual financial statements in March 2020, we must assume that there may be shifts in the operating business as regards the sale of project rights and project implementation from 2020 to 2021 and from 2021 to 2022 due to the current global spread of the "coronavirus". Nevertheless, we are expecting positive Group EBITDA of euro 15 to 20 million and EBIT of euro 5 to 10 million for our guidance for the 2020 fiscal year.

The MW figures of the project pipeline for onshore wind energy are expected to remain, at least, constant throughout the Group in the 2020 fiscal year as compared to December 31, 2019 (approx. 5,200 MW).

From 2020, PNE AG will control the operating units on the basis of EBT. PNE AG is expecting a positive result in the range of euro 50 to 60 million on an EBT basis (earnings before income taxes and other taxes) for the 2020 fiscal year. This result also includes the expected results of WKN GmbH from the profit and loss transfer agreement with PNE AG planned for 2020.

10. OTHER DISCLOSURES

10.1 TRANSACTIONS WITH RELATED COMPANIES AND PERSONS

For information about relations with related parties, see chapter "X. Other disclosures, no. 3" in the notes to the consolidated financial statements.

10.2 MANAGEMENT DECLARATION (SECTION 289f AND SECTION 315d OF THE GERMAN COMMERCIAL CODE (HGB)

The management declaration, summarised with the declaration pursuant to Section 289f HGB, in accordance with Section 315d HGB is published on our internet site www.pne-ag.com under "Investor Relations" in the Corporate Governance section and can be downloaded there.

10.3 REPORT OF THE BOARD OF MANAGEMENT ON THE RELATIONS WITH AFFILIATED COMPANIES

In accordance with Section 312 of the German Stock Corporation Act (AktG), the Board of Management prepared a report on the relations with affiliated companies for the period from November 27 to December 31, 2019, which includes the following final declaration: "We declare that PNE AG received appropriate consideration for each legal transaction listed in the report on relations with affiliated companies according to the circumstances known to us at the time when the respective legal transactions were carried out."

10.4 SUPPLEMENTARY INFORMATION IN ACCORDANCE WITH SECTION 289a (1) AND SECTION 315a (1) OF THE GERMAN COMMERCIAL CODE (HGB) (TAKEOVER DIRECTIVE IMPLEMENTATION ACT)

Capital situation

As at December 31, 2019, PNE AG had 76,603,334 registered shares with a nominal value of euro 1.00 per share. On December 31, 2019, free float shares (holdings of less than 3 percent of the share capital) amounted to approx. 47.0 percent. One shareholder (Morgan Stanley, Wilmington, Delaware, USA) reported a shareholding of more than 10 percent of the voting rights as at December 31, 2019.

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

Shareholders' rights and obligations

Shareholders have pecuniary and administrative rights.

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

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

Each share grants the holder one vote at the general meeting of shareholders.

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

The appointment and removal of members of the Board of Management are governed by Sections 84 and 85 AktG. The Company's articles of association do not contain any regulations that go beyond Section 84 AktG.

An amendment of the articles of association requires a resolution of the general meeting of shareholders in accordance with Section 179 AktG. Pursuant to Section 15 paragraph 2 of the articles of association, resolutions of the general meeting of shareholders are adopted with a simple majority of votes cast, unless otherwise stipulated by law, and in cases where a majority of capital is required by law in addition to a majority of votes, with a simple majority of the share capital represented during the vote. Thus, amendments to the articles of association pursuant to Section 179 AktG in conjunction with Section 15 (2) of the articles of association generally require a resolution of the general meeting of shareholders with a simple majority of votes; in certain cases, however, a majority of 75 percent is required for amendments to the articles of association.

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

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

The general meeting of shareholders of May 22, 2019 authorised the Company's Board of Management to purchase up to May 21, 2024 on one or several occasion treasury shares in a volume of up to 10 percent of the share capital existing at the time the relevant resolution becomes effective or – if this amount is lower – of the share capital existing at the time this authorisation is exercised, for one or more permissible purposes within the scope of the statutory restrictions in accordance with the following provisions. The shares acquired because of this authorisation, together with other treasury shares that the Company has already acquired and that are owned by or attributable to the Company, may not at any time account for more than 10 percent of the share capital. The acquisition may be carried out by the Company, by dependent companies or companies owned by the Company or by third parties acting for the account of such companies or of the Company if the legal requirements, in particular pursuant to Section 71 (2) of the German Stock Corporation Act (AktG), are met. Pursuant to the authorisation, the acquisition shall be effected at the discretion of the Board of Management via the stock exchange or by means of a public purchase offer addressed to all shareholders or by means of a public invitation to all shareholders to submit offers to sell or by granting rights to tender. In the event of an acquisition via the stock exchange, the purchase price per share (excluding incidental acquisition costs) may not be more than 10 percent higher or lower than the share price determined by the opening auction in the XETRA trading system (or in a successor system replacing the XETRA system) on the Frankfurt Stock Exchange on the day the obligation to purchase is entered into. In the event of an acquisition based on a public purchase offer, the purchase price per share (excluding incidental acquisition costs) may not be more than 10 percent higher or lower than the non-weighted average closing price of the share in the XETRA trading system (or in a successor system replacing the XETRA system) on the Frankfurt Stock Exchange during the last three trading days prior to the first publication of the offer. In the event of an acquisition based on an invitation to submit sales offers or acquisition by granting rights to tender, the purchase price per share (excluding incidental acquisition costs) may not be more than 10 percent higher or lower than the non-weighted average closing price of the share in the XETRA trading system (or in a successor system replacing the XETRA system) on the Frankfurt Stock Exchange during the last three trading days prior to the day of acceptance of the sales offers or the day of granting the rights to tender. If, after the publication of a public purchase offer or a public invitation to shareholders to submit sales offers or after the granting of rights to tender, there are significant deviations from the relevant share price, the offer, the invitation to submit sales offers or the rights to tender may be adjusted. In this case, the closing price in the XETRA trading system on the last trading day prior to the publication of the adjustment shall be decisive; the 10 percent limit is to be applied to this amount. The volume of a public purchase offer or a public invitation to submit sales offers (collectively "public purchase offer") can be limited. If the total number of shares tendered for a public purchase offer exceeds the volume of the shares, the acquisition may be effected in proportion to the number of shares tendered (tender quotas); in addition, a preferential acceptance of small numbers (up to 50 shares per shareholder) and rounding in accordance with commercial principles may be provided for in order to avoid fractional amounts of shares. Any further rights of shareholders to tender shares in accordance with the participation quotas are excluded. The total volume of tender rights may also be limited in the case of the granting of rights to tender. If shareholders are granted preemptive rights for the purpose of acquiring shares, these are allocated to the shareholders in proportion to their shareholdings in accordance with the relationship of the volume of shares to be repurchased by the Company to the outstanding share capital. Fractions of rights to tender do not have to be allocated; in this case, any partial rights to tender are excluded. The Board of Management determines the details of the respective acquisition, in particular, of a purchase offer or invitation to submit sales offers. This also applies to the details of any rights to tender, in particular in respect of the term and, if applicable, their tradability. In this context, capital market law and other legal restrictions and requirements must also be observed.

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

In addition, the general meeting of shareholders of May 22, 2019 authorised the Supervisory Board of the Company to use treasury shares acquired on the basis of the authorisation described above or on the basis of previous authorisations to commit or transfer the shares to current and/or future members of the Company's Board of Management as a remuneration component in the form of a share bonus to the extent permitted by law. This must be subject to the condition that the further transfer of the shares by the respective member of the Board of Management within a period of at least four years from the commitment or transfer (lock-up period) and the conclusion of hedging transactions by which the economic risk from the price trend is transferred in part or in full to third parties for the duration of the lock-up period are not permitted. The commitment or transfer of shares is to be based in each case on the current stock exchange price, using an average assessment to be determined by the Supervisory Board. This authorisation may also be exercised once or several times, in whole or in part, individually or jointly. In addition, the shareholders' subscription right is excluded to the extent that treasury shares are used in accordance with the authorisation granted by the Supervisory Board.

In the reporting period, neither the Board of Management nor the Supervisory Board made use of the authorisation to acquire and use treasury shares, which was granted by the general meeting of shareholders on May 22, 2019. Likewise, the Board of Management and the Supervisory Board have not made use of the authorisation to acquire and use treasury shares, which was granted by the general meeting of shareholders on May 31, 2017 and revoked by a resolution of May 22, 2019 and still existed in the reporting period.

As at December 31, 2019, the Company held 266,803 (prior year: 2,189,853) treasury shares, which it acquired in 2018 using the authorisation existing at the time on the basis of a share buyback offer to all shareholders. In the 2019 fiscal year, 1,923,050 treasury shares were used for the conversion rights exercised under the 2014/2019 corporate bond.

Furthermore, the Board of Management was authorised by a resolution of the general meeting of shareholders of May 15, 2012 to issue up to May 14, 2017, with the approval of the Supervisory Board, convertible and/or option bonds on one or several occasions in a total nominal amount of up to euro 50,000,000.00 with a maximum term of 20 years. At the same time, the Company's share capital was increased conditionally by up to a further euro 7,750,000.00 (Conditional Capital II/2012). In 2014, the Board of Management made use of the authorisation granted in the context of Conditional Capital II/2012, which expired on May 14, 2017, by issuing the convertible bond 2014/2019.

In the reporting period, conversion rights for 45,531 shares were exercised (prior year: 1,777) and 45,531 new shares (prior year: 1,777) were issued from Conditional Capital II/2012. Following the exercise of these conversion rights, there are no longer any subscription rights granted and still outstanding as part of the 2014/2019 convertible bond so that a further issue of shares from Conditional Capital II/2012 is no longer possible.

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

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

As at December 31, 2019, the Authorised Capital 2017 therefore existed in its entirety in the amount of euro 38,250,000.00.

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

Corporate bond 2018/2023

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

On December 19, 2019, the Company announced that such a change of control within the meaning of the bond conditions occurred on December 17, 2019. The background to this was that Photon Management GmbH, Frankfurt am Main, Germany, controlled by Morgan Stanley, Wilmington, Delaware, USA, announced that it had been the legal or beneficial owner of a number of shares representing more than 30 percent of the voting rights since midnight on December 12, 2019. Due to the resulting change of control, the Company granted the creditors of the 2018/2023 corporate bond the right of termination, which is provided for in the bond conditions. The "change of control" termination right can be exercised by any bondholder by submitting a proper declaration of exercise, effective as of February 6, 2020, which must be submitted to the paying agent by midnight on January 27, 2020 at the latest.

IKB loan agreements with PNE WIND West Europe GmbH and PNE Power Generation GmbH

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

Debt financing agreements for wind farm projects and guarantee credit lines in the Group

A change of control as defined by the agreements, if the limit of 50 percent is exceeded, grants the lenders a right of termination under certain debt financing agreements for wind farm projects and guarantee credit lines of PNE AG and WKN GmbH.

Other agreements

Apart from that, neither PNE AG nor the companies included in the consolidated financial statements have concluded any other significant agreements which are subject to the condition of a change of control as a result of a takeover offer. In the event of a change of control at the Company, the members of the Board of Management have a special right of termination, which they can exercise during the two months following the occurrence of the change of control (excluding the month in which the change of control occurred), with a notice period of 14 days to the end of the relevant month. A change of control event granting a special right of termination occurs, if a third party notifies the Company in accordance with Section 33 WpHG (until January 2, 2018, Section 21) that it has reached or exceeded a participation of 50 percent in the voting shares of the Company. If the special right of termination is exercised, the Board of Management members are entitled to their fixed salary pursuant to the relevant employment contract for the remainder of the contract term; this is to be paid out at the end of the contract in one amount, which shall not be discounted. In the event of a change of control, the members of the Board of Management, should they exercise their special right of termination, are also entitled to a special bonus of 100 percent of the management bonus to be expected up to the end of the contract. In any case, however, the payments to be made to the members of the Board of Management are limited to 150 percent of the severance payment cap (twice the amount of the total remuneration actually received by the respective Board member in the last full fiscal year – including the bonus payments made in this fiscal year for previous fiscal years – plus the provisions/liabilities formed for long-term bonus components).

10.5 REMUNERATION REPORT

The fixed remuneration paid to the Supervisory Board members during the fiscal year 2019 amounted to euro 511 thousand (prior year: euro 530 thousand).

Pursuant to the articles of association, the Chairman receives euro 120 thousand, the Deputy Chairman euro 90 thousand and the other members of the Supervisory Board euro 60 thousand as fixed remuneration. In addition, each member of the Supervisory Board receives euro 1 thousand per meeting. The Chairman of the Audit Committee receives fixed remuneration of euro 30 thousand and each other member of the Audit Committee euro 15 thousand as additional remuneration. The chairpersons of other Supervisory Board committees receive additional remuneration of euro 20 thousand. The total remuneration of the Supervisory Board in the 2019 fiscal year amounted to euro 640 thousand (prior year: euro 630 thousand). In addition, the Company bears the cost of directors' and officers' liability insurance for all members of the Supervisory Board.

in TEUR	Fixed remuneration 2019	Attendance fee 2019	Total remuneration 2019
Mr. Pedersen	140.0	22.0	162.0
Mr. Dr. Kruse	105.0	24.0	129.0
Mr. Egger	90.0	23.0	113.0
Mr. Schuhbauer	66.3	23.0	89.3
Mr. Rohardt	60.0	22.0	82.0
Mrs. Dr. Zapreva	50.0	15.0	65.0
	511.3	**129.0**	**640.3**

For their activity during the fiscal year 2019, the members of the Board of Management received total remuneration (including accrued liabilities for bonuses) of euro 2,269 thousand (prior year: euro 2,254 thousand).

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

	Benefits granted Total Management Board				**Allocation** Total Management Board	
in TEUR	**2018**	**2019**	**2019 (Min)**	**2019 (Max)**	**2018**	**2019**
Fixed remuneration	885	821	821	821	885	821
Fringe benefits	79	76	76	76	79	76
Total	**964**	**897**	**897**	**897**	**964**	**897**
One-year variable remuneration	560	554	0	554	598	664
Multi-year variable compensation	730	818	0	818	487	876
for the 2017–2019 period	0	183	0	183	487	60
for the 2018–2020 period	730	0	0	0	0	730
for the 2019–2021 period	0	635	0	635	0	86
Service costs	0	0	0	0	0	0
Total	**1,290**	**1,372**	**0**	**1,372**	**1,085**	**1,540**
Pension payments	0	0	0	0	0	0
Total compensation	**2,254**	**2,269**	**897**	**2,269**	**2,049**	**2,437**

The remuneration of the members of the Board of Management is composed of a fixed and a variable salary portion. The fixed portion consists of the fixed salary and ancillary benefits (mainly contributions to health insurance and pension fund contributions) as well as benefits in kind from the use of a company car. This portion is paid monthly. The variable portion of the salary of Board of Management members is divided into short-term and long-term parts. The short-term part is based on the attainment of certain targets in the current fiscal year, and the long-term part is based on the attainment of targets over several years. The long-term part of variable remuneration amounts to 55 percent and the short-term part to 45 percent of the possible variable salary (from January 1, 2020: 60 percent of the long-term and 40 percent of the short-term portion). The Supervisory Board agrees the short- and long-term targets with the Board of Management. Previously, the short-term target has been the expected Group EBIT or EBT for the next fiscal year (from January 1, 2020: one short-term financial indicator target such as the expected Group EBITDA, Group EBIT or Group EBT for the next fiscal year and one or two further personal targets to be defined in each case). Should the short-term target not be achieved 100 percent, the share of this target in the short-term variable remuneration is not paid out or is only paid out in proportion to the degree of attainment of such target (from January 1, 2020: the short-term personal targets can only be achieved 100 percent or not achieved; the financial indicator target can also be achieved proportionally). The long-term targets are based on indicators that support the future economic development of the Company, such as the expected three-year Group EBITDA, Group EBIT or Group EBT (from January 1, 2020: in addition to the aforementioned financial indicators, the average weighted share price at the end of the three-year measurement period is included as a long-term target in the contracts with the members of the Board of Management). The variable salary portion linked to the targets covering several years is paid out at the end of a fiscal year; however, it is subject to repayment, in whole or in part, depending on the degree of non-attainment of the long-term target over several years; the repayment can also be made by offsetting against the claims then due. If more than 100 percent of the target is achieved, an additional bonus payment is made for both short-term and long-term targets or, if applicable, a special payment if the long-term target is the share price performance. The salaries of the members of the Board of Management are subject to a cap on the total remuneration per year. As regards the remuneration of the Board of Management members, fixed and variable remuneration from Group activities, e.g. Supervisory Board fees at subsidiaries, are included in the cap for the remuneration of the Board of Management. No stock options were granted to the members of the Board of Management.

In the event of a change of control at the Company, the members of the Board of Management have a special right of termination, which they can exercise during the two months following the occurrence of the change of control (excluding the month in which the change of control occurred), with a notice period of 14 days to the end of the relevant month. A change of control event granting a special right of termination occurs, if a third party notifies the Company in accordance with Section 33 WpHG (until January 2, 2018, Section 21) that it has reached or exceeded a participation of 50 percent in the voting shares of the Company. If the special right of termination is exercised, the Board of Management members are entitled to their fixed salary pursuant to the relevant employment contract for the remainder of the contract term; this is to be paid out at the end of the contract in one amount, which shall not be discounted. In the event of a change of control, the members of the Board of Management, should they exercise their special right of termination, are also entitled to a special bonus of 100 percent of the management bonus to be expected up to the end of the contract. In any case, however, the payments to be made to the members of the Board of Management are limited to 150 percent of the severance payment cap (twice the amount of the total remuneration actually received by the respective Board member in the last full fiscal year – including the bonus payments made in this fiscal year for previous fiscal years – plus the provisions/liabilities formed for long-term bonus components).

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

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

	Benefits granted Markus Lesser Chief Executive Officer (CEO) Member of the Board since 1.4.2011				Allocation Markus Lesser Chief Executive Officer (CEO) Member of the Board since 1.4.2011	
in TEUR	**2018**	**2019**	**2019 (Min)**	**2019 (Max)**	**2018**	**2019**
Fixed remuneration	350	350	350	350	350	350
Fringe benefits	24	25	25	25	24	25
Total	**374**	**375**	**375**	**375**	**374**	**375**
One-year variable remuneration	215	236	0	236	236	215
Multi-year variable compensation	289	352	0	352	193	289
for the 2017–2019 period	0	63	0	63	193	0
for the 2018–2020 period	289	0	0	0	0	289
for the 2019–2021 period	0	289	0	289	0	0
Service costs	0	0	0	0	0	0
Total	**504**	**588**	**0**	**588**	**429**	**504**
Pension payments	0	0	0	0	0	0
Total compensation	**878**	**963**	**375**	**963**	**803**	**879**

	Benefits granted Jörg Klowat Chief Financial Officer (CFO) Member of the Board since 1.4.2011				Allocation Jörg Klowat Chief Financial Officer (CFO) Member of the Board since 1.4.2011	
in TEUR	**2018**	**2019**	**2019 (Min)**	**2019 (Max)**	**2018**	**2019**
Fixed remuneration	315	315	315	315	315	315
Fringe benefits	32	33	33	33	32	33
Total	**347**	**348**	**348**	**348**	**347**	**348**
One-year variable remuneration	196	213	0	213	213	195
Multi-year variable compensation	260	320	0	320	173	260
for the 2017–2019 period	0	60	0	60	173	0
for the 2018–2020 period	260	0	0	0	0	260
for the 2019–2021 period	0	260	0	260	0	0
Service costs	0	0	0	0	0	0
Total	**456**	**533**	**0**	**533**	**386**	**455**
Pension payments	0	0	0	0	0	0
Total compensation	**803**	**881**	**348**	**881**	**733**	**803**

	Benefits granted Kurt Stürken Chief Operating Officer (COO) Member of the Board since 16.9.2016 until 15.9.2019				Allocation Kurt Stürken Chief Operating Officer (COO) Member of the Board since 16.9.2016 until 15.9.2019	
in TEUR	**2018**	**2019**	**2019 (Min)**	**2019 (Max)**	**2018**	**2019**
Fixed remuneration	220	156	156	156	220	156
Fringe benefits	23	18	18	18	23	18
Total	**243**	**174**	**174**	**174**	**243**	**174**
One-year variable remuneration	149	105	0	105	149	254
Multi-year variable compensation	181	146	0	146	121	327
for the 2017–2019 period	0	60	0	60	121	60
for the 2018–2020 period	181	0	0	0	0	181
for the 2019–2021 period	0	86	0	86	0	86
Service costs	0	0	0	0	0	0
Total	**330**	**251**	**0**	**251**	**270**	**581**
Pension payments	0	0	0	0	0	0
Total compensation	**573**	**425**	**174**	**425**	**513**	**755**

Cuxhaven, March 19, 2020

Board of Management

CONSOLIDATED FINANCIAL STATEMENTS

OF PNE AG, CUXHAVEN, FOR THE 2019 FISCAL YEAR

CONTENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

OF PNE AG, CUXHAVEN, FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2019

in TEUR (differences due to rounding possible)	Notes	2019	2018
1. Revenues	VI.1.	132,796	91,379
2. Increase in finished goods and work in process	V.4.	36,577	15,056
3. Other operating income	VI.2.	4,659	5,348
4. Total aggregate output		**174,033**	**111,782**
5. Cost of materials		-92,961	-36,696
6. Personnel expenses	VI.3.	-30,600	-27,780
7. Amortisation of intangible assets and depreciation of property, plant and equipment, right-of-use assets	IV.3./V.1./V.2.	-12,597	-8,680
8. Impairment on offshore inventories	V.4.	0	-10,753
9. Other operating expenses	VI.4.	-18,885	-20,056
10. Impairment expense - goodwill	IV.3./V.1.	-26	-28
11. Operating result		**18,964**	**7,789**
12. Income from participations		79	107
13. Other interest and simlilar income	VI.5.	582	787
14. Income from assumption of profits of associates		32	0
15. Amortisation of financial assets		-58	-26
16. Expenses from assumption of losses of associates		-21	-66
17. Interest and similar expenses	VI.6.	-12,267	-10,593
18. Result before Taxes		**7,312**	**-2,002**
19. Taxes on income	VI.7.	-5,773	50
20. Other taxes		-192	-453
21. Consolidated net profit / loss before non-controlling interests		**1,347**	**-2,405**
22. Non-controlling interests in the result	V.7.	655	-1,361
23. Consolidated net income		**692**	**-1,044**

in TEUR (differences due to rounding possible)	**Notes**	**2019**	**2018**
Other comprehensive income / items that may be reclassified in the future in the profit and loss account			
24. Foreign currency translation differences		-435	523
25. Others		0	0
26. Other comprehensive income for the period (net of tax)		**-435**	**523**
27. Other comprehensive income for the period (net of tax)		**912**	**-1,882**
Consolidated profit/loss for the period attributable to:			
Owners of the parent company		692	-1,044
Non-controlling interests		655	-1,361
		1,347	**-2,405**
Total comprehensive income for the period attributable to:			
Owners of the parent company		258	-521
Non-controlling interests		655	-1,361
		912	**-1,882**
Weighted average of shares in circulation (undiluted) (in thousands)	VI.8.	74,845	76,454
Undiluted earnings per share from continuing operations in EUR		0.01	-0.01
Weighted average of shares in circulation (diluted) (in thousands)	VI.8.	74,845	78,640
Diluted earnings per share from continuing operations in EUR		0.01	-0.01

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS)

OF PNE AG, CUXHAVEN, AS AT DECEMBER 31, 2019

Assets

in TEUR (differences due to rounding possible)	**Notes**	**Status as at 31.12.19**	**Status as at 31.12.18**
A. Long term assets			
I. Intangible assets	IV.1./IV.3./V.1.		
1. Franchises, trademarks, licences and other similar rights as well as licences from such rights		1,392	1,699
2. Goodwill		63,327	63,353
		64,720	**65,053**
II. Property, plant and equipment	IV.2./IV.3./V.2.		
1. Land and buildings including buildings on third-party land		13,752	14,077
2. Technical equipment and machinery		157,603	79,190
3. Other plant and machinery, fixtures and fittings		2,455	2,434
4. Prepayments and plant under construction		271	428
		174,081	**96,130**
III. Right-of-use Assets	IV.4.	**39,376**	**0**
IV. Long term financial assets	IV.5./V.3.		
1. Shares in affiliated companies		121	65
2. Shares in associates		487	456
3. Participations		1,208	1,266
4. Other loans		178	178
5. Other long term loan receivables		32	27
		2,026	**1,991**
V. Deferred tax assets	IV.6./VI.7.	**20,401**	**16,549**
B. Current assets			
I. Inventories	IV.7./V.4.	**101,357**	**117,343**
II. Receivables and other assets	IV.9./V.5.		
1. Trade receivables		34,251	6,355
2. Other short term loan receivables		5,457	2,321
3. Receivables from affiliated companies		1,621	4,234
4. Receivables from associated companies and from other investments		163	156
5. Other assets		10,210	12,026
		51,702	**25,092**
III. Tax receivables		**2,001**	**1,376**
IV. Cash and cash equivalents	IV.8.	**111,935**	**129,071**
		567,598	**452,606**

