

ewz (Deutschland) GmbH. Annual Report 2018.



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Annual Report 2018.

**ewz (Deutschland) GmbH is a wholly owned
subsidiary of ewz (Zurich Municipal Electric Utility).**

Table of Contents.

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Foreword by the Executive Board.	4
Activities of ewz (Deutschland) GmbH.	8
Portfolio.	10
Financial Report 2018.	14
Profit and loss statement.	17
Balance sheet.	18
Cash flow statement.	20
Annex.	22

Foreword by the Executive Board. Summary of 2018.

ewz (Deutschland) GmbH is a wholly owned subsidiary of ewz (Zurich Municipal Electric Utility). The long-term strategic objective of the company is to acquire, build and manage power production facilities internationally. It favours investment in renewable energies where there is optimal availability of natural resources for the technology in question and where standards related to efficiency, environmental impact and acceptance of the investment can best be fulfilled. In so doing, ewz (Deutschland) GmbH is making an active contribution to energy transition, climate protection and an energy supply compatible with the objectives of the 2000-watt society. To save on transmission costs, physical electricity is generally sold directly from the foreign production site. The guarantees of origin from the company's own production facilities are decoupled from the physical flow of electricity and can be applied as an independent certificate for fuel mix disclosure, regardless of location.

In the reporting year, ewz (Deutschland) GmbH succeeded in further advancing its growth strategy and purchasing a number of wind farms. In March 2018, it acquired the Graincourt wind farm from wind turbine manufacturer Nordex, its third construction-ready wind farm in north-eastern France, with a total output of 12 MW. The four wind turbines are expected to be operational in April 2019. All six turbines of the Autremencourt wind farm began feeding electricity into the grid in mid-December 2018, and the facility's trial operations period was a success. At the Vihiersois wind farm, all nine wind turbines were installed with transfer scheduled for March 2019.

In southern Norway, the construction-ready wind farm project Stigafjellet was acquired in July 2018. From its existing investment in the Høg-Jæren wind power plant, the company was well aware of the outstanding conditions that this region offers for wind power plants. Construction will begin in spring 2019, with completion expected by the third quarter of 2020. With seven Siemens Gamesa turbines, the wind power plant will have an installed capacity of 30.1 MW.

Construction is advancing at the Trianel Borkum II offshore wind farm, in which ewz (Deutschland) GmbH acquired a share in February 2017. Work began in June 2018, with the foundation structures for the wind turbines installed by autumn 2018 in line with



schedule. Cabling within the wind farm will be installed around the start of 2019. Installation of all 32 North Sea wind power plants is on target for completion in autumn 2019.

Across Europe, wind levels for 2018 were lower than in previous years. These wind conditions meant that output at the Epinette wind farm, the only wind farm in France already in operation, was around 10% lower than the target. The German onshore wind farm portfolio also faced disappointing wind conditions in 2018. The Schermen wind farm was the only operation to reach its target and the previous year's feed-in rate. The Kleinbrembach and Vogelsberg wind farms together recorded the lowest feed-in rates of recent operating years, with Dörmte and Crussow not far behind. Aside from lower-than-average wind conditions, the key themes for the year were minor repairs, new maintenance contracts and preliminary investigations for possible repowering. In December 2018, ewz (Deutschland) GmbH and the five German onshore wind farm companies passed the recertification audit according to the ISO 9001:2015 standard. The company received recommendations for ongoing development that are now being successively implemented. The discrepancies at the Butendiek offshore wind farm were less pronounced than they were for German onshore wind farms. The wind farm was in operation with no outages throughout the entire year, and production values were only 6% below the target.

After Sweden's Atlantic wind farm portfolio consistently exceeded production volume targets in its first three years, the Swedish wind farms were not immune from the weaker winds of continental Europe in 2018, with production falling around 7% short of the target. On the other hand, the weakening of the Swedish krona against the euro had a positive effect.

Economic growth was consistently positive in every country with ewz (Deutschland) GmbH wind farm sites in 2018. Nonetheless, the European Central Bank continued to pursue a loose monetary policy, with interest rates remaining at historically low levels. Negative interest rates increased demand for opportunities to invest in renewable energies and pushed up project prices. On the other hand, ewz (Deutschland) GmbH benefited from favourable rates for external capital for its projects.

Germany has completed its transition from an exclusively feed-in tariff system to an auction system in its funding for production facilities driven by renewable energy sources. This means that all approved projects are no longer automatically guaranteed a fixed remuneration tariff; instead, only competitive projects will have the opportunity of securing fixed remuneration at auction. This has made the market extremely competitive and effectively halved annual expansion. But even under these framework conditions, ewz (Deutschland) GmbH is ideally positioned to succeed in the marketplace. In Germany, there is increasing emphasis on the repowering concept – exchanging old wind turbines for higher performance models. On average, wind farms in the ewz (Deutschland) GmbH portfolio and the German market in general are older than their foreign equivalents. In France, projects with guaranteed feed-in tariff systems can still be found, although they are also in the process of transitioning to an auction system. However, the lengthy approval process is starting to put a brake on further expansion of renewable energies in France.

ewz (Deutschland) GmbH is solidly positioned, with a consolidated balance sheet of over EUR 300 million. It will continue to pursue its growth strategy over the coming years. ewz (Deutschland) GmbH will continue to invest in power plants driven by renewable energies, secure interesting production sites and consolidate technological and country-specific know-how. This commitment represents an active contribution to the task of energy transition.



