

ANNUAL REPORT 2020

PNE AG

SUSTAINABLY GOOD

PNE
pure new energy

THE PNE GROUP AT A GLANCE

We are a **Clean Energy Solution Provider** for markets and industries, both regionally, nationally and internationally.

38.8

million euro
AVERAGE EBITDA OF THE
YEARS 2015-2020

> 3,100

MW
REALISED ONSHORE

> 460

MW
PROJECTS SOLD,
COMMISSIONED OR UNDER
CONSTRUCTION IN 2020

5,953

MW / MWp
IN THE PIPELINE WIND
ONSHORE AND PV

> 1,700

MW
ORDER VOLUME IN OPERATIONAL
MANAGEMENT

PNE Group key figures

in million euro	1.1. – 31.12. 2020	1.1. – 31.12. 2019	1.1. – 31.12. 2018
Total aggregate output	151.7	171.2*	109.1*
Revenues	109.7	132.8	91.4
Earnings before interest, taxes, depreciation and amortization (EBITDA)	26.3	28.7*	24.0*
Operating profit (EBIT)	8.2	16.1*	15.3*
Result before Taxes (EBT)	-2.7	5.8*	6.8*
Net income	1.6	-0.8*	5.0*
Basic earnings per share (euro)	0.02	-0.01*	0.07*
Average number of shares (million)	76.3	74.8	76.5

in million euro	31.12.2020	31.12.2019	31.12.2018
Equity as at 31.12.	200.6	205.1*	202.8*
Equity ratio as at 31.12. (%)	30.2	37.3*	46.4*
Balance sheet total as at 31.12.	663.8	550.0*	436.8*

* Figures of previous years adjusted. We refer to chapter "2. Retrospective adjustments in accordance with IAS 8.43" in the combined management and Group management report.



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FINANCIAL STATEMENTS OF THE AG

SUSTAINABLY GOOD

We are a **Clean Energy Solution Provider** for markets and industries, both regionally, nationally and internationally. Our core competencies are the development and operation of renewable energy projects. We are also driving forward the storage of renewable energies and power-to-X technologies. In this way, we are consistently pursuing the goal of a secure, sustainable and profitable energy supply generated 100 percent from renewables.

FOREWORD OF THE BOARD OF MANAGEMENT

Dear Shareholders,

The year 2020 was both an extraordinary and successful year for PNE AG. Despite the difficult general conditions caused by the COVID-19 pandemic, we made significant operational progress in various markets, were able to close the past fiscal year with a pleasing result and have consistently evolved strategically in accordance with the "Scale up" concept. Likewise, the demand for sustainable investments has increased strongly. The share price has reflected this positive development with a price increase of +97.8 percent within one year and, thus, almost doubling.

PROFITABLE DESPITE INCREASED INVESTING ACTIVITIES

The 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 and in the implementation of our expanded strategy via the "Scale up" concept. All business divisions contributed positively to the result: national and international project development, electricity generation, operations management and the new service products.

EBITDA GUIDANCE EXCEEDED

In 2020, the Group generated EBITDA of approx. euro 26.3 million and EBIT of approx. euro 8.2 million. This means that the original guidance for Group EBITDA of euro 15 to 20 million was exceeded. The guidance for Group EBIT of euro 5 to 10 million was achieved.

DIVIDEND PROPOSED

For the 2020 fiscal year, the Board of Management and the Supervisory Board propose that a dividend of euro 0.04 for each no-par value share entitled to a dividend in the 2020 fiscal year be distributed from PNE AG's retained earnings totalling euro 153,027,989.70. The remaining retained earnings shall be carried forward to a new account.

OPERATING BUSINESS EXPANDED IN GERMANY AND ABROAD

In project development, we have made good progress despite some delays due to difficult general conditions as a result of the COVID-19 pandemic: we obtained further approvals, won tenders, commissioned wind farms and started the construction of further wind farms, expanded the project pipelines in wind energy and photovoltaics and positioned ourselves even more strongly in the service sector.

In total, PNE completed, sold or started construction of projects with a capacity of approx. 461.2 MW during the reporting period (prior year: 450.8 MW). This means that project realisation is once again above the level of the previous year. 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 645 to 830 million in 2020 (prior year: euro 631 to 811 million).



MARKUS LESSER
CEO

JÖRG KLOWAT
CFO

The following key data demonstrate the successful operational development in the 2020 fiscal year:

- » wind farm projects with a total capacity of 178.7 MW (prior year: 100.4 MW) were completed and commissioned in Germany and Poland in the 2020 fiscal year. For the projects in Poland, PNE took over construction management on behalf of the purchaser.
- » Nine wind farms were under construction in Germany, Poland and Sweden at the end of the year. 56 wind power turbines with a total nominal capacity of 223.1 MW (prior year: 303.8 MW) will be erected in these wind farms.
- » In the 2020 fiscal year, we were successful in tenders in Germany with seven previously approved wind farms (100.3 MW) and were awarded contracts. Additional projects developed by the PNE Group are in the approval process.

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POSITIVE DEVELOPMENT IN THE FIELD OF OFFSHORE WIND ENERGY

We have also further developed the business in the offshore wind energy sector and achieved several successes.

For example, we were able to recognise the outstanding milestone receivables for the “Gode Wind 4” and “Atlantis I” projects developed by us, since the likelihood that these projects will be realised by the purchasers has increased further.

In Vietnam and in the USA, we are currently examining the possibilities for developing offshore wind farm projects.

Furthermore, the complaint we lodged with the Federal Constitutional Court was successful. In its ruling, the Federal Constitutional Court established that parts of the legislation that have resulted in a devaluation of the partially developed offshore projects are unlawful. With the implementation of this ruling by the legislator, we expect reimbursements for project planning services already provided, which will have a correspondingly positive effect on the Group's figures in the future.

EXPANSION OF INTERNALLY OPERATED WIND FARMS MAKES PROGRESS

In the course of our strategic further development, we decided in fiscal 2020 to strengthen our own wind farm operations. In this way, as with the expansion of the service business, we intend to make a further contribution to reducing the volatility of the business and stabilising earnings at a high level. This is a further step in the implementation of our Scale-up programme.

As a result of the completion of a further wind farm in the reporting period, the nominal capacity of the wind farms operated by the Company increased from 130.1 MW to 134.8 MW. Additional wind farms with a nominal capacity of approx. 100 MW, which will be included in PNE's own portfolio, are currently under construction and further wind farms are in the approval process. PNE plans to expand the portfolio of internally operated wind farms, primarily in Germany, to up to 500 MW by the end of 2023.

PROJECT PIPELINE EXPANDED FURTHER

4 At the end of 2020, the companies of the PNE Group were working on onshore wind farm projects with a nominal capacity to be installed of 5,405 MW (prior year: 5,235 MW), which are in different phases of the multi-year development process. This means that the project pipeline, i.e. the existing portfolio of projects in the various development phases, was expanded compared with the previous year. The project pipeline is the basis for the further development of PNE. Also noteworthy is the high number of projects with approx. 642 MW of planned nominal capacity, which are currently in the approval phase in Germany and France. We were able to maintain the high level of projects in the final phase of project development and even increase it slightly compared to the previous year.

There has been significant progress in the development of photovoltaic (PV) projects. In this field, the project pipeline more than quadrupled by the end of 2020. We were working on PV projects with a nominal capacity of 548 MWp in Germany, Italy, Romania and the USA at the end of 2020.

PROGRESS IN THE EXPANSION OF OUR SERVICE BUSINESS

We have further expanded our expertise in services relating to wind power turbines. The PNE Group is well established 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.

With operations management contracts for wind farms in France, Poland and Sweden, "energy consult", which is a member of the PNE Group, has opened up further markets in 2020 and increased its market share. In total, the order volume currently managed by PNE covers wind farms with a nominal capacity of more than 1,700 MW.

NEW ORIENTATION WITH OUR “SCALE UP” CONCEPT IS PROGRESSING

The trend shows: in the 2020 fiscal year, we have made further progress in implementing our strategic expansion to become a Clean Energy Provider through our “Scale up” concept and can now reap the first rewards. We are on a good and successful path and have already achieved a lot. However, we cannot and will not rest on our laurels.

GENERAL POLITICAL CONDITIONS

The global hunger 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.

The general conditions for the expansion of renewable energies in Germany and Europe are undergoing a change at present. In Germany, the Renewable Energy Sources Act (EEG) and other regulations important for the expansion of renewable energies have been revised, expansion targets have been raised, and approval procedures shall become faster and more legally secure. The coal phase-out has been decided and is being implemented. In the European Union, the Commission and the Parliament are working to fill the “Green Deal”, which is intended to accelerate the transition to renewable energies and related solutions such as the use of hydrogen, with content and concrete objectives. For this reason, we are still optimistic about the future.

EFFECTS OF THE COVID-19 PANDEMIC

The 2020 fiscal year was characterised by different framework conditions, some of which were difficult to predict, and which presented us with challenges: both in Germany and internationally, the political and economic course was set for a further strong expansion of renewable energies. However, the ongoing COVID-19 pandemic has had noticeably negative effects: approval procedures drag on and projects are postponed. At the same time, manufacturers of wind power turbines report longer delivery times. These projects are not cancelled, but will be realised later than planned. Due to the pandemic, the development of international electricity prices is also difficult to assess for wind farm investors at present. This may affect the project sales.

While it is still difficult to estimate the consequences of the pandemic for society and for the market, we have responded to the situation from the beginning with a variety of measures to protect employees, but also to secure the realisation of projects and deliveries. We have adapted to this situation with concepts aligned with the respective markets and continued to develop our business. It has paid off for us that we had already developed our internal processes and our organisational structure to a high level in recent years.

RESULTS OF THE FISCAL YEAR

On the basis of these successful operational business developments, the Group generated in the reporting period sales revenues of euro 109.7 million (prior year: euro 132.8 million), total aggregate output of euro 151.7 million (prior year: euro 171.2* million), earnings before interest, taxes, depreciation and amortisation (EBITDA) of euro 26.3 million (prior year: euro 28.7* million), operating profit (EBIT) of euro 8.2 million (prior year: euro 16.1* million) and undiluted earnings per share of euro 0.02 (prior year: euro -0.01*).

The results are strongly influenced by the development of our own portfolio. As profits from projects owned by the Company are eliminated at Group level, the consolidated results in the Group do not show a complete picture of the performance of the enterprise. With the establishment of our own wind farm portfolio, "hidden reserves" were created that are not immediately recognisable. As a result of the investments in our own projects, pre-tax profits totalling euro 81.6 million were eliminated at Group level, of which euro 50.0 million in the reporting period (prior year: euro 11.6 million).

POSITIVE OUTLOOK

We are well positioned for our further development. This is demonstrated by the successful close of the 2020 fiscal year and is also reflected in the growth of our project pipeline for wind energy and photovoltaics. This is the potential of the future.

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

In fiscal 2021, we will have further upfront expenditure in the low single-digit million range for the strategic expansion of the business model. Nevertheless, we expect Group EBITDA of euro 24 to 32 million in respect of our guidance for the 2021 fiscal year. Due to the ongoing COVID-19 pandemic, at the time of publication of the 2020 financial statements in March 2021, we must assume that there may be postponements regarding sales of project rights and project implementation from 2021 to 2022 in the operating business.

* Figures of previous years adjusted. We refer to chapter "2. Retrospective adjustments in accordance with IAS 8.43" in the combined management and Group management report.

WE ARE INCREASING THE VALUE OF THE ENTERPRISE

We want to increase revenues, make developments more calculable and predictable and thus raise the value of the enterprise continuously and sustainably. At the same time, we continue to work on strengthening our contribution to the global expansion of renewable energies.

All the above clearly 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,

PNE AG closed the 2020 fiscal year successfully in structural and operational terms, although this was hampered by the effects of the COVID-19 pandemic. The positive consolidated results (EBITDA and EBIT) resulting from the course of business are particularly pleasing, even against the background of the COVID-19 pandemic. Operationally, PNE AG has evolved through the increased development of photovoltaic projects in several countries and the expansion of the range of services relating to clean energy projects. In addition, important operational successes were the contracts awarded for wind energy projects in tenders in Germany and Poland, the sale of projects in Germany and Sweden as well as the completion of various wind farms both in Germany and abroad. Internally, the Board of Management has further developed the new structures in order to rapidly advance the expansion of the business model.

The Board of Management with CEO Markus Lesser and CFO Jörg Klowat also worked on the implementation of the Company's expanded strategy. This strategic orientation has been given further substance via the "Scale up" programme. This includes the increased development of photovoltaic projects in Germany, Romania and the USA as well as the expansion of the service sector and the development of power-to-X solutions. Based on the successful development of wind farm projects, which is still the Company's core business, PNE AG is going to develop into a "Clean Energy Solution Provider".

8 During the fiscal year 2020, the Supervisory Board met for 11 ordinary meetings on January 29, March 16 (by phone), March 18 (video conference), March 19 (video conference), March 30 (video conference), May 18 (video conference), May 20 (video conference), September 14, September 15, October 21 (video conference) and December 9. The members of the Supervisory Board participated in all meetings.

One focus of the Supervisory Board's activities in 2020 was on the continuous exchange of information with the Board of Management on corporate governance issues in the time of the COVID-19 pandemic.

In accordance with the recommendation of the German Corporate Governance Code (GCGC), the Supervisory Board has enough independent members. The Supervisory Board has obtained confirmation that all 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.

In accordance with the special legal regulations due to the COVID-19 pandemic, the general meeting of shareholders on May 20, 2020 took place in digital form without the physical presence of shareholders or their proxies. At the general meeting of shareholders, Mr. Christoph Oppenauer and Mr. Alberto Donzelli were newly elected to the Supervisory Board. They succeeded Dr. Jens Kruse and Mr. Andreas Rohardt, who resigned from the Supervisory Board at the end of the 2020 general meeting of shareholders. The general meeting of shareholders resolved the official approval of the actions of the Supervisory Board members for the 2019 fiscal year. To ensure the efficient handling of its tasks, the Supervisory Board set up a Personnel Committee, an Appointments Committee and an Audit Committee.

The Personnel Committee held its meetings jointly with the Appointments Committee. In the 2020 fiscal year, they met for two meetings on March 18 (video conference) and September 14, 2020. The topics discussed at the meetings included

- » the target agreements for the members of the Board of Management,
- » the remuneration system as well as the preparation of the remuneration reports for the Board of Management and the Supervisory Board for the following year,
- » the organisational structure to support the strategic "Scale up" programme,
- » the preparation of proposals for elections to the Supervisory Board.

The Audit Committee met in four meetings on March 18 (video conference), May 6 (video conference), August 10 (video conference) and November 9, 2020 (video conference). The topics of these meetings were the audit of the annual financial statements as at December 31, 2019, the discussion of the half-yearly financial report and the quarterly statements of 2020 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 2020 fiscal year was on:

- » the reports and discussions concerning the annual and the consolidated financial statements as at December 31, 2019
- » the preparations for the general meeting of shareholders on May 20, 2020
- » the continuous exchange of information with the Board of Management regarding corporate governance in the time of the COVID-19 pandemic
- » the medium-term corporate planning of the PNE Group
- » the reports on the development of current and planned business transactions
- » the reports and discussions concerning the further strategic development of the Company and the analysis of the shareholder structure
- » the consultation on a FREP examination regarding the evaluation of offshore projects in the 2017 annual financial statements

- » 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.

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 20, 2020, audited these statements and the accounting documents 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.

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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 audit and assessment in accordance with professional standards, we confirm that

- » 1. the factual information contained in the report is correct,
- » 2. the payments made by the Company in connection with the legal transactions stated in the report were not unreasonably high."

The Supervisory Board issued the mandate for the audit of the 2020 financial statements on August 24, 2020. 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 2020 fiscal year.

The financial statements of PNE AG, the consolidated financial statements, the combined management and group management report of PNE AG for fiscal 2020, 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 17, 2021. The documents were comprehensively examined and discussed by the members of the Supervisory Board at the meeting of the Audit



The members of the Supervisory Board f. l. t. r.

Marcel Egger, Per Hornung Pedersen (Chairman of the Supervisory Board), **Florian Schuhbauer,**
Dr. Susanna Zapreva, Alberto Donzelli, Christoph Oppenauer (Deputy Chairman of the Supervisory Board)

Committee on March 16, 2021 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 of the report on relations with affiliated companies, including the audit report, by the Audit Committee to the full Supervisory Board at the meeting on the financial statements. Representatives of the auditors participated in the 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.

The Supervisory Board approved the annual financial statements as at December 31, 2020 of PNE AG and the consolidated financial statements as at December 31, 2020. 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 2020 fiscal year.

Cuxhaven, March 17, 2021

Per Hornung Pedersen
Chairman of the Supervisory Board



**EASY TO RECOGNISE:
OUR COMMITMENT TO
A BETTER CLIMATE**

One thing is clear: climate protection concerns us all

The year 2020 has changed the world. The COVID-19 pandemic has affected everyone – as well as the entire global economy. The climate has benefited temporarily. CO₂ emissions fell by seven percent worldwide. With the return to normality, however, awareness of the effects of climate change will be raised again. It is still within our grasp to limit global warming to below 2°C – preferably: to below 1.5°C – and thus reduce the risk of immeasurable consequences.

Effective climate protection is more important than ever. With the projects we develop and operate, we make an important contribution to avoiding climate-damaging emissions. With our complete range of services in the areas of wind energy and photovoltaics, we ensure that the expansion of clean energies moves forward a step faster – for a better climate in Germany, Europe and worldwide.

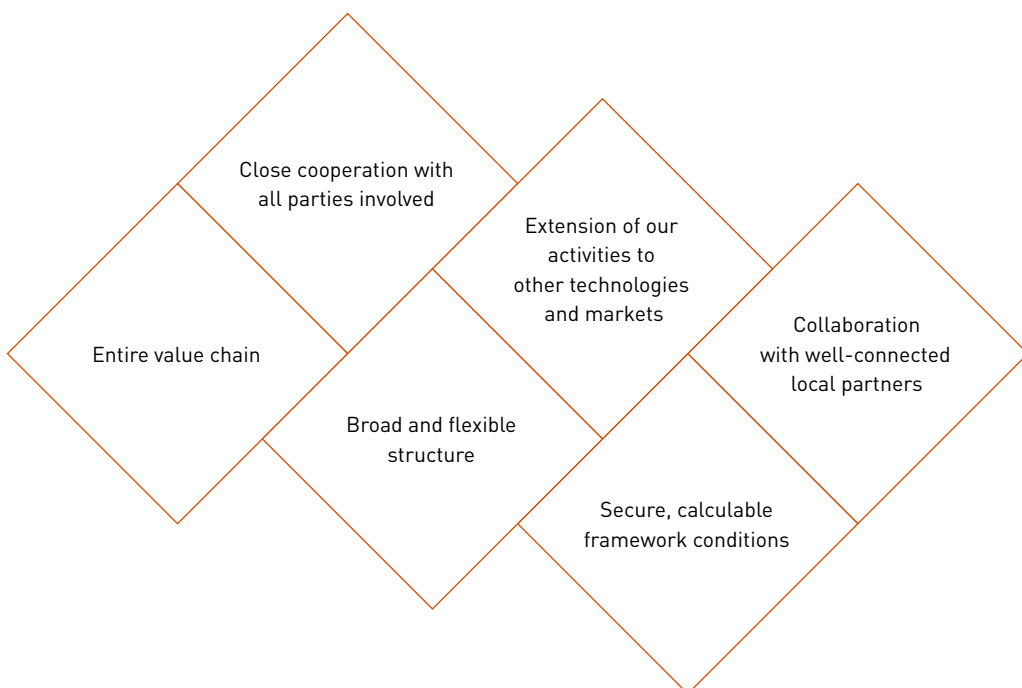
WE WORK WITH WIND AND SUN

With decades of experience, we develop wind farms on land and at sea, in Germany and abroad – in 13 countries on four continents at present. We have successfully realised wind farms with a total nominal output of more than 3,100 megawatts (MW). With our more than 460 employees, we offer the entire value chain comprising the development, financing, realisation, operation, marketing and repowering from a single source. We develop wind farms at sea up to the point where they are ready for construction.

In addition to wind energy, photovoltaics is a new, fast-growing part of our offering. Solar energy is the ideal source of energy at many locations and is also interesting from an economic point of view. In recent years, photovoltaic installations have become increasingly cost-effective and thus marketable. We are currently already active in Germany, Romania and the USA and are looking at opportunities in other markets.

As a “Clean Energy Solution Provider”, we will further expand our portfolio for markets and industries regionally, nationally and internationally. Our vision is one hundred percent energy supply from renewable energy sources. This is what we are working on – now and in the future.

WE DEVELOP SOLUTIONS FOR CLEAN ENERGY



WE PAY GREAT ATTENTION TO SUSTAINABILITY

The projects we develop and operate make a substantial contribution to reducing climate-damaging emissions and thus to protecting people and the environment. The generation of electricity from renewable energies also saves the limited resources of fossil fuels.

Since generation of electricity from renewables is decentralised and takes place locally, expensive imports of energy sources can be avoided. This is not only good for the environment, but also for the local economy: Value is created directly where electricity is generated from wind or other renewable energy sources. In our projects, we work together with qualified local partners in a spirit of trust.

We develop projects of a high quality. This is only possible with our qualified and experienced employees. We ensure their continuous training so that they are always familiar with the latest trends and standards in their areas of responsibility and can work at the highest level.

And we also take care of our own future: We assume social responsibility and provide vocational training. In general, the young employees remain with our enterprise after their training period.

Still visible – or well hidden: our products

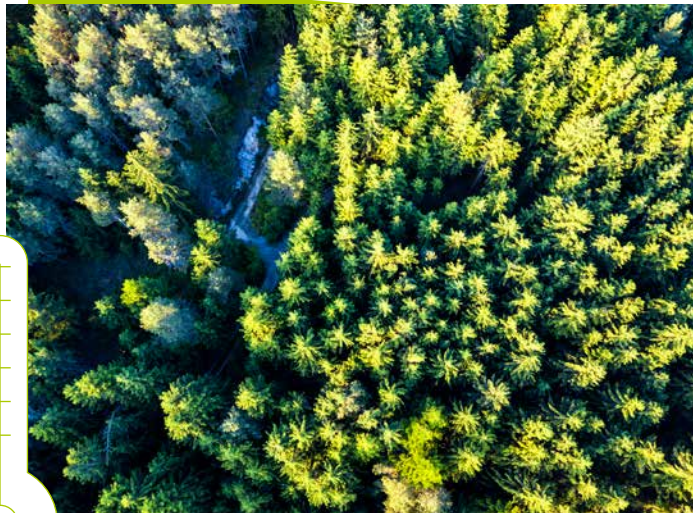
WIND ENERGY ON LAND AND AT SEA

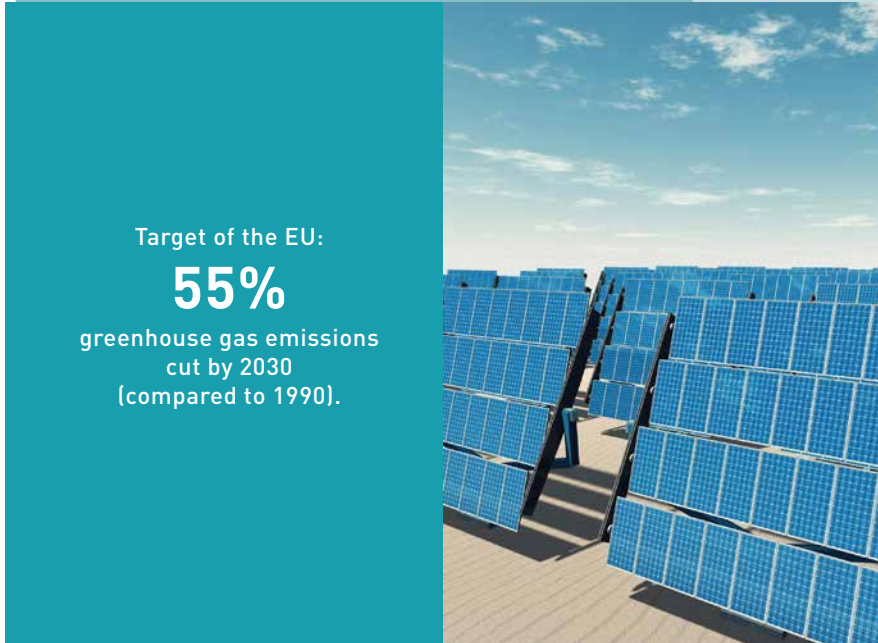
To date, we have successfully realised more than 240 onshore wind farms in Germany, Spain, France, Italy, Poland, Sweden and the USA with a total nominal output of more than 3,100 MW. In our core business, we offer our customers the full range of services: from initial site exploration through the planning and approval phase as well as construction up to the finished wind farm. As part of the technical and commercial management, we also take care of the wind farms during the operating phase – this applies both to our internally operated wind farms and to the plants of our customers.

We sell the wind farms at sea “ready to construct”, i.e. when we have obtained all the necessary approvals so that we can immediately begin with the implementation phase and subsequent construction. Four of eight offshore wind farms sold to date are already in operation and produce green electricity for around 1.4 million households. Even after the sale, we are available to our customers as advisors and service providers on request.

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1.5 °C
maximum global warming – then we can still avert the worst.





WE ALSO PRODUCE GREEN ENERGY

We do not sell all the projects we develop. We hold more and more onshore wind farms in our own portfolio and operate them ourselves. We have the necessary know-how for this.

In 2020, we operated wind farms with a nominal capacity of approx. 130 MW in our own portfolio. This is enough to cover the average consumption of 50,000 households with green electricity. We intend to significantly expand our own portfolio over the next few years. By 2023, we want to operate, or start the construction of, projects with up to 500 MW of nominal capacity. At present, primarily wind farms in Germany are earmarked for internal operation. This also includes wind farms that are intended for repowering.

Internal operation makes economic sense for us: Our own wind farms reliably produce green electricity at various sites and generate sustainable, continuous income. We achieve stable results and can reduce fluctuations in the revenues from our project business. Moreover, the financing is attractive.

PHOTOVOLTAICS ON LAND – ENERGY FROM THE SUN

Photovoltaic projects are an important part of the strategic expansion of the business model. In a first phase, we looked at many countries worldwide and analysed them for possible solar plant projects. In the next phase, we selected the countries where we are now developing solar plants on a green-field basis or in cooperation with local experts and partners. One focus is on countries in which we are already active in the area of wind energy project development. Here, we have already installed successful teams and networks. In our projects, we attach particular importance to the careful site selection for plants with a capacity of at least five MWp.

As with our offshore wind farms, we generally sell fully developed solar projects “ready to construct”. If desired, we can also assist and support the buyers as a service provider during the realisation and operating phases.



Target of the federal government:

65%

share for renewable energies in Germany by 2030.

All clear: our services

WE DELIVER THE HIGHEST DATA QUALITY FOR PERFECT PROJECT SUCCESS

Reliable data are essential for the planning and implementation of a wind farm. They provide the basis for approval, are a condition for grid connection and ensure the financial viability and marketability of the wind farm project with all its specific challenges and potentials. We provide our customers with all necessary services such as site compliance, visualisation, wind measurement, DiDAR and SoDAR validation, accredited expert reports (energy yield/sound/shadow impact) and site suitability assessment.

WE OPTIMISE ELECTRICITY MARKETING

We implement, finance and operate wind farms in various regions of the world. We have already successfully overcome many technical and commercial challenges of electricity marketing and implemented relevant business solutions. We offer this know-how as part of our PPA (Power Purchase Agreement) management. We market the generated electricity to pre-selected power consumers at defined purchase conditions. We conduct the contract negotiations on behalf of our customers and provide them with a tailor-made PPA concept.

WE TAKE CARE OF OPTIMUM PROJECT FINANCING

For a project to be realised, the financing must be right. We have been collaborating with international credit institutions for many years. During the entire project, we take over the coordination with banks and insurance companies, carry out profitability calculations and continuous liquidity planning and thus ensure an optimum financing structure.

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WE MONITOR BUDGET, TIME AND QUALITY

Customers and business partners benefit from our many years of experience in construction. We coordinate the individual construction phases precisely and purposefully. We take over the construction management and take care of the acceptances of the plant until it is ready for operation. Our top priority is completion on time, within budget and of the best technical quality. In addition, we coordinate cooperation with grid operators, experts, service providers, the public authorities and property owners.

WE MANAGE OPERATIONS

We manage wind farms with a total installed capacity of more than 1,700 MW. In doing so, we assume overall responsibility for the plant, relieve our clients as operators and ensure profit-oriented and cost-efficient operation. We increase the profitability of wind farms through constant potential analyses. Our full-service concept also includes comprehensive support for transformer stations, the testing and planning of grid connections and all activities related to the ongoing operation of wind farms.

WE STAND FOR MORE SAFETY, MORE QUALITY AND MORE PERFORMANCE

Our experts can detect potential damage at an early stage during inspections. This reduces the risk of high repair costs, yield losses and safety complaints. We also check systems for technical defects before the warranty expires and document these for a defect report to the manufacturer or supplier. In addition, we offer a wide range of services to ensure the safety of people and facilities. This includes expert opinions after commissioning, maintenance of operating equipment, preparation of rescue concepts and hazard analyses as well as training courses.

WE HELP WITH THE QUESTION: DISMANTLING, NEW CONSTRUCTION OR CONTINUED OPERATION?

The funding period for a wind farm under the Renewable Energy Sources Act (EEG) is 20 years. Thereafter, many operators ask themselves: What's next? We will develop different scenarios with our customers and jointly find the best option for each wind farm.

One option is repowering, the replacement of older turbines with more modern and more powerful models. For this, a renewed examination of the expert opinions (energy yield/sound/shadow impact) takes place and the approval procedure is carried out again. The cycle begins anew. Another option is to continue operation with the existing facilities. This first requires a legal and technical examination of the requirements.