Liabilities

in TEUR (differences due to rounding possible)	Notes	Status as at 31.12.19	Status as at 31.12.18
A. Shareholders' equity	V.6.		
I. Capital subscribed		**76,603**	**76,558**
II. Capital reserve		**82,953**	**82,292**
III. Treasury shares		**-707**	**-5,803**
IV. Retained earnings			
1. Legal reserve		5	5
2. Other retained earnings		46	46
		51	**51**
V. Foreign exchange reserve		**-819**	**-385**
VI. Retained consolidated profit		**75,216**	**77,499**
VII. Non-controlling interests	V.7.	**-13,283**	**-13,938**
		220,014	**216,273**
B. Long term liabilities			
I. Other provisions	IV.10./V.10.	**1,060**	**1,060**
II. Deferred subsidies from public authorities	IV.12./V.8.	**761**	**808**
III. Long term financial liabilities	IV.11./V.11.		
1. Bonds		48,858	48,549
2. Liabilities to banks		135,583	86,148
3. Other financial liabilities		4,512	1,554
4. Liabilities from leasing contracts		37,207	404
		226,161	**136,656**
IV. Deferred tax liabilities	IV.6./VI.7.	**5,966**	**3,464**
C. Current liabilities			
I. Provisions for taxes	V.9.	**4,604**	**5,306**
II. Other provisions	IV.10./V.10.	**3,777**	**2,828**
III. Short term financial liabilities	IV.11./V.11.		
1. Bonds		0	6,460
2. Liabilities to banks		10,350	18,289
3. Other financial liabilities		1,355	1,133
4. Liabilities from leasing contracts		3,057	250
		14,762	**26,131**
IV. Other liabilities	IV.11./V.12.		
1. Trade payables		35,276	14,945
2. Liabilities to affiliated companies		327	242
3. Liabilities to associated companies and to other investments		693	613
4. Deferred revenues		20,314	18,521
5. Deferred liabilities		23,986	15,726
6. Other liabilities		8,790	8,108
		89,386	**58,155**
V. Tax liabilities		**1,107**	**1,924**
		567,598	**452,606**

CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

OF PNE AG, CUXHAVEN, FOR THE FISCAL YEAR 2019

in TEUR (differences due to rounding possible)		**Notes**	**2019**	**2018**
Consolidated net result			**1,347**	**-2,405**
-/+	Income tax benefit and expense	VI.7.	5,773	-50
-/+	Income tax received		-7,825	-2,412
-/+	Interest income and expense	VI.5./VI.6.	11,685	9,806
-	Interest paid		-5,532	-7,317
+	Interest received		582	787
+/-	Amortisation and depreciation of intangible assets, property, plant and equipment, right-of-use assets and long-term financial assets		12,680	8,734
+/-	Increase / decrease in provisions	V.10.	247	3,276
+/-	Impairments Offshore Inventories		0	10,753
-/+	Non-cash effective income/expenses		-465	713
-	Profit from the disposal of fixed assets and from final consolidation	III.2.	222	-600
+/-	Increase of inventories and other assets	IV.7./V.4.	-25,097	-43,766
+/-	Decrease / increase of trade receivables and stage of completion accounting	IV.7./IV.9./V.3./V.5.	-25,844	1,499
+/-	Increase / decrease of trade liabilities and other liabilities	IV.11./V.11./V.12.	67,634	-7,256
Cash flow from operating activities			**35,407**	**-28,237**
+	Inflow of funds from intangible assets		42	0
+	Inflow of funds from disposal of items of property, plant, equipment and intangible assets		136	179
-	Outflow of funds for investments in property, plant, equipment and intangible assets	V.1./V.2.	-77,966	-4,564
+	Inflow of funds from disposal of financial assets		0	616
-	Outflow of funds from disposal of financial assets		-94	-39
+	Inflow of funds from disposal of consolidated units	III.2.	0	0
-	Outflow of funds for investments in consolidated units		0	0
Cash flow from investing activities			**-77,882**	**-3,808**
+	Inflow of funds from the issue of own shares	V.7.	5,669	0
+	Inflow of funds from the issue of bonds		0	50,000
+	Inflow of funds from financial loans	V.11.	46,962	42,500
-	Outflow of funds from the buyback of own shares	V.6.	0	-5,803
-	Outflow of funds from the redemption of bonds		-748	-100,000
-	Outflow of funds from bond transaction costs		0	-1,650
-	Outflow of acquisition of non-controlling interests		0	-8,221
-	Outflow of funds for the redemption of financial loans	V.11.	-5,261	-6,359
-	Outflow of funds for the redemption of lease liabilities		-3,398	0
-	Outflow of funds for dividend		-2,975	-3,062
Cash flow from financing activities			**40,249**	**-32,595**
Cash effective change in liquid funds			-2,226	-64,640
+	Change in liquid funds due to changes in scope of consolidation		-14,911	-274
+	Liquid funds at the beginning of the period	IV.8./VII.1.	129,071	193,985
Liquid funds at the end of the period*		IV.8./VII.1.	**111,935**	**129,071**
* of which are pledged to a bank as security guaranteed credit lines		V.11.	6,525	9,980

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

OF PNE AG, CUXHAVEN, FOR THE FISCAL YEAR 2019

in TEUR (differences due to rounding possible)	**Capital subscribed**	**Capital reserve**	**Treasury shares**	**Profit reserves**	**Foreign exchange reserve**	**Retained loss**	**shareholders equity before non-controlling interests**	**Non-con-trolling interests**	**Total share-holders equity**
Status as at January 1, 2018	**76,556**	**82,288**	**0**	**51**	**-908**	**84,911**	**242,899**	**-7,679**	**235,220**
Consolidated net result 2018	0	0	0	0	0	-1,044	-1,044	-1,361	-2,405
Other result	0	0	0	0	523	0	523	0	523
Total result 2018	**0**	**0**	**0**	**0**	**523**	**-1,044**	**-521**	**-1,361**	**-1,882**
Dividend	0	0	0	0	0	-3,062	-3,062	0	-3,062
Purchase of treasury shares	0	0	-5,803	0	0	0	-5,803	0	-5,803
Conversion of convertible bond 2014/2019	2	4	0	0	0	0	6	0	6
Change in the context of the participation increase at WKN GmbH	0	0	0	0	0	-3,313	-3,313	-4,898	-8,211
Other items	0	0	0	0	0	7	7	0	7
Status as at December 31, 2018	**76,558**	**82,292**	**-5,803**	**51**	**-385**	**77,499**	**230,211**	**-13,938**	**216,273**
Consolidated net result 2019	0	0	0	0	0	692	692	655	1,347
Other result	0	0	0	0	-435	0	-435	0	-435
Total result 2019	**0**	**0**	**0**	**0**	**-435**	**692**	**257**	**655**	**912**
Dividend	0	0	0	0	0	-2,975	-2,975	0	-2,975
Issuing of treasury shares	0	573	5,096	0	0	0	5,669	0	5,669
Conversion of convertible bond 2014/2019	46	89	0	0	0	0	134	0	134
Other items	0	0	0	0	0	0	0	0	0
Status as at December 31, 2019	**76,603**	**82,953**	**-707**	**51**	**-819**	**75,216**	**233,297**	**-13,283**	**220,014**

CONSOLIDATED SCHEDULE OF FIXED ASSETS (IFRS)

OF PNE AG, CUXHAVEN, FOR THE FISCAL YEAR 2019

	Acquisition and manufacturing cost						
in TEUR (differences due to rounding possible)	**Status as at 01.01.19**	**Changes in consolidated**	**Additions**	**Re-classifications**	**Disposals**	**Exchange Differences**	**Status as at 31.12.19**
I. Intangible assets							
1. Franchises, trademarks and similar rights as well as licences to such rights	9,472	0	189	0	59	-2	9,600
2. Goodwill	147,771	0	0	0	0	-6	147,765
	157,243	**0**	**189**	**0**	**59**	**-8**	**157,365**
II. Property, plant and equipment							
1. Land and buildings including buildings on third party land	20,898	0	167	0	0	-1	21,064
2. Technical equipment and machinery	115,507	0	86,150	422	263	-16	201,800
3. Other equipment, fixtures and furnishings	5,718	0	855	0	332	2	6,243
4. Prepayments and plant under construction	432	0	265	-422	0	0	274
	142,555	**0**	**87,437**	**0**	**595**	**-14**	**229,382**
III. Right-of-use assets							
Right-of-use assets (IFRS 16)	0	0	42,169	0	0	0	42,169
	0	**0**	**42,169**	**0**	**0**	**0**	**42,169**
IV. Financial assets							
1. Shares in affiliated companies	6,773	-38	94	0	0	0	6,828
2. Shares in associates	1,318	0	32	0	1	0	1,349
3. Participations	1,266	0	0	0	0	0	1,266
4. Other loans	216	0	0	0	0	0	216
	9,573	**-38**	**126**	**0**	**1**	**0**	**9,659**
	309,370	**-38**	**129,920**	**0**	**655**	**-22**	**438,575**

Accumulated amortisation and depreciation					Book values	
Status as at 1.1.2019	**Additions**	**Disposals**	**Exchange Differences**	**Status as at 31.12.19**	**Status as at 31.12.19**	**Status as at 31.12.18**
7,773	453	17	-2	8,208	1,392	1,699
84,418	26	0	-6	84,438	63,327	63,353
92,191	**479**	**17**	**-7**	**92,646**	**64,720**	**65,053**
6,821	491	0	0	7,312	13,752	14,077
36,316	8,115	216	-18	44,197	157,603	79,190
3,284	745	243	2	3,788	2,455	2,434
4	0	0	0	4	271	428
46,425	**9,351**	**459**	**-16**	**55,301**	**174,081**	**96,130**
0	2,793	0	0	2,793	39,376	0
0	**2,793**	**0**	**0**	**2,793**	**39,376**	**0**
6,708	0	0	0	6,708	121	65
862	0	0	0	862	487	456
0	58	0	0	58	1,208	1,266
38	0	0	0	38	178	178
7,608	**58**	**0**	**0**	**7,665**	**1,994**	**1,965**
146,223	**12,680**	**475**	**-23**	**158,405**	**280,170**	**163,147**

CONSOLIDATED SCHEDULE OF FIXED ASSETS (IFRS)

OF PNE AG, CUXHAVEN, FOR THE FISCAL YEAR 2018

	Acquisition and manufacturing cost					
in TEUR (differences due to rounding possible)	**Status as at 01.01.18**	**Additions**	**Re-classifications**	**Disposals**	**Exchange Differences**	**Status as at 31.12.18**
I. Intangible assets						
1. Franchises, trademarks and similar rights as well as licences to such rights	9,531	332	0	382	-9	9,472
2. Goodwill	147,771	0	0	0	0	147,771
	157,302	**332**	**0**	**382**	**-9**	**157,243**
II. Property, plant and equipment						
1. Land and buildings including buildings on third party land	20,701	197	0	0	0	20,898
2. Technical equipment and machinery	118,358	2,344	33	5,123	-106	115,507
3. Other equipment, fixtures and furnishings	5,921	1,061	221	1,487	2	5,718
4. Prepayments and plant under construction	25	662	-254	0	0	432
	145,005	**4,264**	**0**	**6,610**	**-104**	**142,555**
III. Financial assets						
1. Shares in affiliated companies	6,709	94	0	30	0	6,773
2. Shares in associates	1,337	0	0	19	0	1,318
3. Participations	1,785	10	0	529	0	1,266
4. Other loans	216	0	0	0	0	216
	10,046	**104**	**0**	**577**	**0**	**9,573**
	312,353	**4,699**	**0**	**7,569**	**-113**	**309,370**

Accumulated amortisation and depreciation					Book values	
Status as at 1.1.2018	**Additions**	**Disposals**	**Exchange Differences**	**Status as at 31.12.18**	**Status as at 31.12.18**	**Status as at 31.12.17**
6,087	1,799	105	-8	7,773	1,699	3,444
84,390	28	0	0	84,418	63,353	63,381
90,477	**1,827**	**105**	**-8**	**92,191**	**65,053**	**66,825**
6,322	499	0	0	6,821	14,077	14,379
31,216	5,739	562	-76	36,316	79,190	87,142
3,591	644	954	2	3,284	2,434	2,330
4	0	0	0	4	428	21
41,133	**6,882**	**1,516**	**-74**	**46,425**	**96,130**	**103,872**
6,682	26	0	0	6,708	65	27
862	0	0	0	862	456	475
0	0	0	0	0	1,266	1,785
38	0	0	0	38	178	178
7,582	**26**	**0**	**0**	**7,608**	**1,965**	**2,464**
139,191	**8,734**	**1,621**	**-81**	**146,223**	**163,147**	**173,161**

CONSOLIDATED SEGMENT REPORTING (IFRS)

OF PNE AG, CUXHAVEN, FOR THE FISCAL YEAR 2019

	Project development		Services	
in TEUR (differences due to rounding possible)	**2019**	**2018**	**2019**	**2018**
External sales	100,050	68,847	15,799	10,349
Inter-segment sales	61,611	17,973	2,048	918
Change in inventories	-9,607	7,804	0	0
Other operating income	2,301	3,607	544	609
Total aggregate output	**154,355**	**98,230**	**18,391**	**11,877**
Depreciation and amortisation	-2,053	-1,360	-2,822	-1,491
Operating result	**23,400**	**6,561**	**2,399**	**2,552**
Other interest and similar income	5,486	5,727	459	385
Interest and similar expenses	-8,136	-12,571	-473	-108
Taxes on income	-10,671	-1,981	-64	-138
Investments	1,040	8,956	1,473	2,952
Segment assets	556,966	507,095	50,703	29,322
Segment liabilities[1]	339,375	339,975	38,242	27,091
Segment equity	217,591	167,120	12,461	2,231

[1] The deferred subsidies from the public authorities were included under segment liabilities
[2] Since January 1, 2019, the Group is based on the segments "project development", "service products" and "electricity generation".
Formerly the Group was positioned in the segments "projecting of wind power turbines" and "electricity generation".
Due to the reorganisation of the Group's segment structure, the figures are only partially comparable with those of the previous year.

Electricity generation		Consolidation		PNE AG Group	
2019	**2018**	**2019**	**2018**	**2019**	**2018**
16,947	12,183	0	0	132,796	91,379
0	4,391	-63,659	-23,282	0	0
0	0	46,185	7,252	36,577	15,056
2,425	1,633	-611	-502	4,659	5,348
19,372	**18,207**	**-18,085**	**-16,532**	**174,033**	**111,782**
-7,748	-5,858	0	0	-12,623	-8,708
6,280	**8,065**	**-13,115**	**-9,389**	**18,964**	**7,788**
7	136	-5,371	-5,461	582	787
-9,029	-3,375	5,371	5,461	-12,267	-10,593
1,027	-444	3,935	2,613	-5,773	50
75,547	915	0	0	78,060	12,823
222,531	132,845	-262,603	-216,657	567,598	452,605
193,415	118,706	-223,449	-249,439	347,584	236,332
29,116	14,139	-39,154	32,783	220,013	216,273

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

OF PNE AG, CUXHAVEN, AS AT DECEMBER 31, 2019

Company		Headquarter	Participation previous year (%)	Participation (%)	Equity TEUR	Net income TEUR	Date of first consolidation
I. List of the companies included in the consolidated financial statements							
1	PNE WIND Betriebsführungs GmbH	Cuxhaven	100.00	100.00	1,012	178[1]	31.12.98
2	PNE Biomasse GmbH	Cuxhaven	100.00	100.00	-13	104[1]	23.04.00
3	PNE WIND Netzprojekt GmbH	Cuxhaven	100.00	100.00	866	0[6]	01.01.02
4	PNE WIND Laubuseschbach GmbH & Co. KG	Cuxhaven	100.00	100.00	-124	8[1]	29.12.04
5	PNE WIND Grundstücks GmbH	Cuxhaven	100.00	100.00	170	25[1]	01.12.00
6	PNE WIND Jules Verne GmbH	Cuxhaven	100.00	100.00	989	-8[2]	30.06.10
7	PNE WIND Nemo GmbH	Cuxhaven	100.00	100.00	989	-8[2]	30.06.10
8	PNE WIND Nautilus GmbH	Cuxhaven	100.00	100.00	989	-8[2]	30.06.10
9	PNE Erneuerbare Energien Offshore I GmbH	Cuxhaven	100.00	100.00	37	-20[1]	24.11.16
10	PNE Erneuerbare Energien Offshore II GmbH	Cuxhaven	100.00	100.00	37	-20[1]	24.11.16
11	PNE WIND Atlantis II GmbH	Cuxhaven	100.00	100.00	-6	-9[1]	18.06.13
12	PNE WIND Atlantis III GmbH	Cuxhaven	100.00	100.00	-6	-9[1]	18.06.13
13	Wind Kapital Invest Verwaltungs GmbH	Cuxhaven	100.00	100.00	75	-1[1]	16.07.11
14	Wind Kapital Invest GmbH & Co. KG	Cuxhaven	100.00	100.00	-38	3[1]	16.07.11
15	PNE WIND Verwaltungs GmbH	Cuxhaven	100.00	100.00	68	9[1]	21.11.12
16	energy consult GmbH	Cuxhaven	100.00	100.00	332	0[6]	11.12.13
17	energy consult Prüfgesellschaft GmbH	Husum	100.00	100.00	172	0[1]	11.08.17
18	PNE WIND Park Kührstedt-Alfstedt A GmbH & Co. KG	Husum	100.00	100.00	10,570	-335[1]	01.04.13
19	PNE WIND Park Kührstedt-Alfstedt B GmbH & Co. KG	Husum	100.00	100.00	1,464	-45[1]	01.04.13
20	PNE WIND Park Kührstedt Alfstedt GmbH & Co. KG	Husum	100.00	100.00	6,851	-179[1]	31.03.17
21	PNE WIND Park Schlenzer GmbH & Co. KG	Husum	100.00	100.00	2,315	-182[1]	25.04.18
22	PNE WIND Park Wahlsdorf GmbH & Co. KG	Cuxhaven	100.00	100.00	-3	0[1]	25.04.18
23	PNE WIND Park XVI GmbH & Co. KG	Husum	100.00	100.00	1,668	-34[1]	01.07.19
24	PNE WIND Park XIX GmbH & Co. KG	Husum	100.00	100.00	8,998	-872[1]	01.04.18
25	PNE WIND Park Calau II B GmbH & Co. KG	Cuxhaven	100.00	100.00	-29	-6[2]	01.04.13
26	PNE WIND Ausland GmbH	Cuxhaven	100.00	100.00	-1,541	-217[1]	16.11.07

Company		Headquarter	Participation previous year (%)	Participation (%)	Equity TEUR	Net income TEUR	Date of first consolidation
27	PNE USA Inc.	Chicago, USA	100.00	100.00	-12,413	-1,549[1]	27.10.08
28	PNE New Energy Offshore USA Inc.	Boston, USA	100.00	100.00	-85	-86[1]	31.12.19
29	PNE Development LLC	Chicago, USA	100.00	100.00	-1,453	283[1]	29.07.11
30	Chilocco WIND FARM LLC	Chicago, USA	100.00	100.00	-540	-23[1]	01.10.12
31	PNE WIND Central States LLC	Minnesota, USA	100.00	100.00	-1,312	-30[1]	01.10.09
32	Underwood Windfarm LLC	Minnesota, USA	100.00	100.00	-303	-10[1]	01.10.09
33	Butte Windfarm LLC	Minnesota, USA	100.00	100.00	-2,130	-8[1]	01.10.09
34	Burleigh Wind LLC	Chicago, USA	100.00	100.00	-2,074	-59[1]	01.01.18
35	PNE Solar USA LLC	Chicago, USA	100.00	100.00	-528	-528[1]	01.01.19
36	Gladstone New Energy LLC	New Mexico, USA	100.00	100.00	-397	-398[1]	01.01.19
37	PNE Canada Inc.	New Bruns-wick, Kanada	100.00	100.00	-1,082	-207[1]	26.01.10
38	NH North Hungarian Windfarm Kft.	Budapest, Hungary	100.00	100.00	41	-10[1]	07.08.08
39	PNE WIND Yenilenebilir Enerjiler Ltd.	Ankara, Turkey	100.00	100.00	1,296	66[1]	08.12.17
40	PNE WIND Elektrik Üretim Ltd.	Ankara, Turkey	100.00	100.00	-3,094	-571[1]	20.02.15
41	PNE WIND Bati Rüzgari Elektrik Üretim Ltd.	Ankara, Turkey	100.00	100.00	-195	-63[1]	16.09.15
42	PNE WIND Güney Rüzgari Elektrik Üretim Ltd.	Ankara, Turkey	100.00	100.00	-314	-88[1]	16.09.15
43	PNE WIND Kuzey Rüzgari Elektrik Üretim Ltd.	Ankara, Turkey	100.00	100.00	-207	-65[1]	10.10.16
44	S.C. PNE WIND Romania Energy Holding S.R.L	Bucharest, Romania	80.00	80.00	-9	-47[1]	10.05.12
45	S.C. PNE WIND Romania S.R.L	Bucharest, Romania	100.00	100.00	-607	-466[1]	27.11.08
46	S.C. PNE WIND MVI S.R.L	Bucharest, Romania	100.00	100.00	-4	-35[1]	31.08.12
47	S.C. EVN WINDPOWER DEVELOPMENT & CONSTRUCTION S.R.L.	Bucharest, Romania	100.00	100.00	-137	-256[1]	14.11.12
48	S.C. PNE Solar Power Romania S.R.L.	Bucharest, Romania	100.00	100.00	k. A.	k. A.[5]	31.12.19
49	PNE WIND Bulgaria EOOD	Sofia, Bulgaria	100.00	100.00	-3,296	-131[1]	09.11.10
50	PNE Santa Cruz GmbH	Cuxhaven	100.00	100.00	91	-5[1]	09.08.18
51	PNE Central America I GmbH	Cuxhaven	100.00	100.00	93	-5[1]	04.07.18

	Company	Headquarter	Participation previous year (%)	Participation (%)	Equity TEUR	Net income TEUR	Date of first consolidation
52	Pure New Energy LATAM S.A.	Panama-City, Panama	100.00	100.00	1	-8[1]	01.01.19
53	Santa Cruz Wind S.A.	Panama-City, Panama	100.00	100.00	-470	-471[1]	01.10.19
54	Altiplano Power S.A.	Panama-City, Panama	100.00	100.00	-92	-94[1]	01.10.19
55	Los Pinos Power S.A.	Panama-City, Panama	100.00	100.00	-106	-107[1]	01.10.19
56	Las Honduras S.A.	Panama-City, Panama	100.00	100.00	-5	-6[1]	01.10.19
57	Los Manglares Power S.A.	Panama-City, Panama	100.00	100.00	-8	-9[1]	01.10.19
58	HKW Silbitz GmbH & Co. KG	Silbitz	100.00	100.00	-677	918[1]	01.09.09
59	WKN GmbH	Husum	100.00	100.00	55,948	16,824[1]	04.07.13
60	Windkraft Nord USA, Inc.	Chicago, USA	100.00	100.00	-257	-33[1]	04.07.13
61	WKN Italia s.r.l.	Catania/ Sicily, Italy	100.00	100.00	46	-1,054[1]	04.07.13
62	Aero Sol s.r.l	Catania/ Sicily, Italy	100.00	100.00	8	-169[1]	04.07.13
63	ATS Energia s.r.l.	Torremaggiore/ Foggia, Italy	70.00	70.00	216	-50[1]	04.07.13
64	WKN France S.A.S.U.	Nantes, France	100.00	100.00	7,551	4,049[1]	04.07.13
65	Sevivon Sp. z o.o.	Koszalin, Poland	80.00	80.00	-20,657	-2,183[1]	04.07.13
66	VKS Vindkraft Sverige AB	Motala, Sweden	80.00	80.00	7,688	6,439[1]	04.07.13
67	WKN Windcurrent SA (Pty) Ltd.	Wilderness, South Africa	80.00	80.00	-3,505	-166[1]	04.07.13
68	NordStrom New Energy GmbH	Husum	100.00	100.00	823	0[4]	04.07.13
69	NordStrom Solar GmbH	Husum	100.00	100.00	510	-41[1]	04.07.13
70	NordStrom Bioenergie GmbH	Husum	100.00	100.00	-1,047	-67[1]	04.07.13
71	BGZ Fondsverwaltung GmbH	Husum	100.00	100.00	207	0[4]	04.07.13
72	WKN Sallachy Ltd.	Glasgow, United Kingdom	100.00	100.00	-952	114[2]	01.07.15
73	Windpark Gerdau-Schwienau GmbH & Co. KG	Cuxhaven	91.03	91.03	-71	-7[1]	01.10.16
74	Windpark Pülfringen GmbH & Co. KG	Cuxhaven	100.00	100.00	-3,433	292[1]	01.10.16
75	PNE WIND Middle East GmbH	Cuxhaven	100.00	100.00	38	-3[1]	22.02.17
76	PNE WIND Middle East Verwaltungs GmbH	Cuxhaven	100.00	100.00	19	-1[1]	06.07.17
77	PNE WIND West Europe GmbH	Husum	100.00	100.00	27,536	-599[1]	12.06.17
78	PNE WIND West Europe Verwaltungs GmbH	Husum	100.00	100.00	13	-3[1]	10.07.17
79	PNE Power Generation GmbH	Cuxhaven	0.00	100.00	4,473	-498[1]	01.01.19
80	PNE WIND Türkei HoldCo I GmbH	Cuxhaven	100.00	100.00	3,351	-5[1]	30.05.17
81	Pavana GmbH	Husum	100.00	100.00	657	-169[1]	30.09.17

