ENCAVIS

Interim Statement

Q3/9M 2021

Foreword from the Management Board

Dear Shareholders,
Ladies and Gentlemen,

With the KPIs achieved, Encavis AG is still fully on target for the 2021 financial year. All told, the weather conditions after the first nine months of the 2021 financial year remained weaker than in the same period of the previous year (-11 % in electricity production compared with the corresponding 2020 figure), but were in line with the forecast levels.

The ongoing fallout of the COVID-19 pandemic continued to lead to a slow, uneven and shaky recovery of the global economy which is threatened by various risks. Inflation has shot up in the US and in Germany, in particular on account of very high energy prices. In a baseline scenario, the IMF's experts expect prices in the developed economies to rise by 3.6 % by the end of the year and then stabilise at pre-crisis levels, before falling to a more moderate 3.0 % from mid-2022 and subsequently dropping further.

Gross electricity consumption in Germany covered by green electricity declined to 43 % in the first three quarters of 2021. This figure was roughly five percentage points higher in the previous-year period. The decline is partly due to the extraordinary conditions in the previous year, including unusually high wind levels and lower power consumption on account of the pandemic, which caused the percentage of overall consumption covered by renewable energies to be higher than the ordinary levels recorded this year. In addition, the contribution by onshore wind installations to overall electricity generation declined by four percentage points to 15 % on account of the adverse weather conditions during the entire reporting period. Electricity generated using solar power remained stable at 11 % of overall electricity generation.

To realise our ">> Fast Forward 2025" growth strategy, we have a project pipeline of wind and solar installations at our disposal with a total generation capacity of more than 3.5 gigawatts (GW) that we have secured with the help of our strategic development partners. Furthermore, we will continue enhancing the organic growth of our wind and solar park portfolio by proactively acquiring installations that benefit from guaranteed feed-in tariffs or for which long-term power purchase agreements (PPAs) with industrial customers have been concluded. The pandemic has resulted in minor delays in the development of new projects. In some cases, those delays amount to a few months. Nevertheless, construction has already begun on two solar parks in Germany and Denmark with a total capacity of 37 megawatts (MW). In addition to this we have already acquired solar parks in The Netherlands with a total capacity of 74 MWp together with our development partners. The planned growth resulting from the guaranteed pipeline of projects ready for construction between now and 2025 remains unchanged despite the minor delays.

Encavis Asset Management AG is reporting ever-stronger institutional investor demand for investments in renewable energy. Encavis Asset Management AG systematically continued to implement its growth and diversification strategy for the portfolio of its special fund Encavis Infrastructure Fund II (EIF II) by acquiring five new wind parks in France in September 2021. The total of 29 wind power installations have state-of-the-art turbines with an installed output of 74.5 MW, which were completed and commissioned between January and June 2021. The tremendously successful placement of the special fund EIF II supports the efforts of Encavis Asset Management AG and BayernLB to pursue the strategy of offering a further investment in renewable energies in the form of Encavis Infrastructure Fund IV (EIF IV). Like its predecessor, this special fund is intended exclusively for banks and serves their special requirements in terms of regulations and risk management. As with EIF II, Encavis Asset Management AG will be responsible for selecting, assessing and supervising the wind and solar parks for EIF IV in an advisory capacity. The total fund volume being targeted is EUR 500 million.

The announcement by the French government in October 2020 that feed-in tariffs for solar power installations with an output of more than 250 kilowatts (kW) contractually agreed between 2006 and 2010 would be cut back retroactively caused great uncertainty among both domestic and foreign investors and operating companies. The measure was aimed at allowing savings of between EUR 300 and EUR 400 million and was resolved as Article 225 of the French Finance Law. The implementing provisions for this article were determined by decree of the Conseil d'Etat following a statement from the energy regulation commission and published on 27 October 2021. By all accounts, the extent of the cuts will still be decided on a per-case basis, taking into account the economic efficiency of the affected installations. The economic efficiency criterion has not yet been clearly formulated, however, and the new tariffs have not yet been defined. As such, a conclusive evaluation of the impact on the affected installations in France remains to be seen. Encavis possesses installations with a capacity of approximately 51 MW in France which could be affected by this rule.

Dear shareholders, as you can see, the Group is still on a path of growth. With 1.84 GW in our own portfolio, we currently have a solid 25 % more power generation capacity connected to the grid than in the same period of the previous year (1.47 GW). This was primarily due to the Spanish project Talayuela (300 megawatt peak (MWp)) and a wind park in Finland (21 MW). We were also able to acquire solar parks in Denmark (12 MWp), Germany (25 MWp) and the Netherlands (74 MWp) from our pipeline with our strategic development partners. In the coming months, we expect further growth stimuli from the project partnerships initiated in 2019 and 2020, especially in the solar energy sector.

During the first nine months of the 2021 financial year, the Group generated revenue of EUR 259.1 million (previous year: EUR 234.3 million). This corresponds to an increase of EUR 24.8 million, or approximately 11 %, based on the positive revenue contribution of around EUR 32.0 million from the two large-scale Spanish solar parks La Cabrera (200 MWp) and Talayuela (300 MWp). It is important to note that the larger of the two solar parks, Talayuela, was still in its successive ramp-up phase in the first quarter and was therefore not able to feed its full output into the grid until the second quarter. As a result, the revenue contribution of the Spanish parks more than compensated for the weather-related revenue losses from the existing parks amounting to EUR 12.2 million as compared to the very strong figure seen in the previous year on account of metorological factors. We are pleased with this cumulative increase in revenue in the first nine months of the financial year compared to the same period in the previous year, especially considering that we had to report a shortfall of 10 % year on year in the first quarter of 2021, particularly in January and February, due to the weak wind performance. The revenue from the solar parks totalled EUR 198.4 million after the first nine months of 2021, exceeding the previous year’s figure by around EUR 26.3 million in total. By contrast, the revenue of the wind park portfolio amounted to roughly EUR 48.4 million after the first nine months of 2021 and was around EUR 7.2 million lower year on year.

Operating earnings before interest, taxes, depreciation and amortisation (operating EBITDA) in the first nine months of the 2021 financial year amounted to EUR 195.4 million, exceeding the previous year’s figure of EUR 181.0 million. However, the comparison period in the previous year was characterised by very good weather conditions that resulted in a weather-related increase in EBITDA of around EUR 12.2 million, whereas the first nine months of 2021 were characterised by sub-par weather.

Operating earnings before interest and taxes (operating EBIT) totalling EUR 115.1 million were approximately EUR 1.9 million, or 1.7 %, higher year on year. Here too, this only slight increase is attributable to the excellent weather conditions in the previous year, which increased this same figure by EUR 12.2 million. When considered in isolation, the third quarter of 2021 saw Encavis AG generate operating earnings per share of EUR 0.19 – higher than the third quarter of the previous year (EUR 0.15), which was unusually strong due to the weather. Cumulative operating earnings per share stood at EUR 0.37 after the first nine months of 2021, as against EUR 0.42 in the same period of the previous year.

Operating cash flow from operating activities, which is significantly above the previous year’s level (EUR 166.6 million) at EUR 187.1 million, benefited mainly from the Group’s new acquisitions in Spain, despite the adverse effect of the advance tax payments of approximately EUR 7.5 million in the reporting period, which were not made until the fourth quarter in 2020, and taking into consideration the capital gains tax refund from 2018 of EUR 9.0 million, which had a positive effect in the corresponding period of 2020.

The Encavis share’s market capitalisation and liquidity have once again significantly increased compared to the same period of the previous year. At the end of trading on 10 November 2021, the market capitalisation amounted to some EUR 2,783 million compared to around EUR 2,365 million on 10 November 2020, an increase of approximately 18 % in the value of Encavis AG’s equity on the stock market.

Following the overall positive development of the company’s value, you, our shareholders, once again have the opportunity to benefit from the successful development of Encavis AG this year. In accordance with our long-term dividend strategy, the Annual General Meeting decided on 27 May of this year to once again pay out an increased dividend of EUR 0.28 (previous year: EUR 0.26) per voting share for the 2020 financial year. As in years past, shareholders were able to choose between receiving the distribution in the form of shares in the company or in the form of cash. A large proportion of the shareholders (42.9 %) once again chose the optional dividend in shares.

Our extensive experience with seasonally fluctuating weather effects, the resulting efforts to create a broadly diversified portfolio spanning numerous European countries and the growth stimuli from our new installations again lead to confirmation of the forecast of stronger growth in the 2021 financial year, as published in March 2021. Based on the existing portfolio as it stood on 31 March 2021, and taking into account standard weather conditions for the remainder of financial year 2021, we predict that revenue will increase to more than EUR 320 million (+9 % compared to 2020: EUR 292.3 million). Operating EBITDA is expected to increase to more than EUR 240 million (+7 % compared to 2020: EUR 224.8 million). At Group level, we anticipate growth in operating EBIT to more than EUR 138 million (+4 % compared to 2020: EUR 132.2 million), bringing operating earnings per share up to EUR 0.46 (+7 % compared to 2020: EUR 0.43). In terms of operating cash flow, we expect a value of over EUR 210 million (2020: EUR 212.9 million).

We would be very pleased if you would continue to place your trust in us in the future and accompany us on our path to further growth. Stay healthy during the run-up to the holiday period, and stay tuned to see how we seize the opportunities offered by these times – with dedication and good judgement – to create a successful future.

Hamburg, November 2021

Dr Dierk Paskert | Dr Christoph Husmann

CEO | CFO

Dr Dierk Paskert | Dr Christoph Husmann

Chief Executive Officer (CEO) | Chief Financial Officer (CFO)

Group operating KPIs*

In EUR million

	01.01.–30.09.2021	01.01.–30.09.2020
Revenue	259.1	234.3
Operating EBITDA	195.4	181.0
Operating EBIT	115.1	113.2
Operating EBT	69.4	72.0
Operating EAT	57.8	64.5
Operating cash flow	187.1	166.6
Operating Earnings per share (undiluted, in EUR)	0.37	0.42

	30.09.2021	31.12.2020
Equity	807	752
Liabilities	2,239	2,072
Total assets	3,046	2,824
Equity ratio in %	26.5	26.6

* The Group operating KPIs are based solely on the company's operating profitability and do not take any IFRS-related valuation effects into account.

Note on the quarterly figures

The publication of the results was prepared pursuant to the amended exchange rules for the Frankfurt Stock Exchange from 12 November 2015. This interim statement does not contain a complete interim financial report in accordance with IAS 34 and should therefore be read only in conjunction with the consolidated financial statements as of 31 December 2020.

The quarterly figures on the financial position, financial performance and net assets have been prepared in conformity with the International Financial Reporting Standards (IFRS) as applicable within the European Union.

The accounting policies applied are the same as those used for the most recent year-end consolidated financial statements. We have published a detailed description of the methods applied in the notes to the consolidated financial statements for 2020.

Business activities

Business model

Encavis AG, which is listed on the SDAX of the German stock exchange, makes use of the various opportunities to generate power using renewable energy. As an independent operator of environmentally friendly and emission-free power plant capacities, Encavis has continued to expand its generation portfolio since 2009. The company’s core business is the acquisition and operation of solar parks and onshore wind parks. In the acquisition of new installations, the company focuses on a mix of projects in development, construction-ready and turnkey projects, or existing installations that have guaranteed feed-in tariffs or for which long-term power purchase agreements (PPAs) have been concluded. The development projects or completed installations are generally located in geographic regions that stand out due to their stable political and economic conditions as well as reliable investment and framework conditions.

Encavis also offers attractive opportunities to institutional investors through its subsidiary Encavis Asset Management AG to invest in installations that generate renewable energy. The Asset Management field covers all services in this area, i.e. the launching of funds, the individual design and structuring of other investments for professional investors in the field of renewable energy and the management of the investments held by these investors.

The Encavis portfolio is currently comprised of a total of 199 solar parks and 100 wind parks with a capacity of more than 3.0 GW in Germany, Italy, France, The United Kingdom, Austria, Finland, Sweden, Denmark, The Netherlands and Spain. Of these, the Group operates 30 solar parks and 57 wind parks for third parties in the Asset Management segment.

