



Clean Energy Solutions
Report on the first half year
and on the second quarter
of 2018



SUMMARY

The operational business of the PNE Group during the first six months of 2018 was characterised by the development and realisation of onshore wind farms. In Germany, France and Sweden, wind farms with a nominal capacity of approx. 66 MW were under construction on June 30, 2018, including a project (25.2 MW) which is managed by the PNE Group as a service provider.

Wind farms in Germany and France with a nominal output of around 37.5 MW were completed and commissioned in the first half of 2018, including two wind farms (27.2 MW) which were managed by the PNE Group as a service provider. As part of the tenders for German onshore wind farms, PNE was awarded contracts for projects developed by it with a nominal capacity of 49.1 MW.

In the second quarter of 2018, PNE received a further milestone payment of around euro 4 million as part of the project progress for the "Gode Wind 3" project, which successfully participated in the first German tender for offshore wind energy in April 2017.

Furthermore, the "Gode Wind 4" project developed by PNE was also awarded a contract in the second German tender for offshore wind farms in 2018 as one of six projects.

With the placement of a new corporate bond with a volume of euro 50 million and a coupon of 4.0 percent in April and the repayment of the corporate bond with a volume of euro 100 million at the end of the second quarter, the liabilities and future interest charges for PNE AG were significantly reduced.

AT A GLANCE

PNE AG Group figures

in TEUR	01.01. - 30.06.2018	01.01. - 30.06.2017	01.01. - 30.06.2016
Total aggregate output	38,159	49,953	61,061
Revenues	28,413	39,451	44,804
Earnings before interest, taxes and depreciation and amortisation (EBITDA)	8,738	-1,763	4,550
Operating profit (EBIT)	4,053	-4,954	-1,439
Earnings before taxes (EBT)	-1,909	-9,733	-9,461
Net income	-274	-6,475	-7,771
Basic earnings per share (euro)	0.00	-0.08	-0.10
Average number of shares (million)	76.6	76.6	76.6

in TEUR	30.06.2018	31.12.2017	31.12.2016
Equity on the reporting date	229,699	235,220	229,388
Equity ratio on the reporting date (%)	53.00	47.68	53.10
Balance sheet total on the reporting date	433,378	493,285	431,994

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FOREWORD

Dear shareholders

PNE WIND AG has become PNE AG. Following the resolution of this year's general meeting of shareholders, the change in the name has now been finalised. PNE now stands for "Pure New Energy". This is a visible expression of our optimised strategy, which in future will include much more than the planning of wind farms on land and at sea. In addition to wind energy, we are also developing new products in photovoltaics, in hybrid projects with solar and wind energy and also in storage systems. We are also expanding our range of services with offers for construction and operations management as well as financial services.

Both operationally and financially, the PNE Group is very well on track at the end of the first half of 2018.

Wind energy project development

In Germany, France and Sweden, wind farms with approx. 66 MW were under construction on June 30, 2018, including a project (25.2 MW) which is attended to by the PNE Group as a service provider. Wind farms in Germany and France with a nominal output of around 37.5 MW were completed and commissioned in the first half of 2018, including two wind farms (27.2 MW), which were managed by the PNE Group as a service provider.

New permits and successful tenders of onshore and offshore projects

In the first six months of 2018, PNE was awarded contracts for projects developed by it with a nominal capacity of 49.1 MW as part of the tenders for German wind energy projects. In the second quarter of this year, we obtained the necessary permits for another wind farm in France with a nominal output of 14.1 MW. This means that the French wind energy market continues to develop very pleasingly for us. Furthermore, the "Gode Wind 4" offshore project developed by PNE received an award in the second German tender for offshore wind farms in 2018 as one of six projects.

For the "Gode Wind 3" project, which successfully participated in the first German tender for offshore wind energy in April 2017, a further milestone payment of around euro 4 million was received as the project progressed.

The implementation of the Scale-up strategy is proceeding according to plan

The current operational successes confirm our strategy of using our recognised qualifications in wind energy as the basis of our further development. This takes place in established but also in new markets as well as regarding technologies. In this way, we will become a Clean Energy Solution Provider. We laid the foundations for a successful implementation of the strategy in the first half of 2018 with the restructuring of corporate financing and have already achieved the first major Scale up milestones.

New corporate financing

With the placement of a new corporate bond with a volume of euro 50 million and a coupon of 4.0 percent in April and the scheduled repayment of the corporate bond with a volume of euro 100 million at the end of the second quarter, we succeeded in significantly reducing both the liabilities and the future interest charges of PNE AG. This has laid the foundation for implementing our "Scale up" strategy and building up our "2020 wind farm portfolio".

Stake in WKN increased to 100 percent

A milestone achieved as part of the implementation of the "Scale up" strategy was the increase in the stake in our Husum-based subsidiary WKN AG from 89.1 percent to 100 percent, which was completed in July 2018. This strengthens the existing operational integration of the two companies

and will enable us to leverage additional synergies and increase productivity by further optimising processes and procedures.

First-half results on target

Both the implementation of the strategy and the development of the 2020 wind farm portfolio are initially linked to upfront expenditure - because success requires investment. Our next goal is to consolidate our earnings, including by the expansion of our range of services, to consistently increase the value of the enterprise and to achieve a sustainable increase in shareholder value.

The key indicators of the first six months of 2018 must also be seen in the context of these general conditions. During this period, the Group generated sales of euro 28.4 million (prior year: euro 39.5 million), total aggregate output of euro 38.2 million (prior year: euro 50.0 million) and earnings before interest, taxes, depreciation and amortisation (EBITDA) of euro 8.7 million (prior year: euro -1.8 million), operating profit (EBIT) of euro 4.1 million (prior year: euro -5.0 million) and undiluted earnings per share of euro 0.00 (prior year: euro -0.08).

Unrealised gains from the 2020 wind farm portfolio continue to grow

In addition, since 2017, we have created values which are not readily apparent. This relates to the establishment of our "2020 wind farm portfolio", which is owned by the Company. The earnings before tax accrued in this portfolio to date - not yet realised at the Group level - amount to approx. euro 18.8 million since 2017 (of which approx. euro 6.5 million in the first half year of 2018). With such a portfolio of company-owned projects, complete or partial sales to third parties outside the Group, and accordingly the earnings in the Group from these projects, are postponed.

Fixed assets and liabilities to banks from project financing within the Group will increase up to the complete or partial sale of the "2020 wind farm portfolio".

Outlook confirmed

The key indicators of the first half of the year are on target and show that we can also achieve positive results during the investment phase. Accordingly, we also confirm our forecast of generating clearly positive EBIT in the range of euro 10 to 16 million and EBITDA in the range of euro 20 to 26 million within the Group in 2018.

PNE is well on track. And we are optimistic about the future.

We would like to express our very sincere gratitude - including on behalf of our employees - for your support to date.

Please maintain your confidence in us in the future!

PNE AG

The Board of Management



Markus Lesser



Jörg Klawat



Kurt Stürken

CAPITAL MARKET INFORMATION

Share



PNE AG shares began the current fiscal year on January 2, 2018 at a closing price of euro 2.885. After a price increase up to mid-January, the shares reached a high of euro 3.175 on January 16, 2018 during the period under review. From the beginning of February 2018, share performance was marked by price losses triggered by a short-term sectoral slump due to the negative outlook of wind turbine manufacturers. On February 13, 2018 the stock reached its current lowest point at euro 2.74. After a period of recovery in the following weeks, the PNE stock continued to lose value from the end of March and settled in a corridor between approx. euro 2.40 and 2.60 until mid-June. On 29 June 2018, the share closed at euro 2.28, which corresponds to a market capitalisation of approx. euro 174.5 million and a change of -21.0 percent compared with the beginning of the year. The benchmark index ÖkoDAX lost 8.4 percent over the same period, while the Renixx lost 4.5 percent in value.

In the weeks following the end of the first half of the year, the PNE shares rose slightly again and closed at euro 2.47 on July 20, 2018.