Company		Headquarter	Participation previous year (%)	Participation (%)	Equity TEUR	Net income TEUR	Date of first consolidation
82	MEB Safety Services GmbH	Bremen	100.00	100.00	-37	0[1]	01.11.18
83	WKN WERTEWIND GmbH	Husum	100.00	100.00	-88	-23[1]	30.06.18
84	WKN Windpark Kittlitz III GmbH & Co. KG	Husum	100.00	100.00	9,440	-39[1]	01.07.18
II. List of joint ventures and associates companies included in the consolidated financial statements							
1	PNE WIND Infrastruktur Calau II GmbH	Cuxhaven	25.00	25.00	15	-3[2]	01.04.13
2	PNE WIND Park III GmbH & Co. KG	Cuxhaven	25.00	25.00	16	26[2]	01.04.13
3	Windpark Altenbruch GmbH	Cuxhaven	50.00	50.00	944	-8[2]	01.10.16
III. Nicht einbezogene Gesellschaften aufgrund unwesentlicher Bedeutung							
1	Pilger Wind Farm Inc.	New Bruns-wick, Kanada	100.00	100.00	0	0[2]	
2	Climax Wind Farm Inc.	New Bruns-wick, Kanada	100.00	100.00	0	0[2]	
3	Watson Wind Farm Inc.	New Bruns-wick, Kanada	100.00	100.00	0	0[2]	
4	Wadena Wind Farm Inc.	New Bruns-wick, Kanada	100.00	100.00	0	0[2]	
5	Eston Wind Farm Inc.	New Bruns-wick, Kanada	100.00	100.00	0	0[2]	
6	Whiska Wind Farm Inc.	New Bruns-wick, Kanada	100.00	100.00	0	0[2]	
7	Netzanschluss Genthin GbR	Nielebock	52.00	52.00	10	18[2]	
8	ATS Energia PE Sant´Agata s.r.l.	Torremaggiore/ Foggia, Italy	52.00	52.00	6	-4[1]	
9	ATS Energia PE Fiorentino s.r.l.	Torremaggiore/ Foggia, Italy	52.00	52.00	6	-4[2]	
10	ATS Energia PE Florio s.r.l.	Torremaggiore/ Foggia, Italy	52.00	52.00	6	-4[2]	
11	ATS Energia PE Valle s.r.l.	Torremaggiore/ Foggia, Italy	52.00	52.00	6	-4[2]	
12	WKN PE Piombino s.r.l.	Catania/ Sicily, Italy	74.90	74.90	7	-4[2]	
13	WKN Basilicata Development PE2 s.r.l.	Catania/ Sicily, Italy	100.00	100.00	10	-4[2]	
14	WKN PE Polidon s.r.l.	Catania/ Sicily, Italy	100.00	100.00	3	-4[2]	
15	Parc Eolien des Grands Champs S.A.S.U.	Nantes, France	100.00	100.00	-65	-8[7]	
16	SAS la Haie Perron	Nantes, France	100.00	100.00	-61	-8[7]	
17	SAS Parc Eolien d´Ermenonville de la Grande	Nantes, France	100.00	100.00	-36	-6[7]	
18	SAS Parc Eolien de La Fosse Descroix	Nantes, France	100.00	100.00	-8	-8[7]	
19	SAS Parc Eolien de La Plaine de la Minée	Nantes, France	100.00	100.00	-8	-8[7]	

Company		Headquarter	Participation previous year (%)	Participation (%)	Equity TEUR	Net income TEUR	Date of first consolidation
20	SAS Parc Eolien de Pierre-Morains	Nantes, France	100.00	100.00	-8	-8[7]	
21	SAS Parc Eolien de Vill´Aire	Nantes, France	100.00	100.00	-8	-8[7]	
22	SAS Parc Eolien des Hauts Poiriers	Nantes, France	100.00	100.00	-8	-8[7]	
23	SAS Parc Eolien des Monts de Chalus	Nantes, France	100.00	100.00	-8	-8[7]	
24	SAS Parc Eolien de la Cote des Moulins	Nantes, France	100.00	100.00	-23	-6[7]	
25	SAS Parc Eolin de la Coutanciere	Nantes, France	100.00	100.00	-23	-6[7]	
26	AIRE PARC S.A.S.U.	Nantes, France	100.00	100.00	k. A.	k. A.[5]	
27	PARC EOLIEN DE CHABROL S.A.S.U.	Nantes, France	100.00	100.00	k. A.	k. A.[5]	
28	PARC EOLIEN DE LA VALLEE BLEUE S.A.S.U.	Nantes, France	100.00	100.00	k. A.	k. A.[5]	
29	PARC EOLIEN DE L'ARGONNE MEUSIENNE S.A.S.U.	Nantes, France	100.00	100.00	k. A.	k. A.[5]	
30	PARC EOLIEN DE SAINT-AUBIN-DU-PLAIN S.A.S.U.	Nantes, France	100.00	100.00	k. A.	k. A.[5]	
31	PARC EOLIEN DES CHAUMES CARREES S.A.S.U.	Nantes, France	100.00	100.00	k. A.	k. A.[5]	
32	PARC EOLIEN DE SAINT PALAIS S.A.S.U.	Nantes, France	0.00	100.00	k. A.	k. A.[5]	
33	Windfarm Polska IV Sp. z o.o.	Koszalin, Poland	80.00	80.00	-326	-17[2]	
34	Windfarm Polska V Sp. z o.o.	Koszalin, Poland	58.00	58.00	-137	-9[2]	
35	Windfarm Zomar Sp. z o.o.	Koszalin, Poland	57.00	57.00	-80	-6[2]	
36	Sevivon Windpark 1 Sp.z o.o	Koszalin, Poland	0.00	100.00	-1	-2[2]	
37	Sevivon Windpark 2 Sp.z o.o	Koszalin, Poland	0.00	100.00	-1	-2[2]	
38	Sevivon Windpark 3 Sp.z o.o	Koszalin, Poland	0.00	100.00	-1	-2[2]	
39	Sevivon Windpark 4 Sp.z o.o	Koszalin, Poland	0.00	100.00	-1	-2[2]	
40	Forthewind Sp.z o.o.	Katowice, Poland	0.00	100.00	k. A.	k. A.[5]	
41	Vindpark Hultema i Motala AB	Motala, Sweden	80.00	80.00	5	0[2]	
42	Vindpark Norrberget i Sala AB	Motala, Sweden	80.00	80.00	5	0[2]	
43	Vindpark Näshult i Högsby AB	Motala, Sweden	80.00	80.00	5	0[2]	
44	Banna Ba Pifhu Wind Farm (Pty) Ltd.	Wilderness, South Africa	80.00	80.00	-4	-1[1]	

	Company	Headquarter	Participation previous year (%)	Participation (%)	Equity TEUR	Net income TEUR	Date of first consolidation
45	Highlands North Wind Energy Facility (RF) (PTY) Ltd.	Wilderness, South Africa	80.00	80.00	k. A.	k. A.[5]	
46	Highlands South Wind Energy Facility (RF) (PTY) Ltd.	Wilderness, South Africa	80.00	80.00	k. A.	k. A.[5]	
47	Haga Haga Wind Farm (RF) (Pty) Ltd	Wilderness, South Africa	80.00	80.00	k. A.	k. A.[5]	
48	Highlands Central Wind Energy Facility (RF) (PTY) Ltd.	Wilderness, South Africa	80.00	80.00	k. A.	k. A.[5]	
49	Paulputs Wind Energy Facility (RF) (PTY) Ltd.	Wilderness, South Africa	80.00	80.00	k. A.	k. A.[5]	
50	Putsonderwater Wind Energy Facility (RF) (PTY) Ltd.	Wilderness, South Africa	80.00	80.00	k. A.	k. A.[5]	
51	Pofadder Wind Energy Facility (RF) (PTY) Ltd.	Wilderness, South Africa	80.00	80.00	k. A.	k. A.[5]	
52	Aberdeen Wind Energy Facility (RF) (PTY) Ltd.	Wilderness, South Africa	80.00	80.00	k. A.	k. A.[5]	
53	WKN Turkey GmbH	Husum	100.00	100.00	-395	-14[2]	
54	WKN Windkraft Nord Beteiligungs-GmbH	Husum	100.00	100.00	55	47[2]	
55	Windpark Meerhof Verwaltungs-gesellschaft mbH	Husum	100.00	100.00	19	-1[7]	
56	Zukunftsenergien Beteiligungs-GmbH	Husum	100.00	100.00	4	-1[7]	
57	WKN Windkraft Nord GmbH & Co. Windpark Daberkow KG	Husum	100.00	100.00	k. A.	k. A.[5]	
58	WKN Windkraft Nord GmbH & Co. Windpark Steffenshagen KG	Husum	100.00	100.00	k. A.	k. A.[5]	
59	WKN Windkraft Nord GmbH & Co. Windpark Immenrode KG	Husum	100.00	100.00	k. A.	k. A.[5]	
60	WKN Windkraft Nord GmbH & Co. Windpark Oelsig II KG	Husum	100.00	100.00	k. A.	k. A.[5]	
61	WKN Windkraft Nord GmbH & Co. Windpark Weinstraße II KG	Husum	100.00	100.00	k. A.	k. A.[5]	
62	WKN Windpark Beerfelde GmbH & Co. KG	Husum	100.00	100.00	k. A.	k. A.[5]	
63	WKN Windpark Zinndorf II GmbH & Co. KG	Husum	100.00	100.00	k. A.	k. A.[5]	
64	WKN Windkraft Nord GmbH & Co. Windpark Bebensee KG	Husum	100.00	100.00	k. A.	k. A.[5]	
65	WKN Windkraft Nord GmbH & Co. Windpark Berkenthin KG	Husum	100.00	100.00	k. A.	k. A.[5]	
66	WKN Windkraft Nord GmbH & Co. Windpark Hamwarde KG	Husum	100.00	100.00	k. A.	k. A.[5]	
67	WKN Windkraft Nord GmbH & Co. Windpark Kollow KG	Husum	100.00	100.00	k. A.	k. A.[5]	
68	WKN Windkraft Nord GmbH & Co. Windpark Kleinbüllesheim KG	Husum	100.00	100.00	k. A.	k. A.[5]	
69	Windpark Rositz GmbH & Co. KG	Husum	100.00	100.00	k. A.	k. A.[5]	

	Company	Headquarter	Participation previous year (%)	Participation (%)	Equity TEUR	Net income TEUR	Date of first consolidation
70	WKN Windkraft Nord GmbH & Co. Windpark Kannawurf KG	Husum	100.00	100.00	k. A.	k. A.[5]	
71	Windpark Brilon GmbH & Co. KG	Husum	100.00	100.00	k. A.	k. A.[5]	
72	WKN Windpark Groß Oesingen GmbH & Co. KG	Husum	100.00	100.00	k. A.	k. A.[5]	
73	WKN Windpark Großbrembach GmbH & Co. KG	Husum	100.00	100.00	k. A.	k. A.[5]	
74	WKN Windpark Lütau GmbH & Co. KG	Husum	100.00	100.00	k. A.	k. A.[5]	
75	WKN Windpark Großenehrich GmbH & Co. KG	Husum	100.00	100.00	k. A.	k. A.[5]	
76	WKN Windpark Christianshöhe GmbH & Co. KG	Husum	100.00	100.00	k. A.	k. A.[5]	
77	WKN Windpark Cornberg GmbH & Co. KG	Husum	100.00	100.00	k. A.	k. A.[5]	
78	WKN Windpark Karstädt IV GmbH & Co. KG	Husum	100.00	100.00	k. A.	k. A.[5]	
79	WKN Windpark Parum Dümmer GmbH & Co. KG	Husum	100.00	100.00	k. A.	k. A.[5]	
80	WKN Windpark Zahrenholz GmbH und Co. KG	Husum	100.00	100.00	k. A.	k. A.[5]	
81	NordStrom Beteiligungs-gesellschaft mbH	Husum	100.00	100.00	46	2[2]	
82	NordStrom Bioenergie Beteili-gungsgesellschaft mbH	Husum	100.00	100.00	19	-1[7]	
83	REE GmbH	Husum	100.00	100.00	65	3[7]	
84	GREENWIND GmbH	Husum	100.00	100.00	46	2[7]	
85	EWEG Europäische Windenergie-Entwicklungsgesellschaft mbH	Husum	100.00	100.00	19	0[7]	
86	IWC Bulgaria Project EOOD	Dobrich, Bulgaria	100.00	100.00	0	-6[2]	
87	Innovative Wind Concepts GmbH	Husum	100.00	100.00	94	-25[8]	
88	WKN Wertewind Betriebs-gesellschaft mbH	Husum	0.00	100.00	24	-1[1]	
89	WKN Wertewind Verwaltungs GmbH	Husum	0.00	100.00	24	-1[1]	
90	WKN WERTEWIND Windpark Gnutz Eins GmbH Co. KG	Husum	0.00	100.00	k. A.	k. A.[5]	
91	WKN WERTEWIND Windpark Holstentor GmbH Co. KG	Husum	0.00	100.00	k. A.	k. A.[5]	
92	WKN WERTEWIND Windpark Langstedt GmbH Co. KG	Husum	0.00	100.00	1	0[1]	
93	WKN WERTEWIND Windpark Lentföhrden GmbH Co. KG	Husum	0.00	100.00	k. A.	k. A.[5]	
94	PNE WIND Park Nordleda A GmbH & Co. KG	Cuxhaven	100.00	100.00	k. A.	k. A.[5]	
95	PNE WIND Park Nordleda B GmbH & Co. KG	Cuxhaven	100.00	100.00	k. A.	k. A.[5]	

	Company	Headquarter	Participation previous year (%)	Participation (%)	Equity TEUR	Net income TEUR	Date of first consolidation
96	PNE WIND Park XIV GmbH & Co. KG	Cuxhaven	100.00	100.00	k. A.	k. A.[5]	
97	PNE WIND Park XV GmbH & Co. KG	Cuxhaven	100.00	100.00	k. A.	k. A.[5]	
98	PNE WIND Park XVI GmbH & Co. KG	Husum	100.00	100.00	k. A.	k. A.[5]	
99	PNE WIND Park XVII GmbH & Co. KG	Cuxhaven	100.00	100.00	k. A.	k. A.[5]	
100	PNE WIND Park XVIII GmbH & Co. KG	Cuxhaven	100.00	100.00	k. A.	k. A.[5]	
101	PNE WIND Park XX GmbH & Co. KG	Cuxhaven	100.00	100.00	k. A.	k. A.[5]	
102	PNE WIND Park XXI GmbH & Co. KG	Cuxhaven	100.00	100.00	k. A.	k. A.[5]	
103	PNE WIND Park XXII GmbH & Co. KG	Cuxhaven	100.00	100.00	k. A.	k. A.[5]	
104	PNE WIND Park XXIII GmbH & Co. KG	Cuxhaven	100.00	100.00	k. A.	k. A.[5]	
105	PNE WIND Park XXIV GmbH & Co. KG	Cuxhaven	0.00	100.00	k. A.	k. A.[5]	
106	PNE WIND Park XXV GmbH & Co. KG	Cuxhaven	0.00	100.00	k. A.	k. A.[5]	
107	PNE WIND Park XXVI GmbH & Co. KG	Cuxhaven	0.00	100.00	k. A.	k. A.[5]	
108	PNE WIND Park XXVII GmbH & Co. KG	Cuxhaven	0.00	100.00	k. A.	k. A.[5]	
109	PNE WIND Park XXVIII GmbH & Co. KG	Cuxhaven	0.00	100.00	k. A.	k. A.[5]	
110	PNE WIND Park XXIX GmbH & Co. KG	Cuxhaven	0.00	100.00	k. A.	k. A.[5]	
111	PNE WIND Park XXX GmbH & Co. KG	Cuxhaven	0.00	100.00	k. A.	k. A.[5]	
IV. Non-consolidated associated companies due to minor significance							
1	Windpark Köhlen GmbH	Oldenburg	50.00	50.00	1,437	-47[2]	
2	Elbe-Weser-Windkraft GmbH	Cuxhaven	50.00	50.00	12	-4[2]	
3	STEAG ve PNE WIND Rüzgar Enerjisi Üretim A.S.	Ankara, Turkey	50.00	50.00	-105	-30[1]	
4	WKN Windkraft Nord GmbH & Co. Windpark Milda KG	Husum	50.00	50.00	9	0[7]	
5	EVN Energieversorgung Nord GmbH & Co. KG	Husum	50.00	50.00	-292	-10[7]	
6	Windpark Gebstedt GmbH & Co. KG	Husum	50.00	50.00	k. A.	k. A.[5]	
7	Quantec Operations energy consult GmbH	Husum	40.00	40.00	97	81[2]	

[1] per the financial statements as at December 31, 2019
[2] per the provisional financial statements as at December 31, 2019
[3] per the financial statements as at September 30, 2019
[4] after profit transfer to WKN GmbH
[5] not have a recording of the operating business
[6] after profit transfer to PNE AG
[7] per the financial statements as at December 31, 2018
[8] per the financial statements as at September 30, 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

OF PNE AG, CUXHAVEN, FOR THE 2019 FISCAL YEAR

I. COMMERCIAL REGISTER AND OBJECT OF THE COMPANY

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

During the year under review, the business activities of the Company consisted primarily of the planning, construction and operation of wind farms and transformer stations for the generation of electricity and the servicing of wind power turbines as well as other services related to renewable energy projects.

II. GENERAL ACCOUNTING PRINCIPLES

1. GOING CONCERN

Accounting is carried out on a going concern basis. The combined management and group management report of the Company explains the risks that might endanger the continued existence of the Company.

2. CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

The consolidated financial statements and the combined management and group management report, prepared by the Board of Management as at December 31, 2019, were approved at the meeting of the Board of Management on March 11, 2020 for submission to the Supervisory Board.

The consolidated financial statements as at December 31, 2019 are filed with the operator of the Federal Gazette (Bundesanzeiger).

During the 2019 fiscal year, the Group applied the following amendments to IFRS standards for the first time: Unless indicated otherwise below the table, this has not resulted in any effect on the consolidated financial statements.

Standard/Interpretation	Date of EU endorsement	Application obligation in the EU
Amendments to IFRS 9: Prepayment Features with Negative Compensation	March 23, 2018	January 1, 2019
IFRS 16: Leases	October 31, 2017	January 1, 2019
IFRIC 23: Uncertainty over Income Tax Treatments	October 23, 2018	January 1, 2019

Standard/Interpretation	Date of EU endorsement	Application obligation in the EU
Annual Improvements (2015–2017 Cycle): Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23	March 14, 2019	January 1, 2019
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	February 8, 2019	January 1, 2019
Amendments to IAS 19: Employee Benefits: Plan amendment, curtailment or settlement	March 13, 2019	January 1, 2019

IFRS 16 Leases

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

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

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

The PNE Group has accounted for leases in accordance with the requirements of IFRS 16 for the first time as of January 1, 2019 using the modified retrospective transition method. Due to the initial recognition of rights of use and lease liabilities to the same amount, the balance sheet total increased by approx. euro 39.4 million as at December 31, 2019. The increase in financial liabilities has a negative effect on the net liquidity of the PNE Group. A significant effect on equity is not expected. As a result of the increase in the balance sheet total due to the first-time application of IFRS 16, with equity remaining almost unchanged compared with December 31, 2018, the Group's equity ratio fell by approx. 2 to 3 percent as a result of the first-time application of IFRS 16. In contrast to the previous approach, under which expenses for operating leases were shown in full in the operating result (in the reporting period: approx. euro 3.4 million), under IFRS 16 only the depreciation charges for rights of use are allocated to the operating result (in the reporting period: approx. euro 2.8 million). Interest expenses incurred for interest accrued on lease liabilities are reported in the financial result (in the reporting period: approx. euro 0.9 million). Based on the leases existing on January 1, 2019, Group EBITDA improved by approx. euro 3.4 million and Group EBIT by euro 0.6 million. Earnings before taxes (EBT) declined by approx. euro -0.3 million.

For leases that were previously classified as finance leases with PNE as the lessee, assets and liabilities were already recognised before 2019. In these cases, the carrying amount of the leased asset in accordance with IAS 17 and IFRIC 14 as well as the carrying amount of the lease liability in accordance with IAS 17 and IFRIC 14, in each case immediately before the date of first-time application of IFRS 16, were recognised as the initial carrying amount of the right of use and of the lease liability in accordance with IFRS 16. The measurement principles of IFRS 16 were only applied thereafter.

The difference between the liabilities from minimum lease payments of approx. euro 6 million stated as at December 31, 2018 and the lease liabilities of approx. euro 37 million recognised for the first time as at January 1, 2019 results from the following circumstances. Approx. euro 41 million is attributable to lease contracts in project companies, which did not have to be disclosed in the minimum lease payments in previous years. The discounting effect led to a reduction of approx. euro 10 million.

The following overview summarises the effects on the consolidated balance sheet from the first-time application of IFRS 16.

Adjustments to the balance sheet items as of January 1, 2019 due to the transition to IFRS 16:

in EUR million	31.12.18	Adjustments IFRS 16	01.01.19
Assets			
Right-of-use assets (IFRS 16)	0.0	37.0	37.0
Liabilities			
Long-term financial liabilities	136.7	34.4	171.1
Short-term financial liabilities	26.1	2.6	28.7
	162.8	**37.0**	**199.8**

In the 2019 fiscal year, the following new or amended accounting standards, which have already been adopted by the IASB, but some of them not yet endorsed by the EU, were not taken into account, since there was no obligation to apply them:

Standard/Interpretation	Date of EU endorsement	(expected) Application obligation in the EU
IFRS 17 New standard "Insurance Contracts"	Not yet endorsed	Open
Amendments to IFRS 3: Definition of a business	Not yet endorsed	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7: IBOR Reform	January 15, 2020	January 1, 2020
Amendments to IAS 1 and IAS 8: Definition of Material	November 29, 2019	January 1, 2020
Amendments to the IFRS Conceptual Framework: Amendments to References to the Conceptual Framework	November 29, 2019	January 1, 2020
Amendments to IAS 1: Classification of Liabilities as Current or Non-Current	Not yet endorsed	Open

The application obligation in the EU shows the date on which the new accounting regulation is expected to be taken into account at PNE AG for the first time. No new standard, no new interpretation or amendment to a standard was applied early in 2019.

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

III. PRINCIPLES OF CONSOLIDATION

1. SCOPE OF CONSOLIDATION

All companies over which the Group parent company exercises control are included in the consolidated financial statements on the basis of full consolidation. Control of an investment company is achieved when an investor is exposed or has rights to fluctuating returns from its investment in the investment company and has the ability to influence those returns through its control of the investment company. The scope of consolidation also includes wind farm operating companies that are controlled by the parent company or its affiliated companies on the basis of these criteria.

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

1. PNE Power Generation GmbH, Cuxhaven (100 percent, first consolidation on December 1, 2019) ("electricity generation" segment) (established),
2. PNE New Energy Offshore USA Inc., Boston, USA (100 percent, first consolidation on December 31, 2019) ("project development" segment) (established),
3. PNE Solar USA LLC, Chicago, USA (100 percent, first consolidation on January 1, 2019) ("project development" segment) (reclassified from "non-consolidated companies due to minor significance"),
4. Gladstone New Energy LLC, New Mexico, USA, (100 percent, first consolidation on January 1, 2019) ("project development" segment) (reclassified from "non-consolidated companies due to minor significance"),

5. S. C. PNE Solar Power Romania S. R. L., Bucharest, Romania (100 percent, first consolidation on December 31, 2019) ("project development" segment) (established),
6. Pure New Energy LATAM S. A., Panama City, Panama (100 percent, first consolidation on January 1, 2019) ("project development" segment) (reclassified from "non-consolidated companies due to minor significance"),
7. Santa Cruz Wind S. A., Panama City, Panama (100 percent, first consolidation on October 1, 2019) ("project development" segment) (reclassified from "non-consolidated companies due to minor significance"),
8. Altiplano Power S. A., Panama City, Panama (100 percent, first consolidation on October 1, 2019) ("project development" segment) (reclassified from "non-consolidated companies due to minor significance"),
9. Los Pinos Power S. A., Panama City, Panama (100 percent, first consolidation on October 1, 2019) ("project development" segment) (reclassified from "non-consolidated companies due to minor significance"),
10. Las Honduras S. A., Panama City, Panama (100 percent, first consolidation on October 1, 2019) ("project development" segment) (reclassified from "non-consolidated companies due to minor significance"),
11. Los Manglares S. A., Panama City, Panama (100 percent, first consolidation on October 1, 2019) ("project development" segment) (reclassified from "non-consolidated companies due to minor significance"),
12. PNE WIND Park XVI GmbH & Co. KG, Husum (100 percent, first consolidation on July 1, 2019) ("electricity generation" segment) (reclassified from "non-consolidated companies due to minor significance").

