

# Offering Prospectus

of 22 May 2000

for

**700,000 bearer no-par shares**

- with a book share in the share capital of EUR 1.00 per unit share -

EUR 700,000

from the capital increase by means of cash contributions resolved by the extraordinary general meeting on 12 April 2000

and up to

**175,000 bearer no-par shares**

- with a book share in the share capital of EUR 1.00 per unit share -

up to EUR 175,000

being sold by two existing shareholders

as well as up to

**100,000 bearer no-par shares**

- with a book share in the share capital of EUR 1.00 per unit share -

up to EUR 100,000

from the capital increase out of the authorised share capital to be carried out, where appropriate, up to 31 July 2000

- Green Shoe option -

with full entitlement in each case to a share in the profits from the financial year from 1 January 2000 to 31 December 2000

- Securities reference number (A) 531 350 -

- Securities reference number (B) 531 352 -

- ISIN Code DE 000 531 350 6 -

- Common Code 0110 949 61 -



at the same time

# Company Report

for admission to the Geregelter Markt  
for inclusion in trading on the  
**Neuer Markt**  
of the Frankfurt Stock Exchange

for

**2,700,000 bearer no-par shares**

- with a book share in the share capital of EUR 1.00 per unit share -  
EUR 2,700,000

and

**700,000 bearer no-par shares**

- with a book share in the share capital of EUR 1.00 per unit share -  
EUR 700,000

from the capital increase by means of cash contributions resolved by the extraordinary general meeting on  
12 April 2000

with full entitlement in each case to a share in the profits from the financial year from 1 January 2000 to  
31 December 2000

- Securities reference number (A) 531 350 -

- Securities reference number (B) 531 352 -

- ISIN Code DE 000 531 350 6 -

- Common Code 0110 949 61 -

of

**Energiekontor AG**

Stuhr / Brinkum

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# General information

## Responsibility for the content of the Offering Prospectus/Company Report

Energiekontor AG, Bassumer Straße 62, 28816 Stuhr/Brinkum, (hereinafter referred to as "the Company", and, together with the subsidiaries named in this prospectus, "Energiekontor Group" or "the Energiekontor Group of Companies" or "Group of Companies") and the Norddeutsche Landesbank Girozentrale, Georgsplatz 1, 30159 Hanover, as well as Société Générale, Mainzer Landstraße 36, 60325 Frankfurt am Main, and MERCK FINCK & CO., Pacellistraße 16, 80333 Munich, (hereinafter jointly referred to as "the Banking Consortium"), assume responsibility for the content of this Offering Prospectus / Company Report (hereinafter referred to as "the Prospectus") in accordance with § 13 Verkaufsprospektgesetz (Offering Prospectuses Act) and §§ 77, 45 et seq Börsengesetz (Stock Exchange Act) and they hereby declare that, to their knowledge, the information contained herein is correct and that no fundamental circumstances have been omitted.

## Inspection of documents

The documents which are mentioned in the Prospectus and which relate to the Company can be inspected during normal office hours at the registered office of the Company, Bassumer Straße 62, 28816 Stuhr/Brinkum, or at the offices of Norddeutsche Landesbank Girozentrale (hereinafter referred to as "NORD/LB"), Hildesheimer Straße 6, 30159 Hanover.

## Subject matter of the Offering Prospectus / Company Report

The subject matter of the Prospectus as an Offering Prospectus is as follows

- 700,000 bearer shares in the form of unit shares with a book share in the share capital of EUR 1.00 per unit share, from the capital increase by means of cash contributions resolved by the extraordinary general

meeting on 12 April 2000 and entered in the trade register on 4 May 2000;

- 175,000 bearer shares in the form of unit shares with a book share in the share capital of EUR 1.00 per unit share being sold by two existing shareholders;
- up to 100,000 bearer shares in the form of unit shares with a book share in the share capital of EUR 1.00 from the capital increase out of authorised capital to be carried out, where applicable, up to 31 July 2000, in respect of the Green Shoe option granted to NORD/LB.

The subject matter of the Prospectus as a Company Report is as follows

- 2,700,000 bearer shares in the form of unit shares with a book share in the share capital of EUR 1.00 per unit share numbered from 0,000,001 to 2,700,000;
- 700,000 bearer shares in the form of unit shares with a book share in the share capital of EUR 1.00 per unit share, numbered 2,700,001 to 3,400,000, from a capital increase by means of cash contributions resolved by the extraordinary general meeting on 12 April 2000 and entered in the trade register on 4 May 2000.

All the bearer shares in the form of unit shares with a book share in the share capital of EUR 1.00 per unit share constituting the subject matter of the Prospectus ("the shares" or "the unit shares") enjoy full entitlement to a share in the profit for the financial year from 1 January 2000 to 31 December 2000.

The amounts referred to in the Prospectus as "German marks", "DEM", "euros" or "EUR" relate to the currency of the Federal Republic of Germany. In accordance with the announcement of the Deutsche Bundesbank of 31 December 1998, the binding exchange rate for EUR 1.00 is DEM 1.95583.

# The offer

## General

In total, 975 000 bearer shares of Energiekontor AG in the form of unit shares with a book share in the share capital of EUR 1.00 per unit share are offered for sale in this Offering Prospectus. The breakdown of the total volume of shares offered is as follows

- 700,000 bearer shares in the form of unit shares with a book share in the share capital of EUR 1.00 per unit share from the capital increase by means of cash contributions resolved by the extraordinary general meeting on 12 April 2000, under exclusion of the statutory subscription right of shareholders, and entered in the trade register on 4 May 2000;
- 175,000 bearer shares in the form of unit shares, with a book share in the share capital of EUR 1.00 per unit share, being sold by two existing shareholders;
- up to 100,000 bearer shares in the form of unit shares, with a book share in the share capital of EUR 1.00 per unit share from the capital increase out of authorised capital to be effected, where applicable, up to 31 July 2000 in respect of the Green Shoe option granted to NORD/LB.

The 700 000 bearer shares in the form of unit shares from the capital increase by means of cash contributions resolved by the extraordinary general meeting on 12 April 2000 were underwritten by the Banking Consortium led by the NORD/LB with the obligation to place them in free float for the account of the Company within the framework of the public offer, probably during the period from 17 May 2000 to 14:00 on 23 May 2000 (however, see also "Preferential allocations"). The 175,000 unit shares from the holdings of existing shareholders will also be placed on public offer during the same period.

The price limits of EUR 28 to EUR 32 per share within which the subscription offers can be made were announced at a press conference on 16 May 2000. The announcement was published within the framework of the public offer for sale in the *Börsenzeitung* (Stock Exchange Journal) on 17 May 2000, followed by publication in the *Bundesanzeiger* (Federal Gazette).

The shares can be subscribed through NORD/LB, Société Générale and MERCK FINCK & CO and, where applicable, through the investor's own bank. As lead manager, NORD/LB expressly reserves the right to close the subscription period early and to reduce or grant only a partial allocation in respect of those subscription applications already received.

It is expected that the final investment price will be determined by NORD/LB in consultation with Energiekontor AG on the basis of the order book established during the bookbuilding process on 23 May 2000. Energiekontor AG has granted NORD/LB the right to set the investment price below the price spread. If NORD/LB were to exercise this right, it will publicly announce this in a separate publication in the *Börsenzeitung* (Stock Exchange Journal), indicating all the details required by investors, by 20 May 2000, followed by publication in the *Bundesanzeiger* (Federal Gazette). If the offering proceeds on schedule, the intention is to publish the investment price in the *Börsenzeitung* (Stock Exchange Journal) on 25 May 2000, followed by publication in the *Bundesanzeiger* (Federal Gazette). If the offering proceeds on schedule, the intention is to publish the investment price in the *Börsenzeitung* (Stock Exchange Journal) on 25 May 2000, followed by publication in the *Bundesanzeiger* (Federal Gazette).

It is expected that investors will be able to ascertain the number of shares allocated to them by contacting their custodian bank from 25 May 2000. The purchase price for the shares allocated, plus securities commission, is expected to be paid by purchasers on 26 May 2000. The book delivery of the shares should also be effected on the same date by Clearstream Banking AG, Frankfurt am Main.

#### **Preferential allocations**

Of the unit shares from the holdings of existing shareholders, it is intended to offer up to a total of 20,000 on preferential terms to the management, the staff and related parties of the Company, within the framework of a Family and Friends Programme. The Company will offer employees up to a maximum of 200 shares per subscriber at a price reduced by EUR 11 per share. In addition, financing may be available in the form of an employee loan. If these shares are not taken up by the persons concerned, they will serve to increase the volume of shares to be placed in free float. The subscription period for these shares has ended at 12:00 on 19 May 2000.

#### **Voting rights / profit share entitlement**

Each share entitles the holder to one vote at the annual general meeting.

All shares in the Company carry a full entitlement to a share in the profits for the financial year from 1 January 2000 to 31 December 2000.

#### **Admission and listing**

The Company's entire share capital of EUR 3,400,000, or 3,400,000 unit shares, was admitted to the Geregelter Markt of the Frankfurt Stock Exchange on 22 May 2000. The shares of Energiekontor AG should be listed on the Neuer Markt of the Frankfurt Stock Exchange for the first time on 25 May 2000.

The Company has acknowledged the takeover code of the Stock Exchange Commission of Experts at the Federal Ministry of Finance, the Rules and Regulations of the Deutsche Börse AG for the Neuer Markt and the obligations imposed under the terms of admission.

#### **Application of the proceeds of the issue**

The issue proceeds arising from the placement of the unit shares from the capital increases - increase by cash contributions and increase out of authorised capital - (including Green Shoe option) amount to a maximum of EUR 25.60 Mio. The total issue costs, including remuneration of the consortium members up to a maximum of EUR 1.72 Mio, will be borne by the Company. They amount to a maximum of EUR 2.63 Mio.

The Company intends to use the net issue proceeds, amounting to a maximum of EUR 22.97 Mio, mainly for the cultivation of new markets. To this end, the Company will primarily be taking over foreign sites and acquiring the planning offices of other developers. In addition, it is intended to use the issue proceeds for expansion in existing markets by taking over sites and acquiring planning offices in Germany. The Company also plans to invest in research and development. In this area, the work already carried out on offshore and hybrid storage technology will be continued and intensified.

The issue proceeds from the sale of the 175,000 unit shares from existing shareholders will go entirely to the shareholders concerned, who will bear all the associated costs.

#### **Prohibition of sale of shares**

In accordance with Point 7.2.9 and Point 2.2 Para. 1 of the Rules and Regulations of the Deutsche Börse AG for the Neuer Markt, in the version of 3 April 2000, and in compliance with the relevant provisions of German com-

pany law, Energiekontor AG and its existing shareholders have given an irrevocable undertaking not to offer the shares for sale, on or off the stock exchange, directly or indirectly, or to sell or to announce their sale or to take any other measures with the economic effect of a sale, within a period of six months from the date of their admission to the Neuer Markt. In addition, the Company and its former shareholders have undertaken not to engage in any of the above-mentioned measures for a further twelve months without the prior consent of NORD/LB.

At the request of the Company, the subscribers for the 20,000 unit shares offered preferentially within the framework of the Family and Friends Programme, undertake not to offer any of the shares acquired by them for sale, on or off the stock exchange, directly or indirectly, or to sell or to announce their sale or to take any other measures with the economic effect of a sale, within a period of six months from the date of their admission to the Neuer Markt.

#### **Securities reference numbers, codes and abbreviations**

The securities reference number ("WKN") for the total of 975 000 (including Green Shoe option) unit shares offered for sale in the Prospectus is 531 350. The International Securities Identification Code ("ISIN Code") is DE 000 531 350 6. The Common Code is 0110 949 61. The stock exchange abbreviation is EKT.

The 2,525,000 unit shares which, in accordance with the Rules and Regulations of the Deutsche Börse AG for the Neuer Markt, cannot be sold for a period of six months after admission to the Neuer Markt, have been allocated the securities reference number WKN (B) 531 352. The shares bearing the WKN (B) reference are excluded from trading on the stock exchange for the said period.

When the resale restriction period ends, Clearstream Banking AG will automatically arrange for the two deposits under the two securities numbers to be amalgamated and the WKN (B) number will be cancelled.

#### **Deliverability of the shares**

The bearer unit shares of the Company are certificated in global certificates with the relevant global dividend warrant, which are, respectively will be, deposited with Clearstream Banking AG.

In accordance with the memorandum and articles of association, the form of share certificates, as well as interim certificates, dividend warrants and renewal certificates, is determined by the management board with the approval of the supervisory board. The Company is entitled to incorporate the shares, wholly or partly, in certificates which certificate a majority of the shares. If only one certificate is made out for the Company's shares or for a number of shares, shareholders shall not be entitled to claim individual certificates.

#### **Stabilisation**

In connection with the placement of the shares, NORD/LB, acting for the Banking Consortium, may, in accordance with general market practice, make additional allotments or take other measures to stabilise the market price of the shares, or maintain them at a level which would not otherwise be possible. Such measures may be taken within thirty calendar days of the first listing of the Company's shares in the Neuer Markt sector of the Frankfurt Stock Exchange and may subsequently be terminated at any time.

#### **Designated Sponsors**

NORD/LB and SG Securities (London) Ltd are acting as Designated Sponsors for Energiekontor AG.

## Risk factors

When deciding on the purchase of shares in Energiekontor AG, potential investors should peruse and check the following information on risk factors, in conjunction with other information contained in the Offering Prospectus / Company Report. This information should also be read in conjunction with the information contained in the financial section of the Prospectus.

### Political / legal risks

The renewable energy field depends on political framework conditions. As obtaining energy from renewable sources remains more costly and expensive than generating power from coal, natural gas, oil and nuclear fuels, those who generate and sell power from renewable energy sources have to rely on assistance - financial or legal - from political decision-makers. At the present time, the crucial legislation is the Renewable Energy Law (Erneubare-Energien-Gesetz - EEG) which came into force on 1 April 2000. § 3 Para. 1 of the law lays down a purchase and payment obligation on the part of network operators. As far as wind energy is concerned, § 7 stipulates a minimum price of 17.8 pfennig per kilowatt-hour for a defined minimum running time. The European Commission has started to examine the provisions of the EEG as so-called non notified assistance. Amendments to the existing law cannot therefore be ruled out, especially with regard to the fixing of minimum prices.

As far as fiscal policy is concerned, future changes to the detriment of the taxpayer cannot be discounted.

Changes can occur at any time in legislation, jurisprudence and the view taken by the Tax Authorities with regard to particular tax issues. Account must also be taken of the fact that the competent tax departments may adopt viewpoints which are different from those expressed by the Company in its information sheets as to the assessment of individual wind farm projects.

### Compatibility with higher ranking law

A number of actions are pending before the Federal Constitutional Court and the European Court with regard to the constitutionality of the Power Supply Law (now superseded by the EEG). These actions have been brought, inter alia, against the obligation imposed on public network operators to take and pay for power from renewable energy sources. It may be assumed that actions will also be brought against the EEG, as the clauses contested in proceedings hitherto are also contained in the new law in an amended form.

### Risks inherent in the project business

The core business of the Energiekontor Group extends to all project phases, as well as to the financing, turnkey construction and operation of wind farms. According to the management, a project requires a maximum period of four years from site acquisition through to turnkey delivery and commissioning. In this process, the subsidiary responsible for the construction of the wind farm (see also under "Business activity of Energiekontor Group - Business areas") enters into payment obligations to the equipment manufacturers. These are usually covered by a bank guarantee. However, the final settlement between the subsidiary and the wind farm project company responsible for operation after construction does not take place until after the delivery of the wind farm to the latter. Thus, the risk of construction to budget and on schedule remains with the subsidiary responsible for construction. In the meantime, instalments are paid between the subsidiary and the wind farm project operating company on the basis of a project-related payment plan. If the wind farm is to be constructed on a turnkey basis, it is the subsidiary alone which bears the risk of any cost overruns. It is impossible to rule out the risk of projects being delayed or falling through in the acquisition or planning phase and/or unforeseen delays in the develop-

ment of the foreign market. This could slow down the pace of business development which the management of the Energiekontor Group is striving for.

#### **Use of limited partnership (KG) structures to finance wind farms**

In the past, public limited partnerships were an attractive proposition for investment in wind farms, as the investor, being a co-entrepreneur, could write off a high level of losses against tax. However, this possibility of using losses has been restricted by § 2 b EStG. Now, public limited partnerships can no longer use loss-making companies and similar structures to write off losses against other income in the case of wind farms for which a building permit was not sought until after 4 March 1999, or which acquired their wind power plant after the same date. The same applies to investors who subscribe for partnership shares after 31 December 2000. These changes could mean that the wind farm limited partnership will become a less attractive form of investment for some investors. The Company has responded to this development in the manner indicated, by basing wind farms more strongly on an attractive pre-tax return and increasingly constructing the projects outside Germany. According to the company, to date, it has been unable to detect a diminishing interest on the part of investors in investing in the wind farms of the Energiekontor Group as a result of this development in tax legislation. Finally, the Company is in competition with comparable forms of investment, such as media funds or ship funds. If the Company is unable to attract sufficient numbers of investors, this could result in planned projects being delayed or abandoned.

#### **Obligation to repay capital investments to the limited partners of the project companies**

A cash contribution commensurate with the total volume of investment is always required as shareholder's equity of the wind farm project company in order to ensure the overall financing of the wind farm concerned. Borrowing is usually made available by a financial institution. If, contrary to expectations, the financing of the relevant project for at least one wind energy plant cannot be ensured by a specified point in time, the project for the company may not be realised. In such a case, investors can withdraw from the company and 95% of their partnership interest is repaid from the trustee account.

The realisation of a project depends on a number of factors, not all of which are under the control of the Energiekontor Group. If the realisation of the wind farm should fail, the subsidiary responsible for construction is obliged and entitled under the relevant project contract to prepare an alternative site. If no substitute site can be found, then each limited partner has the right to repayment of his investment, less a maximum of 5% of the partnership interest subscribed, which may be retained if material payments have been made to third parties up to this amount.

#### **Obligation to repurchase wind farms**

The limited partners of six wind farms were granted a contractual option to resell the wind farm in each case to Energiekontor Umwelt GmbH or Energiekontor Windkraft GmbH at the nominal value of the investment by the limited partner at the end of the specified useful life. The resulting repurchasing obligation of the two companies belonging to the Energiekontor Group will come into effect as soon as the majority of the limited partners of the relevant wind farm in each case decide to exercise the option. According to the company's estimate, the

repurchase value amounts to approx. 30% of the total original amount invested. It cannot be ruled out that the price that will have to be paid for the wind farms being repurchased on the basis of these agreements will exceed the actual value of the farms.

#### **Commissioning / allocation of losses**

The completion date for construction and therefore the commissioning date for the relevant wind farm, on which the forecast accounts are based, depends on the planning situation at the time. However, with wind farm projects, it is impossible to rule out delays lasting for several months due to bottlenecks in equipment supplies or local objections. Moreover, local objections have already led to litigation in the past. These and the resulting cessation of building work or of operations after the plant has gone into service must also be expected in the future. In addition, official instructions (e.g. emission control regulations) could result in individual installations being disapproved or shut down even after they have gone into service. In addition, delays can arise through the arbitrary action of the authorities and disputes with power suppliers, as well as incorrect legal decisions which take time to review. Despite contract guarantees, the bankruptcy of a main supplier could also have an adverse impact on the Energiekontor Group. In general, delays can lead to the postponement of dividend payments and tax loss allocations.

#### **Site risks**

The selection of sites for wind farms depends on various criteria, such as the forecast wind speed, town planning and zoning conditions, and the capacity of the local power supply network. In Germany, the high yield coastal sites are nearly all taken and development has to rely increasingly on inland sites. Here, however, wind speeds are generally lower. A possible increase in competition

could push up demand for sites with favourable wind conditions, raising site costs and reducing profit margins.

Planning certainty with regard to the sites selected may also be affected by the growing number of local objections and other protests by residents near sites where wind farms are to be built.

Even offshore, Germany offers only a relatively small number of potential sites, as it is necessary to take into account ease of access from the mainland, disruption to shipping lanes and compliance with environmental protection measures. To minimise this risk, the Company indicates that the acquisition of offshore sites will proceed simultaneously abroad (e.g. in Great Britain). The Company will also be looking to acquire more onshore sites in foreign locations.

#### **Wind conditions**

According to Energiekontor AG, the forecast power yields for the wind farms are based on reports by independent experts. These reports were prepared using generally recognised methods for the calculation of flow conditions and series of wind measurements gathered over many years. Nevertheless, these calculations contain some uncertainties arising from methodological and climatological causes. As the wind data in the report may not correspond to the actual conditions, a safety margin of 5% is generally applied. In addition, the figure for the efficiency of the wind farm used as the basis for forecasting economic returns on power sales takes into account the fact that the wind power units shade each other. The calculation of yield also makes allowance for the availability of the equipment, network losses and own consumption. In principle, a lower energy yield results in a reduction in dividend distributions and a higher energy yield in a higher dividend distribution.

### **Technical risks**

The first wind power installations of the Energiekontor Group came on stream in 1994. As a rule, they are designed to last twenty years, though a longer service life is possible. The experience of operations over the past six years has confirmed the Company's design estimates. Nevertheless, it is impossible to be definitive on this subject. To safeguard against possible damage, insurance cover has been obtained for all mechanical breakdowns and third party liability risks. Insurance policies have also been taken out to cater for the possibility of loss of income due to equipment being out of action. The Company intends to conclude similar insurance contracts for future projects. In addition, the Company would usually set up provisions for the replacement of parts subject to wear.