- | Share
- | Information about bonds
and participation certificates
- | Shareholder structure

Information about bonds and participation certificates

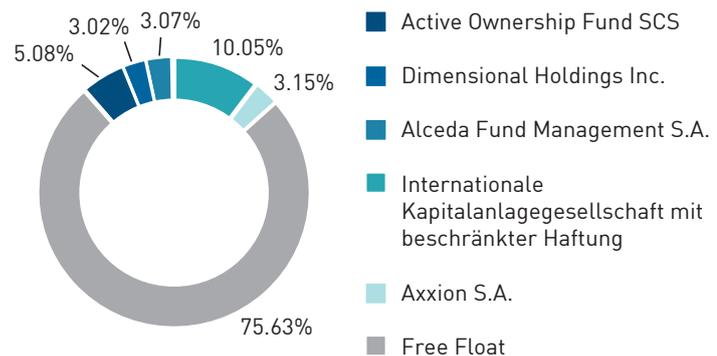
The 2013/18 corporate bond with a volume of euro 100 million was redeemed as scheduled in the second quarter of 2018. In April 2018, the Company issued a new corporate bond 2018/2023 with a volume of euro 50 million and an interest coupon of 4.0 percent. This bond has been traded on the stock exchange under ISIN DE000A2LQ3M9 since May 2, 2018 and has been quoted continuously at prices above 100 percent since then.

The 2014/19 convertible bond had a nominal value of euro 6.6 million as at June 30, 2018. In the reporting period, no bonds were converted into shares. Because of the dividend payment, the conversion price for the conversion of bonds into shares has changed and now amounts to euro 2.9971.

Shareholder structure

At the end of the reporting period on June 30, 2018, the total number of shares issued by PNE AG amounted to 76,556,026.

Of the members of the Company's Board of Management, Mr. Jörg Klowat held 100,000 shares and Mr. Markus Lesser held 24,000 shares in the Company on June 30, 2018. Of the members of the Supervisory Board, Mr. Florian Schuhbauer, via Active Ownership Fund SCS, held 3,885,383 shares and Mr. Marcel Egger 40,000 shares in the Company on June 30, 2018.



Pursuant to the voting right notifications, the major shareholders held the following stakes on June 30, 2018: Internationale Kapitalanlagegesellschaft mit beschränkter Haftung 10.05 percent, Active Ownership Fund SCS 5.08 percent, Axxion S.A. 3.15 percent, Dimensional Holdings Inc. 3.02 percent and Alceda Fund Management S.A. 3.07 percent of the shares. Accordingly, all other shareholdings were to be classified as free float.

Annual general meeting

The Annual General Meeting of PNE WIND AG was held on June 6, 2018 in Cuxhaven. The shareholders resolved by a large majority that the Company shall operate in future under the name PNE AG. With this change in the corporate name, the shareholders are following the extended strategy of the Company. Based on the successful development of wind farm projects, PNE AG will become a provider of solutions for clean energy. In addition to wind energy, this includes the expansion by photovoltaics as well as hydrogen for direct use and as a storage technology as well as services in these areas.

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

The proposed resolutions on the discharge of the members of the Board of Management, the members of the Supervisory Board and the election of Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, as auditors of the annual and consolidated financial statements were also accepted by a clear majority.

Change of name

The change of name from “PNE WIND AG” to “PNE AG”, resolved by the general meeting of shareholders, was entered in the commercial register of the Tostedt Local Court on June 15, 2018. Since then, the Company has operated under the name PNE AG.

- | Annual general meeting
- | Change of name
- | Financial calendar
- | Additional information

Financial calendar

November 8, 2018	Publication Quarterly Statement Q3 2017
November 2018	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.

CONDENSED INTERIM GROUP MANAGEMENT REPORT

of PNE AG, Cuxhaven, for the first six months of 2018

1. General political conditions

Compared to the presentation in the annual report 2017, the general political conditions have changed in the following countries.

ITALY

Since 2012, Italy has used an obligatory direct marketing system with additional incentives being awarded through a competitive auction system. The national energy strategy "SEN 2017" envisages increasing the share of clean energies in electricity generation to 55 percent by 2030. To accelerate the expansion, the government plans seven tenders with a volume of 500 to 800 MW in the period 2018 – 2020. In addition, the regulatory framework will be adjusted to enable direct power purchase agreements with companies at attractive terms and conditions in the future.

POLAND

The Polish Renewable Energies Act was revised in 2016 and a tender procedure was introduced. The current government has worsened the framework conditions for the development of wind energy projects in recent years in several of respects. To achieve the climate targets, an amendment to the law was passed in 2018 under pressure from the EU, which removes some of the restrictions and allows further tenders for renewable energies. The economic perspectives speak clearly in favour of a further expansion of clean renewable energies in Poland. In addition, the good wind conditions are also promising competitive marketing without subsidies.

TURKEY

The wind energy market in Turkey is based on a state-guaranteed feed-in tariff system. Additionally, there was a licensing procedure for grid capacity introduced in 2013, whereby an auction system is used for access to the individual connection points.

In 2017, there were two tenders 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 71.4 MW project in a regional tender with a total of 260 MW. Further YEKDEM tenders for 2,000 MW are planned for the beginning of 2020. In addition, there will be a YEKA offshore tender for 1,200 MW in 2018.

PNE AG still sees good reasons that Turkey will promote the rapid expansion of clean energies, especially wind power. The preparations for further tenders for clean energies by the Turkish authorities support this assessment.

2. Corporate structure

The change of name from "PNE WIND AG" to "PNE AG", resolved by the general meeting of shareholders, was entered in the commercial register of the Tostedt Local Court on June 15, 2018. Since then, the Company has operated under the name PNE AG. The changes in the companies included in the consolidated financial statements as compared to December 31, 2017 are presented in the condensed notes to the consolidated financial statements under 3. Scope of consolidation.

3. General accounting principles

In the financial report for the first six months of the 2018 financial year ended June 30, 2018, the new accounting standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers were applied for the first time. Otherwise, the Company applied the same accounting and valuation methods as in the consolidated financial statements as at December 31, 2017.

The interim financial statements were drawn up in line with the regulations of IAS 34. The tax expenditure of the PNE Group is determined using an estimate of the taxable income of the relevant companies.

4. Organisation and employees

On June 30, 2018, the PNE AG Group employed 366 people in total (previous year: 359). The employees of the subsidiaries are included in this number.

5. Overview of business activity

Summary

The operational business of the PNE Group during the first six months of 2018 was characterised by the development and realisation of onshore wind farms. In Germany, France and Sweden, wind farms with a nominal capacity of approx. 66 MW were under construction on June 30, 2018, including a project (25.2 MW) which is managed by the PNE Group as a service provider.

Wind farms in Germany and France with a nominal output of around 37.5 MW were completed and commissioned in the first half of 2018, including two wind farms (27.2 MW), which were managed by the PNE Group as a service provider.

In the first six months of 2018, PNE was awarded contracts for three wind farm projects with a nominal capacity of 49.1 MW as part of the tenders for German wind energy projects.

In the second quarter of 2018, PNE received a further milestone payment of around euro 4 million as part of the project progress for the "Gode Wind 3" project, which successfully participated in the first German tender for offshore wind energy in April 2017.

Furthermore, the "Gode Wind 4" project developed by PNE was also awarded a contract in the second German tender for offshore wind farms in 2018 as one of six projects.

Segment: projecting of wind power turbines

Wind power onshore sub-division

The development and realisation of onshore wind farms have been continued consistently in the first six months of 2018, both in Germany and in the foreign markets.

Overview of the onshore project activities of the PNE Group as at June 30, 2018 in MW:

Country	I-II	III	IV	Total MW
Germany	1,399	131	22	1,552
Bulgaria	121	0	0	121
France	321	124	19	464
United Kingdom	43	0	0	43
Italy	70	14	0	84
Canada	505	0	0	505
Poland	223	42	0	265
Romania	54	102	0	156
South Africa	230	30	0	260
Sweden	0	158	0	158
Turkey	629	71	0	700
Hungary	0	42	0	42
USA	232	200	0	432
Total	3,827	914	41	4,782

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

GERMANY

At the end of the first six months, the PNE Group was working on wind farm projects with a nominal output of approx. 1,552 MW in various phases of project development.