Tiziano Bottinelli



Hanspeter Rahm



Martin Roth



Marcel Frei





Autremencourt wind farm,
Hauts-de-France region, France

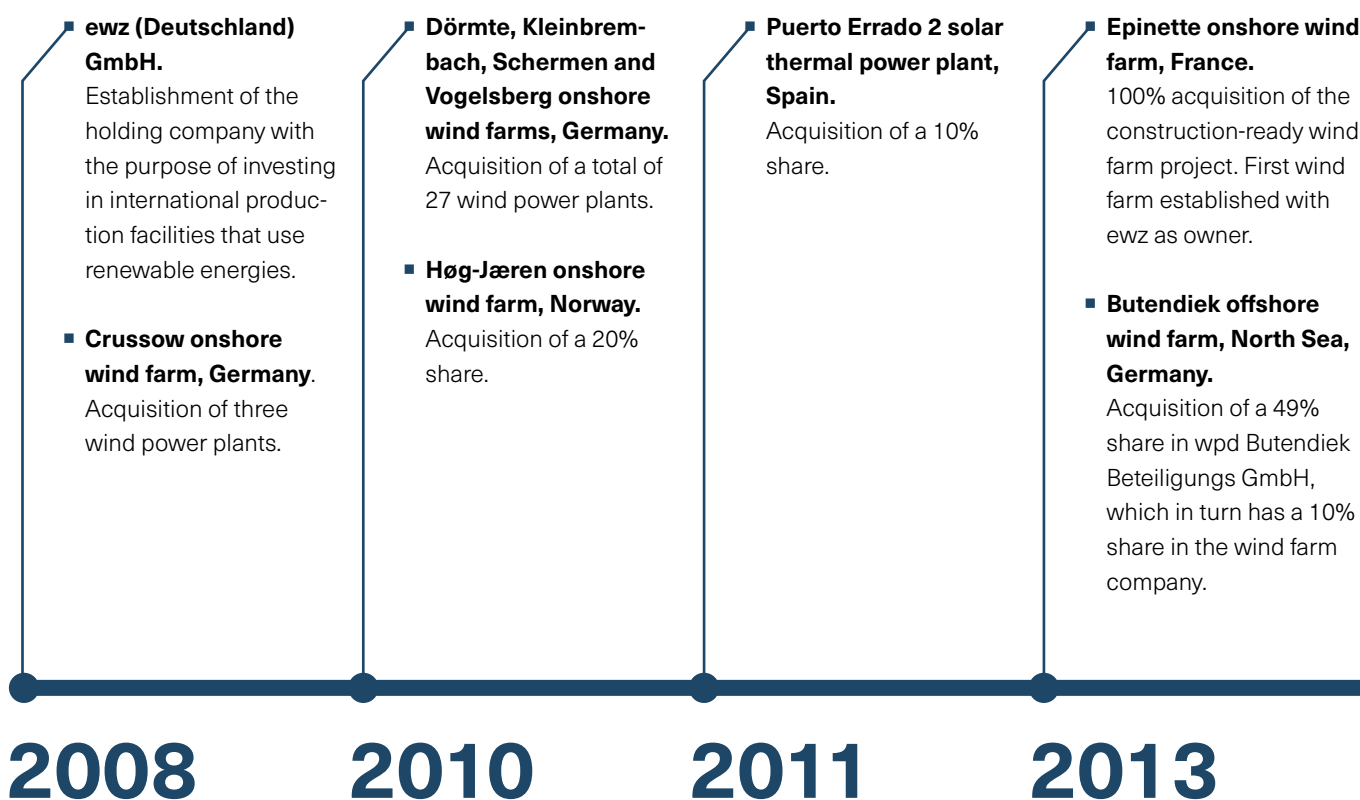
Activities of ewz (Deutschland) GmbH. Overview.

Key figures (as at December 2018).

Investments	15
Installed capacity (ewz share)	129.5 MW
Capacity under construction (ewz share)	102.9 MW
Production (ewz share)	343.1 GWh

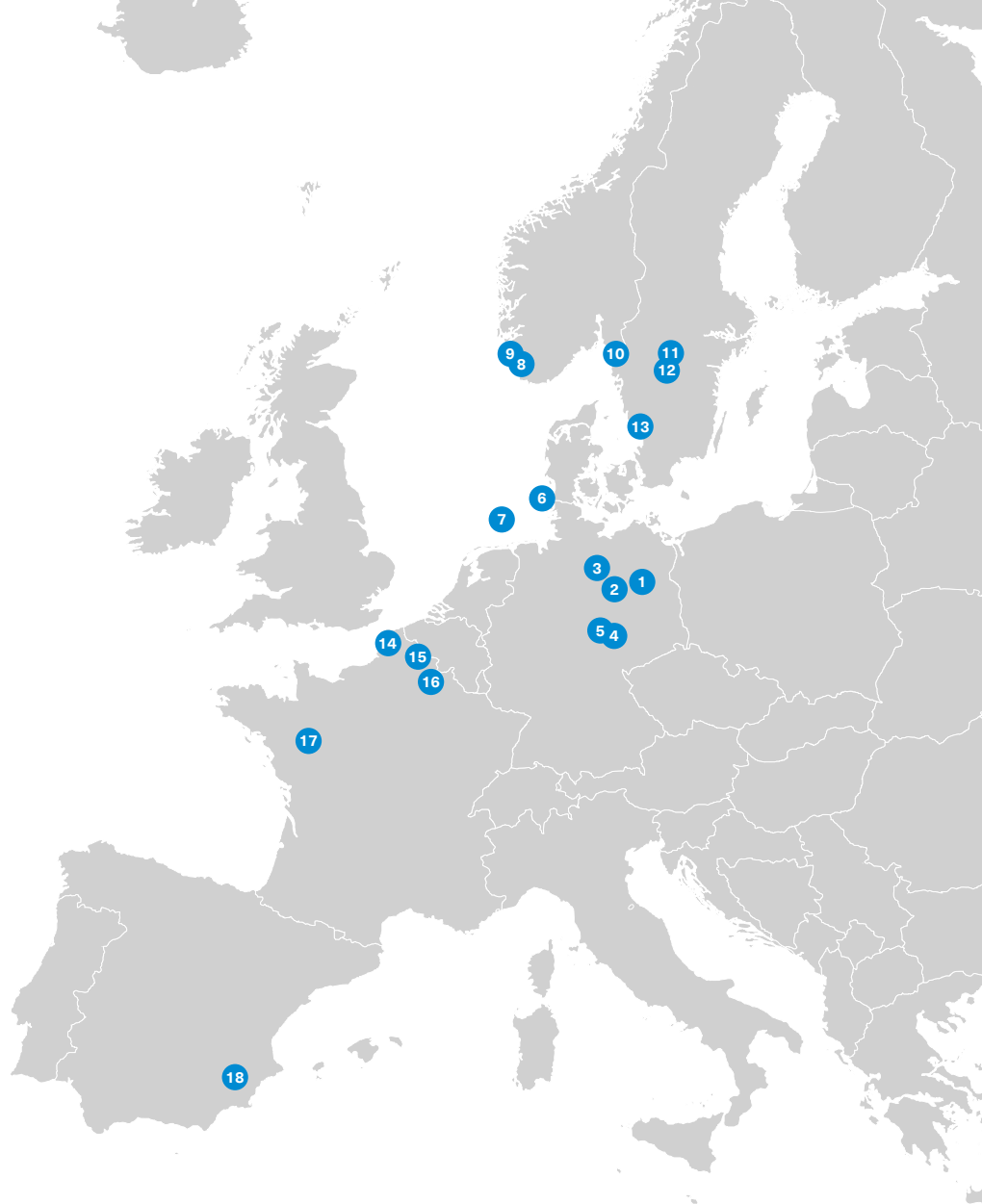
Chronological overview.