### **Insurance**

The management considers that wind farm operating risks are adequately covered by insurance. In general, the wind power generating plant must be covered for ordinary mechanical breakdowns (e.g. damage caused by forces of nature, operating error, failure of safety devices, etc). In addition, the Company generally takes out third party liability insurance to cover third party damages, such as damage to land and buildings caused by the plant, and cover for loss of income in the event of operations being halted by breakdown for more than two days. However, it cannot be ruled out that there are gaps in the insurance cover. According to the Company, it is not possible to obtain insurance to cover wear of machine parts.

### **Y2K Problem**

Various computer systems, software products and technical equipment components are coded or programmed in such a way that data field entries are only possible with

two digits. In such systems, there is the danger that dates for the year 2000 or later years could be interpreted as 20th century dates, thus leading to system crashes and faults. Although the transition to the new millennium passed off worldwide with hardly any of the feared problems and systems also functioned normally after the leap-year date of 29 February 2000, it is not possible to rule out Y2K problems completely in the course of the year. In the opinion of Energiekontor AG, all necessary checks and measures have been taken to ensure that no problems will arise in this connection.

### **Dependence on qualified personnel**

To achieve the objectives of the Energiekontor Group, it is important for the Company to continue to succeed in recruiting and retaining qualified personnel. In particular, highly qualified staff are needed for planning and for research and development.

### **Liability of Energiekontor AG**

In principle, Energiekontor AG is not liable for the obligations of other companies in the Energiekontor Group. However, the following exceptions could arise:

- **Obligation to compensate other companies in the Group**  
In view of the particular structure of the Group, Energiekontor AG could be faced with extraordinary payment obligations leading to a reduction in profit. These obligations relate, inter alia, to compensation required in connection with the capital ratios of the subsidiary limited liability companies (see also "General information on Energiekontor AG - Structure of the Energiekontor Group").
- **Liability for prospectuses**  
Offering prospectuses have been produced for the

existing wind farm in order to attract limited partners for the wind farm project companies. The same applies to wind power plant to be constructed in the future. In accordance with the jurisprudence of the German Federal Supreme Court, such prospectuses must contain all circumstances which are significant for an investor to obtain full and accurate information. Although the management of the Company is convinced that all relevant circumstances have been described in the offering prospectuses drawn up to date, there is always the possibility that a limited partner will bring a claim for compensation against the publishers, the founders and the initiators of the prospectus, which includes Energiekontor AG.

#### **Managing growth**

In the past, the Company was only partly able to adapt its organisational structures to the considerable growth achieved. However, in this connection, the Company has already taken steps to establish the necessary personnel and organisational structures - especially in accounting, planning and control - to satisfy the requirements for a public company listed in the Neuer Markt segment of the Frankfurt Stock Exchange. The Company plans to complete these measures during the year 2000.

#### **Control of the Company / concentration of share ownership**

After the implementation of the capital increase on the occasion of the stock exchange listing and the placement of the shares offered, Dr Bodo Wilkens, chairman of the management board of Energiekontor AG, and Mr Günter Lammers, a member of the management board of Energiekontor AG, will each hold just under 37%, or in the event of full exercise of the Green Shoe option just under 36% of the share capital of the Company. This means that, in future, acting together, they will probably

be able to determine the outcome of Company resolutions which do not require any qualified majority of the general meeting, irrespective of how other shareholders vote. In accordance with § 20 Para. 3 of the memorandum and articles of association, unless mandatory provisions of the law require otherwise, Company resolutions are passed by a simple majority of the votes cast and, in so far as the Companies Act provides for a majority of the capital as well as of the votes, by a simple majority of the capital represented when the resolution is passed.

#### **High volatility of the Neuer Markt**

The Company has applied for the admission of its shares to the Geregelter Markt with a listing in the Neuer Markt of the Frankfurt Stock Exchange, a segment established in 1997 for innovative and fast-growing undertakings. In general, the companies traded on the Neuer Markt bear a relatively high risk as they often operate in niche markets. For this reason, past experience shows that both the prices of shares in these companies and the volumes traded often fluctuate considerably, not always consistently with the business development of the undertaking. Moreover, the share prices of various undertakings in the Neuer Markt are extremely volatile. There is, therefore, the possibility that sharp fluctuations in the shares of these undertakings may have a considerable impact on the share price of Energiekontor AG.

#### **Lack of a public market and possible volatility of the share price**

Prior to the offering, there was no public regulated market for the shares of Energiekontor AG. The purchase price of the shares will be determined by NORD/LB in consultation with the Company on the basis of the order book established in the bookbuilding process. No guarantee can be given that the purchase price of the shares corresponds to the price at which the shares will be

traded on the Neuer Markt of the Frankfurt Stock Exchange after the offering or that the shares will be actively traded and that this will continue after the offering.

Changes in the operating results of the Company and its competitors, as well as changes in the position of the industry, the economy as a whole and the financial market, can all bring about considerable movement in the price of listed shares. In the past, the securities markets have experienced marked fluctuations in prices and volumes traded. Such fluctuations could again have adverse effects on the price of listed shares in the future, irrespective of the operating results or financial position of the Company.

#### **Reliability of opinions and forecasts**

The assumptions and statements about the future indicated in the Prospectus are primarily the opinions and forecasts of the Energiekontor Group. They reflect the present view of the management with regard to possible future events, the occurrence of which remains uncertain. Various factors could result in the events which actually occur differing considerably from the position which was originally forecast.

# Notes on taxation

## **Taxation of a limited company based in the Federal Republic of Germany and its shareholders**

The fiscal provisions which apply to the taxation of earnings and capital gains are presented below. The presentation makes no claims that the information, which might be needed to make a decision on whether to purchase the shares offered, is complete. The presentation is based on the fiscal provisions in force in the Federal Republic of Germany at the time this Offering Prospectus/Company Report went to press. In the context of the corporation tax reforms now being discussed, changes may be expected with regard to the taxation of limited companies and the taxation of the dividends of private investors from 2001 or 2002 onwards. This presentation relates solely to the taxation of dividends, investment income tax, inheritance and gift tax as well as wealth tax but does not deal with every aspect of these types of taxes. The presentation cannot deal comprehensively with the individual tax circumstances of an individual investor. It is therefore vital that a tax consultant be consulted in any case of doubt.

## **Taxation of the corporate profits of limited companies**

The corporate profits of limited companies, which are based in the Federal Republic of Germany, are subject to corporation tax and business tax. The income of limited companies liable for taxation is derived from the trading profit, taking account of particular fiscal provisions.

In accordance with § 7 GewStG, the basis for calculating business tax is the income liable for taxation modified by additions and reductions. Trade tax is a deductible tax in itself. The amount payable is produced by applying the rate of assessment to trade income. The local council sets the rate of assessment for the companies based in its area. Trade tax is deductible as an operational expense when establishing corporation tax.

From 1999, corporation tax will amount to 40% of the income liable for taxation for retained earnings. This corporation tax will be reduced or increased if dividends are paid out. The reductions or increases should ensure that, in every case, dividends are subject to 30% corporation tax (exception: income from abroad which has already been taxed and which is tax-free in the Federal Republic of Germany under a Double Taxation Convention).

Of the dividend, investment income tax of 25% and the reunification surcharge of 5.5% on the investment tax will be retained by the company making the payment.

## **Taxation of dividends**

Shareholders based/resident in the Federal Republic of Germany have an unlimited liability for tax.

Shareholders based/resident in the Federal Republic of Germany

In the case of private investors, dividends are classed as investment income. Net income received plus the retained investment income tax, reunification surcharge and the corporation tax credit are to be reported as investment income ("gross dividend"). If income on which tax has already been paid abroad and on which the company pays no tax in Germany under the Double Taxation Convention is used to pay the dividend, no corporation tax credit applies to this dividend (distribution from "EK 01").

In establishing the investment income on which tax is payable, the private investor is granted a saver's allowance of DEM 3,000 (DEM 6,000 in the case of husbands and wives who are assessed jointly).

Investment income tax and the corporation tax credit will be imputed against income tax and, where applicable, reimbursed. The retained unification surcharge will

be taken into consideration accordingly. The amount of income on which tax is payable and the tax to be imputed is shown on the tax certificate issued by the financial institution where the securities are administered. Without this tax certificate no imputable taxes will be taken into consideration when the income tax assessment is made. If at the time the dividend is paid, the financial institution administering the securities has an exemption application, which has not yet been exhausted, the retained and imputable taxes will be reimbursed by the financial institution.

If the shares form part of a natural person's business assets, the dividends, including the tax credit, constitute business income on which tax is payable and are subject to income and business tax as current business income.

If the shares form part of the business assets of a limited company based in Germany, the dividends, including the tax credit, constitute business income and are subject to both corporation tax and business tax. In such cases, distributions from EK 01 are exempt from both corporation tax and business tax.

Shareholders based/resident outside the Federal Republic of Germany

If the shareholder is based/resident in a country with which the Federal Republic of Germany has a Double Taxation Convention, the retained investment income tax is cut from 25% to the top rate of withholding tax agreed in the convention (generally 15%). The difference between the actually retained capital investment tax and the lower top rate resulting under the convention will be reimbursed to the shareholder on application. Reimbursement of the corporation tax credit is not permissible under either German national law or the Double Taxation Conventions in force. Whether the corporation tax credit

can be taken into consideration, where applicable, under the fiscal laws of the country where the shareholder is based/resident is beyond the scope of this Offering Prospectus/Company Report and must be clarified individually.

The application for reimbursement of the excess capital investment tax retained is to be submitted on an official form, together with confirmation of the shareholder's liability for taxes in the place he is based/resident from the financial authorities there, to the Ministry of Finance, 53221 Bonn, Germany. It will then reimburse both the excess capital investment tax retained and the reunification surcharge. The application for reimbursement must be made no later than the end of the fourth year following payment of the dividend.

If the shares form part of the business assets of the German operation of a foreign company, the same imputation rules as those for shareholders based in the Federal Republic of Germany apply. Corporation tax, capital investment tax and the reunification surcharge levied thereon are consequently imputable against the tax liability in Germany or will be refunded if applicable. Passing a dividend from the office to the parent company does not trigger any further taxes in the Federal Republic of Germany.

#### **Taxation of capital gains**

In the case of entities/persons with an unrestricted liability for tax, profits from the sale of shares are subject to income tax if

- I. the vendor is a natural person, the shares are held as personal assets and the vendor has held at least 10% of the company's capital either directly or indirectly

during the last five years (substantial holding as defined in § 17 EStG), or

- II. the vendor is a natural person, the shares are held as personal assets and the shares are sold within a year (trading period) of acquisition (profit from private sales as defined in § 23 EStG), or
- III. the shares form part of business assets.

Losses from the sale can be offset against income and consequently reduce the income on which tax is payable. However, it should be noted that losses on private sales can only be offset against profits on private sales undertaken in the same year or in subsequent years.

If an entity/person whose tax liability is limited makes a profit on selling shares, this is not subject to taxation in the Federal Republic of Germany unless

- I. the shares form part of the business assets of a company based in the Federal Republic of Germany or the German operation of a foreign company, or
- II. the shareholder holds or has held more than 10% of the company's share capital either directly or indirectly during a period of five years before the shares are sold.

The German tax liability on capital gains may lapse in the context of the Double Taxation Conventions.

The question of tax liability on the sale of shares in the country in which the shareholder is based or resident lies beyond the scope of this Offering Prospectus/Company Report and must be clarified individually.

### **Inheritance and gift tax**

Assignments of shares by people whose liability for tax is unlimited, whether as a result of death or of a donation, are subject to inheritance and gift tax. Assignments by shareholders whose liability for tax is limited are only subject to inheritance or gift tax in the Federal Republic of Germany if

- I. the heir, the donee or the beneficiary is resident for tax purposes in the Federal Republic of Germany, or
- II. the shareholder's shares form part of the business assets of a permanent establishment maintained in the Federal Republic of Germany, or
- III. the shareholder holds at least one tenth of the company's share capital, directly or indirectly, whether alone or together with people who are closely associated with him.

Irrespective of this, account should be taken of the inheritance or gift tax laws in the country of residence.

### **Wealth tax**

Wealth tax has not been levied in the Federal Republic of Germany since 1 January 1997. Wealth tax may still be levied for assessment periods before this date.

### **Other taxes in the Federal Republic of Germany**

The acquisition, sale or assignment of shares is not subject to any stock exchange turnover tax, company tax, stamp duty or similar taxes in the Federal Republic of Germany at present.

# General information on Energiekontor AG

## Establishment and development

The Company was established on 1 September 1995 in the legal form of a limited partnership (GmbH & Co. KG) under the name "Energiekontor-VB-GmbH & Co. Verwaltungs- und Beteiligungs KG", with registered office in Stuhr/Brinkum. It was entered in the trade register of the district court of Syke on 25 March 1996 under number HR A 1936, with an authorised capital of DEM 300,000. The general partner of Energiekontor-VB-GmbH & Co. Verwaltungs- und Beteiligungs KG was Energiekontor-VB-GmbH, Bassumer Straße 62, 28816 Stuhr/Brinkum, a company established on 21 September 1995, with registered office in Stuhr/Brinkum and an authorised capital of DEM 50,000, entered in the trade register of the district court of Syke on 2 January 1996 under number HR B 2727. The limited partners of Energiekontor-VB-GmbH & Co. Verwaltungs- und Beteiligungs KG were Dr Bodo Wilkens and Günter Lammers.

## Change of form to a public limited company (Aktiengesellschaft)

On 26 August 1999, the partners' meeting of Energiekontor-VB-GmbH & Co. Verwaltungs- und Beteiligungs KG resolved to change the form of the company, in accordance with §§ 190 et seq UmwG, to a public limited company under the name Energiekontor AG, with retroactive effect to 1 January 1999. The resolution with regard to the change of form was entered in the trade register of the district court of Syke on 25 November 1999. The conversion of Energiekontor-VB-GmbH & Co. Verwaltungs- und Beteiligungs KG into a public limited company and the related cessation of Energiekontor-VB-GmbH & Co. Verwaltungs- und Beteiligungs KG were entered in the trade register of the district court of Syke on 28 January 2000 under number HR A 1936. The change of form was entered in the trade register of the district court of Syke on 23 December 1999 under num-

ber HR B 3249 and Energiekontor AG has operated under this number since that time.

The partners of Energiekontor-VB-GmbH & Co. Verwaltungs- und Beteiligungs KG - Dr Bodo Wilkens and Günter Lammers and Energiekontor-VB-GmbH - approved the change of form and so are liable as founders in accordance with § 219 UmwG. As sole partners, they declared that they would dispense with the conversion report and the objection to the validity of the conversion resolution.

The costs of the conversion are borne by the Company up to a sum of EUR 15,000.

Mr Kai Uwe Paa, of the firm of Schmitt, Hörtnagl + Partner (Freiburg i. Brsg.), the auditor appointed by the district court of Syke on 15 September 1999 to carry out the foundation audit required under the Companies and Conversions Act in the event of the foundation of an AG by non-cash capital contribution, delivered the foundation audit report on 28 September 1999, which contains the following auditors' report:

"Following the final outcome and the due and proper audit in accordance with § 197 p. 1 UmwG in conjunction with § 34 AktG we certify on the basis of the certificates, books and documents as well as the explanations given to us and evidence provided that the information in the foundation audit report and the conversion audit report provided by the members of the Management and Supervisory Boards of Energiekontor AG is correct and complete. The value of the company is not below the nominal value of the share capital of Energiekontor AG i.Gr. Stuhr-Brinkum. No objections have been raised with regard to the information on business development to date and the circumstances of the company which is to

be converted, contained in the report by the founders on the conversion (foundation report)."

**Name, registered office and financial year**

The Company is called Energiekontor AG and its registered office is in Stuhr/Brinkum.

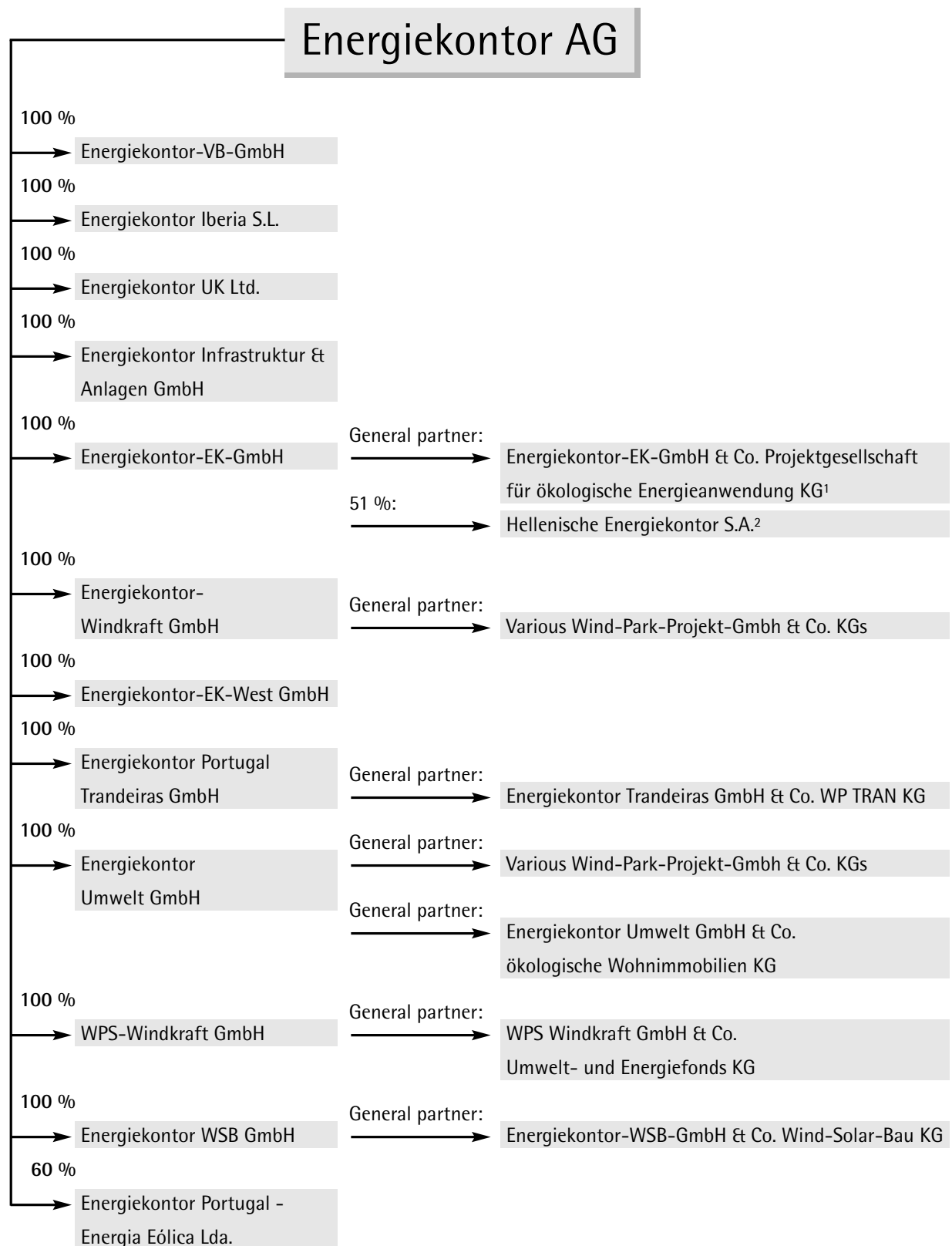
The Company's financial year is the calendar year.

**Object of the Company**

In accordance with the articles of association, the object of the Company is the planning, development, construction, sale and operation of plant and projects in the power and environment field, as well as the sale of electricity, together with the related trading and financing activities. The Company is further authorised to extend its activity to other branches of trade, as well as to acquire identical or similar companies both at home and abroad, to acquire interests in such companies and to establish branches and subsidiaries. In addition, the Company may carry on business in related fields and conduct any transaction which may be appropriate to promote the object of the Company directly or indirectly or which may be connected with it.

**Structure of the Energiekontor Group**

The following chart shows the structure of Energiekontor, together with its subsidiaries.



<sup>1</sup> In the Financial Section also mentioned as "Energiekontor EK GmbH & Co. Projektentwicklungs KG".

<sup>2</sup> It is intended to transfer the shares in Hellenische Energiekontor S.A. from Energiekontor-EK-GmbH to Energiekontor AG in 2000.

The Energiekontor Group has a three-tier corporate structure. Energiekontor AG, which represents the top level, is the 100% - in one case 60% - owner of the various GmbHs in the second level. As may be seen from the chart, a number of the GmbHs serve the function of general partner in the project KGs at the third level.

This arrangement provides Energiekontor AG with a certain security with regard to corporate liability. With a GmbH - as with an AG - only the company itself is in possession of all rights and obligations. As far as liability is concerned, this means that only the assets of the company are liable for the obligations of the GmbH or AG. In a conventional KG, at least one partner must be committed with unlimited liability for his personal assets. However, with a GmbH & Co. KG, the partner with unlimited liability is embodied in a GmbH. In consequence, apart from the corporate assets of the KG, only the assets of the GmbH are liable for the obligations of the GmbH & Co. KG. The domestic companies of the Energiekontor Group, apart from the AG itself, consist entirely of GmbHs and GmbH & Co. KGs. In principle, therefore, the AG has no liability as a partner of the GmbHs, some of which are in turn partners of the GmbH & Co. KGs.

However, within the Group, control and profit transfer agreements have been concluded which result in interactions. For example, on 30 December 1999, notarised control and profit transfer agreements were concluded between, on the one hand, Energiekontor AG and, on the other, Energiekontor Infrastruktur & Anlagen GmbH, Energiekontor-EK-GmbH and Energiekontor-VB-GmbH.