Economic framework conditions

Global economic recovery continues, but is threatened by various risks

The global economy is set to grow by 5.9 % year on year in 2021, according to the most recent estimate published by the IMF on 12 October 2021. This is 0.1 % lower than the previous forecast in July 2021. However, the IMF’s analysts are sticking to their growth forecast of 4.9 % for 2022, after which they expect the increase in global gross domestic product (GDP) to slow in the medium term to around 3.3 %, as stated in the institution’s autumn World Economic Outlook.

According to the IMF, the ongoing fallout of the COVID-19 pandemic is continuing to lead to a slow, uneven and shaky recovery of the global economy, and health risks are extremely high in emerging economies and developing countries in particular due to their lower vaccination rates. This contrasts with the situation in the industrialised countries and some emerging economies, where sustained delivery bottlenecks and a jump in inflation rates are the main factors that could endanger an economic upturn, say the IMF’s analysts. As a consequence, the growth outlook for these nations is below average, at 5.2 % In many places, order books are full and consumer confidence is high, but production is unable to keep up with demand. Ports frequently remain closed, and there is still a shortage of transport containers and trained staff, which is resulting in significant price increases. Inflation has shot up in the US and in Germany in particular. In a baseline scenario, the IMF’s experts expect prices in the developed economies to rise by 3.6 % by the end of the year and then stabilise at pre-crisis levels, before falling to a more moderate 3.0 % from mid-2022 and subsequently dropping further. However, an alternative extreme scenario would see inflation level out at 3.0 %.

The IMF forecasts that economic growth in the eurozone will amount to 5.0 % in the current year, before settling at around 4.3 % in 2022. It predicts that the German economy will close 2021 with growth of 3.1 %, rising to 4.6 % in 2022. The institution anticipates higher growth rates of between 5.7 % and 6.3 % for France, Italy and Spain, followed in the coming year by 3.9 % (France), 4.2 % (Italy) and 6.4 % (Spain). An increase of 6.8 % in the current year and 5.0 % in 2022 is forecast for The United Kingdom.

The analysts at the IMF expect the US to close 2021 with growth of 6.0 % and to record a rate of 5.2 % in the coming year. They are not quite as confident about China, as they were in earlier years. According to their forecasts, the world’s second-largest economy will grow by 8.0 % in 2021, and then by only 5.6 % in the coming year.

ECB continues zero-rate policy

The European Central Bank (ECB) is leaving the key interest rate for the eurozone unchanged despite the recent jump in oil, gas, fuel and food prices. The rate at which it lends to commercial banks remains at 0.0 %, having been at this level since March 2016. The ECB is also maintaining the so-called deposit rate at its current figure of -0.5 %. At its meeting on 9 September 2021, the Governing Council of the ECB declared that it would continue its loose monetary policy until inflation stabilises and has consistently reached the 2.0 % mark. It stated that inflation could remain above this level for an interim period. The ECB also announced that it plans to reduce its additional securities purchases somewhat by the end of 2021.

Underlying conditions for renewable energies

Global economic recovery boosts demand for renewable energies

The expansion of renewable energies is gaining momentum. According to its “Renewable Market Update 2021” published in May of this year, the International Energy Agency (IEA) expects an increase in renewable energy systems of 270 GW of output by the end of the year. For 2022, industry experts anticipate that this figure will rise to 280 GW worldwide. This corresponds to roughly the level in 2020 along with a 45 % increase compared to 2019. Photovoltaic installations account for a particularly high share of this output – the IEA forecasts that around 162 GW of new capacity will be added in 2022, almost 50 % more than in 2019. Solar parks that do not receive any state subsidies will be among the main growth drivers, according to the IEA.

In its “World Energy Investment 2021” study, the IEA predicts that global energy investments in the current year will rise by 10 % compared to 2020 to USD 1.9 trillion. The IEA estimates that expenditure on new power generation capacity will amount to approximately USD 530 billion and that renewables will make up around 70 % of this amount, with the remainder being spent on electricity networks and storage.

The rising demand for energy around the world is spurring the addition of new renewable energy installations. In their “Global Energy Review 2021” market report, the experts at the IEA anticipate a worldwide increase in the demand for energy of approximately 4.6 % this year. Growth in energy demand to this extent would not only compensate for the decline in 2020 due to the coronavirus pandemic, but would also represent an increase compared to 2019.

The global economy picked up again in 2021, and the growth in activity is raising demand for electricity. For 2021 the IEA forecasts an additional requirement of 1,000 terawatt-hours (TWh), or 4.5 %, as against previous year. Electricity would therefore exceed the 20 % mark in terms of total energy consumption. At the same time, the IEA expects the energy-related CO_2 emissions to increase worldwide by 1.5 billion tonnes to around 33 billion tonnes – only slightly below the previous high, seen in 2019. These figures highlight the necessity of worldwide efforts for greater climate protection and a significant reduction of greenhouse gases.

The IEA’s experts estimate that the proportion of renewable energies used in worldwide energy generation will amount to almost 30 % in 2021. They predict that electricity produced globally from renewable sources will jump by 8 % to around 8,300 TWh. The global energy transition is also gaining headway as a consequence of the increasingly economical nature of energy production using renewable sources. As the International Renewable Energy Agency (IRENA) emphasises in its latest report, “Renewable Power Generation Costs in 2020”, more than half of the newly constructed renewable energy installations are capable of producing electricity more cost effectively than the cheapest fossil fuel option. The competitiveness of solar and wind energy technologies improved continuously and above all significantly between 2010 and 2020: according to calculations by IRENA, the costs for electricity generated from solar energy decreased during this period by 85 %, from solar thermal energy by 68 %, from wind energy on land by 56 % and from wind energy at sea by 48 %.

Private-sector power purchase agreements (PPAs) remain attractive

The further improvement in the economic efficiency of renewable energies compared to conventional energy carriers, as well as companies’ commitments to maintaining an eco-friendly energy balance (as outlined in the RE100 initiative, for example), is increasing the momentum on the PPA market. Another factor is that the price of electricity – and particularly green electricity – is rising consistently, which is why industrial companies have a vested interest in securing carbon-neutral energy at predictable terms over a long period of time. “Environmentally friendly electricity at reliable prices” has become the most important criterion for them. According to Bloomberg New Energy Finance (BNEF), PPAs with a volume of more than 23.7 GW were concluded in 2020 alone. Since 2016, when contracts for 4.1 GW were entered into, this figure has risen continuously. The vast majority of this volume is attributable to North and South America, as well as Asia. However, Europe is also making up ground, most recently contributing 7.2 GW to the total amount. PPAs are playing an increasingly important role in the energy transition.

Developments in European core markets

The use of renewable energies has risen in all 27 EU member states in recent years. As the German Federal Statistical Office reported in mid-October 2021, the share of renewables in gross final energy consumption grew from 13.9 % to 19.7 % on average between 2009 and 2019. With its massive water reserves, Northern Europe continues to lead the way on climate-friendly electricity generation. In 2019, for example, Sweden used renewable energies to cover 56.4 % of gross final energy consumption, followed by Finland (43.1 %), Latvia (41.0 %) and Denmark (37.2 %). By contrast, renewable sources made up only a relatively small proportion of the energy mix in 2019 in other EU countries, such as Luxembourg (7.0 %), Malta (8.5 %) and the Netherlands (8.8 %). At 17.4 %, Germany was just below Italy (18.2 %) but slightly above France (17.2 %).

To prevent the use of fossil fuels and cut greenhouse gas emissions, the European Commission wants to increase the share of renewables in gross final energy consumption within the EU to 40 % by 2030. This target is part of the European Green Deal, which aims to make the EU climate-neutral by 2050. To achieve this goal, the first step in the European Commission's plan to reduce the annual greenhouse gas emissions of EU member states by 55 % by 2030 compared to 1990 levels. The European Commission set this new benchmark in July 2021 in its "Fit for 55" package; the previous goal was only 40 %. In the reference year 2019, emissions were 24 % lower than in 1990. This illustrates the need to expand the use of renewable energy sources.

Germany

In Germany, a new law governing the framework for renewable energy sources has been in force since the beginning of 2021. One of the aims of the amended law is to increase the share of renewable energies in total gross electricity consumption to 65 % by 2030 and to set binding targets for the expansion of the renewable energy sector.

By 2030, the installed output of wind installations in Germany is slated to reach a level of around 71 GW. That figure stood at roughly 54 GW at the end of 2019. To make up for the difference, new wind turbines are to be built primarily in southern Germany, which is less windy. In terms of solar energy, the plan is to achieve gradually increasing growth of between 4.6 GW and 5.6 GW annually. The objective is to install photovoltaic capacities of 100 GW by 2030, which would represent approximately double the current capacity.

The Federal Association of the Energy and Water Industry (Bundesverband der Energie- und Wasserwirtschaft, BDEW) regards the expansion targets as inadequate to address the increasing energy demand and estimates that the capacities installed to date will have to be increased considerably. According to estimates, 100 GW of wind energy on land (2020: 54 GW), at least 150 GW in photovoltaic systems (2020: 53 GW) and 11 GW in biomass capacity will have to be installed by 2030.

Transmission system operators anticipate net renewable energy capacity expansion of 8.2 GW in 2022, most of which will be attributable to solar installations. As a slight recovery is expected in terms of the capacity expansion for wind energy on land, the 2022 expansion target under the German Renewable Energy Act (Erneuerbare-Energien-Gesetz, EEG) will only be missed by a small margin, according to the transmission system operators.

Gross electricity consumption in Germany covered by green electricity declined to 43 % in the first three quarters of 2021, according to preliminary calculations from the Centre for Solar Energy and Hydrogen Research Baden-Württemberg (Zentrum für Sonnenenergie- und Wasserstoff-Forschung Baden-Württemberg, ZSW) and the BDEW. This figure was roughly 5 % higher in the previous-year period. The decline is partly due to the extraordinary conditions in the previous year, including unusually high wind levels and lower power consumption on account of the pandemic, which caused the percentage of overall consumption covered by renewable energies to be higher than the usual levels recorded this year. In addition, the contribution by onshore wind installations to overall electricity generation declined by four percentage points to 15 % as a result of the adverse weather conditions during the entire reporting period. By contrast, electricity generated using solar power remained stable at 11 % of overall power generation.

In the first nine months of 2021, gross electricity generation rose by just under 4 % year on year to approximately 426 billion kilowatt-hours (kWh). Overall, around 178 billion kWh of electricity was produced from sun, wind and other renewable sources in the first three quarters of 2021. Of that amount, a good 63 billion kWh were generated by wind on land, just under 46 billion kWh by photovoltaic systems, roughly 37 billion kWh from biomass, almost 16 billion kWh from wind at sea and 16 billion kWh from hydroelectric power. By comparison, consumption totalled 191 billion kWh in the first nine months of 2020.

The German Federal Network Agency (Bundesnetzagentur) announced in mid-October 2021 that the levy to cover the costs of electricity remunerated under the EEG for 2022 would amount to 3.723 cents per kilowatt-hour (ct/kWh) in the coming year. The levy is calculated on the basis of expert forecasts prepared on behalf of the transmission system operators. This equates to a decline of almost 43 % compared to the levy under the EEG for 2021 of 6.500 ct/kWh. The last levy lower than 4 ct/kWh was recorded in 2012, at 3.592 4 ct/kWh. The main reason for the significant drop in the levy under the EEG was the sharp rise in electricity spot prices. Higher revenues can be achieved as a result, which considerably reduces the need to subsidise renewable energy. Due to this fact, additional demand for subsidies from new renewable energy systems is negligible. As in the previous year, the levy is also reduced by a federal subsidy financed by income from the carbon pricing system.

Denmark

The Danish government is striving to achieve 100 % independence from fossil fuels by 2050. As part of this objective, it recently raised its renewable energy expansion target for 2030 by five percentage points. By that date, it aims to increase the share of renewable energies to 55 % of the total energy mix. By 2050, Denmark intends to ensure that all its energy needs are met by renewables. At the moment, some 53 % of its electricity is supplied by renewable sources – predominantly wind power, which accounts for more than 43 %, making the share of total energy consumption covered by wind energy in Denmark the highest in the world. In addition, a cross-party climate package was adopted, in which CO_2 emissions are to be reduced by 70 % in comparison to 1990 levels by the year 2030. By then, Denmark intends to cut CO_2 emissions by 3.4 million tonnes. To achieve this, reforms will be initiated to make renewable energies more affordable and fossil energy more expensive. Oil and gas heating in private households will be eliminated and replaced by heat pumps and “green” district heating. Moreover, more charging stations for electric vehicles are planned, and the industrial sector is slated to increase its energy efficiency by utilising renewable energies or biogas.