Vision

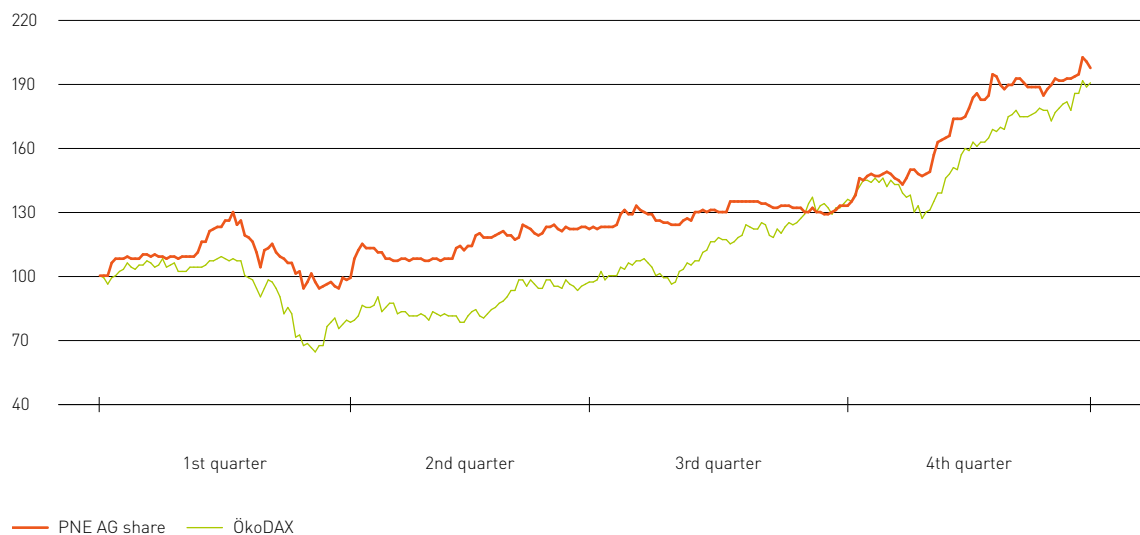
WE WILL CONVERT GREEN ELECTRICITY INTO GAS, HEAT AND FUEL

Climate protection as a central challenge of our time needs holistic solutions. Ideas and innovations are in demand. Energy generation from wind and sun plays an important role here. We want to guarantee a stable supply in spite of weather-based fluctuations in electricity generation and avoid limiting the output of wind or solar plants. We regard flexible sector coupling with power-to-X as an integral part of a future supply system – and as a key technology for climate protection.

Sector coupling makes it possible to use clean electricity from wind energy and photovoltaics, for example, to generate hydrogen, which can then be stored and reused as needed. In this way, green electricity, heat generation and mobility can be linked.

Capital market information

PNE SHARES VS. ÖKODAX indexed to 100%



SHARE

PNE AG's shares began the 2020 fiscal year at a price of euro 4.025. After a sustained rise in the price, the shares reached a first interim high of euro 5.24 euro in February. Thereafter, the share price briefly fell below euro 4.00 as part of the correction of the overall market. However, the share quickly recovered to prices of around euro 5.00. From the beginning of October, the share price rose dynamically by the end of the year and reached its annual high of euro 8.30 on December 29. On December 30, 2020, the last trading day of the reporting period, the shares closed at a price of euro 8.00. This corresponds to a market capitalisation of around euro 612.8 million and a performance over the year of 97.8 percent compared with the closing price on the first trading day of 2020. The ÖkoDAX benchmark index increased by 90.6 percent during the same period.

In the first few weeks of the 2021 fiscal year, the shares continued to rise and reached a high of euro 8.97 in January. The strong rise in the share price was followed by several weeks of consolidation. The shares closed on February 26, 2021 at a price of euro 7.53.

BOND INFORMATION

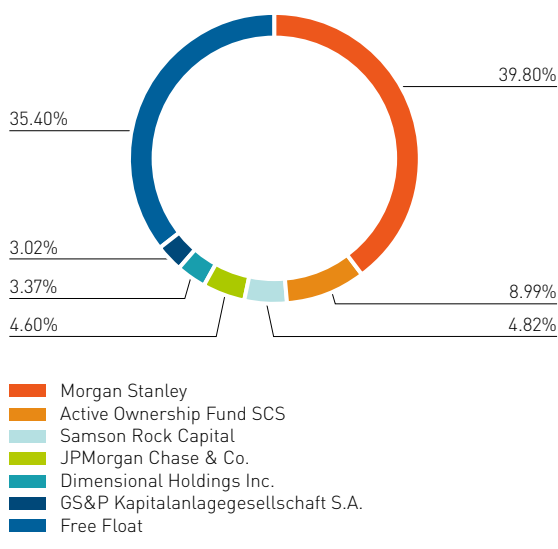
The 2018/23 corporate bond issued by PNE AG has a volume of euro 50 million and it was primarily traded over 100 percent during the reporting period. On December 30, 2020, the last trading day of the reporting period, the closing price was 101.70 percent.

SHAREHOLDER STRUCTURE

At the end of the reporting period on December 31, 2020, the total number of shares issued by PNE AG amounted to 76,603,334.

According to published notifications relating to voting rights and directors' dealings, Morgan Stanley/Photon Management GmbH held 39.80 percent of the shares, Active Ownership Fund SCS 8.99 percent, Dr. Benedikt Nikolaus Kormaier 4.96 percent, Samson Rock 4.82 percent and Dimensional Holdings Inc. 3.37 percent on December 31, 2020. All other shareholdings were therefore classified as other free float. After the end of the reporting period up to and including February 26, the following changes in voting rights were reported: Dr. Benedikt Nikolaus Kormaier announced on January 18, 2021 that his position had fallen to

2.96 percent, i.e. below the threshold of 3 percent. On January 19, 2021, JPMorgan Chase & Co. announced that it had exceeded the 3 percent threshold and now holds 4.60 percent of the shares. On February 26, 2021, GS&P Kapitalanlagegesellschaft S.A. reported exceeding the 3 percent threshold to 3.02 percent of the shares. This results in the following overview of the shareholder structure at the present time:



GENERAL MEETING OF SHAREHOLDERS

PNE AG's general meeting of shareholders was held in Cuxhaven on May 20, 2020 in the form of a virtual general meeting without the physical presence of shareholders or their proxies.

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 clearly consented to the proposed resolution to give formal approval of the actions of the members of the Board of Management Markus Lesser (CEO) and Jörg Klowat (CFO). In addition, the shareholders decided with a clear majority to give formal approval of the actions of the Supervisory Board. Christoph Oppenauer and Alberto Donzelli were 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 approved by a large majority the conclusion of a profit transfer agreement between PNE AG as the controlling company and WKN GmbH as the controlled company.

KEY SHARE DATA (AS AT DECEMBER 31, 2020)

WKN	A0JBPG
ISIN	DE000A0JBPG2
Number of shares	76.603.334
Market capitalisation	612.8 Mio. Euro
Market segment	Prime Standard
Indices	CDAX Technology, ÖkoDAX
Designated Sponsors	Commerzbank, Baader Bank
Reuters	PNEGn
Bloomberg	PNE3

FINANCIAL CALENDAR

May 11, 2021	Publication of Financial Report Q1
May 19, 2021	General Meeting of Shareholders
August 11, 2021	Publication of Financial Report Q2
November 10, 2021	Publication of Financial Report Q3
November 2021	Analyst Conference/Frankfurt

ADDITIONAL INFORMATION

On the website www.pne-ag.com, you will find extensive information on PNE AG and a comprehensive presentation of the business model as well as current data concerning the shares 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.

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COMBINED MANAGEMENT AND GROUP MANAGEMENT REPORT

**OF PNE AG,
CUXHAVEN, FOR THE FISCAL YEAR 2020**

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FINANCIAL REPORT

1. FUNDAMENTALS OF THE GROUP

During the 2020 fiscal year, the corporate structure changed versus December 31, 2019 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. In the period under review, the PNE Group has also intensified the development of photovoltaic projects in Germany and abroad. The PNE Group currently operates in 13 countries on four continents. On this successful basis, the Group has developed further into a "Clean Energy Solution Provider". 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-X solutions. In addition to project development and operation, we have significantly expanded our range of services for projects and the supply of clean electricity to our customers. Our services include, among others, financial services, construction management, wind planning services/wind measurements, operations management and energy supply services. We see ourselves as 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. In this process, we are increasingly focusing on technologies, markets and the significantly expanded range of services. With this strategic orientation, we aim to achieve both an improvement in and a stabilisation of the usually very volatile results 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 hold projects in our own operations until a possible sale and will further expand our internally managed projects. PNE AG concluded profit and loss transfer agreements with important companies of the Group so that a high level of income from investments is reported at PNE AG. For this reason, PNE AG uses earnings before taxes (EBT) as a key indicator. Another key indicator of the achievement of our objectives is the number of national and international projects in progress ("project pipeline"), which will be consistently expanded. Success is also measured by how we succeed in entering new markets and new technologies and implementing our business model there. Finally, the expansion of the services we offer is an important milestone in achieving our goals.

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 to give an overview of the most recent market and project situation. In addition, major topics, 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, are discussed during the course of the year.

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, is of particular importance, since we believe that this is the appropriate indicator 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 (consolidated operating result (EBIT) plus depreciation and amortisation of intangible fixed assets and property, plant and equipment as well as goodwill) and the project pipeline and, at PNE AG, EBT (earnings before income taxes and other taxes), PNE AG and the PNE Group perform a comparison of the forecast with the actual course of business.

2. RETROSPECTIVE ADJUSTMENTS IN ACCORDANCE WITH IAS 8.43

In a letter dated October 15, 2020, the German Financial Reporting Enforcement Panel (FREP) identified accounting errors for the 2018 fiscal year, why due to the coming into force of the German Act to Develop and Promote Offshore Wind Energy (WindSeeG), five off-shore projects should have been written down as early as at January 1, 2017. PNE AG had written off three of the five offshore wind projects (zone 4) in the 2018 fiscal year; the offshore wind projects of zone 3 had not yet been written off due to the probability of realisation still existing from PNE's perspective. The error was corrected retrospectively in accordance with IAS 8.43 in conjunction with IAS 2.9 and IAS 2.6, starting from January 1, 2017, in such a way that all five offshore projects and related other project inventories capitalised were written off at that date. The value adjustment on the three offshore projects for the 2018 fiscal year was accordingly eliminated. Deferred taxes were also adjusted where recoverable.

The following financial statement items as at December 31, 2018/ January 1, 2019 are affected by the error corrections:

	31.12.2018/1.1.2019		
in thousand euro	Before correction	Changes from correction	After correction
Consolidated statement of financial position			
Work in progress	89,993	-15,073	74,920
Deferred taxes	16,549	-721	15,828
Equity	216,273	-13,437	202,836
Other long-term provisions	1,060	-1,060	0
Deferred tax liabilities	3,464	-1,298	2,166

	31.12.2018/1.1.2019		
in thousand euro	Before correction	Changes from correction	After correction
Consolidated statement of comprehensive income			
Increase in work in progress	15,056	-2,640	12,416
Cost of materials	-36,696	-568	-37,264
Impairment on offshore inventories	-10,753	10,753	0
Interest and similar expenses	-10,593	1,262	-9,331
Result before taxes	-2,002	8,807	6,805
Taxes on income	50	-2,781	-2,731
Consolidated net income/ net profit	-1,044	6,026	4,982
Undiluted earnings per share from continuing operations (in euro)	-0.01	0.08	0.07
Diluted earnings per share from continuing operations (in euro)	-0.01	0.08	0.07

These corrections have also resulted in some changes when updating the figures of financial statement items as at December 31, 2019.

31.12.2019			
in thousand euro	Before correction	Changes from correction	After correction
Consolidated statement of financial position			
Work in progress	77,617	-16,550	61,067
Deferred taxes	20,401	-1,032	19,369
Equity	220,014	-14,894	205,119
Other long-term provisions	1,060	-1,060	0
Deferred tax liabilities	5,966	-1,628	4,338

31.12.2019			
in thousand euro	Before correction	Changes from correction	After correction
Consolidated statement of comprehensive income			
Increase in work in progress	36,577	-2,854	33,723
Interest and similar expenses	-12,267	1,377	-10,890
Result before taxes	7,312	-1,477	5,835
Taxes on income	-5,773	19	-5,754
Consolidated net income/ net loss	692	-1,457	-765
Undiluted earnings per share from continuing operations (in euro)	0.01	-0.02	-0.01
Diluted earnings per share from continuing operations (in euro)	0.01	-0.02	-0.01

The comparative figures in the text and tables in the following sections were adjusted and marked with an "asterisk".

3. ECONOMIC REPORT

Due to the retrospective adjustments in accordance with IAS 8.43 in conjunction with IAS 2.9 and IAS 2.6 ("2. Retrospective adjustments in accordance with IAS 8.43"), the comparative figures in the text and tables in the following sections were adjusted and marked with an "asterisk".

3.1 OVERALL STATEMENT OF THE BOARD OF MANAGEMENT

Business continued to develop positively in 2020. Projects with a volume of 461.2 megawatts (MW) (prior year: 450.8 MW) were completed, under construction or sold. Project realisation is thus again higher than in the previous year. The main reason was large wind farm projects in Poland and Sweden.

With the development of our own wind farm portfolio, which grew to 134.8 MW, values that are not immediately recognisable ("hidden reserves") were also created. As a result of these investments in PNE's own projects, pre-tax profits of euro 81.6 million in total and of euro 50.0 million in the reporting period (prior year: euro 11.6 million) were eliminated at the Group level. 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.

In line with the claim "pure new energy", we have developed the Company beyond wind energy into a broadly positioned provider of solutions for clean energies. In addition to the core business of project development of onshore and offshore wind farms, PNE intensified the development of photovoltaic projects and designed solutions in the power-to-X sector.

The segment reporting of the three segments "project development", "electricity generation" and "service products" reflects the current status of the Group's activities.

The guidance for Group EBITDA of euro 15 to 20 million and the guidance for Group EBIT of euro 5 to 10 million were exceeded or achieved, respectively, in the 2020 fiscal year. The Group generated EBITDA of approx. euro 26.3 million (prior year: euro 28.7* million) and EBIT of approx. euro 8.2 million (prior year: approx. euro 16.1* million) in fiscal 2020.

The “project pipeline” objective was achieved in the Group, since the “pipeline”, i.e. the existing portfolio of wind farm and photovoltaic projects in the various phases of development, was increased (MW and MWp, respectively) by the end of 2020 compared to the previous year by 170 MW from 5,235 MW to 5,405 MW for wind energy and by 425 MWp from 123 MWp to 548 MWp for photovoltaics.

At the level of PNE AG, in the 2020 fiscal year the annual guidance, i.e. positive EBT in the range of euro 50 to 60 million, was achieved with EBT of approx. euro 50.0 million (prior year: approx. euro -2.8 million).

3.2 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 2010 to 2019. In this decade, worldwide installed wind energy capacity increased from 180,846 MW to 622,408 MW and installed photovoltaic capacity from 40,279 MW to 578,553 MW. This increase has continued in 2020. Annual investment volumes in this area amount to several tens of billions euro.

In 2020, the German wind energy market recorded slight growth at a low level compared to previous years in onshore expansion, but a slump in offshore expansion. At the end of the year, wind power turbines with a total nominal capacity of 62,708 MW (prior year: 61,428 MW) were in operation – of which 54,938 MW (prior year: 53,912 MW) onshore and a further 7,770 MW (prior year: 7,516 MW) offshore. 420 wind turbines (prior year: 325) with a nominal capacity of 1,431 MW (prior year: 1,078 MW) were commissioned onshore, and a further 32 turbines (prior year: 160) with a nominal capacity of approx. 219 MW (prior year: 1,111 MW) offshore. At the same time, 203 (prior year: 82) old wind power turbines with a nominal capacity of 222 MW (prior year: 97 MW) were dismantled.²

The German solar market in 2020 recorded an increase in capacity compared to previous years: At the end of the year, photovoltaic installations with a total nominal output of approx. 54 GWp (prior year: 49 GWp) were in operation according to the core energy market data register (MaStR). 184,707 photovoltaic installations (prior year: 112,513) with a nominal capacity of 5.3 GWp (prior year: 4.9 GWp) were put into operation.

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 many 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.

3.3 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.

¹Renewable Capacity Statistics 2020

²Deutsche WindGuard: Status of Land-based Wind Energy Development in Germany 2020/Status of Offshore Wind Energy Development in Germany 2020

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 increase in the global average temperature to well below 2 degrees Celsius relative to pre-industrial levels can only be achieved by stepping up the expansion of clean energies.

EU targets

Climate protection was again one of the political priorities of the European Union (EU) in the reporting period. To limit the negative effects of climate change, the EU heads of state and government agreed in 2019 to achieve climate neutrality by 2050. This ambitious goal of the EU, namely to become the world's first climate-neutral continent, is the heart of the "European Green Deal", a comprehensive growth strategy for a climate-neutral and resource-efficient economy. The measures in this package include climate, environmental and biodiversity protection, mobility and industrial policy as well as specifications for energy, agricultural and consumer protection policy.

As an important part of the European Green Deal, the European Commission launched its consultations in March 2020 and presented its proposal for the European Climate Law, with the aim of establishing a common roadmap for all EU policies. In addition to greenhouse gas neutrality by 2050, this also provides for increases in the emission reductions target by 2030. The European Parliament had voted in favour of a reduction target of 60 percent. In December 2020, the heads of state and government of the EU member states agreed on a minimum target of 55 percent as emissions reduction target by 2030 compared to the reference year 1990. In 2021, the Commission intends to present a proposal for a "fit for 55" work programme that will define the measures and requirements for achieving the targets.

In addition to the 2030 Climate Action Plan and the associated impact assessment, the Member States' national energy and climate plans for the period 2021 to 2030 were assessed by the EU Commission with the result that the EU is expected to exceed its 2030 target of reducing emissions by 40 percent, thanks in particular to continued progress in the use of renewable energy. To implement the new target of at least 55 percent, the share of renewable energies in the EU must also be increased. An important step towards achieving the new targets was the presentation

of the European hydrogen strategy in the course of processing the amendment to the new climate protection targets. The new 2030 climate target is expected to help stimulate investment in a resource-efficient economy and promote innovation in green technologies.

Germany

Onshore wind energy

The German government was the first government in the world to define binding national climate targets in the Federal Climate Change Act. It came 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 CO₂ pricing system for the transport and heating sectors.

At the beginning of 2021, the fundamentally amended Renewable Energy Sources Act 2021 (EEG 2021) came into effect and first and foremost confirms the previously described path to greenhouse gas neutrality. With a view to the implementation of the Climate Protection Programme 2030, the EEG 2021 sets the central course for renewable energies to provide 65 percent of Germany's electricity consumption in 2030, and this law establishes the corresponding expansion paths (onshore wind energy 71 GW) and the annual tender quantities on a binding basis. Measures to maintain acceptance for the further expansion of renewable energies are also an essential component.

There were six tender rounds for onshore wind energy in 2020 with a total volume of 3.860 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. The last amendment to the WindSeeG was passed by the Federal Parliament on November 5, 2020 and by the Federal Council on November 27, 2020 and came into force on December 10, 2020. For offshore wind energy, the new WindSeeG has raised the expansion target by five gigawatts (GW) from 15 GW to 20 GW by the year 2030. In addition, it provides for a long-term expansion target of 40 GW by 2040. To initially achieve the 2030 target, an expansion is planned in the years from 2021 onwards in accordance with the stipulations of the so-called site development plan. It defines the spatial specifications for required expansion areas, the chronological sequence of tenders and of commissioning as well as the technical grid connection concepts.

For offshore wind farms that are to go into operation after 2020, the Act has provided for a switch to tenders since 2017. This takes place in two phases: Offshore wind farms that are commissioned between 2021 and 2025 had the opportunity of receiving state funds through two tender rounds in 2017 and 2018 with volumes of 1,550 MW each, combined with the right to carry out an approval procedure and the right to connect the wind farm to the grid and to obtain the allocated grid connection capacity. Wind farms for which an approval has been issued or a plan approved pursuant to the Offshore Installations Ordinance and/or a meeting has been held pursuant to the Administrative Procedure prior to August 1, 2016 were eligible 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. In December, the site development plan for the further expansion of offshore wind energy was adopted. The "Atlantis I" site was also confirmed as a development area.

After the end of these transitional regulations in 2025, available sites will be investigated and put out to tender by the Federal Government in the context of the switch to the "central model". From 2021 onwards, an annual volume of approx. 900 MW and later increased to 4,000 MW will be put out to tender for offshore wind farms which are commissioned between 2026 and 2030.

As at January 1, 2017, all ongoing planning approval procedures and approval procedures to construct and operate offshore wind energy installations ended by operation of law unless the projects fell within the aforementioned scope of the tenders for existing projects. This legislative change affected, among others, the

PNE projects "Atlantis II", "Atlantis III", "Jules Verne", "Nemo", "Nautilus I" and the "Nautilus II/HTOD5" project for which PNE was active as a service provider.

Following an examination by the German Financial Reporting Enforcement Panel (FREP), it was necessary to make adjustments, retrospectively as of January 1, 2017, to the balance sheet valuation of offshore projects developed in the North Sea. This has no significant impact on the 2020 fiscal year, although there have been changes in some values carried forward in the balance sheet, such as inventories and equity.

Irrespective of the correction of errors required in this context, PNE AG feels validated, in particular by the Senate order of the Federal Constitutional Court of June 30, 2020, in its assessment that parts of the WindSeeG are unconstitutional. With the implementation of the order of the Federal Constitutional Court by the legislator, we expect reimbursements for project planning services already provided, which will have a correspondingly positive effect on the Group's figures in the future.

In the "Climate Action Programme 2030 for implementing the Climate Action Plan 2050", the German government defined an expansion target for offshore wind energy of 20 GW by 2030. This became legally binding through the amendment to the WindSeeG in 2020. In addition, it provides for a long-term expansion target of 40 GW by 2040 for offshore wind energy.

Photovoltaics

The German government increased the target for the expansion of photovoltaic systems to 100 GWp in 2030 with the EEG 2021, which was passed in December 2020. The aim is to add approx. 45 GWp of further photovoltaic projects by this date.

France

With the Act on Energy Transition for Green Growth promulgated in 2015, the French government and the parliament affirmed their ambitious goals beyond 2020.

The concrete expansion targets to be achieved by 2023 were confirmed by a decree in April 2020. Accordingly, onshore wind turbines with a total nominal capacity of 24,100 MW are to be installed by then. This corresponds to a planned annual addition of 1,860 MW on average.

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, around 10 GWp of photovoltaic plants were installed by the end of 2020. With regard to further expansion, the Programmation Pluriannuelles de l'Énergie (PPE) has set a target of 20.1 GWp of installed systems for 2023 and a range of 35.1 to 44.0 GWp for 2028.

In France, tenders are also planned for photovoltaic projects. This is intended to speed up expansion 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 yet be conclusively assessed.

Italy

Since 2012, Italy has used an obligatory direct marketing system with additional incentives being awarded through a competitive auction system. The Italian government's Integrated National Plan for Energy and Climate (PNIEC) aims to increase the share of clean energy 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, which is also due to the, in part, low local energy production costs. However, the government is increasingly promoting the expansion of renewable energies.

Above all, climate policy agreements to which the Canadian government has committed itself have raised the importance of renewable energies in Canada. In September 2020, after the parliament's recess, the government emphasised the promotion of renewable energies and clean technologies. This was highlighted by the Ministry of Finance in October 2020, announcing that it would lay the foundation for a green economy as part of the COVID-19 economic recovery plan.

Panama

Based on Law 8 of March 25, 2015 and the National Energy Plan 2015–2050, Panama has set itself a target for electricity generation from renewable energies (excluding hydropower) of 30 percent by 2050. Solar, wind and biomass sources are expected to account for 15 percent of the country's power generation capacity by 2030 and 30 percent by 2050. Panama's goal is to achieve a reduction in greenhouse gas emissions with the help of renewable energies.

Panama established tax incentives for the construction, operation and maintenance of renewable energy projects. A tender is currently being prepared in the field 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, which should promote this expansion.

The Polish Energy Policy 2040 (PEP2040) provides for an expansion of photovoltaic capacity of approx. 10.2 GWp by 2030. At the end of 2020, photovoltaic plants with approx. 3.6 GWp were connected to the grid.

Romania

The Romanian government has formulated the goal of achieving a share of renewable energies in electricity generation of almost 31 percent by 2030 – a further increase in accordance with EU

requirements is under discussion. In order to achieve this goal, an auction procedure is currently being discussed, which can compensate for the difference between the tender price and the market price for electricity from renewable energies (so-called CfD tendering). At the same time, the government decided 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. Direct marketing of green electricity via electricity supply contracts, so-called "corporate PPAs", is permitted and very well established in Sweden. 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" (IRP 2019), which provides for 1,600 MW of annual installed capacity for wind power turbines from 2022 to 2030. The first auction under the IRP 2019 shall take place in 2021.

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 2021. 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.

USA

The policy framework for renewable energy in the USA is determined by federal, state and local entities. Most federal laws are implemented through Renewable Energy Standards (RES) or Renewable Portfolio Standards (RPS), which require utilities to generate a certain percentage of the energy they produce from renewable energy sources (usually wind power and, increasingly, photovoltaic systems). At present, 38 of the 50 US states and Washington DC have defined standards or requirements for the expansion of clean energy. These are the foundation of opportunities and growth across the country.

The most important measures at the national level are tax regulations such as the Production Tax Credit (PTC) and the Investment Tax Credit (ITC).

Although there are many uncertainties about the changes, which the industry can expect from the new Biden administration, the signs are encouraging, including the creation of a cabinet post on climate change, reentry into the Paris climate agreement and a national goal of net-zero emissions by 2050.

Vietnam

Vietnam shows a special political interest in renewable energies, caused and intensified by supply shortages and an increasing energy demand in the coming years. The political goals of the 5-year plans for wind energy envisage a continuous expansion. The electricity generated must be purchased by the state energy supplier and remunerated according to the feed-in tariffs.

The required expansion of the national electricity grid is defined in Power Development Plans ("PDPs"). Inclusion in the PDP is the basis for further approvals for each project. In Vietnam, PNE is currently examining the opportunities for developing offshore wind farm projects.

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 the USA remain difficult, they have improved in France, Sweden, Romania 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 and Vietnam, will promote the positive development of the Group.

3.4 DEVELOPMENT OF BUSINESS

Due to the retrospective adjustments in accordance with IAS 8.43 in conjunction with IAS 2.9 and IAS 2.6 ("2. Retrospective adjustments in accordance with IAS 8.43"), the comparative figures in the text and tables in the following sections were adjusted and marked with an "asterisk".

Summary of operating performance

The operational business of the PNE Group during the 2020 fiscal was characterised mainly by the development of wind farms and the strategic further development 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. 461.2 MW during the reporting period (prior year: 450.8 MW).

Wind farm projects with a total capacity of 178.7 MW (prior year: 100.4 MW) were completed and commissioned in Germany and Poland in the 2020 fiscal year. For the projects in Poland, PNE had taken over the construction management on behalf of the buyers.

As a result of the completion of an additional wind farm in the reporting period, the nominal capacity of the wind farms operated by the Company increased to from 130.1 MW to 134.8 MW. Other wind farms were under construction and in the approval process.

Nine wind farms were under construction in Germany, Poland and Sweden as at December 31, 2020. 56 wind power turbines with a total nominal capacity of 223.1 MW (prior year: 303.8 MW) will be erected in these wind farms. Two of these projects with 117.2 MW were sold. PNE is active in these projects as a service provider as part of construction management.

The Company has further expanded its expertise in services relating to wind power turbines. This included, among other things, ondemand night-time marking of wind turbines, which avoids permanent lighting at night. In addition, PNE expanded its services in the area of rope access technology, rotor blade and tower services for wind power turbines and services for work at heights and in depths in other industries. In addition, education and training in the area of rope-supporting work techniques and the sale of components of personal protective equipment against falls from a height were expanded and reorganised to better address customers.

With contracts for operations management of wind farms in Germany, France, Poland and Sweden, "energy consult", which is a member of the PNE Group, has an international presence. The PNE Group is thus expanding its international business as a service provider. The total order volume managed by PNE currently includes wind farms with a nominal capacity of more than 1,700 MW. Approx. 1,500 inspections and tests were carried out in 2020.

PNE has also created values ("hidden reserves") that are not readily apparent. These are connected to the establishment of the wind farm portfolio owned by the Company. As a result of these investments in PNE's own projects, pretax profits of euro 81.6 million in total and of euro 50.0 million in the reporting period (prior year: euro 11.6 million) were eliminated at the Group level. 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 the assumed market conditions of the project calculations (e.g. return expectations of investors) remain the same (refer to the explanations in chapter "9. Report on opportunities and risks").

The successful operating activities, including the establishment of the Company's own portfolio, resulted in Group EBITDA of approx. euro 26.3 million (prior year: approx. euro 28.7* million) and Group EBIT of approx. euro 8.2 million (prior year: approx.

euro 16.1* million). This means that the guidance for the Group EBIT (euro 5 to 10 million) was achieved and the guidance for the Group EBITDA (euro 15 to 20 million) was exceeded in the 2020 fiscal year (see explanations in section 3.5. "Earnings, financial and asset position").

At the level of PNE AG, in the 2020 fiscal year the EBIT was approx. euro 50.0 million (prior year: approx. euro -2.8 million).

The development of the individual segments:

The following segment results are presented before consolidation at Group level.

"Project development" segment

Wind energy onshore

During the fiscal year 2020, 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, 2020 in MW:

Country	Phase I – II	Phase III	Phase IV	Total MW	Sold/ Service Provider
Germany	1,267	381	106	1,754	4
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	340	0	0	340	0
Poland	254	0	59	313	0
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
USA	266	167	0	433	0
Total	4,169	1,071	165	5,405	117

Phase I – II = Exploration & Development

Phase III = Planning

Phase IV = Implementation

Sold/service provider = This column shows 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. 1,754 MW as at December 31, 2020 (prior year: 1,612 MW) in the various phases of project development.