These agreements, which run for a minimum of five years, make profit transfers and the takeover of losses retroactive to 1 January 1999. The agreements were entered in the trade register in March 2000.

Under the terms of a control and profit transfer agreement, the dominant company - in this case Energiekontor AG - is required, in accordance with § 302 AktG, to compensate the dependent company for any annual loss incurred during the life of the agreement, in so far as the latter cannot cover the loss from its own retained earnings. Accordingly, in the event of the dependent company becoming insolvent, the dominant company is required to settle its liabilities with the creditors.

According to the information given by the management board of the Company, no control and/or profit transfer agreements other than those specified above have been concluded between Energiekontor AG and the other Group Companies.

Furthermore, it is possible that a qualified de facto group relationship will be deemed to exist in view, among other things, of the unified company management between, on the one hand, Energiekontor AG and, on the other, Energiekontor Windkraft GmbH and/or Energiekontor Umwelt GmbH. The existence of such a relationship would result in the application of legal consequences analogous to those described above.

Moreover, interactions could also arise because of the capital structure of the subsidiary GmbHs, all of which are endowed with the minimum legally prescribed amount, namely DEM 50,000, or EUR 25,000. If these GmbHs conclude contracts with risks far exceeding their share capital, then, in the event of non-fulfilment of the contractual obligations, the creditors would be able to use the remedy of piercing the corporate veil and bring an action for undercapitalisation against the partners of the GmbH, including Energiekontor AG.

## Major shareholdings

The following table provides an overview of major shareholdings in Energiekontor AG as at the balance sheet date 31.12.1999:

	Registered office	Activity	Subscribed share capital in DEM	Interest in subscribed share capital	Earnings from interest in share capital of the subsidiary during 1999 financial year in DEM	Book value of the interest held in the company in DEM	Amounts owed to/by the Company in relation to the subsidiary in DEM
Energiekontor-VB-GmbH	Bremerhaven	Planning, development and operation of wind farms and wind power equipment; takeover, representation and acquisition of interests in similar undertakings; establishment of branches	50,000	100 %	0	50,000	Owed to: 544,781 Owed by: 10,324
Energiekontor Infrastruktur und Anlagen GmbH	Bremerhaven	Trade in capital goods and technical equipment for the construction of power generating plants and especially wind farms; preparation of site infrastructure for power generating plants and especially wind farms	50,000	100 %	4,676,403	50,000	Owed to: 2,523,984 Owed by: 0
Energiekontor-EK-GmbH	Bremerhaven	Planning and development in domain of energy and environment; takeover, representation and acquisition of interests in similar undertakings; establishment of branches	50,000	100 %	2,615,444*	50,000	Owed to: 1,163,596 Owed by: 13,000

Energiekontor Windkraft GmbH	Bremerhaven	Planning, development and operation of wind farms and wind power equipment; takeover, representation and acquisition of interests in similar undertakings; establishment of branches	50,000	100 %	0	50,000	Owed to: 36,727 Owed by: 0
Energiekontor Umwelt GmbH	Bremerhaven	Management and operation of ecologically- oriented projects and all related activities	50,000	100 %	0	50,000	Owed to: 0 Owed by: 0
Energiekontor WSB GmbH	Bremerhaven	Planning, development, construction and sale of projects in the energy and environment domain	50,000	100 %	1,445,401*	50,000	Owed to: 369,931 Owed by: 58,834

\* The amounts include certain distributions for previous years which were collected as income by the AG in 1999.

With regard to the position of the companies in the business activity of the Energiekontor Group, reference is made to the explanations given in the section "Activities of the Energiekontor Group - business divisions".

The corporate structure of the major shareholdings is as follows:

#### **Energiekontor-VB-GmbH:**

To bring about the 100% parent-subsidiary relationship between Energiekontor AG, on the one hand, and Energiekontor-VB-GmbH, on the other, the following actions were taken:

On 26 August 1999, Dr Wilkens and Energiekontor-VB-GmbH concluded a partnership share transfer and trust agreement, whereby Dr Wilkens transferred in trust a portion of his partnership interest in Energiekontor-VB-GmbH & Co. Verwaltungs- und Beteiligungs KG in the sum of DEM 300 to Energiekontor-VB-GmbH. Under the

terms of this agreement, this transfer ended on the day after the announcement of the change of legal form in the trade register. On the same day, Dr Wilkens and Mr Lammers assigned their partnership interests in Energiekontor-VB-GmbH to Energiekontor-VB-GmbH & Co. Verwaltungs- und Beteiligungs KG and contributed them to that company. This contribution resulted in Energiekontor-VB-GmbH & Co. Verwaltungs- und Beteiligungs KG acquiring 100% of Energiekontor-VB-GmbH. The above-mentioned resolution on the change of form then followed.

#### **Energiekontor-EK-GmbH:**

This company, which is the general partner of Energiekontor-EK-GmbH & Co. Projektgesellschaft für ökologische Energieanwendung KG, also owns 51 % of Hellenische Energiekontor S.A. at the present time.

**Energiekontor Windkraft GmbH:**

This company is the general partner of the following wind farm project GmbH & Co KGs:

1. Energiekontor Windkraft GmbH & Co WP HOL KG - Holßel site
2. Energiekontor Windkraft GmbH & Co WP NL KG - Nordleda site
3. Energiekontor Windkraft GmbH & Co WP OE Osterende KG - Osterende site
4. Energiekontor Windkraft GmbH & Co WP GRE KG - Grevenbroich site
5. Energiekontor Windkraft GmbH & Co WPB KG - Beckum site
6. Energiekontor Windkraft GmbH & Co WP HN KG - Halde Nierchen site
7. Energiekontor Windkraft GmbH & Co WP HN II KG - Halde Nierchen site
8. Energiekontor Windkraft GmbH & Co WP KE KG - Kerpen site
9. Energiekontor Windkraft GmbH & Co WP KRE KG - Krempel site
10. Energiekontor Windkraft GmbH & Co WP KRE II KG - Krempel site
11. Energiekontor Windkraft GmbH & Co Windpark Misselwarden KG - Misselwarden site
12. Energiekontor Windkraft GmbH & Co WP OE KG - Oederquart site
13. Energiekontor Windkraft GmbH & Co WP N KG - Spieka-Neufeld site
14. Energiekontor Windkraft GmbH & Co WP We KG - Wechtern site
15. Energiekontor Windkraft GmbH & Co Windpark Wremen Grauwallkanal KG - Wremen - Grauwallkanal site
16. Energiekontor Windkraft GmbH & Co WP WRE II KG - Wremen - Grauwallkanal site

**Energiekontor Umwelt GmbH:**

This company is the general partner of the following wind farm project GmbH & Co KGs:

1. Energiekontor Umwelt GmbH & Co WP DE KG - Drangstedt site
2. Energiekontor Umwelt GmbH & Co WP FRI KG - Frischborn site
3. Energiekontor Umwelt GmbH & Co WP HÖ KG - Ostemünde site
4. Energiekontor Umwelt GmbH & Co WP OS KG - Niederelbe site
5. Energiekontor Umwelt GmbH & Co WP MA KG - Maráo, Portugal site
6. Energiekontor Umwelt GmbH & Co WP STO KG - Stotel site
7. Energiekontor Windkraft GmbH & Co WP GRE II KG - Grevenbroich site

In addition, the company is the general partner of Energiekontor Umwelt GmbH & Co. Ökologische Wohnimmobilien KG.

**Energiekontor WSB GmbH:**

This company is the general partner of Energiekontor-WSB-GmbH & Co. Wind-Solar-Bau KG.

It should be noted that this overview represents only a part of all the project companies of the Energiekontor Group.

### Other shareholdings

The following table indicates other shareholdings of Energiekontor AG:

	Registered office	Subscribed share capital	Interest in share capital of the company
Energiekontor Iberia S.L.	Barcelona, Spain	EUR 3,000	100 %
Energiekontor UK Ltd.	London, UK	GBP 5,000	100 %
WPS-Windkraft GmbH	Bremerhaven	DEM 50,000	100 %
Energiekontor-EK-West GmbH	Hückelhoven	DEM 50,000	100 %
Energiekontor Portugal Trandeiras GmbH	Bremerhaven	DEM 50,000	100 %
Energiekontor Portugal Lda.	Lisbon, Portugal	ESC 1,000,000	60 %

**WPS-Windkraft GmbH** is the general partner of WPS Windkraft GmbH & Co. Umwelt- und Energiefonds KG.

**Energiekontor Portugal Trandeiras GmbH** has a general partner interest in Energiekontor Trandeiras GmbH & Co WP TRAN KG - Trandeiras, Portugal.

### Capital

#### Nominal capital

At the time of the resolution of 26 August 1999 to change the legal form of the Company, the nominal capital of Energiekontor-VB-GmbH & Co. Verwaltungs- und Beteiligungs KG stood at DEM 300,000. The conversion to Energiekontor AG took place with a nominal capital of EUR 150,000, divided into 150,000 bearer shares in the form of unit shares, with a book share in the share capital of EUR 1.00 per share.

In order to establish a capitalisation commensurate with the increased income of the Company, the ordinary general meeting of Energiekontor AG held on 6 March 2000 resolved to increase the nominal capital out of partnership funds by EUR 2,550,000 to EUR 2,700,000, through the issue of 2,550,000 bearer shares in the form of unit shares with a book share in the share capital of EUR 1.00 per share. The shares have full entitlement to share in the profits for the financial year from 1 January to 31 December 2000. The entry in the trade register took place on 11 April 2000.

On 12 April 2000, the extraordinary general meeting of Energiekontor AG resolved to increase the capital, through cash contributions, by EUR 700,000 to EUR 3,400,000, with the issue of 700,000 new bearer shares in the form of unit shares with a book share in the share capital of EUR 1.00 per share. The statutory subscription right of the shareholders was excluded in view of the planned flotation of the Company on the stock market with the new shares. NORD/LB was authorised to sub-

scribe for the new shares and to take them over in the name and for the account of the Banking Consortium, with the obligation to place them in free float at a placement price yet to be determined and to transfer the surplus proceeds to the Company. The capital increase was entered in the trade register on 4 May 2000.

#### **Authorised capital**

The ordinary general meeting held on 6 March 2000 authorised the management board, with the approval of the supervisory board, to increase the share capital up to 28 February 2005 through the issue of new shares by means of cash contributions or contributions in kind, on one or more occasions, up to a total amount of EUR 1,080,000. The management board was further authorised, with the approval of the supervisory board, to resolve an exclusion of the right to subscribe.

The ordinary general meeting also authorised the management board, with the approval of the supervisory board, to increase the share capital up to 28 February 2005 through the issue of new shares by means of cash contributions, on one or more occasions, up to a total amount of EUR 270,000. The right of shareholders to subscribe may be fully excluded, provided that the issue price of the new shares is not significantly below the stock market price of the shares already listed with the same entitlement at the time of final determination of the issue price.

Both resolutions were entered in the trade register on 11 April 2000.

#### **Conditional capital**

The extraordinary general meeting held on 12 April 2000 resolved to increase the share capital of the Company conditionally by up to EUR 150,000 through the issue of

150,000 bearer shares in the form of unit subscription shares with a book share of the share capital of EUR 1.00 per share. The resolution was entered in the trade register on 4 May 2000.

The conditional capital increase serves exclusively to offer subscription rights to Company employees and to the employees and members of the management of affiliated companies within the framework of a stock option plan (§ 192 Para. 2 Point. 3 AktG), with a view to binding these employees and managers to the Company in the long term and to increasing their motivation significantly. The conditional capital increase shall be implemented only to the extent that the subscription rights offered are exercised by the beneficiaries. The new shares are entitled to share in the profits from the beginning of the financial year in which the subscription right is exercised. The management board shall be authorised, with the approval of the supervisory board, to determine the details of the conditional capital increase and its implementation. If the management is itself concerned, the determination and implementation shall be effected entirely through the supervisory board.

In this connection, the extraordinary general meeting adopted the following resolutions in accordance with § 193 Para. 2 AktG:

The management board shall be authorised to offer the employees of the Company and the employees and members of the management of the affiliated companies the right to subscribe for shares in accordance with the following provisions and, in the event of the right to subscribe being exercised through a written subscription declaration in accordance with the provisions of the share option plan, to issue new shares.

- Subscription rights shall be issued/granted to the beneficiaries in two tranches:
  - a) The first tranche with a total of 60,000 subscription rights (share options) may be implemented immediately, i.e. the share subscription rights / share options may be granted to the beneficiaries within a period of two months after the extraordinary general meeting, in accordance with the provisions of the share option plan.
  - b) The second tranche with a total of 90,000 subscription rights (share options) may be implemented with effect from 31.03.01, i.e. the share subscription rights / share options may be granted to the beneficiaries within a period of two months from this date, i.e. within the period from 31.03.01 to 31.05.01, in accordance with the provisions of the share option plan.
- The subscription rights may be exercised after the expiry of the blocking period from the granting of the relevant option within a time window of one month from the end of the ordinary general meeting, provided that the other conditions of the share option plan for the exercise of the option are fulfilled. The options lapse without replacement if they are not exercised within a period of five years from the date on which they are granted.
- The subscription rights / share options of the first tranche of 60,000 subscription rights / share options are to be divided as follows:
  - The number of subscription rights allocated to the members of the management of the Company must not exceed 10,000.
  - The number of subscription rights allocated to the members of the management of the affiliated companies must not exceed 5,000.
  - The number of subscription rights allocated to employees of the Company must not exceed 40,000.
  - The number of subscription rights allocated to the employees of the affiliated companies must not exceed 5,000.
- The subscription rights / share options of the second tranche of 90,000 subscription rights / share options are to be divided as follows:
  - The number of subscription rights allocated to the members of the management of the Company must not exceed 10,000.
  - The number of subscription rights allocated to the members of the management of the affiliated companies must not exceed 5,000.
  - The number of subscription rights allocated to employees of the Company must not exceed 70,000.
  - The number of subscription rights allocated to the employees of the affiliated companies must not exceed 5,000.
- The precise group of beneficiaries and the scope of the rights offered will be determined by the management board, with the approval of the supervisory board. If the management board is itself an interested party, the decision will be taken by the supervisory board.
- The issue price of the subscription shares (basis / exercise price for the subscription shares offered in the event of an exercise of option rights in accordance with the share option plan) for the first

tranche shall be 100% of the placement price per share of Energiekontor AG determined before the first listing on the Neuer Markt of the Frankfurter Stock Exchange. Every subscription right / option right entitles the beneficiary to subscribe for one unit share at the basis / exercise price.

- The issue price of the subscription shares (basis / exercise price for the subscription shares offered in the event of an exercise of option rights in accordance with the share option plan) for the second tranche shall be calculated as the arithmetical average of the closing Xetra price per Energiekontor share on the Neuer Markt of the Frankfurt Stock Exchange for the last day of the month of the three calendar months preceding the resolution of the management board concerning the granting of the subscription rights / option rights of the second tranche. The months in question are the three full calendar months elapsed before the date of the granting of the subscription rights / option rights of the second tranche. If the last day of a calendar month falls on a Saturday, Sunday or a public holiday, respectively a day on which for special reasons there is no trading on the stock exchange, then the relevant rate is that prevailing on the last day of trading on the stock exchange in the particular calendar month. Every subscription right / option right entitles the beneficiary to subscribe for one unit share at the basis / exercise price. In the interests of the shareholders of the Company, the management board may, with the approval of the supervisory board, increase the issue price of the subscription shares for the second tranche by up to 20% if the calculation of the issue price on the basis of the above criteria results in an issue price which is disproportionately low. In particular, this shall apply if the issue price deter-

mined on the basis of the above criteria is more than 20% below the stock market price prevailing at the time the subscription rights / option rights were granted. The issue price described above represents a minimum. If the management board is itself an interested party, the decision will be taken by the supervisory board.

- The subscription rights / option rights both of the first and of the second tranche shall be so arranged that they can be exercised after the expiry of the blocking period presented below, subject to the proviso (exercise barrier) that the stock market price of the Energiekontor share is more than 200% of the placement price per Energiekontor AG share determined before the first listing at the Neuer Markt sector of the stock exchange.
- The subscription rights / option rights may be exercised only within a period of one month following the ordinary general meeting, beginning at the earliest two years after the granting of the relevant subscription rights / option rights, with the proviso that the other conditions of the share option plan for the exercise are fulfilled.
- The subscription rights / option rights of a beneficiary shall lapse without replacement upon the cessation of his existing employment with the Company or an affiliated undertaking, save in the event of retirement, disability or loss of capacity for employment, change within the Group, or death. An exception is further made in the event of the beneficiary leaving through the assignment of a part of the business or the withdrawal of a Company or part of an operation from the Energiekontor Group through conversion.

- The subscription rights / option rights to be granted shall not be transferable. The share option plan of Energiekontor AG is a voluntary benefit granted by the Company which does not generate any legal right for the future.

### Executive bodies of the Company

#### Management board

In accordance with the articles of association of Energiekontor AG, the management board may consist of one or more persons. The number of members of the management board is determined by the supervisory board. If the management board consists of more than one person, the supervisory board may appoint a spokesman and deputy spokesman of the management board. In the event of a tied vote, the spokesman of the management board has the casting vote.

In accordance with the articles of association, the Company is represented either by one member of the management board, if the management board consists of only one member, or by two members of the management board acting together, if a number of members have been appointed to the management board, or by one member of the management board acting jointly with an authorised representative, if so determined by the supervisory board. The supervisory board may also decide that each member of the management board or individual members have the power to represent the Company individually (sole power of representation). In addition, the supervisory board may grant individual members or all members of the management board the authority to conduct legal transactions in the name of the Company as representative of a third party.

At the present time, the management board of Energiekontor AG consists of two members:

Dr Bodo Wilkens

Chairman of the management board

Age: 43

Responsible for: Strategic planning and finance

By a resolution of 26 August 1999, the members of the first supervisory board appointed Dr Wilkens as a member of the management board for a period of five years.

Dr Wilkens studied commercial engineering at the Technische Hochschule Darmstadt, majoring in energy technology. He held a position as assistant there from 1983 to 1987. When he was awarded his doctorate in 1988, he was working in the prices and tariffs department of the Federation of German Power Stations. During the period from 1989 to 1992, he was a project leader for energy projects at the GOPA (Gesellschaft für Organisation, Planung und Ausbildung) in Bad Homburg.

Günter Lammers

Age: 42

Responsible for: Operational affairs and technology

Mr Lammers was also appointed as a member of the management board for a period of five years by the members of the first supervisory board in a resolution of 26 August 1999. Mr Lammers studied social education at the Fachhochschule Braunschweig. After completing his studies, he was intensively involved with the distribution of ecological products and with the promotion of ethical and ecological marketing strategies.

The business address of the members of the management board is the same as the address of the Company.

At the present time, both members of the management board have sole power to represent the Company.

For the past financial year, the members of the management board of Energiekontor AG as managing partners have received a total remuneration of DEM 413,616.

In addition to their functions as members of the management board, Dr Wilkens and Mr Lammers act as managers within the Energiekontor Group. They are both joint managers of Energiekontor Windkraft GmbH, Energiekontor-EK-GmbH, Energiekontor-EK-West GmbH, Energiekontor Infrastruktur & Anlagen GmbH, Energiekontor Umwelt GmbH, Energiekontor WSB GmbH, Energiekontor Portugal Trandeiras GmbH, Energiekontor Iberia S.L., Energiekontor Portugal - Energia Eólica Lda., Energiekontor UK Ltd, Hellenische Energiekontor S.A. and Energiekontor-VB-GmbH. Dr Wilkens is also joint manager of WPS-Windkraft GmbH. According to the information given by the Company, the two members of the management board did not receive separate remuneration for this activity.

Prior to the stock exchange listing, Dr Bodo Wilkens and Mr Günter Lammers each own 1,345,275 unit shares in the nominal capital of Energiekontor AG, i.e. 49.83 % each. After the listing, their holdings will each be reduced to 36.99 % respectively 35.94 % (in the event of a full exercise of the Green Shoe option) of the nominal capital. Under the share option scheme to be implemented, two tranches of a total of up to 20,000 option rights may be issued to members of the Management Board of the Company, entitling holders to a total of up to 20,000 shares in the Company on expiry of the blocking period and on achievement of the specified exercising threshold. The Supervisory Board of the Company will decide on the details of the issue to Management Board

members (see the section entitled "Capital structure – contingent capital").

As at 31.12.99, the two members of the management board each owed the Company DEM 263,694.46 in respect of loans. These were sums which had to be entered in the balance sheet in view of the retroactive conversion of the Company into a public limited company (AG) (see also "General information on Energiekontor AG - change of form to a public limited company"). Both members of the management board intend to reduce their liabilities during the first half of 2000.

#### **Supervisory board**

In accordance with the articles of association of Energiekontor AG, the supervisory board consists of three members. They are elected for the period up to the end of the annual general meeting which resolves to approve the management of the Company for the fourth financial year after the commencement of their term of office. The financial year in which their term of office commences is not included in this period. In addition to the regular members of the supervisory board, substitute members may be elected for one or more members of the supervisory board. The substitute member joins the supervisory board if the member he is appointed to replace leaves the supervisory board before the end of his term of office. His term of office ceases at the end of the next annual general meeting to be held after he takes office. His term of office is extended to the end of the term of office of the member whom he is replacing if a replacement is not elected at the next annual general meeting. Replacement elections take place for the rest of the term of office of the outgoing member.