France

France is making slow progress in its transition to renewable energies. With the presidential election six months away, President Emmanuel Macron does not believe that much will change regarding this situation. By 2030, France at least intends to reduce greenhouse gas emissions to 40 % of the level from 1990 and achieve climate neutrality 20 years later. Unlike most other member states, the French government primarily relies on atomic energy – which continues to deliver around 67 % of electricity – and focuses on actively reducing energy consumption, which should decrease to half of the 2012 level by 2050. Energy-efficient building renovation is an important element of this approach.

Currently, electricity production from renewable sources amounts to approximately 25 % in France but is slated to reach around 40 % by 2030. Doing so, however, would require an enormous increase in the speed of expansion. The government has announced its interim targets for the period until 2028: It plans to double the currently installed wind power generation from 17.6 GW to 34 GW by then. The plan even envisions quadrupling photovoltaic output from currently 10.4 GW to 44 GW. An expansion target of 5 GW has been specified for wind power stations at sea, with hydroelectric power stations to contribute 26 GW to achieve a capacity of more than 100 GW from the renewable energy mix in 2028. The truly ambitious extent of this goal is reflected by the fact that barely 56 GW had been installed at the end of 2020, and that the annual increase in neither solar nor wind energy installations had reached the threshold of 1 GW in the past.

A key element of the France 2030 strategy presented by Macron in October 2021 is decarbonising the economy. Investment in small nuclear reactors is the most important part of the plan, the President said, stating that France is fortunate to have so many nuclear reactors, which employ some 200,000 people and emit a low amount of carbon. Macron believes that the fight against climate change can only be won with the help of nuclear energy, which is why he is backing this industry. At the same time, France has committed to reducing the share of its overall energy generation attributable to nuclear energy to 50 % by the year 2035 by decommissioning some reactors and expanding its renewables. Macron’s primary aim is to turn France into Europe’s leading producer of green hydrogen, enabling it to achieve another of its targets: cutting industrial CO_2 by 35 %.

The announcement by the French government in October 2020 that feed-in tariffs for solar power installations with an output of more than 250 KW contractually agreed between 2006 and 2010 would be cut back retroactively had caused great uncertainty among both domestic and foreign investors and operating companies. The measure was aimed at allowing savings of between EUR 300 and EUR 400 million and was resolved as Article 225 of the French Finance Law.

The implementing provisions for this article were determined by decree of the Conseil d'Etat following a statement from the energy regulation commission and published on 27 October 2021. By all accounts, the extent of the cuts will still be decided on a per-case basis, primarily taking into account the economic efficiency of the affected installations. The economic efficiency criterion has not yet been clearly formulated, however, and the new tariffs have not yet been defined. As such, a conclusive evaluation of the impact on the affected installations in France remains to be seen. Encavis possesses installations with a capacity of approximately 51 MW in France which could be affected by this rule.

The United Kingdom

Having exited the EU, The United Kingdom is no longer bound by the European regulations and requirements regarding climate policy. The United Kingdom had set its own targets for a low-carbon economy by 2050 in the 2008 "Climate Change Act". The government plans to continue promoting the expansion of renewable energies to make The United Kingdom a world leader in affordable and clean energy production. Offshore wind power plays a key role in these plans. The expansion of offshore wind power capacities is to be accelerated to 40 GW by 2030.

In 2020, more electricity was generated from renewable energies than fossil fuels in The United Kingdom for the first time. Their share of overall electricity production reached 42 %. The dynamic expansion of wind parks represents an important driving force behind the expansion of renewable energy in The United Kingdom. Last year, almost a quarter of Britain's electricity was produced by wind power stations. The wind energy share has doubled compared to 2015, rising to a total of one-fifth of the overall energy mix.

The expansion of solar power is also progressing in The United Kingdom. Last year, the first full calendar year without subsidies for photovoltaic systems, 545 MW of new photovoltaic capacity was installed – an increase of 27 % compared to the previous year (2019). Of the new capacity in 2020, 60 % was attributable free-standing photovoltaic systems. The remaining 40 % consisted of roof-mounted systems, the majority of which were installed on commercial and industrial buildings.

A new connection to the power grid went online at the beginning of October 2021: the 720-km North Sea Link, the longest submarine power cable in the world, links The United Kingdom and Norway. The high-voltage direct current line has a capacity of up to 1,400 MW and can deliver sustainable electricity to up to 1.4 million households. The purpose of the new line is to exchange energy and optimise the use of renewables.

Now, when British wind turbines generate excess energy due to high winds, there is no need for costly domestic energy storage or even for the turbines to be switched off. Instead, the wind energy flows through the cable to Norway, where it is used as a cheap source of electricity or stored by the country's hydroelectric network. By exporting energy to Norway, wind energy from The United Kingdom can be used to its full potential, while Norway benefits from a cheap, green supply. If, on the other hand, The United Kingdom is generating a low amount of wind energy, Norway can supply "its" renewable energy from its hydroelectric power systems.

Italy

At the end of 2017, the Ministry of Economic Development (MISE) detailed the energy policy plans of the national energy strategy (Strategia Energetica Nazionale) with the publication of its new, comprehensive climate and energy strategy for 2030. These plans include the end of coal energy production in Italy by the year 2025 and increasing the proportion of renewable energies in energy consumption to around 27 % by 2030. This would require the expansion of photovoltaic generation capacities to 50 GW and wind energy to 18.4 GW. As a result, photovoltaic systems would make up more than 50 % of the total energy production capacity from renewable energy in Italy, followed by hydroelectric and wind energy. Some EUR 35 billion has been set aside for renewable energy expansion.

Italy plans to increase photovoltaic capacity by roughly 50 GW by the year 2030. According to preliminary figures published by the national association of renewable energy (Anie Rinnovabili) and data from system operator Terna, approximately 737 MW of new photovoltaic systems were installed in the past year. This is the highest increase in six years and corresponds to growth of almost 69 % compared to 2018. The largest share of new photovoltaic installations by the end of the year is attributable to major projects with direct energy supply contracts to customers – in other words, systems not receiving any state subsidies.

The Netherlands

The Netherlands have entered into a commitment to greater climate prediction as part of a cross-party initiative. The climate legislation adopted at the end of June 2019 specifies a 49 % reduction in greenhouse gas emissions by 2030 and a 95 % reduction by 2050 compared to the reference year 1990. All coal-fired power plants in The Netherlands are to be shut down by 2030. However, the energy production mix in The Netherlands has to undergo a fundamental transformation by then. In 2020, fossil energy sources accounted for a 72 % share, the second highest level in the EU. Atomic energy delivered 3 % and renewable energies only 25 %.

Austria

An alliance between the Greens, the Austrian People's Party (Österreichische Volkspartei, ÖVP) and the Social Democratic Party of Austria (Sozialdemokratische Partei Österreichs, SPÖ) achieved the necessary two-thirds majority of National Council members and passed the Renewable Energy Expansion Act (EAG) at the beginning of July 2021 after a six-month delay. Subject to the approval of the Federal Council and the EU Commission, EUR 1 billion will be made available for the expansion of renewable energies every year. All of the electricity for Austria should originate from renewable energy sources by 2030.

The goal of the government coalition consisting of the conservative ÖVP and the Greens is to increase the production of clean energy by 27 TWh by then. This represents roughly the electricity consumption of all Austrian households within two years and is 50 % more than the current green electricity output (55.6 TWh). Of that amount, 11 TWh is to be delivered by photovoltaic systems, 10 TWh by wind energy, 5 TWh by hydroelectric power and 1 TWh by biomass.

The Austrian government intends to introduce a green electricity tax to partially refinance these plans. Low-income households will be exempt from payment or will only have to pay a reduced amount capped at EUR 75 per year.

Spain

The Spanish parliament passed an energy transition law in mid-May 2021 with the aim of making the country climate-neutral by 2050. By 2030, Spain intends to decrease its greenhouse gas emissions by at least 23 % in comparison to 1990. To achieve this, the proportion of renewable energies in the country's overall energy supply is to increase to 42 % by 2030. For electricity production, the bar is set to at least 74 % in nine years.

The newly adopted climate law aims to ensure that Spain makes its contribution to making the European Union CO_2-neutral by 2050. The government in Madrid had already announced its goal of a 23 % greenhouse gas reduction by 2030 to the EU in January 2020. Since then, however, the climate targets for the entire EU have been increased. Initially, the goal was to reduce greenhouse gas emissions EU-wide by 40 % by 2030. The EU Parliament and the Council of member states have lately agreed on at least 55 % following difficult negotiations. The agreement has yet to be adopted. Nevertheless, there is cause for doubt as to whether Spain's efforts in this regard will prove adequate. However, the new climate protection law also stipulates that the country's own targets must be reviewed on a regular basis.

Asset Management segment

Through Encavis Asset Management AG, the Encavis Group offers institutional investors the opportunity to invest in renewable energy assets through a variety of investment vehicles. In addition to specifically tailored investment strategies and direct investments, funds established under Luxembourg law also enable institutional investors to participate in a broadly diversified portfolio consisting of solar and wind parks. Institutional investors can draw on the wealth of renewable energy expertise throughout the Encavis Group.

Renewable energy investments offer attractive, reliable returns and stable cash flows that are largely backed by state guarantees or secured by customers with a strong credit rating. Due to their long terms and low correlation to other asset classes or economic fluctuations, these investments are particularly well-suited to pension funds and insurance companies, for example, which make long-term investments and have to diversify large portfolios. Furthermore, the decarbonisation of investment portfolios has become an established international trend. Institutional investors are increasingly withdrawing from investments in fossil energy sources such as coal or crude oil in favour of investments in renewable energies.

Course of business

With the Talayuela solar park, Encavis connects its second major project in Spain to the grid on schedule

On 5 January 2021, Encavis AG announced that it had fed the first kilowatt-hours from Talayuela, the largest solar park in the Group's portfolio, into the Spanish high-voltage grid. Once again, Encavis AG demonstrated the reliability of its growth strategy with the timely completion of the major Talayuela project, with a total generation capacity of some 300 MWp. Following the equally successful grid connection of the major La Cabrera project in November of last year, with a generation capacity of roughly 200 MWp, Spain has now taken the top spot within the solar park portfolio of the Encavis Group, with a generation capacity of around 500 MWp.

Encavis AG improves ISS ESG rating and MSCI ESG rating

On 14 January 2021, Encavis AG announced a further improvement of its rating from the ISS ESG ratings agency within the prime status. The rating was raised from B– to B at the end of December 2020. The sustainability offensive which Encavis began in 2020 has thus borne its first fruits. The ISS ESG rating assesses the sustainability performances of companies and, in doing so, pursues a best-in-class approach, with around one-third of the rating criteria being specific to the respective industry. Encavis is among the best 20 % of the 32 companies reviewed in the industry cluster for renewable energy operations. The level of transparency of Encavis's reporting activities is considered to be "very high" in all relevant areas. Encavis clearly fulfils the standards defined by ISS ESG. On 3 February 2021, the upgrade of the MSCI ESG rating from A to AA was announced for Encavis's contributions in the area of sustainability. Encavis has therefore once again been recognised for the sustainability offensive it began in 2020. In its explanation for the upgrade, MSCI refers in particular to the solid corporate governance, the transparent ownership structure and the 100 % focus on the expansion of electricity generation capacities from solar and wind power. The evaluation of the sustainability performance of companies by leading ratings agencies is becoming an increasingly important criteria for investors, especially in the renewable energy sector.

Encavis Infrastructure Fund III (EIF III) receives an additional EUR 150 million in equity and acquires the largest solar installation currently in operation in The Netherlands

In January 2021, the Versicherungskammer Group significantly increased its engagement in its special fund – which is managed by HANSAINVEST LUX – by EUR 150 million. The fund, with a target volume in the mid three-figure millions, is currently invested in a balanced portfolio consisting of wind and solar parks in Germany, France, Austria and Finland. The acquisition of the Vlagtwedde solar park in The Netherlands, which was completed in late 2020, adds a further 110 MWp to the portfolio.