A summary.



**ewz (Deutschland) GmbH
production sites.**

- 1 Crussow, wind onshore DE
- 2 Schermen, wind onshore DE
- 3 Dörnte, wind onshore DE
- 4 Vogelsberg, wind onshore DE
- 5 Kleinbrembach, wind onshore DE
- 6 Butendiek, wind offshore DE
- 7 Borkum, wind offshore DE
- 8 Høg-Jæren, wind onshore NO
- 9 Stigafjellet, wind onshore NO
- 10 Mungseröd, wind onshore SE
- 11 Ramsnäs, wind onshore SE
- 12 Skalleberg, wind onshore SE
- 13 Alered, wind onshore SE
- 14 Epinette, wind onshore FR
- 15 Graincourt, wind onshore FR
- 16 Autremencourt, wind onshore FR
- 17 Vihiersois, wind onshore FR
- 18 Puerto Errado 2, solar thermal ES



■ **Atlantic onshore wind farm portfolio, Sweden.**

Acquisition of a 51% share in the Atlantic wind farm portfolio, consisting of the four wind farms Mungseröd, Ramsnäs, Skalleberg, Alered.

■ **Borkum II offshore wind farm, North Sea, Germany.**

Acquisition of a 12.26% share in the Trianel Borkum II offshore wind farm project.

■ **Autremencourt and Vihiersois onshore wind farms, France.**

100% acquisition of the Autremencourt and Vihiersois wind farm projects.

■ **Graincourt onshore wind farm, France.**

100% acquisition of the Graincourt wind farm project.

■ **Stigafjellet onshore wind farm, Norway.**

100% acquisition of the Stigafjellet wind farm project.

2015

2017

2018

Portfolio.

Brief description.

1 Crussow wind farm, Brandenburg, Germany.



The wind farm is located 90 kilometres north-east of Berlin, near Angermünde in the state of Brandenburg. The immediate vicinity is an extensive agricultural region with arable farming land or meadows for grazing. In 2008, ewz (Deutschland) GmbH acquired three of a total of eight turbines.

Capacity	6 MW
Turbines	3 Vestas V-80; 2 MW
ewz share	100%
Commissioning	2002
Production	10 GWh

2 Schermen wind farm, Saxony-Anhalt, Germany.



The Schermen wind farm is located in the district of Jerichower Land, Saxony-Anhalt, 15 kilometres north-east of the city of Magdeburg. The wind farm benefits from varying wind strengths at different elevations, with up to 20 metres' difference between the individual wind power plants.

Capacity	16 MW
Turbines	8 Vestas V-90; 2 MW
ewz share	100%
Commissioning	2007 (6) and 2009 (2)
Production	31 GWh

3 Dörnte wind farm, Lower Saxony, Germany.



The Dörnte wind farm is located in the district of Uelzen, Lower Saxony, 70 kilometres south-east of Hamburg. The immediate vicinity of the wind farm consists of extensive arable farming land.

Capacity	16.5 MW
Turbines	11 REpower MD-77; 1.5 MW
ewz share	100%
Commissioning	2006
Production	31 GWh

4 Vogelsberg wind farm, Thuringia, Germany.



The Vogelsberg wind farm is located in the district of Sömmerda, Thuringia, 75 kilometres south-west of Leipzig. It sits atop a slight elevation and is surrounded by extensive grain fields. Only a high-voltage line and a local authority border separate the wind farms of Vogelsberg and Kleinbrenbach.

Capacity	6 MW
Turbines	3 Vestas V-90; 2 MW
ewz share	100%
Commissioning	2009
Production	13 GWh

5 Kleinbrenbach wind farm, Thuringia, Germany.



The Kleinbrenbach wind farm is located in the district of Sömmerda, Thuringia, 75 kilometres south-west of Leipzig. It is situated on an elevation in the midst of arable farming land directly adjacent to the Vogelsberg wind farm and cannot be seen from the village.

Capacity	10 MW
Turbines	5 Vestas V-90; 2 MW
ewz share	100%
Commissioning	2006
Production	22 GWh

6 Butendiek wind farm, North Sea, Germany.



The Butendiek offshore wind farm is located off the German coast of the North Sea, around 32 kilometres from the island of Sylt. Construction began in March 2014 and the first turbines started feeding electricity into the public grid just eleven months later in February 2015. August 2015 saw the fastest completion of an offshore North Sea wind farm to date.