The “Gerdau-Schwienau” repowering project (Lower Saxony), in which six wind power turbines with a total nominal output of 21.6 MW will be erected, was under construction on June 30, 2018. The wind farm is expected to be completed in 2018. Wind turbines which were commissioned in 2001 and 2002 will be replaced.

The implementation of the “Looft” repowering project (Schleswig-Holstein), in which PNE was active as a service provider, was completed in the first half year of 2018. Five wind power turbines with a total nominal output of 16.5 MW were erected and commissioned in this project.

In the first half of 2018, the PNE Group was responsible for the management of the “Wangerland” wind farm project, which was built in the form of a community wind farm. In this context, the PNE Group provided services in the areas of project development, construction management and financing. This has been part of the PNE strategy of further increasing the proportion of services. The project was commissioned in the first half of 2018.

Foreign markets

The PNE Group also continued to carry out its core business of project development abroad. Compared to the presentation in the 2017 annual report, there were the following changes in the foreign markets:

FRANCE

The PNE Group is increasingly successful in the French market with its own project pipeline of approx. 464 MW. The permit for the Daméraucourt project (14.1 MW) was issued in the second quarter of 2018. In the St. Martin-L'Ars wind farm, which has already been sold, five wind power turbines with a total nominal output of approx. 10.3 MW were put into operation. Another wind farm with eight wind power turbines with a total nominal capacity of 19.2 MW is under construction.

SWEDEN

The Laxaskogen project (25.2 MW) situated in Sweden and developed by the PNE Group was sold last year. The wind farm is under construction. The construction phase is supervised by PNE within the framework of a service contract. Start of operation is scheduled for the first quarter of 2019. With this project, PNE is also pursuing its strategy of further increasing the share of services.

Wind energy offshore sub-division

GERMANY

PNE's high level of competence in the offshore segment is reflected by visible successes: PNE has already sold eight offshore wind farm projects after their development was completed. Apart from "Atlantis 1", these are the projects "Borkum Riffgrund" and "Gode Wind". PNE will continue to operate as a service provider for the latter projects.

Three 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" as well as "Gode Wind 1" and "Gode Wind 2" with a total nominal output of 894 MW. Ørsted (formerly DONG Energy) has started construction on the "Borkum Riffgrund 2" project, which was also developed and sold by PNE. The full start of operation is scheduled for 2019.

In the first German tender for offshore wind farms in 2017, the "Gode Wind 3" project developed by PNE was one of four projects that received an award. In the second quarter of 2018, PNE received a further milestone payment of around euro 4 million as part of the project progress for the "Gode Wind 3" project. Furthermore, the "Gode Wind 4" project developed by PNE was also awarded a contract in the second German tender for offshore wind farms in 2018 as one of six projects.

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

Offshore wind energy - international

PNE is currently examining the possibility of developing marine wind farms off the US coasts. The United States Bureau of Ocean Energy Management (BOEM) is currently in the process of leasing additional sites for offshore wind farms in state-controlled coastal waters. PNE has applied to BOEM for five offshore wind farm sites and expects to receive feedback in 2018 as to whether these sites can be developed further by PNE. The fact that the first US offshore wind farm was put into operation in July 2017 shows that wind farms off the coasts of the USA are possible.

Electricity generation segment

The electricity generation segment combines all activities of the Group companies, which are engaged directly in the production of electricity from clean energies. This division includes primarily the wind farms "Laubuseschbach", "Gerdau-Schwienau", "Pülfringen" and "Kührstedt-Alfstedt" with a nominal capacity of 69 MW, which are operated by PNE, and the Silbitz timber biomass power plant. Furthermore, the segment includes shares in limited partnerships, in which future onshore wind farm shall be realised.

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

In the first six months of 2018, the electricity generation segment achieved EBITDA of euro 5.2 million (prior year: euro 1.7 million) and EBIT of euro 1.5 million (prior year: euro 0.3 million).

Changes

Compared to December 31, 2017, there were no other significant changes in the area of operations. As regards the changes in the regulatory context, the statements in the section "Political general conditions" apply.

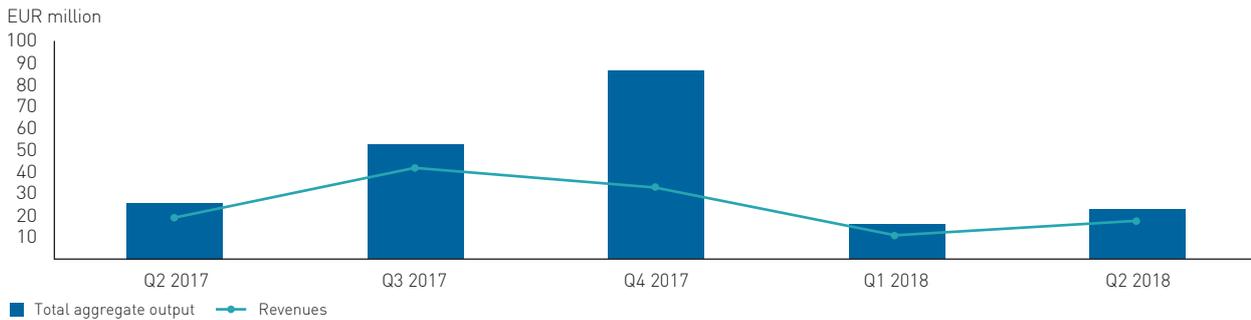
6. Economic report

The figures shown below were determined and presented in accordance with IFRS for the Group

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

a. Revenues and earnings

Total aggregate output/Revenues



In the first six months of 2018, the PNE AG Group achieved a total aggregate output of euro 38.2 million (prior year: euro 50.0 million). Of this, euro 28.4 million was attributable to revenues (prior year: euro 39.5 million), euro 6.2 million to changes in inventories (prior year: euro 8.3 million), and euro 3.5 million to other operating income (prior year: euro 2.2 million). In the period of the previous year, the aggregate output, revenues and changes in inventories were above the values as at the end of the first six months of 2018, since the MV capacity of the wind farms under construction or wind farms already sold was higher in the previous year.

The activities of the Group in project development in Germany and abroad and both onshore and offshore are reflected in the expense items. The share of cost of materials in the Group's total aggregate output amounts to euro 7.8 million (prior year: euro 28.7 million). The Group's improved cost of materials ratio (cost of materials in relation to total output) is based on the fact that revenues from the "electricity generation" segment (own wind farms and the Silbitz heat and power plant) totalling around euro 6.7 million are partially not offset by cost of materials, but rather expense items in the form of depreciation or other operating expenses (leases, etc.). Furthermore, the milestone claim for the Gode Wind 3 offshore wind farm of around euro 4 million is offset by no or only minor other operating expenses.

In the period under review, the personnel expenses amounted to euro 13.3 million in the Group and thus increased in comparison to the amount of the prior year period (euro 12.1 million). The year-on-year increase in personnel costs is to a small extent due to the higher number of employees in the Group. A major reason for this increase in personnel costs is due to the earlier recognition of provisions for variable compensation of employees in the second quarter of 2018, since the performance targets of employees for the 2018 financial year have become foreseeably attainable in the second quarter of 2018. The number of employees in the Group as at June 30, 2018 amounted to 366 people (as at June 30, 2017: 359 employees).

The other operating expenses in the Group totalling euro 8.3 million (prior year: euro 11.0 million) remained on previous year's level and can be generally divided into expenses resulting from legal and consultancy costs, advertisement and travel expenses, insurance premiums and contributions, repair and maintenance costs (predominantly relating to the "Silbitz" timber biomass power plant and the "Kührstedt-Alfstedt", "Gerdau-Schwiebau" and "Pülfringen" wind farms) as well as rental, lease and lease-purchase expenses.

Depreciation increased on a year-on-year basis by euro 1.5 million to euro 4.7 million (previous year: euro 3.2 million). In general, depreciation related to the Silbitz timber biomass power plant and the projects “Kührstedt-Alfstedt”, “Gerdau-Schwiebau” and “Pülfringen”, which are consolidated in the Group. This increase compared to the previous year resulted primarily from regular depreciation incurred by the Group for the “Kührstedt-Alfstedt” portfolio projects, which were commissioned not before the end of 2017.