Encavis grows in the northern European wind segment

Encavis AG is continuing its growth in 2021 and acquired the Paltusmäki wind park in Finland on 12 May of this year. By acquiring the already operational Paltusmäki wind park, Encavis has not only expanded its own production capacities in the wind segment by 21.5 MW, but has also added Finland – an additional attractive growth market for bilateral electricity contracts – to its already broadly diversified portfolio of countries.

The Paltusmäki wind park consists of five wind turbines and is located near the Baltic coast in the Nordösterbotten region in northern Finland. Four of the five wind turbines have been online since December 2020. The fifth turbine was connected to the grid in February of this year. The five identical Enercon wind turbines with a nacelle height of 132 metres are Lagerwey L 147 turbines. Utilising state-of-the-art permanent magnet technology, these wind turbines no longer rely on a gearbox, reducing their susceptibility to failure to a minimum. This turbine platform was recognised as the "turbine of the year 2020" by the trade publication "Windpower Monthly". Encavis reckons with an annual electricity production of 12.24 gigawatt-hours (GWh) per wind turbine for the Paltusmäki wind park, resulting in an expected annual output totalling 61 GWh of green electricity.

Encavis AG increases dividend to EUR 0.28 per share

The Management Board and Supervisory Board of Encavis AG want the shareholders to share in the success of the company to an appropriate extent. With this in mind, the Supervisory and Management Boards of Encavis AG proposed, at the Annual General Meeting on 27 May 2021, to pay out a dividend of EUR 0.28 for each dividend-entitled share. This represents a year-on-year increase of 7.7 % (dividend for the 2019 financial year: EUR 0.26). The proposal by the Management Board and Supervisory Board was approved by a significant majority.

The dividend was paid on 30 June 2021. Encavis AG gave the option of receiving the dividend either wholly or partially in cash or in the form of shares. The acceptance rate of 42.9 % is seen as a sign of the shareholders' confidence in the company. In total, 814,031 new bearer shares were issued at the beginning of July. The new shares have dividend rights from 1 January 2021 onwards. Share capital increased from EUR 138,437,234.00 to EUR 139,251,265.00.

Dr Rolf Martin Schmitz new member of the Supervisory Board

Dr Rolf Martin Schmitz has been elected as a new member of the Supervisory Board at the Annual General Meeting on 27 May 2021. With his vast energy expertise and his strategic vision, which he has leveraged in positions such as

Chairman of the Executive Board at RWE AG, he will provide Encavis with important impetus on its path towards becoming a green powerhouse. Ms Christine Scheel stood for re-election to the Supervisory Board. Having now been confirmed in her position, she will continue to enrich the committee with her experience and advice. The Management Board and Supervisory Board expressed their special gratitude to former Supervisory Board member Mr Peter Heidecker for his trusting and dedicated work on behalf of the company and his personal commitment as part of the Supervisory Board of Encavis AG in the past years since the takeover of CHORUS Clean Energy AG. Mr Heidecker will continue to contribute his expertise and dedication to the Group as a member of the Supervisory Board of Encavis Asset Management AG.

Encavis Asset Management AG acquires the Warnsdorf wind park for special funds

Encavis Asset Management AG has announced on 9 June 2021 that it had acquired the Warnsdorf wind park in the Prignitz district in the German state of Brandenburg. The 12 installations provide a total output of 43.2 MW, are capable of supplying more than 40,000 households with green electricity and prevent more than 47,000 tonnes of harmful CO_2 per year. The systems were constructed by the energy park developer UKA, which continues to handle the technical park management. The newly purchased power plants will be added to the Encavis Infrastructure Fund II (EIF II) special funds launched by Encavis Asset Management AG. The special fund is offered exclusively by BayernLB with a regulatory concept specifically for banks and savings banks and is managed by the capital management service company HANSAINVEST LUX S.A. It is intended for banks and lenders which attach great importance to stable and reliable cash flows from their investments as part of their investment and risk management strategy.

Encavis supports the Sopowerful Foundation in charitable solar projects in Africa

As a sustainable company, Encavis has been committed to fighting climate change for years. In July 2021 Encavis has announced that it had joined forces with the Sopowerful Foundation to form a long-term partnership. The financial resources are being used to set up and realise small solar projects in south-east Africa, where only 5 % of rural households have electricity. Sopowerful's motto is "solar where it matters most", and the foundation chose to partner with Encavis following an intensive selection process that included a survey of Encavis employees.

Sopowerful was founded in 2019 by Stefano Cruccu, who began working in the solar industry around a decade ago. The foundation focuses on strengthening access to healthcare, clean water and education in line with the UN Sustainable Development Goals (SDGs). By constructing small-scale solar installations, Sopowerful can help to provide a reliable, low-emissions power supply for lighting and the storage of medicine and vaccines. Solar-powered pumps provide running water, and the use of solar power in schools opens up new possibilities for reading and learning. Sopowerful is helping to significantly improve the quality of life of people in rural communities in Malawi, and is also creating new jobs and long-term prospects. The partnership is part of Encavis AG's comprehensive sustainability initiative, which is described in full in the recently published Sustainability Report.

Encavis Asset Management AG and badenova partner up on five solar parks

On 27 July 2021 Encavis Asset Management AG and Freiburg-based energy and environmental services provider badenova announced their intentions to expand their renewable energy portfolio in Germany. The first partnership covers photovoltaic installations at five locations in the German federal states of Brandenburg and Mecklenburg-West Pomerania that both companies intend to acquire and operate together with other investors. The solar installations with a generation capacity totalling 45.5 MW are one of the most significant transactions on the German market in 2021. Installations with such a capacity are rarely sold in a single package.

For the purpose of the new partnership, the badenova subsidiary badenovaWÄRMEPLUS and the EIF II have invested in 49 % and 51 % respectively of two project companies. The majority investor has the backing of savings banks and cooperative banks from a variety of different regions in Germany in particular. Total investment volume is in the mid-eight-figure range. Once it finishes managing the project completion process, Encavis Asset Management AG will take over responsibility for general management, technical installation controlling and commercial management.

The photovoltaic parks have been set up on open spaces alongside railway lines and motorways in Brandenburg and Mecklenburg-West Pomerania by Trianel Energieprojekte GmbH & Co. KG. Three of the installations are located in the district of Ludwigslust-Parchim and the remaining two are in the Prignitz and Uckermark districts. All projects have been connected up to the grid since 15 June 2021.

Encavis AG signs sustainable ESG syndicated loan of EUR 125 million with a term of up to five years

Encavis AG signed its first sustainable revolving credit facilities agreement under the syndicate leadership of its long-standing banking partner Commerzbank AG in August 2021. The sustainable revolving credit facilities agreement with a volume of EUR 125 million is an unsecured financing agreement with a term of three years with two extension options for a further year each. The core of the syndicated loan is a revolving EUR 100 million hunting line for fast interim financing of Encavis AG's investments in new wind and solar parks. A further revolving credit line of EUR 25 million is used for working capital financing.

The syndicated loan meets ESG criteria and is classified as sustainable finance. The margins of the syndicated financing are adjusted in accordance with Encavis AG's ESG rating with MSCI. Coöperatieve Rabobank U.A. acted as sustainability coordinator. The loan consortium led by Commerzbank consists of long-standing financing partners at holding level as well as banks with previously existing exposure at project company level. The other lenders in the consortium are Bayerische Landesbank, Coöperatieve Rabobank U.A., Landesbank Baden-Württemberg and DZ Bank AG.

Encavis Asset Management AG further expands its wind portfolio in France

Encavis Asset Management AG has systematically continued its growth and diversification strategy for the portfolio of its special fund EIF II by acquiring five new wind parks in France in September 2021. The seller of the renewable energy plants is the Swiss Axpo Holding AG, whose subsidiary Volkswind is responsible for planning, project managing and constructing the wind farms. The 29 wind power installations feature state-of-the-art turbines with a total installed output of 74.5 MW and were completed and commissioned between January and June 2021. The average annual production of the turbines – located in five French municipalities – corresponds to the electricity consumption of 37,000 households. The wind parks are part of the special fund EIF II, whose equity capital totals around EUR 480 million and is invested in European wind and solar power installations

Encavis Asset Management AG and BayernLB launch second special AIF for renewable energies with BayernInvest

Following the tremendously successful placement of the special fund EIF II, Encavis Asset Management AG announced on 29 September 2021 that it and BayernLB would offer a further investment in renewable energies in the form of Encavis Infrastructure Fund IV (EIF IV). Like its predecessor, this special fund is intended exclusively for banks and serves their special requirements in terms of regulations and risk management. The fund only invests in renewable power generation plants and relies on a balanced and diversified portfolio and a thoroughly sustainable investment strategy with corresponding ESG classification according to Article 9 of the EU Sustainable Finance Disclosure Regulation (SFDR).

The funds' objective is to compile a stable long-term investment portfolio through technological diversification (onshore wind and solar) within Europe. Because the investments will be made solely in euros, there are no currency risks. The total fund volume being targeted is EUR 500 million. Other key features of the new fund include rising annual distribution of an average of around 5 % over the 25 years of the fund’s term, risk weighting/RWA ratio pursuant to CRR II at approximately 100 %, maximum transparency and an option to review the operating companies.

Against the backdrop of ongoing high demand from institutional investors for sustainable investments, particularly in the field of renewable energies, Encavis Asset Management AG and BayernLB also anticipate a rapid placement process for this fund.

The fund volume of the first special fund set up by Encavis Asset Management AG and BayernLB, EIF II, was doubled from EUR 200 million to EUR 400 million within a very short period due to the high demand and was closed with maximum utilisation of the greenshoe at EUR 480 million in December 2020. A total of 55 savings banks and cooperative banks from all over Germany provided investment of over EUR 1 billion, seizing the opportunity to improve the green footprint (with a positive ecological effect) in their proprietary portfolios.

As with EIF II, Encavis Asset Management AG will be responsible for selecting, assessing and supervising the wind and solar parks for EIF IV in an advisory capacity. BayernInvest Luxembourg S.A., as the AIFM, will be responsible for the fund management and, among other tasks, for meeting the increasingly important sustainability reporting requirements. BayernLB will be the fund distributor and investor relationship manager over the term of the fund. BayernLB will also help resolve regulatory issues during the term of the fund, act as an intermediary to the associations and provide effective interfaces to all service providers.

Encavis AG refinances an EUR 88 million project portfolio at significantly improved conditions

On 1 October 2021, Encavis AG announced that it had successfully signed and closed an EUR 88 million non-recourse project financing agreement to refinance a portfolio of 21 ground-mounted solar power installations located in Italy with an overall capacity of 41.7 MWp. All plants have been in operation since 2011 and are eligible for the Italian incentive scheme, benefiting from a fixed feed-in tariff for around another 10 years.

Twelve plants, which together account for approx. 33 MWp or 79 % of the total portfolio, are located in Northern Italy (Piemonte, Emilia Romagna and Tuscany); six plants are located in Central Italy (Abruzzo, Marche and Umbria), and the remaining three plants in Southern Italy (Puglia).

After the successful closing of a refinancing deal for a solar park portfolio with a generation capacity of 29.1 MWp in Italy in July 2020, Encavis was once again able to refinance existing debt facilities for solar power installations in Italy. Both refinancing transactions have been completely structured, arranged and managed by Encavis' own in-house Project Finance team, established in 2019. In both transactions, Encavis benefited from the current low-interest environment and took advantage of the positive developments in the debt market, particularly for solar power installations, on behalf of the Encavis Group.

This transaction enables Encavis to take another step towards realising the goals of its “>> Fast Forward 2025” growth strategy presented in January 2020, which is aimed at optimising existing costs and structures of project financing arrangements. In this latest refinancing agreement, Encavis is benefiting from interest rates that have more than halved, higher leverage ratios and leaner structures in operational portfolio management.

