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MT	Martin Tessier,Stifel
CS	Charles Swabey, HSBC Global Research
RM	Ralf Marinoni, Quirin Privatbank
AZ	Anis Zgaya, ODDO BHF
TJ	Dr Thomas Junghanns, Berenberg

CH Yes, good morning ladies and gentlemen, a warm welcome from my side. My name's Christoph Husmann, and on my right hand side is Mario Schirru, the CIO and COO of Encavis AG. Well, warm welcome to our Q3 Conference Call, this morning, no, yesterday evening, we released our Q3 figures which once more show the resilience of our business model, even in these turbulent times.

We increased this year compared to the previous years in the first nine months our gigawatt hour production, although last year was characterised by extremely good irradiation, as well as wind performance. And we could in these days of more normalised weather conditions even slightly increase the gigawatt hour production by overcompensating that shortfall due to lower irradiation and wind performance by the additions to our capacities.

And we slightly, very slightly, could increase our revenues, not only before the background of this lower gigawatt hour production due to much better weather in the previous year, but having in mind that last year we had extraordinarily high prices due to the war in the Ukraine. But we could manage to slightly even increase the revenues by the first full consolidation of Stern, our service business. On the back of both we could increase our earnings per share accordingly and the equity ratio.

Ladies and gentlemen, when we have a look on Encavis AG it is that since the last call we accelerated our speed on the pathway to our Accelerated Growth 2023. We secured €180 million euros non-recourse revolving debt bridge financing facility, a very long name, which I have to explain shortly, with ABN AMRO and Rabobank from the Netherlands.

This in the end is a credit line which increases the flexibility in our growth, because usually when we acquire smaller farms, parks, or parks which during the construction phase do not have a PPA yet, usually we cannot organise a project financing non-recourse to the group. But this can be done via this drawdown line which is specifically for these two cases, four PV parks in Denmark, Germany, Italy and Spain.

In addition to that, we expanded our portfolio of strategic development partnerships. One is with a new partnership with Innovar Solar GmBH from Meppen, with whom we signed an agreement for nine project sites in Germany of 160 megawatt in total. And we increased the partnership with GreenGo Energy to Germany. As you might recall, we already had a partnership with

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GreenGo for the Danish market comprising us with a volume of revolving 600 megawatt and now we expanded this to Germany on 500 megawatt for the German market revolving as well.

In addition to that we acquired our first battery. This BESS (Battery Energy Storage System) in Hettstedt in Saxony-Anhalt, is enjoying that batteries which will be connected to the grid until 2026 do not have to pay grid fees over their whole lifetime. And so this battery can be used by all our parks in Germany and therefore this is a very important case for us, with this lithium-ion technology-based battery to learn more about the market to utilise the volatility of product prices.

In addition to that, this has to be seen in combination to this, we acquired an 18% stake in TokWise Limited, which is a Sofia-based AI-powered software as a service company with whom together we will bound our parks to the direct trading market and we utilise flexibility of that market. In addition to that we got new parks connected to the grid. We acquired 28 megawatt in Castile and Leon in Spain, we bought 132 megawatt parks in Ringkobing on the Western North Sea coast of Denmark to the ready-to-build status, and we acquired a 17 megawatt parks in Sommerland in Schleswig-Holstein. You see we are growing our capacities accordingly.

And on our pathway to become more sustainable we have realised some improvements so we could reduce our carbon footprint and our CO^2 emissions by 30% compared 2021 to 2022. And the Science Based Targets Initiative confirmed that we are exactly on the SBTI's pathway of limiting global warming to 1.5 degrees centigrade.

The same applies to our company in Munich in Neubiberg, the Encavis Asset Management company now has a label of Dark Green Article 9 Fund according to SFDR (Sustainable Finance Disclosure Regulation). And so therefore this is labelled to be sustainable as well. I just only briefly hit up to our current acquisition and footsteps but Mario will go more into details.

MS Thank you, Christoph, yes, you have already highlighted the main investments done in the first nine months of the year. It will total 291 megawatts, almost half the terawatt of power that we will be able to produce very soon.