Interest expenses in the Group increased from euro 5.3 million in the prior year to euro 6.1 million. This increase in interest and similar expenses is predominantly attributable to the Group’s project funding activities with regard to the wind farms commissioned last year. A reduction in the previous annual interest costs will be reflected in the item “Interest expense” from the second half of the year, as the euro 100 million bond (8 percent interest per year) was repaid in the second quarter of 2018 and a new bond (bond 2018/2023) with euro 50 million and a lower interest rate (4 percent per year) was issued.

EBIT and EPS



In the period under review, the following results were achieved at the Group level:

- earnings before interest, taxes, depreciation and amortisation (EBITDA = EBIT plus depreciation and amortisation) totalling euro 8.7 million (prior year: euro -1.8 million),
- operating profit (EBIT = corresponds to the value of the total Group result in the line “Operating result”) of euro 4.1 million (prior year: euro -5.0 million) and
- earnings before taxes (EBT = corresponds to the value shown in the Group’s statement of total comprehensive income in the line “Income before taxes”) of euro -1.9 million (prior year: euro -9.7 million).

The positive results (EBITDA and EBIT) in the first half of 2018 are mainly due to the milestone payment received for “Gode Wind 3” and the development of the European “2020 wind farm portfolio” owned by the Company.

The pre-tax profits accumulated in the “2020 wind farm portfolio” in the first half of 2018 - eliminated at Group level - amounted to around euro 6.5 million (the pre-tax profits eliminated at Group level in the same period of the previous year amounted to approx. euro 4.5 million for the “2020 wind farm portfolio”). Since the start of construction of the “2020 wind farm portfolio”, the accumulated pre-tax profits - eliminated at Group level - amounted to around euro 18.8 million as of June 30, 2018. These gains will be realised in the statement of consolidated income at the time of the sale of the “2020 wind farm portfolio”.

The consolidated net income after minority interests amounted to euro -0.3 million (prior year: euro -6.5 million). The basic earnings per share for the Group amounted to euro 0.00 (prior year: euro -0.08) and the diluted earnings per share for the Group amounted to euro 0.00 (prior year: euro -0.08).

Due to the business results of approx. euro -0.3 million and the dividend payment made in the reporting period of approx. euro 3.1 million, retained earnings at the Group level declined in the reporting period by approx. euro 3.3 million to approx. euro 81.6 million (December 31, 2017: euro 84.9 million).

With regard to the subsidiaries consolidated in the Group, the major portion of revenues achieved in the period under review related to management remuneration and service payments in the amount of euro 3.0 million (prior year: euro 3.2 million), payments for the use of transformer stations in the amount of euro 2.0 million (prior year: euro 1.5 million) and proceeds from the sale of electricity in the electricity generation segment in the amount of euro 7.0 million (prior year: euro 3.7 million). The year-on-year increase in electricity generation sales is due to the fact that the "Kührstedt-Alfstedt" wind farms (43 MW) of the "2020 wind farm portfolio", which were commissioned at the end of 2017, were in operation in the first half of 2018 and thus made a significant contribution to sales revenues in the electricity generation segment.

The sub-group of WKN AG was included in the Group of PNE AG in accordance with IFRS with the following values (before consolidation effects):

WKN sub-group in EUR million	01.01. - 30.06.2018	01.01. - 30.06.2017
Revenues	11.1	15.1
Total aggregate output	14.9	18.8
Personnel expenses	-5.1	-4.2
Other operating expenses	-3.2	-3.8
EBIT	1.6	-2.9
Employees on June 30 of the year	144 employees	137 employees

The results of the Group reflect, among other things, the continued investments needed to develop the onshore and offshore project pipeline in Germany and abroad. The upfront expenditure for domestic and foreign projects which are at the realisation stage is consolidated in the Group and has not yet delivered results at the Group level. The pre-tax profits from the "2020 wind farm portfolio" accumulated to date and eliminated at Group level amounted to approx. euro 18.8 million as at June 30, 2018, of which around euro 6.5 million is attributable to the first half of 2018.

b. Financial situation/liquidity

The statement of cash flow provides information on the liquidity situation and the financial position of the Group. As at June 30, 2018, the group companies had liquidity and credit facilities for interim project financing in the total amount of euro 117.7 million, of which euro 2.1 million is pledged to banks (prior year: euro 174.8 million, of which euro 0.1 million pledged).

The liquidity available is broken down as follows:

- cash and cash equivalents in the amount of euro 114.9 million and
- interim project financing available of euro 2.8 million.

Furthermore, WKN AG has a credit facility for guarantee and contract fulfilment obligations in the amount of euro 4.2 million (amount drawn on June 30, 2018: euro 1.8 million).

The cash flow from ordinary activities shown in the statement of cash flows amounts to euro -36.4 million (prior year: euro -37.2 million) and was primarily attributable to

- the Group result of the reporting year,
- the expenses for the implementation of the portfolio projects, the further development of the project pipeline and the implementation of the wind farm projects, which are reflected in the inventories and were primarily financed by interim project financing (see Cash flow from financing activities).

The cash flow from investing activities in the reporting period includes payments received and payments made for investments in property, plant and equipment of the Group as well as for the sale of consolidated entities totalling euro -3.4 million (prior year: euro 8.0 million). The investments in property, plant and equipment were characterised mainly by investments in transformer stations for the wind farm projects being constructed. Investments in consolidated entities amounting to euro -2.0 million relate to the purchase of a further 6 percent of the shares in WKN AG (in the previous year, euro -7.5 million related to the purchase of shares in the Silbitz timber biomass power plant). No significant proceeds from the sale of consolidated entities were generated in the first half of 2018 (in the previous year, the sale of the shares in PNE WIND Atlantis I GmbH and the related repayment of shareholder loans resulted in proceeds from the sale of consolidated entities amounting to euro 18.1 million).

During the reporting period, the cash flow from financing activities of euro -39.3 million (prior year: euro 3.6 million) was influenced primarily by

- the redemption of the 2013/2018 bond in the amount of euro -100 million and the new issue of the 2018/2023 bond of euro 50 million,
- the transaction costs of euro -1.6 million incurred for the issue of the euro 50 million bond,
- the repayment and disposal of credit liabilities of euro -4.7 million,
- the payment of the dividend of euro -3.1 million,
- the use of bank loans in the amount of euro 20.1 million, mainly for the financing of wind farm projects under construction and the pro rata equity refinancing of the "Kührstedt-Alfstedt" wind farms built for the "2020 wind farm portfolio".

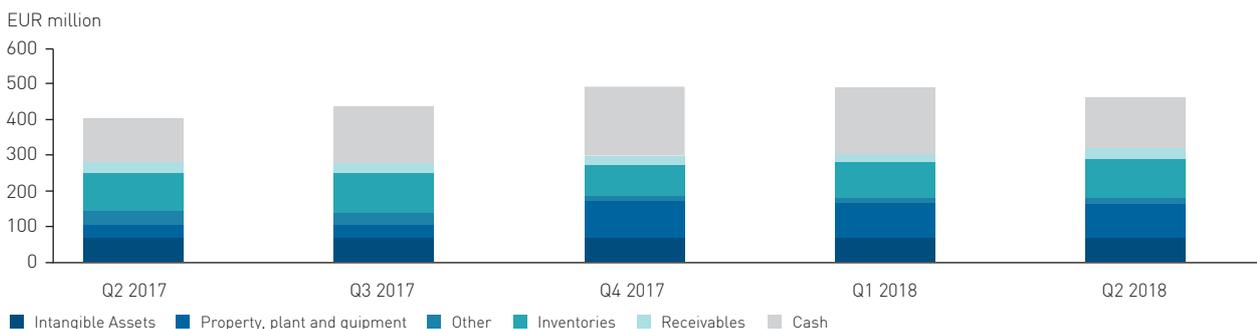
There were no conversions of bonds arising from the 2014/2019 convertible bond during the reporting period. As at June 30, 2018, the share capital of PNE AG amounted to euro 76,556,026.00.

As at June 30, 2018, the Group had liquid funds (cash and cash equivalents) totalling euro 114.9 million (prior year: euro 122.1 million).