Capacity	288 MW
Turbines	80 Siemens SWT-3.6-120; 3.6 MW
ewz share	4.9%
Commissioning	2015
Production	1 143 GWh

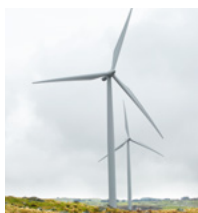
7 Borkum II wind farm, North Sea, Germany.



The Trianel Borkum II offshore wind farm is located in Germany's North Sea territory, around 45 kilometres from the North Sea island of Borkum and some 65 kilometres from the German mainland. ewz acquired a 12.26% share in this turnkey project in February 2017. Construction has been under way since autumn 2017 and is set to be completed in autumn 2019.

Capacity	202.6 MW
Turbines	32 Senvion 6.33 6M152
ewz share	12.26%
Commissioning	Q3 2019
Production	881 GWh

8 Høg-Jæren wind farm, Stavanger, Norway.



Since mid-2011, 26 wind power plants have been operation in the Høg-Jæren wind farm, with a further six added in late 2012. They are located south of the port city of Stavanger, one of the most productive domestic locations for wind energy. The Høg-Jæren wind farm was named 'Wind Warrior of the Year' in 2013 and 2014.

Capacity	73.6 MW
Turbines	32 Siemens SWT-2.3-93; 2.3 MW
ewz share	20%
Commissioning	2011 (26) and 2012 (6)
Production	235 GWh

9 Stigafjellet wind farm, Bjerkreim, Norway.



The wind farm is located just 12 kilometres east of the Høg-Jæren wind farm, in which ewz has a 20% share, in the wind-rich Rogaland region of south-western Norway. The developer Eolus is responsible for the construction of the wind farm and the facility is scheduled to go into production in mid-2020.

Capacity	30.1 MW
Turbines	7 Siemens SWT-DD-130; 4.3 MW
ewz share	100%
Commissioning	first half of 2020
Production	117 GWh

Atlantic wind farm portfolio, southern Sweden.

The four wind farms of Mungseröd, Ramsnäs, Skalleberg and Alered are located on elevations in forested regions (around 200 kilometres apart) and benefit from different wind regimes. ewz (Deutschland) GmbH acquired a 51% share in three of the four turnkey wind farms in January 2015 and the fourth, Skalleberg, in March 2015.



10 Mungseröd wind farm.

Capacity	15.2 MW
Turbines	4 Vestas V-100; 1.8 MW 4 Vestas V-100; 2.0 MW
ewz share	51%
Commissioning	2014
Production	46 GWh

11 Ramsnäs wind farm.

Capacity	13.4 MW
Turbines	3 Vestas V-100; 1.8 MW 4 Vestas V-100; 2.0 MW
ewz share	51%
Commissioning	2014
Production	41.5 GWh

12 Skalleberg wind farm.

Capacity	19.4 MW
Turbines	2 Vestas V-90; 2.0 MW 3 Vestas V-100; 1.8 MW 5 Vestas V-100; 2.0 MW
ewz share	51%
Commissioning	2015
Production	59.5 GWh

13 Alered wind farm.

Capacity	13.2 MW
Turbines	4 Vestas V-112; 3.3 MW
ewz share	51%
Commissioning	2014
Production	34.7 GWh

14 Epinette wind farm, Nord-Pas-de-Calais, France.



This location near the coast, around 30 kilometres from the English Channel, boasts particularly good wind potential. ewz (Deutschland) GmbH acquired a share in the construction-ready wind farm in 2013. It is the first wind farm that ewz has operated as a builder, constructed after just one year, and through which ewz gained experience with gearless wind turbines.

Capacity	12 MW
Turbines	6 Enercon E82; 2 MW
ewz share	100%
Commissioning	2014
Production	36 GWh

15 Graincourt wind farm, Hauts-de-France region, France.



The Graincourt wind farm is located in the Hauts-de-France region in north-eastern France, in the vicinity of the Epinette wind farm that has been operational since 2014. The ownership of the construction-ready project carried out by Nordex was transferred to ewz (Deutschland) GmbH in February 2018. It is set to go into operation in the first half of 2019.

Capacity	12 MW
Technology	4 Nordex N117 R91;
	3.0 MW
ewz share	100%
Commissioning	first half of 2019
Production	34 GWh

16 Autremencourt wind farm, Hauts-de-France region, France.



Like the Graincourt wind farm, the Autremencourt wind farm is located in the Hauts-de-France region of north-eastern France, relatively close to the Epinette wind farm. ewz acquired the construction-ready project from Nordex in December 2017. Handover is scheduled for the first half of 2019.

Capacity	14.4 MW
Turbines	6 Nordex N117 R91;
	2.4 MW
ewz share	100%
Commissioning	first half of 2019
Production	39 GWh

17 Vihiersois wind farm, Pays de la Loire region, France.



The Vihiersois wind farm is located in the Pays de la Loire region of western France, around 80 kilometres east of Nantes. Construction work has been under way since autumn 2017. ewz acquired the wind farm project from the developer Nordex in December. Commissioning is scheduled for the first half of 2019.

Capacity	21.6 MW
Turbines	9 Nordex N117 R91;
	2.4 MW
ewz share	100%
Commissioning	first half of 2019
Production	64 GWh

18 Puerto Errado 2, Calasparra, Spain.



Located in the sunny Spanish region of Murcia, the Puerto Errado 2 thermal solar power plant went into operation in 2012 and is based on Fresnel technology with direct evaporation. It was constructed under Swiss management. Along with two conventional power plant blocks, the facility encompasses a solar field with around 302 000 m² of reflective surfaces.