The financing transaction was realised in collaboration with four international banks: ABN AMRO Bank N.V., Bankinter, S.A., Bayerische Landesbank and Société Générale. ABN AMRO and Société Générale are providing project financing services to the Encavis Group for the first time and supporting the continuing internationalisation of the group of partner banks that are financing the Encavis Group’s growth ambitions.

The total amount of the facility agreement of EUR 88 million consists of a term loan facility (EUR 81.4 million), a debt service reserve facility (DSRF) of EUR 6.1 million and a letter of credit facility (EUR 0.5 million).

Segment development

The Group’s business activities are subject to seasonal influences, which leads to fluctuations in revenue and earnings during the course of the year. In terms of the PV Parks segment, the months from April to September generate more revenue than the autumn and winter months. Due to weather conditions, the wind parks generate more revenue in the autumn and winter months than they do in summer.

Actual power fed into the grid by the PV Parks segment in the first nine months of 2021 came to 1,540 GWh (previous year: 878 GWh). The solar parks in Spain account for around 48 % of the fed-in power (previous year: 1 %), those in Germany for 15 % (previous year: 29 %), those in France for 13 % (previous year: 24 %), those in Italy for 11 % (previous year: 21 %), those in The United Kingdom for 7 % (previous year: 13 %) and those in The Netherlands for 6 % (previous year: 12 %).

Actual power fed into the grid by the Wind Parks segment in the first nine months of 2021 came to 649 GWh (previous year: 742 GWh). Of this figure, some 49 % (previous year: 48 %) is attributable to the wind parks in Germany, 31 % (previous year: 35 %) to the wind parks in Denmark, 9 % (previous year: 9 %) to the wind parks in France, 7 % (previous year: 7 %) to the wind parks in Austria, 3 % (previous year: 0 %) to the wind park in Finland and 1 % (previous year: 1 %) to the wind park in Italy.

Operating earnings (Non-IFRS)

Explanation of the earnings

Revenue and other income

During the first nine months of the 2021 financial year, the Group generated revenue of TEUR 259,089 (previous year: TEUR 234,292). which equates to an increase of approximately 11 %. The solar park portfolio generated growth of TEUR 26,256, whereas the revenue of the wind park portfolio declined by TEUR 7,165 year on year. The increase in revenue from the solar park portfolio is primarily due to the two Spanish solar parks that were connected to the grid in September 2020 and January 2021 respectively (TEUR 31,670), although the Italian and British solar parks also contributed to the growth with a rise in revenue of TEUR 3,533 and TEUR 2,197 respectively. Lower levels of sunshine compared to the same period in the previous year saw the German solar parks record a TEUR 7,410 decline in revenue. The fall in revenue generated by the wind park portfolio was mainly due to much lower levels of wind compared to the long-term average, especially in the months of January and February. Weather-related revenue losses across both forms of energy generation from existing parks came to roughly EUR 12.2 million as compared to the meteorologically far more favourable period in the previous year. However, the revenue contribution from the Spanish parks more than compensated for this figure. In the Asset Management segment, revenue grew by TEUR 4,990 year on year. Overall, revenue was therefore on target in the first nine months of 2021.

Revenue is made up of revenue from feeding electricity into the grid, from the operation of parks owned by third parties and from additional revenue from Asset Management.

The Group generated other operating income of TEUR 4,806 (previous year: TEUR 6,373). This includes non-period income in the amount of TEUR 2,007 (previous year: TEUR 1,502) and income from insurance compensation payments of TEUR 1,473. The same period in the previous year saw non-recurring income from the sale of Stern Energy GmbH in the amount of TEUR 1,921.

Personnel expenses and other expenses

Operating personnel expenses came to TEUR 14,453, slightly lower than the previous year’s figure of TEUR 15,044.

Other operating expenses of TEUR 51,053 were incurred (previous year: TEUR 42,438). This includes in particular the costs of operating solar and wind parks in the amount of TEUR 39,235 (previous year: TEUR 29,849). Other operating expenses also include TEUR 11,818 in costs for current operations (previous year: TEUR 12,590). The increase in costs is largely due to the Spanish solar parks that were connected to the grid in 2020 and early 2021.

Operating EBITDA

Operating earnings before interest, taxes, depreciation and amortisation (EBITDA) were TEUR 195,383 in the first nine months of 2021 (previous year: TEUR 180,964), which equates to an increase of approximately 8 % or TEUR 14,419. The operating EBITDA margin stood at around 75 % (previous year: 77 %).

Operating depreciation and amortisation of TEUR 80,266 (previous year: TEUR 67,796) chiefly comprises scheduled depreciation of the photovoltaic and wind power installations, as well as amortisation of rights of use from lease agreements capitalised in accordance with IFRS 16. The increase was primarily the result of the depreciation of the solar installations commissioned in Spain.

Operating EBIT

Operating earnings before interest and taxes (operating EBIT) amounted to TEUR 115,117 (previous year TEUR 113,168). The only moderate rise in earnings was predominantly the result of the weather-related shortfall in revenue as compared to the meteorologically far more favourable period in the previous year and which was partially compensated by the earnings of the parks newly connected to the grid. The operating EBIT margin stood at around 44 % (previous year: 48 %).

Financial result

Operating financial earnings in the amount of TEUR -45,689 (previous year: TEUR -41,218) resulted primarily from interest rate expenses for the non-recourse loans for solar and wind parks. Additionally, interest income from loans to associated entities, the result of financial assets accounted for using the equity method and interest expenses on the lease liabilities carried as liabilities in accordance with IFRS 16 are reported in the financial result in particular. The rise in the financial result is attributable to interest expenses related to the Spanish solar parks now in operation.

Operating EBT

Operating earnings before taxes (operating EBT), including the aforementioned effects, came to TEUR 69,429 (previous year: TEUR 71,950). The operating EBT margin stood at around 27 % (previous year: 31 %).

Taxes

The consolidated statement of comprehensive income shows operating tax expenses of TEUR 11,592 (previous year: TEUR 7,409), mainly for effective tax payments in connection with solar and wind parks.

Consolidated earnings

Altogether, Encavis generated consolidated operating earnings of TEUR 57,836 (previous year: TEUR 64,540).

Determining the operating KPIs (adjusted for IFRS effects)

As outlined in the “Internal control system of Encavis” section of the 2020 annual report, Group IFRS accounting is influenced by non-cash measurement effects and the resulting depreciation and amortisation. Non-cash interest effects and deferred taxes also hamper a transparent assessment of the operating income situation pursuant to IFRS.

In TEUR	01.01.–30.09.2021	01.01.–30.09.2020
Revenue	259,089	234,292
Other income	25,577	14,239
Cost of materials	-3,007	-2,218
Personnel expenses, of which TEUR –2,427 (previous year: TEUR –3,960) in share-based remuneration	-14,453	-15,053
Other expenses	-51,205	-42,715
Adjusted for the following effects:		
Income from the disposal of financial investments and other non-operating income	-17,411	-4,851
Other non-cash income (mainly gains from business combinations [badwill], reversal of the interest advantage from subsidised loans [government grants], income from the reversal of impairments for expected credit losses and non-cash income from other periods)	-3,360	-3,015
Other non-operating expenses	152	277
Share-based remuneration (non-cash)	0	9
Adjusted operating EBITDA	**195,383**	**180,964**
Depreciation and amortisation	-113,601	-100,677
Adjusted for the following effects:		
Amortisation of intangible assets (electricity feed-in contracts) acquired as part of business combinations	35,392	38,013
Subsequent measurement of uncovered hidden reserves and liabilities on step ups for property, plant and equipment and goodwill acquired as part of business combinations or asset acquisitions	-2,057	-5,132
Adjusted operating EBIT	**115,117**	**113,168**
Financial result	-37,154	-51,856
Adjusted for the following effects:		
Other non-cash interest and similar expenses and income (mainly resulting from effects from currency translation, calculation of the effective rate, swap valuation and interest expenses from subsidised loans [government grants])	-8,535	10,638
Adjusted operating EBT	**69,429**	**71,950**
Tax expenses	-7,032	-10,005
Adjusted for the following effects:		
Deferred taxes (non-cash items) and other non-cash tax effects	-4,560	2,596
Adjusted consolidated operating earnings	**57,836**	**64,540**
of which attributable to Encavis AG shareholders	51,043	58,111
Average number of shares in circulation in the reporting period	139,094,824	137,585,115
Adjusted operating consolidated earnings per share (in EUR)	**0.37**	**0.42**

Net assets and financial position

Financial position and cash flow

The change in cash and cash equivalents in the reporting year came to TEUR 32,070 (previous year: TEUR 9,149) and broke down as follows:

Cash flow from operating activities in the amount of TEUR 187,073 was significantly higher than the previous year’s figure (TEUR 166,582) and was primarily composed of the operating activities of the solar parks and wind parks and the resulting incoming payments. Also included here were changes in assets and liabilities not attributable to investing or financing activities. Operating cash flow in the reporting period benefited mainly from the Group’s new acquisitions in Spain, despite the adverse effect of the advance tax payments of approximately EUR 7.5 million in the reporting period, which were not made until the fourth quarter in 2020, and taking into consideration the capital gains tax refund from 2018 of EUR 9.0 million, which had a positive effect in the corresponding period of 2020.

Cash flow from investing activities amounted to TEUR -55,783 (previous year: TEUR -86,541) and primarily related to payments for the construction of the two solar parks in Spain and payments for the acquisition of a wind park in Finland.

Cash flow from financing activities amounted to TEUR -99,220 (previous year: TEUR -70,892) and resulted chiefly from regular loan repayments and interest paid less newly paid-out loans. This item also includes the change in restricted cash and cash equivalents, the payment of the cash dividend to the shareholders of Encavis AG and the dividend payment to the hybrid bondholders. Furthermore, bearer bonds in the amount of TEUR 20,000 were issued in the reporting period.

Net assets

As at 30 September 2021, equity amounted to TEUR 807,026 (31 December 2020: TEUR 751,561). The change in the amount of TEUR 55,465, or approximately 7 %, is primarily due to the issue of new shares as a result of the share dividend chosen by a large number of shareholders, various value changes accounted for in equity with no effect on profit or loss and the positive consolidated earnings under IFRS. The payment of the cash dividend offset this effect. Share capital increased by TEUR 814 through contributions in kind. In addition, a number of investors utilised their conversion rights on hybrid convertible bonds in the reporting period, which led to an increase in share capital by a further TEUR 8,611 as a result of the passive exchange within equity. The equity ratio was practically unchanged at 26.5 % (31 December 2020: 26.6 %).

Liabilities

As at the reporting date, 30 September 2021, the Group had bank and lease liabilities in the amount of TEUR 1,910,417 (31 December 2020: TEUR 1,783,667). These comprised loans and lease agreements for the financing of solar parks and wind parks, as well as the mezzanine capital provided by Gothaer Versicherung in November 2014. They also contained liabilities from listed notes from the Grid Essence portfolio (United Kingdom), including accrued interest in the amount of TEUR 26,609, as well as liabilities from debenture bonds and registered bonds including accrued interest in the amount of TEUR 132,076. Liabilities from lease obligations in the amount of TEUR 197,940 (31 December 2020: TEUR 193,039) were recognised. In almost all debt financing agreements, the liability risk relating to the parks is limited (non-recourse financing).

As at 30 September 2021, liabilities to non-controlling shareholders amounted to TEUR 63,446 (31 December 2020: TEUR 43,464).

The value of provisions as at 30 September 2021 amounted to TEUR 82,209 (31 December 2020: TEUR 74,644) and consisted of provisions for asset retirement obligations (TEUR 69,806) and other provisions (TEUR 12,404).

Trade payables amounted to TEUR 23,502 as at 30 September 2021 (31 December 2020: TEUR 16,043).

Events after the balance sheet date

Encavis AG converts hybrid convertible bonds issued in 2017 and 2019

On 4 October 2021, Encavis AG announced the conversion of the hybrid convertible bonds issued in 2017 and 2019. At the time, Encavis AG had issued perpetual subordinate bonds with time-limited rights of conversion into bearer shares in the company with a total nominal value of EUR 150.3 million through its wholly owned subsidiary, Encavis Finance B. V. The company’s Management Board and the management of Encavis Finance B. V. decided, with the approval of the company’s Supervisory Board, on 28 August 2021 to utilise their contractual right of early compulsory conversion of the bonds. The conversion was ultimately effected on 4 October 2021. A number of creditors exercised their conversion rights before this date.