*c. Statement of financial position***Assets**

in EUR million	30.06.2018	31.12.2017
Total long-term assets	179.7	184.9
Intangible assets	66.5	66.8
Property, plant and equipment	96.7	103.9
Long-term financial assets	2.5	2.5
Deferred taxes	14.0	11.7
Total short-term assets	253.7	308.4
Inventories	109.4	86.4
Receivables and other assets	28.7	26.8
Tax receivables	0.7	1.2
Cash and cash equivalents	114.9	194.0
Total assets	433.4	493.3

On the reporting date, the consolidated total assets of PNE AG amounted to euro 433.4 million. This corresponds to a decrease of approx. 12.1 percent in comparison with December 31, 2017.

Balance sheet Assets

Total long-term assets decreased from euro 184.9 million at the end of 2017 to euro 179.7 million on the reporting date. As at June 30, 2018, intangible assets totalled euro 66.5 million, representing a similar amount as recorded on December 31, 2017. The most important elements of this item are the goodwill items of the segment "Projecting of wind power turbines" totalling euro 63.4 million (of which projecting of wind power turbines PNE is valued at euro 23.0 million and projecting of wind power turbines WKN is valued at euro 40.2 million). In the same period, property, plant and equipment decreased by euro 7.2 million to euro 96.7 million (December 31, 2017: euro 103.9 million). This item primarily includes land and buildings (euro 11.5 million without the land and buildings of "Silbitz"), transformer stations owned or under construction (euro 12.4 million) as well as the technical equipment and machinery of the Silbitz timber biomass power plant (euro 3.2 million including land and buildings of euro 2.7 million), of the "Gerdau" and "Pülfringen" wind farms (euro 5.4 million) as well as the "Kührstedt-Alfstedt" projects of the "2020 wind farm portfolio" (euro 60.5 million).

During the period under review, short-term assets decreased from euro 308.4 million on December 31, 2017 to euro 253.7 million on June 30, 2018. This change is mainly attributable to the decrease in cash and cash equivalents (euro -79.1 million) and the increase in inventories (euro +23.0 million). Of the short-term assets, euro 8.3 million is attributable to trade receivables (December 31, 2017: euro 5.1 million).

The work in progress shown under the inventories increased from euro 83.4 million as at December 31, 2017 to euro 95.3 million.

Work in progress is divided as follows:

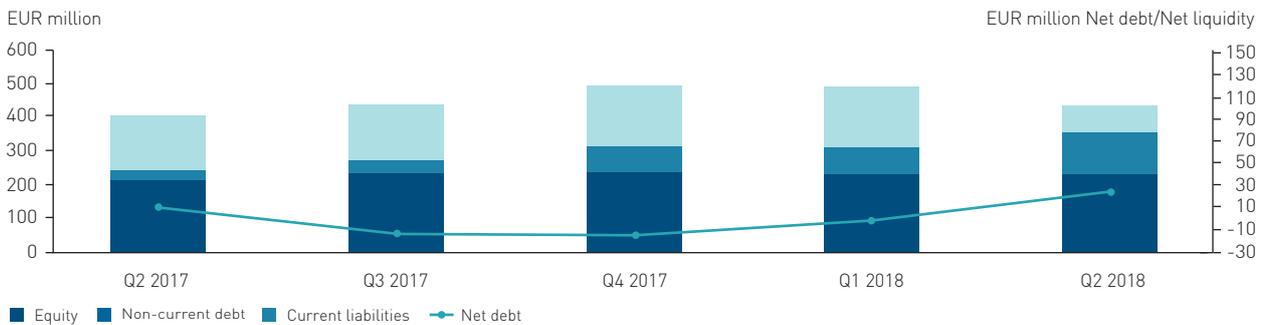
- offshore projects (euro 24.7 million)
- onshore projects in Germany (euro 30.4 million)
- onshore projects abroad (euro 40.1 million)

The advance payments in connection with onshore projects under construction, which are included in the inventories item, increased by euro 11.1 million from euro 2.9 million to euro 14.0 million.

As at June 30, 2018, cash and cash equivalents amounted to euro 114.9 million (as at December 31, 2017: euro 194.0 million).

Liabilities

in EUR million	30.06.2018	31.12.2017
Equity capital	229.7	235.2
Deferred subsidies from public authorities	0.8	0.9
Provisions	4.5	5.9
Long-term liabilities	124.4	77.0
Short-term liabilities	55.8	156.4
Deferred revenues	18.2	17.9
Total assets	433.4	493.3

Balance sheet Liabilities

Group equity on June 30, 2018 fell from euro 235.2 million (December 31, 2017) to euro 229.7 million. This development was mainly due to the Group's earnings, the dividend payment in June 2018 and the disposal of minority interests of euro 2.0 million. The acquisition of a further 6.0 % of the shares in WKN AG (as at June 30, 2018: 89.10% interest in WKN AG) represents an increase in the shareholding in WKN AG in order to maintain the majority interest. According to IFRS 10.23, this transaction between owners only affects the distribution of residual claims of the owner groups, so that there is a shift in value between majority shareholders and minorities in equity. The carrying amounts of the assets and liabilities have remained unchanged. The equity ratio of the Group was 53 percent as at June 30, 2018 (December 31, 2017: 48 percent) and the debt ratio was 47 percent (as at December 31, 2017: 52 percent).

The long-term liabilities increased from euro 77.0 million at the end of 2017 to euro 124.4 million. This item consists mainly of financial liabilities totalling euro 119.9 million (as at December 31, 2017: euro 72.8 million). The long-term financial liabilities include the bond placed in May 2018 (euro 50 million with an interest rate of 4 percent per year) with a carrying amount of euro 48.4 million. The difference of approx. euro 1.6 million to the placed value of the bond relates to the transaction costs of the bond. Pursuant to IFRS, the transaction costs are offset against the liabilities from the bond and recognised as "interest expense" over the term of the bond. The long-term financial liabilities also include the 2014/2019 convertible bond issued in the 2014 fiscal year in an amount of euro 6.4 million. The item also includes long-term liabilities to banks in the amount of euro 64.3 million (as at December 31, 2017: euro 66.0 million).

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

- the project financing of the timber biomass power plant (HKW) "Silbitz" (as at June 30, 2018: euro 0.3 million, of which long term euro 0.0 million),
- the financing of the building of PNE AG at the corporate seat in Cuxhaven (as at June 30, 2018: euro 2.4 million, of which long term euro 2.3 million),
- the project financing of the "Gerdau-Schwiebau" and "Pülfringen" wind farms (as at June 30, 2018: euro 5.3 million, of which long term euro 1.6 million),

- the project financing of the “Kührstedt-Alfstedt” wind farms (as at June 30, 2018: euro 59.2 million, of which long term euro 55.4 million), and
- the interim project financing for the projects under construction in Germany and in France (as at June 30, 2018: euro 10.9 million, of which long term euro 0.0 million).

On June 30, 2018, the total number of shares issued by PNE AG amounted to 76,556,026. There was no change in the number of shares compared with December 31, 2017 (76,556,026 shares).

In the first six months of 2018, the short-term liabilities changed from euro 156.4 million (December 31, 2017) to euro 55.8 million. The change is mainly due to the fact that the euro 100 million bond 2013/2018, which was still reported under short-term liabilities at the end of 2017, was repaid in the second quarter of 2018. The trade liabilities decreased from euro 25.3 million (December 31, 2017) to euro 13.6 million.

Taken the liquid funds into account, the net debt (as of December 31, 2017: net liquidity) thus amounted to euro 25.7 million on June 30, 2018 (December 31, 2017: euro -14.1 million) (in accordance with DVFA - Deutsche Vereinigung für Finanzanalyse und Asset Management).

7. Transactions with related companies and persons

There were no significant changes compared to December 31, 2017.

8. Development and innovation

During the period under review, there were no research and development activities in the PNE AG Group.