The reclassification of subsidiaries from "non-consolidated companies due to minor significance" to full consolidation is generally made as soon as at it is clear that project planning phase will begin in the near future.

The object of company no. 1 is the acquisition of companies and shareholdings, the acquisition and operation of plants and associated project rights for generating electricity from renewable energy sources in Germany and abroad, specifically wind farms, the sale of electricity generated from these plants and associated administrative activities as well as to offer corresponding activities to other companies.

The object of company no. 2 is the development and project planning of offshore areas for the erection and operation as well as the sale of plants for generating electricity from renewable energy sources and/or fuels, including infrastructure.

The object of companies no. 3 and no. 5 is the construction and operation of photovoltaic systems in the form of photovoltaic parks as well as the sale of the electricity generated.

The object of companies no. 4 and no. 12 is the construction and operation of wind power turbines in the form of wind farms as well as the sale of the electricity generated.

The object of company no. 6 is the consulting, project planning, financing, construction and operation of plants for generating renewable energy as well as all transactions directly or indirectly related to the above-mentioned services, which are suited to serve the purpose of the Company.

The object of companies no. 7–11 is the construction and operation of renewable energy power plants in the form of wind farms or photovoltaic parks as well as the sale of the electricity generated.

The carrying amounts and fair values of the identifiable assets and liabilities of companies no. 1–12 were insignificant for the asset, financial and earnings position on the date of first-time consolidation.

Accordingly, apart from PNE AG, the scope of consolidation as at December 31, 2019 comprised the other companies presented in chapter "List of the companies included in the consolidated financial statements and list of shareholdings" under no. I. "List of the companies included in the consolidated financial statements" and under no. II. "List of associated companies included in the consolidated financial statements".

Companies that were not included in the scope of consolidation as at December 31, 2019 are shown in chapter "List of the companies included in the consolidated financial statements and list of shareholdings" under no. III. "Non-consolidated companies due to minor significance" and under no. IV. "Non-consolidated associated companies due to minor significance".

2. DISPOSALS OF SHARES

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

1. 100 percent of the shares in Aero-Tanna s. r. l., Catania, Sicily, Italy (disposal from the "project development" segment),
2. 100 percent of the shares in WKN Windpark Wölsickendorf GmbH & Co. KG, Husum (disposal from the "electricity generation" segment).

To 1. The selling price for 100 percent of the shares in Aero-Tanna s. r. l. totalled approx. euro 1.5 million.

Due to the deconsolidation of Aero-Tanna s. r. l., assets totalling approx. euro 1.9 million, which primarily represent the technical equipment of the project, as well as debts and provisions amounting to approx. euro 0.0 million, plus the shareholder loans of approx. euro 1.5 million, were eliminated at the Group level. The deconsolidation of the entity resulted in expenses of approx. euro 0.4 million. The payment received for the sale of the entity amounted to approx. euro 0.0 million, plus the repayment of shareholder loans (in total approx. euro 1.5 million). The entity's funds eliminated from the balance sheet as a result of the transaction amounted to approx. euro 2 thousand. The loss on disposal is included in the Group's cost of materials.

To 2. The selling price for 100 percent of the shares in WKN Windpark Wölsickendorf GmbH & Co. KG totalled approx. euro 1 thousand.

Due to the deconsolidation of WKN Windpark Wölsickendorf GmbH & Co. KG, assets totalling approx. euro 41.3 million, which primarily represent the technical equipment of the project, as well as debts and provisions amounting to approx. euro 33.7 million, plus the shareholder loans of approx. euro 7.8 million, were eliminated at the Group level. The deconsolidation of the entity resulted in income of approx. euro 0.1 million. The payment received for the sale of the entity amounted to approx. euro 1 thousand, plus the repayment of shareholder loans (in total approx. euro 7.8 million). The entity's funds eliminated from the balance sheet as a result of the transaction amounted to approx. euro 14.9 million. The gain on disposal is included in the Group's revenues.

in TEUR	**Aero-Tanna s.r.l.**	**WKN Windpark Wölsickendorf GmbH & Co. KG**
1. Total consideration received*	**1,450**	**7,756**
2. Assets and liabilities disposed of*		
Short-term assets	1,858	41,316
Long-term assets	0	0
Short-term liabilities	-1,503	-41,451
Long-term liabilities	0	0
Net assets disposed of*	**356**	**-134**
3. Gain/loss on disposal*		
Consideration received	1,450	7,756
Net assets divested	-356	134
Gain/loss on disposal*	**1,094**	**7,890**
4. Net cash flow*		
Selling price paid in cash*	1,450	7,756
Net of cash and cash equivalents disposed of	-2	-14,909
Net cash flow from the disposal*	**1,448**	**-7,153**

*Including repayment of intercompany loans (in part, not repaid fully)

In the context of the sale of project companies, existing project financing is part of the purchase agreement.

3. CONSOLIDATION METHODS

The basis of the consolidated financial statements is the separate financial statements of the companies included in the Group, prepared as at December 31, 2019 pursuant to uniform accounting and valuation principles and, in part, audited by the auditors.

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

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

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

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

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

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

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

IV. ACCOUNTING AND VALUATION PRINCIPLES

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

The financial statements of all consolidated companies are included on the basis of uniform accounting and valuation methods. The annual financial statements prepared in line with the applicable national regulations (HB I) are reconciled to annual financial statements in conformity with IFRS (HB II). The accounting and valuation regulations were applied in the same way as in the previous year, except for the first-time application of IFRS 16 "Leases".

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

Assumptions and estimates relate, in particular, to the determination of the useful economic lives of property, plant and equipment (see chapter V. 2.), the measurement of inventories (see chapter V. 4.), the accounting and measurement of provisions (see chapter V. 10.), the possibility of realising future tax benefits (see chapter VI. 7.) as well as the determination of cash flows, growth rates and discounting factors in connection with impairment tests of goodwill (see chapter V. 1.).

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

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

1. INTANGIBLE ASSETS

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

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

2. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

3. IMPAIRMENT OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

4. LEASE CONTRACTS

According to IFRS 16, a lease is an agreement under which the lessor conveys the right to control the use of an identified asset to the lessee for an agreed period of time in exchange for consideration. On principle, PNE as the lessee recognises a right of use in the leased asset and a corresponding lease liability for all leases. PNE uses the simplified measurement approach for leases of low-value assets and for short-term leases (lease term of twelve months or less, excluding real estate). PNE does not apply the standard to leases of intangible assets. The lease payments of the leases for which PNE makes use of simplified measurement approach continue to be recognised as lease expenses on a straight-line basis in accordance with the simplified approach.

The lease liability is measured as the present value of the future lease payments. The measurement of the lease liability includes the fixed lease payments less any lease incentives receivable as well as lease payments that depend on an index or a (interest) rate. In addition, amounts expected to be payable under residual value guarantees and payments due to purchase options deemed reasonably certain as well as lease payments due to extension and termination options that are deemed reasonably certain are also taken into account. If possible, the interest rate implicit in the lease contracts is used to determine the present value. If this rate cannot be determined, as is normally the case at PNE, the lessee's incremental borrowing rate is used. The incremental borrowing rate is determined using the so-called build-up approach, whereby the risk-free interest rate is used as the base rate and is adjusted for the lessee's credit risk. Further adjustments relate to those for the term of the lease and the currency of the lease contract. Depending on their maturity, the lease liabilities are reported under long-term and short-term financial liabilities. In subsequent periods, lease liabilities are measured at amortised cost using the effective interest rate method, i.e. the lease instalments are divided into payments for principal and interest portions. The interest portion is recognised in financial expenses.

The amount of the right of use generally corresponds to the amount of the liability at the time of addition. Differences may result from taking account of initial costs incurred in connection with concluding the lease contract, any prepayments made and incentives received before the commencement date of the lease as well as any restoration costs. The rights of use are recognised on the asset side under "III. Rights of use" and carried at amortised cost. Depreciation of the rights of use is effected on a straight-line basis over the expected useful life or, if shorter, over the lease term. If the exercise of a purchase option is deemed reasonably certain, depreciation is effected over the useful life of the underlying asset.

Lease contracts often include a combination of lease and non-lease components. PNE allocates the transaction price between these components on the basis of relative stand-alone prices. An exception is lease contracts for vehicles. In these cases, PNE makes use of the option not to split between lease and non-lease components, but to account for the entire contract as a lease contract.

PNE is exposed to possible future increases in variable lease payments, which may result from a change in an index or (interest) rate. These possible changes in lease payments are taken into account at the point in time in which the change takes effect. Once the changes in an index or a (interest) rate affect the lease payments, the lease liability is adjusted.

Extension and termination options are taken into account in determining the lease term, when the exercise of the options is considered reasonably certain. When determining the term of the contract on the provision date, all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option are taken into account. The initially determined lease term is reassessed where a significant event or change in circumstances occurs that is within the control of the lessee and may affect the initial assessment. The assessment is reviewed at the latest when an extension option is actually exercised (or not exercised).

PNE acts as a lessor in the context of the sublease of an office and administration building. A total of fifteen subtenants have rented approx. 46 percent of the building's usable space. The subtenants are two companies of the PNE AG Group, two companies of the WKN Group and eleven companies outside the Group.

Before January 1, 2019, leases were classified as finance leases if substantially all the risks and rewards incidental to ownership were transferred to the lessee under the lease contract. All other leases were classified as operating leases. The Group only acted in the capacity of a lessee in the context of operating and finance leases.

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

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

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

5. LONG-TERM FINANCIAL ASSETS

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

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

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

The associated companies resulted in expenses from the assumption of losses totalling euro 21 thousand (prior year: euro 66 thousand) and income totalling euro 32 thousand (prior year: euro 0 thousand).

6. DEFERRED TAXES

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

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

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

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

7. INVENTORIES

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

8. CASH AND CASH EQUIVALENTS

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

9. FINANCIAL ASSETS

Financial assets consist of trade receivables, loan receivables, acquired equity instruments, cash and cash equivalents as well as derivatives with positive fair values.

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

Financial assets are classified and measured on the basis of the business model and the characteristics of the cash flows. The Group generally classifies its financial assets in the following measurement categories:

- » Amortised cost (AC): Assets that are held to collect the contractual cash flows and for which these cash flows represent solely payments of interest and principal are measured at amortised cost.
- » Fair value through other comprehensive income (FVOCI): Assets that are held to collect the contractual cash flows and to sell the financial assets and for which the cash flows represent solely payments of interest and principal are measured at fair value with no effect on income. Changes in the carrying amount are recognised in other comprehensive income, except for impairment gains or losses.
- » Fair value through profit or loss (FVPL): Assets that do not meet the criteria of the categories measured at "amortised cost" or "FVOCI" are measured in the category "at fair value through profit or loss".

For shares in affiliated companies not held for trading purposes and shares in companies in which an investment is held, the Group exercises the option of measuring these irrevocably at fair value (FVOCI) without affecting income. These are essentially strategic financial investments, and the Group considers this classification to be more informative. Changes in fair value recognised directly in equity are not reclassified to the statement of comprehensive income at the time of the sale.

Shares in affiliated companies classified as FVOCI and shares in companies in which an investment is held are valued at cost of acquisition, which represents a suitable estimate of fair value. On the reporting date, there was no intention of selling these.

For financial assets recognised at amortised cost, a provision for expected credit losses is recognised in the balance sheet.

The Group applies the simplified approach under IFRS 9 for **trade receivables** to determine the expected credit losses; accordingly, the credit losses expected over the term are used for all trade receivables. To measure expected credit losses, trade receivables were grouped together on the basis of common credit risk characteristics and days past due.

The expected default rates result from the payment profiles of the revenues over a period of 36 months prior to December 31, 2019 or January 1, 2019, respectively, and the corresponding historical default rates in these periods. The historical default rates are adjusted to reflect current and forward-looking information on macroeconomic factors that could affect the ability of customers to pay their receivables.

If, after a reasonable assessment, trade receivables can no longer be recovered, they are eliminated from the balance sheet. Indicators for this assessment include, inter alia, a debtor's failure to commit to a repayment plan with the Group or to make contractual payments for more than 30 days past due.

The trade receivables relate primarily to the project planning business and to service companies. The receivables from the project planning business show loss ratios of zero, as a wind farm is only sold to investors with a secured equity or borrowed capital base over the entire term of the wind farm. The loss ratios for trade receivables attributable to service companies are very low.

Other financial assets that are measured at amortised cost are considered to be "low credit risk"; therefore, the impairment recognised in the period is limited to the 12-month expected credit losses. Instruments are considered to be "low credit risk" if the risk of default is low and the issuer is able at all times to meet its contractual payment obligations at short notice.

For **other financial assets**, PNE considers the probability of a default occurring at the time of the initial recognition of assets and always assesses whether there is a significant increase in the credit risk. In order to assess whether the credit risk has increased significantly, the asset's credit risk on the reporting date is compared with its risk at the time of initial recognition. This comparison takes account of appropriate and reliable forward-looking information. In particular, internal (and, if applicable, external) credit assessments, actual or expected significant changes in the borrower's earnings position and significant increases in the credit risk of other financial instruments of the same borrower are used as indicators.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or the financial assets have been transferred with substantially all risks and rewards.

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

Financial liabilities consist of convertible bonds, bonds, liabilities to banks, trade liabilities, other financial liabilities as well as derivatives with negative fair values.

Financial liabilities are measured at amortised cost, unless they are recognised at fair value, such as derivatives with a negative fair value or liabilities for contingent consideration in connection with business combinations.

Financial liabilities are derecognised when the contractual obligations have been met, cancelled or expired.

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

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – inputs, other than quoted prices included in Leve 1, that are observable for the asset or liability, either directly (i.e. as price) or indirectly (i.e. in derivation from prices)

Level 3 – inputs that are not based on observable market data for the measurement of the asset or the liability (unobservable inputs)

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

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

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

10. PROVISIONS

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

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

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

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

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

11. LIABILITIES

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

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

Contingent liabilities are not shown in the statement of comprehensive income. Contingent liabilities comprise primarily guarantees; a list of contingent liabilities existing on the reporting date is provided in chapter X.2.

12. DEFERRED SUBSIDIES FROM PUBLIC AUTHORITIES

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

13. STATEMENT OF COMPREHENSIVE INCOME

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

14. REVENUES

PNE recognises revenue when control of distinct goods or services is transferred to the customer, i.e. when the customer has the ability to direct the use of the transferred goods or services and obtains substantially all of the remaining benefits from them. A prerequisite for this is that a contract with enforceable rights and obligations exists and that it is probable that the consideration will be collected. The revenue corresponds to the transaction price to which PNE expects to be entitled.

Variable consideration is included in the transaction price if it is highly probable that its inclusion will not result in a significant reversal in the future when the uncertainty has been subsequently resolved. The amount of the variable consideration is determined either according to the expected value method or with the most probable amount, depending on which value estimates the variable consideration most accurately.

If the interval between the transfer of the goods or services and the payment date exceeds twelve months and a significant benefit results from the financing for the customer or PNE, the consideration is adjusted for the time value of money.

Where a contract has multiple performance obligations, these are sold at their standalone selling prices. For each performance obligation, revenue is recognised either at a point in time or over time. Upon the conclusion of a contract, it is determined whether revenue is to be recognised at a point in time or over time.

Revenues from the project planning of wind power turbines ("project development" segment)

PNE plans and erects wind power turbines on land and at sea. Revenue from the erection of wind power turbines is recognised over time if one of the criteria of IFRS 15.35 is met. In these cases, revenue is recognised over time in accordance with the Percentage-of-Completion method. The percentage of completion is determined based on the work performed, which is compared with the entire expected volume of work. Work provided by subcontractors is taken into account in the determination of the percentage of completion. The percentage of completion is determined for each individual project based on the work provided. In applying the percentage-of-completion method, the assessment of the stage of completion is of particular importance; it may also include estimates of the scope of supplies and services required to meet contractual obligations, which means that changes in estimates may increase or decrease revenue.

If none of the criteria specified in IFRS 15.35 is met, revenue from the construction of wind farms is recognised when control of the wind farm is passed to the customer. Revenue from these sales is recognised at the price specified in the contract.

Payment of the transaction price is due immediately if the customer acquires the wind farm and accepts it upon delivery.

Revenues from services and transformer station fees ("service products" segment)

PNE provides management and other services for wind power turbines. Revenue from the provision of services is realised on a straight-line basis over a certain period. Advance payments received (max. 1 year) are reported under liabilities in the item "deferred revenues" and are released on a straight-line basis. If a contract contains a fixed hourly rate, revenue is recognised to the extent that PNE is entitled to receive an invoice.

Revenues from transformer stations result from transformer station connection fees and transformer station usage fees.

Transformer station connection fees are paid in advance by the customer for a period of approx. 20–25 years, and the revenues are recognised on a straight-line basis over the term of the contract, taking into account a financing component. Revenues from transformer station usage fees are billed and generated monthly in the amount of the contractually agreed sums.

Invoicing and payment for transformer station connection fees are largely made in advance for the entire term of the contract. These prepayments are reported as deferred revenues under liabilities.

Invoices for transformer station usage fees and for other services are issued in accordance with the terms of the contract, with payment terms usually providing for standard market payment terms within 30 days of invoicing.

Revenues from the generation of electricity ("electricity generation" segment)

The Group generates electricity from the ongoing operation of wind farms and a biomass power plant, feeds this electricity into power grids and receives revenues in return.

Revenue from electricity supply is recognised over the period using the output-based measurement method on an ongoing basis in line with the volume of supply. Since the amount invoiced corresponds to the service provided, PNE applies the simplification rule of recording sales at the amounts invoiced.

Invoices to customers are issued in accordance with the terms of the contract and usually provide for standard market payment terms within 30 days after invoicing.

15. FOREIGN CURRENCY CONVERSION

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

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

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

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

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

V. STATEMENT OF FINANCIAL POSITION

With regard to the composition and development of the individual items of fixed assets, we refer to the consolidated schedule of fixed assets. With regard to disposal restrictions relating to items of fixed assets, we refer to chapter V.2. "Property, plant and equipment".

1. INTANGIBLE ASSETS

Of the intangible assets, euro 63,327 thousand (prior year: euro 63,353 thousand) relate to goodwill from the first-time consolidation of the subsidiaries included in the consolidated financial statements.

Impairment of goodwill

Items of goodwill acquired in the context of business combinations are allocated to the corresponding cash generating units for the purpose of impairment testing. Due to an internal reorganisation of the reporting structure and a related change in the composition of the cash-generating units, a reallocation of goodwill became necessary in the 2019 fiscal year.

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

For the impairment test of goodwill of the cash generating unit "project development", the future cash flows were derived from the detailed plans for the next 3 years (hierarchy level 3). No growth discount was taken into account for the period thereafter. The weighted average cost of capital before taxes used to discount the forecast cash flows was 9.72 percent for the detailed planning phase and for the subsequent period (in the previous year, projecting of wind power turbines PNE: 9.54 percent and projecting of wind power turbines WKN: 9.86 percent).

For the impairment test of goodwill of the cash generating unit "service products", the future cash flows were derived from the detailed plans for the next 3 years (hierarchy level 3). No growth discount was taken into account for the period thereafter. The weighted average cost of capital before taxes used to discount the forecast cash flows was 9.61 percent for the detailed planning phase and for the subsequent period.

For the impairment test of goodwill of the cash generating unit "electricity "generation", the future cash flows "were derived from the detailed plans for the next 3 years (hierarchy level 3). For the period thereafter, a cumulative planning over the relevant expected remaining useful life up to 2026 was taken as the basis. The weighted average cost of capital before taxes used to discount the forecast cash flows was 4.43 percent for the detailed planning phase and for the subsequent period (prior year: 4.47 percent).

Key assumptions for the calculation of the fair values less cost to sell of the business units as at December 31, 2019 and December 31, 2018:

Project Development

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

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

Weighted average cost of capital: The cost of equity is determined using the Capital Asset Pricing Model (CAPM). The borrowing costs before taxes were included at an interest rate of 2.51 percent (prior year: 2.17 percent).

Results of impairment tests and sensitivities

The recoverable amount of the CGU Laubuseschbach (electricity generation) was below the carrying amount of the CGU's assets so that an impairment loss of euro 26 thousand was recognised for this wind farm.

No need for impairment was identified for the two CGUs "project development" and "service products". With regard to the CGU "service products", the Board of Management is of the opinion that no reasonable change in the fundamental assumptions that are used to determine the recoverable amount will lead to impairment losses. With regard to the CGU "project development", the Board of Management assumes that a 1 percent change in the interest rate would have the effect that the total of book values would exceed the recoverable amount of the CGU by euro 26,794 thousand.

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

	Project development	**Services**	**Electricity generation**	**Total**
in TEUR	**2019**	**2019**	**2019**	**2019**
Carrying amount of goodwill	52,854	10,385	88	63,327

	Projecting of wind power turbines PNE	Projecting of wind power turbines WKN	Electricity generation	Total
in TEUR	**2018**	**2018**	**2018**	**2018**
Carrying amount of goodwill	23,032	40,207	114	63,353

2. PROPERTY, PLANT AND EQUIPMENT

During the 2017, 2018 and 2019 fiscal years, the Company constructed and commissioned company-owned wind farms/portfolio projects. Since these projects were operated by the Company itself regardless of their current or future shareholder structures and used to generate electricity, these wind farms were classified as fixed assets from the date of sale within the Group in accordance with IAS 16. Until a decision is made regarding the external sale or internal operation, they were recognised in the inventories pursuant to IAS 2. The reclassification from Group inventories to Group fixed assets was carried out without affecting the statement of comprehensive income and, therefore, has not resulted in a reduction in the "change of inventories" item.

The wind farm projects were financed, in part, by public KfW loans. These loans were measured using the effective interest method upon acquisition. The difference between the fair value and the nominal value of loans of currently euro 4,028 thousand (prior year: euro 3,647 thousand) is recognised through profit or loss over the term of the loans.

As in the previous year, there are restrictions on disposal with regard to the administration building including land in Cuxhaven, for which a land charge of euro 4,170 thousand is registered (prior year: euro 4,170 thousand).

3. RIGHTS OF USE

The PNE Group has accounted for leases in accordance with the requirements of IFRS 16 for the first time as of January 1, 2019 using the modified retrospective transition method. Due to the first-time recognition of the rights of use, an amount of euro 39.4 million is reported in the balance sheet as at December 31, 2019 (prior year: euro 0.0 million).

4. LONG-TERM FINANCIAL ASSETS

In addition to the Company's investments in associated companies (including joint ventures) amounting to euro 487 thousand (prior year: euro 456 thousand), long-term financial assets include shares in affiliated companies that are not fully consolidated in the consolidated financial statements due to their minor significance, which amount to euro 121 thousand (prior year: euro 65 thousand). The Company does not intend to sell the investments in the long term. In addition, the item includes loans of euro 178 thousand (prior year: euro 178 thousand) and other loan receivables of euro 32 thousand (prior year: euro 27 thousand).

In the 2019 fiscal year, write-downs of euro 58 thousand (prior year: euro 26 thousand) were made on long-term financial assets.

Please refer to chapter V.5. for the categorisation and valuation of financial instruments.

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

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

The summarised information below represents amounts shown in the associated companies' financial statements prepared in accordance with IFRS (adjusted by the Group for equity accounting purposes).