Every member of the supervisory board is entitled to resign his office, even without an important reason, by

giving three months' notice in writing to the management board. At its meeting held immediately after the annual general meeting at which all the members of the supervisory board to be elected are newly elected, the supervisory board elects a chairman and vice-chairman from among its members.

At the present time, the supervisory board of Energiekontor AG consists of the following three members:

Markus Jochum  
Chairman of the supervisory board  
Age: 50  
Profession: lawyer

Jörg Kuhbier, Senator (retd)  
Age: 59  
Profession: lawyer

Dr. rer. pol. Hans Joachim Huss  
Age: 47  
Profession: banker

The business address of the members of the supervisory board is the same as the address of the Company.

The members of the supervisory board receive an annual remuneration of DEM 12,000. In accordance with the articles of association of Energiekontor AG, the chairman receives twice this remuneration and the vice-chairman one and a half times this remuneration. All members of the supervisory board additionally receive an attendance fee of DEM 300. Expenses and costs incurred when carrying out supervisory board duties, will be reimbursed by the Company. Taxes due on the total remuneration will be paid by the Company.

The members of the supervisory board are not shareholders of the Company.

According to the information provided by the Company, the members of the supervisory board are not in receipt of any loans or guarantees from the Energiekontor Group.

### **Annual General Meeting**

The ordinary annual general meeting of Energiekontor AG takes place within the first eight months of a financial year. It is convened by the management board or, in the circumstances prescribed by law, by the supervisory board. It is held at the registered office of the Company, or in the immediate neighbourhood, or at the registered office of a German stock exchange.

The annual general meeting is chaired by the chairman of the supervisory board or, failing that, by his deputy. In the event of both of these being unable to act, the annual general meeting appoints a chairman from among its members. The chairman leads the meeting, determining the sequence in which the agenda items are discussed and the nature and sequence of voting. Every bearer share is entitled to one vote. If bearer preference shares are issued and these have legal voting rights, then each bearer preference share is entitled to one vote.

Unless mandatory provisions of the law require otherwise, resolutions are passed by a simple majority of the votes cast and, where the Companies Act requires a majority of the capital as well as a majority of the votes, by a simple majority of the capital represented at the time of the passing of the resolution.

Resolutions of the annual general meeting to dissolve the Company, to merge it with another company, to transfer its assets or to permit a control or profit transfer

arrangement require a majority of 75% of the total voting capital of the Company.

#### Advisory Board

In accordance with the articles of association, Energiekontor AG has the right to appoint an advisory board for the purpose of establishing closer contacts and consulting with relevant business circles. The advisory board, which consists of at least three members, advises the management board when requested to do so. The members of the advisory board are appointed by the management board, with the approval of the supervisory

board, for a period of three years. The advisory board appoints a chairman and deputy chairman from among its members. The management board, with the approval of the supervisory board, determines the scope of activity, the rules of procedure and the remuneration of the advisory board. No advisory board has been appointed at the present time.

#### Existing shareholders

The following table provides an overview of the existing shareholders and the extent of their interests before and after the flotation:

	Pre-placement interest in share capital		Post-placement interest in share capital <sup>1)</sup>		Post-placement interest in share capital <sup>2)</sup>	
	Number	%	Number	%	Number	%
Dr. Bodo Wilkens	1,345,275	49.825	1,257,775	36.993	1,257,775	35.936
Günter Lammers	1,345,275	49.825	1,257,775	36.993	1,257,775	35.936
Thilo Blaser	9,450	0.350	9,450	0.278	9,450	0.270
<b>Total</b>	<b>2,700,000</b>	<b>100.000</b>	<b>2,525,000</b>	<b>74.264</b>	<b>2,525,000</b>	<b>72.142</b>
Preferential subscription	-	-	20,000	0.588	20,000	0.571
Free float	-	-	855,000	25.147	955,000	27.286
<b>Share capital</b>	<b>2,700,000</b>	<b>100.000</b>	<b>3,400,000</b>	<b>100.000</b>	<b>3,500,000</b>	<b>100.000</b>

1) in the event of full subscription of up to 20,000 preferentially offered unit shares

2) in the event of full subscription of up to 20,000 preferentially offered unit shares and full exercise of the Green Shoe option

**Appropriation of profits and dividend policy**

In accordance with the articles of association, the Company has the right to issue non-voting preference shares. If such shares are issued, a share of the net profit for the year amounting to 2% of their book par value is first allocated to them. If the net profit is insufficient, the residue is to be paid without interest from the net profit of the following year, the full preference amount of this year being allocated to the preference shares. The same applies if sums due in respect of preference shares are outstanding from a number of years. Otherwise, the annual general meeting resolves on the appropriation of net profits. Any portion of net profits remaining after service of preference shares, where applicable, may be transferred by the annual general meeting to the free reserves, carried forward to the next year or distributed to the shareholders. There are no preference shares at the present time.

The management board submits a proposal for the appropriation of net profits to the supervisory board immediately after receipt of the auditor's report on the annual accounts. After receipt of the report of the supervisory board, the management board then convenes the annual general meeting without delay. The decision on the distribution and the amount of any dividend depends not only on the earnings position of the Company but also on its future plans, the market environment and fiscal considerations.

Energiekontor AG did not resolve and did not pay any dividend for the previous financial year. There is no plan to distribute a dividend for the current financial year.

**Announcements, payment and deposit offices**

In accordance with the articles of association, Company announcements are made in the Federal Gazette

(Bundesanzeiger). In addition, notices regarding the shares of Energiekontor AG will be published in an official journal of the Frankfurt Stock Exchange circulated in the regions.

The deposit of shares necessary for participation in the annual general meeting may be effected during business hours with the Company, a German notary, a securities depository bank authorised to receive the shares or another deposit office designated in the invitation. The payment and deposit service for the Company's shares will be effected by the consortium banks, with the exception of Société Générale. Centralisation will be carried out at NORD/LB.

**Legal disputes**

According to information received from the firms of lawyers acting for the Company, four actions for compensation are currently being brought by Energiekontor Infrastruktur & Anlagen GmbH and by individual project companies against two constructors of wind power installations. The amounts claimed range from approximately DEM 125,000 to DEM 1,210,000. In March 2000, it was possible to reach a settlement on the basis of around 75% of the claim in two cases. It also seems likely that an out-of-court settlement at a similar level will be reached with the constructor in the near future. It is only in the case of the claim for approximately DEM 125,000 that no settlement is in prospect with the constructor and this may have to go to court. The Energiekontor Group is also bringing a claim against the constructor for defective foundations at the Stotel wind farm.

An action in the sum of DEM 100,000 is also pending against Energiekontor Infrastruktur & Anlagen GmbH for alleged breach of a right of pre-emption. This was dismissed at first instance but the plaintiffs have appealed.

According to the information provided by the Company's lawyers, there are no other actions pending against the Company with an amount at issue greater than DEM 10,000.

Legal disputes in the field of public law are pending with property-owners adjacent to the Norleda, Sievern, Oed-erquardt and Halde Nierchen I and II wind farms. They relate mainly to noise pollution. However, according to the lawyer representing the Company, even if all of these cases were lost, the installations concerned would be simply restricted and not brought to a complete standstill.

#### **Auditors and financial details**

The Energiekontor Group did not previously have to prepare Group accounts, since it had not reached the thresholds stipulated under § 293 HGB. However, in view of the planned stock exchange listing, the Company has decided to prepare voluntary retrospective Group accounts on an "as if" basis for the years 1997 and 1998, as well as complete Group accounts in accordance with IAS for the 1999 financial year.

The Group accounts to 31 December 1999 were prepared in accordance with IAS by Interdata Treuhand Steuerberatungsgesellschaft mbH, Huserstraße 16, 61350 Bad Homburg. They were audited by Kai Uwe Paa and André Tabet, certified public accountants and auditors of the firm of Schmitt, Hörtnagl + Partner, Mozartstraße 5, 79104 Freiburg, and were confirmed without qualification.

The "as if" Group accounts to 31 December 1998 and 31 December 1997 were also prepared by Interdata Treuhand Steuerberatungsgesellschaft mbH and audited and confirmed by the above-mentioned Mr Paa and Mr Tabet.

As indicated above, the Company was not obliged under the HGB to present Group accounts to 31 December 1999. However, to permit a better comparison, the figures prepared, but not confirmed, in accordance with the HGB by Schmitt, Hörtnagl + Partner, Mozartstraße 5, 79104 Freiburg, for 1999 have also been adopted in the Prospectus.

The transitional accounts to 31 December 1997 and 31 December 1998 in accordance with IAS were prepared in cooperation with Energiekontor AG by Mr Paa and Mr Tabet of Schmitt, Hörtnagl + Partner and were supplemented with a certification report.

The accounts of Energiekontor AG to 31 December 1999 in accordance with the HGB were prepared by Interdata Treuhand Steuerberatungsgesellschaft mbH and audited by Mr Paa and Mr Tabet of Schmitt, Hörtnagl + Partner, and were confirmed without qualification.

After the shares of Energiekontor AG have been admitted to the regulated market with the start of trading on the Neuer Markt in accordance with §§ 290, 293 Para. 5 HGB, the Company will be obliged to prepare Group accounts and have them audited. Under § 292 a HGB, the Group accounts must be prepared in accordance with the regulations of the International Accounting Standards Committee (IASC), London.

# Business activity of the Energiekontor Group

## Market environment and competitors

According to data from the VDEW (Federation of German Power Stations), 552 TWh (billion kWh) of electricity was generated in Germany during 1998. Of this total, 82% was provided by power from nuclear fuel, coal and brown coal and 1% by wind power. The VDEW figures for 1999 are not yet available. As in the past, the high percentage of conventional energy sources is due mainly to lower production costs of between 3 and 7 Pfennig/kWh. In contrast, the production costs of wind power range from 8 to 16 Pfennig/kWh, depending on site and technology (source: International Energy Agency, IEA). The Company takes the view that production costs for wind power will fall markedly over the next ten years, as new technologies are developed and constructors gain increasing experience. During the 1990s, there was a sharp rise in the use of wind-generated power. By the end of 1998, the total installed capacity of wind power equipment in Germany stood at 3,000 MW (source: IWR - International Economic Forum for Renewable Energies). On an international comparison, Germany was the world leader, ahead of the USA and Denmark. According to a forecast by the Federal Ministry for Economy and Technology, gross electricity production should rise to 590 billion kWh by the year 2010. Of this total, wind power should account for 17 billion kWh (2.9%). On the other hand, the Federal Ministry for the Environment, Protection of Nature and Reactor Safety forecasts that gross electricity production will probably stand at 570 billion kWh by the year 2010, with wind power accounting for 24.9 billion kWh (4.4%).

For selected long-term target markets of Energiekontor AG abroad, an August 1999 study by the DEWI (German Wind Power Institute) predicts the following growth rates over the period from 1998 to 2003:

- Denmark: + 86 %;
- Spain: + 534 %;
- other EU: + 396 %;
- USA/Canada: + 110 %

The majority of wind farms in Germany are operated by private owners (e.g. farmers). The remainder are operated by professional participants in the market. In addition to the Energiekontor Group, these include WKN GmbH, EBV GmbH, Umweltkontor AG and Nevag AG. Like Energiekontor AG, these companies cover the whole range of the business from acquisition, planning and supervision of construction, through to sales and service / operations management. According to independent market studies and the Company's own calculations, Energiekontor AG is ahead of its competitors in terms both of installed capacity and third party equity via funds (source: Sonne, Wind und Wärme, 1 / 2000; S. Loipfinger, Marktanalyse der steuersparenden Kapitalanlagen, 2000). In the opinion of the Company, Energiekontor AG is ahead of these competitors in terms of length of experience in all the fields indicated. This experience means that the Company can call on two of the most important factors for success in this market, namely:

- detailed knowledge of the legal requirements
- practical application of this knowledge in the planning permission process.

By making full use of these advantages, the Company intends to continue optimising its projects and increasing their profitability.

According to information provided by the Company, the following competitors are at work in European target markets:

In Portugal, there are three competitors at the present time: Ennervova, a subsidiary of the state-owned power supplier; and two private sector companies, Enersys and Unit E, the latter is already operating two wind farms with local partners. According to the information provided, the local staff of the Energiekontor Group are working on contacts with these companies in order to reach an understanding on not obstructing each other at sites already acquired.

In Greece, there are two main competitors at the present time: on the one hand, Rokas, a metal-working company which also manufactures the wind turbine towers and represents the German company Bonus GmbH in Greece; on the other, Terna, a construction company which has evolved into a project developer. In addition, there are a number of smaller consultancies.

In Spain, a large number of small project developers, Spanish power suppliers and cooperative ventures between constructors and consultants are all competing for this market. They include Gamesa, IDAE, EHN, Energia Hydraulica de Navarra and Empresa Cogeneration y Renovables.

In Great Britain, there are also many small project developers and British power suppliers in the market. Their financial strength means that the big power suppliers have won more tenders than the other market participants and, in consequence, have the largest share of installed capacity and approved sites.

#### **Overview**

At the present time, the Energiekontor Group is active mainly in the field of constructing and operating wind farms. It covers the whole range of activities in this market from site acquisition, through to financing and

turnkey delivery of wind farms. These services are provided mainly to the public limited partnerships which operate the wind farms. In addition, wind power installations are sold to private investors or companies outside the Energiekontor Group. So far, the Company has established or received planning permission for 27 wind farms in Germany. The wind farms established have a total nominal capacity (or maximum generating capacity) of 139 MW. Planning permission has been obtained for a further 36 MW and construction is imminent. An additional 65 MW is planned for the account of third parties.

#### **Background to the Energiekontor Group**

The origin of Energiekontor AG dates back to Energiekontor, the BGB company established in Bremerhaven in 1990 by Dr Bodo Wilkens and Günter Lammers. The object of the company was then and still remains the planning, realisation and management of projects to generate power with the use of renewable energy sources.

In 1991, Energiekontor Windkraft GmbH was established for the planning of individual wind farms. Since then, the scope of its activity has been extended to operating and acting as the general partner of individual wind farms.

1992 saw the establishment of Energiekontor GmbH & Co. Projektgesellschaft für ökologische Energieanwendung KG. The task of this company is the planning and development of projects for ecological energy applications and especially start-up financing. The same year saw the establishment of Energiekontor-EK-GmbH to promote the planning, development and realisation of projects in the energy and environmental domain. This company subsequently took over the sale of wind farms.

In **1993**, planning permissions were granted for the first two wind farm projects, which were constructed and entered service with a total nominal capacity of 12.5 MW. During the same year, Energiekontor Umwelt GmbH was established to take charge of the acquisition, construction, leasing and management of ecological buildings.

In January **1994**, Energiekontor-EK-West GmbH was established at Hückelhoven for the planning of projects in North Rhine-Westphalia.

**1995** saw the establishment of Energiekontor-VB-GmbH & Co. Verwaltungs- und Beteiligungs KG, a company concerned with the management and operation of ecologically-oriented projects and all related activities. After a change of legal form, it was to become Energiekontor AG. During the same year, sales operations, which had been taken over by Energiekontor-EK-GmbH were moved from Bremerhaven to Stuhr/Brinkum. Other important events in 1995 were the establishment of Hellenische Energiekontor S.A. in Greece with a Greek partner and the establishment of Energiekontor Portugal - Energia Eólica Lda. in Lisbon. Finally, Energiekontor WSB GmbH was established for the construction and sale of projects in the domain of wind power, solar construction, biomass/biogas and power-heat coupling. A further five wind farms were connected to the grid, delivering a total nominal capacity of 10.8 MW.

**1996** saw yet another wind farm connected to the grid, delivering a total nominal capacity of 2.5 MW.

In **1997**, Energiekontor Infrastruktur & Anlagen GmbH was founded with the object of trading in capital goods and technical equipment for the construction of power-generating plant as well as infrastructures for power-

generating plants, especially wind farms. Four additional wind farms delivering 18.5 MW were connected to the national grid.

In **1998**, six new wind farms with a total nominal capacity of 49.1 MW were connected to the national grid.

Energiekontor UK Ltd has been operating in Great Britain since **1999**. Its object is the planning and realisation of onshore and offshore projects in Great Britain. The offshore projects have also been developed in a consortium with other companies. This year, a further five wind farms were constructed in Germany, with total nominal capacity of 44.6 MW. In addition, extensions were carried out for the first time to two existing wind farms through the construction of further wind power installations. **1999** also saw the arrival of Energiekontor Iberia S.L. in Barcelona. This company will promote wind farm projects for the future-oriented Spanish market.

In **2000**, local staff were appointed to run the offices in Great Britain and Spain, which then assumed responsibility for taking forward projects begun the previous year in Germany for onshore and offshore work in Great Britain and onshore projects in Spain. This has been accompanied by the continuation of successful cooperation with existing partners and the search for new ones in these countries. The year has also been characterised by a spirit of innovation, with new concepts advancing for the control of maintenance in offshore farms and the development of hybrid storage technologies for islands. The passing of the new Renewable Energy Law (EEG) should help to place the promotion of wind farm projects in Germany on a sound economic basis.

### Strategy

The Energiekontor Group intends to continue its concen-

tration on turnkey wind farm projects. The plan is not only to expand on the Group's leading position in Germany but increasingly to branch out abroad. To this end, subsidiaries employing local staff have already been established in Portugal and Greece to facilitate cooperation with the authorities and nationals of the countries concerned. According to the information provided by Energiekontor AG, four sites in Portugal are already being intensively examined for possible projects. One of these - Trandeiras - should be granted planning permission in the second quarter of 2000. The other projects planned - Maraó I, Montemouro and Seixinhos - should all reach the construction phase by the year 2002.

According to the information provided by Energiekontor AG, five specific projects are being worked on in Greece. Zarax I has already been granted planning permission and the Company is expecting to see permission granted for Epanosifi during the third quarter of 2000. The other projects are called Zarax II, Koudouma and Psoromita. The Company expects construction of these to begin by the year 2002.

In addition, the Company plans to intensify efforts on R&D in its specialist fields of offshore wind power installations and hybrid storage technology (see under "Research and Development"). Furthermore, various applications have already been made and will in future increasingly be made for offshore projects. The Energiekontor Group is convinced that this is an area which offers great potential for growth.

#### **Business areas**

The activity of the Energiekontor Group extends to the following areas within the domain of wind power:

- group management and control

- exploration for and acquisition of sites for wind farm projects,
- economic and technical planning for wind farm projects
- financing of wind farm projects
- construction of turnkey wind farm projects
- operation and management of wind farms.

#### **Group management and control**

Energiekontor AG has a leading role within the Group. The Company manages and controls the other Group entities, especially with regard to strategic and financial planning. Its sphere of competence also includes the selection and appointment of personnel, the organisation of training and the formation of staff for the various subsidiaries. Another important task is research and development.

#### **Exploration for and acquisition of sites for wind farm projects**

This business area is responsible for identifying suitable sites for wind farms. To this end, cartographic materials and computer programs are used to conduct a regular general analysis of the wind potential of parts of Germany and other parts of Europe. The information gleaned in this way serves to select regions with high potential for further study. A comprehensive study is then carried out in these regions for identified or possible sites, using, amongst other things, aids such as regional development plans and land usage plans. In addition, in regions with no identified sites, applications for the construction of wind power installations are made in accordance with § 35 BauGB. In view of the growing recognition of the Company, applications are also made to landowners and communes in order to select suitable areas. Once the areas have been identified and selected, agreements for use are concluded with the landowners, as well as an ini-

tial clarification of such basic conditions as planning possibilities, restrictions and the potential for connection to the national grid.

In the context of site acquisition, further checks are carried out to see whether and under what conditions projects at the planning or approval stage can be bought in from other individuals or consultants. According to the information provided by the Company, greater use is to be made of this segment in order to bring projects to a quicker fruition.

In the past, these activities were conducted by Energiekontor GmbH & Co. Projektgesellschaft für ökologische Energieanwendung KG and Energiekontor-WSB-GmbH & Co. Wind-Solar-Bau KG. However, in future, following the conversion of Energiekontor-VB-GmbH & Co. Verwaltungs- und Beteiligungs KG into Energiekontor AG, this activity has been taken over since the beginning of the year 2000 by Energiekontor-VB-GmbH. For their part, Energiekontor-WSB-GmbH & Co. Wind-Solar-Bau KG and Energiekontor GmbH & Co. Projektgesellschaft für ökologische Energieanwendung KG are continuing to run existing projects under their company contracts. Future contracts will be implemented by Energiekontor-VB-GmbH.

#### **Economic and technical planning of wind farm projects**

Once it is established that a project is to be constructed at a particular site, then Energiekontor-VB-GmbH concludes a planning contract with the relevant project company (a task formerly carried out by Energiekontor GmbH & Co. Projektgesellschaft für ökologische Energieanwendung KG or Energiekontor-WSB-GmbH & Co. Wind-Solar-Bau KG). It is Energiekontor-VB-GmbH which is responsible for the concrete planning of the individual wind power installations, i.e. the number and

location of the windmills to be constructed, the total capacity of the installation, capacity for grid connection, etc. All the necessary permits are obtained, the specifications are drawn up and the tenders and adjudications are organised. A decision is then taken on the award of the contract. By way of remuneration for this planning activity, the company receives a lump-sum payment amounting to a given percentage of the total investment. During this stage, lease agreements are concluded between the landowners on whose property the installation is to be constructed and Energiekontor-VB-GmbH (respectively Energiekontor GmbH & Co. Projektgesellschaft für ökologische Energieanwendung KG or Energiekontor-WSB-GmbH & Co. Wind-Solar-Bau KG). Within this context, the subsidiaries of the Energiekontor Group concluding the agreements have the right to assign the contractual rights and obligations to a third party, as a rule the project company which will subsequently operate the wind farm. As these contracts are concluded long before the start of construction, they contain reservations, and/or provisions for withdrawal, for the eventuality that planning permission for the installation cannot be granted within a given time limit.