9. Major events after the reporting date

In July 2018, PNE AG increased its stake in WKN AG, Husum, from 89.1 percent to 100.0 percent by acquisition of the remaining shares. The costs of this transaction amounted to approx. euro 6.2 million. The acquisition of the remaining 10.9 percent of the shares in WKN AG represents an increase in the shareholding in WKN AG to maintain the majority interest. According to IFRS 10.23, this transaction between owners only affects the distribution of residual claims of the owner groups, so that there is a shift in value between majority shareholders and minorities in equity. The carrying amounts of the assets and liabilities remain unchanged.

Since the end of the reporting period, no other significant events affecting the earnings, financial and asset situation of PNE AG have occurred.

- | Economic report
- | Transactions with related companies and persons
- | Development and innovation
- | Major events following the end of the reporting period
- | Report on opportunities and risks
- | Management declaration (Section 289a of the German Commercial Code (HGB))
- | Outlook/Forecast

10. Report on opportunities and risks

For information about the opportunities and risks of PNE AG, refer to the section “Report on opportunities and risks” in the 2017 annual report, which is available on the Company’s website at www.pnewind.com.

During the first six months of the 2018 fiscal year, the Board of Management has not identified any other significant additions or changes to the risks presented in the 2017 annual report.

11. Management declaration (Section 289f and 315d HGB of the German Commercial Code (HGB))

The management declaration pursuant to Section 289f HGB (German Commercial Code) together with the management declaration pursuant to Section 315d HGB (German Commercial Code), is available on our website www.pne-ag.com in the section “Investor Relations” under Corporate Governance and can be downloaded from there.

12. Outlook/Forecast

As one of the most experienced and internationally operating project planners of onshore and offshore wind farms, PNE combines economic success with ecological responsibility and continues to develop into a “Clean Energy Solution Provider”.

The Group offers services covering the entire value-added chain, ranging from the development, planning, realisation, sales and operation of wind farms and transformer stations to repowering - i.e. the replacement of older wind power turbines by new modern equipment.

PNE develops premium projects of high quality, which meet international standards and allow for secure project financing at an international level. Such a project quality can be achieved by ensuring the forecast for the project schedule and the cost framework from the development to the start of operation.

We intend to realise a new European wind farm portfolio with a total output of approx. 200 MW by 2020, mainly in Germany and France (“2020 wind farm portfolio”). The portfolio can be realised through internally developed wind farm projects, the acquisition of obsolete wind farms for subsequent repowering and the increased acquisition of partially developed projects. Wind farms with a total output of 43 MW, which are intended for this portfolio, are already in operation. Other projects planned for the 2020 wind farm portfolio are at an advanced stage of development. Until the establishment of the new portfolio has been finalised, completed wind farms will be bundled in a subsidiary to generate regular income from the sale of electricity.

In addition, the combination of power plants with clean energies and storage technologies is an issue of the future. We have therefore expanded the Group's strategic orientation. The objective of PNE is to develop from a wind farm specialist to a Clean Energy Solution Provider. The fundamentals of this expanded strategy are the expansion of our range of services and the development of new markets and technologies.

With this new strategic orientation, we are responding to changes in the clean energy markets. While clean energies will grow dynamically worldwide in the coming years, countervailing trends can be observed in individual established markets.

By expanding our operating business, we want to seize the opportunities arising from the transformation of the markets. Based on the extensive experience gained from the successful project planning and operation of wind farms, projects and solutions for the planning, construction and operation of clean energy power plants will also be developed and implemented in the future.

In this way, 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) strategy, this is expected to lead to an increase in average operating results (EBIT) by 2023.

Despite planned upfront expenditure of around Euro 3 million for the strategic expansion of the business model and the preparations for entering new markets, we expect a clearly positive Group EBIT in the range of euro 10 to 16 million in fiscal year 2018. According to the forecast, Group EBITDA is expected to range between euro 20 and 26 million. These results do not take account of the profits from projects to be built in 2018 for the 2020 wind farm portfolio, which is being established.

Cuxhaven, August 8, 2018

PNE AG, Board of Management

COND. INTERIM CONS. FINANCIAL STATEMENT CONS. COMPREHENSIVE INCOME STATEMENT (IFRS)

of PNE AG, Cuxhaven, from January 1 until June 30, 2018

All figures in TEUR (differences due to rounding possible)	2nd Quarter 01.04.2018- 30.06.2018	2nd Quarter 01.04.2017- 30.06.2017	1st Half 01.01.2018- 30.06.2018	1st Half 01.01.2017- 30.06.2017
1. Revenues	17,469	19,027	28,413	39,451
2. Changes in inventories of finished goods and work in process	2,042	4,667	6,223	8,267
3. Other operating income	2,947	1,676	3,524	2,235
4. Total aggregate output	22,458	25,370	38,159	49,953
5. Cost of materials/cost of purchased services	-4,052	-16,396	-7,799	-28,677
6. Personnel expenses	-7,754	-5,783	-13,345	-12,082
7. Amortisation of intangible assets and depreciation of property, plant and equipment	-2,366	-1,823	-4,684	-3,191
8. Other operating expenses	-4,039	-6,653	-8,277	-10,957
9. Operating profit	4,247	-5,285	4,053	-4,954
10. Income from participations and associated companies	-4	157	7	619
11. Other interest and similar income	82	107	163	211
12. Expenses from assumption of losses	-9	-39	-22	-354
13. Interest and similar expenses	-2,301	-2,646	-6,110	-5,255
14. Result before taxes	2,015	-7,706	-1,909	-9,733
15. Taxes on income	1,032	2,170	1,577	1,667
16. Other taxes	-121	-17	-143	-51
17. Profit/loss before non-controlling interests	2,926	-5,553	-475	-8,117
18. Non-controlling interests	223	-1,067	-201	-1,642
19. Consolidated profit/loss	2,703	-4,486	-274	-6,475
Earnings per share (undiluted), in EUR	0.04	-0.06	0.00	-0.08
Earnings per share (diluted), in EUR	0.04	-0.06	0.00	-0.08
Weighted average number of shares in circulation (undiluted) in million	76.6	76.6	76.6	76.6
Weighted average number of shares in circulation (diluted) in million	78.7	78.7	78.7	78.7
19. Consolidated profit/loss	2,703	-4,486	-274	-6,475
Other income/items that may be reclassified in the future in the profit and loss account				
20. Foreign currency translation differences	353	55	17	9
21. Others	0	0	0	0
22. Other comprehensive income for the period (net of tax)	353	55	17	9
23. Total comprehensive income for the period	3,279	-5,498	-458	-8,108
Consolidated profit/loss for the period attributable to:	2,926	-5,553	-475	-8,117
Owners of the parent company	2,703	-4,486	-274	-6,475
Non-controlling interests	223	-1,067	-201	-1,642
Total comprehensive income for the period attributable to:	3,279	-5,498	-458	-8,108
Owners of the parent company	3,056	-4,431	-257	-6,466
Non-controlling interests	223	-1,067	-201	-1,642

GROUP BALANCE SHEET (IFRS)

of PNE AG, Cuxhaven, as at June 30, 2018

Assets

All figures in TEUR (differences due to rounding possible)	per 30.06.2018	per 31.12.2017
Intangible assets	66,465	66,825
Property, plant and equipment	96,658	103,872
Long term financial assets	2,463	2,490
Deferred tax assets	14,026	11,718
Total long term assets	179,612	184,905
Inventories	109,423	86,361
Receivables and other assets	29,449	28,035
Cash and cash equivalents	114,894	193,984
Total current assets	253,766	308,380
Assets total	433,378	493,285

Liabilities

All figures in TEUR (differences due to rounding possible)	per 30.06.2018	per 31.12.2017
Subscribed capital	76,556	76,556
Capital reserve	82,288	82,288
Retained earnings	51	51
Foreign currency provision	-891	-908
Retained profit/loss	81,575	84,911
Non-controlling interests	-9,880	-7,679
Total shareholders equity	229,699	235,220
Other provisions	1,060	1,060
Deferred subsidies from public authorities	832	855
Long term financial liabilities	119,863	72,751
Deferred tax liabilities	4,455	4,247
Total long term liabilities	126,210	78,913
Provisions for taxes	1,836	2,154
Other provisions	1,649	2,704
Short term financial liabilities	20,744	107,109
Trade liabilities	13,616	25,295
Other liabilities	39,624	41,890
Total short term liabilities	77,469	179,152
Liabilities total	433,378	493,285