The "Kleinbüllesheim" wind farm (North-Rhine Westphalia) with two wind power turbines (WPT) with 4.7 MW was completed and commissioned in the reporting period. The wind farms "Lentförhden" (Schleswig-Holstein) with two WPT (8.4 MW) and "Langstedt" (Schleswig-Holstein) with two WPT (8.4 MW) were shortly before commissioning. The wind farm "Erfurt-Ost" (5.5 MW), which was sold and constructed, was also close to the commissioning process on the reporting date. At the "Langstedt" wind farm, a further WPT with 4.2 MW was under construction in the form of a service project on the reporting date.

Seven wind farm projects with 100.3 MW successfully participated in tenders in 2020, having previously obtained the necessary approvals under the Federal Immission Control Act (BImSchG): "Adensen" (6.9 MW), "Boitzenhagen" (25 MW), "Erfurt-Ost" (5.5 MW), "Holstentor" (13.5 MW), "Lentförhden" (8.4 MW), "Wahlsdorf" (19.4 MW) and "Zahrenholz" (21.6 MW). Further projects developed by the PNE Group were in the approval process.

The Company has also made progress in setting up the internal wind farm portfolio in the Group. The "Kleinbüllesheim" wind farm (4.7 MW, North Rhine-Westphalia) was commissioned for this portfolio operated by PNE. As of the reporting date, the portfolio thus consists of wind farms with 134.8 MW. The projects "Langstedt" (8.4 MW, Schleswig-Holstein) and "Lentförhden" (8.4 MW, Schleswig-Holstein) were in the commissioning process and will subsequently be integrated into the portfolio.

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. Long-term maintenance contracts were also concluded with some of the important manufacturers in the market for wind turbines that have already been erected.

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 was started in 2020 and will be finalised in 2021.

France

As at December 31, 2020, projects with a planned nominal capacity of approx. 532 MW (prior year: 532 MW) were underway in France in various phases of project development. The portfolio of projects under development was maintained at a high level.

United Kingdom

In the reporting period, PNE worked on 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 extensively further developed during the reporting period and is to be resubmitted for approval in spring 2021. Opportunities of sale are being reviewed on an ongoing basis.

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 remains very low.

Italy

Due to the slow progress of tenders for wind energy in Italy, it can be expected that numerous wind farm projects will take part in the upcoming tenders and, as a result, that the market will continue to be difficult. Against this background, PNE decided at the end of 2019 to temporarily discontinue its operating activities in the wind sector in Italy after the sale of the last project right and to focus on the development of photovoltaic projects.

Panama

PNE entered the Latin American renewable energy markets in 2019.

Through subsidiaries, five projects were taken over in Panama and have since been further developed and thus optimised. Some of the projects with up to 340 MW in total are already at a very advanced stage of development. PNE plans to start marketing of one of these projects in 2021. However, delays due to the impact of the COVID-19 pandemic are possible.

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

Poland

The "Barwice" wind farm in the North West of Poland, which was sold in 2018, was completed. 14 Siemens SWT-3.0-113 wind turbines with a total capacity of 42 MW were erected as part of this project. PNE was responsible for construction management on behalf of the investor. In the reporting period, the construction of the "Jasna" wind farm project (132 MW), which was sold in 2019, was also completed on schedule on behalf of the buyer.

At the end of 2019, PNE secured the rights to three further wind farm projects in Poland. All three projects with a total of approx. 94.8 MW successfully participated in the tender in December 2019 and were awarded contracts. PNE decided to realise two of these three projects (total capacity of 58.8 MW) and started construction in the period under review.

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 restructured to include more efficient wind power turbines and will be sold thereafter.

Sweden

In Sweden, the "Hulterna" wind farm project (59.4 MW) developed by the PNE Group was sold. The construction phase will be taken over by PNE under a service agreement with the buyer of the wind farm and the wind farm will then be managed by the PNE Group in the operating phase.

The construction of the "Malarberget" wind farm (113 MW) sold in 2019 has progressed as scheduled. 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 "Haga Haga" project (140 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. The environmental permit for 75 wind turbines in the "Paulputs" project was issued in December 2019. This project will be further developed.

Turkey

At the end of 2017, the state-owned grid operator TEİAŞ 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.

As before, the aim is to further develop the PNE project portfolio in preparation for participation in future tenders and to submit corresponding pre-licence applications. In addition, the approval procedure for the "Köseler" project is being pursued. The development of the project has been delayed due to issues with the authorities. 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 was completed in 2020.

USA/Canada

PNE USA, Inc. has further expanded its activities and competences on the US market. Following the sale of a 50 MW solar project in Hawaii, the Company acquired a portfolio of four early-stage solar projects with a total capacity of 280 MW and also develops a 150 MW greenfield solar project in New Mexico.

In the field of onshore wind energy, further progress was made in the development of the existing portfolio, in particular regarding the restructuring of the 160 MW Chilocco wind farm project with more efficient wind turbines.

In Canada, PNE is currently working on five wind farm projects, which are still at an early stage of development. Two of these projects were submitted in a tender. In addition, the development of projects in other Canadian provinces is currently under consideration.

Project development of onshore wind power in total

As at December 31, 2020, the companies of the PNE Group were working on wind farm projects with approx. 5,405 MW of nominal output (prior year: 5,235 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.

PNE assumes with a high degree of probability that the investment decision for the sold project "Gode Wind 4" will be made in the short to medium term and the sold project "Atlantis I" can participate in one of the next tenders. Against this background, the unrealised open milestone receivables from the sales were recognised in accordance with IFRS in the Group at the end of 2020.

Overview of the PNE references of the offshore wind energy division as at December 31, 2020:

Projects sold

Zone	Projects	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

In the reporting period, we made further efforts to start the development of marine wind farms off the US coasts. As in the USA, we are currently examining the possibilities of planning offshore wind farms in Vietnam.

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.

The volume of projects managed at the end of reporting period was increased to 548 MWp.

Overview of the status of photovoltaic project activities of the PNE Group as at December 31, 2020 in MWp:

Country	Phase I – II	Phase III	Phase IV	Total MWp
Germany	184	0	0	184
Italy	42	0	0	42
Romania	112	0	0	112
USA	210	0	0	210
Total	548	0	0	548

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

Results of the "project development" segment

The operative achievements listed above have led to the positive results in the "project development" segment in the 2020 reporting period. The current COVID-19 pandemic has had impact on the business activities of the "project development" segment in the form of project postponements. These shifts had only minor effects on the results of the "project development" segment in the period under review. However, it cannot be ruled out that this might lead to shifts in earnings in the "project development" segment and in the Group from 2021 to 2022 in the course of the 2021 fiscal year.

In the 2020 fiscal year, the "project development" segment achieved

- » total aggregate output of euro 186.3 million (prior year: euro 151.5* million),
- » EBITDA of euro 56.5 million (prior year: euro 22.6* million) and
- » EBIT of euro 54.5 million (prior year: euro 20.5* million).

*Figures as at December 31, 2019 adjusted. We refer to chapter "2. Retrospective adjustments in accordance with IAS 8.43".

“Service products” segment

The “service products” segment reports in summary on services. These include technical and commercial operations management, construction management, transformer station services, wind planning, electricity marketing management, and similar services.

The international business of operations management was expanded in the 2020 reporting period by activities in France and Poland. To be able to expand into the two markets, investments in personnel and equipment were necessary in the “service products” segment, which had a slightly negative impact on the results in the reporting period compared with the same period of the previous year, despite an increase in total aggregate output.

In the Polish wind farm “Barwice”, developed and sold by PNE, Group companies provided construction management services in the first quarter of 2020 until the start of operation. With this project, PNE once again successfully implemented its strategy of increasing the volume of services, in particular at the international level.

For the Polish “Jasna” project, which was developed, successfully tendered for and sold by Group companies, and for the Swedish “Malarberget” project, the Company also provides construction management services during the ongoing construction phase. In the “Jasna” project, PNE will also take on tasks during the operating phase.

The current COVID-19 pandemic has had a medium impact on the business activities of the “service products” segment, since although the major part of orders in this segment is based on long-term service orders, in certain service areas, such as training on occupational safety at height, it was temporarily not possible to conduct training courses due to the distance rules and other protective measures. In the “service products” segment, the current course of the COVID-19 pandemic may lead to further cancellations of training courses etc. in the coming months and thus affect the segment’s results in 2021.

Results of the “service products” segment

In the 2020 fiscal year, the “service products” segment achieved

- » total aggregate output of euro 21.1 million (prior year: euro 18.4 million),
- » EBITDA of euro 5.2 million (prior year: euro 5.2 million) and
- » EBIT of euro 2.1 million (prior year: euro 2.4 million).

“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 with a total nominal capacity of 134.8 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.

The 2020 reporting period reflected the expected wind trends. While good wind performance was recorded in the first and fourth quarters, the second and third quarters were characterised, as usual, by weaker wind performance. The seasonal wind distribution with constant depreciation and costs per quarter results – from quarter to quarter – in the wind farms recording very positive results in quarters with high winds and slightly negative to slightly positive results in low-wind quarters.

To date, the current COVID-19 pandemic has had no impact on the business activities of the “electricity generation” segment.

Results of the “electricity generation” segment

In the 2020 fiscal year, the “electricity generation” segment achieved

- » total aggregate output of euro 24.3 million (prior year: euro 19.4 million),
- » EBITDA of euro 18.4 million (prior year: euro 14.0 million) and
- » EBIT of euro 5.3 million (prior year: euro 6.3 million).

3.5 EARNINGS, FINANCIAL AND ASSET POSITION

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

Due to the retrospective adjustments in accordance with IAS 8.43 in conjunction with IAS 2.9 and IAS 2.6 ("2. Retrospective adjustments in accordance with IAS 8.43"), the comparative figures in the text and tables in the following sections were adjusted and marked with an "asterisk".

3.5.1 Earnings

Developments in the Group

In the 2020 fiscal year, the PNE Group achieved a total aggregate output of euro 151.7 million (prior year: euro 171.2* million). Of this, euro 109.7 million was attributable to revenues (prior year: euro 132.8 million), euro 38.2 million to changes in inventories (prior year: euro 33.7* million), and euro 3.8 million to other operating income (prior year: euro 4.7 million).

The change 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. In addition, the implementation of wind farms for the Company's own portfolio has an impact on sales revenues, as these revenues are not reported at Group level. 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 2020, this capacity totalled 461.2 MW (prior year: 450.8 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 initiated investments of approx. euro 645 to 830 million (prior year: euro 631 to 811 million) and is thus above the value of the previous year in terms of nominal capacity.

In the 2020 fiscal year:

- » In the "project development" segment, the Company invoiced internal revenues of euro 108.8 million to another segment (prior year: euro 61.6 million), including for general contractor and project development services for the Company's own wind farms, as well as external revenues of euro 71.3 million (prior year: euro 100.1 million), including from project sales in France, Sweden and the USA, from contract milestone receivables/payables for onshore wind farms projects sold in previous years in Germany and abroad, e.g. in France, Poland and Sweden, and from offshore milestone receivables (Gode Wind 4 and Atlantis I) 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 20.0 million (prior year: euro 17.8 million). The main revenues were generated from commercial and technical operations management totalling euro 11.4 million (prior year: euro 10.5 million), from services in the area of service, maintenance and inspection of operating equipment as well as training for specialists working at height and installation, maintenance and services for work on fire extinguishing, fire alarm and obstruction lighting systems totalling euro 2.9 million (prior year: euro 1.6 million) and from transformer station services of euro 4.0 million (prior year: euro 4.0 million). It should be emphasised that a significant part of the internal services/revenues led to the avoidance of external costs.
- » In the "electricity generation" segment, external revenues of euro 22.3 million (prior year: euro 16.9 million) were generated in the reporting period. These revenues were mainly attributable to PNE's own wind farm portfolio with euro 18.3 million (prior year: euro 13.3 million) and the revenues from the "Silbitz" biomass power plant of euro 4.0 million (prior year: euro 3.6 million). 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 itself as at January 1, 2020 was higher than in the prior-year period and therefore a larger amount of electricity could be produced in 2020.

In the 2020 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 is carried out without affecting the statement of comprehensive income and, therefore, has not resulted in a change in the item "Increase/decrease in unfinished goods and work in process" of the statement of comprehensive income.

Other operating income includes, inter alia, the reversal of provisions and individual value adjustments as well as cost allocations.

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 72.7 million (prior year: euro 93.0 million). The Group's changed cost of materials ratio (cost of materials in relation to aggregate output) compared to the previous year is due, among other things, 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 addition, the milestone revenues from the offshore projects have a positive effect on the cost of materials ratio, as there are no significant expense items to offset the revenues. The implementation of wind farms for the Group's own portfolio has a negative impact on the cost of materials ratio, as the Group's total aggregate output only includes the capitalisation of external production costs and no profits from these project implementations.

The Group's personnel expenses amounted to euro 35.1 million in the 2020 fiscal year and thus increased by euro 4.5 million compared to the level of the prior year period (euro 30.6 million). The number of employees in the Group as at December 31, 2020 increased to 455 (as at December 31, 2019: 427 employees). On average, 448 people (previous year: 397 people) were employed in the Group during the year. These figures include the two members of the Board of Management (prior year: two members). The increase in the number of employees is part of the organisational adjustment to the new strategy that the Group is pursuing with the "Scale up" programme. 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.

Personnel expenses are distributed among the segments "project development" with euro 25.2 million (prior year: euro 23.0 million), "service products" with euro 8.9 million (prior year: euro 6.6 million) and "electricity generation" with euro 1.0 million (prior year: euro 1.0 million).

The write-downs of intangible fixed assets, property, plant and equipment as well as right-of-use assets increased on a year-on-year basis by euro 5.6 million to euro 18.2 million (prior year: euro 12.6 million). The increase resulted primarily from the higher average number of wind power turbines in the Group ("electricity generation" segment) compared to the prior-year period. The write-downs of intangible fixed assets, property, plant and equipment as well as right-of-use assets are attributable to the segments "project development" with euro 2.0 million (prior year: euro 2.1 million), "service products" with euro 3.1 million (prior year: euro 2.8 million) and "electricity generation" with euro 13.1 million (prior year: euro 7.7 million).

The other operating expenses in the Group totalling euro 17.6 million (prior year: euro 18.9 million) are below the previous year's level in the Group and are primarily attributable to the following items:

in million euro	2020	2019
Legal and consulting costs	4.4	6.7
Repair and maintenance expenses	3.5	2.5
Vehicle costs	1.6	1.2
Advertising and travel expenses	1.3	2.5
Insurance premiums and contributions	1.2	1.0
Accounting and auditing costs, including tax advice	1.0	0.9
IT costs	0.6	0.8
Supervisory Board remuneration	0.5	0.6
Rental and lease expenses	0.5	0.1
Losses from the disposal of assets	0.1	0.1

Other operating expenses, before consolidation effects, are distributed among the segments "project development" with euro 14.6 million (prior year: euro 13.9 million), "service products" with euro 2.2 million (prior year: euro 3.1 million) and "electricity generation" with euro 4.2 million (prior year: euro 3.8 million).

The change 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 expense 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. Due to the COVID-19 pandemic, advertising and travel expenses, in particular, fell compared to the previous year.

Interest and similar expenses in the Group changed from euro 10.9* million in the prior year period to euro 11.2 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 3.4 million),
- » the application of IFRS 16 "Leases" (euro 1.6 million) and
- » the valuation of interest swaps concluded as part of the project financing for wind farm projects (euro 2.8 million).

PNE has created values ("hidden reserves") that are not readily apparent. These are connected to the establishment of the wind farm portfolio owned by the Company. As a result of these investments in PNE's own projects, pre-tax profits of euro 50.0 million were eliminated at the Group level in the reporting period (prior year: euro 11.6 million). 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 the assumed market conditions of the project calculations (e.g. return expectations of investors) remain the same (refer to the explanations in chapter "9. Report on opportunities and risks"). The values created ("hidden reserves") from the Group's own projects are disclosed step by step over the useful life of the projects due to the lower depreciation measurement basis in the Group. This disclosure of values ("hidden reserves") leads to improvements in earnings over the term and, corresponding to the amount of the disclosure, to an improvement in the Group equity ratio.

At Group level, the following results were achieved in the 2020 fiscal 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 as well as right-of-use assets and goodwill) of euro 26.3 million (prior year: euro 28.7* million),
- » operating profit (EBIT = corresponds to the value stated in line "Operating result" of the consolidated statement of comprehensive income) of euro 8.2 million (prior year: euro 16.1* million).

The consolidated net income after the share in income attributable to non-controlling interests amounted to euro 1.6 million (prior year: euro -0.8* million). The undiluted earnings per share for the Group amounted to euro 0.02 (prior year: euro -0.01*) and the diluted earnings per share for the Group amounted to euro 0.02 (prior year: euro -0.01*).

Taking into account the business results, the dividend distribution and the changes resulting from the increased shareholding in Sevivon Sp. z o.o., Koszalin, Poland (from 80.0 percent to 100 percent, "project development" segment) and in S.C. PNE WIND Romania Energy Holding S.R.L., Bucharest, Romania (from 80.0 percent to 100 percent, "project development" segment), the retained earnings in the Group changed to euro 51.4 million (prior year: euro 60.3* million). In fiscal 2020, a dividend of euro 3.1 million was distributed from the available retained earnings.

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

Euro 60.3 million of the Group's total aggregate output was attributable to PNE AG (prior year: euro 54.7 million). The total aggregate output of PNE AG consists of revenues totalling euro 54.2 million (prior year: euro 51.0 million), changes in inventories totalling euro 2.9 million (prior year: euro 1.7 million) and other operating income totalling euro 3.2 million (prior year: euro 2.0 million).

As in the previous year, the revenues were generated primarily from the implementation and sale of "turn-key" projects.

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

In the separate financial statements of PNE AG, the cost of materials amounted to euro 18.1 million (prior year: euro 37.0 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.

In the separate financial statements of PNE AG, the personnel expenses totalled euro 15.1 million in the 2020 fiscal year (prior year: euro 13.1 million). The number of employees of PNE AG as at December 31, 2020 changed to 178 (as at December 31, 2019: 167 employees). The personnel figures include the two members of the Board of Management (prior year: two members).

In PNE AG's separate financial statements, the other operating expenses totalled euro 12.4 million in the 2020 fiscal year (prior year: euro 10.3 million). Although the expenses incurred in the previous year in connection with the "takeover offer by Morgan Stanley Infrastructure Partners", including for legal advice and the preparation of a "Fairness Opinion", were no longer included in the 2020 figures, other operating expenses increased compared to the same period of the previous year. The reason for the increase is the value adjustments made on loans to affiliated companies (offshore companies).

In the 2020 fiscal year, PNE AG reported earnings before taxes (EBT – corresponds to the value shown in the profit and loss account in line "Profit before taxes") of euro 50.0 million (prior year: euro -2.8 million).

Interest and similar expenses of PNE AG decreased on a year-on-year basis to euro 2.4 million (prior year: euro 2.5 million) and were mainly incurred for interest on the 2018/2023 bond.

Income from profit transfer agreements increased compared to the previous year from euro 2.2 million to euro 34.5 million. This increase results primarily from the profit transfer agreement concluded with WKN GmbH on January 1, 2020, on the basis of which a profit of WKN GmbH of approx. euro 32.5 million was allocated to PNE AG.

As at December 31, 2020, the retained earnings of PNE AG totalled euro 153.0 million (prior year: euro 111.6 million). The net income of PNE AG amounted to euro 44.5 million (prior year: net deficit of euro -2.9 million). The basic earnings per share of PNE AG amounted to euro 0.58 (prior year: euro -0.04) and the diluted earnings per share amounted to euro 0.58 (prior year: euro -0.04).

3.5.2 Financial situation

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

Due to the retrospective adjustments in accordance with IAS 8.43 in conjunction with IAS 2.9 and IAS 2.6 ("2. Retrospective adjustments in accordance with IAS 8.43"), the comparative figures in the text and tables in the following sections were adjusted and marked with an "asterisk".

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, 2020, there were derivative financial instruments in relation to several project financing plans of wind farms in the Group.

The statement of cash flows provides information on the liquidity situation and the financial position of the Group. As at December 31, 2020, the Group companies had available liquidity of euro 218.1 million, including credit lines for interim project financing, of which euro 3.0 million is pledged to banks (as at December 31, 2019: euro 139.3 million, of which euro 6.5 million pledged).

The available liquidity is broken down as follows:

- » cash and cash equivalents totalling euro 111.6 million (as at December 31, 2019: euro 111.9 million),
- » freely available working capital lines of euro 3.0 million (as at December 31, 2019: euro 1.2 million),
- » freely available project interim equity financing of euro 0.0 million (as at December 31, 2019: euro 2.5 million) and
- » freely available project interim debt financing of euro 103.5 million (December 31, 2019: euro 23.7 million).

The Group concluded an agreement (letter of intent) with a bank for further equity capital interim financing of projects of up to euro 27.1 million, on the basis of which separate interim equity financing agreements can be concluded after the commissioning of the projects.

As at December 31, 2020, the Group had working capital facilities totalling euro 15.1 million (as at December 31, 2019: euro 10.1 million) and credit lines for guarantee and contract fulfilment obligations (excluding guarantee lines granted by banks in connection with ongoing project financing) of euro 14.2 million (as at December 31, 2019: euro 14.3 million). As at December 31, 2020, the Group had used euro 12.1 million of the working capital facilities (as at December 31, 2019: euro 8.9 million) and euro 8.0 million of the guarantee and contract fulfilment credit lines (as at December 31, 2019: euro 1.9 million).

The cash flow from ordinary activities shown in the statement of cash flows of euro -68.5 million (prior year: euro 35.4 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 outgoing and incoming payments for investments in consolidated property, plant and equipment and intangible assets totalling euro -14.4 million (prior year: euro -77.8 million). The investments in property, plant and equipment in the 2020 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).

In the reporting period, there were no incoming and outgoing payments for the sale and purchase of financial assets (prior year: euro -0.1 million).

During the reporting period, the cash flow from financing activities of euro 82.9 million (prior year: euro 40.2 million) was influenced primarily by

- » the taking of bank loans of euro 101.4 million, which are mainly used for the project financing of the wind farm projects owned by the Group,
- » the repayment of credit liabilities of euro -8.8 million,
- » the repayment of lease liabilities totalling euro -6.1 million (pursuant to IFRS 16 to be recorded as outflow of funds in the cash flow from financing activities) and
- » the payment of the dividend of euro -3.1 million.

As at December 31, 2020, the share capital of PNE AG amounted to euro 76,603,334.00 (as at December 31, 2019: euro 76,603,334.00).

As at December 31, 2020, the Group had liquid funds of euro 111.6 million, of which euro 3.0 million is pledged to banks (as at December 31, 2019: euro 111.9 million, of which euro 6.5 million pledged).

Developments in PNE AG

As at December 31, 2020, PNE AG had liquidity of euro 59.1 million, of which euro 0.5 million is pledged to banks (as at December 31, 2019: euro 72.7 million, of which euro 0.3 million pledged).

The financial situation of PNE AG in fiscal 2020 was marked, in particular, by

- » the positive cash flow from investing activities of euro 4.5 million (prior year: euro -16.0 million), mainly due to the interest income and profit transfer amounts received (prior year: negative, 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 companies held by the Company)

- » and the negative cash flow from operating activities of euro -16.0 million (prior year: euro 5.7 million), mainly due to the increase in receivables to affiliated companies and
- » the slightly negative cash flow from financing activities of euro -2.1 million (prior year: euro -0.7 million).

The cash flows from operating activities were determined using the indirect method and the cash flows from investing and financing activities were determined using the direct method.

3.5.3 Statement of financial position

Due to the retrospective adjustments in accordance with IAS 8.43 in conjunction with IAS 2.9 and IAS 2.6 ("2. Retrospective adjustments in accordance with IAS 8.43"), the comparative figures in the text and tables in the following sections were adjusted and marked with an "asterisk".

Developments in the Group

in million euro	31.12.2020	31.12.2019
Assets		
Total long-term assets	317.3	299.6*
Intangible assets	64.3	64.7
Property, plant and equipment	176.5	174.1
Rights of use	39.1	39.4
Long-term financial assets	1.9	2.0
Deferred taxes	35.5	19.4*
Total short-term assets	346.5	250.4*
Inventories	174.0	84.8*
Receivables and other assets	59.6	51.7
Tax receivables	1.3	2.0
Cash and cash equivalents	111.6	111.9
Total assets	663.8	550.0*

*Figures as at December 31, 2019 adjusted. We refer to chapter "2. Retrospective adjustments in accordance with IAS 8.43".

On the reporting date, the consolidated total assets of PNE AG amounted to euro 663.8 million. This is a change of approx. 20.7 percent in comparison with December 31, 2019 (euro 550.0* million).

Total long-term assets increased from euro 299.6* million at the end of 2019 to euro 317.3 million on the reporting date. The main reason for this development is the increase in deferred taxes in connection with the elimination of intercompany profits from the project implementation for the internal wind farm portfolio. As at December 31, 2020, euro 39.1 million for right-of-use assets (December 31, 2019: euro 39.4 million) were reported under long-term assets. As at December 31, 2020, the right-of-use assets are attributable to the segments "project development" (euro 10.3 million), "service products" (euro 5.9 million) and "electricity generation" (euro 22.9 million).

Intangible assets as at December 31, 2020 totalled euro 64.3 million (of which goodwill of euro 63.3 million), and thus remained approximately at the same level as at December 31, 2019. As at December 31, 2020, the goodwill is attributable to the segments "project development" (euro 52.8 million), "service products" (euro 10.4 million) and "electricity generation" (euro 0.1 million).

In the same period, property, plant and equipment changed by euro 2.4 million to euro 176.5 million (December 31, 2019: euro 174.1 million). This item primarily includes

- » land and buildings (euro 10.9 million, excluding the "Silbitz" land and buildings),
- » transformer stations owned or under construction (euro 14.1 million),
- » the technical equipment and machinery of the wind farms owned by the Company (euro 141.9 million) and of HKW Silbitz (euro 2.8 million, including land and buildings of euro 2.5 million) and
- » other equipment, fixtures and furnishings (euro 2.7 million).

The increase in property, plant and equipment is mainly due to the "growing" wind farm portfolio and the resulting write-downs of property, plant and equipment of the wind farms.

IFRS 16 specifies how to account for leases. According to the standard, the lessee is generally obliged to recognise rights and obligations arising from leases. Therefore, lessees must recognise the right of use relating to a leased asset ("right-of-use asset") either under fixed assets in the balance sheet item "right-of-use assets" (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, 2020, the Group recognised right-of-use assets of euro 39.1 million (as at December 31, 2019: euro 39.4 million). The inventories included right-of-use assets of euro 34.6 million as at December 31, 2020 (as at December 31, 2019: euro 0.0 million), which are attributable to the "electricity generation" segment.

For all assets within the scope of IAS 36 (in particular intangible assets (IAS 38), goodwill (IFRS 3), property, plant and equipment (IAS 16) and investment property measured at cost (IAS 40)), the reporting entity must assess at each balance sheet date whether there is any indication (triggering event) for an impairment loss. Although the effects on the economy caused by the COVID-19 pandemic also have certain implications for PNE AG, the Board of Management is of the opinion that there are no indications that the value of the reported goodwill as at December 31, 2020 might be impaired.

Short-term assets changed in the reporting period from euro 250.4* million (December 31, 2019) to euro 346.5 million on December 31, 2020. This change is mainly attributable to the increase in inventories (euro +89.2 million). Of the short-term assets, euro 40.2 million is attributable to trade receivables (December 31, 2019: euro 34.3 million), mainly from project invoices for project development and general contractor services for wind farms and milestone receivables at the end of the year.

The work in progress shown under the inventories increased from euro 61.1* million (December 31, 2019) to euro 144.1 million. The increase in inventories is due primarily to the Group's investments for onshore projects under construction and for the further development of the wind onshore and photovoltaics project pipelines in Germany and abroad as well as to the right-of-use assets in connection with the implementation of the Company's own wind farm projects.

Work in progress is divided as follows:

- » onshore projects Germany (euro 93.1 million),
- » onshore projects abroad (euro 51.0 million).

The prepayments made in connection with onshore projects under construction, which are included in the inventories item, changed by euro 6.2 million from euro 23.4 million to euro 29.6 million.

Cash and cash equivalents amounted to euro 111.6 million as at December 31, 2020, of which euro 3.0 million is pledged to banks (as at December 31, 2019: euro 111.9 million, of which euro 6.5 million pledged).

in million euro	31.12.2020	31.12.2019
Shareholders' equity and liabilities		
Equity capital	200.6	205.1*
Deferred subsidies from public authorities	0.7	0.8
Provisions	4.6	8.4*
Long-term liabilities	354.3	230.5*
Short-term liabilities	81.6	84.9
Deferred revenues	22.0	20.3
Total liabilities and shareholders' equity	663.8	550.0*

*Figures as at December 31, 2019 adjusted. We refer to chapter "2. Retrospective adjustments in accordance with IAS 8.43".

Group equity changed from euro 205.1* million as at December 31, 2019 to euro 200.6 million as at December 31, 2020. The treasury stock has not changed in the reporting period and amounted to 266,803 shares as at December 31, 2020.

The equity ratio of the Group was approx. 30 percent as at December 31, 2020 (December 31, 2019: approx. 37* percent).

The long-term liabilities changed from euro 230.5* million (December 31, 2019) to euro 354.3 million. This item consists mainly of long-term financial liabilities totalling euro 343.3 million (as at December 31, 2019: euro 226.2 million).