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

Associated companies	Core business	Seat	Shareholding and voting rights	
			31.12.2019	31.12.2018
Windpark Altenbruch GmbH	Electricity generation from wind energy	Cuxhaven	50%	50%

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

Windpark Altenbruch GmbH

in TEUR	31.12.2019	31.12.2018
Net assets of the joint venture	944	887
Shareholding of the Group	50%	50%
Goodwill	0	0
Dividend received	0	0
Book value of the shareholding	**472**	**444**

Windpark Altenbruch GmbH

in TEUR	31.12.2019	31.12.2018
Short-term assets	187	130
Long-term assets	771	772
Short-term debts	-14	-15
Long-term debts	0	0

Windpark Altenbruch GmbH

in TEUR	2019	2018
Revenues	21	26
Net income from continuing operations	-8	-34
Post-tax result from discontinued operations	0	0
Net income	-8	-34
Other result	0	0
Total result	-8	-34
Dividend received from the associated company	0	0

Summarised information about associated companies that are of minor significance:

in TEUR	31.12.2019	31.12.2018
Total of book values of the Group's shares in these companies	15	12

5. INVENTORIES

in TEUR	31.12.2019	31.12.2018
Raw materials, consumables and supplies	223	195
Work in progress	77,617	89,993
Finished goods and merchandise	91	2
Prepayments made	23,426	27,153
	101,357	**117,343**

During the 2017, 2018 and 2019 fiscal years, the Company constructed and commissioned company-owned wind farms/portfolio projects. Since these projects were operated by the Company itself regardless of their current or future shareholder structures and used to generate electricity, the wind farms were classified as fixed assets from the date of sale within the Group in accordance with IAS 16. The assets were reclassified from Group inventories to Group fixed assets.

The total impairment of inventories recognised in the 2019 fiscal year amounted to euro 8,845 thousand (prior year: euro 13,870 thousand).

In the 2019 fiscal year, an amount of euro 8,845 thousand (prior year: euro 3,117 thousand) in respect of write-downs of inventories to the net realisable value was recognised as an expense. Euro 3,334 thousand of the write-downs (prior year: euro 520 thousand) is attributable to Germany and euro 5,511 thousand (prior year: euro 2,597 thousand) to foreign countries. The write-downs were made primarily because circumstances such as extended approval periods or objections to planned projects have led to the fact that some projects can no longer be realised profitably under the previously calculated conditions and the existing assets had to be written down.

In the previous year, impairment losses of euro 10,753 thousand were recognised on inventories of offshore projects due to changes in the regulatory framework.

The total cost of inventories recognised as an expense was euro 36,577 thousand (prior year: euro 15,056 thousand).

Work in progress includes assets of euro 49,822 thousand (prior year: euro 47,544 thousand) that are expected to be realised or fulfilled after more than twelve months.

Work in progress is divided as follows:

- offshore projects (euro 16.5 million),
- onshore projects (euro 33.8 million),
- onshore projects international (euro 27.3 million).

Work in progress changed from euro 89,993 thousand (December 31, 2018) to euro 77,617 thousand as a result of the positive development of the pipeline in connection with the sale and implementation of projects.

6. RECEIVABLES AND OTHER ASSETS

Trade receivables

Trade receivables and impairment losses on these receivables relate exclusively to receivables from contracts with customers.

No loan-loss provisions were formed for non-impaired receivables (level 2), since the trade receivables mainly relate to fully financed wind farm operating companies (for receivables resulting from project development or general contracting) or wind farms in operation (receivables from services), which recognise current income.

Reservation of title was agreed to the customary extent for trade receivables; no other collateral was agreed upon.

Other financial assets

Other financial assets comprise other short-term loan receivables and receivables from affiliated companies, associated companies and companies in which an investment is held.

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

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

No loan-loss provisions were formed for non-impaired loans (levels 1 and 2), since these loans relate to non-consolidated, fully financed wind farm operating companies or wind farms with ongoing income. Existing impairment losses on loans (level 3) result from past changes in the legal framework of certain countries in which the borrowing companies operate, resulting in lower than expected income. All impairment losses were recognised in prior periods, and there are currently no indications that similar regulatory changes could occur that would result in an impairment of existing loans.

No collateral was agreed for the other financial assets.

Other information about financial assets pursuant to IFRS 7

Credit losses on trade receivables measured using the simplified approach and on other financial assets measured using the general approach developed as follows:

	General Approach				
in TEUR	**Level 1**	**Level 2**	**Level 3**	**Simplified Approach**	**Total**
Balance on 1.1.2018	**–**	**–**	**3,991**	**335**	**4,326**
Transfer to level 1	–	–	–	–	–
Transfer to level 2	–	–	–	–	–
Transfer to level 3	–	–	–	–	–
Financial assets derecognised in the reporting period	–	–	–	-75	-75
Write-downs	–	–	–	21	21
Reversals	–	–	-817	-260	-1,077
Balance on 31.12.2018/1.1.2019	**–**	**–**	**3,174**	**21**	**3,195**
Transfer to level 1	–	–	–	–	–
Transfer to level 2	–	–	–	–	–
Transfer to level 3	–	–	–	–	–
Financial assets derecognised in the reporting period	–	–	–	–	–
Financial assets issued or acquired	–	–	–	–	–
Write-downs	–	–	–	–	–
Reversals	–	–	–	–	–
Exchange-rate-related changes and other changes	–	–	–	–	–
Balance on 31.12.2019	**–**	**–**	**3,174**	**21**	**3,195**

The following table shows the development of the gross carrying amounts of trade receivables and of the other financial assets in the year under review.

	General Approach				
in TEUR	Level 1	Level 2	Level 3	Simplified Approach	Total
Balance on1.1.2018	**5,159**	**–**	**3,991**	**5,454**	**14,604**
Transfer to level 1	–	–	–	–	–
Transfer to level 2	–	–	–	–	–
Transfer to level 3	–	–	–	89	89
Financial assets issued or acquired and financial assets derecognised	1,552	–	-817	833	1,568
Exchange-rate-related changes and other changes	–	–	–	–	–
Balance on 31.12.2018/1.1.2019	**6,711**	**–**	**3,174**	**6,376**	**16,261**
Transfer to level 1	–	–	–	–	–
Transfer to level 2	–	–	–	–	–
Transfer to level 3	–	–	–	–	–
Financial assets issued or acquired and financial assets derecognised	531	–	–	27,896	28,427
Exchange-rate-related changes and other changes	–	–	–	–	–
Balance on 31.12.2019	**7,242**	**–**	**3,174**	**34,272**	**44,688**

The gross carrying amounts of trade receivables and other financial assets by credit risk rating class are as follows:

	General Approach			
in TEUR	Level 1	Level 2	Level 3	Simplified Approach
Credit risk rating class 1	7,242	–	–	34,272
Credit risk rating class 2	–	–	–	–
Credit risk rating class 3	–	–	3,174	89
Total	**7,242**	**0**	**3,174**	**34,272**

Financial instruments with risk rating class 1 are not subject to any significant credit risk. Financial instruments with risk rating class 2 are subject to a higher credit risk. Financial instruments with risk rating class 3 comprise impaired financial instruments.

The following table shows the carrying amounts and fair values of all **financial assets** by category:

in TEUR	Category acc. to IFRS 9	Total	Fair value
As per 31.12.2019			
Short-term financial assets			
Cash and cash equivalents	AC	111,935	111,935
Trade receivables	AC	34,251	34,251
Other short-term loan receivables	AC	5,457	5,457
Trade receivables from affiliated companies	AC	1,621	1,621
Receivables from associated companies and those in which an investment is held	AC	163	163
Long-term financial assets			
Shares in affiliated companies	FVOCI	121	121
Shares in companies in which an investment is held	FVOCI	1,208	1,208
Other borrowings	AC	178	178
Other long-term loan receivables	AC	32	32
		154,966	**154,966**
Total AC		**153,637**	**153,637**
Total FVOCI		**1,329**	**1,329**
As per 31.12.2018			
Short-term financial assets			
Cash and cash equivalents	AC	129,071	129,071
Trade receivables	AC	6,355	6,355
Other short-term loan receivables	AC	2,321	2,321
Trade receivables from affiliated companies	AC	4,234	4,234
Receivables from associated companies and those in which an investment is held	AC	156	156
Long-term financial assets			
Shares in affiliated companies	FVOCI	65	65
Shares in companies in which an investment is held	FVOCI	1,266	1,266
Other borrowings	AC	178	178
Other long-term loan receivables	AC	27	27
		143,672	**143,672**
Total AC		**142,342**	**142,342**
Total FVOCI		**1,331**	**1,331**

AC = measured at amortised cost
FVOCI = measured at fair value (changes in value in OCI)

Shares in affiliated companies classified as FVOCI and shares in companies in which an investment is held were measured at cost of acquisition of euro 1,329 thousand (December 31, 2018: euro 1,331 thousand), which represents a suitable estimate of fair value. Currently, there are no net results and dividends attributable to the "FVOCI" category.

The carrying amounts of financial assets in the category "measured at amortised cost" (AC) approximate their fair values on the reporting date. Net income of euro 0 thousand (prior year: euro 21 thousand) relates to impairments reported under other operating expenses and net income of euro 498 thousand (prior year: euro 731 thousand) to interest income reported under the financial result.

Other assets

Other assets include primarily value added tax receivables.

7. EQUITY CAPITAL

Subscribed capital

As at January 1, 2019, the Company's share capital amounted to euro 76,557,803.00 (prior year: euro 76,556,026.00), divided into 76,557,803 (prior year: 76,556,026) no-par value registered shares with a notional value of euro 1.00 per share in the share capital.

In the reporting period, the Company's share capital increased as a result of conversions from the 2014/2019 Convertible Bond. The increase in the share capital due to the exercise of conversion rights resulted from Conditional Capital II/2012. The conversion of bonds resulted in 45,531 new shares in the fiscal year. The Company's share capital on the reporting date amounted to euro 76,603,334, divided into 76,603,334 no-par value registered shares with a notional share of euro 1.00 per share in the share capital.

Authorised Capital 2017

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

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

- if the capital increase is effected against non-cash contributions, in particular, in the event of acquisition of companies, parts of companies or participations in companies or other assets, including rights and receivables – also against the Company – or of rights to the acquisition of assets, or in connection with business combinations, and
- in order to grant the holders and/or creditors of the bonds carrying conversion and/or option rights issued by the Company or its subsidiaries subscription rights for new shares in the scope to which they would have been entitled as shareholders following the exercise of their conversion and/or option rights.

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

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

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

The Board of Management made no use of Authorised Capital 2017 in the period under review.

The Authorised Capital thus amounted to euro 38,250,000.00 on December 31, 2019.

Conditional Capital II/2012

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

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

The Board of Management made use of this authorisation with the resolution of September 11, 2014 and with the approval of the Supervisory Board of the same day and resolved to issue a convertible bond (the "2014/2019 Convertible Bond") at a volume of up to euro 25,575,000.00. The individual convertible bonds were issued at a price of 100 percent. The conversion price for each share acquired in the future through exercising the conversion right amounts to euro 3.30, subject to a subsequent adjustment. The convertible bond was subscribed in a volume of euro 6,565,132.20. This corresponds to subscription rights for up to 1,989,434 new shares with a pro-rata amount of euro 1.00 per share in the share capital. Taking the subscription rights granted under the 2014/2019 Convertible Bond into account, the Conditional Capital II/2012 was partially used in the amount of up to euro 1,989,434.00. No use was made regarding the remaining amount of up to EUR 5,760,566.00. On May 14, 2017, the authorisation to use Conditional Capital II/2012 expired due to lapse of time, so that utilisation of the remaining amount of Conditional Capital II/2012 and the corresponding granting of subscription rights are no longer possible.

In the reporting period, conversion rights for 45,531 shares were exercised (prior year: 1,777) and 45,531 new shares (prior year: 1,777) were issued from Conditional Capital II/2012. Following the exercise of these conversion rights, there are no longer any subscription rights granted and still outstanding under the 2014/2019 Convertible Bond so that a further issue of shares from Contingent Capital II/2012 is no longer possible.

Conditional Capital 2017

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

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

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

Treasury shares

The general meeting of shareholders of May 22, 2019 authorised the Company's Board of Management to purchase up to May 21, 2024 on one or several occasion treasury shares in a volume of up to 10 percent of the share capital existing at the time the relevant resolution becomes effective or – if this amount is lower – of the share capital existing at the time this authorisation is exercised, for one or more permissible purposes within the scope of the statutory restrictions in accordance with the following provisions. The shares acquired because of this authorisation, together with other treasury shares that the Company has already acquired and that are owned by or attributable to the Company, may not at any time account for more than 10 percent of the share capital. The acquisition may be carried out by the Company, by dependent companies or companies owned by the Company or by third parties acting for the account of such companies or of the Company if the legal requirements, in particular pursuant to Section 71 (2) of the German Stock Corporation Act (AktG), are met. Pursuant to the authorisation, the acquisition shall be effected at the discretion of the Board of Management via the stock exchange or by means of a public purchase offer addressed to all shareholders or by means of a public invitation to all shareholders to submit offers to sell or by granting rights to tender. In the event of an acquisition via the stock exchange, the purchase price per share (excluding incidental acquisition costs) may not be more than 10 percent higher or lower than the share price determined by the opening auction in the XETRA trading system (or in a successor system replacing the XETRA system) on the Frankfurt Stock Exchange on the day the obligation to purchase is entered into. In the event of an acquisition based on a public purchase offer, the purchase price per share (excluding incidental acquisition costs) may not be more than 10 percent higher or lower than the non-weighted average closing price of the share in the XETRA trading system (or in a successor system replacing the XETRA system) on the Frankfurt Stock Exchange during the last three trading days prior to the first publication of the offer. In the event of an acquisition based on an invitation to submit sales offers or acquisition by granting rights to tender, the purchase price per share (excluding incidental acquisition costs) may not be more than 10 percent higher or lower than the non-weighted average closing price of the share in the XETRA trading system (or in a successor system replacing the XETRA system) on the Frankfurt Stock Exchange during the last three trading days prior to the day of acceptance of the sales offers or the day of granting the rights to tender. If, after the publication of a public purchase offer or a public invitation to shareholders to submit sales offers or after the granting of rights to tender, there are significant deviations from the relevant share price, the offer, the invitation to submit sales offers or the rights to tender may be adjusted. In this case, the closing price in the XETRA trading system on the last trading day prior to the publication of the adjustment shall be decisive; the 10 percent limit is to be applied to this amount. The volume of a public purchase offer or a public invitation to submit sales offers (collectively "public purchase offer") can be limited. If the total number of shares tendered for a public purchase offer exceeds the volume of the shares, the acquisition may be effected in proportion to the number of shares tendered (tender quotas); in addition, a preferential acceptance of small numbers (up to 50 shares per shareholder) and rounding in accordance with commercial principles may be provided for in order to avoid fractional amounts of shares. Any further rights of shareholders to tender shares in accordance with the participation quotas are excluded. The total volume of tender rights may also be limited in the case of the granting of rights to tender. If shareholders are granted rights to tender for the purpose of acquisition, these are allocated to the shareholders in proportion to their shareholdings in accordance with the relationship of the volume of shares to be repurchased by the Company to the outstanding share capital. Fractions of rights to tender do not have to be allocated; in this case, any partial rights to tender are excluded. The Board of Management determines the details of the respective acquisition, in particular, of a purchase offer or invitation to submit sales offers. This also applies to the details of any rights to tender, in particular in respect of the term and, if applicable, their tradability. In this context, capital market law and other legal restrictions and requirements must also be observed.

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

In addition, the general meeting of shareholders of May 22, 2019 authorised the Supervisory Board of the Company to use treasury shares acquired on the basis of the authorisation described above or on the basis of previous authorisations to commit or transfer the shares to current and/or future members of the Company's Board of Management as a remuneration component in the form of a share bonus to the extent permitted by law. This must be subject to the condition that the further transfer of the shares by the respective member of the Board of Management within a period of at least four years from the commitment or transfer (lock-up period) and the conclusion of hedging transactions by which the economic risk from the price trend is transferred in part or in full to third parties for the duration of the lock-up period are not permitted. The commitment or transfer of shares is to be based in each case on the current stock exchange price, using an average assessment to be determined by the Supervisory Board. This authorisation may also be exercised once or several times, in whole or in part, individually or jointly. In addition, the shareholders' subscription right is excluded to the extent that treasury shares are used in accordance with the authorisation granted by the Supervisory Board.

In the reporting period, neither the Board of Management nor the Supervisory Board made use of the authorisation to acquire and use treasury shares, which was granted by the general meeting of shareholders on May 22, 2019. Likewise, the Board of Management and the Supervisory Board have not made use of the authorisation to acquire and use treasury shares, which was granted by the general meeting of shareholders on May 31, 2017 and revoked by a resolution of May 22, 2019 and still existed in the reporting period.

On December 31, 2019, the Company held 266,803 treasury shares (prior year: 2,189,853), which it acquired in 2018 by using its authorisation existing at that time, based on a share repurchase offer directed to all shareholders. In the 2019 fiscal year, 1,923,050 treasury shares were used for conversion rights exercised under the 2014/2019 corporate bond.

Capital reserve

The capital reserve includes the premium paid on the shares issued and the equity share of the convertible bond. In the 2019 fiscal year, the capital reserve changed by approx. euro 89 thousand due to the conversion of the 2014/2019 corporate bond and by approx. euro 573 thousand due to the issue of treasury shares in connection with the conversion of the 2014/2019 corporate bond.

Foreign currency reserve

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

Consolidated retained earnings

Profits and losses are accumulated in the consolidated retained earnings. In the context of the 2019 dividend payment, dividends totalling euro 2,975 thousand (euro 0.04 per share) were distributed to the shareholders from the retained earnings shown in the annual financial statements of PNE AG prepared pursuant to the German Commercial Code.

For the 2019 fiscal year, the Board of Management and the Supervisory Board propose to pay a dividend of euro 0.04 for each no-par value share entitled to a dividend in the 2019 fiscal year from PNE AG's retained earnings of euro 111,559,172.29. The remaining retained earnings shall be carried forward to new account.

8. NON-CONTROLLING INTERESTS

The capital consolidation of entities as well as the results from current and past fiscal years resulted in cumulative non-controlling interests totalling euro -13,283 thousand (prior year: euro -13,938 thousand).

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

Name of subsidiary	Seat	Shareholding and voting rights of non-controlling interests		Profit/loss attributable to non-controlling interests		Cumulative non-controlling interests	
in TEUR		**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
WKN sub-group							
of which Sevivon s.p.z.o.o.	Poland	20.00%	20.00%	-437	-644	-4,318	-3,911
of which ATS Energia s.r.l.	Italy	22.21%	22.21%	-15	-48	-6,033	-6,082
of which VKS Vindkraft Sverige	Sweden	20.00%	20.00%	1,288	-74	732	-556
of which WKN Windcurrent S.A.	South Africa	20.00%	20.00%	-33	-246	-1,435	-1,402
Others				-148	-349	-2,229	-1,987
Total of non-controlling interests				**655**	**-1,361**	**-13,283**	**-13,938**

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

WKN sub-group

in TEUR	31.12.2019	31.12.2018
Short term assets	128,656	103,503
Long term assets	28,261	20,661
Short term liabilities	74,488	73,217
Long term liabilities	9,225	2,494
Share in equity attributable to the shareholders of parent company	84,276	60,328
Non-controlling interests	-11,072	-11,875

WKN sub-group

in TEUR	2019	2018
Total aggregate output	110,202	62,872
Expenses	85,134	52,171
Net income	25,068	10,701
of which:		
Net income attributable to the shareholders of the parent company	24,265	11,713
Net income attributable to the non-controlling interests	803	-1,012
Other result attributable to the shareholders of the parent company	0	0
Other result attributable to the non-controlling interests	0	0
Other result	**0**	**0**
Total result attributable to the shareholders of the parent company	24,265	11,713
Total result attributable to the non-controlling interests	803	-1,012
Total result	**25,068**	**10,701**

WKN sub-group

in TEUR	31.12.2019	31.12.2018
Dividends paid to non-controlling interests	0	0
Net cash flows from operating activities	5,670	-1,852
Net cash flows from investing activities	-262	-332
Net cash flows from financing activities	-11,270	9,940
Total net cash flows	**-5,862**	**7,756**

9. DEFERRED SUBSIDIES FROM PUBLIC AUTHORITIES

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

The reversal of the investment grants is based on the useful life of the underlying assets. During the reporting period, a total amount of euro 47 thousand (prior year: euro 47 thousand) was reversed.

10. PROVISIONS FOR TAXES

The tax provisions include current taxes on income, which were set up for past fiscal years and the 2019 fiscal year.

There are tax risks from the corporate, trade and sales tax field audit at WKN GmbH for the years from 2010 to 2013 and 2014 to 2016. These audits have not yet been completed finally. Based on the discussions between the management of WKN GmbH and its tax advisors on the one hand and the tax authorities on the other, there are different views regarding the tax treatment of individual items of the years 2010 to 2013. Possible findings of the tax audit for 2010 to 2013 might have an impact on the net assets, financial position and results of operations of WKN GmbH and the PNE Group in the single-digit million range. Based on the current state of knowledge, the Board of Management of PNE AG continues to assume that the tax-related presentation of the issues is accurate. Taxes were paid for individual selected issues addressed in the context of the tax audit. However, for the economically predominant part of the issues raised during the tax audit for 2010 to 2013, the Board of Management still sees no reason to recognise a provision in the consolidated balance sheet as at December 31, 2019. Should the findings of the tax audit for 2010 to 2013 be negative, the Company would file a lawsuit against the ruling in respect of the economically predominant part of the issues. Even if a provision were formed covering all aspects of the tax audit, this would have no effect on the published guidance as possible effects on earnings would be reported under tax and interest expenses and thus outside EBITDA and EBIT. The probability of such risks occurring is regarded as low, but the impact of occurrence as serious. The occurrence of such a risk would have an impact of up to a further euro 7.1 million, in addition to the provisions already made, on the net assets, financial position and results of operations. The risk must therefore be classified as "high" in accordance with the risk management definition.

11. OTHER PROVISIONS

The other provisions developed as follows:

in TEUR	1.1.2019	Consumption	Reversal	Addition	31.12.2019
Variable purchase price component Atlantis I–III	1,060	0	0	0	1,060
Legal costs	495	332	0	26	189
Other	2,333	316	0	1,571	3,588
	3,888	**648**	**0**	**1,597**	**4,837**

Other provisions of euro 2.9 million relate primarily to long-term dismantling obligations for the wind farms owned by the Company; the remaining amount is attributable to short-term provisions.

The amount of variable purchase price components from the acquisition of offshore projects is estimated upon initial recognition and recognised in inventories as well as provisions. Changes in the fair values of variable purchase price components, which represent no corrections during the valuation period, are to be accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The Group recognises the change in the variable purchase price components from the acquisition of offshore wind farms in the corresponding amount in the inventories. A discounted purchase price liability of approx. euro 1.1 million was recorded as at December 31, 2019 (prior year: euro 1.1 million).

12. FINANCIAL LIABILITIES

The financial liabilities are attributable to convertible bonds (only in 2018) and corporate bonds issued, liabilities to banks, other financial liabilities, liabilities from leasing contracts as well as derivatives.

The book values of financial liabilities have the following remaining terms or the following fair values:

in TEUR	Category acc. to IFRS 9	Total	up to 1 year	1 to 5 years	more than 5 years	Fair value
As per 31.12.2019						
Trade liabilities	AC	35,276	35,276	0	0	35,276
Fixed interest						
Bonds	AC	48,858	0	48,858	0	51,188
Liabilities to banks	AC	145,933	10,350	47,434	88,149	147,585
Other financial liabilities	AC	1,057	1,057	0	0	1,057
Liabilities under leases	AC	40,264	3,057	10,115	27,093	40,264
Variable interest						
Liabilities to banks	AC	0	0	0	0	0
Derivatives						
Interest rate swaps	FVPL	4,810	298	1,191	3,322	4,810
		276,198	**50,037**	**107,598**	**118,563**	**280,180**
As per 31.12.2018						
Trade liabilities	AC	14,945	14,945	0	0	14,945
Fixed interest						
Bonds	AC	55,009	6,460	48,549	0	56,983
Liabilities to banks	AC	94,352	8,204	27,510	58,638	95,826
Other financial liabilities	AC	1,478	1,057	275	146	1,478
Liabilities under leases	AC	654	250	404	0	654
Variabel verzinslich						
Verbindlichkeiten gegenüber Kreditinstituten	AC	10,085	10,085	0	0	10,085
Derivate						
Zinsswap	FVPL	1,209	76	302	831	1,209
		177,732	**41,077**	**77,040**	**59,615**	**181,180**

AC = measured at amortised cost
FVPL = measured at fair value through profit or loss

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

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

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

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

The valuation of trade liabilities and other financial liabilities is based on the assumption that the fair values correspond to the carrying amounts of these financial instruments in view of their short remaining terms.

Net results from financial liabilities carried at amortised cost consist exclusively of interest totalling euro 5,163 thousand (prior year: euro 7,934 thousand), which is included in financial expenses.

The net result from financial liabilities measured at fair value is derived from the subsequent measurement at fair value in the amount of euro 4,810 thousand (prior year: euro 1,209 thousand). The figure is recognised in the statement of comprehensive income under "interest and similar expenses".