CONSOLIDATED CASH FLOW STATEMENT (IFRS)

of PNE AG, Cuxhaven, from January 1 until June 30, 2018

All figures in TEUR (differences due to rounding possible)	2018	2017
Consolidated net result	-475	-8,117
-/+ Income tax benefit/expense	-1,577	-1,667
-/+ Income tax paid/received	-840	-112
-/+ Interest income and expense	5,947	5,044
- Interest paid	-4,984	-3,654
+ Interest received	163	211
+/- Amortisation and depreciation of disposal of fixed assets	4,684	3,191
+/- Increase/decrease in provisions	-1,372	1,086
+/- Non-cash effective income/expenses	57	-531
- Profit from the disposal of fixed assets and from final consolidation	0	-4,585
+/- Increase of inventories and other assets	-23,624	-23,632
+/- Decrease/increase of trade receivables and stage of completion accounting	-744	6,353
+/- Increase/decrease of trade liabilities and other liabilities	-13,589	-10,777
Cash flow from operating activities	-36,354	-37,190
+ Inflow of funds from disposal of intangible assets	0	3
+ Inflow of funds from disposal of items of property, plant, equipment	0	11
- Outflow of funds for investments in property, plant, equipment and intangible assets	-1,380	-1,366
+ Inflow of funds from disposal of financial assets	0	91
- Outflow of funds for investment in financial assets	-10	-1,285
+ Inflow of funds from disposal of consolidated entities	0	18,115
- Outflow of funds for investment in consolidated entities	-2,004	-7,535
Cash flow from investing activities	-3,394	8,034
+ Inflow of funds from financial loan	20,070	13,809
+ Inflow from the issue of bonds	50,000	0
- Outflow from the redemption of bonds	-1,649	0
- Outflow of funds from the redemption of financial loans	-4,701	-1,036
- Outflow from transaction costs incurred for the issue of bonds	-100,000	0
- Outflow of funds for dividend	-3,062	-9,187
Cash flow from financing activities	-39,342	3,586
Cash effective change in liquid funds	-79,090	-25,570
+ Change in liquid funds due to changes in scope of consolidation	0	-1
+ Liquid funds at the beginning of the period	193,985	147,686
Liquid funds at the end of the period *	114,895	122,116
* of which are pledged to a bank as security	2,141	98

Supplementary information: The value of liquid funds corresponds to the „Cash and cash equivalents“ item on the balance sheet as at June 30.

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY (IFRS)

of PNE AG, Cuxhaven, from January 1 until June 30, 2018

All figures in TEUR (differences due to rounding possible)	Capital subscri- bed	Capital reserve	Profit reserves	Foreign exchange reserve	Retained earnings	Shareholders' equity before non- controlling interests	Noncont- rolling interests	Total share- holders' equity
Status as per January 1, 2017	76,556	82,288	51	-997	76,883	234,781	-5,393	229,388
Group result 01-06/2017	0	0	0	0	-6,475	-6,475	-1,642	-8,117
Dividend	0	0	0	0	-9,187	-9,187	0	-9,187
Other items	0	0	0	9	-29	-20	-16	-36
Status as per June 30, 2017	76,556	82,288	51	-989	61,192	219,099	-7,051	212,047
Status as per January 1, 2018	76,556	82,288	51	-908	84,911	242,899	-7,679	235,220
Group result 01-06/2018	0	0	0	0	-274	-274	-201	-475
Dividend	0	0	0	0	-3,062	-3,062	0	-3,062
Other items	0	0	0	17	0	17	-2,000	-1,983
Status as per June 30, 2018	76,556	82,288	51	-891	81,575	239,579	-9,880	229,699

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

of PNE AG, Cuxhaven, for the first six months of 2018

1. Accounting and valuation principles

The financial report on the first six months of the 2018 fiscal year of PNE AG and its subsidiaries is drawn up according to the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as they are 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 must be taken into consideration in the EU.

The interim financial statements were drawn up in line with the regulations of IAS 34. The tax expenditure of the PNE Group is determined using an estimate of the taxable income of the relevant companies. The diluted earnings per share take account of the potential shares from convertible bonds in accordance with IAS 33.

In the financial report for the first six months of the 2018 fiscal year ended June 30, 2018, the new standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers were applied for the first time. Otherwise, the Company applied the same accounting and valuation methods as in the consolidated financial statements as at December 31, 2017.

IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39, which concern the recognition, classification and measurement of financial assets and financial liabilities and the impairment of financial assets. In accordance with the transitional provisions of IFRS 9, comparative figures have not been adjusted retrospectively.

Classification and measurement

The Group classifies its financial assets in the following measurement categories as of January 1, 2018:

- Amortised cost (AC): Assets that are held to collect the contractual cash flows and for which these cash flows exclusively represent 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 exclusively 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 income or expenses.
- Fair value through profit or loss (FVPL): Assets that do not meet the criteria of the categories measured at "AC" 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. Changes in fair value recognised directly in equity are not reclassified to the statement of comprehensive income at the time of the spin-off.

A comparison of the classification of financial assets in accordance with IAS 39 and IFRS 9 as of January 1, 2018 is included in section 2. Financial instruments.

Financial liabilities are measured at fair value if they are held for trading or represent contingent consideration from a business acquisition within the meaning of IFRS 3. All other financial liabilities are measured at amortised cost in accordance with IAS 39. The application of IFRS 9 does not result in any reclassifications for financial liabilities.

Impairment losses

From January 1, 2018, the Group assesses - on a future-oriented basis - the expected credit losses associated with debt instruments measured at amortised cost or at fair value with no effect on income (expected loss model). The impairment method depends on whether there is a significant increase in credit risk. In this connection, the expected credit losses for the next twelve months are assessed. In the event of a significant increase in the credit risk, the assessment is based on the credit losses expected over the term.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, according to which credit losses expected over the term are to be recognised from the initial recognition of the receivables.

The application of the expected loss model has resulted in only minor changes in the amount of the impairment losses. This is due to the fact that, based on the historical default rates and future-oriented information, there is only an insignificantly higher default rate on financial assets measured at cost.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 18 and IAS 11 as well as all revenue-related interpretations and applies to almost all contracts with customers, except for leases, financial instruments and insurance contracts. The Group has applied the modified retrospective transition method so that there is no adjustment of the figures of the previous year.

Pursuant to IFRS 15, revenue must be recognised when performance obligations are satisfied, i.e. upon the transfer of promised goods or services to customers. Where a contract has multiple performance obligations, an entity must allocate the transaction price to the performance obligations in the contract by reference to their relative standalone selling prices. Since multiple performance obligations are sold each at their relative standalone selling price, this allocation has not led to any changes caused by IFRS 15.

The control over promised goods or services can pass either over time or at a point in time.

Revenue from the sale of goods and the provision of services is realised at the time of delivery or the provision of goods to the customer.

If the Group's performance creates an asset with no alternative use to the Group and the Group has an enforceable right to payment for performance completed, the transfer of control and, thus, revenue recognition takes place over time pursuant to the degree of completion. The degree of completion of the individual contracts is determined based on the work performed up to the reporting date, which is compared with the entire expected volume of work. Work provided by subcontractors is taken into account in the determination of the degree of completion. The degree of completion is determined for each individual project based on the work provided.

As a whole, the application of IFRS 15 has no impact as at January 1, 2018 and on the interim financial statements.

2. Financial instruments

During the first six months of the 2018 fiscal year, there were no significant additions or changes to the values presented in the annual report for the 2017 fiscal year, except for the changes described in chapter 6.c Asset situation.