Encavis created the roughly 21.2 million shares required for the transaction from Conditional Capital 2017 and 2018 as well as from Authorised Capital 2021 for bonds with a total value of EUR 150.3 million.

The newly issued shares following the conversion of the bonds increased the total number of issued shares to 160,469,179 and also increased the number of Encavis shares in free float on the stock market by the same amount, increasing the free float share from 72.6 % to 74.9 %. Ranking and index membership on Deutsche Börse AG's DAX listing are calculated on the basis of the free float market capitalisation.

The accounting effect of the conversion in the consolidated financial statements is a pure liability swap within equity from equity attributable to hybrid capital investors to capital reserves in equity. Equity, equity ratio and balance sheet total remain unchanged.

The medium-term target of increasing EPS to EUR 0.70 in 2025e, in line with the >> Fast Forward 2025 growth strategy, already includes the conversion of the bonds and is calculated on the basis of the correspondingly increased number of shares. Likewise, the analysts' valuations and their target prices for the Encavis share are already based on the correspondingly increased number of approximately 160.5 million shares.

SCOPE Ratings affirms its investment grade issuer rating BBB- with stable outlook for Encavis AG

On 5 October 2021, Encavis AG announced that it had once again received an investment grade issuer rating (BBB-) by SCOPE Ratings (SCOPE) in an updated analysis. The outlook for the rating is stable. The rating confirmation reflects the opinion of SCOPE regarding Encavis' protected business model, coupled with further improvements to its diversification and credit metrics.

SCOPE has confirmed its BBB-/Stable issuer rating for Encavis AG and its financing subsidiary Encavis Finance BV, as well as the long-term ratings of BBB- for senior unsecured debt, BB for subordinated (hybrid) debt and S-2 for short-term debt.

Encavis' BBB- rating with a stable outlook primarily reflects the company's largely protected position as an independent energy producer with its portfolio of 290 wind and solar parks in Western Europe generating some 3 GW of renewable energy, with an ESG, credit-positive environmental risk factor. SCOPE considers the Encavis business profile to be largely safeguarded, as the vast majority of its parks benefit from prioritised feed-in of generated electricity under availability-based remuneration schemes. Merchant risk for unregulated power generation is hedged through long-term power purchase agreements with creditworthy counterparties. Despite some regulatory risk, such as recently evidenced through retroactive tariff cuts for part of Encavis solar parks in France, the company's granular, widely diversified energy generation portfolio ensures robust cash flow generation. While weather effects can lead to some cash flow volatility, the effects of individual parks and tariff adjustments are mitigated by the ongoing portfolio ramp-up paired with an increasing granularity. All in all, SCOPE expects Encavis to continue to generate stable margins, including an EBITDA margin greater than 70 %.

Portfolio expansion is being bolstered by the internal financing capacity of the Group's operating cash flow. The conclusion of a new EUR 125 million ESG-classified, multi-year revolving credit facility is expected to accelerate expansion of the ">> Fast Forward 2025" growth strategy to boost the company's energy generation portfolio from 1.8 GW (as at June 2021) to 3.4 GW in 2025. The company's reinvigorated financing capacity gives it the chance to execute opportunistic acquisitions of up-and-running renewable energy power plants or invest in ready-to-build power plants from the >3 GW project pipeline of Encavis numerous strategic development partners.

SCOPE's updated forecasts for 2021e to 2023e signal increasing headroom for the Group's EBITDA against the negative rating-change drivers. EBITDA would need to come in 35 % to 55 % lower than forecast before it would reach an EBITDA interest cover of 2.75x, which is the defined trigger for ratings pressure.

SCOPE continues to anticipate stable credit metrics in light of Encavis' financial policy of hedging the financial risk profile along the Group's acquisition-based growth strategy. SCOPE is convinced that the Group's expansion will be well-balanced so as to maintain the quality of the financial risk profile. This is evidenced by the company's funding measures utilising equity-like financing instruments, the offering of scrip dividends, the widespread use of financial covenants and cash flows at project level, coupled with moderate dividend growth and a minimum equity ratio of 24 %.

The forecast is stable and takes SCOPE's expectation that Encavis' EBITDA/cash coverage ratio will trend towards 4.0x in the medium term. SCOPE also believes that the company will continue to acquire renewable energy power plants and increase dividends, leaving free and discretionary cash flows at around break-even.

A positive rating upgrade would be warranted if Encavis strengthened its EBITDA/interest cover to above 4.0x on a sustained basis and made further improvements to the granularity of the energy generation portfolio.

Encavis Asset Management AG extends contract with Spokesman for the Management Board (Karsten Mieth).

On 14 October 2021, Encavis Asset Management AG announced that its Supervisory Board had appointed Karsten Mieth as Spokesman for the Management Board for a further three years until December 2024. Under his stewardship, Encavis Asset Management AG has evolved into a leading provider of renewable energy investments for professional investors.

With its Europe-wide investments in wind and solar parks, Encavis Asset Management AG has built up broadly diversified special funds and direct investments for numerous institutional clients with a total investment volume of over EUR 1 billion and also taken responsibility for the operational management of the power plants. As a subsidiary of the SDAX-listed Encavis Group, excellent market access, industrial management and a focus on risk management are key success factors for investors.

Encavis Asset Management AG further expands solar portfolio in Western and Southern France for the Versicherungskammer Group

On 18 October 2021, Encavis Asset Management AG announced that it had acquired six solar parks in Western and Southern France with a total output of 65.5 MWp for the Versicherungskammer Group. The acquisition took place within the Encavis Infrastructure Fund III (EIF III). The parks, which were acquired between 2018 and 2020, feature long-term power purchase agreements (PPAs) at attractive conditions. As part of the joint venture, the Luxembourg-based special fund holds 80 % of the six solar parks, with 20 % remaining under the ownership of the French solar park operator that developed and built all six free-standing photovoltaic systems. Encavis Asset Management AG is responsible for the operational and commercial management of the portfolio.

Encavis AG acquires the Groß Behnitz solar park (25 MWp) from the project pipeline of strategic development partner Sunovis

On 21 October 2021, Encavis AG announced that it had acquired the Groß Behnitz (Brandenburg) solar park near Berlin with a generation capacity of 25 MWp as part of a strategic development partnership with Sunovis GmbH. State-of-the-art bifacial solar modules at the solar park, which is already under construction, will deliver subsidy-free renewable energy directly to commercial and industrial customers in 2022 under a long-term power purchase agreement (PPA) with a term of ten years. Sunovis will continue to function as a developer and EPC partner in the current construction phase in Groß Behnitz and will take on responsibility for operating and technical services and maintenance.

Encavis AG begins construction of first solar park from the 500+ MW project pipeline of strategic development partner GreenGo

On 27 October 2021, Encavis AG announced that it had started construction on its first Danish solar park in Ringkøbing on the Danish North Sea coast with a generation capacity of 12 MWp as part of the strategic development partnership with GreenGo Energy Group a/s. State-of-the-art bifacial solar modules assembled on a single-axis tracking system will deliver subsidy-free renewable energy directly to commercial and industrial customers via long-term power purchase agreements (PPA) with terms of ten years from 2022. The 500MWp+ development portfolio acquired by Encavis is structured to ensure sufficient risk mitigation through diversification across Denmark of grid connection and energy marketing.

Encavis AG acquires five solar parks (74 MWp) in the Netherlands from Statkraft

On 12 November 2021, Encavis AG announced that it had acquired five solar parks in the Netherlands with a generation capacity of 74 MWp in total. Three solar parks, representing a combined generation capacity of 50 MWp, are already connected to the grid. The two other solar parks will be connected to the grid in the months to come. All parks benefit from the Dutch subsidy scheme SDE+ for the first 15 years. Statkraft developed, built and sold these five solar parks to Encavis and is also going to provide operational & maintenance (O&M) services as well as long-term asset management services.

Opportunities and risks

The material opportunities and risks to which the Encavis Group is exposed were described in detail in the consolidated management report for the 2020 financial year. There were no significant changes in this regard during the reporting period.

Future outlook

The statements below include projections and assumptions which are not certain to materialise. If one or more of these projections and assumptions do not materialise, actual results and developments may differ materially from those described.

Macroeconomic developments

In its most recent guidance issued on 12 October 2021 as part of its autumn World Economic Outlook, the International Monetary Fund (IMF) forecasts global economic growth of 5.9 % for 2021 and a growth rate of 4.9 % for 2022, after which the increase in global GDP is expected slow in the medium term to around 3.3 %: According to the IMF, global economic recovery will remain slow, unequal and uncertain against the backdrop of the continuing impact of the COVID-19 pandemic. The IMF forecasts that economic growth in the eurozone will amount to 5.0 % in the current year, before settling at around 4.3 % in 2022. It predicts that the German economy will close 2021 with growth of 3.1 %, rising to 4.6 % in the coming year.

Underlying conditions for renewable energies

Global economic recovery boosts demand for renewable energies

The global energy transition continues at an ever increasing pace. One reason for the substantial capacity expansion is the growing appetite for energy around the globe. The IEA expects global demand for energy to increase by around 4.6 % in 2021. Growth to this extent would not only compensate for the decline in 2020 due to the coronavirus pandemic, it would also represent an increase on energy demand reported in 2019.

Private-sector power purchase agreements (PPAs) continue to gain ground

The increasing economic efficiency of renewable energies compared to conventional energy carriers, as well as companies' commitments to maintaining an eco-friendly energy balance, is increasing the momentum on the PPA market. Another factor is that the price of electricity – and particularly green electricity – is rising consistently, which is why industrial companies have a vested interest in securing carbon-neutral energy at favourable terms over a long period of time. According to Bloomberg New Energy Finance (BNEF), PPAs with a volume of more than 23 billion GW were concluded in 2020 alone, the vast majority of which in North and South America and Asia. However, Europe is also making up ground. PPAs are playing an increasingly important role in the energy transition.

Germany's reformed Renewable Energy Act (EEG) in force since 1 January 2021

In Germany, a new law governing the framework for renewable energy sources has been in force since the beginning of 2021. One of the aims of the amended law is to increase the share of renewable energies in total gross electricity consumption to 65 % by 2030 and to set binding targets for the expansion of the renewable energy sector. Around 43 % of gross electricity consumption in Germany was covered by green electricity in the first half of 2021. This figure was around 7 % higher at roughly 50 % in the previous-year period. One of the reasons for the year-on-year increase was the weather. A record-breaking amount of electricity was generated using solar power and wind power in the first half of 2020, but the first half of the current year was characterised by an unusual lack of both wind and sunshine. Wind and in particular sunshine increased markedly in the second quarter, pushing the share of total energy generated using renewable sources to 45 % in the period from April to June. By 2030, the installed output of wind installations in Germany is slated to reach a level of around 71 GW. That figure stood at roughly 54 GW at the end of 2019. In the solar sector, the objective is to install photovoltaic capacities of 100 GW by 2030, which would represent approximately double the current capacity.

Encavis on a clear course for growth with ">> Fast Forward 2025"

Today, Encavis is one of the largest independent power producers in the field of renewable energies in Europe. The positive framework conditions and the successful economic development of the company are the perfect prerequisites for further strengthening this position. In order to always make use of growth opportunities that present themselves and to further increase the efficiency of the company, Encavis introduced the “>> Fast Forward 2025” strategy package on 8 January 2020. The plan for the next five years is focused on five areas:

1. Further investments in ready-to-build wind and solar parks as well as securing projects in earlier phases of development in coordination with strategic development partners while maintaining a long-term equity ratio of more than 24 %
2. Disposal of minority interests in wind and individual selected solar parks of up to 49 % to free up liquidity for investments in additional wind and solar parks
3. Reduction and continued optimisation of costs related to the operation and maintenance of solar parks
4. Optimisation and refinancing of SPV project financing
5. Introduction of Group-wide cash pooling, including all single entities

Within the framework of “>> Fast Forward 2025”, Encavis is focusing on the following target figures on the basis of the values for 2019:

1. Doubling the company’s own contractually secured generation capacity from 1.7 GW to 3.4 GW
2. Increasing weather-adjusted revenue from EUR 260 million to EUR 440 million
3. Growing weather-adjusted operating EBITDA from EUR 210 million to EUR 330 million
4. A margin of operating EBITDA of 75 %
5. Increasing the operating earnings per share (EPS) from EUR 0.40 to EUR 0.70

The expected dynamic growth of Encavis can be seen not least in consideration of the corresponding annual growth rates (CAGR): the generation capacity is to increase by some 12 % annually on average by the year 2025. In the same period, revenue is to increase by approximately 9 % per annum, and an annual growth rate of operating EBITDA of 8 % is expected. Annual growth of the operating earnings per share (EPS) amounts to around 10 %.