#### **Financing of wind farm projects**

In this area, Energiekontor AG develops a financing plan for every wind farm (a task which, before the conversion, was carried out by Energiekontor-VB-GmbH & Co. Verwaltungs- und Beteiligungs KG). This comprises the financing of borrowings, the pre-financing of company capital and the plan for raising capital.

In order to finance borrowings and to pre-finance company capital, credit agreements are concluded with various credit institutions on the basis of 1/3 shareholders' funds and 2/3 borrowings. These contracts are concluded directly between the bank and the project company con-

cerned. One such project company is established for every wind farm in the legal form of a GmbH & Co. KG. The personally liable partner of the KG is a subsidiary GmbH of Energiekontor AG. The limited partners are the investors (see also "General information on Energiekontor AG - Structure of the Energiekontor Group").

The marketing efforts needed to raise capital are carried out by Energiekontor-EK-GmbH, which starts by drawing up a participation model in the form of a fund for every project. An offering prospectus is drawn up in cooperation with tax advisers and accountants and sent out to brokers as well as to interested individuals and groups listed on the database. Information letters and e-mails are dispatched and advertising is conducted in the press and on the Internet. At the request of interested parties, advice is also given by telephone. Up to the time the wind farm goes into service, responsibility for keeping the limited partners informed lies with Energiekontor-EK-GmbH, which makes telephone calls and sends out project circulars. In addition, the company monitors payment of the partnership interests and, where necessary, issues reminders.

#### **Construction of the turnkey wind farm projects**

After the technical and financial planning has been concluded, the wind farm is constructed. In the past, site supervision and management was conducted by the project company itself. Since 1999, however, this responsibility has passed to Energiekontor Infrastruktur & Anlagen GmbH. This company acts as the main contractor and concludes supply contracts with the construction companies. In addition, the company monitors compliance with delivery dates and manages the budget. The sphere of competence of Energiekontor Infrastruktur & Anlagen GmbH includes calling up funds and preparing the documentation needed for the disbursement of

funds. The company further documents and controls the whole project through the acceptance of individual construction elements to overall acceptance. Once the construction is complete, the ownership of the wind farm is transferred to the project company.

#### **Operation and management of wind farms**

The wind farms are operated by the individual project companies. In particular, this task includes the generation of wind power and transmission of the energy to the relevant electricity supply companies. To this end, contracts for the supply of the power generated are concluded between the project companies and the electricity supply companies. Payment is governed by the provisions of the Renewable Energy Law (EEG) (see also "Risk factors - political/legal risk"). In addition, the project company concludes a service agreement with Energie Windkraft GmbH for the operation and management of the wind farm.

Operational management is divided into two areas: technical operation management and commercial operation management.

Technical operation management concerns the monitoring of the wind farm. With the help of special software, the output of the wind farm is constantly documented and monitored. Any problems which arise are checked and, where necessary, are overcome with outside assistance. Technical operation management also involves negotiating and concluding maintenance contracts with the manufacturers of the wind power equipment, as well as monitoring and overseeing the maintenance work. In the event of damage to the installations or of third party damage caused by them (e.g. to land or buildings) reports have to be made to the insurers and the claims followed up.

Commercial operation management is concerned chiefly with care and control of the wind farm project. It also involves maintaining relations with the limited partners. To this end, partner meetings of the individual wind farm KGs are organised and profit distributions are arranged. The payment of interest and amortisation and of insurance subscriptions is monitored. There is complete control of the costs and liquidity management of the wind farm KGs.

### Personnel

At the end of the 1997 financial year, the Company employed 28 people. By the end of 1998, this figure had risen to 39. In 1999, a further 14 people were added to bring the total up to 53. At the present time, Energiekontor AG employs 68 people. Of the 45 permanent employees, 13 occupy managerial positions. There are 23 hourly paid staff. These are predominantly students, who carry out a great variety of tasks. Two employees are presently on maternity leave.

In view of the extensive planning activities which need to be carried out, Energiekontor AG employs a large number of staff with an academic training in engineering or the natural sciences. The sales department employs chiefly business studies graduates.

In terms of qualifications, the breakdown is as follows:

Engineers / scientists:	31.2 %
Economists:	18.2 %
Commercial training:	12.2 %
Trainees:	3.0 %
Others (including temps and students)	35.4 %

In the individual business areas, the staff breakdown is as follows:

Planning and site supervision:	45.1 %
Acquisitions:	9.8 %
Management:	9.8 %
Sales:	15.7 %
Operational management / Service :	13.7 %
Staff duties:	5.9 %

In general, all of the German personnel of the Group are employed by Energiekontor AG. Where necessary, they also work for the other Group companies and, in such cases, Energiekontor AG receives payment. The foreign subsidiaries which employ their own personnel directly constitute an exception to this general rule. These employees have specific local knowledge needed for the business activity. In addition, they have often studied in Germany and are familiar with German practices.

Energiekontor AG strives to strengthen the motivation of its personnel and their identification with the Company by allowing them responsibility and recognising their performance. Virtually all permanent staff receive performance-related bonuses in addition to their monthly salary. The variable element in pay depends on criteria laid down in accordance with the employee's post and tasks and within the overall framework of corporate objectives. In future, a share option scheme is to be introduced to enable employees to share even more in the success of the Company (see also information on conditional capital in "General information on Energiekontor AG - Capital").

### Research and development

According to the information provided by the Company, the efforts being exerted by Energiekontor AG in the

field of research and development at the present time are mainly focused on the following :

- development and optimisation of offshore installations
- further development of hybrid storage technology on islands.

### **Offshore**

Offshore wind farms are more efficient because the installations have the advantage of more regular winds and higher wind speeds.

To make the most of offshore potential in the future, the Company is working on a plan which incorporates all aspects of this new technology. The central thrust here is the development of monitoring and operations software (MOS) to control and monitor offshore wind farms. The main elements are these:

- up-to-date remote status monitoring
- remote switching and operation
- remote monitoring of switching equipment and transformers
- remote early warning sensors
- fully digital radar detection
- remote observation of surrounding sea

In addition, Energiekontor AG is studying the development of cheaper foundations. In this area, the Company has qualified staff working on a whole range of projects at home and abroad, which are currently in the planning phase.

### **Island networks and hybrid storage technology**

Electrical island networks are systems with a limited number of consumers and generators. For technical rea-

sons, they offer only a small number of possibilities for taking up electricity generated by wind power. If the wind power element in an island network exceeds 30% of total network power, the stability of the network is jeopardised. In addition, energy demand and supply rarely coincide from the point of view of time. However, the share of renewable energy in island networks can be increased through the use of hybrid systems (e.g. wind power installations in combination with suitable power storage units). Hybrid storage technology has previously been used in pumped storage power stations. Energiekontor AG is now focusing on the use of this tried and tested technology in combination with wind power plant.

The Company has developed a design whereby surplus electricity produced during hours when demand is low (off-peak) but wind conditions are good is used to pump water up to a high storage reservoir. When the situation is then reversed - i.e. higher demand for electricity and less wind - the water can be released to drive a turbine and so generate extra electricity. The main innovation here is the Company 's design of a regulating system which avoids short term network instability and permits a balance to be achieved between demand at night (when there is a surplus of wind generated electricity) and during the day (when there is a power shortage). Success here depends on the use of so-called "fuzzy logic" or "neuron logic" in the regulating unit. The Company has received a grant of DEM 2.7 million (EUR 1.38 million) from the European Commission within the framework of the THERME programme to develop the first pilot project of this kind on the island of Crete.

### Investments

During the past three financial years, the Energiekontor Group has made the following investments:

	1997	1998	1999
	- in DEM -		
Land	-	-	1,407,861
Tangible fixed assets	2,432	6,612	66,223
Intangible assets	-	-	1,100
Financial assets (interests in associated undertakings)	720,000	-	300,000

The investments in land represent the acquisition and ancillary costs incurred by Energiekontor Infrastruktur- und Anlagen GmbH in 1999. The plots concerned were leased to the relevant project company operating the wind farm or were acquired in the context of compensation measures.

The tangible fixed assets consist mostly of office and business furnishings and equipment. The intangibles include software programs.

The financial assets are partnership interests in associated undertakings, namely Energiekontor Umwelt GmbH & Co. Ökologische Wohnimmobilien KG (1997) and Energiekontor-EK-GmbH & Co. Projektentgesellschaft für ökologische Energieanwendung KG (1999).

### Dependence on patents, licences, agreements and legislation

According to the information provided by the Company, there is no dependence on patents, licences and other agreements at the present time. Nevertheless, the provisions of EEG on the minimum take-off and minimum remuneration apply to the company's plans for the

development of its assets, finances and earnings situation (see "Risk factors – Political/legal risks").

### Land

The only company in the Group with Land is Energiekontor Infrastruktur & Anlagen GmbH. In 1999, this property was valued in the balance sheet at DEM 1.4 million. It consists mainly of land acquired for future wind farm developments. In principle, the Company prefers to secure the land needed for its projects on the basis of long term leases. It is only in exceptional cases that the Company buys parts of this land. According to the information provided by the Company, the purchase prices ranged from DEM 7,000 to DEM 90,000. In addition, public sector entities may require Energiekontor Infrastruktur & Anlagen GmbH to purchase certain parcels in return for planning permission.

# Comparison of the financial years 1999, 1998 and 1997

	"As if" 1997 as per HGB with transition to IAS	"As if" 1998 as per HGB with transition to IAS	1999 Group as per IAS
<b>Selected data from the income statement in DEM thousands<sup>1</sup></b>			
Sales	4,110	18,282	72,330
Costs of material	81	10,721	52,307
Staff costs	1,882	2,505	3,755
Depreciation	5	7	737
Result for ordinary business activity	2,674	5,772	11,495
Annual profit or loss as per HGB	1,409	2,991	-
Transition to IAS	14	257	-
Annual profit or loss as per IAS	1,422	3,248	5,600
Stock exchange listing costs	-	-	364
<b>Selected data from the balance sheet in DEM thousands</b>			
Fixed assets	783	674	2,451
Current assets	4,964	20,518	51,056
Equity as per HGB	2,289	4,891	-
Transition to IAS	-226	257	-
Equity as per IAS	2,022	5,149	5,133
Provisions	2,199	4,822	13,320
Liabilities	1,251	11,460	34,722
Balance sheet total	5,755	21,200	53,514
<b>Selected indicators</b>			
Cash Flow <sup>2</sup>	1,414	2,998	6,337
Capital ratio	40 %	23 %	10 %
Borrowings ratio	60 %	77 %	90 %
Number of employees at balance sheet date	28	39	53
Result per share (DVFA/SG)	0.23	0.87	1.65

(For ease of comparison, the result per share in accordance with DVFA/SG has been calculated with a constant equity of EUR 3,500,000, or 3,500,000 unit shares)

The comparison is based on the "as if" Group accounts for 31 December 1998 and 31 December 1997, as well as the Group accounts as at 31 December 1999.

<sup>1</sup> Some figures have been rounded for presentation in TDM.

<sup>2</sup> Cash Flow = Profit for the period + depreciation, amortisation and write-downs

The following companies are included in the above-mentioned Group accounts:

- Energiekontor-VB-GmbH & Co. Verwaltungs- und Beteiligungs KG (parent company), Stuhr/Brinkum, respectively from 1999 Energiekontor AG, Stuhr/Brinkum
- Energiekontor-VB-GmbH, Bremerhaven<sup>3</sup>
- Energiekontor-EK-GmbH, Bremerhaven
- Energiekontor Umwelt GmbH, Bremerhaven
- Energiekontor Windkraft GmbH, Bremerhaven
- Energiekontor Infrastruktur und Anlagen GmbH, Bremerhaven
- Energiekontor WSB GmbH, Bremerhaven
- Energiekontor-EK-West GmbH, Hückelhoven
- Energiekontor Portugal – Energia Eólica, Lda., Lisbon, Portugal<sup>4</sup>
- Hellenische Energiekontor SA, Chanea, Greece<sup>3</sup>
- Energiekontor Umwelt GmbH & Co. Ökologische Wohnimmobilien KG, Bremerhaven<sup>5</sup>
- WPS-Windkraft GmbH, Bremerhaven<sup>3</sup>
- Energiekontor Portugal Trandeiras GmbH, Bremerhaven<sup>6</sup>
- Energiekontor-EK-GmbH & Co., Projektgesellschaft für ökologische Energieanwendung KG, Bremerhaven<sup>7</sup>

<sup>3</sup> 1999 only

<sup>4</sup> In application of § 296 Para. 2 HGB not included in the Group accounts because insignificant. The companies have a total sales volume of less than 1 % of Group turnover.

<sup>5</sup> Equity method consolidation in accordance with § 312 Para. 1 HGB

<sup>6</sup> Not yet in existence in 1997 and 1998.

<sup>7</sup> 1999 only.

The "as if" Group accounts for 1997 and 1998 were prepared by analogy in accordance with the principles of the Commercial Code (HGB) and the Companies Act, supplemented by the transitional rules for harmonisation of national accounting with the IAS. The 1999 Group accounts were prepared in accordance with the regulations of the International Accounting Standards Committee (IASC).

With regard to the transition to IAS, due account was taken of the provisions of IAS 27 with regard to investments in subsidiaries and of IAS 11 with regard to sales and expenditure in respect of percentage completion of long term wind power installation construction contracts. The latter was particularly significant from 1998 in view of the increasing construction of turnkey projects. In addition, differences arose with regard to disclosure of pension provisions and latent tax obligations.

#### Notes on the income position

The considerable expansion in the turnover of the Energiekontor Group is attributable to the increase in the number of projects (increase of installed MW capacity) and the growing emphasis on the construction of turnkey wind power installations. Whereas in 1997, the main focus was still confined to project planning and the arrangement of partnership interests, in 1998, the range of Group services was extended to turnkey construction projects. The application of IAS accounting standards has also led to the use of the percentage-of-completion method, whereby income and expenditure items may be realised before construction has ended. In 1999, all projects were completed and delivered on a turnkey basis. As a corollary of this change, there was a considerable rise in expenditure on materials, up from 59% to 72%. In addition, the 1999 result was affected by a delay in the completion of a project beyond the balance sheet date

and for which a special write-down had to be created. With the personnel figures, the situation was quite different: whereas more people were obviously needed for the planning of a higher number of wind power installations, the extension to the range of services had only a minimal effect on human resources requirements.

#### **Notes on the asset and finance position**

The Group's considerable pre-financing requirement for the business of turnkey construction of wind farm projects has been financed only to a limited extent by borrowing. The increase in the balance sheet total and current assets - especially sums owed for supplies and services - is an effect of the change referred to above in the range of services offered by Energiekontor. The same is true of the development of provisions and liabilities, which are mainly attributable to trade creditors. In 1999, bank loans and overdrafts to finance operating activities appeared on a significant scale for the first time (17% of total liabilities).

The change in equity results from the Group unappropriated profit being transferred to free revenue reserves. The stock exchange listing should result in an improvement in equity although, as indicated under "The offer - application of the issue proceeds", the funds received from the flotation are to be used for cultivating new markets, research and development activity and the expansion of existing markets.

# Financial section

# Group financial report for the 1999 financial year

## 1. The economy and business development

### Wind power – a success story

The incentive programmes launched this year by the federal government, the ecological tax reform and the introduction of the law on renewable energy (EEG) are expected to double the proportion of power generated in Germany from renewable energy sources to ten per cent by 2010. Surveys have even established the realistic possibility that in the year 2050 half of all the power consumed in Germany could be provided from these sources. Wind power is leading the way in regenerative forms of energy. There are now just under 7,900 wind power installations in Germany with capacity totalling 4,500 megawatts, and they already contribute two per cent of domestic power generation. The wind power sector continued to enjoy vigorous growth in 1999. The domestic market has nearly doubled, to DM 3.9 billion (EUR 1.99 billion)<sup>1</sup>. For the first time, expansion was not concentrated in the coastal regions.<sup>2</sup>

One important future aspect of wind power will be generation on the high seas. The potential for generating

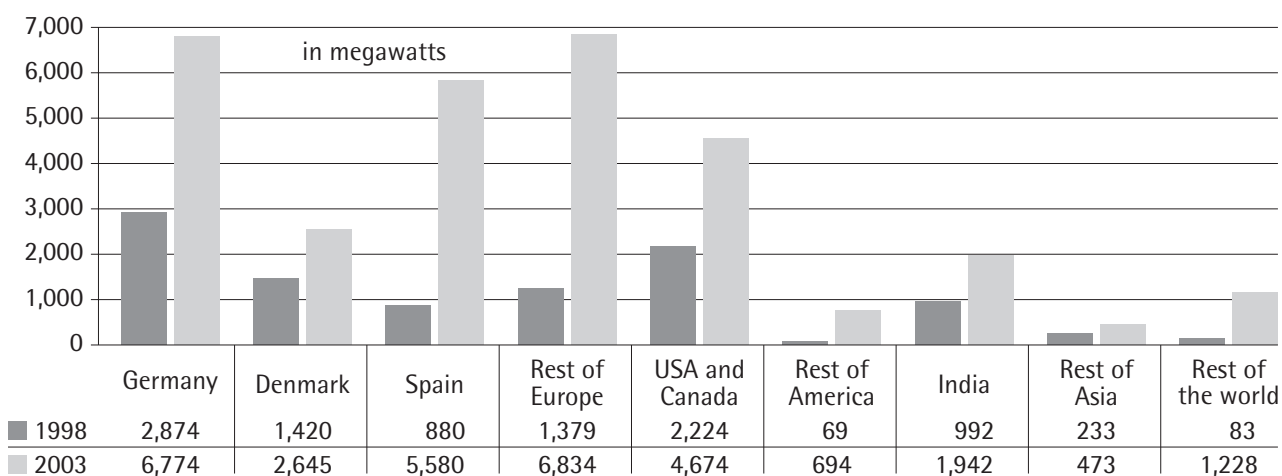
electricity in so-called offshore wind farms off the coast of Schleswig-Holstein alone is estimated by the state government at 1,000 megawatts (MW), which is twice the current installed capacity.

Parliamentary approval of the EEG is an important element in continuing the success story of wind power in Germany. According to the present schedule (as of February 2000), the sector associations expect the law to come into force on 1 April 2000.

### Strong increase in the use of wind power worldwide

Wind power is also gaining ground internationally. The countries where growth is forecast to be strongest include Spain, Portugal and Greece, where Energiekontor AG already has Group companies. In Portugal, for example, a power supply law has come into force that enables investors to base their calculations on reliable rates of payment, which can be forecast. In Denmark and the UK tendering processes for offshore wind farms are already under way. Countries outside Europe are also considered to be growth markets for regenerative energy from wind, the US and India in particular.

Source: DEWI 8/99



<sup>1</sup> Source: International Economic Forum on Regenerative Energy (IWR), at the University of Münster

<sup>2</sup> Source: Bundesverband Windenergie e.V. (Federal Wind Power Association, BWE)

### Integrated project development

The added-value chain of the wind power sector consists of plant manufacture, project development, wind-farm operation and energy supply and trading. With its Group companies, Energiekontor AG is one of the leading German wind farm project developers. Our total service concept covers every vertical added-value element.

Horizontal added value				
	Manufacturers	Energiekontor	Operators	Energy traders
Vertical added value	Supply components	Development of innovative technologies	Supply power to the network	Supply power to consumers
		Site acquisition and prospecting		
		Project development		
		Arrangement of finance		
		Turnkey construction		
		Distribution of fund units		
		Plant management and maintenance		

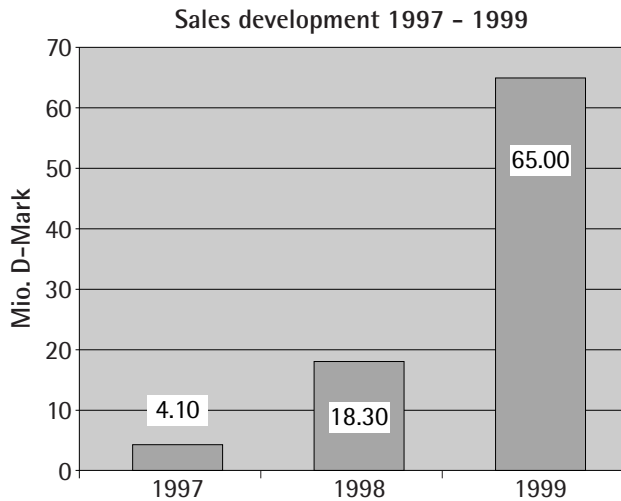
### Group sales development

In the 1999 financial year, growth continued. In the year under review, Energiekontor AG achieved consolidated sales revenue of DM 72.330 million (EUR 36.98 million). At the end of 1998, we had already begun to complete our range of services with the construction of turnkey wind farms. In the year just completed, all Energiekontor projects were completed and handed over ready for operation. This led to substantial sales growth. Another factor, which contributed to this growth, was the greater use of goods<sup>3</sup> resulting from the purchase of wind power

plant. Sales rose by 255 per cent in comparison with the previous year.

### Wind power plant procurement

Our wind-farm construction activity is independent of all manufacturers. For turnkey construction, we have concluded skeleton contracts with a number of wind power plant manufacturers for plant supply and maintenance. These skeleton contracts enable us to be flexible in our choice of windmills, while at the same time ensuring that we benefit from economical purchase prices.