The following table analyses the financial liabilities of the Group by the relevant maturity bands:

in TEUR	Total contractual cash flows	up to 1 year	1 to 5 years	more than 5 years	Carrying amount
As per 31.12.2019					
Trade liabilities	35,276	35,276	0	0	35,276
Bonds	57,527	2,000	55,527	0	48,858
Liabilities to banks	176,139	13,674	57,453	105,012	145,933
Other financial liabilities	1,089	1,089	0	0	1,057
Liabilities under leases	51,981	3,956	14,630	33,396	40,264
Interest rate swaps	4,810	298	1,191	3,322	4,810
	326,821	**56,292**	**128,800**	**141,729**	**276,198**
As per 31.12.2018					
Trade liabilities	14,945	14,945	0	0	14,945
Bonds	65,205	7,987	57,218	0	55,009
Liabilities to banks	124,202	20,143	33,388	70,671	104,437
Other financial liabilities	1,567	1,101	316	150	1,478
Liabilities under leases	704	270	434	0	654
Zinsswap	1,209	76	302	831	1,209
	207,832	**44,522**	**91,658**	**71,652**	**177,732**

The table analyses the financial liabilities of the Group by the relevant maturity bands, based on their **contractual terms** for:

(a) all non-derivative financial liabilities, and

(b) derivative financial instruments that are settled on a net basis and whose contractual maturities are material to an understanding of the timing of cash flows.

The amounts shown in the table are the contractual non-discounted cash flows. Balances due within 12 months correspond to their carrying amounts, as the effect of discounting is not significant. In the case of interest rate swaps, the cash flows were estimated using the forward interest rates applicable at the end of the reporting period.

Bonds

The bonds developed as follows:

in TEUR	31.12.19	31.12.18
Convertible bond 2014:		
Status on 1.1.	6,460	6,357
Interest accrued	92	5
Converted	5,804	108
Repaid	748	0
Status on 31.12.	**0**	**6,460**
Bond 2013:		
Status on 1.1.	0	99,459
Interest accrued	0	541
Repaid	0	100,000
Status on 31.12.	**0**	**0**
Bond 2018:		
Status on 1.1.	48,549	0
Issued	0	48,350
Interest accrued	309	199
Status on 31.12.	**48,858**	**48,549**
Total	**48,858**	**55,009**

2014/2019 Convertible Bond

Based on the authorisation resolution of the general meeting of shareholders of May 15, 2012, the Board of Management resolved on September 11, 2014, with the approval of the Supervisory Board of the same day, to issue up to 7,750,000 individual pari passu convertible bonds at a nominal value of euro 3.30 each, corresponding to a total nominal value of up to euro 25,575,000.00. Thereafter, on the basis of the resolution of the Board of Management of October 1, 2014, the Company issued an aggregate of 1,989,434 individual pari passu convertible bonds at a nominal value of euro 3.30 each, corresponding to a total nominal amount of euro 6,565,132.20. The 2014/2019 convertible bond was included on October 9, 2014 in the regulated market of the Frankfurt Stock Exchange. The individual convertible bonds were evidenced for their entire term by a permanent global bearer certificate. The term of the convertible bond began on October 10, 2014 and ended on October 10, 2019 The nominal amount of the individual convertible bonds accrued interest of 3.75 percent p.a. for the entire term of the bonds, unless they are redeemed early or unless the conversion right is exercised in a legally effective manner. In accordance with the bond terms and conditions, each bondholder had the irrevocable right to exchange the individual convertible bonds for no par value registered shares carrying voting rights of PNE AG. Subject to an adjustment of the conversion price, each individual convertible bond granted the right for exchange into one no par value registered share of the Company. The conversion rights were secured by Conditional Capital II/2012.

By the end of the term of the 2014/2019 convertible bond on October 10, 2019, a total of 1,762,653 convertible bonds with a total nominal value of euro 5,816,754.90 were converted into shares of the Company, of which 1,758,469 partial bonds with a total nominal value of euro 5,802,947.70 in the 2019 fiscal year.

The majority of the conversion rights exercised were serviced by treasury shares that PNE AG had repurchased at the end of 2018. By repurchasing the shares and using them to service conversion rights, an increase in the number of shares and thus a dilution of the shareholders could be largely avoided. In total, 1,923,050 treasury shares were used to service conversion rights (of which 1,923,050 shares for conversion rights exercised during the reporting period). The remaining conversion rights exercised during the term were serviced by 49,888 new shares, of which 45,531 new shares were issued in the reporting period. Convertible bonds not converted into shares were repaid at the end of the term with a volume of euro 748,377.30 at par value.

Corporate bond 2018/2023

In May 2018, PNE AG issued a corporate bond with a volume of euro 50,000,000.00 for the further development of the business model and the establishment of a new European wind farm portfolio, for the financing of investments to expand the value chain and for general corporate financing. The bonds from the 2018/2023 corporate bond have been included in the over-the-counter market at the Frankfurt Stock Exchange since May 2, 2018.

The bonds bear interest of 4 percent p.a. as of May 2, 2018 (including) up to May 2, 2023 (excluding). Interest is payable in arrears on May 2 of each year. According to the bond terms and conditions, the interest rate may increase by up to 2.5 percentage points depending on the equity ratio resulting from the Company's consolidated balance sheet.

PNE AG is obliged to repay the bonds on May 2, 2023 at the nominal amount, insofar as they have not been fully or partially repaid or bought back and invalidated. According to the bond terms and conditions, PNE AG has the right, inter alia, to repay bonds with a total nominal value of at least euro 5,000,000.00 as of May 2, 2021 at the earliest, in which case the repayment amount is higher than the nominal value.

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

On December 19, 2019, the Company announced that such a change of control within the meaning of the bond conditions occurred on December 17, 2019. The background to this was that Photon Management GmbH, Frankfurt am Main, Germany, controlled by Morgan Stanley, Wilmington, Delaware, USA, announced that it had been the legal or beneficial owner of a number of shares representing more than 30 percent of the voting rights since midnight on December 12, 2019. Due to the resulting change of control, the Company granted the creditors of the 2018/2023 corporate bond the right of termination, which is provided for in the bond conditions. The "change of control" termination right can be exercised by any bondholder by submitting a proper declaration of exercise, effective as of February 6, 2020, which must be submitted to the paying agent by midnight on January 27, 2020 at the latest.

Liabilities to banks

The interest rates for fixed interest liabilities to banks range between 0.79 percent and 5.34 percent. The Company is exposed to an interest rate risk in respect of its variable interest liabilities to banks. In 2019, the relevant interest rates ranged between 2.60 percent and 11.56 percent (overdraft interest rate). Variable interest rates are adjusted at intervals of less than one year. The liabilities to banks have terms to maturity up to 2039.

An amount of euro 145,508 thousand (prior year: euro 107,643 thousand) is secured by:

1. Registered mortgage of euro 4,170 thousand on the property Peter-Henlein-Str. 2–4, Cuxhaven (amount drawn down euro 3,900 thousand (prior year: euro 4,045 thousand))
2. Assignment of rental income from the property Peter-Henlein-Str. 2–4, Cuxhaven
3. Assignment as security of all rights under contracts in connection with the Pülfringen wind farm and assignment of all receivables of this wind farm (amount drawn down euro 1,382 thousand (prior year: euro 1,761 thousand))
4. Assignment as security of all rights under contracts in connection with the wind farms Kührstedt A, Kührstedt B and Kührstedt Bederkesa and assignment of all receivables of these wind farms (amount drawn down euro 56,886 thousand (prior year: euro 61,458 thousand))
5. Assignment as security of all rights under contracts in connection with the Gerdau Repowering wind farm and assignment of all receivables of this wind farm (amount drawn down euro 21,925 thousand (prior year: euro 21,686 thousand))
6. Assignment as security of all rights under contracts in connection with the Neuenwalde wind farm and assignment of all receivables of this wind farm (amount drawn down euro 10,875 thousand (prior year: euro 0 thousand))
7. Assignment as security of all rights under contracts in connection with the Schlenzer wind farm and assignment of all receivables of this wind farm (amount drawn down euro 11,205 thousand (prior year: euro 0 thousand))
8. Assignment as security of all rights under contracts in connection with the Kittlitz III wind farm and assignment of all receivables of this wind farm (amount drawn down euro 23,843 thousand (prior year: euro 10,122 thousand))
9. Assignment as security by pledging the shares in PNE Power Generation GmbH as part of the pro rata interim equity financing of wind power turbines (amount drawn down euro 4,474 thousand (prior year: euro 0 thousand))
10. Assignment as security by pledging the shares in PNE WIND West Europe GmbH as part of the pro rata interim equity financing of a wind farm portfolio (amount drawn down euro 15,018 thousand (prior year: euro 8,570 thousand)).

As at December 31, 2019, there were in addition

» a working capital facility of euro 10.1 million (prior year: euro 10.0 million), of which euro 8.9 million was used as at December 31, 2019 (prior year: euro 0.0 million),
» credit lines for project debt capital interim financing of approx. euro 23.7 million (prior year: euro 2.3 million),
» credit lines of euro 2.5 million (prior year: euro 16.4 million) for equity capital interim financing of wind farm projects.

In addition, the Group had credit lines for guarantee and contract fulfilment obligations of euro 14.3 million on December 31, 2019 (as at December 31, 2018: euro 23.3 million). As at December 31, 2019, the Group had used euro 1.9 million of the credit lines for guarantee and contract fulfilment obligations (prior year: euro 3.9 million).

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

Other financial liabilities

The other financial liabilities include derivatives (interest rate swaps) totalling euro 4.8 million (prior year: euro 1.2 million).

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

Lease liabilities

PNE has applied the new standard IFRS 16 Leases as of January 1, 2019. This first-time application has resulted in the following changes.

Carrying amounts in connection with leases

in TEUR	2019
Recognised in rights of use	
Rights of use for land, buildings and similar assets	37,777
Rights of use for technical equipment and machinery, other equipment, fixtures and furnishings	1,599
	39,376
Recognised in financial assets	
Long-term financial liabilities	38,197
Short-term financial liabilities	1,493
	39,690
Additions to rights of use	
of which rights of use for land, buildings and similar assets	4,562
of which rights of use for technical equipment and machinery, other equipment, fixtures and furnishings	493
	5,055

Expenses and income related to leases

in TEUR	2019
Scheduled depreciation on rights of use for land, buildings and similar assets	1,828
Scheduled depreciation on rights of use for technical equipment and machinery, other equipment, fixtures and furnishings	965
Impairment on rights of use	0
Interest expenses for lease liabilities	929
Expenses for short-term leases (12 months or less, except for real property)	0
Expenses for leases of low-value assets, except for short-term leases	0
Expenses for variable lease payments that are not included in lease liabilities	0
Expenses	**3,722**
Income from subleasing of rights of use	368
Income	**368**

The total payments for leases in the 2019 fiscal year amounted to TEUR 3,398.

The payments for the interest portion resulting of lease liabilities are presented in the cash flow from operating activities. The payments for the principal portion of lease liabilities are presented in the cash flow from financing activities.

PNE has rented various office buildings and plots of land for the operation of wind power turbines as well as vehicles. Rental agreements are usually concluded for fixed periods of 2 years to 25 years, taking into account the usual extension options for the operation of wind power turbines.

Reconciliation of debts from financing activities

The following reconciliation shows the changes between the opening balance sheet value and the closing balance sheet value of liabilities from financing activities – both cash and non-cash changes.

			Non-cash changes				
in TEUR	**Opening balance on 1.1.2019**	**Cash flow (cash change)**	**Acquisition of companies**	**Changes in fair value**	**Interest-related changes**	**Other**	**Closing balance on 31.12.2019**
Bonds	55,009	-6,552	–	–	401	–	48,858
Liabilities to banks	104,437	41,701	–	–	-205	–	145,933
Other financial liabilities	2,687	-421	–	3,601	–	–	5,867
Liabilities from leasing contracts	654	-3,398	–	–	–	43,008	40,264
Liabilities from financing activities	**162,787**	**31,330**	**0**	**3,601**	**196**	**43,008**	**240,922**

			Non-cash changes				
in TEUR	**Opening balance on 1.1.2018**	**Cash flow (cash change)**	**Acquisition of companies**	**Changes in fair value**	**Interest-related changes**	**Other**	**Closing balance on 31.12.2018**
Bonds	105,816	-51,650	–	–	848	-5	55,009
Liabilities to banks	72,349	36,141	–	–	-4,164	111	104,437
Other financial liabilities	1,087	–	–	1,209	–	391	2,687
Liabilities from leasing contracts	608	–	–	–	–	46	654
Liabilities from financing activities	**179,860**	**-15,509**	**0**	**1,209**	**-3,316**	**543**	**162,787**

13. OTHER LIABILITIES

Deferred revenues

The item of euro 20,314 thousand (prior year: euro 18,521 thousand) is attributable primarily to prepayments made by wind farm operating companies for the use of transformer stations. These deferred revenues correspond to contract liabilities in accordance with IFRS 15 and are released to income over the term of the usage contracts (20 to 25 years).

Other liabilities

The other liabilities include mainly value added tax liabilities of approx. euro 4.8 million (prior year: approx. euro 3.5 million).

14. FINANCIAL INSTRUMENTS AND PRINCIPLES OF RISK MANAGEMENT

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

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

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

Risk categories within the meaning of IFRS 7

Credit risk

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

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

Liquidity risk

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

The analysis of maturities of financial liabilities with their contractual terms to maturity is shown in chapter V. 11. "Financial liabilities".

Market risk

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

Currency risks

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

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

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

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

To hedge against significant foreign exchange risks, the Group will use currency derivatives in the form of forward exchange transactions and foreign currency option contracts, if necessary. These currency derivatives secure the payments up to a maximum of one year in advance. On the reporting date, the Group was not exposed to significant foreign exchange risks in the operating area. For this reason, hedging transactions against foreign currency risks had not been concluded as at the reporting date.

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

Due to the low level of assets and liabilities in foreign currencies, the Group is not exposed to a material currency risk. On the reporting date, there were insignificant amounts of currencies other than the euro of relevance to the Group, i.e. the British pound and the US dollar.

Interest risks

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

In the year under review, interest rate swaps were concluded in connection with new loans taken out because, from a business policy perspective, the time was right for the conclusion of the interest rate swaps.

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

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

If the market interest level on December 31, 2019 had been higher (lower) by 100 basis points, no effects would have occurred with regard to a revaluation reserve in the shareholders' equity. In addition, the interest result would have been euro 48 thousand (prior year: euro 113 thousand) lower/higher.

Other price risks

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

On December 31, 2019 and on December 31, 2018, the Company had no material financial instruments in its portfolio that were exposed to other price risks.

Risk concentration

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

Fair values

The Group's financial instruments which are not carried at fair value include mainly cash equivalents, trade receivables, trade liabilities and other financial liabilities, overdrafts and long-term loans.

The book value of cash equivalents and overdrafts is very close to their market value due to the short term of these financial instruments. As regards receivables and liabilities which are based on standard trade credit conditions, the book value based on historical cost is also very close to the market value.

The fair value of long-term liabilities is based on the currently available interest rates for outside capital borrowed with the same maturity and credit rating profile.

Depending on the market value on the reporting date, derivative financial instruments are reported as other asset (with positive market value) or other liability (with negative market value).

Capital management

The objectives of the Company's capital management are

- ensuring the continued existence of the Company,
- guaranteeing adequate interest yield on shareholders' equity and
- maintaining an optimum capital structure that minimises capital costs as much as possible.

In order to maintain or to modify the capital structure, the Company issues new shares as required, assumes liabilities or disposes of assets to redeem liabilities.

The capital structure is monitored using the debt/equity ratio, which is calculated from the ratio of net borrowed capital to total capital. The net borrowed capital consists of short- and long-term financial liabilities (liabilities to banks, bonds, liabilities to leasing companies, other financial liabilities) less cash and cash equivalents. The total capital consists of shareholders' equity plus net borrowed capital.

Individual companies of the power generation segment are subject to liquidity reserve requirements from banks, which are taken into account in monitoring the capital structure, but which in total have no significant effects on the capital structure and its availability at the Group level.

The strategy of the Company is to maintain a debt/equity ratio of up to 70 percent in order to ensure continued access to borrowed capital at reasonable cost by maintaining a good credit rating.

Taking the liquid funds into account, the net debt (cash and cash equivalents less the short-term and long-term financial liabilities) as at December 31, 2019 amounted to euro -129.0 million (December 31, 2018: net debt of euro -33.7 million).

in TEUR	**31.12.2019**	**31.12.2018**
Financial liabilities	240,923	162,787
./. Cash and cash equivalents	111,935	129,071
= Net borrowed capital	**128,988**	**33,716**
+ Shareholders' equity	220,014	216,273
= Total capital	**349,002**	**249,989**
Debt ratio	**36.96%**	**13.49%**

The strategy for monitoring the capital structure, which was unchanged compared with the previous year, has again fulfilled its objectives insofar as both the debt/equity ratio was not exceeded and as all external requirements for securing liquidity were met.

VI. NOTES ON THE STATEMENT OF COMPREHENSIVE INCOME

1. REVENUES

Revenues are broken down according to product and service areas within the Group. In the reporting period, revenues were generated primarily from the segments "project development" (projecting of wind power turbines) and "service products" (management and servicing of wind power turbines) as well as from transformer station usage fees. In the "electricity generation" segment, revenues were achieved primarily by the sale of electricity from ongoing operations of wind farms and of the Silbitz biomass power station.

in TEUR	2019	2018
Revenue from contracts with customers	125,946	83,209
Other sources of revenue	6,850	8,170
Total revenue	**132,796**	**91,379**

The Group generates revenues from the transfer of goods and the provision of services, both over a period of time and at a point in time, in the following key product and service areas and geographical regions:

in TEUR					2019
	Project development				
	Germany	Abroad	Service products	Electricity generation	Total
Revenue from contracts with customers	50,830	42,370	15,799	16,947	125,946
Other revenue	850	6,000	0	0	6,850
Revenues	**51,680**	**48,370**	**15,799**	**16,947**	**132,796**
Time of revenue recognition					
at a point in time	50,830	42,370	0	0	93,200
over time	0	0	15,799	16,947	32,746

in TEUR	2018				
	Project development				
	Germany	Abroad	Service products	Electricity generation	Total
Revenue from contracts with customers	31,300	29,377	10,349	12,183	83,209
Other revenue	8,170	0	0	0	8,170
Revenues	**39,470**	**29,377**	**10,349**	**12,183**	**91,379**
Time of revenue recognition					
at a point in time	31,300	29,377	0	0	60,677
over time	0	0	10,349	12,183	22,532

Other sources of income relate, in particular, to gain on disposal, recognised pursuant to IFRS 10, from the sale of shares in entities that operate in the project business.

Contractually agreed revenue volumes from services, which were attributable to performance obligations not yet fulfilled as at December 31, 2019, are expected to be recognised as revenue, net of expected sales deductions, as follows:

in TEUR	2019	2018
Outstanding transaction price as at 31.12.	**70,463**	**67,450**
of which recognised as revenue within 1 year	7,394	6,986
of which recognised as revenue after 1 year up to 5 years	20,539	20,364
of which recognised as revenue after more than 5 years	42,530	40,100

The changes in deferred revenues (contract liabilities) between January 1, 2019 and December 31, 2019 result from the following factors:

in TEUR	2019	2018
Contract liabilities as at 1.1.	18,521	17,894
Addition	2,770	1,839
Revenue recognised in the reporting period that was included in contract liabilities as at 1.1.	-977	-1,212
Contract liabilities as at 31.12.	**20,314**	**18,521**

Contract liabilities arise primarily from advance payments made by wind farm operating companies for the use of transformer stations and from advance payments for services.

2. OTHER OPERATING INCOME

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

- In the 2019 fiscal year, deferred liabilities of euro 536 thousand (prior year: euro 1,697 thousand) were reversed, since the reasons for their recognition as a liability no longer existed.
- Income from compensation payments for ongoing wind farm projects from plant manufacturers of euro 329 thousand (prior year: euro 501 thousand).
- The reversal of impairment losses on receivables amounted to euro 0 thousand (prior year: euro 1,077 thousand).

3. PERSONNEL EXPENSES

Personnel expenses are made up as follows:

in TEUR	2019	2018
Wages and salaries	26,534	24,008
Social security and pension expenses	4,066	3,772
	30,600	**27,780**
Average annual number of employees	395	366
Personnel expenses per employee	77	76

The expenses for defined contribution plans pursuant to IAS 19 amounted to euro 1,514 thousand in the 2019 fiscal year (prior year: euro 1,387 thousand).

4. OTHER OPERATING EXPENSES

Other operating expenses include mainly the following items:

in TEUR	2019	2018
Legal and consulting costs	6,722	4,188
Repair and maintenance expenses	2,525	1,926
Advertising and travel expenses	2,490	2,136
Vehicle costs	1,230	1,237
Insurance premiums and contributions	1,020	1,037
Accounting and auditing costs, including tax advice	911	987
IT costs	769	453
Supervisory Board remuneration	641	630
Losses from the disposal of assets	81	286
Rental and lease expenses	75	2,765
Impairments on receivables and other financial assets	0	21

The change in "Rental and lease costs" is due primarily to the first-time application of IFRS 16 "Leases".

5. OTHER INTEREST AND SIMILAR INCOME

Interest income includes interest on loans and overdrafts of euro 498 thousand (prior year: euro 731 thousand).

6. INTEREST AND SIMILAR EXPENSES

Interest and similar expenses include primarily

» interest on the 2018/2023 bond of euro 2,005 thousand (prior year: euro 1,336 thousand),
» interest on the 2014/2019 convertible bond of euro 130 thousand (prior year: euro 246 thousand),
» interest on loans and overdrafts of euro 3,028 thousand (prior year: euro 3,066 thousand),
» interest accrued on the transaction costs for bonds and the convertible bond of euro 400 thousand (prior year: euro 744 thousand),
» changes in the value of derivative financial instruments (including changes resulting from swaps disposed during the year) of euro 4,258 thousand (prior year: euro 1,209 thousand),
» interest accrued on lease liabilities totalling euro 929 thousand (prior year: euro 0 thousand).

In the 2019 fiscal year, borrowing costs of euro 39 thousand (prior year: euro 21 thousand) were capitalised at a capitalisation rate of 3.0 percent (prior year: 3.0 percent) and borrowing costs of euro 1,084 thousand (prior year: euro 997 thousand) at a capitalisation rate of 8.0 percent (prior year: 8.0 percent).

7. TAXES ON INCOME

Income tax expense (prior year: income tax income) is made up as follows:

in TEUR	2019	2018
Current taxes	**7,123**	**5,584**
Deferred taxes		
from consolidation effects and HBII adjustments	-3,974	-2,790
from separate financial statements	2,624	-2,844
	-1,350	**-5,634**
	5,773	**-50**

Current taxes include corporation tax plus solidarity surcharge and trade tax for the domestic companies and comparable taxes on income for the foreign companies.

For the domestic companies, the corporation tax amounted to 15 percent; the solidarity surcharge remained unchanged at 5.5 percent on corporation tax. Including the trade tax, the total tax liability of the domestic companies was approximately 30 percent.

The individual tax rates for the relevant countries provide the basis for the foreign companies.

There were no major changes in tax expense due to changes in the relevant national tax rates.

On the reporting date, the Group had estimated tax loss carry-forwards in Germany of approx. euro 97 million (prior year: approx. euro 96 million) and of approx. euro 59 million abroad (prior year: approx. euro 60 million), which can be offset against future profits. A deferred tax claim of euro 1,481 thousand (prior year: euro 2,190 thousand) was recognised for these losses and adjusted in the amount of euro 1,389 thousand (prior year: euro 1,389 thousand). In view of the loss situation in the past (abroad) and the almost full tax exemption of disposals of shares in corporations in Germany, deferred tax assets on loss carry-forwards are only capitalised in the amount that can be reliably realised in the future through positive taxable profit differences. Domestic losses can be carried forward for an indefinite period. In respect of the substantial losses in the USA, the use of losses in the USA is limited to 12 or 20 years, respectively. No deferred taxes were recognised for loss carry-forwards in Germany of euro 92 million (prior year: euro 91 million) and abroad of euro 59 million (prior year: euro 58 million).

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

in TEUR	**2019**	**2018**
Consolidated earnings before taxes on income	**7,120**	**-2,455**
Tax rate	30.0%	30.0%
Income tax expense – calculated	**2,136**	**-737**
Different tax rate	-285	677
Additions/reductions (trade tax)	535	158
Tax refund from loss carryback	0	-170
Unrecognised deferred taxes	6,035	7,300
Utilisation of loss carryforwards	-217	-826
Tax-free gain on disposal and other tax-free income	-2,319	-6,405
Tax expense/income unrelated to the period	204	247
Non-deductible expenses	-79	-147
Other consolidation effects	-237	-147
Reported tax income/expense	**5,773**	**-50**

Deferred taxes on valuation adjustments are determined generally on the basis of specific national tax rates. Since the significant items involving deferred taxes are domestic, an average tax rate of 30.0 percent (prior year: 30.0 percent) was applied.