The long-term financial liabilities mainly consist of

- » the 2018/2023 bond issued in 2018 with a carrying amount of euro 49.2 million (as at December 31, 2019: euro 48.9 million),
- » long-term liabilities to banks of euro 216.6 million (as at December 31, 2019: euro 135.6 million) and

» liabilities from leases of euro 70.4 million (as at December 31, 2019: euro 37.2 million).

The significant long-term liabilities to banks relate to the "non-recourse" project financing of wind farm projects operated by the Company in its own portfolio ("electricity generation" segment).

The liabilities to banks are attributable to the following segments as at December 31, 2020:

- » "project development" segment, euro 16.0 million (of which long-term, euro 3.7 million),
- » "electricity generation" segment, euro 223.2 million (of which long-term, euro 212.9 million),
- » "service products" segment, euro 0.0 million (of which long-term, euro 0.0 million).

Due, in particular, to "IFRS 16 Leases", approx. euro 70.4 million (as at December 31, 2019: euro 37.2 million) for lease liabilities is reported under long-term liabilities, and approx. euro 4.6 million (as at December 31, 2019: euro 3.1 million) under short-term liabilities as at December 31, 2020.

The liabilities from leases are attributable to the following segments as at December 31, 2020:

- » "project development" segment, euro 10.9 million (of which long-term, euro 9.7 million),
- » "electricity generation" segment, euro 58.0 million (of which long-term, euro 55.3 million),
- » "service products" segment, euro 6.1 million (of which long-term, euro 5.4 million).

As at December 31, 2020, the total number of shares issued by PNE AG amounted to 76,603,334 (December 31, 2019: 76,603,334). On December 31, 2020, the Company held 266,803 treasury shares (prior year: 266,803), 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 2020 fiscal year, the short-term liabilities changed from euro 84.9 million (December 31, 2019) to euro 81.6 million. The short-term liabilities to banks, included in this item, increased from euro 10.3 million (December 31, 2019) to euro 22.7 million due to interim financing raised for onshore wind farms. In the reporting period, trade liabilities changed from euro 35.3 million

(December 31, 2019) to euro 31.4 million. These mainly originate from project invoices from subcontractors for wind farms at the end of the year and are expected to be settled for the most part at the time of receipt of the corresponding trade receivables from the wind farm companies.

The Company used "non-recourse" financing of approx. euro 88.3 million and approx. euro 1.0 million from the available project equity bridge loan in the 2020 reporting period, which contributed to the above-mentioned changes in short-term and long-term liabilities to banks.

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

in million euro	Valued per 31.12.2020	thereof long-term 31.12.2020
Non-recourse Projektfinanzierung WP Kührstedt A, B und Bederkesa	52.7	48.5
Non-recourse Projektfinanzierung WP Boitzenhagen	38.5	38.5
Non-recourse Projektfinanzierung WP Kittlitz III	23.2	22.1
Non-recourse Projektfinanzierung WP Gerdau Repowering	20.3	19.0
Non-recourse Projektfinanzierung WP Lentförhden	19.4	18.8
Non-recourse Projektfinanzierung WP Langstedt	19.0	18.7
Eigenkapitalzwischenfinanzierung eines Windparkportfolios	16.0	16.0
Non-recourse Projektfinanzierung WP Neuenwalde	11.9	11.2
Non-recourse Projektfinanzierung WP Schlenzer	10.6	10.0
Non-recourse Projektfinanzierung WP Zahrenholz	10.4	10.4
Sonstige Kredite (u.a. Finanzierung Firmensitz in Cuxhaven)	3.8	3.6
Eigenkapitalzwischenfinanzierung von Windkraftanlagen zum Repowering	3.4	2.4
Non-recourse Projektfinanzierung WP Pülfringen	1.0	0.6
Konsortiallinie PNE AG / WKN GmbH	12.1	0.0

The project funds were, in part, provided 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 3.1 million (as at December 31, 2020) was set off against the acquisition or production costs of the corresponding assets and is recognised over the useful life of these assets.

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, 2020 amounted to euro -260.5 million (December 31, 2019: net debt of euro -129.0 million).

Developments in PNE AG

in million euro	31.12.2020	31.12.2019
Assets		
Intangible assets	0.1	0.1
Property, plant and equipment	10.3	10.7
Financial assets	130.2	129.2
Inventories	36.3	17.4
Receivables and other assets	150.2	92.4
Liquid funds	59.1	72.7
Total assets	386.2	322.5

The fixed assets consist of intangible assets of euro 0.1 million (as at December 31, 2019: euro 0.1 million), property, plant and equipment of euro 10.3 million (as at December 31, 2019: euro 10.7 million) and financial assets of euro 130.2 million (as at December 31, 2019: euro 129.2 million).

The changes in financial assets are mainly due to

- » the contributions to the capital reserve of PNE WIND West Europe GmbH for the payment of equity into the wind farm projects (euro +1.3 million) and
- » the shares in affiliated companies absorbed by PNE AG within the framework of the merger of two subsidiaries and the integration of a subsidiary (euro -0.3 million).

The current assets consist of inventories of euro 36.3 million (as at December 31, 2019: euro 17.4 million), of which work in progress totalling euro 19.2 million (as at December 31, 2019: euro 16.3 million) and prepayments totalling euro 17.0 million

(as at December 31, 2019: euro 1.1 million) as well as receivables and other assets of euro 150.2 million (as at December 31, 2019: euro 92.4 million). Of the receivables and other assets, euro 2.7 million is attributable to trade receivables (as at December 31, 2019: euro 1.1 million), euro 141.7 million to receivables from affiliated companies (as at December 31, 2019: euro 88.0 million) and euro 5.3 million (as at December 31, 2019: euro 3.2 million) to other assets.

The change in prepayments is due to the increased number of wind farms under construction compared to the previous year. The increase in receivables from affiliated companies is mainly due to the profit transfer agreement concluded between PNE AG and WKN GmbH.

The liquid funds amounted to euro 59.1 million as at December 31, 2020 (as at December 31, 2019: euro 72.7 million).

in million euro	31.12.2020	31.12.2019
Liabilities		
Shareholder equity	288.5	247.0
Special item for investment grants	0.7	0.8
Provisions	10.9	8.6
Liabilities	86.1	66.0
Deferred income	0.0	0.1
Total liabilities and shareholder equity	386.2	322.5

The shareholders' equity of PNE AG amounted to euro 288.5 million as at December 31, 2020 (December 31, 2019: euro 247.0 million). The equity ratio of PNE AG was approx. 75 percent as at December 31, 2020 (as at December 31, 2019: approx. 77 percent). Equity changed mainly due to the net income for the year (euro +44.5 million) and the dividend payment in the 2020 fiscal year (euro -3.1 million).

As at December 31, 2020, the total number of shares issued by PNE AG was 76,603,334 (December 31, 2019: 76,603,334). On December 31, 2020, the Company held 266,803 treasury shares (prior year: 266,803), which it acquired in 2018 by using its authorisation existing at that time, based on a share repurchase offer directed to all shareholders.

The major items on the liability side are liabilities of euro 86.1 million (as at December 31, 2019: euro 66.0 million). These are attributable mainly to:

- » the 2018/2023 bond of euro 50.0 million (as at December 31, 2019: euro 50 million),
- » liabilities to banks of euro 7.3 million (as at December 31, 2019: euro 3.9 million),
- » prepayments received on orders totalling euro 14.7 million (as at December 31, 2019: euro 0.0 million),
- » trade liabilities of euro 1.9 million (as at December 31, 2019: euro 2.1 million) and
- » liabilities to affiliated companies of euro 8.9 million (as at December 31, 2019: euro 8.3 million).

The main components of provisions relate to outstanding invoices in respect of wind farm projects totalling euro 5.9 million (as at December 31, 2019: euro 3.9 million) as well as provisions for variable remuneration of the members of the Board of Management and senior executives totalling euro 2.5 million (as at December 31, 2019: euro 2.2 million).

4. 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.

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).

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

5. 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.

6. EMPLOYEES

During the fiscal year 2020, there were 448 employees in the Group on an annual average basis, including members of the Board of Management (prior year: 397). Of these employees (including the members of the Board of Management and trainees), an annual average of 177 employees (prior year: 158) were working at PNE AG.

As at December 31, 2020, the Group employed 455 persons, including the members of the Board of Management (as at December 31, 2019: 427 persons). Of these,

- » 178 employees (as at December 31, 2019: 166 persons) were employed directly by PNE AG and
- » 277 employees (as at December 31, 2019: 261 persons) by the subsidiaries of PNE AG.

When distinguished between Germany and abroad,

- » 358 employees (as at December 31, 2019: 354 persons) were employed by domestic and
- » 97 employees (as at December 31, 2019: 73 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.

7. 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 or photovoltaic park. 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-X 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 people, 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.

8. 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, no. "8. Events after the reporting date".

9. 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.

As part 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 we also 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.

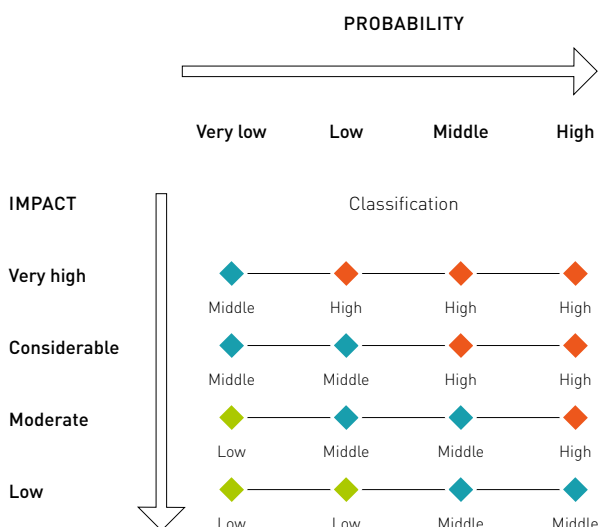
Classification of probability

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 euro	Degree of impact
Euro 0 thousand to euro 250 thousand	Low
> Euro 250 thousand to euro 1,000 thousand	Moderate
> Euro 1,000 thousand to euro 2,000 thousand	Considerable
> Euro 2,000 thousand to euro 40,000 thousand	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 a possible acquisition of shares by Photon Management GmbH with the threshold of 50 percent for exercising termination rights under financing agreements if, due to a change of control of 50 percent, the thresholds are exceeded or might be exceeded.
- » Risks that may arise from the ongoing tax audit.
- » 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, 2019, except for the changes mentioned below. From the Board of Management's viewpoint, the 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, 2020, no individual risk represents a significant threat to the Group, even though the risk from the tax audit at WKN GmbH could have a financial impact in the upper single-digit range or the exercise of termination rights under financing agreements (due to a change of control with a shareholding of more than 50 percent) could have an impact in the lower double-digit range, and is therefore classified as high. In addition, the business model and the positioning of PNE AG have proved to be largely resistant to the COVID-19 pandemic. Thus, from the viewpoint of the Board of Management, there are no risks threatening the existence of the Company.

The risk "offshore project planning in Germany" relating to the projects Atlantis II and Atlantis III has changed compared to December 31, 2019. In a letter dated October 15, 2020 the German Financial Reporting Enforcement Panel identified accounting errors for the 2018 fiscal year why due to the coming into force of the German Act to Develop and Promote Offshore Wind Energy (WindSeeG), five offshore projects should have been written down as early as at January 1, 2017. PNE AG had written off three of the five offshore wind projects in the 2018 fiscal year; two offshore wind projects had not yet been written off due to the probability of realisation still existing from PNE's perspective. The effects on the net assets, financial position and results of operations are presented in chapter "2. Retrospective adjustments in accordance with IAS 8.43". Irrespective of the correction of errors made in this context, PNE AG feels validated, in particular by the Senate order of the Federal Constitutional Court of June 30, 2020, in its assessment that parts of the WindSeeG are unconstitutional. With the implementation of the order of the Federal Constitutional Court by the legislator within the sense of the WindSeeG, PNE expects reimbursements for project planning services already provided, which will have a correspondingly positive effect on the Group's figures in the future.

The risks of the "financing on the part of the partner companies" (Ørsted, formerly DONG Energy, Vattenfall) for the offshore wind farm projects sold by PNE AG have changed compared to December 31, 2019 in that the last WindSeeG amendment was passed by the Federal Parliament on November 5, 2020 and by the Federal Council on November 27, 2020 and came into force on December 10, 2020. For offshore wind energy, the new WindSeeG has raised the expansion target by five gigawatts (GW) from 15 GW to 20 GW by the year 2030. In addition, it provides for a long-term expansion target of 40 GW by 2040. To initially achieve the 2030 target, an expansion is planned in the years from 2021 onwards in accordance with the stipulations of the so-called site development plan. For 2021-2023, the annual total expected capacity to be installed amounts to 958, 930 and 900 megawatts (MW), respectively, for 2024 it is 2,400 MW and for 2025 a total of 4,000 MW. Based on the WindSeeG and the expansion targets of the Federal Government for offshore wind energy, PNE estimates that it is highly probable that the projects "Atlantis I" and "Gode Wind 4" will be realised and therefore, from today's point of view, the Board of Management assumes that milestone payments will accrue to PNE AG.

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, 2019. The implementation of the strategic expansion of the business model to include other clean energies and storage technologies as well as the expanded portfolio of internally managed projects 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, the uncertain timing of the granting of approvals and grid connection commitments, possible appeals/complaints against approvals already issued 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.

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 renewable energies also depends 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.

There are risks from the internal operation of wind farms. The decisive factor for a wind farm's results of operations is the site-specific wind volume. Besides the well-known seasonal fluctuations, variations can also occur over the years. It cannot be ruled out that the profitability of a project will deteriorate in the long term due to several years of weak wind. This risk is particularly relevant to the "electricity generation" segment. Lower yields due to weak wind years have a direct impact on revenues and results of operations in the "electricity generation" segment and in the Group. This risk is taken into account by including corresponding safety margins in the cash flow calculations of the wind farms over the entire term. Other reasons for lower results of operations can be subsequently imposed environmental conditions during ongoing operations as well as possible lawsuits. If the effects are greater than the planned safety margins, this could have an impact on the Group's net assets and results of operations.

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 net assets and results operations of the Company.

There is a risk that subsequent examinations by the German Financial Reporting Enforcement Panel (FREP) may result in measurement methods for reported values in relation to retrospective and, as a consequence, for future reporting dates, which might differ from those applied by the Board of Management and audited by the auditors. This might have an impact on the net assets and results of operations of the Group.

The credit rating for PNE AG issued by Creditreform was last renewed in May 2020. 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.

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. 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.

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 ensure 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

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.

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 (currently the COVID-19 pandemic) can impact operations by causing delays in approval processes and project realisation. In extreme cases, this can lead to the loss of approvals or tender awards due to delays. At present, however, the Company only expects delays in planned projects and thus postponements within 2021 or from one year to the next (2021 to 2022). Should such events have a significant impact on the general economic and financial situation, this may 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.

The Group is currently in such a good financial position that possible delays or 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 for 2021 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 from home. In individual cases, travel to countries with a high risk of infection can be prohibited and orders issued to avoid large crowds.

All recognisable risks arising from the COVID-19 virus currently present worldwide are still continually assessed by the Company regarding the possible effects on the net assets, financial position and results of operations as well as the well-being of the employees and are taken into account in the annual report and the outlook.

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. The tax assessments for the years 2010 to 2013 in accordance with the completed tax audit are not yet legally binding. 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. Corresponding appeals against significant parts of the corporate income tax and trade tax assessments were filed. A stay of execution was granted by the tax authority. The tax audit for the years 2014 to 2016 is still ongoing. 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 statement of financial position as at December 31, 2020. Even if a provision were formed covering all aspects of the tax audit, this would have no effect on the published guidance for the 2020 fiscal year, 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 still 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 to 8 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 four 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 predict continuing high rates of growth for wind energy and photovoltaics in the coming years due to the finite nature of fossil fuels, the pressure to reduce climate pollutants and the need for safe, environmentally friendly energy sources. The successful conclusion of the World Climate

Conferences 2015 in Paris and 2019 in Madrid 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 continued the constant development of its business model, among other things, with a subsidiary in which onshore wind farms with a total output of approx. 135 MW, which had already been completed and commissioned by the end of 2020, were bundled. 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 farms 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 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 of services has been expanded in a focused manner. Therefore, PNE also provides services in project development, construction management, project financing and other fields related to the planning, construction and operation of wind power turbines.

The PNE Group has gained a strong position in the field of technical and commercial operations management with energy consult GmbH. The company has service contracts for wind power turbines with a nominal capacity of more than 1,700 MW and provides services for 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. This is the core of the expanded strategic orientation.

Project development and portfolio

Project development continues to be the core business. This includes the development of quality projects in wind energy and photovoltaics, the successful establishment of PNE's own portfolio of wind farms and cross-technology projects.

Technologies

In addition to wind energy, photovoltaics, storage and power-to-X solutions 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 (sector coupling), which also covers the development of power-to-X projects, including for the generation of hydrogen. 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 North America, 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. The first power purchase agreements – PPA) have already been concluded for the Company's own wind farms and for customers.

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.

10. 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.

Following the successful development of wind farms in recent years, we are following our goal of realising a wind farm portfolio with a total capacity of up to 500 MW by 2023. For the time being, the 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 further developed the strategic orientation of the Group via the "Scale up" concept. The operative business will be placed on a significantly broader basis, both nationally and internationally. Our goal continues to be to develop PNE from a wind farm specialist to a specialist for photovoltaic farms and a broad-based provider of clean energy solutions. The fundamentals of this 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 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 the average operating result (EBIT or EBITDA) 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 2021, we will have further upfront expenditure in the lower single-digit million range for the strategic expansion of the business model. Nevertheless, we are expecting positive Group EBITDA of euro 24 to 32 million for our guidance for the 2021 fiscal year. At the time of publication of this 2020 annual report in March 2021, we must assume that there may be shifts in the operating business as regards the sale of projects rights and project implementation from 2021 to 2022 due to the current global "COVID-19 pandemic".

The figures of the project pipeline for onshore wind energy (as at December 31, 2020: approx. 5,355 MW) and photovoltaics (as at December 31, 2020: approx. 548 MWp) are expected to remain constant throughout the Group in the 2021 fiscal year, at least compared to December 31, 2020.

PNE AG controls the operating units on the basis of EBT. PNE AG is expecting a positive result in the mid-double-digit million range on an EBT basis (earnings before income taxes and other taxes) for the 2021 fiscal year. This result also includes the expected results from the profit and loss transfer agreements with subsidiaries (including WKN GmbH).

11. OTHER DISCLOSURES

11.1 TRANSACTIONS WITH RELATED COMPANIES AND PERSONS

For information about transactions with related parties, see point 3 in chapter "X. Other disclosures" in the notes to the consolidated financial statements.

11.2 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.

11.3 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 January 1 to December 31, 2020, 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."

11.4 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, 2020, PNE AG had 76,603,334 registered shares with a nominal value of euro 1.00 per share. On December 31, 2020, free float shares (holdings of less than 3 percent of the share capital) amounted to approx. 38.1 percent. One shareholder (Morgan Stanley, Wilmington, Delaware, USA) reported a shareholding of more than 10 percent of the voting rights existing on December 31, 2020.

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.

On December 31, 2020, the Company held 266,803 treasury shares (prior year: 266,803), which it acquired in 2018 by using its authorisation existing at that time, based on a share repurchase offer directed to all shareholders. No treasury shares were used in the 2020 fiscal year.

The general meeting of shareholders of May 31, 2017 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, 2020, 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. Such a change of control in accordance with the bond terms and conditions occurred at PNE AG on December 17, 2019. Therefore, the bondholders were entitled to exercise the change of control termination right by January 27, 2020. On this basis, bondholders have exercised the change of control termination right for bonds with a nominal amount of approx. euro 418 thousand.

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.

Such a change of control in accordance with the terms and conditions of the agreements occurred at PNE AG on December 17, 2019. IKB Deutsche Industriebank AG did not exercise the option to terminate the loan agreements due to the change of control as defined in the loan agreements.

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 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).

11.5 REMUNERATION REPORT

The fixed remuneration paid to the Supervisory Board members during the 2020 fiscal year amounted to euro 434 thousand (prior year: euro 511 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. Furthermore, the Chairman of the Audit Committee receives additional fixed remuneration of euro 30 thousand and each other member of the Audit Committee of euro 15 thousand. The chairpersons of other Supervisory Board committees receive additional fixed remuneration of euro 20 thousand. The total remuneration of the Supervisory Board in the 2020 fiscal year amounted to euro 497 thousand (prior year: euro 640 thousand). In addition, the Company bears the cost of directors' and officers' liability insurance for all members of the Supervisory Board.

The Supervisory Board members Mr. Donzelli and Mr. Oppenauer issued a written declaration to the Company that they waive their fixed remuneration and the attendance fees granted pursuant to the articles of association for their term of office.

in thousand euro	Fixed remuneration 2020	Attendance fee 2020	Total remuneration 2020
Mr. Pedersen	140.0	11.0	151.0
Mr. Egger	90.0	14.0	104.0
Mrs. Dr. Zapreva	75.0	14.0	89.0
Mr. Schuhbauer	60.0	11.0	71.0
Mr. Dr. Kruse	43.8	7.0	50.8
Mr. Rohardt	25.0	6.0	31.0
Mr. Oppenauer	0.0	0.0	0.0
Mr. Donzelli	0.0	0.0	0.0
	433.8	63.0	496.8

For their activity during the fiscal year 2020, the members of the Board of Management received total remuneration (including accrued liabilities for bonuses) of euro 1,982 thousand (prior year: euro 2,269 thousand), or corresponding provisions were formed.

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).

in thousand euro	Benefits granted Total Management Board				Allocation Total Management Board	
	2019	2020	2020 (Min)	2020 (Max)	2019	2020
Fixed remuneration	821	695	695	695	821	695
Fringe benefits	76	71	71	71	76	71
Total	897	766	766	766	897	766
One-year variable remuneration	554	278	0	389	664	449
Multi-year variable compensation	818	938	0	938	876	672
for the 2017–2019 period	183	0	0	0	60	123
for the 2018–2020 period	0	0	0	0	730	0
for the 2019–2021 period	635	0	0	0	86	549
for the 2020–2022 period	0	938	0	938	0	0
Service costs	0	0	0	0	0	0
Total	1,372	1,216	0	1,327	1,540	1,120
Pension payments	0	0	0	0	0	0
Total compensation	2,269	1,982	766	2,093	2,437	1,886

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 60 percent and the short-term part to 40 percent of the possible variable salary. The Supervisory Board agrees the short- and long-term targets with the Board of Management. The short-term target is an expected financial indicator such as 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 of the expected financial indicator not be achieved 100 percent, the share of this target is not paid out with regard to the short-term variable remuneration or only in part in relationship with the degree of attainment of such target. The short-term personal

targets can only be achieved 100 percent, or are not achieved. The long-term targets are based on financial indicators that are intended to support the future economic development of the Company, such as the expected three-year Group EBITDA, Group EBIT or Group EBT as well as the average weighted share price at the end of the three-year measurement period. 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 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 is shown in the following tables.

in thousand euro	Benefits granted				Allocation	
	2019	2020	2020 (Min)	2020 (Max)	2019	2020
					Markus Lesser Chief Executive Officer (CEO) Member of the Board since 1.4.2011	
Fixed remuneration	350	370	370	370	350	370
Fringe benefits	25	36	36	36	25	36
Total	375	406	406	406	375	406
One-year variable remuneration	236	148	0	207	215	236
Multi-year variable compensation	352	500	0	500	289	352
for the 2017–2019 period	63	0	0	0	0	63
for the 2018–2020 period	0	0	0	0	289	0
for the 2019–2021 period	289	0	0	0	0	289
for the 2020–2022 period	0	500	0	500	0	0
Service costs	0	0	0	0	0	0
Total	588	648	0	707	504	588
Pension payments	0	0	0	0	0	0
Total compensation	963	1,053	406	1,112	879	994

	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 thousand euro	2019	2020	2020 (Min)	2020 (Max)	2019	2020
Fixed remuneration	315	325	325	325	315	325
Fringe benefits	33	35	35	35	33	35
Total	348	360	360	360	348	360
One-year variable remuneration	213	130	0	182	195	213
Multi-year variable compensation	320	439	0	439	260	320
for the 2017–2019 period	60	0	0	0	0	60
for the 2018–2020 period	0	0	0	0	260	0
for the 2019–2021 period	260	0	0	0	0	260
for the 2020–2022 period	0	439	0	439	0	0
Service costs	0	0	0	0	0	0
Total	533	569	0	621	455	532
Pension payments	0	0	0	0	0	0
Total compensation	881	929	360	981	803	892

	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 thousand euro	2019	2020	2020 (Min)	2020 (Max)	2019	2020
Fixed remuneration	156	0	0	0	156	0
Fringe benefits	18	0	0	0	18	0
Total	174	0	0	0	174	0
One-year variable remuneration	105	0	0	0	254	0
Multi-year variable compensation	146	0	0	0	327	0
for the 2017–2019 period	60	0	0	0	60	0
for the 2018–2020 period	0	0	0	0	181	0
for the 2019–2021 period	86	0	0	0	86	0
for the 2020–2022 period	0	0	0	0	0	0
Service costs	0	0	0	0	0	0
Total	251	0	0	0	581	0
Pension payments	0	0	0	0	0	0
Total compensation	425	0	0	0	755	0

Cuxhaven, March 17, 2021

The Board of Management



CONSOLIDATED FINANCIAL STATEMENTS

**OF PNE AG, CUXHAVEN,
FOR THE 2020 FISCAL YEAR**

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

OF PNE AG, CUXHAVEN, FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2020

in thousand euro (differences due to rounding possible)	Notes	2020	2019
1. Revenues	VI.1.	109,689	132,796
2. Increase in finished goods and work in process	V.4.	38,204	33,723*
3. Other operating income	VI.2.	3,819	4,659
4. Total aggregate output		151,711	171,179*
5. Cost of materials		-72,729	-92,961
6. Personnel expenses	VI.3.	-35,054	-30,600
7. Amortisation of intangible assets and depreciation of property, plant and equipment, right-of-use assets	IV.3./V.1./ V.2./V.12.	-18,177	-12,597
8. Other operating expenses	VI.4.	-17,554	-18,885
9. Impairment expense - goodwill	IV.3./V.1.	-26	-26
10. Operating result		8,170	16,110*
11. Income from participations		125	79
12. Other interest and similar income	VI.5.	251	582
13. Income from assumption of profits of associates		0	32
14. Amortisation of financial assets		0	-58
15. Expenses from assumption of losses of associates		-73	-21
16. Interest and similar expenses	VI.6.	-11,182	-10,890*
17. Result before Taxes		-2,708	5,835*
18. Taxes on income	VI.7.	3,747	-5,754*
19. Other taxes		-136	-192
20. Consolidated net profit / loss before non-controlling interests		903	-110*
21. Non-controlling interests in the result	V.7.	-717	655
22. Consolidated net income		1,621	-765*

*Figures as of 31.12.2019 adjusted. We refer to chapter "2. Retrospective adjustments in accordance with IAS 8.43" in the combined management and Group management report

in thousand euro (differences due to rounding possible)	Notes	2020	2019
Other comprehensive income / items that may be reclassified in the future in the profit and loss account			
23. Foreign currency translation differences		-1,873	-435
24. Others		0	0
25. Other comprehensive income for the period (net of tax)		-1,873	-435
27. Other comprehensive income for the period (net of tax)		-969	-545*
Consolidated profit/loss for the period attributable to:			
Owners of the parent company		1,621	-765*
Non-controlling interests		-717	655
		903	-110*
Total comprehensive income for the period attributable to:			
Owners of the parent company		-252	-1,200*
Non-controlling interests		-717	655
		-969	-545*
Weighted average of shares in circulation (undiluted) (in thousands)	VI.8.	76,337	74,845
Undiluted earnings per share from continuing operations in EUR		0.02	-0.01*
Weighted average of shares in circulation (diluted) (in thousands)	VI.8.	76,337	74,845
Diluted earnings per share from continuing operations in EUR		0.02	-0.01*

*Figures as of 31.12.2019 adjusted. We refer to chapter "2. Retrospective adjustments in accordance with IAS 8.43" in the combined management and Group management report

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS)

OF PNE AG, CUXHAVEN, AS AT DECEMBER 31, 2020

Assets

in thousand euro (differences due to rounding possible)	Notes	Status as at 31.12.2020	Status as at 31.12.2019	Status as at 1.1.2019
A. Long term assets				
I. Intangible assets	IV.2./IV.4./V.1.			
1. Franchises, trademarks, licences and other similar rights as well as licences from such rights		1,029	1,392	1,699
2. Goodwill		63,301	63,327	63,353
		64,330	64,720	65,053
II. Property, plant and equipment	IV.3./IV.4./V.2.			
1. Land and buildings including buildings on third-party land		13,496	13,752	14,077
2. Technical equipment and machinery		157,115	157,603	79,190
3. Other plant and machinery, fixtures and fittings		2,663	2,455	2,434
4. Prepayments and plant under construction		3,068	271	428
		176,341	174,081	96,130
III. Right-of-use Assets	IV.5.	39,125	39,376	0
IV. Long term financial assets	IV.6./V.3.			
1. Shares in affiliated companies		115	121	65
2. Shares in associates		434	487	456
3. Participations		1,208	1,208	1,266
4. Other loans		178	178	178
5. Other long term loan receivables		0	32	27
		1,936	2,026	1,991
V. Deferred tax assets	IV.7./VI.7.	35,484	19,369*	15,828*
B. Current assets				
I. Inventories	IV.8./V.4.	174,003	84,807*	102,270*
II. Receivables and other assets	IV.10./V.5.			
1. Trade receivables		40,171	34,251	6,355
2. Other short term loan receivables		2,002	5,457	2,321
3. Receivables from affiliated companies		1,315	1,621	4,234
4. Receivables from associated companies and from other investments		160	163	156
5. Other assets		15,985	10,210	12,026
		59,633	51,702	25,092
III. Tax receivables		1,341	2,001	1,376
IV. Cash and cash equivalents	IV.9.	111,617	111,935	129,071
		663,809	550,016*	436,811*