Capacity	30 MW
Technology	Linear Fresnel collectors
ewz share	10%
Commissioning	2012
Production	45 GWh

Financial Report 2018.

Positive Group result.

General.

These consolidated financial statements were created according to the provisions of the German Commercial Code (HGB) for the first time as at 31/12/2018. The previous years' values were adjusted in line with this accounting standard.

Income situation.

Along with the availability of facilities, the income situation is largely dependent on weather conditions and as such dependent on the volume of electricity produced. The climate was somewhat milder than expected across Europe in 2018, with below-average wind and rain levels. Buoyant construction and investment activity within the ewz Deutschland Group is reflected in the consolidated annual result. Construction activity gives rise to higher costs without generating revenues, which consequently puts a strain on the annual result. The consolidated annual net profit after minority interests amounted to TEUR 1517 (previous year: TEUR 2850).

Lower wind levels brought revenues down from TEUR 24 136 in 2017 to TEUR 22 421 in 2018. Revenues were divided between focus countries as follows: Germany TEUR 8 947 (previous year TEUR 9 242), Sweden TEUR 10 527 (previous year: EUR 12 263), France EUR 2 947 (previous year: TEUR 2 630). Three new wind farms were under construction in France in 2018. One wind farm managed to generate revenues even in the test phase in 2018, with all three wind farms expected to be producing revenue from the first quarter of 2019. The cost of materials fell to TEUR 6 033 compared to TEUR 6 315 in 2017, mainly due to lower production-related operating and maintenance costs. As a result, the EBITDA fell to TEUR 16 592 (previous year: TEUR 18 818).

Depreciation and amortisation expenses amounted to TEUR 12 003, a reduction from the previous year (TEUR 12 217) that can largely be attributed to unscheduled depreciations in 2017 associated with the acquisition of new wind farms in France. The facility currently under construction will only be depreciated over its useful life after commissioning.

Higher levels of debt drove an increase in interest expenses to TEUR 2 836 (previous year: TEUR 2 702). Within the ewz Deutschland Group, interest costs are not capitalised during construction.

Financial situation.

The balance sheet total increased by TEUR 86 732 to reach TEUR 323 785 (previous year: TEUR 237 053).

There was a particular increase in non-current assets due to strong investment activities. Cash and cash equivalents rose to TEUR 32 599 in the year under review (previous year: TEUR 29 156).

On the liabilities side, liabilities to banks arising from new loans increased by TEUR 67 000 to TEUR 129 000. Investments made in the year under review were predominantly financed through external capital, which explains the reduction in the equity capital ratio from 52% (2017) to 41% (2018). ewz Deutschland Group has set itself the goal of maintaining an equity capital ratio of at least 40%. We define the subordinated loans of the Zurich Municipal Electric Utility in the amount of TEUR 15 800 as economic equity, and they are included when calculating the equity capital ratio.

Net debt increased in the past financial year by TEUR 67 770 to reach TEUR 143 518. This debt increase serves to finance long-term assets, which have also increased. As the wind farms currently under construction do not yet generate revenue, the key figures of net debt/EBITDA deteriorated in the past financial year from 4.0 years (2017) to 8.6 years (2018).

In its function as a holding company, ewz (Deutschland) GmbH is responsible for financial management within the ewz Deutschland Group. ewz (Deutschland) GmbH finances fully consolidated companies through loans and current accounts and ensures optimisation of financing while also guaranteeing sufficient liquidity reserves. Cash pooling agreements exist with all German wind farm companies, with the exception of ewz Windpark Crussow GmbH.

In 2018, ewz (Zurich Municipal Electric Utility) paid TEUR 9 500 into the capital reserve of ewz (Deutschland) GmbH. Moreover, ewz (Deutschland) GmbH has an unused loan facility in the amount of TEUR 15 500 with ewz (Zurich Municipal Electric Utility).

The change in cash and cash equivalents amounted to TEUR 3 443 in 2018. An operating cash flow of TEUR 8 968 was generated. Cash flow from investment activities of TEUR -79 902 reflects the acquisitions in France and Norway. Cash flow from financing activities of TEUR 74 377 largely reflects the new loan (TEUR 67 000) and payments into the capital reserve (TEUR 9 500).

Investments.

In 2018, investments were carried out in the amount of TEUR 86 709. Investments largely encompassed the construction of the three wind farms acquired in France (ewz parc éolien Autremencourt S.A.S., Parc Eolien Nordex LIV S.A.S. and ewz parc éolien Graincourt S.A.S.) from the Nordex portfolio. In addition, the Norwegian project company ewz Stigafjellet Vind AS was acquired on 11/12/2018. The Stigafjellet wind farm will be constructed in 2019 and is set to produce around 117 GWh of electricity starting summer 2020.



Vihierois wind farm, Pays de la Loire region, France; fixing the rotor blades

Profit and loss statement. 2018.

Profit and loss statement.	2018	2017
	TEUR	TEUR
1. Revenues	22 421	24 136
2. Other operating income	254	1 581
3. Cost of materials		
a) Cost of purchased services	- 6 033	- 6 315
4. Depreciation and amortisation on intangible assets on fixed assets and property, plant and equipment	- 12 003	- 12 217
5. Other operating expenses	- 1 046	- 1 206
6. Income from affiliated companies	876	623
7. Earnings from investments	120	0
8. Earnings from loans of financial assets	349	373
9. Interest and similar expenses	- 2 836	- 2 702
<i>of which from affiliated companies</i>	- 265	- 264
10. Taxes on income and earnings	- 331	- 477
11. Net income after taxes	1 771	3 795
12. Other taxes	- 283	- 438
13. Consolidated annual profit	1 488	3 357
14. Loss from non-controlling interests	- 29	507
15. Consolidated net profit	1 517	2 850

Balance sheet.

2018.