#### Research and development

The future growth and success of the Company will depend increasingly on innovative concepts for the exploitation of wind power. This goes hand-in-hand with the **internationalisation** of our business activity. Energiekontor AG has had branches in Greece and Portugal for some years. Recently, branches were established in Spain and the UK. These are future markets for wind power, with above-average growth prospects.

**Offshore technology** plays a major role in our research and development activities. The construction of wind farms at sea is opening up new potential locations for us. Offshore facilities are highly efficient owing to the higher and more uniform ambient wind velocities. For this business field, we have qualified staff who are currently planning a number of projects in Germany and abroad. The **hybrid storage method** is an innovation in the regulation of power requirements based on day and night storage. The electricity generated by wind power at times of low demand for electricity is used to pump water into a high-lying storage basin. If the energy requirement exceeds the current capacity of the wind power installation, the water drives a turbine that supplies the extra energy. Energiekontor AG is developing a

pilot project of this type on the island of Crete as part of the European Commission's THERME programme.

#### Flotation

Growth and success are accompanied by an increased **financing requirement**. We propose to finance the development of new sites in Germany and abroad, together with investment in innovative technologies, qualified staff and an efficient internal infrastructure, by going public. We currently plan to be listed on the Neuer Markt in the second quarter of 2000.

#### Staff

Only highly motivated staff can provide the services that a company needs to keep ahead of the competition. Though this may not be a ground-breaking discovery, achieving it is still a challenging task. Energiekontor AG reinforces the motivation of its staff and their identification with the Company by rewarding them for their achievements and for working on their own initiative. Nearly all permanent employees receive a performance-related bonus in addition to their monthly salaries. This variable salary component is determined by parameters that are set in accordance with each staff member's function and area of responsibility. Before the start of each financial year these parameters are determined in line with targets derived from corporate planning.

Energiekontor AG employed a total of 55 staff at the 1999 year-end: engineers, economists and administrators. We meet extra demand at peak times using subcontracted staff, qualified student trainees and student assistants. Our international companies only employ local staff, who are familiar both with the local requirements applying to business activity and with usual practice in Germany.

We wish to express our thanks to all our staff for their commitment and achievements, both of which are essential to our future success.

## 2. Company situation

### Earnings position

In the financial year just completed, we generated Group annual net income of DM 5.6 million (EUR 2.863 million). This represents a rise of 87.3 per cent in comparison with the previous year, when profits were DM 2.99 million (EUR 1.528 million). In the year under review, a number of large-scale installations began operations, though in some cases commissioning was delayed, which reduced profit margins. Our response was to make technical improvements that shorten the commissioning process. These improvements originated in suggestions from our staff about how to refine our business management procedures.

The reduction in stocks to 0.00 (previous year: DM 1.885 million, EUR 0.964 million) resulted from the adoption of IAS accounting principles for the accounts for the 1999 financial year. Receivables, including pro rata profit realisation, are shown instead of stocks. Group accounts for the 1999 financial year based on HGB (German Commercial Code) principles would show a rise in stocks to DM 7.000 million resulting from the substantial increase in our business activity, and especially from the costs, which can be capitalised, as at the reporting date in respect of wind farms not yet handed over to their ultimate purchasers.

The increase of DM 14.295 million (EUR 7.309 million) in receivables in respect of goods and services to DM 36.724 million (EUR 18.777 million) in 1999 is also principally

due to the increase in business activity (DM 22.428 million, EUR 11.467 million). However, an additional contributory factor is the growth since 1998 in sales of turnkey wind farms, which substantially increased both invoiced amounts and receivables. The change to IAS contributed DM 7.337 million (EUR 3.751 million) to the increase in receivables.

### Assets

In the 1999 financial year, we spent approximately DM 1.4 million (EUR 0.716 million) on site acquisition. This land was needed on the one hand for the construction of wind farms, and on the other, to comply with statutory compensation measures. The purchase of this land was necessary, because the owners, as is usually the case, would not agree to lease agreements. However, since land for the purpose of compensation is in increasingly short supply, we anticipate that these sites will increase in value in the medium to long term.

There have been no other substantial changes in fixed assets.

The Energiekontor Group has holdings in associated companies of approximately DM 847,000 (EUR 433,000).

These are limited partnership holdings in:

- Energiekontor Umwelt GmbH & Co. Ökologische Wohnimmobilien KG, whose business objective is the management and letting of its own environmentally-friendly residential properties, and
- Energiekontor EK GmbH & Co. Projektentwicklungs KG, whose business objective is the planning of wind farm projects.

The Energiekontor Group is also responsible for the business management of these companies.

In line with the development of the business, other assets also rose in comparison with 1998 (DM 0.445 million/EUR 0.228 million) to a total of DM 5.228 million (EUR 2.673 million), including receivables amounting to DM 3.068 million (EUR 1.569 million) from the normal equity pre-financing of wind farms and receivables of approximately DM 0.841 million (EUR 0.430 million) from the transfer of sites already paid for.

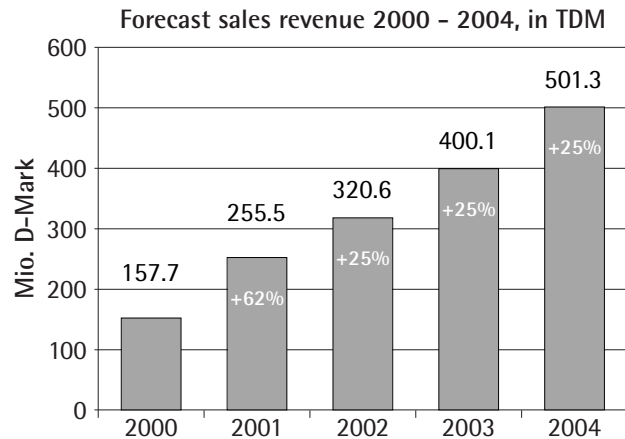
### Financial position

In the construction phase of our wind farm in Stotel there were initial problems with laying the foundations because a subcontractor made an error when constructing them. This delayed the construction of the wind farm and hand-over could not take place in 1999 as was originally planned, but will instead take place in 2000. The sales revenue in respect of this wind farm, approximately DM 19.8 million (EUR 10.123 million), will therefore not be realised until 2000. Adequate account has been taken of the increased production costs for the farm due to the defective foundations, by carrying out partial depreciation on stocks.

The following tables contain information on the annual accounts and key indicators for the Company and accounts.

### 3. Forecast and risks relating to future development

For the coming years, Energiekontor AG intends to continue its successful growth, not least using the proceeds from the planned flotation. The following diagram gives an overview of this.



The sales increases in the years 2000 and 2001 result mainly from the establishment of new production locations, which will be financed from the capital increase carried out in connection with the flotation.

Our plans are also dependent on our ability to acquire sufficient sites in future years to enable us to install the megawatt capacity required to achieve our sales targets. This applies particularly to Germany, where coastal regions with especially high winds have largely been taken. Our acquisition activities are particularly focussed on the windy regions of North Rhine-Westphalia and Berlin/Brandenburg. The acquisition of sites abroad, such as coastal and mountain locations in Portugal, Greece, Spain, the UK and Holland (offshore) – is therefore especially important. To date (as at February 2000), we have acquired sites for more than 300 MW for future projects in Germany and abroad, and we now require sufficient numbers of qualified and committed staff, who are after all the key to our success, to draw up the plans for them.

The continued expansion of our commitments abroad, which we have been pursuing for several years with clear goals, is crucial to our plans. Involvement in joint offshore projects in Germany and abroad will also be central to our activities, as will the continued development of

technical innovations. Examples are the remote maintenance of offshore facilities and the control of hybrid storage facilities.

#### **Success: the other side of the coin**

The prospects for Energiekontor AG's success are counteracted by risks, which the Company must also take into account in its strategy and its calculations. Changes in the legal environment are major, possibly negative influences, as are fundamental legal problems that may have unfavourable effects on plans for new wind-farm projects. Furthermore, product-related risks and financial market risks must be taken into account, and Energiekontor AG's increasing commitments abroad also involve general country risks and currency fluctuations in countries outside the euro-zone. In addition to these general risk factors, we are not at present aware of any concrete risks that do not figure in the annual accounts and that could have a negative effect on the future assets, finances and earnings position of Energiekontor AG.

#### **The legal framework conditions – the law on renewable energy prior to amendments**

The new government coalition revised the Power Supply Act (StrEG) of the Kohl government, which contributed so much to the advance of the wind power sector in the Federal Republic of Germany. This review has now produced a proposal for a new law to promote renewable energies (the law on renewable energy, EEG). This is to supersede the old law and establish ground rules for the development of a long-term energy policy. Its principal effect on wind power will be to establish a new basis for determining the price that the energy provider will receive. Instead of a provision based on the price of electricity, the new law will prescribe a graduated remuneration system based on the quality of the location, thus

creating a firm basis for project calculations. At present, the law is at its committee stage, and no firm date has been announced for it to be approved or to come into force. Energiekontor AG expects this to happen in the second quarter of 2000. Though there is no real doubt that the law will be approved in its present form, delay is always possible, as are changes to its content, which may have consequences detrimental to wind power.

**Fiscal legislation** is subject to constant change, which necessitates a flexible approach to projects for the commercial use of wind power. The amendment to § 2b of the EstG, for example, puts an end to projects whose principal objective is to use depreciation to reduce investors' tax liabilities. New project, which were given planning permission after 5 March 1999, are now designed with the objective of maximising dividend payments.

**Changes to construction legislation** with consequences detrimental to the planning permission for wind farms constitute a further potential risk to the Company.

**Fundamental legal problems** could arise if existing contracts governing the use of sites should prove defective, forcing the operation of existing farms to be halted. However, all such contracts with operating companies contracts are examined in detail by lawyers and lending banks, and where domestic projects are concerned, easements are entered in the land registry. Objections by residents and environmentalists are always possible, and therefore constitute a problem that all wind-farm project developers must take into account. However, Energiekontor AG examines problems of this kind in the exploration and acquisition phase and takes account of these in the subsequent planning process if necessary.

### Suppliers and the capital market

One risk that cannot be entirely ruled out is that of **serial failures in wind power installations**, for which it is not generally possible to obtain insurance cover. In the final analysis, the development of Energiekontor AG projects depends on third parties for **wind measurements**.

Although wind analysis reports on potential locations are drawn up by experienced institutions, it is not impossible for the results of a report to differ from actual wind conditions once a farm has been commissioned. To minimise this risk, we sometimes obtain second and third opinions. Nor can the possibility of extreme developments in the **capital market** be ruled out, which result in steep rises in interest rates that in turn seriously threaten the viability of new projects.

International commitments –  
new markets ensure growth

The markets elsewhere in Europe and outside Europe offer Energiekontor AG great potential for growth. The risks associated with international commitments lie in the generally greater **legal uncertainty** in our current target countries (Greece, Portugal and Spain). To minimise this risk, we have for some time had our own offices in these countries, with local staff who are familiar with the local mentality and legal practices. Bilateral **double taxation agreements** could, in principle, be changed with possible negative consequences for the viability of our planned projects abroad.

## 4. Outlook and other matters

### A dynamic and confident approach to the year 2000

The year 2000 will bring the Company both innovation and change, central to which is the flotation scheduled for the second quarter and the associated investment in

essential structural changes in the Company, which have already been arranged. To ensure that we are ready for a stock exchange listing, Energiekontor AG will carry out a number of necessary improvements to the management of its reporting system. This includes internal bookkeeping and cost accounting, as well as refining our financial control system so that we can respond at any time to market reporting demands, e.g. for meaningful figures under IAS. The Investor Relations department was established as a preparatory measure during the year under review.

No events of special importance took place after the end of the financial year.

### Growth abroad

Personnel numbers in our existing Group companies in Greece and Portugal will be increased next year. In the UK and Spain, we established subsidiaries at the beginning of 2000. Staff for these locations are either already employed (in the UK) or the recruitment process is under way.

The construction of our first wind farm abroad is expected to begin in the first quarter of 2000, when a farm near Trandeiras in Portugal will be constructed with 14 AN Bonus windmills with a total capacity of 18.2 megawatts. We expect construction of our first wind farm in Greece to begin in the fourth quarter.

### Pioneering innovation

The year 2000 will see the continued intensive development of offshore projects. In research and development, the continuation of our hybrid storage project in Greece will be very important. If we succeed in solving the storage problem for the first time, there are many regions all over the globe where the relatively low-cost technology of wind power generating stations could supersede the heavy oil burning stations often in use at present.

**Our sales prospects**

In financial year 2000, Energiekontor AG expects to achieve Group sales of around DM 158 million (EUR 80.8 million). This is equivalent to growth of approximately 143 per cent compared with the previous year.

**Other locations**

The Company has a branch in Bremerhaven at Stresemannstrasse 46.

Stuhr-Brinkum, 23 February 2000

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Dr. Wilkens

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Lammers

# Energiekontor AG

## Group IAS balance sheet at 31 December 1999

### Assets

	Note	DM	IAS 31.12.1999 DM
<b>A. Fixed assets</b>			
<b>I. Intangible assets</b>			
	1		
1. Concessions, industrial property rights and similar rights and assets, as well as licences to such rights and assets		734.00	
2. Goodwill		103,980.41	104,714.41
<b>II. Tangible assets</b>			
1. Land and property and similar rights and buildings including buildings on third party land		1,407,861.23	
2. Other plant, fixtures and fittings		48,604.00	1,456,465.23
<b>III. Financial assets</b>			
1. Shares in affiliated companies		43,309.00	
2. Shares in associated companies		846,578.78	
3. Equity holdings		0.00	889,887.78
<b>B. Current assets</b>			
<b>I. Stocks</b>			
1. Semi-finished products, work in progress			0.00
<b>II. Receivables and other assets</b>			
	2		
1. Trade debtors		36,723,848.43	
2. Receivable from associated companies		11,666.25	
3. Receivable from shareholders		587,099.47	
4. Other assets		5,227,740.77	42,550,354.92
<b>III. Cheques, cash in hand, Bundesbank and Postbank credit balances, cash at bank</b>			
			8,505,645.34
<b>C. Deferred items</b>			
			7,318.50
<b>Total assets</b>			<b>53,514,386.18</b>

## Liabilities

	Note		IAS 31.12.1999
		DM	DM
<hr/>			
<b>A. Equity capital</b>			
<b>I. Subscribed capital</b>	3		293,374.50
<b>II. Capital reserve</b>	4		0.00
<b>III. Profit reserves</b>	5		
1. Legal reserve			29,337.45
<b>IV. Group retained income</b>			4,810,728.58
<hr/>			
<b>B. Provisions</b>			
1. Tax provisions		3,738,933.78	
2. Other provisions	6	9,580,847.65	13,319,781.43
<hr/>			
<b>C. Liabilities</b>	7		
1. Accounts payable to banks		5,959,518.78	
2. Down payments received on orders		2,823,350.00	
3. Trade creditors		20,400,735.33	
4. Accounts payable to associated companies		423,899.60	
5. Accounts payable to affiliated companies		15,458.14	
6. Accounts payable to shareholders		4,795.24	
7. Other accounts payable		5,094,737.28	34,722,494.37
<hr/>			
<b>D. Deferred items</b>			338,669.85
<hr/>			
<b>Total liabilities</b>			<b>53,514,386.18</b>

# Energiekontor AG

## Group IAS profit and loss account

### 01.01.1999 - 31.12.1999

	Note	DM	IAS 1999 DM
1. Sales	10		72,330,317.97
2. Increase in stock of unfinished products			-1,193,592.15
3. Other operating income	11		990,879.09
4. Cost of materials			
- expenditure on raw materials and consumables and goods bought in			52,307,101.84
5. Personnel costs			
- wages and salaries		3,340,308.67	
- social security contributions and expenditure on pension provision and benefits		414,881.90	3,755,190.57
6. Depreciation	12		
- on intangible fixed assets and tangible assets, and on capitalised expenditure on the initiation and expansion of business operations		44,762.96	
- on current assets to the extent that these exceed normal depreciation in the company		691,976.85	736,739.81
7. Other operating expenditure			3,956,653.95
8. Expenditure from equity holdings in associated companies			83,341.55
9. Other interest and similar income	13		467,653.58
10. Interest and similar expenditure	13		260,745.72
11. Result from normal business activity			11,495,485.05
12. Extraordinary income			0.00
13. Extraordinary expenditure	14		363,859.00
14. Extraordinary result			-363,859.00
15. Tax on income and earnings	15		5,531,779.48
16. Annual net income			5,599,846.57
17. Profit brought forward			838,630.46
18. Allocations to profit reserves			-29,337.45
19. Distributions			-1,598,411.00
20. Group retained income			4,810,728.58

# Notes to the Group accounts for the 1999 financial year drawn up in accordance with IAS principles

## I. General information

The shareholders have resolved to finance the planned expansion of business operations by means of a capital increase in conjunction with flotation on the 'Neuer Markt' segment of the Frankfurt Stock Exchange in spring 2000.

To this end Energiekontor-VB-GmbH & Co. Verwaltungs- und Beteiligungs KG has been renamed Energiekontor AG, at the same time being converted to an Aktiengesellschaft (joint stock corporation) by means of a conversion of legal form in accordance with §§ 190 ff. UmwG. The conversion was entered in the trade register on 23.12.1999. Group accounts to the reporting dates 31.12.1998 and 1997 have been drawn up retrospectively as if the conversion had already taken place ('As if' accounts).

As of 31.12.1999 no shares had yet been traded on any stock exchange.

To maximise the clarity and the overview provided by the Group accounts, the additional information required on individual items in the balance sheet and the profit and loss account appears in the notes.

The Group profit and loss account is broken down in accordance with the cost of production method.

The accounts of affiliated subsidiary companies included in the Group accounts are all drawn up to the same reporting date as those of the parent company.

## II. First use of International Accounting Standards (IAS)

In the light of the requirements of the regulations governing admission to the Neuer Markt and for the production of interim reports, Group accounts to 31 December 1999 were for the first time drawn up in accordance with the regulations of the International Accounting Standards Committee (IASC). The HGB accounting and valuation principles that had previously been applied were retained except where they conflict with IAS regulations. The facts required to be provided by German commercial and company law also appear in the notes insofar as this does not conflict with IAS rules. Since the Group does not fulfil the size criteria of § 293 HGB, it is not obliged under national law to produce Group accounts.

The Group 'As if' accounts to 31.12.1998 conform with §§ 290 ff. HGB. To improve comparability with the previous year's accounts, departures from national accounting and valuation principles are shown and explained separately.

As of 31.12.1999 no shares in Energiekontor AG had yet been publicly traded. This Group appendix therefore does not yet contain any segment reporting or an indication of the earnings per share.

The application of IAS principles in the Group accounts to 31.12.1999 results in the following effects on the Group's equity capital and annual net income in comparison with the accounting and valuation regulations of §§ 264 ff. HGB applied previously:

Transitional items	note	amount 31.12.1999 DM
Group equity capital on 31.12.1999 under HGB		5,115,727.60
Goodwill offset	1	-200,639.44
Long-term production	2	337,299.44
Deferred taxes	3	-118,947.07
Group equity capital on 31.12.1999 under IAS		5,133,440.53

Transitional item	note	amount 31.12.1999 DM
Group annual net income 31.12.1999 under HGB		4,536,428.36
Goodwill offset	1	55,947.85
Long-term production	2	337,299.44
Deferred taxes	3	-118,947.07
Group annual net income 31.12.1999 under IAS		4,810,728.58

### 1. Goodwill offset

As permitted by HGB, differences on the assets side arising from the initial consolidation were offset in full against differences on the liabilities side. In accordance with § 301 para. 3 HGB, the remaining difference from the capital consolidation was allocated to reserves in the previous year and shown in the Group accounts as a capital reserve.

Goodwill, in contrast, was capitalised in accordance

with the regulations of IAS 27 and written off over five years. Similarly, differences on the liabilities side are recorded as deferred items and written back over a term of five years in the profit and loss account.

### 2. Long-term production

In accordance with the contractual terms and conditions, the Energiekontor Group achieves sales revenue in its commercial-law accounts when the wind power generating facilities or partial facilities are ready for operation. As of the reporting date, facilities or partial facilities that have not yet been completed are capitalised in the HGB Group accounts as 'orders in the course of execution'.

For the transition to IAS, the percentage of completion method was applied (IAS 11) for sales achieved, according to which all sales and associated expenses are recorded under income in accordance with the degree of completion of the facilities at the reporting date.

### 3. Deferred taxes

In accordance with the internationally accepted liability method (IAS 12), deferred taxes are set up for substantial differences between the tax accounts of subsidiary companies and the IAS treatment in the parent company's Group accounts.

However, deferred tax assets and liabilities were valued on the basis of the tax rates valid at the time.

In addition to the deferred taxes already set up in the Group accounts, for the purposes of IAS accounting further deferred tax assets arising from losses of individual companies of the Energiekontor Group, which

have been carried forward, are being activated. The achievement of adequate future, taxable income was demonstrated by means of a tax plan.