*Figures as of 31.12.2019 adjusted. We refer to chapter "2. Retrospective adjustments in accordance with IAS 8.43" in the combined management and Group management report

Liabilities

in thousand euro (differences due to rounding possible)	Notes	Status as at 31.12.2020	Status as at 31.12.2019	Status as at 1.1.2019
A. Shareholders' equity	V.6.			
I. Capital subscribed		76,603	76,603	76,558
II. Capital reserve		82,953	82,953	82,292
III. Treasury shares		-707	-707	-5,803
IV. Retained earnings				
1. Legal reserve		5	5	5
2. Other retained earnings		46	46	46
		51	51	51
V. Foreign exchange reserve		-2,692	-819	-385
VI. Retained consolidated profit		51,425	60,322*	64,062*
VII. Non-controlling interests	V.7.	-7,070	-13,283	-13,938
		200,563	205,119*	202,836*
B. Long term liabilities				
I. Other provisions	IV.11./V.10.	0	0*	0*
II. Deferred subsidies from public authorities	IV.13./V.8.	714	761	808
III. Long term financial liabilities	IV.12./V.11.			
1. Bonds		49,183	48,858	48,549
2. Liabilities to banks		216,565	135,583	86,148
3. Other financial liabilities		7,139	4,512	1,554
4. Liabilities from leasing contracts		70,388	37,207	404
		343,274	226,161	136,656
IV. Deferred tax liabilities	IV.7./VI.7.	11,049	4,338*	2,166*
C. Current liabilities				
I. Provisions for taxes	V.9.	1,150	4,604	5,306
II. Other provisions	IV.11./V.10.	3,467	3,777	2,828
III. Short term financial liabilities	IV.12./V.11.			
1. Bonds		0	0	6,460
2. Liabilities to banks		22,681	10,350	18,289
3. Other financial liabilities		1,542	1,355	1,133
4. Liabilities from leasing contracts		4,626	3,057	250
		28,849	14,762	26,132
IV. Other liabilities	IV.12./V.12.			
1. Trade payables		31,364	35,276	14,945
2. Liabilities to affiliated companies		259	327	242
3. Liabilities to associated companies and to other investments		877	693	613
4. Deferred revenues		21,965	20,314	18,521
5. Deferred liabilities		8,698	23,986	15,726
6. Other liabilities		10,291	8,790	8,108
		73,454	89,386	58,155
V. Tax liabilities		1,289	1,107	1,924
		663,809	550,016*	436,811*

*Figures as of 31.12.2019 adjusted. We refer to chapter "2. Retrospective adjustments in accordance with IAS 8.43" in the combined management and Group management report

CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

OF PNE AG, CUXHAVEN, FOR THE FISCAL YEAR 2020

in thousand euro (differences due to rounding possible)	Notes	2020	2019
Consolidated net result		903	-110*
-/+ Income tax benefit and expense	VI.7.	-3,747	5,754*
-/+ Income tax received		-8,451	-7,825
-/+ Interest income and expense	VI.5./VI.6.	10,931	10,308*
- Interest paid		-5,765	-5,532
+ Interest received		251	582
+/- Amortisation and depreciation of intangible assets, property, plant and equipment, right-of-use assets and long-term financial assets		18,203	12,680
+/- Increase / decrease in provisions	V.10.	-3,759	247
-/+ Non-cash effective income/expenses		-1,754	-465
- Profit from the disposal of fixed assets and from final consolidation	III.2.	-3	222
+/- Increase of inventories and other assets	IV.7./IV.4.	-118,311	-23,310*
+/- Decrease / increase of trade receivables and stage of completion accounting	IV.7./IV.9./V.3./V.5.	6,278	-25,825*
+/- Increase / decrease of trade liabilities and other liabilities	IV.11./V.11./V.12.	36,723	68,681*
Cash flow from operating activities		-68,500	35,407
+ Inflow of funds from intangible assets		0	42
+ Inflow of funds from disposal of items of property, plant, equipment and intangible assets		104	136
- Outflow of funds for investments in property, plant, equipment and intangible assets	V.1./V.2.	-14,531	-77,966
+ Inflow of funds from disposal of financial assets		0	0
- Outflow of funds from disposal of financial assets		0	-94
- Outflow of funds for investments in consolidated units		0	0
Cash flow from investing activities		-14,427	-77,882
+ Inflow of funds from the issue of own shares	V.7.	0	5,669
+ Inflow of funds from financial loans	V.11.	101,376	46,962
- Outflow of funds from the redemption of bonds		0	-748
- Outflow of acquisition of non-controlling interests		-573	0
- Outflow of funds for the redemption of financial loans	V.11.	-8,767	-5,261
- Outflow of funds for the redemption of lease liabilities		-6,126	-3,398
- Outflow of funds for dividend		-3,053	-2,975
Cash flow from financing activities		82,857	40,249
Cash effective change in liquid funds		-71	-2,226
+ Change in liquid funds due to changes in scope of consolidation		-246	-14,911
+ Liquid funds at the beginning of the period	IV.8./VII.1.	111,934	129,071
Liquid funds at the end of the period*	IV.8./VII.1.	111,618	111,935
* of which are pledged to a bank as security guaranteed credit lines	V.11.	2,954	6,525

*Figures as of 31.12.2019 adjusted. We refer to chapter "2. Retrospective adjustments in accordance with IAS 8.43" in the combined management and Group management report

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

OF PNE AG, CUXHAVEN, FOR THE FISCAL YEAR 2020

in thousand euro (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, 2019	76,558	82,292	-5,803	51	-385	64,062*	216,774*	-13,938	202,836*
Consolidated net result	0	0	0	0	0	-765*	-765*	655	-110*
Other result	0	0	0	0	-435	0	-435	0	-435
Total result 2019	0	0	0	0	-435	-765*	-1,200*	655	-545*
Dividend	0	0	0	0	0	-2,975	-2,975	0	-2,975
Issue 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	7	7	0	7
Status as at December 31, 2019	76,603	82,953	-707	51	-819	60,322*	218,403*	-13,283	205,119*
Consolidated net result	0	0	0	0	0	1,621	1,621	-717	904
Other result	0	0	0	0	-1,873	0	-1,873	0	-1,873
Total result 2020	0	0	0	0	-1,873	1,621	-252	-717	-969
Dividend	0	0	0	0	0	-3,053	-3,053	0	-3,053
Other items	0	0	0	0	0	-7,464	-7,464	6,930	-534
Status as at December 31, 2020	76,603	82,953	-707	51	-2,692	51,425	207,634	-7,070	200,564

*Figures as of 31.12.2019 adjusted. We refer to chapter "2. Retrospective adjustments in accordance with IAS 8.43" in the combined management and Group management report

CONSOLIDATED SCHEDULE OF FIXED ASSETS (IFRS)

OF PNE AG, CUXHAVEN, FOR THE FISCAL YEAR 2020

Acquisition and manufacturing cost							
in thousand euro (differences due to rounding possible)	Status as at 1.1.2020	Changes in consolidated	Additions	Re- classifications	Disposals	Exchange Differences	Status as at 31.12.2020
I. Intangible assets							
1. Franchises, trademarks and similar rights as well as licences to such rights	9,600	1	81	134	-9	9,538	8,208
2. Goodwill	147,765	0	0	0	0	147,765	84,438
	157,365	1	81	134	-9	157,303	92,646
II. Property, plant and equipment							
1. Land and buildings including buildings on third party land	21,064	0	253	0	0	21,317	7,312
2. Technical equipment and machinery	201,800	0	10,203	35	-177	211,792	44,197
3. Other equipment, fixtures and furnishings	6,243	0	1,160	306	-15	7,082	3,788
4. Prepayments and plant under construction	274	9	2,835	45	-2	3,071	4
	229,382	9	14,451	386	-195	243,262	55,301
III. Right-of-use assets							
Right-of-use assets (IFRS 16)	42,169	0	4,882	1,656	0	45,395	2,793
	42,169	0	4,882	1,656	0	45,395	2,793
IV. Financial assets							
1. Shares in affiliated companies	6,828	-6	0	0	0	6,823	6,708
2. Shares in associates	1,349	0	0	749	0	601	862
3. Participations	1,266	0	0	0	0	1,266	58
4. Other loans	216	0	0	0	0	216	38
	9,659	-6	0	749	0	8,905	7,665
	438,575	4	19,414	2,925	-204	454,865	158,405

Accumulated amortisation and depreciation					Book values		
Status as at 1.1.2020	Additions	Disposals	Exchange Differences	Status as at 31.12.2020	Status as at 31.12.2020	Status as at 31.12.2019	
8,208	442	134	-6	8,510	1,029	1,392	
84,438	26	0	0	84,464	63,301	63,327	
92,646	468	134	-6	92,974	64,330	64,720	
7,312	509	0	0	7,821	13,496	13,752	
44,197	10,660	23	-158	54,677	157,115	157,603	
3,788	898	259	-8	4,419	2,663	2,455	
4	0	0	-1	3	3,068	271	
55,301	12,068	282	-166	66,921	176,341	174,081	
2,793	3,594	118	0	6,269	39,125	39,376	
2,793	3,594	118	0	6,269	39,125	39,376	
6,708	0	0	0	6,708	115	121	
862	0	696	0	166	434	487	
58	0	0	0	58	1,208	1,208	
38	0	0	0	38	178	178	
7,665	0	696	0	6,969	1,936	1,994	
158,405	16,131	1,231	-172	173,133	281,732	280,170	

CONSOLIDATED SCHEDULE OF FIXED ASSETS (IFRS)

OF PNE AG, CUXHAVEN, FOR THE FISCAL YEAR 2019

Acquisition and manufacturing cost							
in thousand euro (differences due to rounding possible)	Status as at 1.1.2019	Changes in consolidated	Additions	Re- classifications	Disposals	Exchange Differences	Status as at 31.12.2019
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 31.12.2019	Status as at 31.12.2019	Status as at 31.12.2018
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 SEGMENT REPORTING (IFRS)

OF PNE AG, CUXHAVEN, FOR THE FISCAL YEAR 2020

	Project development		Services	
in thousand euro (differences due to rounding possible)	2020	2019	2020	2019
External sales	71,333	100,051	16,054	15,799
Inter-segment sales	108,799	61,611	3,983	2,048
Change in inventories	4,549	-12,461*	186	0
Other operating income	1,600	2,301	889	544
Total aggregate output	186,281	151,501*	21,112	18,391
Depreciation and amortisation	2,047	2,053	3,103	2,822
Operating result	54,472	20,546*	2,082	2,399
Other interest and similar income	5,339	5,486	454	459
Interest and similar expenses	-8,023	-6,759*	-587	-473
Taxes on income	11,140	10,652*	-158	64
Investments	1,400	1,040	5,510	1,473
Segment assets	536,702	539,384*	51,509	50,703
Segment liabilities	311,808	336,688*	38,638	38,242
Segment equity	224,895	202,696*	12,871	12,461

*Figures as of 31.12.2019 adjusted. We refer to chapter "2. Retrospective adjustments in accordance with IAS 8.43" in the combined management and Group management report

Electricity generation		Consolidation		PNE AG Group	
2020	2019	2020	2019	2020	2019
22,303	16,947	0	0	109,689	132,796
240	0	-113,022	-63,659	0	0
0	0	33,469	46,185	38,204	33,723*
1,783	2,425	-454	-611	3,819	4,659
24,326	19,372	-80,007	-18,085	151,711	171,179*
13,053	7,748	0	0	18,203	12,623
5,333	6,280	-53,716	-13,115	8,171	16,110*
91	7	-5,633	-5,371	251	582
-8,206	-9,029	5,633	5,371	-11,183	-10,890*
-302	-1,027	-14,427	-3,935	-3,747	5,754*
7,621	75,547	0	0	14,531	78,060
397,751	222,531	-322,154	-262,603	663,809	550,015*
363,007	193,415	-250,208	-223,449	463,245	344,896*
34,744	29,116	-71,946	-39,154	200,564	205,119*

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

OF PNE AG, CUXHAVEN, AS AT DECEMBER 31, 2020

Company	Headquarter	Participation previous year (%)	Participation (%)	Equity thousand euro	Net income thousand euro	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	949	-63 ¹	31.12.98
2	PNE Biomasse GmbH	Cuxhaven	100.00	100.00	163	176 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	-17	107 ¹	29.12.04
5	PNE WIND Grundstücks GmbH	Cuxhaven	100.00	100.00	186	16 ¹	01.12.00
6	PNE WIND Jules Verne GmbH	Cuxhaven	100.00	100.00	-1	-991 ²	30.06.10
7	PNE WIND Nemo GmbH	Cuxhaven	100.00	100.00	-1	-990 ²	30.06.10
8	PNE WIND Nautilus GmbH	Cuxhaven	100.00	100.00	-1	-990 ²	30.06.10
9	PNE Erneuerbare Energien Offshore I GmbH	Cuxhaven	100.00	100.00	20	-17 ¹	24.11.16
10	PNE Erneuerbare Energien Offshore II GmbH	Cuxhaven	100.00	100.00	20	-17 ¹	24.11.16
11	PNE WIND Atlantis II GmbH	Cuxhaven	100.00	100.00	-12	-6 ¹	18.06.13
12	PNE WIND Atlantis III GmbH	Cuxhaven	100.00	100.00	-12	-6 ¹	18.06.13
13	PNE WIND Verwaltungs GmbH	Cuxhaven	100.00	100.00	80	12 ¹	21.11.12
14	energy consult GmbH	Cuxhaven	100.00	100.00	332	0 ⁶	11.12.13
15	energy consult Prüfgesellschaft GmbH	Husum	100.00	100.00	172	0 ¹	11.08.17
16	PNE WIND Park Kührstedt- Alfstedt A GmbH & Co. KG	Husum	100.00	100.00	9,925	-645 ¹	01.04.13
17	PNE WIND Park Kührstedt- Alfstedt B GmbH & Co. KG	Husum	100.00	100.00	1,359	-105 ¹	01.04.13
18	PNE WIND Park Kührstedt Alfstedt GmbH & Co. KG	Husum	100.00	100.00	6,613	-238 ¹	31.03.17
19	PNE WIND Park Schlenzer GmbH & Co. KG	Husum	100.00	100.00	2,000	-315 ¹	25.04.18
20	PNE WIND Park Wahlsdorf GmbH & Co. KG	Cuxhaven	100.00	100.00	0	3 ¹	25.04.18
21	PNE WIND Park XVI GmbH & Co. KG	Husum	100.00	100.00	1,387	-281 ¹	01.07.19
22	PNE WIND Park XIX GmbH & Co. KG	Husum	100.00	100.00	8,281	-717 ¹	01.04.18

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

Company	Headquarter	Participation previous year (%)	Participation (%)	Equity thousand euro	Net income thousand euro	Date of first consolidation
23	PNE WIND Park Calau II B GmbH & Co. KG Cuxhaven	100.00	100.00	-31	-5 ²	01.04.13
24	PNE WIND Ausland GmbH Cuxhaven	100.00	100.00	-1,536	4 ¹	16.11.07
25	PNE USA Inc. Chicago, USA	100.00	100.00	-16,679	-5,751 ¹	27.10.08
26	PNE New Energy Offshore USA Inc. Boston, USA	100.00	100.00	-1,409	-1,428 ¹	31.12.19
27	PNE Development LLC Chicago, USA	100.00	100.00	-1,345	-22 ¹	29.07.11
28	Chilocco WIND FARM LLC Chicago, USA	100.00	100.00	-504	-13 ¹	01.10.12
29	PNE WIND Central States LLC Minnesota, USA	100.00	100.00	-1,206	-10 ¹	01.10.09
30	Underwood Windfarm LLC Minnesota, USA	100.00	100.00	-277	-2 ¹	01.10.09
31	Butte Windfarm LLC Minnesota, USA	100.00	100.00	-1,955	-14 ¹	01.10.09
32	Burleigh Wind LLC Chicago, USA	100.00	100.00	-1,891	0 ¹	01.01.18
33	PNE Solar USA LLC Chicago, USA	100.00	100.00	-1,354	-936 ¹	01.01.19
34	Gladstone New Energy LLC New Mexico, USA	100.00	100.00	-400	-41 ¹	01.01.19
35	PNE Canada Inc. New Brunsw- wick, Canada	100.00	100.00	637	-277 ¹	26.01.10
36	PNE WIND Yenilenebilir Enerjiler Ltd. Ankara, Turkey	100.00	100.00	887	-76 ¹	08.12.17
37	PNE WIND Elektrik Üretim Ltd. Ankara, Turkey	100.00	100.00	-3,326	-1,183 ¹	20.02.15
38	PNE WIND Bati Rüzgari Elektrik Üretim Ltd. Ankara, Turkey	100.00	100.00	-327	-208 ¹	16.09.15
39	PNE WIND Güney Rüzgari Elektrik Üretim Ltd. Ankara, Turkey	100.00	100.00	-429	-223 ¹	16.09.15
40	PNE WIND Kuzey Rüzgari Elektrik Üretim Ltd. Ankara, Turkey	100.00	100.00	-395	-254 ¹	10.10.16
41	S.C. PNE WIND Romania Energy Holding S.R.L. Bukarest, Romania	80.00	100.00	-89	-80 ¹	10.05.12
42	S.C. PNE WIND Romania S.R.L. Bukarest, Romania	100.00	100.00	-886	-292 ¹	27.11.08
43	S.C. PNE WIND MVI S.R.L. Bukarest, Romania	100.00	100.00	-141	-140 ¹	31.08.12

Company	Headquarter	Participation previous year [%]	Participation [%]	Equity thousand euro	Net income thousand euro	Date of first consolidation
44	S.C. EVN WINDPOWER DEVELOPMENT & CONSTRUCTION S.R.L. Bukarest, Romania	100.00	100.00	-231	-97 ¹	14.11.12
45	S.C. PNE Solar Power Romania S.R.L. Bukarest, Romania	100.00	100.00	-331	-324 ¹	31.12.19
46	PNE WIND Bulgaria EOOD Sofia, Bulgaria	100.00	100.00	-3,123	-129 ¹	09.11.10
47	PNE Santa Cruz GmbH Cuxhaven	100.00	100.00	92	0 ¹	09.08.18
48	PNE Central America I GmbH Cuxhaven	100.00	100.00	92	-1 ¹	04.07.18
49	Pure New Energy LATAM S.A. Panama-City, Panama	100.00	100.00	-170	-184 ¹	01.01.19
50	Santa Cruz Wind S.A. Panama-City, Panama	100.00	100.00	-666	-255 ¹	01.10.19
51	Altiplano Power S.A. Panama-City, Panama	100.00	100.00	-163	-84 ¹	01.10.19
52	Los Pinos Power S.A. Panama-City, Panama	100.00	100.00	-203	-114 ¹	01.10.19
53	Las Honduras S.A. Panama-City, Panama	100.00	100.00	-14	-10 ¹	01.10.19
54	Los Manglares Power S.A. Panama-City, Panama	100.00	100.00	-19	-13 ¹	01.10.19
55	HKW Silbitz GmbH & Co. KG Silbitz	100.00	100.00	976	1,652 ¹	01.09.09
56	WKN GmbH Husum	100.00	100.00	62,546	0 ⁶	04.07.13
57	Windkraft Nord USA, Inc. Chicago, USA	100.00	100.00	246	-13 ¹	04.07.13
58	WKN Italia s.r.l. Catania/ Sicity, Italy	100.00	100.00	-831	-877 ¹	04.07.13
59	Aero Sol s.r.l. Catania/ Sicity, Italy	100.00	100.00	-286	-344 ¹	04.07.13
60	ATS Energia s.r.l. Torremaggiore/ Foggia, Italy	70.00	70.00	165	-52 ¹	04.07.13
61	WKN France S.A.S.U. Nantes, France	100.00	100.00	2,638	-1,414 ¹	04.07.13
62	Sevion Sp. z o.o. Koszalin, Poland	80.00	100.00	-22,546	-3,570 ¹	04.07.13
63	VKS Vindkraft Sverige AB Motala, Sweden	80.00	80.00	1,920	-1,694 ¹	04.07.13
64	WKN Windcurrent SA (Pty) Ltd. Wilderness, South Africa	80.00	80.00	-3,611	-1,380 ¹	04.07.13
65	NordStrom New Energy GmbH Husum	100.00	100.00	823	0 ⁴	04.07.13
66	NordStrom Solar GmbH Husum	100.00	100.00	531	21 ¹	04.07.13
67	NordStrom Bioenergie GmbH Husum	100.00	100.00	15	-37 ¹	04.07.13
68	BGZ Fondsverwaltung GmbH Husum	100.00	100.00	207	0 ⁴	04.07.13

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

Company	Headquarter	Participation previous year [%]	Participation [%]	Equity thousand euro	Net income thousand euro	Date of first consolidation	
69	WKN Sallachy Ltd.	Glasgow, United Kingdom	100.00	100.00	-726	-405 ²	01.07.15
70	Windpark Gerdau-Schwiebau GmbH & Co. KG	Cuxhaven	91.03	91.03	-84	-13 ¹	01.10.16
71	Windpark Pülfringen GmbH & Co. KG	Cuxhaven	100.00	100.00	-3,264	169 ¹	01.10.16
72	PNE WIND West Europe GmbH	Husum	100.00	100.00	27,948	-883 ¹	12.06.17
73	PNE WIND West Europe Verwaltungs GmbH	Husum	100.00	100.00	14	1 ¹	10.07.17
74	PNE Power Generation GmbH	Cuxhaven	100.00	100.00	4,078	-394 ¹	01.01.19
75	PNE WIND Türkei HoldCo I GmbH	Cuxhaven	100.00	100.00	3,347	-4 ¹	30.05.17
76	Pavana GmbH	Husum	100.00	100.00	1,064	407 ¹	30.09.17
77	MEB Safety Services GmbH	Bremen	100.00	100.00	-37	0 ¹	01.11.18
78	WKN WERTEWIND GmbH	Husum	100.00	100.00	-118	-30 ¹	30.06.18
79	WKN Windpark Kittlitz III GmbH & Co. KG	Husum	100.00	100.00	8,613	-827 ¹	01.07.18
80	WKN Wertewind Betriebsgesellschaft mbH	Husum	100.00	100.00	-170	-194 ¹	30.03.20
81	WKN Wertewind Verwaltungs GmbH	Husum	100.00	100.00	20	-4 ¹	30.03.20
82	WKN WERTEWIND Windpark Langstedt GmbH & Co. KG	Husum	100.00	100.00	4,526	0 ¹	30.03.20
83	WKN WERTEWIND Windpark Lentförden GmbH & Co. KG	Husum	100.00	100.00	3,621	0 ¹	30.03.20
84	WKN Windkraft Nord GmbH & Co. Windpark Kleinbüllesheim KG	Husum	100.00	100.00	-25	-25 ¹	30.03.20
85	PNE WIND Park XVIII GmbH & Co. KG	Cuxhaven	100.00	100.00	-5	-4 ¹	30.03.20
86	WKN Wertewind Bürger- beteiligungsgesellschaft mbH	Husum	0.00	100.00	21	-4 ¹	30.06.20
87	WKN Wertewind Bürgerprojekt GmbH	Husum	0.00	100.00	21	-4 ¹	30.06.20
88	PNE WIND Park XVII GmbH & Co. KG	Cuxhaven	100.00	100.00	-6	1 ¹	31.08.20
89	SAS Parc Eolien d'Ermenonville de la Grande	Nantes, France	100.00	100.00	750	793 ²	30.09.20
90	Forthewind Sp.z o.o.	Katowice, Poland	100.00	100.00	-14	-10 ²	30.09.20
91	Sevion Windpark 2 Sp.z o.o	Koszalin, Poland	100.00	100.00	-37	-37 ²	30.09.20
92	PNE Sverige AB	Malmö, Sweden	0.00	100.00	-81	-80 ¹	30.09.20

Company	Headquarter	Participation previous year (%)	Participation (%)	Equity thousand euro	Net income thousand euro	Date of first consolidation
93 Sachsenkraft Plus GmbH	Dresden	0.00	50.50	23	-2 ¹	20.11.20
94 WKN Windpark Zahrenholz GmbH und Co. KG	Husum	100.00	100.00	1	0 ²	01.12.20

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	14	-1 ²	01.04.13
2	PNE WIND Park III GmbH & Co. KG	Cuxhaven	25.00	25.00	27	17 ²	01.04.13
3	Windpark Altenbruch GmbH	Cuxhaven	50.00	50.00	919	-11 ²	01.10.16

III. Companies not included due to immateriality

1	Pilger Wind Farm Inc.	New Brunswick, Canada	100.00	100.00	k. A.	k. A. ⁵	
2	Climax Wind Farm Inc.	New Brunswick, Canada	100.00	100.00	k. A.	k. A. ⁵	
3	Watson Wind Farm Inc.	New Brunswick, Canada	100.00	100.00	k. A.	k. A. ⁵	
4	Wadena Wind Farm Inc.	New Brunswick, Canada	100.00	100.00	k. A.	k. A. ⁵	
5	Eston Wind Farm Inc.	New Brunswick, Canada	100.00	100.00	k. A.	k. A. ⁵	
6	Whiska Wind Farm Inc.	New Brunswick, Canada	100.00	100.00	k. A.	k. A. ⁵	
7	Netzanschluss Genthin GbR	Nielebock	52.00	52.00	10	-28 ²	
8	ATS Energia PE Sant'Agata s.r.l.	Torremaggiore/ Foggia, Italy	52.00	52.00	-4	-10 ²	
9	ATS Energia PE Fiorentino s.r.l.	Torremaggiore/ Foggia, Italy	52.00	52.00	-4	-10 ²	
10	ATS Energia PE Florio s.r.l.	Torremaggiore/ Foggia, Italy	52.00	52.00	6	-11 ²	
11	ATS Energia PE Valle s.r.l.	Torremaggiore/ Foggia, Italy	52.00	52.00	6	-10 ²	
12	WKN PE Piombino s.r.l.	Catania/ Sicily, Italy	74.90	74.90	6	-10 ²	
13	WKN Basilicata Development PE2 s.r.l.	Catania/ Sicily, Italy	100.00	100.00	10	-10 ²	
14	WKN PE Polidon s.r.l.	Catania/ Sicily, Italy	100.00	100.00	-4	-10 ²	
15	SAS la Haie Perron	Nantes, France	100.00	100.00	-78	-8 ²	
16	SAS Parc Eolien de La Fosse Descroix	Nantes, France	100.00	100.00	-21	-6 ²	

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

Company	Headquarter	Participation previous year (%)	Participation (%)	Equity thousand euro	Net income thousand euro	Date of first consolidation
17 SAS Parc Eolien de La Plaine de la Minée	Nantes, France	100.00	100.00	-42	-28 ²	
18 SAS Parc Eolien de Pierre-Morains	Nantes, France	100.00	100.00	-25	-11 ²	
19 SAS Parc Eolien de Vill'Aire	Nantes, France	100.00	100.00	-21	-7 ²	
20 SAS Parc Eolien des Hauts Poiriers	Nantes, France	100.00	100.00	-21	-6 ²	
21 SAS Parc Eolien des Monts de Chalus	Nantes, France	100.00	100.00	-22	-8 ²	
22 SAS Parc Eolien de la Cote des Moulins	Nantes, France	100.00	100.00	-37	-7 ²	
23 SAS Parc Eolien de la Coutanciere	Nantes, France	100.00	100.00	-37	-7 ²	
24 AIRE PARC S.A.S.U.	Nantes, France	100.00	100.00	k. A.	k. A. ⁵	
25 PARC EOLIEN DE CHABROL S.A.S.U.	Nantes, France	100.00	100.00	k. A.	k. A. ⁵	
26 PARC EOLIEN DE LA VALLEE BLEUE S.A.S.U.	Nantes, France	100.00	100.00	k. A.	k. A. ⁵	
27 PARC EOLIEN DE L'ARGONNE MEUSIENNE S.A.S.U.	Nantes, France	100.00	100.00	k. A.	k. A. ⁵	
28 PARC EOLIEN DE SAINT-AUBIN-DU-PLAIN S.A.S.U.	Nantes, France	100.00	100.00	k. A.	k. A. ⁵	
29 PARC EOLIEN DES CHAUMES CARREES S.A.S.U.	Nantes, France	100.00	100.00	k. A.	k. A. ⁵	
30 PARC EOLIEN DE SAINT PALAIS S.A.S.U.	Nantes, France	100.00	100.00	k. A.	k. A. ⁵	
31 Windfarm Polska IV Sp. z o.o.	Koszalin, Poland	80.00	80.00	-362	-57 ²	
32 Windfarm Polska V Sp. z o.o.	Koszalin, Poland	58.00	58.00	-155	-27 ²	
33 Windfarm Zomar Sp. z o.o.	Koszalin, Poland	57.00	57.00	-89	-14 ²	
34 PV Krzecin Sp.z.o.o. (vormals Sevivon Windpark 1 Sp.z o.o.)	Koszalin, Poland	100.00	100.00	-12	-11 ²	
35 Sevivon Windpark 3 Sp.z o.o.	Koszalin, Poland	100.00	100.00	-9	-8 ²	
36 Sevivon Windpark 4 Sp.z o.o.	Koszalin, Poland	100.00	100.00	-8	-7 ²	
37 SEVIVON Renewables 1 Sp.z o.o.	Koszalin, Poland	0.00	100.00	k. A.	k. A. ⁵	
38 SEVIVON Renewables 2 Sp.z o.o.	Koszalin, Poland	0.00	100.00	k. A.	k. A. ⁵	