The following tables show the carrying amounts and the fair values of financial assets and financial liabilities, including the relevant categories. For December 31, 2017 and January 1, 2018, both the categories pursuant to IAS 39 and pursuant to IFRS 9 are presented for financial assets.

in TEUR	Category in terms of IAS 39	Category in terms of IFRS 9	total	Fair Value
as at 30.06.2018				
Short-term financial assets				
Cash and cash equivalents	LaR	AC	114,894	114,894
Trade receivables	LaR	AC	8,280	8,280
Other short term loan receivables	LaR	AC	31	31
Trade receivables from affiliated companies	LaR	AC	5,505	5,505
Trade receivables from affiliated companies and those in which an investment is held	LaR	AC	592	592
Long term financial assets				
Shares in affiliated companies	AfS	FVOCI	2	2
Shares in companies in which an investment is held	AfS	FVOCI	1,795	1,795
Other borrowings	LaR	AC	178	178
Other long-term loan receivables	LaR	AC	26	26
			131,304	131,304
Total AC			129,507	129,507
Total FVOCI			1,797	1,797

in TEUR	Category in terms of IAS 39	Category in terms of IFRS 9	total	Fair Value
as at 31.12.2017/01.01.2018				
Short-term financial assets				
Cash and cash equivalents	LaR	AC	193,984	193,984
Trade receivables	LaR	AC	5,119	5,119
Other short term loan receivables	LaR	AC	61	61
Trade receivables from affiliated companies	LaR	AC	4,455	4,455
Trade receivables from affiliated companies and those in which an investment is held	LaR	AC	642	642
Long term financial assets				
Shares in affiliated companies	AfS	FVOCI	27	27
Shares in companies in which an investment is held	AfS	FVOCI	1,785	1,785
Other borrowings	LaR	AC	178	178
Other long-term loan receivables	LaR	AC	25	25
			206,276	206,276
Total AC			204,464	204,464
Total FVOCI			1,812	1,812

LaR = loans and receivables
AfS = available-for-sale financial assets
AC = measured at amortized cost
FVOCI = measured at fair value
(value changes in OCI)

Shares in affiliated companies classified as FVOCI and shares in companies in which an investment is held were valued at acquisition cost of TEUR 1,797 (December 31, 2017: TEUR 1,812), which represents a suitable estimate of fair value. On the reporting date, there was no intention of selling the financial assets.

The financial liabilities relate to convertible bonds, bonds, liabilities to banks and other financial liabilities.

Analogously to December 31, 2017, 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. In the current reporting period, as in the comparable period of the previous year, no reclassifications were made between the hierarchy levels. There were no changes in the categories resulting from the first-time application of IFRS 9.

in TEUR	Category in terms of IFRS 9	total	up to 1 year	1 to 5 years	more than 5 years	Fair Value
as at 30.06.2018						
Trade payables	FLAC	13,616	13,616	0	0	13,616
Fixed-interest-bearing						
Bonds	FLAC	54,811	0	54,811	0	57,541
Liabilities to banks	FLAC	72,867	8,569	21,208	43,089	77,176
Other financial liabilities	FLAC	1,072	1,072	0	0	1,072
Liabilities from leasing relationships		577	186	391	0	577
Variable-interest-bearing						
Liabilities to banks	FLAC	10,917	10,917	0	0	10,917
Derivatives						
Interest swap	FLHFT	363	0	363	0	363
		154,223	34,360	76,773	43,089	161,262

in TEUR	Category in terms of IFRS 9	total	up to 1 year	1 to 5 years	more than 5 years	Fair Value
as at 31.12.2017/01.01.2018						
Trade payables	FLAC	25,295	25,295	0	0	25,295
Fixed-interest-bearing						
Bonds	FLAC	105,816	99,459	6,357	0	107,933
Liabilities to banks	FLAC	72,349	6,383	20,383	45,583	74,370
Other financial liabilities	FLAC	1,087	1,087	0	0	1,087
Liabilities from leasing relationships		608	179	429	0	608
		205,155	132,403	27,169	45,583	209,293

FLHFT = Financial liabilities held for trading
FLAC = Financial liabilities at continued cost of acquisition

3. Scope of consolidation

During the first six months of 2018, the corporate structure has changed compared to the situation on December 31, 2017, due to the first-time inclusion of companies and deconsolidation of companies sold.

During the reporting period, the following companies were included in the scope of consolidation for the first time:

- Wertewind GmbH, Husum (100 percent),
- PNE WIND Park Schlenzer GmbH & Co. KG, Cuxhaven (100 percent),
- PNE WIND Park Wahlsdorf GmbH & Co. KG, Cuxhaven (100 percent),
- PNE WIND Park XIX GmbH & Co. KG, Cuxhaven (100 percent),

These are companies recently established by the PNE Group or companies which have been recently established and acquired by PNE. These events have not resulted in any material effects on the earnings, financial and asset situation as at June 30, 2018.

4. Major events after the reporting date

Regarding any major events which occurred after the end of the reporting period, we refer to paragraph 9 of the consolidated interim management report.

Segment reporting

The determination and presentation of segment reporting as at June 30, 2018 changed only in respect of the composition of the individual segments.

The segment "Projecting of wind power turbines" was expanded by the initially consolidated companies Wertewind GmbH, PNE WIND Park Schlenzer GmbH & Co. KG, PNE WIND Park Wahlsdorf GmbH & Co. KG and PNE WIND Park XIX GmbH & Co. KG.

For further details on segment reporting, refer to the 2017 annual report.

The figures as at June 30, 2018 are compared with the figures as at June 30, 2017 or, in the case of segment assets/liabilities, with the figures as at December 31, 2017.

All figures in TEUR (differences due to rounding possible)	Projecting of wind power turbines	Electricity generation	Consolidation	PNE AG Group
	2018 2017	2018 2017	2018 2017	2018 2017
External sales	21,736 36,097	6,676 3,354	0 0	28,413 39,451
Sales in other segments	10,456 9,125	281 297	-10,737 -9,423	0 0
Change in inventories	3,960 1,644	0 0	2,263 6,623	6,223 8,267
Other operating income	2,653 2,125	871 167	0 -56	3,524 2,235
Total aggregate output	38,805 48,991	7,828 3,818	-8,474 -2,856	38,159 49,953
Depreciation	-1,531 -1,831	-3,650 -1,360	496 0	-4,684 -3,191
Operating income	9,002 -4,075	1,516 312	-6,465 -1,190	4,035 -4,954
Interest and similar income	2,909 2,686	0 0	-2,746 -2,475	163 211
Interest and similar expenses	-7,193 -7,514	-1,661 -217	2,746 2,475	-6,108 -5,255
Taxes	-567 1,341	204 -31	1,939 357	1,577 1,667
Investments	3,112 2,559	282 7,627	0 0	3,394 10,186
Segment assets	534,356 599,187	112,260 115,249	-213,238 -221,152	433,378 493,285
Segment liabilities	350,036 401,001	101,656 116,670	-248,013 -259,606	203,679 258,065
Segment shareholders' equity	184,320 198,186	10,604 -1,420	34,775 38,453	229,699 235,220

REVIEW REPORT

To PNE AG, Cuxhaven/Germany

We have reviewed the condensed interim consolidated financial statements of PNE AG, Cuxhaven/Germany, comprising the condensed statement of comprehensive income, the condensed balance sheet, the condensed cash flow statement, the condensed statement of changes in equity, the condensed segment reporting and the selected explanatory notes, together with the interim group management report of PNE AG, Cuxhaven/Germany, for the period from 1 January to 30 June 2018, that are part of the semi annual financial report pursuant to Section 115 WpHG [Wertpapierhandelsgesetz: German Securities Trading Act]. The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We conducted our review of the condensed interim consolidated financial statements and of the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the review such that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements of PNE AG, Cuxhaven/Germany, have not been prepared, in material respects, in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Without modifying our opinion, we draw attention to the fact that the content of the presentation concerning corporate governance under Section 289 et seq. HGB [Handelsgesetzbuch: German Commercial Code] combined with the consolidated presentation concerning corporate governance under Section 315d HGB, which is referred to in the interim group management report, is not subject to the audit.

Hamburg/Germany, 8 August 2018

Deloitte GmbH

Wirtschaftsprüfungsgesellschaft

(Dr. Probst)	(Meyer)
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

STATEMENT MADE BY THE LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

PNE AG, The Board of Management

Markus Lesser
Jörg Klawat
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IMPRINT

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The quarterly statement is also available in German. In case of discrepancies the German version is decisive. The digital version of the annual report and the quarterly statements of PNE AG are available online at www.pnewind.com in the section "Investor Relations/Financial reports".

Disclaimer

This 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.

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