### III. Scope of consolidation

Besides Energiekontor AG (parent company) the following affiliated companies are included in the Group accounts at 31 December 1999:

Name, registerd office	holding in %
Energiekontor-EK-GmbH, Bremerhaven	100.0
Energiekontor Umwelt GmbH, Bremerhaven	100.0
Energiekontor Windkraft GmbH Bremerhaven	100.0
Energiekontor Infrastruktur und Anlagen GmbH, Bremerhaven	100.0
Energiekontor-WSB-GmbH, Bremerhaven	100.0
Energiekontor VB-GmbH, Bremerhaven	100.0
WPS - Windkraft GmbH, Bremerhaven (3)	100.0
Energiekontor Portugal Trandeiras GmbH, Bremerhaven	100.0
Energiekontor EK West GmbH, Hückelhoven	100.0
Energiekontor Portugal - Energia Ecólica, Lda., Lissabon, Portugal (1)	60.0
Hellenic Energiekontor SA, Chanea, Griechenland (1)	51.0
Energiekontor Umwelt GmbH & Co Ökologische Wohnimmobilien KG, Bremerhaven (2)	40.0
Energiekontor - EK- GmbH & Co., Projekt- gesellschaft für ökologische Energiean- wendungen KG, Bremerhaven (2)	38.0

(1) Not included in the Group accounts due to subordinate importance. The aggregate sales volume of all these companies is less than 1% of Group sales. No projects have yet been completed. Each company has only one or two permanent employees.

(2) Equity consolidation (IAS 28).

(3) There is a liability to WPS Windkraft GmbH of DM 25,000 in respect of outstanding contributions not yet called.

#### IV. Accounting and valuation principles

In principle, the accounts of the parent company and the domestic and foreign subsidiary companies are drawn up in accordance with uniform accounting and valuation principles. This also applies to the annual accounts of most of the associated companies.

In principle, intangible assets are reported at cost of acquisition less scheduled depreciation.

Property is at the cost of acquisition. Unscheduled depreciation is carried out if necessary.

Tangible assets are valued at the cost of acquisition or production, less scheduled write-offs in the case of depreciable items; unscheduled depreciation is carried out if necessary. Scheduled depreciation is based on normal anticipated useful life.

Low-value capital assets with acquisition or production costs of up to and including DM 800 are treated as a disposal in the year of acquisition and written off in full.

For the purposes of simplification, the full depreciation rate is applied to additions in the first half of the financial year and half the rate to additions in the second half.

In principle, holdings in affiliated companies are included in the full consolidation. If in exceptional cases no data are available for the current financial

year, the holdings are valued at the cost of acquisition.

Equity holdings in associated companies are shown in accordance with the equity method.

Receivables and other assets are shown at their nominal value, low interest bearing loans advanced at net present value.

Special items with a reserve element based on purely fiscal regulations are not included in the Group accounts. Depending on their nature, these items are broken down into equity capital and loan capital elements.

Tax and other provisions denote obligations to third parties on legal or factual grounds, provided that the obligation is likely to be met and the amount can be reliably estimated. All information known by the day the accounts were prepared is taken into account.

Accounts payable are shown at the amount repayable.

Bank credit balances in foreign currencies are converted at the bid rate on the reporting date or at the official fixed Euro conversion rate.

Amounts due and payable in foreign currencies were converted at the rate valid on the reporting date.

Sales revenue is achieved in accordance with the percentage of completion method (IAS 11), which requires income and costs under an order relating to a wind power installation to be recorded as income or expenditure according to the degree of progress made by the reporting date. The basis for the esti-

mate of the outcome of an order is a project cost account.

## V. Consolidation principles

### 1. Capital consolidation

Capital consolidation is carried out in accordance with IAS 27 by offsetting the acquisition costs of the shares in each individual subsidiary company belonging to the parent company against the share of the parent company in the equity capital of the subsidiary company when that subsidiary company is first included in the Group accounts. A surplus of acquisition costs over the current values of all identifiable assets and debts is capitalised as goodwill and written off on a straight-line basis over a term of five years. Negative differences (DM 381,000 at the time of the initial consolidation) are reported as deferred items on the liabilities side (DM 305,000 as of 31.12.1999) and written back on a straight-line basis over a term of five years in the profit and loss account.

The subsidiary companies acquired or newly founded during the financial year were consolidated at the moment of addition. Insofar as no interim accounts were drawn up at the moment of addition, the balance sheet and profit developments were estimated on the basis of bookkeeping records at the time of initial consolidation.

In the previous year, a consolidation by the book value method was carried out in accordance with § 301 para. 1 clause 1 and para. 2 HGB by offsetting acquisition costs against the proportionate equity

capital of the subsidiary companies. Differences arising were netted off. The residual difference from capital consolidation was allocated to equity capital (capital reserve).

The consolidation of equity holdings in associated companies is generally carried out in accordance with IAS 28 by the equity method at the time of the first inclusion of the associated companies in the Group accounts.

### 2. Eliminations

Intermediate profits, internal group sales, expenses and income, as well as all receivables and accounts payable between consolidated companies, are eliminated.

### 3. Deferred taxes

Deferred taxes were calculated by the liability method for all differences between the tax accounts of subsidiary companies and the Group accounts of the parent company, regardless of whether there is any great probability that the differences will cancel each other out. Exceptions to this are the positive and negative differences arising from the capital consolidation. Deferred taxes are also set up for all realisable tax losses carried-forward.

## VI. Notes to the Group accounts

The following figures are given under the corresponding items in the Group accounts or the Group profit and loss account where these refer to items in the Group accounts or the Group profit and loss account.

All figures are in DM thousands unless otherwise stated.

## 1. Fixed assets

The movement in Group fixed assets is shown on the next page. Low-value capital assets have been treated as an addition and disposal in the year of acquisition and written off in full.

The land shown under the property item mainly relates to plots whose acquisition was a condition imposed by the planning authorities (compensation measures). Some of the sites are to be maintained as uncultivated land or birch woods to protect the landscape.

## Energiekontor AG Group (IAS) movement in fixed assets in the 1999 financial year

	ACQUISITION COSTS				DEPRECIATION				BOOK VALUE	
	01.01.1999	additions	disposals	31.12.1999	01.01.1999	additions	disposals	31.12.1999	31.12.1999	31.12.1998
	DM	DM	DM	DM	DM	DM	DM	DM	DM	DM
<b>A. Fixed assets</b>										
<b>I. Intangible assets</b>										
- Goodwill	0.00	123,939.02	0.00	123,939.02	0.00	19,958.61	0.00	19,958.61	103,980.41	0.00
- Software	4,580.00	1,100.00	0.00	5,680.00	4,578.00	368.00	0.00	4,946.00	734.00	2.00
	4,580.00	125,039.02	0.00	129,619.02	4,578.00	20,326.61	0.00	24,904.61	104,714.41	2.00
<b>II. Tangible assets</b>										
- Land compensation measures	0.00	1,407,861.23	0.00	1,407,861.23	0.00	0.00	0.00	0.00	1,407,861.23	0.00
- fixtures and fittings business equipment	18,978.01	53,050.65	0.00	72,028.66	13,338.01	10,091.65	0.00	23,429.66	48,599.00	5,640.00
fittings	6,141.52	0.00	0.00	6,141.52	4,966.52	1,173.00	0.00	6,139.52	2.00	1,175.00
Low-value assets	3.00	13,171.70	-13,171.70	3.00	0.00	13,171.70	-13,171.70	0.00	3.00	3.00
	25,122.53	1,474,083.58	-13,171.70	1,486,034.41	18,304.53	24,436.35	-13,171.70	29,569.18	1,456,465.23	6,818.00
<b>III. Financial assets</b>										
- shares in affiliated companies	43,309.00	0.00	0.00	43,309.00	0.00	0.00	0.00	0.00	43,309.00	43,309.00
- shares in associated companies	611,809.93	300,000.00	-65,231.15	846,578.78	0.00	0.00	0.00	0.00	846,578.78	611,809.93
- equity holdings	12,500.00	0.00	-12,500.00	0.00	0.00	0.00	0.00	0.00	0.00	12,500.00
	667,618.93	300,000.00	-77,731.15	889,887.78	0.00	0.00	0.00	0.00	889,887.78	667,618.93
	697,321.46	1,899,122.60	-90,902.85	2,505,541.21	22,882.53	44,762.96	-13,171.70	54,473.79	2,451,067.42	674,438.93

## 2. Receivables and other assets

	GROUP	
	IAS 1999 TDM	HGB 1998 TDM
Trade Receivables	36,724	6,959
- of which with a residual term of more than one year	0	0
Receivables from associated companies	12	10
- of which with a residual term of more than one year	0	10
Receivables from shareholders	587	3,533
- of which with a residual term of more than one year	0	587
Other assets	5,228	1,857
- of which with a residual term of more than one year	2	5
	42,551	12,359

## 3. Subscribed capital

As of the reporting date the equity capital of Energiekontor AG amount to EUR 150,000 (DM 293,374.50). Shareholders' fixed capital accounts in the previous year ('As-if' accounts) amounted to DM 300,000. The conversion difference was credited to shareholder accounts.

The share capital is divided into 150,000 no-par ordinary shares (shares with a book share in the share capital of EUR 1.00). As of the reporting date, no shares had yet been publicly traded on any stock exchange.

## 4. Capital reserve

In the previous year, the residual difference from the capital consolidation was shown as specified by § 301 para. 3 HGB. For the purposes of IAS Group accounting negative differences are recorded as deferred items on the liabilities side (DM 305,000).

## 5. Profit reserves

In accordance with § 150 para. 1 and 2 AktG one twentieth of the 1999 annual net income was allocated to the profit reserve. This will continue until this legally required reserve has reached 10% of the equity capital.

## 6. Other provisions

Other provisions in 1999 mainly contain provisions for construction services, commissions and personnel obligations.

	1999 TDM	1998 TDM
Personnel-related provisions	744	578
Product-related provisions (distribution)	8,453	1,696
Other provisions	384	129
	9,581	2,403

## 7. Liabilities

Accounts payable: Group

	1999			1998		
	total	of which with a		total	of which with a	
		residual term of			residual term of	
		up to	1 to 5		up to	1 to 5
TDM	1 year	years	TDM	1 year	years	
	TDM	TDM	TDM	TDM	TDM	TDM
Liabilities to banks	5,960	5,960	0	101	101	0
Down payments received on orders	2,823	2,823	0	1,298	1,298	0
Trade creditors	20,401	20,401	0	6,905	6,905	0
Liabilities to affiliated companies	15	15	0	0	0	0
Liabilities to associated companies	424	0	0	435	0	29
Liabilities to shareholders	5	5	0	0	0	0
Other Liabilities	5,095	4,075	1,020	2,722	1,311	1,410
of which tax	1,896	1,896	0	1,138	1,138	0
of which related to social security	94	94	0	62	62	0
	34,723	33,279	1,020	11,461	9,615	1,439

## 8. Contingent Liabilities

On 31 December 1999, time-limited and open-ended bank guarantees amounting to DM 2,486,000 (previous year: DM 2,044,000) existed with individual companies of the Energiekontor Group.

lowing companies: Energiekontor Windkraft GmbH, Energiekontor-EK-GmbH, Energiekontor-VB-GmbH, Energiekontor AG, Energiekontor Umwelt GmbH, Energiekontor WSB GmbH, Energiekontor Infrastruktur und Anlagen GmbH, Energiekontor EK West GmbH.

## 9. Other financial obligations

Other financial obligations relate to short-term tenancy agreements on premises at Bassumer Strasse 62, Stuhr-Brinkum and Stresemannstr. 46, Bremerhaven. The annual rent is approximately DM 85,000.

The following companies of the Energiekontor Group have mutual contingent liabilities arising from the provision of collateral for external companies from the drawdown of a general credit facility for the fol-

In a total of six cases, Energiekontor Umwelt GmbH and Energiekontor Windkraft GmbH have undertaken to buy back wind farms at the nominal value of the limited partnership contributions on expiry of their useful life if required to do so (option). The options can be exercised by majority decision of the limited partners in the wind farm concerned. The buy-back value is approximately 30% of the overall original investment and in the view of the management does not constitute a risk.

## VII. Notes to the Group profit and loss account

### 10. Sales revenue

	1999 TDM	1998 TDM	1997 TDM
Sale of wind power facilities	60,628	9,770	0
Other revenue from operations management, planning services etc.	11,702	8,512	4,110
	72,330	18,282	4,110

The majority of Group sales is achieved within Germany.

Proceeds from the sale of wind power plant or partial facilities (fixed price contracts) are recorded in accordance with profit realised according to production stage (percentage of completion method). Proceeds from projects uncompleted as of the reporting date are determined on the basis of a current project cost account showing all expenses incurred or planned as of the reporting date. To take account of estimating error, profits are not realised in the amount obtained from the project cost account. The profit is determined by applying a discount rate to the calculated result.

As of the reporting date profits for the following current projects are:

Project	costs incurred including profits TDM	down payments received TDM
Stotel wind farm	3,135	2,823
Osterbruch wind farm	1,440	-
Balje-Hörne wind farm	2,707	-
Project work	55	-
Revenue and down payments recorded in the reporting period	7,337	2,823

The Company has agreed to reimburse the purchasers of the Stotel wind farm with the additional interest costs (DM 210,000) caused by delays to completion. This sum is shown on the liabilities side under provisions.

### 11. Other operating income

Other Group operating income includes DM 672,000 (previous year: DM 1,004,000) in management fees from project development companies.

### 12. Depreciation

This item includes unscheduled depreciation amounting to DM 692,000 for work on the foundations of the Stotel wind farm.

13. Net interest	Group		AG	
	1999	1998	1999	1998
	TDM	TDM	TDM	TDM
Other interest and similar receipts	468	124	158	8
of which from affiliated companies	0	0	0	0
Interest and similar expenditure	-261	-64	-127	-11
of which from affiliated companies	0	0	-7	-1
	207	60	31	-3

#### 14. Extraordinary expenditure

This item contains legal and consultancy costs incurred in 1999 in connection with preparations for the flotation.

#### 15. Tax expenditure

Deferred tax expenditure includes DM 173,000 for profit realised under the percentage of completion method. Adjustments involved in the elimination of internal Group income from equity holdings were offset without affecting profits.

Other assets include deferred item for deferred credits amounting to DM 253,000 (previous year: 121,000). This item includes temporal differences arising from the elimination of intermediate profit (DM 6,000) and tax-refund claims arising from realisable losses at some Group companies (DM 247,000), which have been carried forward.

A tax receipt of some DM 193,000 is to be added to the extraordinary profit.

#### VIII. Other information

##### 1. Staff

An average of 45 employees, not including trainees, (previous year: 34) were employed during the financial year. As of 31.12.1999, the number of employees totalled 53 (1998: 39).

##### 2. Members of Company bodies and their emoluments

The management board consists of:

Dr Bodo Wilkens, Dipl.- Wirtschaftsingenieur (graduate economic engineer)

Günter Lammers, Kaufmann (businessman)

The Company is exercising its right under § 286 para. 4 HGB not to publish the emoluments received by members of the management board for their work in the parent company and the subsidiary companies.

The members of the supervisory board are:

Markus Jochum, attorney-at-law, chairman

Thilo Blaser, tax consultant

Ralf Brandt, tax accountant.

During the year under review, the supervisory board drew no emoluments.

##### 3. Proposed application of profit

The management board proposes to allocate the residual net profit for the year of DM 4,811,000 to free profit reserves.

Stuhr - Brinkum, February 2000

Dr. Bodo Wilkens

Günter Lammers

# IAS cash flow statement

## Energiekontor AG Group accounts at 31.12.1999

1999 TDM

<b>Inflow and outflow of funds from current business activity</b>	
Income for the year before tax and extraordinary items	11,495
Adjustments for:	
Depreciation	45
Partial depreciation, current assets	692
Profit from equity holdings	83
Interest paid SBV	- 6
Interest received	- 207
<b>Operating results before changes in net assets</b>	<b>12,102</b>
Increase in trade debtors and other receivables	- 33,138
Increase in other provisions	7,178
Reduction in stocks	1,886
Reduction in trade creditors and other liabilities	17,711
<b>Inflow of funds from current business activity</b>	<b>5,739</b>
Interest paid	- 261
Trade tax liability posted	- 5,531
Change in tax provision	1,320
<b>Cash flow before extraordinary items</b>	<b>1,267</b>
Extraordinary income/expenditure, unscheduled depreciation	- 1,056
<b>Net inflow of funds from current business activity</b>	<b>211</b>
<b>Inflow and outflow of funds from investment activity</b>	
Acquisition of equity holdings (associated companies, not fully consolidated)	- 300
Acquisition of tangible and intangible assets	- 1,599
Interest received	468
<b>Net outflow of funds on investment activity</b>	<b>- 1,431</b>
<b>Inflow and outflow of funds from financing activity</b>	
Expenditure from the reduction in subscribed capital (EURO conversion)	- 7
Expenditure on the release of the UB on the liabilities side UB (IAS)	- 251
Reduction in receivables from / increase in amounts payable to shareholders	2,952
Profit distributions, income from capital company's equity holdings 1999	- 1,598
Profit distributions 1998, outflow from Group in 1999	- 1,360
Profit distributions (share in KG profit 1998)	- 2,122
Change due to scope of consolidation	- 21
<b>Net funds outflow on financing activity</b>	<b>- 2,407</b>
<b>Net reduction in cash and cash equivalents</b>	<b>- 3,627</b>
<b>Cash and cash equivalents at the beginning of the period under review</b>	<b>6,173</b>
<b>Cash and cash equivalents at the end of the period under review</b>	<b>2,546</b>

**Auditors' report**

"We have audited the Group accounts at 31 December 1999 including the Group financial report for the 1999 financial year. The management board of Energiekontor AG is responsible for the compilation and content of the Group accounts. Our task is to deliver a judgement, based on the work carried out by us, of the compliance of these Group accounts with the regulations of the International Accounting Standards Committee (IASC).

We have carried out the audit in accordance with internationally accepted principles and taking account of the principles laid down by the Institut der Wirtschaftsprüfer (IDW – German Institute of Auditors) for the proper auditing of accounts. These require the planning and conduct of the audit to be such as to enable an adequately reliable judgement to be delivered as to whether the Group accounts are free of material misstatements. As part of the audit of the Group accounts, the evidence provided for the information in the Group accounts was mainly verified on the basis of random checks. The audit includes an assessment of the accounting and consolidation principles applied by the management board and an evaluation of the totality of statements in the group report. Our audit of the Group accounts also covered the adjustment of the scope of consolidation, the correctness of the annual accounts included in the Group accounts and the consolidation measures taken. We are of the opinion that our audit of the Group accounts at 31 December 1999 forms an adequately reliable basis for our judgement.

No objections were raised as a result of our audit of the Group accounts at 31 December 1999.

We are satisfied that the Group accounts, including the cashflow statement and the schedule of movement in equity capital, give a true and fair view of the assets, financial position and profit or loss of the Group as of 31 December 1999 and essentially comply with IASC regulations."

Freiburg, 25 February 2000

Paa  
Auditor

Tabet  
Auditor

# Energiekontor AG

## »As if« HGB Group balance sheet at 31.12.1999

### Assets

	Energiekontor AG	EK-VB-GmbH & Co. Verwaltungs- und Beteiligungs KG	EK-VB-GmbH & Co. Verwaltungs- und Beteiligungs KG
	31.12.1999	31.12.1998	31.12.1997
	DM	DM	DM
<b>A. Fixed assets</b>			
<b>I. Intangible assets</b>			
1. Concessions, industrial property rights and similar rights and assets, as well as licences to such rights and assets	734.00	2.00	967.00
<b>II. Tangible assets</b>			
1. Other plant, fixtures and fittings	1,456,465.23	6,818.00	5,770.00
<b>III. Financial assets</b>			
1. Shares in affiliated companies			
2. Shares in associated companies			
3. Equity holdings	889,887.78	667,618.93	775,809.00
<b>B. Current assets</b>			
<b>I. Stocks</b>			
1. Semi-finished products, work in progress	6,999,507.92	1,885,569.00	34,527.78
<b>II. Receivables and other assets</b>			
1. Trade debtors			
2. Receivable from associated companies			
3. Receivable from shareholders			
4. Other assets	35,166,676.83	12,358,290.89	3,504,443.46
<b>III. Cheques, cash in hand, Bundesbank and Postbank credits balances, cash at bank</b>			
	8,505,645.34	6,273,809.97	1,424,801.98
<b>C. Deferred items</b>			
		8,294.36	8,375.00
<b>Total assets</b>	<b>53,018,917.10</b>	<b>21,200,403.15</b>	<b>5,754,694.22</b>

## Liabilities

	Energiekontor AG	EK-VB-GmbH & Co. Verwaltungs- und Beteiligungs KG	EK-VB-GmbH & Co. Verwaltungs- und Beteiligungs KG
	31.12.1999 DM	31.12.1998 DM	31.12.1997 DM
<b>A. Equity capital</b>			
I. Subscribed capital	293,374.50	300,000.00	300,000.00
II. Capital reserve	285,924.74	279,739.69	279,739.69
III. Group retained income	4,536,428.36	4,311,664.90	1,708,786.43
<b>B. Provisions</b>			
1. Tax provisions			
2. Other provisions	13,146,645.63	4,821,941.38	2,199,286.48
<b>C. Accounts payable</b>			
1. Accounts payable to banks			
2. Down payments received on orders			
3. Trade creditors			
4. Accounts payable to associated companies			
5. Other accounts payable	34,756,543.87	11,460,357.18	1,250,658.64
<b>D. Deferred items</b>			
		26,700.00	16,222.98
<b>Total liabilities</b>	<b>53,018,917.10</b>	<b>21,200,403.15</b>	<b>5,754,694.22</b>

# Energiekontor AG

## "As if" Group profit and loss account for 1999, 1998, 1997

	Energiekontor		EK-VB-GmbH & Co.
	AG	Verwaltungs- und Beteiligungs KG	Verwaltungs- und Beteiligungs KG
	1999 DM	1998 DM	1997 DM
1. Sales	64,993,510.61	18,281,539.14	4,109,895.07
2. Increase in stock of unfinished products	5,805,915.77	1,885,569.00	34,527.78
3. Other operating income	914,972.63	1,399,751.40	1,214,383.23
4. Cost of materials			
- expenditure on raw materials and consumables and goods bought in	52,307,101.84	10,720,817.85	80,557.81
5. Personnel costs			
- wages and salaries			
- social security contributions and expenditure on pension provision and benefits	3,755,190.57	2,505,416.87	1,881,500.36
6. Depreciation			
- on intangible fixed assets and tangible assets, and on capitalised expenditure on the initiation and expansion of business operations	24,804.35	6,528.82	5,160.01
7. Other operating expenditure	3,956,653.95	2,524,028.81	836,859.56
8. Expenditure and equity holdings in associated companies	83,341.55	97,685.27	0.00
9. Other interest and similar income	467,653.58	123,793.71	164,069.76
10. Interest and similar expenditure	260,745.72	64,139.98	44,344.44
11. Result from normal business activity	11,794,214.61	5,772,035.65	2,674,453.66
12. Extraordinary income	0.00	3,037.56	68,916.89
13. Extraordinary expenditure	1,055,835.85	13,000.00	0.00
14. Extraordinary result	-1,055,835.85	-9,962.44	68,961.89
15. Tax on income and earnings	5,412,832.41	2,771,266.00	1,334,629.12
16. Annual net income	5,325,546.35	2,990,807.21	1,408,786.43
17. Profit brought forward	-789,117.99	1,320,857.69	300,000.00
18. Group retained income	4,536,428.36	4,311,664.90	1,708,786.43

**Auditors' report for "As if" Group accounts at 31 December 1998 and 1997**

"We have audited the "As if" Group accounts at 31 December 1998 and conducted a limited audit of the "As if" Group accounts at 31 December 1997. The compilation and content of the "As if" Group accounts are the responsibility of the Company's management. Our task is to deliver a judgement, based on the work carried out by us, of the compliance of these "As if" Group accounts with HGB regulations and the Companies Act (Aktiengesetz).