Company	Headquarter	Participation previous year [%]	Participation [%]	Equity thousand euro	Net income thousand euro	Date of first consolidation
39 SEVIVON Renewables 3 Sp.z o.o.	Koszalin, Poland	0.00	100.00	k. A.	k. A. ⁵	
40 SEVIVON Renewables 4 Sp.z o.o.	Koszalin, Poland	0.00	100.00	k. A.	k. A. ⁵	
41 SEVIVON Renewables 5 Sp.z o.o.	Koszalin, Poland	0.00	100.00	k. A.	k. A. ⁵	
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	100.00	-7	-1 ²	
45 Highlands North Wind Energy Facility (RF) (PTY) Ltd.	Wilderness, South Africa	80.00	100.00	k. A.	k. A. ⁵	
46 Highlands South Wind Energy Facility (RF) (PTY) Ltd.	Wilderness, South Africa	80.00	100.00	k. A.	k. A. ⁵	
47 Haga Haga Wind Farm (RF) (Pty) Ltd	Wilderness, South Africa	80.00	100.00	k. A.	k. A. ⁵	
48 Highlands Central Wind Energy Facility (RF) (PTY) Ltd.	Wilderness, South Africa	80.00	100.00	k. A.	k. A. ⁵	
49 Paulputs Wind Energy Facility North (RF) (PTY) Ltd. (vormals Paulputs Wind Energy Facility (RF) (PTY) Ltd.)	Wilderness, South Africa	80.00	100.00	k. A.	k. A. ⁵	
50 Putsonderwater Wind Energy Facility (RF) (PTY) Ltd.	Wilderness, South Africa	80.00	100.00	k. A.	k. A. ⁵	
51 Taaibos Wind Energy Facility (RF) (PTY) Ltd. (vormals Pefadder Wind Energy Facility (RF) (PTY) Ltd.)	Wilderness, South Africa	80.00	100.00	k. A.	k. A. ⁵	
52 Aberdeen Wind Energy Facility (RF) (PTY) Ltd.	Wilderness, South Africa	80.00	100.00	k. A.	k. A. ⁵	
53 WKN Turkey GmbH	Husum	100.00	100.00	-410	-15 ²	
54 WKN Windkraft Nord Beteiligungs-GmbH	Husum	100.00	100.00	50	39 ²	
55 Windpark Meerhof Verwaltungsgesellschaft mbH	Husum	100.00	100.00	21	4 ²	
56 Zukunftsenergien Beteiligungs-GmbH	Husum	100.00	100.00	2	0 ²	
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	

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

Company	Headquarter	Participation previous year [%]	Participation [%]	Equity thousand euro	Net income thousand euro	Date of first consolidation
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 Weinstraße II KG	Husum	100.00	100.00	k. A.	k. A. ⁵
61	WKN Windpark Beerfelde GmbH & Co. KG	Husum	100.00	100.00	k. A.	k. A. ⁵
62	WKN Windpark Zinndorf II GmbH & Co. KG	Husum	100.00	100.00	k. A.	k. A. ⁵
63	WKN Windkraft Nord GmbH & Co. Windpark Bebensee KG	Husum	100.00	100.00	k. A.	k. A. ⁵
64	WKN Windkraft Nord GmbH & Co. Windpark Berkenthin KG	Husum	100.00	100.00	k. A.	k. A. ⁵
65	WKN Windkraft Nord GmbH & Co. Windpark Hamwarde KG	Husum	100.00	100.00	k. A.	k. A. ⁵
66	WKN Windkraft Nord GmbH & Co. Windpark Kollow KG	Husum	100.00	100.00	k. A.	k. A. ⁵
67	WKN Windkraft Nord GmbH & Co. Windpark Kannawurf KG	Husum	100.00	100.00	k. A.	k. A. ⁵
68	Windpark Brilon GmbH & Co. KG	Husum	100.00	100.00	k. A.	k. A. ⁵
69	WKN Windpark Großbrennbach GmbH & Co. KG	Husum	100.00	100.00	k. A.	k. A. ⁵
70	WKN Windpark Lüttau GmbH & Co. KG	Husum	100.00	100.00	k. A.	k. A. ⁵
71	WKN Windpark Großenehrich GmbH & Co. KG	Husum	100.00	100.00	k. A.	k. A. ⁵
72	WKN Windpark Christianshöhe GmbH & Co. KG	Husum	100.00	100.00	k. A.	k. A. ⁵
73	WKN Windpark Cornberg GmbH & Co. KG	Husum	100.00	100.00	k. A.	k. A. ⁵
74	WKN Windpark Karstädt IV GmbH & Co. KG	Husum	100.00	100.00	k. A.	k. A. ⁵
75	WKN Windpark Parum Dümmer GmbH & Co. KG	Husum	100.00	100.00	k. A.	k. A. ⁵
76	WKN Windpark Woltersdorf II GmbH & Co. KG	Husum	100.00	100.00	k. A.	k. A. ⁵
77	WKN Windpark Neu Benthien GmbH & Co. KG	Husum	0.00	100.00	k. A.	k. A. ⁵
78	NordStrom Beteiligungs- gesellschaft mbH	Husum	100.00	100.00	50	3 ²
79	NordStrom Bioenergie Beteiligungsgesellschaft mbH	Husum	100.00	100.00	17	-1 ²
80	REE GmbH	Husum	100.00	100.00	68	3 ⁷
81	GREENWIND GmbH	Husum	100.00	100.00	47	1 ⁷

Company	Headquarter	Participation previous year [%]	Participation [%]	Equity thousand euro	Net income thousand euro	Date of first consolidation
82	EWEG Europäische Windenergie- Entwicklungsgesellschaft mbH	Husum	100.00	100.00	18	-1 ⁷
83	Innovative Wind Concepts GmbH	Husum	100.00	100.00	92	-23 ³
84	WKN WERTEWIND Windpark Gnutz Eins GmbH Co. KG	Husum	100.00	100.00	k. A.	k. A. ⁵
85	WKN WERTEWIND Windpark Gnutz Zwei GmbH & Co. KG	Husum	0.00	100.00	k. A.	k. A. ⁵
86	WKN WERTEWIND Windpark Holstentor GmbH Co. KG	Husum	100.00	100.00	k. A.	k. A. ⁵
87	WKN WERTEWIND Windpark Gresse GmbH & Co. KG	Husum	0.00	100.00	k. A.	k. A. ⁵
88	WKN Portfoliomanagement I GmbH	Husum	0.00	100.00	22	-3 ²
89	WKN Windpark Gebstedt GmbH & Co. KG	Husum	0.00	100.00	k. A.	k. A. ⁵
90	WKN Windpark Stukenborn GmbH & Co. KG	Husum	0.00	100.00	k. A.	k. A. ⁵
91	PNE WIND Park Nordleda A GmbH & Co. KG	Cuxhaven	100.00	100.00	k. A.	k. A. ⁵
92	PNE WIND Park Nordleda B GmbH & Co. KG	Cuxhaven	100.00	100.00	k. A.	k. A. ⁵
93	PNE WIND Park XIV GmbH & Co. KG	Cuxhaven	100.00	100.00	k. A.	k. A. ⁵
94	PNE WIND Park XV GmbH & Co. KG	Cuxhaven	100.00	100.00	k. A.	k. A. ⁵
95	PNE WIND Park XX GmbH & Co. KG	Cuxhaven	100.00	100.00	k. A.	k. A. ⁵
96	PNE WIND Park XXI GmbH & Co. KG	Cuxhaven	100.00	100.00	k. A.	k. A. ⁵
97	PNE WIND Park XXII GmbH & Co. KG	Cuxhaven	100.00	100.00	k. A.	k. A. ⁵
98	PNE WIND Park XXIII GmbH & Co. KG	Cuxhaven	100.00	100.00	k. A.	k. A. ⁵
99	PNE WIND Park XXIV GmbH & Co. KG	Cuxhaven	100.00	100.00	k. A.	k. A. ⁵
100	PNE WIND Park XXV GmbH & Co. KG	Cuxhaven	100.00	100.00	k. A.	k. A. ⁵
101	PNE WIND Park XXVII GmbH & Co. KG	Cuxhaven	100.00	100.00	k. A.	k. A. ⁵
102	PNE WIND Park XXVIII GmbH & Co. KG	Cuxhaven	100.00	100.00	k. A.	k. A. ⁵

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

Company	Headquarter	Participation previous year [%]	Participation [%]	Equity thousand euro	Net income thousand euro	Date of first consolidation
103	PNE WIND Park XXIX GmbH & Co. KG	Cuxhaven	100.00	100.00	k. A.	k. A. ⁵
104	PNE WIND Park XXX GmbH & Co. KG	Cuxhaven	100.00	100.00	k. A.	k. A. ⁵
105	PNE Solar Park I GmbH & Co. KG	Cuxhaven	0.00	100.00	k. A.	k. A. ⁵
106	PNE Solar Park II GmbH & Co. KG	Cuxhaven	0.00	100.00	k. A.	k. A. ⁵
107	Solar PV 1 S.r.l.	Mailand, Italy	0.00	100.00	k. A.	k. A. ⁵
108	Solar PV 2 S.r.l.	Mailand, Italy	0.00	100.00	k. A.	k. A. ⁵
109	Solar PV 3 S.r.l.	Mailand, Italy	0.00	100.00	k. A.	k. A. ⁵
110	Solar PV 4 S.r.l.	Mailand, Italy	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	1,455	-6 ²
2	Elbe-Weser-Windkraft GmbH	Cuxhaven	50.00	50.00	11	-3 ²
3	STEAG ve PNE WIND Rüzgar Enerjisi Üretim A.S.	Ankara, Turkey	50.00	50.00	-141	-72 ¹
4	EVN Energieversorgung Nord GmbH & Co. KG	Husum	50.00	50.00	-302	-10 ⁷
5	Windpark Gebstedt GmbH & Co. KG	Husum	50.00	50.00	k. A.	k. A. ⁵
6	Quantec Operations energy consult GmbH	Husum	40.00	40.00	57	35 ²

¹ per the financial statements as at December 31, 2020² per the provisional financial statements as at December 31, 2020³ per the financial statements as at September 30, 2020⁴ after profit transfer to WKN GmbH⁵ not have a recording of the operating business⁶ after profit transfer to PNE AG⁷ per the financial statements as at December 31, 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

OF PNE AG, CUXHAVEN, FOR THE 2020 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, the development of photovoltaic parks 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 (euro) unless otherwise stated and, generally, are rounded to thousands of euro (euro thousand). 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 based on historical cost of acquisition or production. This does not include individual financial instruments that were valued at their fair value on the reporting date.

The consolidated financial statements and the combined management and group management report, prepared by the Board of Management as at December 31, 2020, were approved at the meeting of the Board of Management on March 5, 2021 for submission to the Supervisory Board.

The consolidated financial statements as at December 31, 2020 are filed with the operator of the Federal Gazette (Bundesanzeiger).

During the 2020 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.

<u>Standard/Interpretation</u>	<u>Date of EU endorsement</u>	<u>Application obligation in the EU</u>
Amendments to the IFRS Conceptual Framework: Amendments to References to the Conceptual Framework	November 29, 2019	January 1, 2020
Amendments to IAS 1 and IAS 8: Definition of materiality	November 29, 2019	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7: IBOR Reform	January 15, 2020	January 1, 2020
Amendments to IFRS 3: Business Combinations	April 21, 2020	January 1, 2020
Amendments to IFRS 16: COVID-19-related Rent Concessions	October 9, 2020	June 1, 2020

Amendment to IFRS 16 Leases

The recently adopted amendment to IFRS 16 provides lessees with an optional practical expedient for the simplified accounting for lease modifications. The practical expedient only applies if,

- » the change in the lease is the direct consequence of the COVID-19 pandemic,
- » the total lease payments are not increased by the change,
- » the change affects only payments due before July 1, 2021 and
- » there is no substantive change in the other terms and conditions of the lease.

If all of these conditions are met and if the lessee chooses to apply the practical expedient, they are not required to assess whether the concession is a lease modification and, instead, may account for the concession as a variable lease payment (negative, if applicable).

In the 2020 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:

<u>Standard/Interpretation</u>	<u>Date of EU endorsement</u>	<u>Application obligation in the EU (as expected)</u>
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	Not yet endorsed	Open
Annual Improvements (2018-2020 Cycle): Amendments to IFRS 1, IFRS 9, IAS 41 and IFRS 16	Not yet endorsed	January 1, 2022
Amendments to IFRS 3; IAS 16; IAS 37: Business Combinations; Property, Plant and Equipment; Provisions, Contingent Liabilities and Contingent Assets	Not yet endorsed	January 1, 2022
Amendments to IFRS 4: Extension of the Temporary Exemption from Applying IFRS 9	December 15, 2020	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: IBOR - Phase 2	January 13, 2021	January 1, 2021
IFRS 17 New standard "Insurance Contracts" and Amendments to IFRS 17	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 2020.

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 based on 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 based on 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. WKN WERTEWIND Windpark Langstedt GmbH & Co. KG, Husum, (100 percent, first consolidation on March 30, 2020) "electricity generation" segment (reclassified from "non-consolidated companies due to minor significance"),
2. WKN WERTEWIND Windpark Lentförhden GmbH & Co. KG, Husum, (100 percent, first consolidation on March 30, 2020) "electricity generation" segment (reclassified from "non-consolidated companies due to minor significance"),
3. WKN Windkraft Nord GmbH & Co. Windpark Kleinbüllesheim KG, Husum, (100 percent, first consolidation on March 30, 2020) "electricity generation" segment (reclassified from "non-consolidated companies due to minor significance"),
4. PNE WIND Park XVII GmbH & Co. KG, Cuxhaven, (100 percent, first consolidation on August 31, 2020) "electricity generation" segment (reclassified from "non-consolidated companies due to minor significance"),
5. PNE WIND Park XVIII GmbH & Co. KG, Cuxhaven, (100 percent, first consolidation on March 30, 2020) "electricity generation" segment (reclassified from "non-consolidated companies due to minor significance"),
6. PNE WIND Park XXVI GmbH & Co. KG, Cuxhaven, (100 percent, first consolidation on March 30, 2020) "electricity generation" segment (reclassified from "non-consolidated companies due to minor significance"),
7. Forthewind Sp. z o.o., Katowice, Poland, (100 percent, first consolidation on September 30, 2020) "electricity generation" segment (reclassified from "non-consolidated companies due to minor significance"),
8. SEVIVON WINDPARK 2 Sp. z o.o., Katowice, Poland, (100 percent, first consolidation on September 30, 2020) "electricity generation" segment (reclassified from "non-consolidated companies due to minor significance"),
9. PARC EOLIEN D'ERMENONVILLE LA GRANDE S.A.S.U., Nantes, France, (100 percent, first consolidation on September 30, 2020) "electricity generation" segment (reclassified from "non-consolidated companies due to minor significance"),
10. WKN Wertewind Betriebsgesellschaft mbH, Husum, (100 percent, first consolidation on March 30, 2020) "project development" segment (reclassified from "non-consolidated companies due to minor significance"),
11. WKN Wertewind Verwaltungs GmbH, Husum, (100 percent, first consolidation on March 30, 2020) "project development" segment (reclassified from "non-consolidated companies due to minor significance"),
12. WKN Wertewind Bürgerbeteiligungsgesellschaft mbH, Husum, (100 percent, first consolidation on June 30, 2020) "project development" segment (established),
13. WKN Wertewind Bürgerprojekt GmbH, Husum, (100 percent, first consolidation on June 30, 2020) "project development" segment (established),
14. PNE Sverige AG, Malmö, Sweden, (100 percent, first consolidation on September 30, 2020) "project development" segment (established),
15. Sachsenkraft Plus GmbH, Dresden, (50.5 percent, first consolidation on November 20, 2020) "project development" segment (established),
16. WKN Windpark Zahrenholz GmbH & Co. KG, Husum, (100 percent, first consolidation on December 1, 2020), "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 the project planning phase will begin in the near future.

The object of companies no. 1 to 9 and no. 16 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 companies no. 10 to 13 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. 14 is the consulting, project planning, financing, construction and operation of plants for generating renewable energy abroad 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 company No. 15 is the joint planning, construction and operation of wind turbines in the form of wind farms and wind farm projects, the marketing of the projects and the feeding of energy generated from the operation into the grid of the responsible grid operator as well as the assumption of the management of the company and the management of the limited partnerships that operate wind energy projects.

The carrying amounts and fair values of the identifiable assets and liabilities of companies no. 1 to 16 were insignificant for the asset, financial and earnings position on the date of first-time consolidation.

During the reporting period, the shareholdings in the following Group companies, which are or were included in the scope of consolidation in the previous year, have changed:

1. Sevivon Sp. z o.o., Koszalin, Poland, (from 80.0 percent to 100 percent), "project development segment"
2. S.C. PNE WIND Romania Energy Holding S.R.L., Bucharest, Romania, (from 80.0 percent to 100 percent), "project development segment"

The change in the shareholding in Sevivon Sp. z o.o. has not resulted in a change in the consolidation method, but only in a change in non-controlling interests of approx. euro 4.6 million. The amount paid for the acquisition of the shares was approx. euro 0.1 million. The difference was recorded directly in equity.

The change in the shareholding in S.C. PNE WIND Romania Energy Holding S.R.L. has not resulted in a change in the consolidation method, but only in a change in non-controlling interests of approx. euro 2.4 million. The amount paid for the acquisition of the shares was approx. euro 0.5 million. The difference was recorded directly in equity.

In the reporting period, the following companies included in the Group were merged into consolidated companies:

1. PNE WIND Middle East GmbH, Cuxhaven, (100 percent), previously "project development" segment,
2. PNE WIND Middle East Verwaltungs GmbH, Cuxhaven, (100 percent), previously "project development" segment,
3. NH North Hungarian Windfarm Kft., Budapest, Hungary, (100 percent), previously "project development" segment,
4. Wind Kapital Invest Verwaltungs GmbH, Cuxhaven, (100 percent), previously "project development" segment,
5. Wind Kapital Invest GmbH & Co. KG, Cuxhaven, (100 percent), previously "project development" segment.

The mergers had no significant impact on the consolidated financial statements.

Accordingly, apart from PNE AG, the scope of consolidation as at December 31, 2020 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 joint ventures and associated companies included in the consolidated financial statements".

Companies that were not included in the scope of consolidation as at December 31, 2020 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:

- 100 percent of the shares in PNE WIND Park XXVI GmbH & Co. KG, Cuxhaven, (disposal from the "electricity generation" segment).

To 1. The selling price for 100 percent of the shares in PNE WIND Park XXVI GmbH & Co. KG totalled approx. euro 3 thousand.

Due to the deconsolidation of PNE WIND Park XXVI GmbH & Co. KG, assets totalling approx. euro 13.3 million, which primarily represent the technical equipment of the project, as well as debts and provisions totalling approx. euro 8.0 million, plus the shareholder loans and other intercompany receivables of approx. euro 5.4 million, were eliminated at the Group level. The deconsolidation of the entity resulted in income of approx. euro 0.0 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 2.5 million). The Company's funds eliminated from the statement of financial position because of the transaction amounted to approx. euro 0.2 million. The gain on disposal is included in the Group's revenues.

in thousand euro	PNE WIND Park XXVI GmbH & Co. KG
1. Total consideration received*	5,435
2. Assets and liabilities disposed of*	
Short-term assets	256
Long-term assets	13,091
Short-term liabilities	-11,812
Long-term liabilities	-1,538
Net assets disposed of*	-3
3. Gain/loss on disposal*	
Consideration received	5,435
Net assets divested	3
Gain/loss on disposal*	5,438
4. Net cash flow*	
Selling price paid in cash*	5,435
Net of cash and cash equivalents disposed of	-246
Net cash flow from the disposal*	5,190

*Including repayment of intercompany loans and other intercompany receivables.

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, 2020 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 by applying the amendments to IFRS standards [see chapter II. 1].

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 statement of financial position. 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. RETROSPECTIVE ADJUSTMENTS IN ACCORDANCE WITH IAS 8.43

In a letter dated October 15, 2020, the German Financial Reporting Enforcement Panel (FREP) identified accounting errors for the 2018 fiscal year why due to the coming into force of the German Act to Develop and Promote Offshore Wind Energy (WindSeeG), five offshore projects should have been written down as early as on January 1, 2017. PNE AG had written off three of the five offshore wind projects (zone 4) in the 2018 fiscal year; the offshore wind projects of zone 3 had not yet been written off due to the probability of realisation still existing from PNE's perspective. The error was corrected retrospectively in accordance with IAS 8.43 in conjunction with IAS 2.9 and IAS 2.6, starting from January 1, 2017, in such a way that all five offshore projects and related other project inventories capitalised were written off at that date. The value adjustment on the three offshore projects for the 2018 fiscal year was accordingly eliminated. Deferred taxes were also adjusted where recoverable.

The following financial statement items as at December 31, 2018/ January 1, 2019 are affected by the error corrections:

in thousand euro	31.12.2018/1.1.2019		
	Before correction	Changes from correction	After correction
Consolidated statement of financial position			
Work in progress	89,993	-15,073	74,920
Deferred taxes	16,549	-721	15,828
Equity	216,273	-13,437	202,836
Other long-term provisions	1,060	-1,060	0
Deferred tax liabilities	3,464	-1,298	2,166

in thousand euro	31.12.2018/1.1.2019		
	Before correction	Changes from correction	After correction
Consolidated statement of comprehensive income			
Increase in work in progress	15,056	-2,640	12,416
Cost of materials	-36,696	-568	-37,264
Impairment on offshore inventories	-10,753	10,753	0
Interest and similar expenses	-10,593	1,262	-9,331
Result before taxes	-2,002	8,807	6,805
Taxes on income	50	-2,781	-2,731
Consolidated net income/ net profit	-1,044	6,026	4,982
Undiluted earnings per share from continuing operations (in euro)	-0.01	0.08	0.07
Diluted earnings per share from continuing operations (in euro)	-0.01	0.08	0.07

These corrections have also resulted in some changes when updating the figures of financial statement items as at December 31, 2019.

31.12.2019			
in thousand euro	Before correction	Changes from correction	After correction
Consolidated statement of financial position			
Work in progress	77,617	-16,550	61,067
Deferred taxes	20,401	-1,032	19,369
Equity	220,014	-14,894	205,119
Other long-term provisions	1,060	-1,060	0
Deferred tax liabilities	5,966	-1,628	4,338

31.12.2019			
in thousand euro	Before correction	Changes from correction	After correction
Consolidated statement of comprehensive income			
Increase in work in progress	36,577	-2,854	33,723
Interest and similar expenses	-12,267	1,377	-10,890
Result before taxes	7,312	-1,477	5,835
Taxes on income	-5,773	19	-5,754
Consolidated net income/ net loss	692	-1,457	-765
Undiluted earnings per share from continuing operations (in euro)	0.01	-0.02	-0.01
Diluted earnings per share from continuing operations (in euro)	0.01	-0.02	-0.01

The comparative figures in the text and tables in the following sections were adjusted and marked with an "asterisk".

2. 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.

3. 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.

4. 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 expense-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.

5. 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 in item "III. Right-of-use assets" and carried at amortised cost. If the right-of-use assets relate to lease liabilities in connection with a wind or photovoltaic project in progress, they are reported under inventories until the project is completed. 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.

6. 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 73 thousand (prior year: euro 21 thousand) and income totalling euro 0 thousand (prior year: euro 32 thousand).

7. 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 in accordance with 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.

8. 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.

9. 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

10. 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 in line with 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 statement of financial position.

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 based on 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, 2020 or January 1, 2020, 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 statement of financial position. 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 Level 1, that are observable for the asset or liability, either directly (i.e. as price) or indirectly (i.e. in derivation from prices)

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

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

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

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

11. 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.

12. 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.

13. 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.

14. STATEMENT OF COMPREHENSIVE INCOME

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

15. 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 sub-contractors 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.

16. 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 ex-penses". 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 (euro) 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".

Due to the retrospective adjustments in accordance with IAS 8.43 in conjunction with IAS 2.9 and IAS 2.6 (see "IV. Accounting and valuation principles / 1. Retrospective adjustments in accordance with IAS 8.43"), the comparative figures in the text and tables in the following sections were adjusted and marked with an "asterisk".

1. INTANGIBLE ASSETS

Of the intangible assets, euro 63,301 thousand (prior year: euro 63,327 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.

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 8.17 percent for the detailed planning phase and for the subsequent period (prior year: 9.72 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 8.46 percent for the detailed planning phase and for the subsequent period (prior year: 9.61 percent).

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 2027 was taken as the basis. The weighted average cost of capital before taxes used to discount the forecast cash flows was 3.93 percent for the detailed planning phase and for the subsequent period (prior year: 4.43 percent)..

Key assumptions for the calculation of the fair values less cost to sell of the business units as at December 31, 2020 and December 31, 2019

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 2.39 percent (prior year: 2.51 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 4 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 6,127 thousand.

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

	Project development	Services	Electricity generation	Total
in thousand euro	2020	2020	2020	2020
Carrying amount of goodwill	52,854	10,385	62	63,301

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

2. PROPERTY, PLANT AND EQUIPMENT

In the fiscal years since 2017, 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 "changes in 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 3,148 thousand (prior year: euro 4,028 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. RIGHT-OF-USE ASSETS

The PNE Group has accounted for leases in accordance with the requirements of IFRS 16. Due to the recognition of right-of-use assets, an amount of euro 39.1 million is reported in the statement of financial position as at December 31, 2020 (prior year: euro 39.4 million). In addition, further right-of-use assets amounting to euro 34.6 million (prior year: euro 0.0 million), during the implementation phase until completion of the projects, are reported under inventories as at December 31, 2020.

4. LONG-TERM FINANCIAL ASSETS

In addition to the Company's investments in associated companies (including joint ventures) amounting to euro 434 thousand (prior year: euro 487 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 115 thousand (prior year: euro 121 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 0 thousand (prior year: euro 32 thousand).

In the 2020 fiscal year, write-downs of euro 0 thousand (prior year: euro 58 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 based on 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	
			31.12.2020	31.12.2019
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

<u>in thousand euro</u>	<u>31.12.2020</u>	<u>31.12.2019</u>
Net assets of the joint venture	919	944
Shareholding of the Group	50 %	50 %
Goodwill	0	0
Dividend received	-40	0
Book value of the shareholding	420	472

Windpark Altenbruch GmbH

<u>in thousand euro</u>	<u>31.12.2020</u>	<u>31.12.2019</u>
Short-term assets	161	187
Long-term assets	770	771
Short-term debts	-12	-14
Long-term debts	0	0

Windpark Altenbruch GmbH

<u>in thousand euro</u>	<u>2020</u>	<u>2019</u>
Revenues	21	21
Net income from continuing operations	-11	-8
Post-tax result from discontinued operations	0	0
Net income	-11	-8
Other result	0	0
Total result	-11	-8
Dividend received from the associated company	40	0

Summarised information about associated companies that are of minor significance:

<u>in thousand euro</u>	<u>31.12.2020</u>	<u>31.12.2019</u>
Total of book values of the Group's shares in these companies	15	15

5. INVENTORIES

<u>in thousand euro</u>	<u>31.12.2020</u>	<u>31.12.2019</u>
Raw materials, consumables and supplies	244	223
Work in progress	144,136	61,067*
Finished goods and merchandise	2	91
Prepayments made	29,621	23,426
	174,003	84,807*

In the fiscal years since 2017, 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.

Right-of-use assets amounting to euro 34.6 million (prior year: euro 0.0 million) were reported under inventories as at December 31, 2020. They relate to rights of use in connection with wind or photovoltaic projects in the implementation phase. These rights of use are reported under inventories until the projects are completed and then reclassified from Group inventories to Group right-of-use assets..

In the 2020 fiscal year, an amount of euro 5,239 thousand (prior year: euro 8,845 thousand) in respect of write-downs of inventories to the net realisable value was recognised as an expense in the changes in inventories. Euro 2,010 thousand (prior year: euro 3,334 thousand) is attributable to Germany and euro 3,229

thousand (prior year: euro 5,511 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.

The total cost of inventories recognised as an expense was euro 38,204 thousand (prior year: euro 33,723* thousand).

Work in progress includes assets of euro 42,104 thousand (prior year: euro 33,272* thousand) that are expected to be realised or fulfilled after more than twelve months.

Work in progress is divided as follows:

- » onshore projects Germany (euro 93.1 million),
- » onshore projects abroad (euro 51.0 million).

Work in progress changed from euro 61,067* thousand (December 31, 2019) to euro 144,136 thousand as a result of the positive development of the pipeline and the 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:

in thousand euro	General Approach			Simplified Approach	Total
	Level 1	Level 2	Level 3		
Balance on 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	-	-	-	-	-
Write-downs	-	-	-	-	-
Reversals	-	-	-	-	-
Balance on 31.12.2019/1.1.2020	-	-	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	-	-	-	499	499
Reversals	-	-	-	-21	-21
Exchange-rate-related changes and other changes	-	-	-	-	-
Balance on 31.12.2020	-	-	3,174	499	3,673

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.

in thousand euro	General Approach			Simplified Approach	Total
	Level 1	Level 2	Level 3		
Balance on 1.1.2019	6,711	-	3,174	6,376	16,261
Transfer to level 1	-	-	-	-	-
Transfer to level 2	-	-	-	-	-
Transfer to level 3	-	-	-	-	0
Financial assets issued or acquired and financial assets derecognised	531	-	-	27,896	28,427
Exchange-rate-related changes and other changes	-	-	-	-	-
Balance on 31.12.2019/1.1.2020	7,242	-	3,174	34,272	44,688
Transfer to level 1	-	-	-	-	-
Transfer to level 2	-	-	-	-	-
Transfer to level 3	-	-	-	-	-
Financial assets issued or acquired and financial assets derecognised	-3,765	-	-	6,398	2,633
Exchange-rate-related changes and other changes	-	-	-	-	-
Balance on 31.12.2020	3,477	-	3,174	40,670	47,321

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

in thousand euro	General Approach			Simplified Approach
	Level 1	Level 2	Level 3	
Credit risk rating class 1	3,477	-	-	40,670
Credit risk rating class 2	-	-	-	-
Credit risk rating class 3	-	-	3,174	-
Total	3,477	0	3,174	40,670

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 thousand euro	Category acc. to IFRS 9	Total	Fair value
As per 31.12.2020			
Short-term financial assets			
Cash and cash equivalents	AC	111,617	111,617
Trade receivables	AC	40,171	40,171
Other short-term loan receivables	AC	2,002	2,002
Trade receivables from affiliated companies	AC	1,315	1,315
Receivables from associated companies and those in which an investment is held	AC	160	160
Long-term financial assets			
Shares in affiliated companies	FVOCI	115	115
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	0	0
		156,767	156,767
Total AC		155,443	155,443
Total FVOCI		1,323	1,323
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

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 1,323 thousand (December 31, 2019: euro 1,329 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 499 thousand (prior year: euro 0 thousand) relates to impairments reported under other operating expenses, and net income of euro 81 thousand (prior year: euro 498 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, 2020, the Company's share capital amounted to euro 76,603,334.00 (prior year: 76,557,803.00), divided into 76,603,334 (prior year: 76,557,803) no-par value registered shares with a notional value of euro 1.00 per share in the share capital.