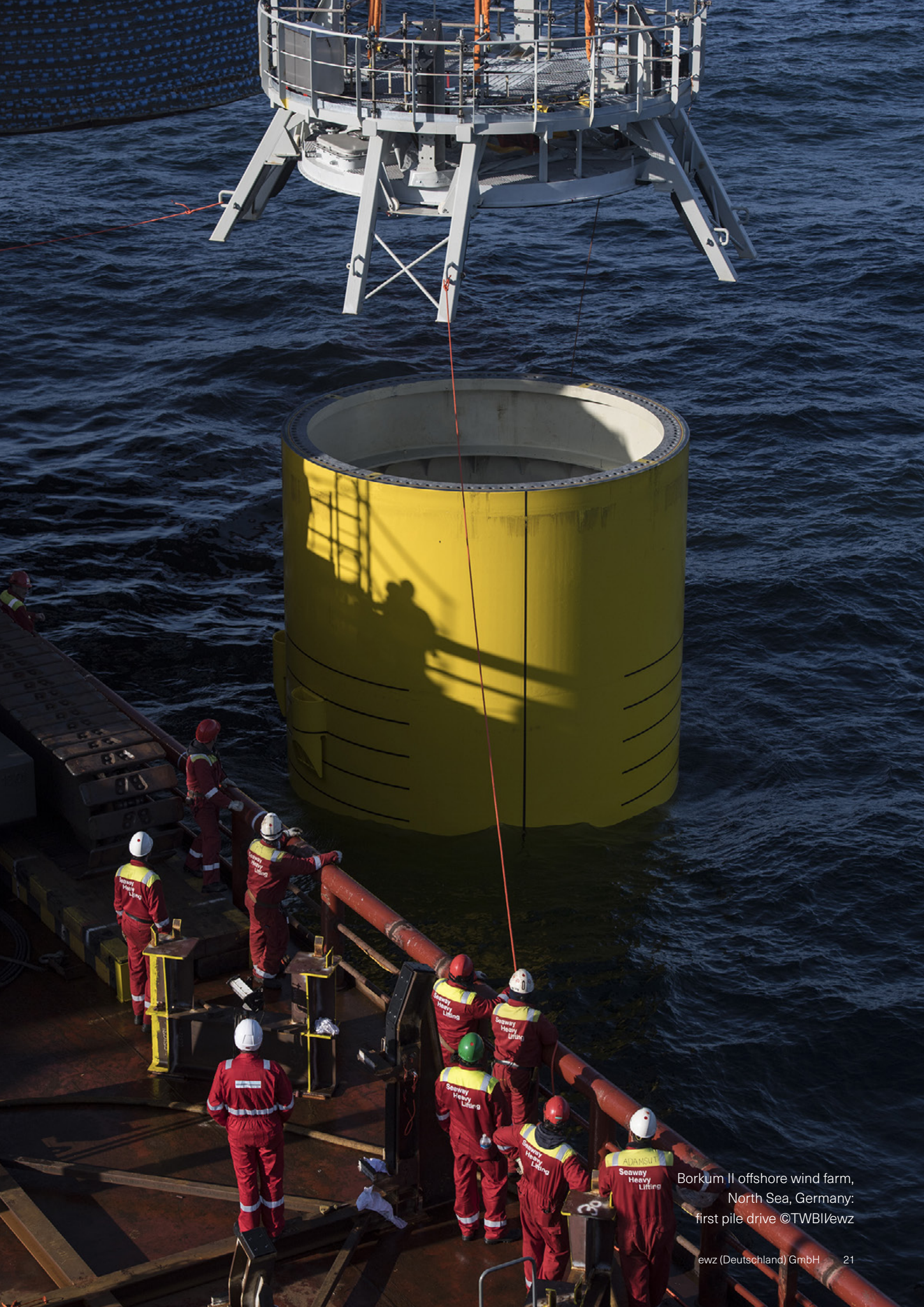
Consolidated balance sheet as at 31 December 2018.		31/12/2018	31/12/2017
		TEUR	TEUR
A. Non-current assets			
I. Intangible assets			
1.	Paid concessions, industrial property rights and similar rights and values as well as licences to such rights and values	13 043	10 753
2.	Goodwill	6 794	7 090
		19 836	17 844
II. Property, plant and equipment			
1.	Land, land rights and buildings, including buildings on third-party land	2 386	2 568
2.	Technical plant and machinery	105 830	115 628
3.	Other fixed assets, machinery and business equipment	0	0
4.	Advance payments and assets under construction	99 416	12 707
		207 632	130 903
III. Financial assets			
1.	Investments in affiliated companies	32 029	31 454
2.	Other investments	7 557	7 557
3.	Loans to companies related through investment	12 740	12 782
4.	Other loans	651	685
		52 977	52 477
		280 446	201 224
B. Current assets			
I. Receivables and other assets			
1.	Trade accounts receivable	3 054	3 721
2.	Receivables from companies related through investment	305	561
3.	Other assets	6 624	1 607
		9 983	5 889
II. Cash on hand and cash at banks			
		32 599	29 156
		42 582	35 046
C. Deferred income		757	784
ASSETS		323 785	237 053

Consolidated balance sheet as at 31 December 2018.

	31/12/2018	31/12/2017
	TEUR	TEUR
A. Equity capital		
I. Subscribed capital	25	25
II. Capital reserve	132813	123313
III. Loss carried forward	- 23263	- 26 143
IV. Consolidated profit	1517	2850
V. Non-controlling interests	7242	7467
	118 335	107 513
B. Provisions		
1. Tax provisions	351	175
2. Other provisions	1688	1885
	2 039	2 060
C. Liabilities		
1. Loans	30 000	30 000
2. Liabilities to banks	129 000	62 000
3. Trade accounts payable	9 658	1 328
4. Liabilities to affiliated companies	15 866	15 800
5. Liabilities to companies related through investment	13 678	14 462
6. Other liabilities <i>of which taxes</i>	1 634 1 005	840 399
	199 837	124 430
D. Deferred income	91	103
E. Deferred tax assets	3 484	2 947
LIABILITIES	323 785	237 053

Cash flow statement. 2018.