We have carried out the audit and limited audit in accordance with HGB principles and taking account of the principles laid down by the Institut der Wirtschaftsprüfer (IDW- German Institute of Auditors) for the proper auditing of accounts. These require the planning and conduct of the audit and limited audit to be such as to enable an adequately reliable judgement to be delivered as to whether the "As if" Group accounts are free of material misstatements. As part of the audit of the "As if" Group accounts, the evidence provided for the information in the Group accounts was mainly verified on the basis of random checks. The audit and to a certain extent the limited audit include an assessment of the accounting and consolidation principles applied by the management and an assessment of the overall presentation of the "As if" Group accounts. We are of the opinion that our audit of the "As if" Group accounts at 31 December 1998 and that our limited audit of the "As if" Group accounts at 31 December 1997 form an adequately reliable basis for our judgement.

No objections were raised as a result of our audit of the "As if" Group accounts at 31 December 1998. Our limited audit of the "As if" Group accounts at 31 December 1997 did not bring any facts to our attention suggesting that the accounts had not been properly drawn up.

In our opinion, the "As if" Group accounts give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as of 31 December 1998 and 1997.

Freiburg, 10 January 2000

Paa  
Auditor

Tabet  
Auditor

# IAS transition account for the "As if" Group accounts 1997/1998

## A. Preliminary remarks

Under HGB regulations, Energiekontor AG (formerly Energiekontor- VB- GmbH & Co Verwaltungs- und Beteiligungs KG), Stuhr-Brinkum, was not obliged to produce Group accounts to 31 December 1997 and 1998 because it did not reach the size criteria specified in § 293 of the HGB. In 1999, for the purposes of the planned flotation, the management board decided to produce voluntary "As if" retrospective Group accounts to 31 December 1997 and 1998 under national accounting regulations. These "As if" Group accounts were audited by us (to a limited extent in the case of the accounts to 31.12.1997). We refer to our report of 10 January 2000.

In the light of the requirements of the regulations for admission to the Neuer Markt and of its principles regarding the production of interim reports, full Group accounts to 31 December 1999 (Group balance sheet, Group profit and loss account, Notes to the Group accounts, Group cash flow statement, Group schedule of changes in equity capital) were for the first time drawn up and audited in accordance with the regulations of the International Accounting Standards Committee (IASC). We refer to our report of 25 February 2000.

Owing to the further requirements of the 'Neuer Markt' regulations, an account covering the transition from "As if" Group annual net income and "As if" Group equity capital to 31 December 1997 and 1998 under German accounting regulations to International Accounting Standards was also subsequently drawn up.

Insofar as the effect of transitional items on profit performance is based on the amount of the change with respect to the previous year's value, 1 January 1999 was designated as the starting date for the purposes of IAS-based accounting. The transition accounts to 31 December 1997 and 1998 are thus for information only.

## B. Transitional items

### I. Transition accounts

The application of IAS principles in the Group accounts to 31.12.1997 and 1998 result in the following changes in Group equity capital and annual net income in comparison with the previous accounting and valuation regulations of §§ 264 ff. of the HGB:

Transitional items	note	31.12.1997 DM
Group equity capital on 31.12.1997 under HGB		2,288,526.12
Goodwill offset	1	-223,791.84
Long-term production	2	2,762.22
Pension provision	3	-43,678.00
Deferred taxes	4	-1,417.85
Group equity capital on 31.12.1997 under IAS		2,022,400.65

Transitional items	note	31.12.1997 DM
Group annual net income 31.12.1997 under HGB		1,408,786.43
Goodwill offset	1	55,947.85
Long-term production	2	2,762.22
Pension provision	3	-43,678.00
Deferred taxes	4	-1,417.85
Group annual net income 31.12.1997 under IAS		1,422,400.65

Transitional items	note	31.12.1998 DM
Group equity capital on 31.12.1998 under HGB		4,891,404.59
Goodwill offset	1	55,947.87
Long-term production	2	329,617.94
Pension provision	3	43,678.00
Deferred taxes	4	-172,028.58
Group equity capital on 31.12.1998 under IAS		5,148,619.80

Transitional items	note	31.12.1998 DM
Group annual net income 31.12.1998 under HGB		2,990,807.21
Goodwill offset	1	55,947.85
Long-term production	2	329,617.94
Pension provision	3	43,678.00
Deferred taxes	4	-172,028.58
Group annual net income 31.12.1998 under IAS		3,248,022.42

## II. Notes to transitional items

### 1. Goodwill offset

Capitalised differences arising from the initial consolidation were fully offset against differences on the liabilities side as permitted under HGB. The residual difference from the capital consolidation was allocated to reserves in accordance with § 301 para. 3 HGB and shown as a capital reserve in the Group accounts.

Goodwill, in contrast, was capitalised in accordance with the regulations of IAS 27 and written off over five years. Similarly, differences on the liabilities side are recorded as deferred items and written back over a term of five years to the profit and loss account.

### 2. Long-term production

In accordance with the contractual terms and conditions, the Energiekontor Group achieves sales revenue in its commercial-law accounts when the wind power generating facilities or partial facilities are ready for operation. As of the reporting date, facilities or partial facilities that have not yet been completed are capitalised in the HGB Group accounts as 'orders in the course of execution'. For the transition to IAS, the percentage of completion method was applied (IAS 11) for sales achieved, according to which all sales and associated expenses are recorded under income in accordance with the degree of completion of the facilities at the reporting date.

### 3. Pension provision

Whereas the normal German valuation practice is to show only definite, contractually-based pension entitlements in the accounts, IAS also requires commercially anticipated entitlements, part of which has already been earned, to be shown for all employees who can be expected to have an entitlement. The remuneration that serves as the basis for the pension calculation is not, as is usual in Germany, the remuneration in 1997 or 1998, but rather the probable remuneration of the employee in question at the date of retirement.

In principle, anticipated pension increases are also included in the calculation. Pension entitlements are discounted at the long term interest rate valid at national level.

Energiekontor AG's pension commitments were legally terminated in 1998, requiring the provisions created for them to be released in the 1998 financial year.

The amount of the provision under IAS was estimated. As the sums involved are not large it was decided not to subsequently obtain an IAS-basis valuation report for pension commitments.

#### 4. Deferred taxes

In accordance with the internationally accepted liability method (IAS 12), deferred taxes are set up for substantial differences between the tax accounts of subsidiary companies and the IAS treatment in the parent company's Group accounts.

However, deferred tax assets and liabilities were valued on the basis of the tax rates valid at the time.

In addition to the deferred taxes already set up in the Group accounts, for the purposes of IAS accounting further deferred tax assets arising from losses of individual companies of the Energiekontor Group, which have been carried forward. The achievement of adequate future, taxable income was demonstrated by means of a tax plan.

#### C. Certification report

The Energiekontor AG "As if" Group accounts at 31.12.1998 have been audited by us. The Energiekontor AG "As if" Group accounts at 31.12.1997 have been audited by us to a limited extent. These "As if" Group accounts are based on general commercial law accounting regulations. The Group profit and loss accounts were drawn up in accordance with the cost of production method. In the transition to IAS, valid International Accounting Standards were observed.

In co-operation with Energiekontor AG, we have retrospectively drawn up accounts for the transition from "As if" Group annual net income and "As if" Group equity capital at 31.12.1997 and 1998 in accordance with German accounting regulations to International Accounting Standards.

We have prepared the IAS transition accounts in accordance with professional principles as particularly specified in statement HFA 4/1996: "Principles for the preparation of annual accounts by auditors" of the Institut der Wirtschaftsprüfer in Deutschland e.V.. Our work on the 1998 transition account constitutes an adequately reliable basis for our certification. Our work on the 1997 transition account essentially constitutes an adequately reliable basis for our certification.

As a result of our work we find that the "As if" Group accounts give a true and fair view of the assets, liabilities, financial position of Energiekontor AG to 31.12.1997 and 1998 respectively and the profit or loss for the relevant completed financial year and that they essentially comply with IAS regulations taking account of the "As if" transitions carried out.

Freiburg, 10. 04. 2000

Paa  
Auditor

Tabet  
Auditor

# Energiekontor AG

## HGB cash flow statement at 31.12. 1998 and 1997

	1998	1997
	DM	DM
<b>Inflow and outflow of funds from current business activity</b>		
Income for the year before tax and extraordinary items	5,772,035.65	2,674,453.66
Adjustments for:		
Depreciation	6,528.82	5,160.01
Foreign currency losses	6,036.20	0.00
Income from financial investments	0.00	0.00
Interest expenditure	58,103.78	44,344.44
<b>Operating results before changes in net assets</b>	<b>5,842,704.45</b>	<b>2,723,958.11</b>
Increase in trade debtors and other receivables	-7,630,398.21	
Reduction in stocks	1,851,041.22	-34,52.78
Reduction in trade creditors	8,820,585.24	
<b>Inflow of funds from current business activity</b>	<b>8,883,932.70</b>	
Interest paid		
Trade tax paid	-2,771,266.00	
Cash flow before extraordinary items	6,112,666.70	
Extraordinary income/expenditure	-16,037.56	-68,961.17
<b>Net inflow of funds from current business activity</b>	<b>6,096,629.14</b>	
<b>Inflow and outflow of funds from investment activity</b>		
Acquisition of subsidiary companies less acquired net cash		
Acquisition of tangible assets	-6,611.82	-3,269.01
Proceeds from the sale of fixtures and fittings	2,410.32	836.80
Interest received	123,793.71	164,069.76
Dividends received		
<b>Net outflow of funds on investment activity</b>	<b>119,592.21</b>	<b>161,637.55</b>

# Energiekontor AG

## HGB balance sheet at 31 December 1999

### Assets

		31.12.1999	31.12.1998
	DM	DM	DM
<hr/>			
<b>A. Fixed assets</b>			
<b>I. Financial assets</b>			
1. Shares in affiliated companies		387,500.00	250,000.00
<hr/>			
<b>B. Current assets</b>			
<b>I. Receivables and other assets</b>			
1. Trade debtors	1,644,479.46		1,009,845.65
2. Receivable from associated companies	4,639,018.69		934,274.93
3. Receivable from shareholders	527,388.92		0.00
4. Other assets	2,605,276.65	9,416,163.72	450,076.49
<hr/>			
<b>II. Cheques, cash in hand, Bundesbank     and Postbank credit balances, cash at bank</b>		1,173,990.09	928,822.02
<hr/>			
<b>C. Deferred items</b>		1,945.10	1,334.97
<hr/>			
<b>Total Assets</b>		<b>10,979,598.91</b>	<b>3,574,354.06</b>

## Liabilities

		31.12.1999	31.12.1998
	DM	DM	DM
<b>A. Equity capital</b>			
I. Fixed capital accounts		0.00	300,000.00
II. Variable capital accounts		0.00	-4,349,676.06
III. Subscribed capital		293,374.50	0.00
<b>IV. Profit reserves</b>			
1. Legal reserves		29,337.45	0.00
V. Retained income (previous year: annual net income)		5,305,548.57	5,664,384.11
<b>B. Provisions</b>			
1. Tax provisions	160,154.74		778,856.00
2. Other provisions	1,038,236.41	1,198,391.15	614,284.00
<b>C. Accounts payable</b>			
1. Accounts payable to banks	2,302,432.35		0.00
2. Trade creditors	352,227.21		52,323.90
3. Accounts payable to affiliated companies	108,185.69		65,661.06
4. Other accounts payable	1,390,101.99	4,152,947.24	448,521.05
<b>Total liabilities</b>		<b>10,979,598.91</b>	<b>3,574,354.06</b>

# Energiekontor AG

## HGB profit and loss account

### 01.01.1999 - 31.12.1999

	DM	1999 DM	1998 DM
1. Sales		7,263,992.19	6,517,879.21
2. Other operating income		15,386.12	0.00
3. Personnel costs			
- wages and salaries	2,949,284.67		1,816,825.27
- social security contributions and expenditure on pension provision and benefits	404,847.20	3,354,131.87	295,196.30
4. Other operating expenditure		528,640.93	273,359.83
5. Income from equity holdings in affiliated companies		8,737,248.11	1,942,857.14
6. Other interest and similar income		158,430.89	7,860.18
- including DM 0.00 from affiliated companies			
7. Interest and similar expenditure		126,793.63	10,815.02
- including DM 6,470.43 from affiliated companies			
8. Result from normal business activity		<b>12,165,490.88</b>	<b>6,072,400.11</b>
9. Extraordinary income		0.00	300,000.00
10. Extraordinary expenditure		363,859.00	13,000.00
11. Extraordinary result		-363,859.00	287,000.00
12. Tax on income and earnings		4,868,334.86	695,016.00
13. Annual net income		<b>6,933,297.02</b>	<b>5,664,384.11</b>
14. Allocation to profit reserves		-29,337.45	0.00
15. Distributions		-1,598,411.00	0.00
16. Group retained income		<u>5,305,548.57</u>	<u>5,664,384.11</u>

**Certification of individual accounts**

Freiburg, 25. 02. 2000

"We have audited the annual accounts of Energiekontor AG including Company bookkeeping for the financial year ending on 31.12.1999. The bookkeeping and the compilation of the annual accounts in accordance with German commercial law regulations and the supplementary rules in the Company's articles of association are the responsibility of the Company's management board. Our task is to deliver a judgement on the annual accounts based on the audit carried out by us.

Paa  
Auditor

Tabet  
Auditor

We have carried out the audit of the annual accounts in accordance with § 317 HGB and taking account of the principles laid down by the Institut der Wirtschaftsprüfer (IDW – German Institute of Auditors) for the proper auditing of accounts. These require the planning and conduct of the audit to be such as to enable an adequately reliable judgement to be delivered as to whether bookkeeping and the annual accounts are free of material errors. As part of the audit, the evidence provided for the information in the books and the annual accounts were verified on the basis of random checks. The audit includes an assessment of the accounting principles applied by the management and an assessment of the overall presentation of the annual accounts. We are of the opinion that our audit forms an adequately reliable basis for our judgement.

No objections have been raised as the result of our audit.

In our opinion, taking account of the principles of proper bookkeeping, the annual accounts give a true and fair view of the assets, liabilities, financial position and profit or loss of Energiekontor AG.

# Recent business performance and future prospects

## Current financial year

In the current financial year to 31 March 2000 Energiekontor AG has achieved sales revenue as per HGB of approximately DM 1.86 million. Energiekontor AG's sales revenue (not including Group subsidiaries) has thus risen by some 109% in comparison with the same period in the previous year. Sales revenue is achieved on a sector-specific basis, largely in the final quarter of each financial year.

A total of five wind farms are scheduled to go into operation in the first half of 2000. These are: Sievern II (construction start: April), Beckum II (construction start: May), Kerpen II (construction start: May), Dirlammen/Engelrod (construction start: May) and Tran-deiras, Portugal (expected construction start: May/June). The total sales volume of these wind farms, which have an overall nominal capacity of 42.2 MW, is approximately DM 81.7 million. The Stotel wind farm, with a sales volume of approximately DM 20 million, will be completed in the first half of the year. Planning permission has been granted for the construction of the second Portuguese wind farm in Marão, Portugal. In Spain a 25 MW project has already been purchased, and negotiations are under way for six offshore and three onshore projects in England. Energiekontor AG is also planning three specific domestic offshore projects in the second quarter. These are at various stages: clarification of eligibility for planning permission, application for the regional-planning procedure and clarification of cable routes, concrete site arrangement. The Company is currently expanding its own acquisitions for onshore projects. The same applies to the purchase of projects, i.e. of planned wind farms that the Company takes over from other planning consultancies at various stages. The Company is at present in negotiation for two specific projects with nominal capacity totalling 44 MW.

## Development

The Company posted continued growth in the 1999 financial year. Energiekontor AG achieved consolidated sales revenue of DM 72.33 million (EUR 36.98 million) in 1999. At the end of 1998 the Energiekontor Group of Companies began to construct turnkey wind farms, to complement its range of services. Over the past year, generating facilities with a total nominal capacity of 45.6 MW were installed, some 50% of it turnkey construction. This was responsible for substantial growth in sales, partly due to the greater use of goods involved (purchase of wind power plant). This represents a 255% increase in sales in comparison with the previous year.

The Group's wind-farm construction activity is independent of all manufacturers. For turnkey construction skeleton contracts with a number of wind power plant manufacturers regarding plant supply and maintenance have been concluded. These skeleton contracts enable the Company to be flexible in its choice of windmills, while at the same time ensuring the benefit from economical purchase prices.

The growth and success of the Energiekontor Group of Companies will increasingly depend on innovative concepts for the exploitation of wind power. This goes hand-in-hand with the internationalisation of business activity. Energiekontor AG has had branches in Greece and Portugal for some years. Recently branches were established in Spain and the UK, which a recent DEWI study (in August 1999) identified as future markets for wind power with above-average growth prospects. Parliamentary approval of the EEG will safeguard continued viable project development in Germany.

Much of the Company's research and development is concerned with offshore technology, which opens up

new potential locations, and with hybrid storage technology (see also "Business activity of the Energiekontor Group - Research and development").

### The outlook

Personnel in our existing subsidiaries in Greece and Portugal will be strengthened next year. In the UK and Spain subsidiary companies were formed at the beginning of 2000. Staff for these locations are either already employed (in the UK) or the recruitment process is under way.

The construction of Energiekontor AG's first wind farm abroad is expected to begin in the first half of 2000, when the Energiekontor Group of Companies will build a farm near Trandeiras in Portugal with 14 AN Bonus wind-mills with a total capacity of 18.2 megawatts. Construction of Energiekontor's first wind farm in Greece is expected to begin in the fourth quarter of 2000.

The intensive development of offshore projects will continue in 2000. In Germany the first applications for these have already been submitted. The Company expects to commission its first offshore facility in 2004. In addition Energiekontor AG plans to participate in a consortium that will tender for a project in the UK, on which contractual agreement is expected shortly. The continuation of the hybrid storage project in Greece (expected by 2003) will be extremely important for the Company's research and development. If Energiekontor AG succeeds in solving the storage problem for the first time, the Company believes there are many islands and other regions all over the globe where the relatively low-cost technology of wind power stations could supersede the heavy-oil-burning stations often in use at present.

Parliamentary approval of the EEG has placed planning work for wind farms in Germany on a secure and above

all an economically viable footing. In Germany the Company will press on with planning work on wind farms, especially and increasingly at inland locations. For this purpose the Company will be particularly active in North Rhine-Westphalia and Berlin-Brandenburg.

In the 2000 financial year Energiekontor AG expects Group multi-million DM sales, with growth to match.

Following the flotation, the Company intends to transfer its head office to Bremen, thus amalgamating the operations in Stuhr/Brinkum and Bremerhaven and at the same time giving greater flexibility in terms of space, e.g. for accommodating new staff.

On the basis of the above Offering Prospectus / Company Report

**2,700,000 bearer no-par shares**

- with a book share in the share capital of EUR 1.00 per unit share -  
EUR 2,700,000.00

and

**700,000 bearer no-par shares**

- with a book share in the share capital of EUR 1.00 per unit share -  
EUR 700.000.00

from the capital increase by means of cash contributions resolved by the extraordinary general meeting on  
12 April 2000

with a full entitlement in each case to a share in the profits from the financial year from 1 January 2000 to  
31 December 2000

- Securities reference number (A) 531 350 -
- Securities reference number (B) 531 352 -
- ISIN Code DE 000 531 350 6 -
- Common Code 0110 949 61 -

of

**Energiekontor AG**

Stuhr/Brinkum

have been admitted to the Geregelter Markt for inclusion in trading on the Neuer Markt of the Frankfurt Stock Exchange.

Hanover, Frankfurt am Main and Munich, May 2000

**Norddeutsche Landesbank Girozentrale**

**Société Générale**

**MERCK FINCK & CO.**