The Company's share capital has not changed in the reporting period. Accordingly, the Company's share capital on the reporting date amounted to euro 76,603,334.00, 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 38,250,000.00 (Authorised Capital 2017) by issuing new no par value registered shares against contributions in cash or in kind. The shareholders are to be granted a subscription right with the

following restrictions, whereby the subscription right may also be granted indirectly to shareholders in accordance with Section 186 (5) AktG. In addition, the Board of Management was authorised to exclude, with the approval of the Supervisory Board, the shareholders' subscription rights for fractional amounts resulting from the subscription ratio. The Board of Management was also authorised to exclude, with the approval of the Supervisory Board, the shareholders' subscription right up to an amount not exceeding 10 percent of the share capital existing at the time this authorisation becomes effective or – if this value is lower – of the share capital existing at the time the authorisation is exercised in order to issue the new shares against cash contributions at an issue price which is not significantly below the stock market price of already listed shares of the Company of the same class and type at the time of final determination of the issue price (simplified exclusion of subscription rights in accordance with Section 186 (3) sentence 4 AktG). The aforementioned 10 percent threshold must include the pro rata amount of the share capital, which is attributable to new or repurchased shares that have been issued or sold during the term of the authorisation under the simplified exclusion of shareholders' subscription rights pursuant to or in accordance with Section 186 (3) sentence 4 AktG as well as the pro rata amount of the share capital, which is attributable to conversion and/or option rights under bonds which have been issued during the term of the authorisation by applying mutatis mutandis Section 186 (3) sentence 4 AktG.

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

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

The Board of Management may, subject to the approval of the Supervisory Board, exercise the afore-mentioned authorisations regarding exclusion of subscription rights, in aggregate, only to the extent that the share capital's pro rata amount which is attributable to the Company's shares issued or sold during the term of Authorised Capital 2017 under exclusion of subscription rights and/or to which the instruments or rights issued during the term of Authorised Capital 2017 under exclusion of subscription rights refer and enable the subscription for shares of the Company, including from conditional capital, does not exceed 20 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, 2020.

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 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 based on 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 based on 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, in any other manner 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 based on the authorisation described above or based on 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.

On December 31, 2020, the Company held 266,803 treasury shares (prior year: 266,803), which it acquired in 2018 by using its authorisation existing at that time, based on a share repurchase offer directed to all shareholders. No treasury shares were used in the 2020 fiscal year.

Capital reserve

The capital reserve includes the premium paid on the shares issued and the equity share of the convertible bond. The capital reserve has not changed during the 2020 fiscal year.

Foreign currency reserve

Exchange differences relating to the conversion of the functional currency of foreign operations into the Group's presentation currency are included in the foreign currency reserve.

Consolidated retained earnings

Profits and losses are accumulated in the consolidated retained earnings. In the context of the 2020 dividend payment, dividends totalling euro 3,053 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 2020 fiscal year, the Board of Management and the Supervisory Board propose that a dividend of euro 0.04 for each no-par value share entitled to a dividend in the 2020 fiscal year be distributed from PNE AG's retained earnings totalling euro 153,027,989.70. The remaining retained earnings shall be carried forward to a 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 -7,070 thousand (prior year: euro -13,283 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	
		31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
in thousand euro							
WKN sub-group							
of which Sevivon s.p.z.o.o.	Poland	0.00%	20.00%	-240	-437	0	-4,318
of which ATS Energia s.r.l.	Italy	22.21%	22.21%	-11	-15	-6,044	-6,033
of which VKS Vindkraft Sverige	Sweden	20.00%	20.00%	31	1,288	763	732
of which WKN Windcurrent S.A.	South Africa	20.00%	20.00%	-276	-33	-1,711	-1,435
Others				-221	-148	-78	-2,229
Total of non-controlling interests				-717	655	-7,070	-13,283

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 thousand euro	31.12.2020	31.12.2019
Short term assets	146,608	128,656
Long term assets	78,398	28,261
Short term liabilities	102,653	74,488
Long term liabilities	56,166	9,225
Share in equity attributable to the shareholders of parent company	73,196	84,276
Non-controlling interests	-7,009	-11,072

WKN sub-group

in thousand euro	2020	2019
Total aggregate output	113,802	110,202
Expenses	120,143	85,134
Net income	-6,342	25,068
of which:		
Net income attributable to the shareholders of the parent company	-5,846	24,265
Net income attributable to the non-controlling interests	-496	803
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	-5,846	24,265
Total result attributable to the non-controlling interests	-496	803
Total result	-6,342	25,068

WKN sub-group

in thousand euro	31.12.2020	31.12.2019
Dividends paid to non-controlling interests	0	0
Net cash flows from operating activities	5,632	5,670
Net cash flows from investing activities	-48,800	-262
Net cash flows from financing activities	56,282	-11,270
Total net cash flows	13,114	-5,862

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 2020 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 with final and binding effect. 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 statement of financial position as at December 31, 2020. The Company has filed a lawsuit in respect of the economically predominant part of the issues addressed in the ruling of the 2010 to 2013 tax audit. Even if a provision were formed covering all aspects of the tax audit, this would have no effect on the published guidance for the 2020 fiscal year, as possible effects on earnings would be reported under tax and interest expenses and thus outside EBITDA and EBIT. In spite of the lawsuit, 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 to 8 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 thousand euro	1.1.2020	Consumption	Reversal	Addition	31.12.2020
Legal costs	189	15	10	25	188
Other	3,588	927	12	631	3,279
	3,777*	942	22	656	3,468*

Other provisions relate primarily to dismantling obligations for the wind farms owned by the Company; the remaining amount is attributable to other short-term provisions.

12. FINANCIAL LIABILITIES

The values shown are attributable to corporate bonds, 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 thousand euro	Category acc. to IFRS 9	Total	up to 1 year	1 to 5 years	more than 5 years	Fair value
As per 31.12.2020						
Trade liabilities	AC	31,364	31,364	0	0	31,364
Fixed interest						
Bonds	AC	49,183	0	49,183	0	50,850
Liabilities to banks	AC	227,176	10,611	69,128	147,437	228,273
Other financial liabilities	AC	1,057	1,057	0	0	1,057
Liabilities under leases	AC	75,014	4,626	12,711	57,677	75,014
Variable interest						
Liabilities to banks	AC	12,070	12,070	0	0	12,070
Derivatives						
Interest rate swaps	FVPL	7,624	485	1,869	5,270	7,624
		403,487	60,213	132,891	210,383	406,252
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

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 5,725 thousand (prior year: euro 5,163 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 7,624 thousand (prior year: euro 4,810 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 thousand euro	Total contractual cash flows	up to 1 year	1 to 5 years	more than 5 years	Carrying amount
As per 31.12.2020					
Trade liabilities	31,364	31,364	0	0	31,364
Bonds	53,846	1,995	51,851	0	49,183
Liabilities to banks	276,173	27,015	83,449	165,709	239,246
Other financial liabilities	1,089	1,089	0	0	1,057
Liabilities under leases	92,547	5,868	18,042	68,636	75,014
Interest rate swaps	7,624	485	1,869	5,270	7,624
	462,642	67,815	155,211	239,615	403,487
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
Zinsswap	4,810	298	1,191	3,322	4,810
	326,821	56,292	128,800	141,729	276,198

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

During the reporting period, the Company only held the corporate bond 2018/2023, which developed as follows:

in thousand euro	31.12.2020	31.12.2019
Bond 2018/2023		
Status on 1.1.	48,858	48,549
Issued	0	0
Interest accrued	324	309
Status on 31.12.	49,183	48,858

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 statement of financial position.

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 could be exercised by any bondholder by submitting a proper declaration of exercise, effective as of February 6, 2020, which had to be submitted to the paying agent by midnight on January 27, 2020 at the latest. On this basis, bondholders have exercised the "change of control" termination right for bonds with a total nominal amount of euro 418 thousand. The converted bonds totalling euro 418 thousand are reported in the Group under "other assets" in the statement of financial position.

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 2020, 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 2040.

As at December 31, 2020, an amount of euro 230,140 thousand of the reported liabilities to banks (prior year: euro 145,508 thousand) is secured by:

1. Registered mortgage of euro 4,170 thousand and the assignment of rental income from the property Peter-Henlein-Str. 2-4, Cuxhaven,
2. Assignment as security of all rights under contracts in connection with the Pülfringen wind farm and assignment of all receivables of this wind farm,
3. 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,
4. 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,
5. Assignment as security of all rights under contracts in connection with the Neuenwalde wind farm and assignment of all receivables of this wind farm,
6. Assignment as security of all rights under contracts in connection with the Schlenzer wind farm and assignment of all receivables of this wind farm,
7. 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,
8. Assignment as security of all rights under contracts in connection with the Langstedt wind farm and assignment of all receivables of this wind farm,
9. Assignment as security of all rights under contracts in connection with the Lentförden wind farm and assignment of all receivables of this wind farm,
10. Assignment as security of all rights under contracts in connection with the Boitzenhagen wind farm and assignment of all receivables of this wind farm,
11. Assignment as security of all rights under contracts in connection with the Zahrenholz wind farm and assignment of all receivables of this wind farm,
12. Assignment as security of all rights under contracts in connection with the Kuslin wind farm and assignment of all receivables of this wind farm,

13. Assignment as security of all rights under contracts in connection with the Krezcin wind farm and assignment of all receivables of this wind farm,
14. 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,
15. 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.

As at December 31, 2020, the Group also had

- » working capital facilities of euro 15.1 million (prior year: euro 10.1 million), of which euro 12.1 million was used as at December 31, 2020 (prior year: euro 8.9 million),
- » credit lines for project debt capital financing of euro 103.5 million (prior year: euro 23.7 million),
- » credit lines of euro 0.0 million (prior year: euro 2.5 million) for equity capital interim financing of wind farm projects.

Security reason (no. for listing)

in thousand euro	Value-dated amount 2020	Value-dated amount 2019
Wind farms Kührstedt A, B and Bederkesa (3)	52,710	56,886
Boitzenhagen wind farm (10)	38,501	0
Kittlitz III wind farm (7)	23,230	23,843
Gerdau Repowering Wind Farm (4)	20,263	21,925
Lentförden Wind Farm (9)	19,377	0
Wind farm Langstedt (8)	19,018	0
Interim equity financing of a wind farm portfolio (15)	16,000	15,018
Neuenwalde wind farm (5)	11,941	10,875
Schlenzer wind farm (6)	10,579	11,205
Wind farm Zahrenholz (11)	10,363	0
Land charge for company headquarters in Cuxhaven (1)	3,750	3,900
Interim equity financing of wind turbines for repowering (14)	3,418	4,474
Pülfringen wind farm (2)	991	1,382

The Group concluded an agreement (letter of intent) with a bank for further equity capital interim financing of projects of up to euro 27.1 million, on the basis of which separate interim equity financing agreements can be concluded after the commissioning of the projects.

In addition, the Group had credit lines for guarantee and contract fulfilment obligations (excluding guarantee lines granted by banks in connection with ongoing project financing) of euro 14.2 million on December 31, 2020 (as at December 31, 2019: euro 14.3 million). The Group had used euro 8.0 million of the credit lines for guarantee and contract fulfilment as at December 31, 2020 (prior year: euro 1.9 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 7.6 million (prior year: euro 4.8 million).

There were no defaults or other performance failures regarding interest or redemption on the reporting date.

Lease liabilities

PNE has applied the standard IFRS 16 Leases as of January 1, 2019.

Carrying amounts in connection with leases

in thousand euro	2020	2019
Recognised in rights of use assets		
Rights of use for land, buildings and similar assets	37,411	37,777
Rights of use for technical equipment and machinery, other equipment, fixtures and furnishings	1,714	1,599
	39,125	39,376
Recognised in inventories		
Rights of use for land, buildings and similar assets recognised in inventories	34,603	0
	34,603	0
Recognised in financial assets		
Long-term financial liabilities	70,388	38,197
Short-term financial liabilities	4,626	1,493
	75,014	39,690
Additions to rights of use		
of which rights of use for land, buildings and similar assets	2,019	4,562
of which rights of use for technical equipment and machinery, other equipment, fixtures and furnishings	1,177	493
of which rights of use for land, buildings and similar assets recognised in inventories	35,072	0
	38,268	5,055

Expenses and income related to leases

in thousand euro	2020	2019
Scheduled depreciation on rights of use for land, buildings and similar assets	2,625	1,828
Scheduled depreciation on rights of use for technical equipment and machinery, other equipment, fixtures and furnishings	969	965
Scheduled depreciation on rights of use for land, buildings and similar assets recognised in inventories	2,072	0
Impairment on rights of use	0	0
Interest expenses for lease liabilities	1,627	929
Expenses for short-term leases (12 months or less, except for real property)	0	0
Expenses for leases of low-value assets, except for short-term leases	0	0
Expenses for variable lease payments that are not included in lease liabilities	0	0
Expenses	7,293	3,722
Income from subleasing of rights of use	365	368
Income	365	368
The total payments for leases in the fiscal year amounted to	6,126	3,398

The payments for the interest portion resulting from 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 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.

There were no effects due to the COVID-19 pandemic in the form of rental concessions during the reporting period.

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.

in thousand euro	Non-cash changes						Closing balance on 31.12.2020
	Opening balance on 1.1.2020	Cash flow (cash change)	Acquisition of companies	Changes in fair value	Interest-related changes	Other	
Bonds	48,858	0	-	-	325	-	49,183
Liabilities to banks	145,933	92,609	-	-	704	-	239,246
Other financial liabilities	5,867	2,814	-	-	-	-	8,681
Liabilities from leasing contracts	40,264	-6,126	-	-	-	40,876	75,014
Liabilities from financing activities	240,922	89,297	0	0	1,029	40,876	372,124

in thousand euro	Non-cash changes						Closing balance on 31.12.2019
	Opening balance on 1.1.2019	Cash flow (cash change)	Acquisition of companies	Changes in fair value	Interest-related changes	Other	
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

13. OTHER LIABILITIES

Deferred revenues

The item of euro 21,965 thousand (prior year: euro 20,314 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 5.8 million (prior year: euro 4.8 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 because 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 (euro).

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 reporting period, 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, no fixed interest financial instruments carried at amortised cost are 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, 2020 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 76 thousand lower/higher (prior year: euro 48 thousand).

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, 2020 and on December 31, 2019, 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 that 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 no more than 70 to 80 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, 2020 amounted to euro -260.5 million (December 31, 2019: net debt of euro -129.0 million).

in thousand euro	31.12.2020	31.12.2019
Financial liabilities	372,123	240,923
./. Cash and cash equivalents	111,617	111,935
= Net borrowed capital	260,506	128,988
+ Shareholders' equity	200,563	205,119*
= Total capital	461,069	334,108*
Debt ratio	56.50 %	38.61 %*

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

Due to the retrospective adjustment in accordance with IAS 8.43 in conjunction with IAS 2.9 and IAS 2.6 (see "IV. Accounting and valuation principles / 1. Retrospective adjustments in accordance with IAS 8.43"), the comparative figures in the text and tables in the following sections were adjusted and marked with an "asterisk".

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" (project planning of wind farm and solar farm projects) and "service products" (management and servicing of wind power and solar power plants as well as revenues 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 thousand euro	2020	2019
Revenue from contracts with customers	85,098	125,946
Other sources of revenue	24,591	6,850
Total revenue	109,689	132,796

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 thousand euro	2020				
	Project development				
	Germany	Abroad	Service products	Electricity generation	Total
Revenue from contracts with customers	39,639	7,103	16,054	22,303	85,098
Other revenue	19,483	5,108	0	0	24,591
Revenues	59,122	12,211	16,054	22,303	109,689
Time of revenue recognition					
at a point in time	39,639	7,103	0	0	46,742
over time	0	0	16,054	22,303	38,357

in thousand euro	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

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, 2020, are expected to be recognised as revenue, net of expected sales deductions, as follows:

in thousand euro	2020	2019
Outstanding transaction price as at 31.12.	69,934	70,463
of which recognised as revenue within 1 year	6,380	7,394
of which recognised as revenue after 1 year up to 5 years	18,861	20,539
of which recognised as revenue after more than 5 years	44,693	42,530

The changes in deferred revenues (contract liabilities) between January 1, 2020 and December 31, 2020 result from the following factors:

in thousand euro	2020	2019
Contract liabilities as at 1.1.	20,314	18,521
Addition	3,103	2,770
Revenue recognised in the reporting period that was included in contract liabilities as at 1.1.	-1,452	-977
Contract liabilities as at 31.12.	21,965	20,314

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 2020 fiscal year, deferred liabilities of euro 563 thousand (prior year: euro 536 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 or damage claims of euro 675 thousand (prior year: euro 329 thousand).
- » The reversal of impairment losses on receivables of euro 21 thousand (prior year: euro 0 thousand).

3. PERSONNEL EXPENSES

Personnel expenses are made up as follows:

in thousand euro	2020	2019
Wages and salaries	29,753	26,534
Social security and pension expenses	5,301	4,066
	35,054	30,600
Average annual number of employees	446	395
Personnel expenses per employee	79	77

The expenses for defined contribution plans pursuant to IAS 19 amounted to euro 1,716 thousand in the 2020 fiscal year (prior year: euro 1,514 thousand).

4. OTHER OPERATING EXPENSES

Other operating expenses include mainly the following items:

in thousand euro	2020	2019
Legal and consulting costs	4,375	6,722
Repair and maintenance expenses	3,504	2,525
Vehicle costs	1,552	1,230
Advertising and travel expenses	1,285	2,490
Insurance premiums and contributions	1,159	1,020
Accounting and auditing costs, including tax advice	1,006	911
IT costs	606	769
Supervisory Board remuneration	497	641
Rental and lease expenses	491	75
Losses from the disposal of assets	87	81

5. OTHER INTEREST AND SIMILAR INCOME

Interest income includes interest on loans and overdrafts of euro 81 thousand (prior year: euro 498 thousand).

6. INTEREST AND SIMILAR EXPENSES

Interest and similar expenses include primarily

- » interest on the 2018/2023 bond of euro 1,981 thousand (prior year: euro 2,005 thousand),
- » interest on loans and overdrafts of euro 3,744 thousand (prior year: euro 3,028 thousand),
- » interest accrued on the transaction costs for bonds and the convertible bond of euro 324 thousand (prior year: euro 400 thousand),
- » changes in the value of derivative financial instruments (including changes resulting from SWAPs disposed during the year) of euro 2,851 thousand (prior year: euro 4,258 thousand),
- » interest accrued pursuant to IFRS 16 Leases of euro 1,627 thousand (prior year: euro 929 thousand).

7. TAXES ON INCOME

Income tax income (prior year: income tax expense) is made up as follows:

in thousand euro	2020	2019
Current taxes	5,656	7,123
Deferred taxes		
from consolidation effects and HBII adjustments	5,629	-3,993*
from separate financial statements	-15,032	2,624
	-9,403	-1,369*
	-3,747	5,754*

Current taxes include the corporation tax plus solidarity surcharge and the trade tax for the domestic companies as well as 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 of approx. euro 74 million (prior year: euro 97 million) in Germany and of approx. euro 62 million (prior year: approx. euro 59 million) abroad, which can be offset against future profits. A deferred tax claim of euro 1.4 million (prior year: euro 1.5 million) was recognised for these losses and adjusted in the amount of euro 1.4 million (prior year: euro 1.4 million). 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 69 million (prior year: euro 92 million) and abroad of euro 62 million (prior year: euro 59 million).

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

in thousand euro	2020	2019
Consolidated earnings before taxes on income	-2,844	5,643*
Tax rate	30.0%	30.0%
Income tax expense – calculated	-853	1,693*
Different tax rate	121	-285
Additions/reductions (trade tax)	517	535
Unrecognised deferred taxes	11,629	6,459*
Utilisation of loss carryforwards	-11,820	-217
Tax-free gain on disposal and other tax-free income	-2,314	-2,319
Tax expense/income unrelated to the period	-327	204
Non-deductible expenses	-50	-79
Tax effects of fiscal unity	-649	-237
Other consolidation effects	-1	0
Reported tax income/expense	-3,747	5,754*

Deferred taxes on valuation adjustments are determined generally based on 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 items of the statement of financial position:

in thousand euro	31.12.2020		31.12.2019	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Receivables and other assets	937	7,538	1,007	2,050
Inventories	3,680	3,313	6,617*	1,420*
Property, plant and equipment	28,001	0	9,522	0
Intangible assets	2,863	126	497	154
Other assets	16	0	11*	0
Liabilities	92	245	1,553	716
Other provisions	68	0	72	0
	35,657	11,222	19,279*	4,340*
Losses carried forward	1,389	0	1,481	0
Other consolidation effects incl. value adjustments	-1,389	0	-1,389	0
	35,657	11,222	19,371*	4,340*
Portion that cannot be offset	-173	-173	-2	-2
Deferred taxes	35,484	11,049	19,369*	4,338*

8. EARNINGS PER SHARE

Basic earnings per share

In 2020, the annual average number of registered shares totalled 76,337 thousand (prior year: 74,845 thousand registered shares).

The basic earnings per share thus amounted to euro 0.02 per share (prior year: euro -0.01* per share).

	2020	2019
Consolidated net loss (prior year: consolidated net income) (in thousand euro)	1,621	-765*
Weighted average number of shares issued (thousands)	76,337	74,845
Earnings per share (euro)	0.02	-0.01*

Diluted earnings per share

The diluted earnings per share are calculated as follows:

	2020	2019
Consolidated net income before elimination of dilution effects (thousand euro)	1,621	-765*
- Interest expense on convertible bond (thousand euro)	0	130
Result after elimination (thousand euro)	1,621	-635*
Weighted average number of shares issued before dilution effects (thousands)	76,337	74,845
+ weighted average of convertible shares (thousands)	0	0
Weighted average number of shares issued after dilution effects (thousands)	76,337	74,845
Diluted earnings per share (euro)	0.02	-0.01*

VII. NOTES ON THE STATEMENT OF CASH FLOWS

In the statement of cash flows, the cash flow from operating activities is presented 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 reporting period due to the inflow and outflow of funds. In accordance with IAS 7, cash flows are classified as cash flows from operating activities, investing activities and financing activities. The effects of changes in the scope of consolidation have been eliminated.

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 -1,754 thousand (prior year: euro -465 thousand). This value consists primarily of

- » currency differences totalling euro -1,873 thousand (prior year: euro -434 thousand) and
- » other effects totalling euro 79 thousand (prior year: euro -21 thousand).

In the 2020 fiscal year, the application of IFRS 16 "Leases" resulted in a change in previously non-cash liabilities from leases by euro 35.3 million to euro 75.0 million in the statement of financial position.

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 2020 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 planning for wind farms on land and at sea, the development of photovoltaic projects was expanded and the path for solutions in the power-to-X area, started in 2019, was continued.

The Company has created the further prerequisites for implementing the "Scale up" strategy during 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 consists of the three segments "project development", "electricity generation" and "service products". This structure reflects the current status of the Group's activities.

The operational business of the PNE Group during the 2020 fiscal year was still 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, the internal operation of wind power turbines enables environmentally friendly production of electricity under economically sustainable conditions ("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 fiscal years since 2017, the Company has 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. In the "project development" 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 14.7 million were generated with one customer, of approx. euro 12.6 million with another customer and of approx. euro 14.4 million with a third customer ("project development" segment), which can be assigned to the domestic area. No other single customer contributed 10 percent or more to consolidated sales.

In the previous year, sales of approx. euro 36.1 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 17.7 million.

Long-term assets are attributable to the following regions:

in thousand euro	31.12.2020	31.12.2019
Germany	279,854	279,571
Other countries	1,878	631
	281,732	280,202

The share of associated companies accounted for using the at-equity method in the result for the period is included in the "electricity generation" segment with euro 0 thousand (prior year: euro 32 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 thousand euro	31.12.2020	31.12.2019
Various wind farm projects	211,892	33,127
Other	671	471
	212,563	33,598

The main contingent liabilities of euro 193.3 million (prior year: euro 7.2 million) relate to guarantees for wind turbine orders and project financing, which will be reduced during the implementation phase of the projects or expire upon completion of the projects. From the current perspective, utilisation is not expected.

Utilisation of the other guarantees issued totalling euro 19.3 million (prior year: euro 26.4 million) 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 16.8 million (prior year: euro 23.4 million). The obligations under order commitments are fully due within the next two years.

Other financial obligations of euro 0.9 million (prior year: euro 0.4 million) 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. In the reporting period, the PNE Group operated in 13 countries on four continents. On this successful basis, the Group has developed further into a "Clean Energy Solution Provider". In addition to wind energy, this also includes the development of photovoltaic projects in Germany and abroad. From initial site exploration and implementation of approval procedures, financing and turn-key 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-X 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 2010 to 2019.

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 increasingly cheaper than fossil fuels. 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 projects in selected core markets. In addition, the first hybrid projects, in which wind and photovoltaics are used in parallel, are being developed.

On the other hand, market changes due to various political developments, but also due to the impact of the COVID-19 pandemic on national economies, have led to 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) (until May 20, 2020)
- » Mr. Marcel Egger, Apensen, member of the group management board of the EURO-GATE Group
- » Dr. Susanna Zapreva, Hanover, CEO of enercity AG
- » Mr. Andreas M. Rohardt, Hermannsburg, managing shareholder of ARO Greenergy GmbH, Hermannsburg (until May 20, 2020)
- » 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. Alberto Donzelli, Executive Director / Managing Director of Morgan Stanley Infrastructure Partners, London, United Kingdom, (since May 20, 2020)

- » Mr. Christoph Oppenauer, Frankfurt am Main, Asset Management Officer at Morgan Stanley Infrastructure Partners, Frankfurt am Main, (since May 20, 2020) (Deputy Chairman)

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
- » Swire Energy Services, London, United Kingdom (since September 1, 2020)

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):

- » 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 (until January 23, 2020)
- » NFON AG, Munich
- » Vita 34 AG, Leipzig, Chairman of the Supervisory Board (since July 1, 2020)

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

Mr. Alberto Donzelli 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):

- » Advisory Board member of Ital Gas Storage S.p.A., Italy, Milan
- » AUC Group LLC (formerly Bluefin Water Solutions LLC), Board Member, Delaware, USA (since March 4, 2020)
- » Marlin Water Solutions Company, Board Member, Delaware, USA (since March 4, 2020)
- » Tarpon Water Solutions LTD, Board Member, British Virgin Islands, USA (since March 11, 2020)
- » Yellowfin Water Solutions Company, Board Member, Delaware, USA (since March 4, 2020)

Mr. Christoph Oppenauer 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):

- » Member of the Supervisory Board of VTG AG, Hamburg

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 2020 fiscal year amounted to euro 497 thousand (prior year: euro 640 thousand). In addition, the Company bears the cost of directors' and officers' liability insurance for all members of the Supervisory Board.

The Supervisory Board members Mr. Donzelli and Mr. Oppenauer issued a written declaration to the Company that they waive their fixed remuneration and the attendance fees granted pursuant to the articles of association for their term of office.

in thousand euro	Fixed remuneration 2020	Attendance fees 2020	Total remuneration 2020
Mr. Pedersen	140.0	11.0	151.0
Mr. Egger	90.0	14.0	104.0
Ms. Dr. Zapreva	75.0	14.0	89.0
Mr. Schuhbauer	60.0	11.0	71.0
Mr. Dr. Kruse	43.8	7.0	50.8
Mr. Rohardt	25.0	6.0	31.0
Mr. Oppenauer	0.0	0.0	0.0
Mr. Donzelli	0.0	0.0	0.0
	433.8	63.0	496.8

Of the members of the Supervisory Board, Mr. Marcel Egger held 4,500 shares in the Company on December 31, 2020. On December 31, 2020, 6,883,433 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 Klawat, Cuxhaven, (CFO)

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 2020 fiscal year, the members of the Board of Management received total remuneration (including accrued liabilities for bonuses) of euro 1,982 thousand (prior year: euro 2,269 thousand), or respective provisions were formed.

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 is shown under point 10.5. "Remuneration report" in the combined management and group management report.

The members of the Company's Board of Management held no shares of the Company on December 31, 2020 and December 31, 2019.

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 2020 fiscal year, the following fees were charged by the group auditors:

in thousand euro	
Audit of annual financial statements (separate and consolidated)	608 ¹
Other attestation services	0
Tax consulting services	0
Other services	48
	656

¹ Of which for the prior fiscal year: euro 188 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 the 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 expert opinions and consulting services in connection with the Annual General Meeting in 2020.

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 2020.

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 thousand euro	2020	2019
Executives (excluding Board of Management of PNE AG)	72	63
Salaried employees	352	305
Wage earners	22	27
	446	395

8. EVENTS AFTER THE REPORTING DATE

No events that have significant effects on the earnings, financial and asset situation have occurred since the end of the reporting period.