Consolidated cash flow statement from 1 January to 31 December 2018.		2018
		TEUR
1.	Period result (consolidated annual net profit, including profit share of other shareholders)	1 488
2.	+/- Depreciation and amortisation/appreciation on non-current assets	12 003
3.	+/- Increase/decrease in provisions	- 197
4.	+/- Other non-cash expenses/earnings	- 135
5.	-/+ Increase/decrease in inventories, trade accounts receivable as well as other assets not included under investment or financing activity	- 4 129
6.	+/- Increase/decrease in trade accounts payable as well as other liabilities not included under investment or financing activity	- 1 739
7.	+/- Interest expenses/income	2 487
8.	- Other investment income	- 996
9.	+/- Income tax expenses/income	331
10.	-/+ Income tax payments	- 145
11.	= Operating cash flow	8 968
12.	- Payments for investments in property, plant and equipment	- 77 482
13.	+ Payments from disposals of financial assets	552
14.	- Payments for additions to scope of consolidation	- 3 494
15.	+ Interest received	402
16.	+ Dividends received	120
17.	= Cash flow from investment activity	- 79 902
18.	+ Payments from additions to equity capital from shareholders in the parent company	9 500
19.	+ Payments from additions to equity capital from other shareholders	784
20.	+ Payments from issuance of bonds and raising of (financial) loans	67 000
21.	- Interest paid	- 1 927
22.	- Dividends paid to other shareholders	- 980
23.	= Cash flow from investment activity	74 377
24.	Net change in cash and cash equivalents	3 443
25.	+ Cash and cash equivalents at beginning of period	29 156
26.	= Cash and cash equivalents at end of period	32 599



Borkum II offshore wind farm,
North Sea, Germany:
first pile drive ©TWBI/ewz

Annex. 2018.

General principles and statement.

ewz Deutschland Group, with parent company ewz (Deutschland) GmbH, located in 78467 Constance, registered in the commercial register in Freiburg, Germany, HRB 706311, falls within the scope of section 267(2) of the German Commercial Code (HGB). According to section 293 HGB, the size of the Group means it is exempted from the obligation to prepare consolidated financial statements or a consolidated management report.

Nonetheless, for reasons of transparency, ewz Deutschland Group has voluntarily decided to prepare consolidated financial statements each year and it prepared consolidated financial statements according to the provisions of the German Commercial Code (HGB) for the first time as at 31/12/2018.

The consolidated balance sheet is structured in line with section 266 HGB. The consolidated profit and loss statement is structured using the total cost method in line with section 275(2) HGB. The annual financial statements are prepared in euros, with amounts shown in thousands of euros (TEUR). The following provisions that apply to large stock corporations are applied.

Scope of consolidation.

The consolidated financial statements are prepared as stipulated in section 290(1) HGB. For the consolidated financial statements, the following subsidiaries are included (directly or indirectly) in addition to the parent company ewz (Deutschland) GmbH in accordance with section 294(1) HGB:

Shareholding of ewz (Deutschland) GmbH at 31/12/2018.

Company	Location	Share in %	Consolidation
Holding company			
ewz (Deutschland) GmbH	Constance (DE)	n/a	n/a
Fully consolidated companies			
ewz Windpark Crussow GmbH*	Constance (DE)	100%	Full consolidation
ewz Windpark Dörmte GmbH	Constance (DE)	100%	Full consolidation
ewz Windpark Kleinbrembach GmbH	Constance (DE)	100%	Full consolidation
ewz Windpark Schermen GmbH	Constance (DE)	100%	Full consolidation
ewz Windpark Vogelsberg GmbH	Constance (DE)	100%	Full consolidation
ewz parc éolien Epinette S.A.R.L.	Schiltigheim (FR)	100%	Full consolidation
ewz parc éolien Autremencourt S.A.S.	Schiltigheim (FR)	100%	Full consolidation
Parc Eolien Nordex LIV S.A.S.	Schiltigheim (FR)	100%	Full consolidation
ewz parc éolien Graincourt S.A.S.	Schiltigheim (FR)	100%	Full consolidation
ewz Stigafjellet Vind AS	Oslo (NO)	100%	Full consolidation
ewz Atlantic Sverige AB	Malmö SE	51%	Full consolidation
Affiliated companies			
ewz Offshore Borkum GmbH **	Constance (DE)	50.008%	At equity
Minority shareholdings			
wpd Butendiek Beteiligungs GmbH ***	Bremen (DE)	49%	Acquisition value principle
Jæren Energi AS	Stavanger (NO)	20%	Acquisition value principle
Tubo Sol Puerto Errado 2 S.L.	Calasparra (ES)	10%	Acquisition value principle

* ewz Windpark Crussow GmbH has a 37.5% share in Windpark Crussow GmbH, equity capital at 31/12/2017 of TEUR 65.7; 2017 result: TEUR 2.5

** Offshore Borkum GmbH has a 24.51% share in Trianel Windkraftwerk Borkum II GmbH & Co. KG

*** wpd Butendiek Beteiligungs GmbH has a 10% share in OWP Butendiek GmbH & Co. KG

The companies ewz Stigafjellet Vind AS and ewz parc éolien Graincourt S.A.S. were added to the scope of consolidation in 2018. The effect of the changed scope of consolidation on the profit and loss statement and the balance sheet at 31/12/2018 is shown in the table below:

Balance sheet.	2018
	TEUR
Non-current assets	17 503
Current assets	8 053
Total assets	25 556
Equity capital	- 275
<i>of which loss for the period</i>	<i>- 275</i>
Liabilities	25 115
Deferred tax assets	716
Total liabilities	25 556

ewz offshore Borkum GmbH, Constance, was first incorporated into the consolidated accounts as an affiliated company on 31/12/2017. In line with the consolidation option provided for by sections 296(1)(1) and (3) HGB, and in light of significant, long-term restriction of the rights of ewz (Deutschland) GmbH, it chose not to incorporate the company into the consolidated financial statements. This significant, long-term restriction exists in the articles of association, under which the business policy of the company can only be decided upon jointly.