Deferred taxes resulting from valuation differences arose in the following balance sheet items:

	31.12.2019		31.12.2018	
in TEUR	**Deferred tax assets**	**Deferred tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**
Receivables and other assets	1,007	2,050	1,556	0
Inventories	7,649	3,048	4,885	2,462
Property, plant and equipment	9,522		8,145	305
Intangible assets	497	154	520	238
Liabilities	1,553	716	493	463
Other provisions	72		153	0
	20,311	**5,968**	**15,752**	**3,468**
Losses carried forward	1,481	0	2,190	0
Other consolidation effects incl. value adjustments	-1,389	0	-1,389	0
	20,403	**5,968**	**16,553**	**3,468**
Portion that cannot be offset	-2	-2	-4	-4
Deferred taxes	**20,401**	**5,966**	**16,549**	**3,464**

8. EARNINGS PER SHARE

Basic earnings per share

In 2019, the annual average number of registered shares totalled 74,845 thousand (prior year: 76,454 thousand registered shares).

The basic earnings per share thus amounted to euro 0.01 per share (prior year: euro -0.01 per share).

	2019	**2018**
Consolidated net income (TEUR)	692	-1,044
Weighted average number of shares issued (thousands)	74,845	76,454
Earnings per share (EUR)	**0.01**	**-0.01**

Diluted earnings per share

The diluted earnings per share are calculated as follows:

in TEUR	**2019**	**2018**
Consolidated net income before elimination of dilution effects (TEUR)	692	-1,044
- Interest expense on convertible bond (TEUR)	130	246
Result after elimination (TEUR)	**822**	**-798**
Weighted average number of shares issued before dilution effects (thousands)	74,845	76,454
+ weighted average of convertible shares (thousands)	0	2,186
Weighted average number of shares issued after dilution effects (thousands)	**74,845**	**78,640**
Diluted earnings per share (EUR)	**0.01**	**-0.01**

VII. NOTES ON THE STATEMENT OF CASH FLOWS

In the statement of cash flows, the cash flow from operating activities is recognised using the indirect method and the cash flows from investing activities and financing activities using the direct method.

1. LIQUID FUNDS

The liquid funds correspond to the item "cash and cash equivalents" in the statement of financial position.

2. RECONCILIATION BETWEEN AMOUNTS IN THE STATEMENT OF CASH FLOWS AND THE STATEMENT OF FINANCIAL POSITION

The statement of cash flows presents the change in cash and cash equivalents during the year under review due to the inflow and outflow of funds. In accordance with IAS 7, cash flows are classified as cash flows from operating activities, investing activities and financing activities. The effects of changes in the scope of consolidation are eliminated.

In accordance with IAS 7, a reconciliation between the opening and closing balance sheet values of liabilities from financing activities is prepared, which is explained in chapter "V. Statement of financial position, 11. Financial liabilities".

3. NON-CASH EFFECTS

The statement of cash flows (net presentation) includes non-cash effects of euro -465 thousand (prior year: euro 713 thousand). This value consists primarily of

» currency differences totalling euro -434 thousand (prior year: euro 523 thousand).

As a result of the first-time application of IFRS 16 "Leases" in the 2019 fiscal year, previously non-cash liabilities from leases amounting to euro 39,610 thousand were reported in the balance sheet at the end of the year.

A non-cash effect of euro 10,753 thousand was recognised in the previous year as a separate item in the statement of comprehensive income under "Impairments of inventories".

VIII. NOTES ON THE STATEMENT OF CHANGES IN EQUITY

TRANSACTION COSTS

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

IX. SEGMENT REPORTING

During the 2019 fiscal year, the Company has evolved beyond wind energy into an even more broadly positioned provider of solutions for clean energies. In addition to the core business of project development of wind farms on land and at sea, PNE started developing photovoltaic projects as well as solutions in the power-to-gas field.

We have created the further prerequisites for implementing this strategy. After having secured medium-term corporate financing in the previous year through the corporate bond with a volume of euro 50.0 million, we have realigned our internal structures in the reporting period. Since the internal organisational and management structure as well as the internal reporting to the Board of Management and the Supervisory Board form the foundation for determining the segment reporting format of PNE AG, segment reporting was changed to the three segments "project development", "electricity generation" and "service products". This structure better reflects the current status of the Group's activities.

The operational business of the PNE Group during the 2019 fiscal year was characterised mainly by wind farm project planning and the strategic further development in the photovoltaics area ("project development" segment) as well as the further expansion of services ("service products" segment). In addition, environmentally friendly generation of electricity under economically sustainable conditions is pursued with the Company's internal operation of wind power turbines ("electricity generation" segment).

In detail, the business activities of the Company in the year under review in the individual segments essentially comprised the planning, construction and operation of wind farms and transformer stations for electricity generation as well as the servicing of wind power turbines and other services related to renewable energy projects and electricity generation.

In the 2017, 2018 and 2019 fiscal years, the Company planned and constructed wind farms in Germany, which were initially held in its own portfolio. Since the company-owned wind farms are operated by the Company itself regardless of their current or future shareholder structure and are used to generate electricity, the wind farms are recognised in the Group's electricity generation segment from the date of sale within the Group (the electricity is fed into the public grid).

As a matter of principle, the business relationships between the companies of the PNE AG Group are based on prices that are also agreed with third parties. Internal reporting, which is based on segment reporting, is based exclusively on the values of the Group's IFRS accounting explained in these consolidated financial statements.

The revenues with external customers and the segment assets of the "project development", "service products" and "electricity generation" segments are attributable mainly to Germany and France. In the "projecting of wind power turbines" segment, revenues were realised with external customers, which amounted to more than 10 percent of total revenues. During the reporting year, sales of approx. euro 36.1 million ("project development" segment), which can be assigned to the domestic area, were generated with one customer. Further sales generated with customers that can be assigned to the foreign area were generated with one customer, totalling approx. euro 17.7 million ("project development" segment). No other single customer contributed 10 percent or more to consolidated sales.

In the previous year, sales of approx. euro 13.4 million were generated with one customer, which can be assigned to the domestic area. Further sales with customers that can be assigned to the foreign area were generated with one customer, totalling approx. euro 9.6 million.

Long-term assets are attributable to the following regions:

in TEUR	31.12.2019	31.12.2018
Germany	279,571	162,872
Other countries	631	302
	280,202	**163,174**

The share of associated companies accounted for using the at-equity method in the result for the period is included in the "project development" segment with euro 0 thousand (prior year: euro -20 thousand) and in the "electricity generation" segment with euro 32 thousand (prior year: euro -46 thousand).

X. OTHER DISCLOSURES

1. CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

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

in TEUR	31.12.2019	31.12.2018
Various wind farm projects	33,127	44,021
Other	471	463
	33,598	**44,484**

WKN GmbH issued contract performance guarantees totalling euro 13,011 thousand (prior year: euro 25,766 thousand) for its own transactions and for transactions of subsidiaries. These contract performance guarantees are based on contracts which WKN GmbH concluded for construction services as part of general contractor agreements or which oblige WKN GmbH to perform construction services in the future (e.g. dismantling of a wind measurement station) and which will be performed as scheduled. The guarantees serve to protect the contracting parties. At present, it is not expected that the guarantees will be used, since the underlying obligations have not yet occurred and no structural defects have occurred.

A claim from the other guarantees issued in the amount of euro 20,116 thousand (prior year: euro 18,718 thousand) is also not expected from today's perspective.

Moreover, there are obligations from order commitments for wind power turbines in the net amount of euro 23,685 thousand (prior year: euro 16,695 thousand). The obligations under order commitments are fully due within one year.

Other financial obligations of euro 418 thousand (prior year. euro 115 thousand) arise from cooperation activities in respect of project development abroad.

No material risks can be identified from these transactions.

2. ASSUMPTIONS OF THE MANAGEMENT CONCERNING FUTURE DEVELOPMENTS AND OTHER VALUATION UNCERTAINTIES

The internationally operating PNE Group with its brands PNE and WKN is one of the most experienced project developers of onshore and offshore wind farms. During the reporting period, the PNE Group also entered the market in Panama and decided to cease its activities in Bulgaria and Hungary in 2020, which means that the PNE Group will then operate in 12 countries on three continents. On this successful basis, the Group has developed further into a "Clean Energy Solution Provider". In addition to wind energy, this now also includes the development of photovoltaic projects in Germany and abroad. From initial site exploration and implementation of approval procedures, financing and turnkey construction to operation and repowering, the range of services covers all phases of project planning and operation of clean power plants using the wind, the sun and storage technology. This is how our products are defined: project development wind energy, project development photovoltaics and project development hybrid solutions. We are also involved in the development of power-to-gas solutions. In addition to these products, services for projects and the supply of clean electricity are an increasingly important part of our offering, which has been significantly expanded to the benefit of our customers. Our services include, among others, financial services, construction management, wind planning services/wind measurements, operations management and energy supply services. We are going to develop into a strong partner to our customers over the entire life cycle of wind and photovoltaic farms. Renewable energies, especially wind energy and photovoltaics, have developed into an important pillar of electricity generation in recent years. In some of the world's major economies, annual capacity growth is higher than in any other type of power generation. Since 2000, cumulative installed capacity of renewable energies has grown continuously. This is demonstrated especially by the development of wind energy and photovoltaics. According to the International Renewable Energy Agency (IRENA), total renewable energy capacity installed worldwide developed very positively in the period from 2009 to 2018.

Improvements to the wind turbine technology have boosted energy yields in relation to the investment sum, and simultaneously reduced operation and maintenance (O&M) costs. The resulting cost reduction means that electricity from wind energy and photovoltaics is already competitive with fossil fuels in some markets. This is also reflected in the ongoing global expansion of photovoltaics, which, in addition to expanding wind energy, contributes significantly to increasing renewable energy capacity.

These developments provide evidence of the opportunities ahead for PNE. In order to be in an optimum position in the global markets, the Group concentrates on the development and construction as well as the sale and operation of wind farms and photovoltaic parks in selected core markets. In addition, the first hybrid projects, in which wind and photovoltaics are combined, are being developed.

On the other hand, market changes due to various political developments and the ongoing banking crisis lead to regulatory uncertainties. For details regarding uncertain future developments and the strategic objectives of PNE AG, we also refer to the explanations in the combined management and group management report, chapter 8 "Report on opportunities and risks".

3. TRANSACTIONS WITH RELATED COMPANIES AND PERSONS

With regard to the financial statements of PNE AG and its subsidiaries included in the consolidated financial statements, please consult the list of shareholdings.

The remuneration and the shareholdings of the members of the Supervisory Board and the Board of Management are explained in chapter X.5.

4. INFORMATION ON THE SUPERVISORY BOARD AND THE BOARD OF MANAGEMENT

Supervisory Board

- Mr. Per Hornung Pedersen, Hamburg, self-employed corporate consultant (Chairman)
- Dr. Jens Kruse, Hamburg, Head of Corporate Finance at M.M. Warburg & Co. (AG & Co.) KGaA, Hamburg, (Deputy Chairman)
- Mr. Marcel Egger, Apensen, member of the group management board of the EUROGATE Group
- Dr. Susanna Zapreva, Hanover, CEO of enercity AG (since May 22, 2019)
- Mr. Andreas M. Rohardt, Hermannsburg, managing shareholder of ARO Greenergy GmbH, Hermannsburg
- Mr. Florian Schuhbauer, Frankfurt am Main, managing director of Active Ownership Advisors GmbH, Frankfurt am Main, and of Active Ownership Capital S.à r.l., Luxembourg

Mr. Per Hornung Pedersen is or was a member of the Supervisory Board or another controlling body of the following companies within the meaning of Section 125 (1) sentence 3 of the German Stock Corporation Act (AktG):

- Suzlon Energy Ltd., Mumbai, India
- Sea Tower AS, Oslo, Norway

Dr. Jens Kruse is or was a member of the Supervisory Board or another controlling body of the following companies within the meaning of Section 125 (1) sentence 3 of the German Stock Corporation Act (AktG):

- Biesterfeld AG, Hamburg
- MAX Automation SE, Düsseldorf, (Deputy Chairman of the Supervisory Board until January 29, 2019 and from May 17, 2019; Chairman of the Board of Directors from January 29, 2019 to May 17, 2019)

Mr. Marcel Egger is or was a member of the Supervisory Board or another controlling body of the following companies within the meaning of Section 125 (1) sentence 3 of the German Stock Corporation Act (AktG):

- J.F. Müller & Sohn AG, Hamburg (until June 18, 2019)
- Member of the Board of Directors (group-internal mandates of the EUROGATE Group) of:
  - NTB North Sea Terminal Bremerhaven GmbH & Co, Bremerhaven
  - MSC Gate Bremerhaven GmbH & Co. KG, Bremerhaven
  - LISCONT Operadores de Contentores S.A., Lisbon, Portugal
  - EUROGATE Container Terminal Limassol Limited, Limassol, Cyprus
  - OOO Ust-Luga Container Terminal, Ust-Luga, Russia

Mr. Florian Schuhbauer is or was a member of the Supervisory Board or another controlling body of the following companies within the meaning of Section 125 (1) sentence 3 of the German Stock Corporation Act (AktG):

- Active Ownership Fund SICAV-FIS SCS, Luxembourg
- exceet Group SE, Luxembourg
- NFON AG (since December 12, 2019), Munich

Mr. Andreas M. Rohardt is or was a member of the Supervisory Board or another controlling body of the following companies within the meaning of Section 125 (1) sentence 3 of the German Stock Corporation Act (AktG):

- SOEX GROUP, Ahrensburg, (Chairman of the Advisory Board)

Dr. Susanna Zapreva is or was a member of the Supervisory Board or another controlling body of the following companies within the meaning of Section 125 (1) sentence 3 of the German Stock Corporation Act (AktG):

- shareholder committee of Thüga Holding GmbH & Co. KGaA, Munich
- Supervisory Board of Stadtwerke Garbsen GmbH, Garbsen
- Supervisory Board of Stadtwerke Wunstorf GmbH, Wunstorf

Pursuant to the articles of association, the Chairman receives euro 120 thousand, the Deputy Chairman euro 90 thousand and the other members of the Supervisory Board euro 60 thousand as fixed remuneration. In addition, each member of the Supervisory Board receives euro 1 thousand per meeting. The Chairman of the Audit Committee receives fixed remuneration of euro 30 thousand and each other member of the Audit Committee euro 15 thousand as additional remuneration. The chairpersons of other Supervisory Board committees receive additional remuneration of euro 20 thousand. The total remuneration of the Supervisory Board in the 2019 fiscal year amounted to euro 640 thousand (prior year: euro 630 thousand). In addition, the Company bears the cost of directors' and officers' liability insurance for all members of the Supervisory Board.

in TEUR	**Fixed remuneration 2019**	**Attendance fees 2019**	**Total remuneration 2019**
Mr. Pedersen	140.0	22.0	162.0
Mr. Dr. Kruse	105.0	24.0	129.0
Mr. Egger	90.0	23.0	113.0
Mr. Schuhbauer	66.3	23.0	89.3
Mr. Rohardt	60.0	22.0	82.0
Ms. Dr. Zapreva	50.0	15.0	65.0
	511.3	**129.0**	**640.3**

No member of the Supervisory Board held shares in the Company on December 31, 2019. On December 31, 2019, 6,633,433 shares of the Company were attributable to the Supervisory Board member Mr. Florian Schuhbauer via the Active Ownership Fund SICAV-FIS SCS.

Board of Management

- Mr. Markus Lesser, Korschenbroich, (Chairman) (CEO)
- Mr. Jörg Klowat, Cuxhaven, (CFO)
- Mr. Kurt Stürken, Hamburg, (COO) (until September 15, 2019)

Mr. Markus Lesser is or was a member of the Supervisory Board or another controlling body of the following companies within the meaning of Section 125 (1) sentence 3 of the German Stock Corporation Act (AktG):

- RenCon GmbH, Korschenbroich

For their activity during the 2019 fiscal year, the members of the Board of Management received total remuneration (including accrued liabilities for bonuses) of euro 2,269 thousand (prior year: euro 2,254 thousand).

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

The distribution of remuneration of the individual members of the Board of Management pursuant to the German Corporate Governance Code is shown under point 10.5. "Remuneration report" in the combined management report.

The members of the Company's Board of Management held the following number of shares on December 31, 2019:

- Mr. Jörg Klowat, Cuxhaven 0 shares (prior year: 80,000 shares)
- Mr. Markus Lesser, Korschenbroich 0 shares (prior year: 24,000 shares)

ADDITIONAL DISCLOSURES FOR GERMAN PARENT COMPANIES IN THE IFRS CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH SECTION 315e OF THE GERMAN COMMERCIAL CODE (HGB)

5. GROUP AUDITORS' FEES

In the 2019 fiscal year, the following fees were charged by the group auditors:

in TEUR	
Audit of annual financial statements (separate and consolidated)	503[1]
Other attestation services	0
Other services	7
	510

[1] Of which for the prior fiscal year: euro 58 thousand

The fees for the auditing services of Deloitte GmbH Wirtschaftsprüfungsgesellschaft related mainly to the audit of the consolidated financial statements and the annual financial statements and combined management and group management report as well as the voluntary audits of annual financial statements of several subsidiaries. They also performed a review of the half-year financial report.

The other services related to organisational advice related to the application of the new accounting standard IFRS 15.

6. GERMAN CORPORATE GOVERNANCE CODE

The German Corporate Governance Code is a legal guideline for the monitoring and supervision of listed companies in Germany. It summarises the nationally and nationally recognised standards for responsible business management. The objective of the guideline is to support the confidence of investors, customers, employees and the general public in German business management. Once every year, the Board of Management and the Supervisory Board must issue a declaration, in which they declare to what extent they have complied with the German Corporate Governance Code.

The last declaration of compliance was issued in September 2019.

The declaration of compliance is published on our website www.pne-ag.com in the "Investor Relations" section under Corporate Governance and can be downloaded there.

7. INFORMATION ON EMPLOYEES

Average annual number of employees

in TEUR	2019	2018
Executives (excluding Board of Management of PNE AG)	63	60
Salaried employees	305	277
Wage earners	27	29
	395	**366**

8. EVENTS AFTER REPORTING DATE

IKB Bank did not exercise its right to terminate the interim equity facilities, available due to a change-of-control clause (shareholding of over 30 percent of PNE AG shares), which is contained in the agreements with IKB Bank. The right of cancellation of the 2018/2023 bond, issued in the 2018 fiscal year, was exercised by the bondholders in the amount of euro 418 thousand after the balance sheet date.

The COVID-19 virus (coronavirus) spread in Germany and worldwide in 2020, which will have short- and medium-term effects on global economic development. From the Company's point of view, the effects in the short term could lead to delays in the sale of project rights and project implementation in 2020 and 2021 and thus have an impact on the operating result. At the time of publication of the Annual Report 2019, the Company assumes that the COVID-19 virus (coronavirus) will not have a significant impact on the Company's operational business in the medium to long term.

Since the end of the reporting period, no further events which have significant effects on the earnings, financial and asset situation have occurred.

Cuxhaven, March 19, 2020

PNE AG

Markus Lesser
Chairman of the
Board of Management

Jörg Klowat
Board of Management

STATEMENT MADE BY THE LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

PNE AG. The Board of Management

Markus Lesser Jörg Klowat

INDEPENDENT AUDITOR'S REPORT

To PNE AG, Cuxhaven/Germany

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

Audit Opinions

We have audited the consolidated financial statements of PNE AG, Cuxhaven/Germany, and its subsidiaries (the Group) which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of other comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity and the group segment reporting for the financial year from 1 January to 31 December 2019, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report on the parent company and the group of PNE AG, Cuxhaven/Germany, for the financial year from 1 January to 31 December 2019. In accordance with the German legal requirements, we have not audited the content of the consolidated corporate governance statement pursuant to Section 315d German Commercial Code (HGB) combined with the corporate governance statement pursuant to Section 289f HGB, referred to in the combined management report.

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

» the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2019 and of its financial performance for the financial year from 1 anuary to 31 December 2019, and
» the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of the consolidated corporate governance statement combined with the corporate governance statement referred to above.

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

Basis for the Audit Opinions

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

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

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

1. goodwill impairment test
2. recoverability of the offshore project inventories
3. recoverability of the foreign onshore project inventories
4. recognition of revenue generated with the planning and construction as well as sale of onshore and offshore wind farm projects
5. tax risks from income taxes

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

a) description (including reference to corresponding information in the consolidated financial statements and in the combined management report)

b) auditor's response

1. Goodwill impairment test

a) The item "Intangible fixed assets" in the consolidated statement of financial position includes goodwill in the amount of mEUR 63.3 (equals 11.2% of total assets). The goodwill is tested for impairment as at 31 December each financial year in accordance with IAS 36. During these impairment tests, the carrying values of the cash-generating units are compared with the recoverable amounts. The executive directors of PNE AG instructed an independent advisor to conduct the impairment tests. This independent advisor prepared reports pursuant to the requirements of the statement on financial reporting of the Institut der Wirtschaftsprüfer (IDW RS HFA 40). Measurement was based on valuation techniques according to the discounted cash flow method. The result of the measurement highly depends on estimates for the future cash inflows made by the executive directors and for the discount rates used and, therefore, is subject to major uncertainties. In the light of the significance of the value of the goodwill and due to the complex underlying measurement techniques, we considered this matter to be of particular significance in the scope of our audit.

The Company's information on the goodwill is provided in sections "IV.1 Intangible fixed assets", "IV.3 Impairment of intangible fixed assets and property, plant and equipment" and "V.1 Intangible fixed assets" in the notes to the consolidated financial statements.

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

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

2. Recoverability of the offshore project inventories

a) The item "Inventories" in the consolidated statement of financial position includes, net of write-downs of mEUR 10.8 made in the prior year, work in progress of mEUR 16.5 related to offshore wind farms under development (equals 2.9% of the consolidated total assets). The original acquisition or production cost of the wind farms amounted to mEUR 27.3.

Following the publication of the final draft of the site development plan issued in October 2018 based on the German Offshore Wind Energy Act (WindSeeG) and discussed in January 2019, the executive directors made a new estimate of the recoverability of the project inventories the prior year based on the site development plan. This new estimate has resulted in a complete write-down (mEUR 10.8) of the projects "Nemo", "Nautilus" and "Jules Verne" located in zone 4 as at 31 December 2018. Based on the final version of the site development plan issued on 28 June 2019, according to the executive directors, the projects "Atlantis II" and "Atlantis III" are still likely to be realised so that these projects were not written down as at 31 December 2019.

In the light of the significance of the involved amount of the concerned work in progress and the assessment of the recoverability, which, to a great extent, depends on the judgement of the executive directors, we considered this matter to be of particular significance in the scope of our audit.

The Company's information about the concerned work in progress are provided in sections "IV.7 Inventories" and "V.4 Inventories" of the notes to the consolidated financial statements. In addition, the risks related to the recoverability of work in progress are specified in section "8. Report on risks and opportunities" in the combined management report.

b) We assessed the organisational and operational structure with regard to the appropriateness and effectiveness of the implemented controls as regards the evaluation of the recoverability of the offshore project inventories. This particularly relates to the executive directors' frequent assessment of the recoverability of the project inventories disclosed in the consolidated financial statements.

First, our substantive procedures were based on the estimate made by the executive directors on how the final version of the site development plan affects the probability of the implementation of the offshore projects. As part of our audit, we discussed the effects of the final version of the site development plan on the probability of the realisation of the offshore projects in detail with the executive directors of PNE AG and the head of the Offshore department of PNE AG. In the scope of our audit, we consulted a lawyer of Deloitte Legal for a legal analysis of the matters and a legal analysis of the estimates made by the executive directors.

In addition, we audited the completeness and accuracy of the related disclosures made in the notes to the consolidated financial statements.

3. Recoverability of the foreign onshore project inventories

a) The item "Inventories" in the consolidated statement of financial position includes work in progress of mEUR 61.1 (equals 10.8% of the Group's total assets) related to onshore wind farm projects under development. Onshore project inventories of mEUR 27.3 relate to foreign projects.

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

In the light of the significance of the involved amount of work in progress and the estimate of the recoverability, which, to a great extent, is governed by the executive directors' judgement, we considered this matter to be of particular significance in the scope of our audit.

The Company's information about the concerned work in progress are provided in sections "IV.7 Inventories" and "V.4 Inventories" of the notes to the consolidated financial statements. In addition, the risks related to the recoverability of work in progress are specified in section "8. Report on risks and opportunities" in the combined management report.

b) As part of our audit of the audit matter, we used the knowledge and audit results gained in previous years. We assessed the operational and organisational structure related to the measurement of inventories with respect to appropriateness and effectiveness of the implemented controls. This particularly relates to the executive directors' frequent assessment of the recoverability of the project inventories disclosed in the consolidated financial statements.