These assumptions are a base case that does not take any additional growth opportunities into account which may arise inorganically from mergers and acquisition transactions and potential equity transactions. Opportunities which could arise from profitable business models in association with future battery storage capacities at the wind and solar parks were also not taken into consideration. A possible expansion into regions outside of Europe offers further potential for growth.

Overall assessment of future development

Viral epidemics that spread around the globe only have a limited economic impact on the operating activities of the Encavis Group. The wind and solar parks in ten countries in western Europe produce electricity from renewable energy sources predominantly on their own and fully automatically. Due to the minimal maintenance needs of the installations, no staff are required on-site. If the current spread of the coronavirus continues for an extended period or worsens in the coming months, limitations in the on-site maintenance of the solar and wind parks due to individual technicians cannot be excluded; however, these could be replaced by alternative service providers. Additionally, electricity not subject to a fixed contract can be affected by fluctuations in price. Similarly, the construction of new installations can be delayed due to restrictions in mobility.

In light of the Encavis Group’s business strategy, which is geared towards qualitative growth, the Management Board expects more significant growth in revenue and earnings for the 2021 financial year compared to the previous year. The strategic transformation of the company and the successful entry into the PPA business with the La Cabrera and Talayuela solar parks in Spain – both of which are already connected to the grid – will significantly increase revenue and profit.

The Management Board confirms the revenue and profit forecasts for the current 2021e financial year and predicts that revenue will increase to more than EUR 320 million (2020: EUR 292.3 million) for the 2021 financial year, based on the existing portfolio as it stands on 31 March 2021 as well as the expectation of standard weather conditions. Operating EBITDA is expected to increase to more than EUR 240 million (2020: EUR 224.8 million). The Group anticipates growth in operating EBIT to more than EUR 138 million (2020: EUR 132.2 million). The Group expects operating cash flow of more than EUR 210 million (2020: EUR 212.9 million) and operating earnings per share of EUR 0.46 is also expected (2020: EUR 0.43).

Technical availability of the installations is expected to remain at 95 % in the 2021 financial year.

These predictions are based on the following assumptions:

- No significant retroactive changes to legislation
- No significant deviations from the multi-year weather forecasts
- No significant delays in project development on the part of strategic development partners beyond the delays that have already occurred in 2021

The Encavis Group will be able to cover the liquidity requirements of its business operations and other planned short-term investments from its existing liquidity portfolio together with the expected cash flows from operating activities in the 2021 financial year. Identification of attractive acquisition opportunities or possible business combinations or takeovers may lead to additional capital requirements during the course of the year. Other financing options – such as borrowing or, in the event of unplanned leaps in growth beyond the planned scale, mezzanine capital at Group or company level, as well as equity capital measures – are not ruled out should they be required, provided that they are economically advantageous.

In EUR million

	2021e (AR 2020)	2020 (actual)
Revenue	>320	292,3
Operating EBITDA*	>240	224,8
Operating EBIT*	>138	132,2
Operating cash flow*	>210	212,9
Operating earnings per share in Euro*	0.46	0.43

* Operating; contains no IFRS-related, non-cash valuation effects.

Other information

Employees

The Group employed an average of 142 people (previous year: 125) in the period from 1 January to 30 September 2021. Average figures were calculated on the basis of the number of employees at the end of each quarter. On 30 September 2021, the Group had 89 employees at Encavis AG (previous year: 83), 38 employees at Encavis Asset Management AG (previous year: 31) and 17 employees at Encavis GmbH (previous year: 13) – excluding Management Board members. This rise in the number of employees is mainly due to the growth-induced expansion of the team and the new expertise in electricity marketing risk management.

Related-party disclosures (IAS 24)

As at the reporting date, rental agreements for office space for Encavis AG at arm's-length terms exist with B&L Holzhafen West GmbH & Co. KG, a company allocated to Supervisory Board members Albert Büll and Dr Cornelius Liedtke.

For the company Encavis GmbH, there is a rental agreement for the Asset Management segment's office space in Neubiberg in place with PELABA Vermögensverwaltungs GmbH & Co. KG, a company related to Encavis Asset Management AG Supervisory Board member Peter Heidecker. The rental agreement had a fixed term until the end of 2019 and has been renewed automatically by one year each year since then, unless either of the parties terminates it with a notice period of six months. The agreement therefore runs until at least the end of 2022. The monthly rent is based on customary market conditions.

Notification requirements

In accordance with section 40 (1) of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG), Encavis AG is obliged to publish notifications regarding voting rights it receives pursuant to section 33 WpHG. These notifications can be viewed on the Encavis AG website at https://www.encavis.com/en/sustainability/governance/.

Condensed consolidated statement of comprehensive income (IFRS)

In TEUR

	01.01.–30.09.2021	01.01.–30.09.2020	Q3/2021	Q3/2020
Revenue	259,089	234,292	96,908	79,516
Other income	25,577	14,239	1,442	1,637
Of which income from the reversal of impairments for expected credit losses	*1,881*	*792*	*38*	*-87*
Cost of materials	-3,007	-2,218	-1,137	-1,185
Personnel expenses	-14,453	-15,053	-4,511	-4,853
Of which in share-based remuneration	*-2,427*	*-3,960*	*-470*	*-1,189*
Other expenses	-51,205	-42,715	-19,050	-13,329
Of which impairment for expected credit losses	*-152*	*0*	*-34*	*87*
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**216,001**	**188,544**	**73,653**	**61,786**
Depreciation and amortisation	-113,601	-100,677	-37,581	-33,665
Earnings before interest and taxes (EBIT)	**102,401**	**87,868**	**36,072**	**28,121**
Financial income	13,340	13,948	1,774	3,508
Financial expenses	-50,442	-57,691	-16,711	-19,822
Earnings from financial assets accounted for using the equity method	-51	-8,114	3	-1,101
Earnings before taxes on income (EBT)	**65,247**	**36,011**	**21,137**	**10,706**
Taxes on income	-7,032	-10,005	-5,797	-2,897
Consolidated earnings	**58,215**	**26,006**	**15,340**	**7,809**
Items which can be reclassified to profit or loss				
Currency translation differences	-424	681	24	61
Cash flow hedges – effective portion of changes in fair value	8,612	-4,162	5,638	43
Cost of hedging measures	26	27	2	25
Other comprehensive income from investments accounted for using the equity method	19	34,517	0	-245
Income tax relating to items that may be reclassified to profit or loss	-2,115	745	-1,370	-89
Reclassifications	17,820	13,623	0	0
Other comprehensive income	**23,939**	**45,430**	**4,294**	**-206**
Consolidated comprehensive income	**82,153**	**71,436**	**19,634**	**7,603**
Consolidated earnings for the period				
Attributable to Encavis AG shareholders	51,956	19,832	13,293	5,873
Attributable to non-controlling interests	240	283	56	-3
Attributable to hybrid capital investors	6,018	5,891	1,991	1,939
Consolidated comprehensive income for the period				
Attributable to Encavis AG shareholders	75,893	65,395	17,586	5,726
Attributable to non-controlling interests	241	150	56	-62
Attributable to hybrid capital investors	6,018	5,891	1,991	1,939
Earnings per share				
Average number of shares in circulation in the reporting period				
Undiluted	*139,094,824*	*137,585,115*	*140,388,562*	*138,437,234*
Diluted	*139,094,824*	*137,659,004*	*140,388,562*	*138,511,122*
Undiluted/diluted earnings per share (in EUR)	0.37	0.14	0.09	0.04

Condensed consolidated financial statements (IFRS)

Assets in TEUR

	30.09.2021	31.12.2020
Intangible assets	458,598	493,885
Goodwill	27,650	27,560
Property, plant and equipment	2,178,024	1,901,989
Financial investments recognised using the equity method	12,514	12,521
Financial assets	4,892	73,111
Other receivables	8,127	8,261
Deferred tax assets	3,450	3,280
Total non-current assets	**2,693,254**	**2,520,607**
Inventories	771	334
Trade receivables	59,286	46,730
Non-financial assets	3,991	4,710
Receivables from income taxes	12,871	14,415
Other current receivables	8,382	6,051
Liquid assets	267,668	230,996
Cash and cash equivalents	*200,044*	*167,489*
Liquid assets with restrictions on disposition	*67,624*	*63,507*
Total current assets	**352,969**	**303,236**
Balance sheet total	**3,046,224**	**2,823,844**

Equity and liabilities in TEUR

	30.09.2021	31.12.2020
Subscribed capital	147,863	138,437
Capital reserves	542,777	479,561
Other reserves	-7,420	-31,357
Net retained profit	22,437	9,244
Equity attributable to Encavis AG shareholders	**705,657**	**595,885**
Equity attributable to non-controlling interests	15,629	7,085
Equity attributable to hybrid capital investors	85,739	148,591
Total equity	**807,026**	**751,561**
Non-current liabilities to non-controlling interests	63,339	43,427
Non-current financial liabilities	1,554,284	1,448,268
Non-current lease liabilities	186,115	181,723
Other non-current liabilities	6,244	6,540
Non-current provisions	70,463	62,065
Deferred tax liabilities	130,481	132,491
Total non-current liabilities	**2,010,924**	**1,874,515**
Current liabilities to non-controlling interests	107	37
Liabilities from income taxes	11,087	10,714
Current financial liabilities	158,193	142,361
Current lease liabilities	11,825	11,315
Trade payables	23,502	16,043
Other current liabilities	11,812	4,720
Current provisions	11,747	12,579
Total current liabilities	**228,274**	**197,768**
Balance sheet total	**3,046,224**	**2,823,844**

Condensed consolidated cash flow statement (IFRS)

In TEUR

	01.01.–30.09.2021	01.01.–30.09.2020
Consolidated earnings	58,215	26,006
Cash flow from operating activities	187,073	166,582
Cash flow from investing activities	-55,783	-86,541
Cash flow from financing activities	-99,220	-70,892
Change in cash and cash equivalents	32,070	9,149
Changes in cash due to exchange rate changes	300	-511
Cash and cash equivalents		
As at 01.01.2021 (01.01.2020)	166,867	161,196
As at 30.09.2021 (30.09.2020)	199,238	169,834

Condensed consolidated statement of changes in equity (IFRS)

In TEUR	Subscribed capital	Capital reserve	Other reserves			
			Currency translation reserve	Hedge reserve	Costs of hedging measures	Reserve from equity valuation
As at 01.01.2020	**137,039**	**468,873**	**961**	**-10,529**	**-22**	**-65,769**
Consolidated earnings						
Other comprehensive income*			675	-3,274	22	34,517
Reclassifications to profit/loss						13,623
Consolidated comprehensive income for the period			**675**	**-3,274**	**22**	**48,140**
Dividend						
Income and expenses recognised directly in equity						
Changes resulting from capital measures	1,398	13,807				
Transactions with shareholders recognised directly in equity		-1,861				
Issuance costs		-122				
As at 30.09.2020	**138,437**	**480,696**	**1,636**	**-13,802**		**-17,629**
As at 01.01.2021	**138,437**	**479,561**	**1,551**	**-15,074**	**-9**	**-17,825**
Consolidated earnings						
Other comprehensive income*			-425	6,502	21	19
Reclassifications to profit/loss						17,820
Consolidated comprehensive income for the period			**-425**	**6,502**	**21**	**17,839**
Dividend						
Changes resulting from capital measures	814	11,071				
Conversion of hybrid capital 2017/2019	8,611	52,389				
Transactions with shareholders recognised directly in equity		-27				
Issuance costs		-216				
Acquisition of shares from non-controlling interests						
As at 30.09.2021	**147,863**	**542,777**	**1,126**	**-8,572**	**12**	**14**

* Excluding separately recognised effects from reclassifications.