For 2018, ewz offshore Borkum GmbH was recognised in the consolidated financial statements with the following balance sheet and profit and loss statement. The financial statements for the company are prepared according to the provisions of commercial law and recorded within the Group. There is no goodwill acquired through payment.

Balance sheet.	2018
	TEUR
Non-current assets	60 732
Current assets	3 357
Total assets	64 089
Equity capital	64 048
<i>of which annual profit</i>	<i>1 752</i>
Provisions	10
Liabilities	31
Total liabilities	64 089

Profit and loss statement.	2018
	TEUR
Other interest and similar earnings	1 816
<i>of which to companies related through investment</i>	<i>1 816</i>
Other operating expenses	65
Annual profit	1 752

Consolidation principles.

The assets and debts of the companies included in the consolidated financial statements are recognised according to Group-wide uniform accounting and valuation methods. The consolidated financial statements are prepared from a summary of the annual financial statements of all companies concerned.

For purchases after 31/12/2009, capital consolidation is carried out according to the revaluation method (section 301(1)(2) HGB). In applying the revaluation method, the carrying amount of the capital to be consolidated is determined by the fair value of the subsidiary's balance sheet items at the time of their initial inclusion in the consolidated financial statements.

The investment is offset against the pro rata equity capital of the subsidiary in proportion with the parent company's share in the subsidiary. Hidden reserves are disclosed. Any remaining asset difference from capital consolidation is capitalised in the form of goodwill.

Minority interests in equity capital are recognised in an adjustment item for holdings of external shareholders (under 'Non-controlling interests') within consolidated equity capital.

In the context of debt consolidation, all receivables and liabilities between the companies included in the consolidated financial statements are offset against each other in accordance with section 303(1) HGB.

All revenues and other income and expenses between the companies included in the consolidated financial statements are eliminated by expense and income consolidation in accordance with section 305(1) HGB.

Affiliated companies are accounted for at their book value in accordance with section 312(1) HGB.

Accounting and valuation.

All annual financial statements included in the consolidated financial statements were prepared as of 31/12/2018. The accounting and valuation were carried out in accordance with section 297 et seq. HGB, applying the provisions of the HGB applicable to stock corporations.

The accounting and valuation methods have been retained unchanged from the previous year. The following accounting and valuation methods are decisive for the preparation of the consolidated financial statements.

Purchased **intangible assets** are entered in the balance sheet at acquisition cost and reclassified according to their probable useful life and reduced by scheduled depreciation according to the straight-line method. Useful lives of 15 to 20 years are subject to scheduled depreciation.

The **goodwill** arising from capital consolidation is calculated and capitalised using the revaluation method. As goodwill divides the fate of intangible assets and property, plant and equipment, scheduled straight-line depreciation is based on the respective useful life of 15 to 20 years.

Property, plant and equipment is recognised at acquisition or production cost and is subject to scheduled amortisation. The normal useful lives are taken as follows:

Useful life of property, plant and equipment.

Wind power plants (installed before 2010)	16 years
Wind power plants (installed 2010 and later)	20 years
Tools, furnishings, fittings	5 years

Interest on external capital is not included in manufacturing costs.

Investments in affiliated companies are valued using the equity method according to the pro rata equity capital in the affiliated company. Equity capital of the affiliated company is increased by its annual profit and reduced by profit distributions.

Investments are accounted for at acquisition cost. **Loans to companies that are related through investment** include long-term interest-bearing loans and receivables, which are accounted for at their fair value. **Other loans** are generally stated at nominal value. **Liabilities and other assets** are stated at nominal value. **Cash and cash equivalents** are stated at nominal value. Expenses recorded under **deferred charges** are recognised in the amount of the prepayment.

Provisions (tax provisions and other provisions) take into account all foreseeable risks and contingent liabilities based on prudent commercial assessment with the required settlement amount. For provisions with a remaining term of more than one year, price and cost increases are taken into account and discounted to the balance sheet date. The discount rates used are the average market interest rates for the past financial years corresponding to the residual terms of the provisions, as published monthly by the Bundesbank. Expenses and income from the compounding or discounting of provisions are recorded under 'Interest and similar expenses' or 'Other interest and similar earnings' as appropriate. Obligations that arise in an economic sense from current operations are accrued pro rata temporis in equal instalments.

Liabilities are posted at the settlement amount. Income recorded under **deferred income** is recognised in the amount of the prepayment.

Deferred taxes are calculated on the basis of temporary differences between the commercial value of assets, debts and deferred income and their tax valuations on the basis of tax losses carried forward or tax interest carried forward. The amount of the resulting tax burden or relief is valued according to company-specific tax rates. Deferred tax assets and liabilities are determined for the individual companies of the ewz Deutschland Group. Should there be a net deferred tax asset at the individual financial statement level, the option to recognise it provided for in section 274 (1)(2) HGB in association with section 306 HGB is waived and there is no capitalisation.

Legal notice.

Publisher	ewz (Deutschland) GmbH Lohnerhofstraße 2 78467 Constance Phone +49 7531 8926 0 info@ewz-energie.de
Issued	May 2019
Cover image	EpINETTE wind farm, Nord-Pas-de-Calais region, France
Edition	20 copies, printed on Cyclus FSCR FSC recycling (climate-neutral and printed with green power).
Reproduction	Permitted with indication of source.
Measurements	GWh = gigawatt hour (1 billion watt hours) MW = Megawatt (1 million watts)

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