We classified the recoverability of foreign project inventories as a major risk. As part of our audit, we examined the audit processes of the foreign component auditors by inspecting selected onshore projects and based on discussions with the component auditors during phone calls or on site. In addition, we reviewed the reports prepared by the component auditors in a critical manner.

Moreover, we discussed the recoverability of work in progress regarding foreign project inventories with the executive directors of PNE AG and with the corresponding group entities.

Furthermore, we reviewed the information provided by the executive directors of PNE AG on the viability of foreign onshore projects on a sample basis based on budgets and project calculations prepared by group entities.

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

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

a) The revenue disclosed in the consolidated statement of comprehensive income amounts to mEUR 132.8. In this context, revenue of mEUR 100.1 relates to the planning and construction as well as the sale of onshore and offshore wind farm projects.

As the revenue generated with the planning and construction as well as the sale of onshore and offshore wind farm projects is subject in part to complex contract arrangements, we considered this matter to be of major significance in the scope of our audit.

The information provided by the executive directors on the revenue generated with the planning and construction as well as the sale of onshore and offshore wind farm projects is included in section "IV.14 Revenue" and "VI.1 Revenue" in the notes to the consolidated financial statements.

b) As part of our audit of the revenue, we assessed at Group level the organisational and operational structure of the projection process for appropriateness and effectiveness of the implemented controls by using the knowledge gained during audits in previous years and based on the economic and legal environment of the Company.

In this context, we focused on the analysis of the contract principles and of contract terms taking into account compliance with the requirements for revenue recognition according to IFRS 15 concerning all material transactions. Furthermore, we reviewed compliance with the requirements of revenue recognition. Our audit procedures, therefore, were particularly based on the underlying contracts, invoices and customer acceptance protocols and other proof of services rendered as well as records of payment. Moreover, we discussed the related audit results of the foreign component auditors with these component auditors within the scope of our audit. In addition, we assessed particularly complex matters in consultation with internal IFRS experts for the presentation in the consolidated financial statements in compliance with the requirements under IFRS. Moreover, we audited the completeness and accuracy of the related disclosures made in the notes to the consolidated financial statements.

5. Tax risks from income taxes

a) The current government tax audit at WKN GmbH concerning the assessment periods from 2010 until 2013 may result in risks for the PNE Group in the light of potential findings and resulting additional tax payments and interest. A final meeting with the tax office was held in January 2019. According to the result of the final meeting between the executive directors of WKN GmbH plus their tax advisors and the tax office, both parties still have different opinions on the tax treatment of individual matters. Tax assessment notices concerning the related tax assessment periods had not been issued by the time we completed our audit.

For the majority of the matters reviewed as part of the government tax audit, the executive directors of PNE AG still see no reason to set up a provision in the consolidated statement of financial position as at 31 December 2019 and made payments for individual transactions that had been considered in the government tax audit and were agreed on in the final meeting. In the light of the complex tax assessments of transactions and the possible effects of up to a further mEUR 7.1 on the assets, liabilities, financial position and financial performance of PNE Group, we considered the recognition and measurement of these provisions to be of major significance in the scope of our audit.

The executive directors' information on tax risks is included in section "V.9 Provisions for taxes" in the notes to the consolidated financial statements and section "8. Report on risks and opportunities" in the combined management report.

b) We assessed the operational and organisational structure with respect to appropriateness of the implemented controls regarding the transactions reviewed as part of the government tax audit. This particularly relates to the evaluation and estimation of risks by the executive directors of PNE AG and WKN GmbH, who consulted tax advisors in this regard.

As part of our audit, we used the results of the experts consulted by the executive directors of WKN GmbH for preparing estimates of the tax-related effects of the risks. We assured ourselves of the competence, capabilities and objectivity of the experts. In addition, we reviewed and assessed the reports prepared by the experts and assessed the executive directors' estimate of the outcome of the government tax audit. For this reason, we have talked to the executive directors of the parent company and the executive directors of WKN GmbH and tax advisors of WKN GmbH. We consulted internal experts of our Tax department and internal IFRS experts for our audit procedures.

We assessed the disclosures in the notes to the consolidated financial statements for completeness and accuracy.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRS as adopted by the EU and with the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit

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

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

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

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

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information Pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the general meeting on 22 May 2019. We were engaged by the supervisory board on 16 August 2019. We have been the group auditor of PNE AG, Cuxhaven/Germany, without interruption since the financial year 2009.

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

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Dr Arno Probst.

Hamburg/Germany, 19 March 2020

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed: Christian Dinter Wirtschaftsprüfer (German Public Auditor)	Signed: Dr Arno Probst Wirtschaftsprüfer (German Public Auditor)

FINANCIAL STATEMENTS OF THE AG

CONTENTS

PROFIT AND LOSS ACCOUNT (HGB)

OF PNE AG, CUXHAVEN, FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2019

(differences from rounding off possible)	2019 in EUR	2018 in TEUR
1. Revenues	50,985,611.15	19,779
2. Increase / decrease in work in process	1,730,667.18	4,511
3. Other operating income	2,027,081.17	10,280
4. Total aggregate output	**54,743,359.50**	**34,571**
5. Cost of purchased materials		
a) Cost of raw materials, supplies and purchased materials	-30,220,973.02	-5,532
b) Cost of purchased services	-6,794,216.50	-6,690
	-37,015,189.52	**-12,222**
6. Personnel expenses		
a) Wages and salaries	-11,673,523.20	-10,617
b) Social security contributions	-1,407,467.54	-1,279
	-13,080,990.74	**-11,896**
7. Amortisation and depreciation of intangible assets and items of property, plant and equipment	-588,208.32	-566
8. Impairment on Inventories	0.00	-8,438
9. Other operating expenses	-10,299,018.12	-8,444
10. Operating result	**-6,240,047.20**	**-6,995**
11. Income from profit transfer agreements	2,181,057.18	1,736
12. Income from participations	0.00	24
13. Other interest and similar income	3,878,500.88	4,155
14. Amortisation of financial assets	-26,000.00	-3,513
15. Interest and similar expenses	-2,548,219.93	-5,246
16. Profit before Taxes	**-2,754,709.07**	**-9,840**
17. Taxes on income (prior year: taxes on income reimbursed)	-122,629.51	78
18. Profit after Taxes	**-2,877,338.58**	**-9,761**
19. Other taxes	-59,344.67	-122
20. Net income	**-2,936,683.25**	**-9,884**
21. Profit carried forward	114,337,541.04	130,897
22. Dividend	-2,974,718.00	-3,062
23. Take out for repurchase of treasury shares	0.00	-3,613
24. Take in from the issue of treasury shares	3,173,032.50	0
25. Retained earnings	**111,599,172.29**	**114,338**

Earnings per share (undiluted)	-0.04 EUR	-0.13 EUR
Average number of shares in circulation (undiluted) (in thousands)	74,845	76,454

Earnings per share (diluted)	-0.04 EUR	-0.12 EUR
Average number of shares in circulation (diluted) (in thousands)	74,845	78,640

BALANCE SHEET (HGB)

OF PNE AG, CUXHAVEN, AS AT DECEMBER 31, 2019

Assets

(differences from rounding off possible)	Status as at 12/31/19 EUR	Status as at 12/31/18 in TEUR
A. Fixed assets		
I. Intangible assets		
Acquire by purchase franchises, trademarks, licences and other similar rights as well as licences from such rights	121,469.91	100
	121,469.91	**100**
II. Property, plant and equipment		
1. Land and buildings including buildings on third-party land	9,897,003.32	10,215
2. Technical equipment and machinery	492,356.26	538
3. Other plant and machinery, fixtures and fittings	315,444.65	284
	10,704,804.23	**11,037**
III. Financial assets		
1. Participations in associated companies	126,925,305.79	105,645
2. Loans to associated companies	1,449,865.58	1,450
3. Participations	801,575.78	802
	129,176,747.15	**107,897**
Total fixed assets	**140,003,021.29**	**119,035**
B. Current assets		
I. Inventories		
1. Work in process	16,290,813.55	14,560
2. Finished goods	1,354.49	2
3. Prepayments	1,116,000.00	16,213
	17,408,168.04	**30,775**
II. Receivables and other assets		
1. Trade receivables	1,070,432.90	482
2. Receivables from associated companies	87,965,882.82	106,517
3. Receivables from participations	0.00	0
4. Other assets	3,228,532.28	2,460
	92,264,848.00	**109,458**
III. Cash on hand and cash in banks	**72,652,370.47**	**83,709**
Total current assets	**182,325,386.51**	**223,943**
C. Deferred charges	**154,453.13**	**159**
Total assets	**322,482,860.93**	**343,136**

Liabilities

(differences from rounding off possible)	Status as at 12/31/19 in EUR	Status as at 12/31/18 in TEUR
A. Shareholders' equity		
I. Capital issued / subscribed		
Capital issued / subscribed	76,603,334.00	76,558
Treasury shares	-266,803.00	-2,190
Conditional capital EUR 20,000,000.00 (prior year: EUR 20,000,000.00)		
II. Capital reserves	**59,094,989.68**	**58,434**
III. Retained earnings	**111,599,172.29**	**114,338**
Total shareholders' equity	**247,030,692.97**	**247,139**
B. Special items for investment grants	**761,241.28**	**808**
C. Provisions		
1. Provision for taxes	37,667.00	38
2. Other taxes	8,604,829.03	7,731
	8,642,496.03	**7,769**
D. Liabilities		
1. Bonds	50,000,000.00	56,551
2. Liabilities to banks	3,900,128.33	4,045
3. Prepayments received on orders	0.00	15,212
4. Trade payables	2,148,351.46	1,113
5. Liabilities to associated companies	8,342,171.62	8,777
6. Liabilities to participations	0.00	0
7. Other liabilities	1,606,358.24	1,662
Total liabilities	**65,997,009.65**	**87,361**
E. Deferred income	**51,421.00**	**59**
Total liabilities and shareholders' equity	**322,482,860.93**	**343,136**

STATEMENT OF CASH FLOWS (HGB)

OF PNE AG, CUXHAVEN, FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2019

All figures in TEUR (differences from rounding off possible)	**2019**	**2018**
Net income	**-2,937**	**-9,884**
+/- Interest expense and income	-1,330	1,091
-/+ Other income / losses from participations and profit (-) / losses from transfer agreements	-2,181	-1,760
+/- Income tax expense and benefit	123	-78
- Income tax payments	0	32
+ Amortisation and depreciation of intangible assets and items of property, plant and equipment	588	566
+ Amortisation of financial assets	26	3,513
Amortisation of current assets	0	8,438
+/- Decrease / Increase in provisions	874	-5,014
+/- Other non-cash effective expenses and income	-52	-47
- Gain from the disposal of fixed assets	0	0
+/- Decrease / increase of inventories and other assets	31,475	263
-/+ Decrease / increase in trade receivables	-589	700
-/+ Decrease / Increase in trade payables and other liabilities	-20,340	7,214
Cash flow from operating activities	**5,657**	**5,034**
+ Inflow of funds from disposal of items of property, plant and equipment	0	3
- Outlow of funds for investments in intangible assets and property, plant and equipment	-277	-118
+ Inflow of funds from the disposal of financial assets	0	0
- Outflow of funds for investments in financial assets	-21,306	-11,968
- Outflow from the acquisition of consolidated companies and other business units	0	-8,221
+ Interest received	3,879	4,155
+/- Dividends received / profit transfer / assumption of losses	1,736	2,216
Cash flow from investing activities	**-15,968**	**-13,933**
+ Inflow of funds from the issue of treasury shares	5,669	0
+ Inflow of funds from issue of bonds	0	50,000
+ Inflow of funds from financial loans	0	1,700
- Payments to shareholder	-2,974	-3,062
- Outflow of funds from the repayment of bonds	-748	-100,000
- Outflow of funds from the repurchase of treasury shares	0	-5,803
- Outflow of funds from the repayment of financial loans	-145	-140
- Interest paid	-2,548	-5,246
- Payments for extraordinary items (capital increase costs)	0	-1,650
Cash flow from financing activities	**-746**	**-64,201**
Cash effective change in liquid funds (< = 3 months)	**-11,057**	**-73,100**
+ Liquid funds (< = 3 months as at the beginning of the period	**83,709**	**156,809**
Liquid funds (< = 3 months as at the end of the period*	**72,652**	**83,709**
Supplementary note: the value of the liquid funds as at 31.12 corresponds to the balance sheet item "cash on hand and cash in banks, etc."		
* of which are pledged to a bank as security guaranteed credt lines	316	8,266

DEVELOPMENT OF SHAREHOLDERS' EQUITY (HGB)

OF PNE AG, CUXHAVEN, FOR THE FISCAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2019

	Capital subscribed			Reserve		
	Capital subscribed	Treasury shares		Capital reserve		
All figures in EUR (differences from rounding off possible)	**Ordinary shares**	**Ordinary shares**	**Total**	**according to § 272 (2) No. 1–3 HGB**	**Retained earnings / loss**	**Total shareholders equity**
Status as at January 1, 2018	**76,556,026.00**	**0.00**	**76,556,026.00**	**58,430,110.17**	**130,896,618.23**	**265,882,754.40**
Capital increase / decrease						
Purchase of treasury shares	0.00	-2,189,853.00	-2,189,853.00	0.00	-3,613,257.45	-5,803,110.45
Dividend	0.00	0.00	0.00	0.00	-3,062,241.04	-3,062,241.04
Convertible bond 2014/2019	1,777.00	0.00	1,777.00	3,548.85	0.00	5,325.85
Net income 2018	0.00	0.00	0.00	0.00	-9,883,578.70	-9,883,578.70
Status as at December 31, 2018 / January 1, 2019	**76,557,803.00**	**-2,189,853.00**	**74,367,950.00**	**58,433,659.02**	**114,337,541.04**	**247,139,150.06**
Capital increase / decrease						
Issue of treasury shares	0.00	1,923,050.00	1,923,050.00	572,558.50	3,173,032.50	5,668,641.00
Dividend	0.00	0.00	0.00	0.00	-2,974,718.00	-2,974,718.00
Convertible bond 2014/2019	45,531.00	0.00	45,531.00	88,772.16	0.00	134,303.16
Net income 2019	0.00	0.00	0.00	0.00	-2,936,683.25	-2,936,683.25
Status as at December 31, 2019	**76,603,334.00**	**-266,803.00**	**76,336,531.00**	**59,094,989.68**	**111,599,172.29**	**247,030,692.97**

SCHEDULE OF FIXED ASSETS (HGB)

OF PNE AG, CUXHAVEN, FOR THE FISCAL YEAR 2019

	Acquisition and manufacturing cost			
All figures in EUR (differences from rounding off possible)	**Status as at 1.1.2019**	**Additions**	**Disposals**	**Status as at 31.12.19**
I. Intangible assets				
Acquire by purchase franchises, trademarks and similar rights as well as licences to such rights	631,015.44	60,981.88	1,679.84	690,317.48
	631,015.44	**60,981.88**	**1,679.84**	**690,317.48**
II. Property, plant and equipment				
1. Land and buildings including buildings on third party land	17,052,511.24	89,629.14	0.00	17,142,140.38
2. Technical equipment and machinery	823,354.84	0.00	0.00	823,354.84
3. Other plant and machinery, fixtures and fittings	1,937,837.46	125,932.19	42,562.35	2,021,207.30
	19,813,703.54	**215,561.33**	**42,562.35**	**19,986,702.52**
III. Financial assets				
1. Shares in associated companies	112,189,295.23	21,306,400.00	0.00	133,495,695.23
2. Loans to associated companies	1,450,135.58	0.00	270.00	1,449,865.58
3. Participations	801,575.78	0.00	0.00	801,575.78
	114,441,006.59	**21,306,400.00**	**270.00**	**135,747,136.59**
	134,885,725.57	**21,582,943.21**	**44,512.19**	**156,424,156.59**

	Accumulated amortisation and depreciation				Book values	
	Status as at 1.1.2019	Additions	Disposals	Status as at 31.12.19	Status as at 31.12.19	Status as at 31.12.18
	530,518.32	40,009.09	1,679.84	568,847.57	121,469.91	100,497.12
	530,518.32	**40,009.09**	**1,679.84**	**568,847.57**	**121,469.91**	**100,497.12**
	6,837,440.87	407,696.19	0.00	7,245,137.06	9,897,003.32	10,215,070.37
	284,967.60	46,030.98	0.00	330,998.58	492,356.26	538,387.24
	1,653,852.94	94,472.06	42,562.35	1,705,762.65	315,444.65	283,984.52
	8,776,261.41	**548,199.23**	**42,562.35**	**9,281,898.29**	**10,704,804.23**	**11,037,442.13**
	6,544,389.44	26,000.00	0.00	6,570,389.44	126,925,305.79	105,644,905.79
	0.00	0.00	0.00	0.00	1,449,865.58	1,450,135.58
	0.00	0.00	0.00	0.00	801,575.78	801,575.78
	6,544,389.44	**26,000.00**	**0.00**	**6,570,389.44**	**129,176,747.15**	**107,896,617.15**
	15,851,169.17	**614,208.32**	**44,242.19**	**16,421,135.30**	**140,003,021.29**	**119,034,556.40**

SCHEDULE OF LIABILITIES (HGB)

OF PNE AG, CUXHAVEN, AS AT DECEMBER 31, 2019

All figures in EUR (differences from rounding off possible) (Prior years in brackets)	**Maturities** **Up to one year**	**One to five years**	**More than five years**	**Total amount**
Type of liabilities				
1. Bonds	0.00	50,000,000.00	0.00	50,000,000.00
	(6,551,315.10)	(50,000,000.00)	(0.00)	(56,551,315.10)
2. Liabilities to banks	150,411.06	657,000.79	3,092,716.48	3,900,128.33
	(145,245.52)	(634,435.84)	(3,265,674.90)	(4,045,356.26)
3. Prepayments received on orders	0.00	0.00	0.00	0.00
	(15,211,800.00)	(0.00)	(0.00)	(15,211,800.00)
4. Trade liabilities	2,148,351.46	0.00	0.00	2,148,351.46
	(1,112,825.32)	(0.00)	(0.00)	(1,112,825.32)
5. Liabilities to participations	8,342,171.62	0.00	0.00	8,342,171.62
	(8,777,385.49)	(0.00)	(0.00)	(8,777,385.49)
6. Other liabilities				
of which from taxes: EUR 174,239.09 (prior year: TEUR 261)	1,606,358.24	0.00	0.00	1,606,358.24
of which for social security EUR 0.00 (prior year: TEUR 0)	(1,662,127.27)	(0.00)	(0.00)	(1,662,127.27)
Total	**12,247,292.38**	**50,657,000.79**	**3,092,716.48**	**65,997,009.65**
	(33,460,698.70)	**(50,634,435.84)**	**(3,265,674.90)**	**(87,360,809.44)**

Securities
None
1. Registered mortgage of TEUR 4,170 on the property at Peter-Henlein-Str. 2–4, Cuxhaven. As at 31.12.2019 TEUR 3,900 had been drawn down. 2. Assignment of the rental income from the property at Peter-Henlein-Str. 2–4, Cuxhaven.
None
As is usual in the branch, retention of title exists with regard to items delivered.
None
None

STATEMENT MADE BY THE LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

PNE AG. The Board of Management

Markus Lesser Jörg Klowat

INDEPENDENT AUDITOR'S REPORT

To PNE AG, Cuxhaven/Germany

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

Audit Opinions

We have audited the annual financial statements of PNE AG, Cuxhaven/Germany, which comprise the balance sheet as at 31 December 2019, and the statement of profit and loss for the financial year from 1 January to 31 December 2019, and the notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the combined management report on the parent company and the group of PNE AG, Cuxhaven/Germany, for the financial year from 1 January to 31December 2019. In accordance with the German legal requirements, we have not audited the content of the corporate governance statement pursuant to Section 289f German Commercial Code (HGB) combined with the consolidated corporate governance statement according to Section 315d HGB as referred to in the combined management report.

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

» the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2019 and of its financial performance for the financial year from 1 January to 31 December 2019 in compliance with German Legally Required Accounting Principles, and

» the accompanying combined management report as a whole provides an appropriate view of the Company's position. In all material respects, this combined management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of the corporate governance statement combined with the consolidated corporate governance statement referred to above.

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

Basis for the Audit Opinions

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

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2019. These matters were addressed in the context of our audit of the annual financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

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

1. recoverability of the shares in WKN GmbH, Husum/Germany

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

3. recoverability of the entire engagement at offshore wind farm project companies

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

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

b) auditor's response

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

a) The balance sheet item "Shares in affiliated companies" includes the shares in WKN GmbH in the amount of kEUR 84,423. This equals the acquisition cost and accounts for 26.0% of the balance sheet total.

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

The result of this valuation highly depends on the executive directors' estimation on future cash inflows of WKN GmbH and the discount rate used and, therefore, is subject to major uncertainties. In the light of the significance of the value of the shares and due to the complex underlying valuation techniques, this matter was of particular significance in the scope of our audit.

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

b) As part of our audit of the audit matter, we used the knowledge and audit results gained in previous years. For the purpose of risk assessment, we obtained, among other things, an understanding of the past adherence to the budget. We assessed the operational and organisational structure with respect to appropriateness and effectiveness of the implemented controls. This particularly involves periodical assessments of liquidity as well as of the appropriateness and viability of the corporate budget of WKN GmbH by the executive directors of PNE AG and the review of the recoverability of the shares.

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

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

a) In the statement of profit and loss revenue amounts to kEUR 50,986. Revenue of kEUR 21,830 relates to the planning and construction as well as the sale of onshore and offshore wind farm projects.

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

The information provided by the Company on the revenue generated with the planning and construction as well as the sale of onshore and offshore wind farm projects is included in section "B.II.1 Revenue" in the notes to the financial statements. In addition, the risks related to the realisation of projects are specified in section "8. Report on risks and opportunities" in the combined management report.

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

3. Recoverability of the entire engagement at offshore wind farm project companies

a) The Company holds shares in offshore wind farm project companies and has granted loans to these entities to finance project development. Following the publication of the final draft of the site development plan issued in October 2018 based on the German Offshore Wind Energy Act (WindSeeG) and discussed in January 2019, the executive directors made a new estimate on the recoverability of the entire engagement in offshore wind farm project companies. This new estimate has resulted in a complete write-down of the projects "Nemo", "Nautilus" and "Jules Verne" located in zone 4 as at 31 December 2018. Subsequently, the related shares in affiliated companies and loan receivables from the concerned project companies were written down by mEUR 11.9 in total as at 31 December 2018 due to an expected permanent impairment. Net of write-downs made in the financial year 2018, the entire engagement at offshore wind farm project companies amounts to mEUR 15.1 as at 31 December 2019 (equals 4.7% of the total balance sheet), with mEUR 0.4 and mEUR 14.7 relating to shares and loans, respectively. The final site development plan dated 28 June 2019 has not resulted in a different estimation. In the light of the significance of the involved amount of the related shares and receivables and the evaluation of the recoverability of the entire engagement, which, to a great extent, depends on the estimates made by the executive directors, this matter was of particular significance in the scope of our audit.

The risks concerning the recoverability of the shares and receivables from the offshore engagement are specified in section "8. Report on risks and opportunities" in the combined management report.

b) We assessed the organisational and operational structure with regard to the appropriateness and effectiveness of the implemented controls as regards the evaluation of the recoverability of the shares and loan receivables. This particularly relates to the frequent assessment of the recoverability by the executive directors.

First, our substantive procedures were based on the estimate made by the executive directors on how the final site development plan affects the probability of implementation of the offshore projects. As part of our audit, we discussed the effects of the site development plan on the probability of implementation of the offshore projects in detail with the executive directors of PNE AG and the head of the Offshore department of PNE AG. In the scope of our audit, we consulted a lawyer of Deloitte Legal for a related legal analysis and a legal analysis of the estimates made by the executive directors. Based on this, we assessed the estimate made for the entire engagement (shares and loan receivables) by the executive directors in the concerned project companies.

In addition, we audited the completeness and accuracy of the disclosures made in the notes to the financial statements.

Other Information

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

- the corporate governance statement pursuant to Section 289f HGB combined with the consolidated corporate governance statement pursuant to Section 315d HGB referred to in the combined management report,
- the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code, and
- the executive directors' confirmation regarding the annual financial statements and the combined management report pursuant to Section 264 (2) sentence 3 and Section 289 (1) sentence 5 HGB, respectively. Our audit opinions on the annual financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

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

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

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

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

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

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

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

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

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

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

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

- identify and assess the risks of material misstatement of the annual financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- evaluate the consistency of the combined management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the general meeting on 22 May 2019. We were engaged by the supervisory board on 16 August 2019. We have been the auditor of PNE AG, Cuxhaven/Germany, without interruption since the financial year 2009.

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

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Dr Arno Probst.

Hamburg/Germany, 19 March 2020

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed: Christian Dinter	Signed: Dr Arno Probst
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

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

PNE AG

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