In TEUR	Reserve for equity-based employee remuneration	Net retained profit	Equity attributable to Encavis AG shareholders	Equity attributable to non-controlling interests	Equity attributable to hybrid capital investors	Total
As at 01.01.2020	143	33,430	564,127	10,009	148,577	722,713
Consolidated earnings		19,832	19,832	283	5,891	26,005
Other comprehensive income*			31,940	-132		31,807
Reclassifications to profit/loss			13,623			13,623
Consolidated comprehensive income for the period		19,832	65,395	150	5,891	71,436
Dividend		-35,630	-35,630	-276	-7,891	-43,797
Income and expenses recognised directly in equity	9		9			9
Changes resulting from capital measures			15,205			15,205
Transactions with shareholders recognised directly in equity			-1,861	-7,040		-8,901
Issuance costs			-122			-122
As at 30.09.2020	152	17,632	607,122	2,844	146,577	756,543
As at 01.01.2021		9,244	595,885	7,085	148,591	751,561
Consolidated earnings		51,956	51,956	240	6,018	58,215
Other comprehensive income*			6,117	1		6,119
Reclassifications to profit/loss			17,820			17,820
Consolidated comprehensive income for the period		51,956	75,893	241	6,018	82,153
Dividend		-38,762	-38,762	-229	-7,870	-46,861
Changes resulting from capital measures			11,885			11,885
Conversion of hybrid capital 2017/2019			61,000		-61,000	
Transactions with shareholders recognised directly in equity			-27			-27
Issuance costs			-216			-216
Acquisition of shares from non-controlling interests				8,531		8,531
As at 30.09.2021		22,437	705,657	15,629	85,739	807,026

* Excluding separately recognised effects from reclassifications.

Condensed consolidated segment reporting (operating)

In TEUR

	Wind Parks	PV Parks	PV Services	Asset Management
Revenue	48,386	198,419	3,289	11,266
(previous year)	(55,551)	(172,163)	(3,538)	(6,276)
Operating earnings before interest, taxes, depreciation and amortisation (EBITDA)	36,064	161,219	951	3,636
(previous year)	(40,754)	(143,715)	(3,072)	(810)
Operating EBITDA margin (%)	74.53%	81.25%	28.92%	32.27%
(previous year)	(73.36%)	(83.48%)	(86.81%)	(12.90%)
Operating depreciation and amortisation	-20,906	-58,172	0	-418
(previous year)	(-19,212)	(-47,670)	(-5)	(-436)
Operating earnings before interest and taxes (EBIT)	15,158	103,048	951	3,218
(previous year)	(21,542)	(96,045)	(3,067)	(373)

In TEUR

	Total of reportable operating segments	Other companies and Group functions	Reconciliation	Total
Revenue	261,361	914	-3,185	259,089
(previous year)	(237,529)	(0)	(-3,238)	(234,292)
Operating earnings before interest, taxes, depreciation and amortisation (EBITDA)	201,871	-6,492	4	195,383
(previous year)	(188,350)	(-7,426)	(40)	(180,964)
Operating EBITDA margin (%)	77.24%	-	-	75.41%
(previous year)	(79.30%)	-	-	(77.24%)
Operating depreciation and amortisation	-79,495	-781	11	-80,265
(previous year)	(-67,323)	(-484)	(11)	(-67,796)
Operating earnings before interest and taxes (EBIT)	122,375	-7,273	16	115,117
(previous year)	(121,027)	(-7,910)	(51)	(113,168)

The timing of the recognition of the revenue presented in the segment reporting is carried out in relation to the period.

Assurance of the legal representatives

We declare that, to the best of our knowledge and according to the applicable accounting standards, the report for the third quarter of 2021 as of 30 September 2021, in connection with the annual report for 2020, gives a true and fair view of the net assets and financial and earnings positions of the Group and presents the situation of the Group in a true and fair way as to suitably describe the principal opportunities and risks associated with the expected development of the Group.

Hamburg, November 2021

Encavis AG

Management Board

Dr Dierk Paskert

CEO

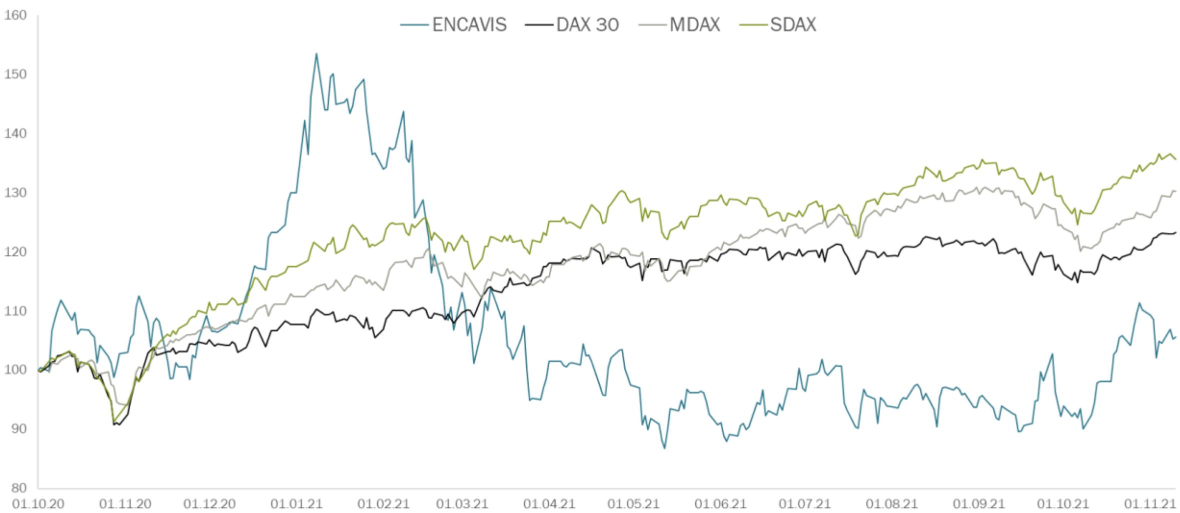
Dr Christoph Husmann

CFO

The Encavis share

Key financial figures

Listed since	28.07.1998
Subscribed capital	EUR 160,469,179.00
Number of shares	160.47 million
Stock market segment	Prime Standard
Dividend 2016 per share	EUR 0.20
Dividend 2017 per share	EUR 0.22
Dividend 2018 per share	EUR 0.24
Dividend 2019 per share	EUR 0.26
Dividend 2020 per share	EUR 0.28
52-week high	EUR 25.55
52-week low	EUR 13.97
Share price (10 November 2021)	EUR 17.34
Market capitalisation (10 November 2021)	EUR 2,783 million
Indexes	SDAX, MSCI Germany Small-Cap, HASPAX, PPVX, S&P Clean Energy Index, Solar Energy Stock Index
Trading centres	Regulated market in Frankfurt am Main (Prime Standard) and Hamburg; over-the-counter market in Berlin, Düsseldorf, Munich, Stuttgart, Tradegate Exchange
ISIN	DE0006095003
Designated sponsor	M.M. Warburg & CO Bank; Raiffeisen Bank International AG; Stifel Europe Bank AG
Payment office	DZ BANK



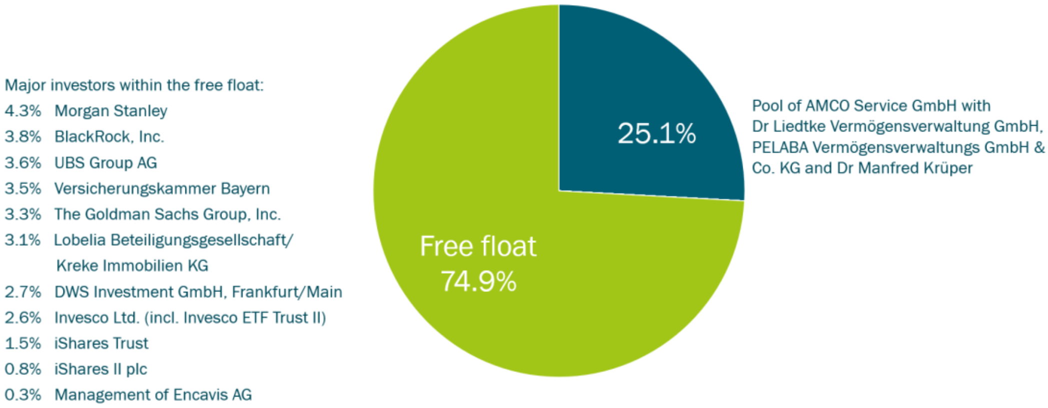
Encavis share price back on its upward trend after sharp climb at the end of 2020 and beginning of 2021

Price correction of the Encavis share after record high at the start of January 2021

Encavis AG’s market capitalisation and liquidity have significantly improved since the same quarter of the previous year. At the end of trading on 10 November 2021, the market capitalisation amounted to some EUR 2,783 million (10 November 2021: EUR 2,365 million), corresponding to an increase of approximately 18 %. At the close of trading on 10 November 2021, the share reached a price of EUR 17.34.

Shareholder structure

The shareholder structure of Encavis AG was as follows in November 2021:



Encavis AG financial calendar

Date	Financial event
2021	
15 November 2021	Interim Statement for Q3/9M 2021
22 – 24 November 2021	German Equity Capital Market Forum, Deutsche Börse, Frankfurt/Main, Germany
30 November 2021	Crédit Mutuel-CIC Renewable Conference – by ESN, London, United Kingdom
30 November 2021	DZ Bank Equity Conference, Frankfurt/Main, Germany
6 – 8 December 2021	Berenberg European Conference 2021, Pennyhill Park, Surrey, United Kingdom
11 December 2021	Interest payment 2015 debenture bond
2022	
6 – 7 January 2022	25 ODDO BHF Forum, France (100 % virtual)
10 – 11 January 2022	Berenberg German Corporate Conference USA 2022, Manhattan, New York, United States
17 January 2022	UniCredit Kepler Cheuvreux 21st German Corporate Conference (GCC), Frankfurt/Main, Germany
3 February 2022	Pareto Securities‘ 24th Annual Power & Renewable Energy Conference, Oslo, Norway
2 – 3 March 2022	SpareBank 1 Markets 2022 Energy Conference, Oslo, Norway
24 March 2022	Interest payment on 2021 green bearer bond
29 March 2022	Consolidated financial statements 2021
30 March 2022	Conference call on the consolidated financial statements 2021
20 – 22 April 2022	RBI Institutional Investor Conference “Virtual Zürs 2022”, Zürs, Austria
12 May 2022	Interim Statement for Q1/3M 2022
19 May 2022	Annual General Meeting 2022, Hamburg, Germany
15 August 2022	Interim Statement for Q2/6M 2022
7 September 2022	ODDO BHF Commerzbank Corporate Conference 2022, Frankfurt/Main, Germany
7 – 8 September 2022	Stifel Cross Sector Insight Conference, London, United Kingdom
12 September 2022	Interest payment on 2018 green bond
15 November 2022	Interim Statement for Q3/9M 2022
28 – 30 November 2022	German Equity Capital Market Forum, Deutsche Börse, Frankfurt/Main, Germany
11 December 2022	Interest payment 2015 debenture bond

Forward-looking statements and forecasts

This report includes forward-looking statements based on current expectations, assumptions and forecasts by the Management Board and the information available to it. Known or unknown risks, uncertainties and influences may mean that the actual results, the financial position or the company’s development differ from the estimates provided here. We assume no obligation to update the forward-looking statements made in this report.

Rounding differences may occur in percentages and figures in this report.

Contact

All relevant information relating to Encavis AG is published and provided on the company’s website www.encavis.com under “Investor Relations” in the interest of transparent capital market communications.

Encavis AG also uses social media such as LinkedIn (https://de.linkedin.com/company/encavis-ag) and Twitter (https://twitter.com/encavis) to share company news and information quickly and transparently.

The Investor Relations department is at the disposal of all existing and potential shareholders at any time for questions and suggestions on the share and the company.

We look forward to hearing from you!

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