Cuxhaven, March 17, 2021

PNE AG



gez. Markus Lesser
 Chairman of the
 Board of Management

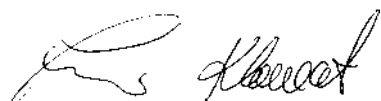


gez. Jörg Klawat
 Board of Management

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

The image shows two handwritten signatures in black ink. The signature on the left is for Markus Lesser, and the signature on the right is for Jörg Klowat. Both signatures are written in a cursive, flowing style.

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 2020, 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 2020, 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 2020. 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 2020 and of its financial performance for the financial year from 1 January to 31 December 2020, 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 2020. 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 unfinished services in the offshore segment
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 9.5% 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 involved amount of goodwill and due to the complex underlying valuation techniques, we classified this matter as a key audit matter as part of our audit.

The Company's information on the goodwill is provided in sections "IV.2 Intangible fixed assets", "IV.4 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) At the beginning of our assessment of the goodwill impairment test, we evaluated whether and to what extent the Company's valuation processes are influenced by estimate uncertainties, complexity and subjectivity or other inherent risk factors. 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 amount of the realisable amount determined in this way for the cash-generating units, we also assessed the sensitivity analyses prepared by the Parent. 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 unfinished services in the offshore segment

- a) Following a complete write-down, the item "Inventories" does no longer include any work in progress related to offshore wind farms under development. 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 had made a new estimate of the recoverability of the project inventories. This new estimate 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. At that time, the executive directors continued to consider the realisation of the projects "Atlantis II" and "Atlantis III" located in zone 3 to be likely. Accordingly, the inventories of these projects have once again not been written down as at 31 December 2019. In its error notice of 15 October 2020, however, the German Financial Reporting Enforcement Panel (FREP) holds the opinion that a retrospective complete write-down of all offshore projects as at 1 January 2017, which is the effective date of the 2017 WindSeeG, is required. In consequence, the executive directors performed a corresponding write-down under IAS 8.43 in conjunction with IAS 2.9 and IAS 2.6 in the 2020 consolidated financial statements. Also considering the current 2020 WindSeeG and the 2020 site development plan, the executive directors have adhered to this assessment.

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, the write-downs to be performed and the complex legal situation, we considered this matter to be of particular significance in the scope of our audit.

The Company's information on the concerned work in progress and the retrospective restatement are provided in sections "IV.1 Retrospective restatements in accordance with IAS 8.43" and "V.5 Inventories" of the notes to the consolidated financial statements. In addition, the risks and rewards related to the recoverability of work in progress are specified in section "9. Report on risks and opportunities" in the combined management report.

- b) At the beginning of our assessment of the recoverability of work in progress in the offshore segment, we evaluated whether and to what extent the Company's valuation processes are influenced by estimate uncertainties, complexity and subjectivity or other inherent risk factors. We also 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. In this respect, our audit focused on the control of the executive directors' regular assessment of recoverability of the project inventories.

As part of our audit, we carried out an in-depth examination of the executive directors' assessment of the effects of the 2020 WindSeeG and the 2020 site development plan. In this connection, we had regular discussions – also accompanying the FREP proceedings – with the executive directors and employees in charge. For this purpose, we discussed and questioned their estimate of the probability of implementation of the offshore projects in progress or of a compensation claim based on the legal environment and examined these issues for plausibility. For the legal analysis of the matters and estimates made by the executive directors, we consulted lawyers of Deloitte Legal.

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 144.1 (equals 21.7% of the Group's total assets) related to onshore wind farm projects under development. Onshore project inventories of mEUR 51.0 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.8 Inventories" and "V.5 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 "9. Report on risks and opportunities" in the combined management report.

- b) At the beginning of our assessment of the recoverability of foreign onshore project inventories, we evaluated whether and to what extent the Company's valuation processes are influenced by estimate uncertainties, complexity and subjectivity or other inherent risk factors. 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 based on discussions with the component auditors by phone. 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.

Moreover, 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 109.7. In this context, revenue of mEUR 71.3 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.15 Revenue" and "VI.1 Revenue" in the notes to the consolidated financial statements.

- b) At the beginning of our assessment of the recognition of revenue generated with the planning and construction as well as sale of onshore and offshore wind farm project companies, we evaluated whether and to what extent the Company's valuation processes are influenced by estimate uncertainties, complexity and subjectivity or other inherent risk factors. 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. Moreover, 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. In addition, 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 completed government tax audit at WKN GmbH concerning the assessment periods from 2010 until 2013 as well as the current government tax audit at WKN GmbH concerning the assessment periods from 2014 until 2016 may result in risks for the PNE Group in the light of potential findings and resulting additional tax payments and interest. In January 2019, a final meeting with the tax office was held for the government tax audit concerning the assessment periods from 2010 until 2013. 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. Objections have been lodged against the tax assessment notices received for the assessment periods from 2010 until 2013. For the assessment periods from 2014 until 2016, no tax assessment notices had been issued until the end of 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 2020 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 to 8 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.10 Provisions for taxes" in the notes to the consolidated financial statements and section "9. Report on risks and opportunities" in the combined management report.

- b) At the beginning of our assessment of the tax risks from income taxes, we evaluated whether and to what extent the Company's valuation processes are influenced by estimate uncertainties, complexity and subjectivity or other inherent risk factors. 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 advisers 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 and the supervisory board are responsible for the other information. The other information comprises

- » the report of the supervisory board,
- » 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 executive directors' confirmation pursuant to Section 297 (2) sentence 4 and Section 315 (1) sentence 5 HGB, respectively, regarding the consolidated financial statements and the group management report, and
- » all other parts of the published annual report,
- » but not the consolidated financial statements, not the audited content of the combined management report and not our auditor's report thereon.

The supervisory board is responsible for the report of the supervisory board. The executive directors and the supervisory board as well are responsible for the declaration according to Section 161 German Stock Corporation Act (AktG), which is part of the consolidated corporate governance statement combined with the corporate governance statement. Apart from that the executive directors are responsible for the other information.

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

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

- » is materially inconsistent with the consolidated financial statements, with the audited content of 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

Report on the Audit of the Electronic Files of the Consolidated Financial Statements and of the Combined Management Report prepared for Publication pursuant to Section 317 (3b) HGB

Audit Opinion

In accordance with Section 317 (3b) HGB, we have assessed with reasonable assurance whether the electronic files of the consolidated financial statements and of the combined management report (hereafter referred to as "ESEF files") prepared for publication, contained in the accompanying file, which has the SHA-256 value 51E622B0AE6D77D566262C7FE3A152B9814385DBB-7474FCDEEE95166E81EE900, meet, in all material respects, the requirements concerning the electronic reporting format ("ESEF format") pursuant to Section 328 (1) HGB. In accordance with the German legal requirements, this audit only covers the transfer of the consolidated financial statements' and the combined management report's information into the ESEF format, and therefore covers neither the information contained in these electronic files nor any other information contained in the file stated above.

In our opinion, the electronic files of the consolidated financial statements and of the combined management report prepared

for publication contained in the accompanying file stated above meet, in all material respects, the requirements concerning the electronic reporting format pursuant to Section 328 (1) HGB. Beyond this audit opinion and our audit opinions on the accompanying consolidated financial statements and on the accompanying combined management report for the financial year from 1 January to 31 December 2020 contained in the above "Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report", we do not express any audit opinion on the information contained in these electronic files and on any other information contained in the file stated above.

Basis for the Audit Opinion

We conducted our audit of the electronic files of the consolidated financial statements and of the combined management report contained in the accompanying file stated above in accordance with Section 317 (3b) HGB and on the basis of the IDW Draft Auditing Standard: Audit of the Electronic Files of the Annual Financial Statements and of the Management Report prepared for Publication pursuant to Section 317 (3b) HGB (IDW Draft AuS 410). Our responsibilities in this context are further described in the section "Group Auditor's Responsibilities for the Audit of the ESEF Files". Our audit firm has applied the Quality Assurance Standard: Quality Assurance Requirements in Audit Practices (IDW QS 1) promulgated by the Institut der Wirtschaftsprüfer (IDW).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Files

The executive directors of the Company are responsible for the preparation of the ESEF files based on the electronic files of the consolidated financial statements and of the combined management report according to Section 328 (1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements according to Section 328 (1) sentence 4 no. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have determined necessary to enable the preparation of ESEF files that are free from material violations against the requirements concerning the electronic reporting format pursuant to Section 328 (1) HGB, whether due to fraud or error.

The executive directors of the Company are also responsible for the submission of the ESEF files together with the auditor's report and the accompanying audited consolidated financial statements and the audited combined management report as well as other documents to be filed with the publisher of the Federal Gazette.

The supervisory board is responsible for overseeing the preparation of the ESEF files as part of the financial reporting process.

Group Auditor's Responsibilities for the Audit of the ESEF Files

Our objectives are to obtain reasonable assurance about whether the ESEF files are free from material violations, whether due to fraud or error, against the requirements pursuant to Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the audit. We also

- » identify and assess the risks of material violations against the requirements pursuant to Section 328 (1) HGB, 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 opinion.
- » obtain an understanding of internal control relevant to the audit of the ESEF files 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 controls.
- » assess the technical validity of the ESEF files, i.e. whether the file containing the ESEF files meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as of the reporting date as to the technical specification of this file.
- » evaluate whether the ESEF files enable a XHTML copy of the audited consolidated financial statements and of the audited combined management report whose content is identical with these documents.
- » evaluate whether the ESEF files have been tagged using inline XBRL technology (iXBRL) in a way that enables an appropriate and complete machine-readable XBRL copy of the XHTML copy.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the general meeting on 20 May 2020. We were engaged by the supervisory board on 24 August 2020. 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).

In addition to the financial statement audit, we have provided to the audited Parent the following services that are not disclosed in the consolidated financial statements or in the combined management report of the audited company: Advisory services in connection with the general meeting in 2020.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Dr Arno Probst.

Hamburg/Germany, 17 March 2021

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

(Christian Dinter)
Wirtschaftsprüfer
(German Public Auditor)

(Dr. Arno Probst)
Wirtschaftsprüfer
(German Public Auditor)



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**FINANCIAL STATEMENTS
OF THE AG**

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PROFIT AND LOSS ACCOUNT (HGB)

OF PNE AG, CUXHAVEN, FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2020

(differences from rounding off possible)	2020 in euro	2019 in thousand euro
1. Revenues	54,180,428.57	50,986
2. Increase / decrease in work in process	2,947,467.66	1,731
3. Other operating income	3,212,745.89	2,027
4. Total aggregate output	60,340,642.12	54,743
5. Cost of purchased materials		
a) Cost of raw materials, supplies and purchased materials	-1,753,096.66	-30,221
b) Cost of purchased services	-16,349,218.42	-6,794
	-18,102,315.08	-37,015
6. Personnel expenses		
a) Wages and salaries	-13,335,848.46	-11,674
b) Social security contributions	-1,726,724.87	-1,407
	-15,062,573.33	-13,081
7. Amortisation and depreciation of intangible assets and items of property, plant and equipment	-707,669.60	-588
8. Other operating expenses	-12,382,085.90	-10,299
9. Operating result	14,085,998.21	-6,240
10. Income from profit transfer agreements	34,450,501.22	2,181
11. Income from participations	52,025.00	0
12. Other interest and similar income	3,842,551.97	3,879
13. Amortisation of financial assets	-26,000.00	-26
14. Interest and similar expenses	-2,444,098.09	-2,548
15. Profit before Taxes	49,960,978.31	-2,755
16. Taxes on income (prior year: taxes on income reimbursed)	-5,416,059.12	-123
17. Profit after Taxes	44,544,919.19	-2,877
18. Other taxes	-62,640.54	-59
19. Net income	44,482,278.65	-2,937
20. Profit carried forward	111,599,172.29	114,338
21. Dividend	-3,053,461.24	-2,975
22. Take out for repurchase of treasury shares	0.00	0
23. Take in from the issue of treasury shares	0.00	3,173
24. Retained earnings	153,027,989.70	111,599
Earnings per share (undiluted)	0.58 euro	-0.04 euro
Average number of shares in circulation (undiluted) (in thousands)	76,337	74,845
Earnings per share (diluted)	0.58 euro	-0.04 euro
Average number of shares in circulation (diluted) (in thousands)	76,337	74,845

BALANCE SHEET (HGB)

OF PNE AG, CUXHAVEN, AS AT DECEMBER 31, 2020

Assets

(differences from rounding off possible)	Status as at 31.12.2020 in euro	Status as at 31.12.2019 in thousand euro
A. Fixed assets		
I. Intangible assets		
Acquire by purchase franchises, trademarks, licences and other similar rights as well as licences from such rights	99,353.05	121
	99,353.05	121
II. Property, plant and equipment		
1. Land and buildings including buildings on third-party land	9,486,051.86	9,897
2. Technical equipment and machinery	446,964.41	492
3. Other plant and machinery, fixtures and fittings	340,618.65	316
	10,273,634.92	10,705
III. Financial assets		
1. Participations in associated companies	127,981,930.79	126,925
2. Loans to associated companies	1,449,445.58	1,450
3. Participations	801,575.78	802
	130,232,952.15	129,177
Total fixed assets	140,605,940.12	140,003
B. Current assets		
I. Inventories		
1. Work in process	19,238,281.21	16,291
2. Finished goods	2,092.16	1
3. Prepayments	17,010,430.00	1,116
	36,250,803.37	17,408
II. Receivables and other assets		
1. Trade receivables	2,686,112.04	1,070
2. Receivables from associated companies	141,701,224.22	87,966
3. Other assets	5,252,081.56	3,229
	149,639,417.82	92,265
III. Securities		
Other securities	418,000.00	0
IV. Cash on hand and cash in banks	59,124,775.88	72,652
Total current assets	245,432,997.07	182,325
C. Deferred charges	200,992.55	154
Total assets	386,239,929.74	322,483

Liabilities

(differences from rounding off possible)	Status as at 31.12.2020 in euro	Status as at 31.12.2019 in thousand euro
A. Shareholders' equity		
I. Capital issued / subscribed		
Capital issued / subscribed	76,603,334.00	76,603
Treasury shares	-266,803.00	-267
Conditional capital euro 20,000,000.00 (prior year: euro 20,000,000.00)		
II. Capital reserves	59,094,989.68	59,095
III. Retained earnings	153,027,989.70	111,599
Total shareholders' equity	288,459,510.38	247,031
B. Special items for investment grants	714,272.85	761
C. Provisions		
1. Provision for taxes	842,992.00	38
2. Other taxes	10,014,916.21	8,605
	10,857,908.21	8,643
D. Liabilities		
1. Bonds	50,000,000.00	50,000
2. Liabilities to banks	7,314,684.82	3,900
3. Prepayments received on orders	14,666,575.00	0
4. Trade payables	1,879,922.84	2,148
5. Liabilities to associated companies	8,924,028.35	8,342
6. Other liabilities	3,379,332.29	1,606
Total liabilities	86,164,543.30	65,997
E. Deferred income	43,695.00	51
Total liabilities and shareholders' equity	386,239,929.74	322,483

STATEMENT OF CASH FLOWS (HGB)

OF PNE AG, CUXHAVEN, FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2020

All figures in thousand euro (differences from rounding off possible)	2020	2019
Net income	44,482	-2,937
+/- Interest expense and income	-1,398	-1,330
-/+ Other income / losses from participations and profit (-) / losses from transfer agreements	-34,503	-2,181
+/- Income tax expense and benefit	5,416	123
- Income tax payments	-4,611	0
+ Amortisation and depreciation of intangible assets and items of property, plant and equipment	708	588
+ Amortisation of financial assets	26	26
+/- Decrease / Increase in provisions	2,215	874
+/- Other non-cash effective expenses and income	178	-52
+/- Decrease / increase of inventories and other assets	-43,602	31,475
-/+ Decrease / increase in trade receivables	-1,616	-589
-/+ Decrease / Increase in trade payables and other liabilities	16,746	-20,340
Cash flow from operating activities	-15,959	5,657
+ Inflow of funds from disposal of items of property, plant and equipment	1	0
- Outflow of funds for investments in intangible assets and property, plant and equipment	-255	-277
- Outflow of funds for investments in financial assets	-1,308	-21,306
+ Interest received	3,843	3,879
+/- Dividends received / profit transfer / assumption of losses	2,233	1,736
Cash flow from investing activities	4,514	-15,968
+ Inflow of funds from the issue of treasury shares	0	5,669
+ Inflow of funds from financial loans	3,565	0
- Payments to shareholder	-3,053	-2,974
- Outflow of funds from the repayment of bonds	0	-748
- Outflow of funds from the repayment of financial loans	-150	-145
- Interest paid	-2,444	-2,548
Cash flow from financing activities	-2,082	-746
Cash effective change in liquid funds (<= 3 months)	-13,527	-11,057
+ Liquid funds (<= 3 months as at the beginning of the period)	72,652	83,709
Liquid funds (<= 3 months as at the end of the period*	59,125	72,652
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 credit lines	488	316

DEVELOPMENT OF SHAREHOLDERS' EQUITY (HGB)

OF PNE AG, CUXHAVEN, FOR THE FISCAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2020

All figures in euro (differences from rounding off possible)	Capital subscribed			Reserve		Total shareholders equity
	Capital subscribed	Treasury shares	Total	Capital reserve	Retained earnings / loss	
	Ordinary shares	Ordinary shares		according to § 272 (2) No. 1-3 HGB		
Status as at 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						
Purchase / Sale 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 / January 1, 2020	76,603,334.00	-266,803.00	76,336,531.00	59,094,989.68	111,599,172.29	247,030,692.97
Dividend	0.00	0.00	0.00	0.00	-3,053,461.24	-3,053,461.24
Net income 2020	0.00	0.00	0.00	0.00	44,482,278.65	44,482,278.65
Status as at December 31, 2020	76,603,334.00	-266,803.00	76,336,531.00	59,094,989.68	153,027,989.70	288,459,510.38

SCHEDULE OF FIXED ASSETS (HGB)

OF PNE AG, CUXHAVEN, FOR THE FISCAL YEAR 2020

All figures in euro (differences from rounding off possible)	Acquisition and manufacturing cost			Status as at 31.12.2020
	Status as at 1.1.2020	Additions	Disposals	
I. Intangible assets				
Acquire by purchase franchises, trademarks and similar rights as well as licences to such rights	690,317.48	24,783.76	19,886.18	695,215.06
	690,317.48	24,783.76	19,886.18	695,215.06
II. Property, plant and equipment				
1. Land and buildings including buildings on third party land	17,142,140.38	0.00	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	2,021,207.30	230,279.49	67,143.10	2,184,343.69
	19,986,702.52	230,279.49	67,143.10	20,149,838.91
III. Financial assets				
1. Shares in associated companies	133,495,695.23	1,307,625.00	225,000.00	134,578,320.23
2. Loans to associated companies	1,449,865.58	0.00	420.00	1,449,445.58
3. Participations	801,575.78	0.00	0.00	801,575.78
	135,747,136.59	1,307,625.00	225,420.00	136,829,341.59
	156,424,156.59	1,562,688.25	312,449.28	157,674,395.56

Accumulated amortisation and depreciation				Book values		
Status as at 1.1.2020	Additions	Disposals	Status as at 31.12.2020	Status as at 31.12.2020	Status as at 31.12.2019	
568,847.57	46,900.62	19,886.18	595,862.01	99,353.05	121,469.91	
568,847.57	46,900.62	19,886.18	595,862.01	99,353.05	121,469.91	
7,245,137.06	410,951.46	0.00	7,656,088.52	9,486,051.86	9,897,003.32	
330,998.58	45,391.85	0.00	376,390.43	446,964.41	492,356.26	
1,705,762.65	204,425.67	66,463.28	1,843,725.04	340,618.65	315,444.65	
9,281,898.29	660,768.98	66,463.28	9,876,203.99	10,273,634.92	10,704,804.23	
6,570,389.44	26,000.00	0.00	6,596,389.44	127,981,930.79	126,925,305.79	
0.00	0.00	0.00	0.00	1,449,445.58	1,449,865.58	
0.00	0.00	0.00	0.00	801,575.78	801,575.78	
6,570,389.44	26,000.00	0.00	6,596,389.44	130,232,952.15	129,176,747.15	
16,421,135.30	733,669.60	86,349.46	17,068,455.44	140,605,940.12	140,003,021.29	

SCHEDULE OF LIABILITIES (HGB)


OF PNE AG, CUXHAVEN, AS AT DECEMBER 31, 2020

All figures in euro (differences from rounding off possible) (Prior years in brackets)	Maturities			Total amount
	Up to one year	One to five years	More than five years	
Type of liabilities				
1. Bonds	0.00	50,000,000.00	0.00	50,000,000.00
	(0.00)	(50,000,000.00)	(0.00)	(50,000,000.00)
2. Liabilities to banks	3,720,710.05	680,368.30	2,913,606.47	7,314,684.82
	(150,411.06)	(657,000.79)	(3,092,716.48)	(3,900,128.33)
3. Prepayments received on orders	14,666,575.00	0.00	0.00	14,666,575.00
	(0.00)	(0.00)	(0.00)	(0.00)
4. Trade liabilities	1,879,922.84	0.00	0.00	1,879,922.84
	(2,148,351.46)	(0.00)	(0.00)	(2,148,351.46)
5. Liabilities to participations	8,924,028.35	0.00	0.00	8,924,028.35
	(8,342,171.62)	(0.00)	(0.00)	(8,342,171.62)
6. Other liabilities	3,379,332.29	0.00	0.00	3,379,332.29
of which from taxes: euro 1,955,791.62 (prior year: euro 174 thousand)	(1,606,358.24)	(0.00)	(0.00)	(1,606,358.24)
of which for social security: euro 0.00 (prior year: euro 0 thousand)				
Total	32,570,568.53	50,680,368.30	2,913,606.47	86,164,543.30
	(12,247,292.38)	(50,657,000.79)	(3,092,716.48)	(65,997,009.65)

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

The image shows two handwritten signatures in black ink. The signature on the left is for Markus Lesser, and the signature on the right is for Jörg Klowat. Both signatures are written in a cursive, flowing style.

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 2020, and the statement of profit and loss for the financial year from 1 January to 31 December 2020, 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 Company and the Group of PNE AG, Cuxhaven/Germany, for the financial year from 1 January to 31 December 2020. 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 pursuant 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 2020 and of its financial performance for the financial year from 1 January to 31 December 2020 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 Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the combined management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2020. 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 and in the combined management report)
- 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 21.9% 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 Standard 1 of the Institute of Public Auditors in Germany (IDW), as amended in 2008 (IDW S 1 i. d. F. 2008) and to the opinion on financial reporting of the Institute of Public Auditors in Germany (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 planning of WKN GmbH 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) At the beginning of our assessment of the recoverability of the shares in WKN GmbH, Husum/Germany, we evaluated whether and to what extent the Company's valuation processes are influenced by estimate uncertainties, complexity and subjectivity or other inherent risk factors. Furthermore, 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 budget of WKN GmbH 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 54,180. In this context, revenue of kEUR 12,677 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 "9. 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. After the executive directors had already performed a complete write-down of the projects "Nemo", "Nautilus" and "Jules Verne" located in zone 4, i.e. of the associated shares and loans, in the previous years based on the published 2019 site development plan, the reform of the German Offshore Wind Energy Act (WindSeeG) in 2020 and the publication of the 2020 site development plan prompted a new estimate of the recoverability of the entire engagement in offshore wind farm project companies to be prepared for the projects "Atlantis II" and "Atlantis III" located in zone 3, which led to an impairment of loan receivables of mEUR 4.5 in the financial year 2020. Net of write-downs, the entire engagement in offshore wind farm project companies now amounts to mEUR 11.7 as at 31 December 2020 (3.0% of the total balance sheet), mEUR 0.2 and mEUR 11.5 of which relating to shares and loans, respectively. In the light of the significance of 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 and rewards concerning the recoverability of the shares and receivables from the remaining offshore engagement are specified in section "9. Report on risks and opportunities" in the combined management report.

- b) At the beginning of our assessment of the entire offshore engagement's recoverability, we evaluated whether and to what extent the Company's valuation processes are influenced by estimate uncertainties, complexity and subjectivity or other inherent risk factors. Furthermore, 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. In this respect, our audit focused on the control of the executive directors' regular assessment of recoverability of the entire engagement.

As part of our audit, we carried out an in-depth examination of the executive directors' assessment of the effects of the 2020 WindSeeG and the 2020 site development plan. In this connection, we had regular discussions with the executive directors of PNE AG and the employees in charge in PNE AG's offshore segment. For this purpose, we discussed and questioned their estimate of the probability of implementation of the offshore projects in progress or of a compensation claim by the subsidiaries as well as any expected loan recoveries from the project companies based on the legal environment and examined these issues for plausibility. For the legal analysis of the matters and estimates made by the executive directors, we consulted lawyers of Deloitte Legal.

In addition, we audited the completeness and accuracy of the disclosures made in the notes to the financial statements.

Other Information

The executive directors and the supervisory board are responsible for the other information. The other information comprises

- » the report of the supervisory board,
- » 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 executive directors' confirmation pursuant to Section 264 (2) sentence 3 and Section 289 (1) sentence 5 HGB, respectively, regarding the annual financial statements and the group management report, and
- » all other parts of the published annual report,
- » but not the annual financial statements, not the audited content of the combined management report and not our auditor's report thereon.

The supervisory board is responsible for the report of the supervisory board. The executive directors and the supervisory board as well are responsible for the declaration according to Section 161 German Stock Corporation Act (AktG), which is part of the corporate governance statement combined with the consolidated corporate governance statement. Apart from that the executive directors are responsible for the other information.

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 referred to above and, in so doing, to consider whether the other information

- » is materially inconsistent with the annual financial statements, with the audited content of 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 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

Report on the Audit of the Electronic Files of the Annual Financial Statements and of the Combined Management Report prepared for Publication pursuant to Section 317 (3b) HGB

Audit Opinion

In accordance with Section 317 (3b) HGB, we have assessed with reasonable assurance whether the electronic files of the annual financial statements and of the combined management report (hereafter referred to as "ESEF files") prepared for publication, contained in the accompanying file, which has the SHA-256 value 0AA9F021D3EC7D0FE37F1F832C23BB898E6D21BB3529C2ACF-5C1504F010C11CB, meet, in all material respects, the requirements concerning the electronic reporting format ("ESEF format") pursuant to Section 328 (1) HGB. In accordance with the German legal requirements, this audit only covers the transfer of the annual financial statements' and the combined management report's information into the ESEF format, and therefore covers neither the information contained in these electronic files nor any other information contained in the file stated above.

In our opinion, the electronic files of the annual financial statements and of the combined management report prepared for publication contained in the accompanying file stated above meet, in all material respects, the requirements concerning the electronic reporting format pursuant to Section 328 (1) HGB. Beyond this audit opinion and our audit opinions on the accompanying annual financial statements and on the accompanying combined management report for the financial year from 1 January to 31

December 2020 contained in the above "Report on the Audit of the Annual Financial Statements and of the Combined Management Report", we do not express any audit opinion on the information contained in these electronic files and on any other information contained in the file stated above.

Basis for the Audit Opinion

We conducted our audit of the electronic files of the annual financial statements and of the combined management report contained in the accompanying file stated above in accordance with Section 317 (3b) HGB and on the basis of the IDW Draft Auditing Standard: Audit of the Electronic Files of the Annual Financial Statements and of the Management Report prepared for Publication pursuant to Section 317 (3b) HGB (IDW Draft AuS 410). Our responsibilities in this context are further described in the section "Auditor's Responsibilities for the Audit of the ESEF Files". Our audit firm has applied the Quality Assurance Standard: Quality Assurance Requirements in Audit Practices (IDW QS 1) promulgated by the Institut der Wirtschaftsprüfer (IDW).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Files

The executive directors of the Company are responsible for the preparation of the ESEF files based on the electronic files of the annual financial statements and of the combined management report according to Section 328 (1) sentence 4 no. 1 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have determined necessary to enable the preparation of ESEF files that are free from material violations against the requirements concerning the electronic reporting format pursuant to Section 328 (1) HGB, whether due to fraud or error.

The executive directors of the Company are also responsible for the submission of the ESEF files together with the auditor's report and the accompanying audited annual financial statements and the audited combined management report as well as other documents to be filed with the publisher of the Federal Gazette.

The supervisory board is responsible for overseeing the preparation of the ESEF files as part of the financial reporting process.

Auditor's Responsibilities for the Audit of the ESEF Files

Our objectives are to obtain reasonable assurance about whether the ESEF files are free from material violations, whether due to fraud or error, against the requirements pursuant to Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the audit. We also

- » identify and assess the risks of material violations against the requirements pursuant to Section 328 (1) HGB, 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 opinion.
- » obtain an understanding of internal control relevant to the audit of the ESEF files 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 controls.
- » assess the technical validity of the ESEF files, i.e. whether the file containing the ESEF files meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as of the balance sheet date as to the technical specification of this file.
- » evaluate whether the ESEF files enable a XHTML copy of the audited annual financial statements and of the audited combined management report whose content is identical with these documents.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the general meeting on 20 May 2020. We were engaged by the supervisory board on 24 August 2020. 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, 17 March 2021

Deloitte GmbH
 Wirtschaftsprüfungsgesellschaft

(Christian Dinter)	(Dr. Arno Probst)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

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Jörg Klowat
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Registernummer: HRB 110360
As per: March 2021

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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 AG and reflect their current views with regard to future events. Such expressions concerning forecasts can be recognised with terms such as "expect", "estimate", "intend", "can", "will" and similar terms relating to the Company. Factors, which can have an effect or influence are, for example (without all being included): the development of the wind power market, competitive influences including price changes, regulatory measures and risks with the integration of newly acquired companies and participations. Should these or other risks and uncertainty factors take effect or should the assumptions underlying the forecasts prove to be incorrect, the results of PNE 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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