Together with the projects that we will be announcing very soon we end up having already secured more than half of our goal on our acquisition targets. And given the fact that the individual projects, transactions that we also do in addition to our Strategic Development Partnerships, are usually very back-end loaded, we are perfectly on track, but assume we already have a buffer to it because as we know some projects might end up being a little bit late or a couple of weeks or months later. So in total, we are more than confident that we can deliver what we promised, both in terms of megawatts and in terms of gigawatt hours.

This figure will exceed our roles even more then, the megawatts and this is due to the fact that this year we have seen very interesting opportunities to acquire windfarms that we want to… One that we have already announced, another couple that are hopefully going to be announced very soon.

CH Thank you, Mario. Well, if we now go to the details of the nine months 2023 compared to 2022 then it is that on the top line as well as on the bottom line, the figures are very stable, but as we will see in the different P&L lines, all the impact from the different sometimes extreme movements in the market, let it be interest rates, let it be power prices or the meteorological development can be seen.

So first of all, let's start as we usually do with the gigawatt hour production of the existing portfolio, because this reflects at its best the meteorological conditions in Europe in our 12 markets we are in. And here we will see that the gigawatt hour production is reduced from 2.59 terawatt hours, to 2.43 terawatt hours, this is only a decline of 156 megawatt hours or a minus of 6%. This is mainly driven by the comparison of the nine months previous year with extremely good weather conditions and this year's more standard weather conditions.

But that is overcompensated, the total energy production within our portfolio because if we then add the new additions of PV parks in Denmark, in the Netherlands, in Italy, as well as in wind in Lithuania, then this is fairly overcompensated because these capacities adds approximately 200 gigawatt hours of power production to our portfolio. But since these new additions usually carry a lower remuneration per kilowatt hour than the older parks, then the impact in the revenues is somewhat lower.

In fact, if we take into consideration price losses, it means reduced revenues due to a high pricing level last year to a lower pricing level this year on net revenue level, then we have here an impact of -€26.3 million. This is partially offset by the new acquisitions contributing €12.1 million of revenues and but is weakened and softened by the reduced production due to meteorological issue. In total, we lose power revenues of approximately €20 million year on year, from €339 million last year to €319 million this year.

But this is overcompensated by our new acquisition of Stern, our service company, which contributes €28 million. This is only partially reflected in the operating EBITDA, here we see a stronger deviation of €25.2 million. The reason for that is that revenue loss due to pricing or meteorological conditions is one to one reflected in the EBITDA, while the additional revenues of Stern is accompanied only by a much lower EBITDA margin. Therefore, it is the full price effect of -€26 million, which can be seen here in the EBITDA, but and that is most important, which is pretty much on planned level.

Last year in the first nine months we had some impairment tests due to the strong increase of interest rates last year of €22 million, which were not repeated this year. Therefore, depreciation was reduced year-on-year and therefore this 25.2 million deviation EBITDA shrinks to -€8 million on EBITDA level, sorry, on EBIT level.

This -€8 million at EBIT level but then leads to an increase of earnings per share by €0.02 due to decreased interest expenses and decreased taxes. Why did both total figures decrease? Well first all, last year it was a very successful year due to very high power prices and very high power production. And therefore the minorities which we sometimes in some parks do have, had a bigger portion of profit share and therefore this is not repeated this year but they are counted for as interest expenses. And due to the high success of our parks last year, taxation was higher last year than this year.

And since both are reduced it is a positive development seen in the earnings per share, plus €0.02, an increase up to €0.53. The total of this impact we have planned.

While the operating cash flow shrinks by €87.8 million, here we do see the price effect of €26 million which we more or less planned. That we had last year provision of price caps which reduced EBITDA, but not cash flow. And this year we have to pay out the high taxation, which we accounted for last year. So total this makes up 87.8 million, which is on planned level as well.

So that can be seen in our analyst consensus as well, which we published on November 7. And here you see the average of that consensus of 12 of our analysts who participated in that consensus, and you see that we exceeded the expected revenues, EBITDA, EBIT and EPS, so to say the P&L figures in the quarter as well as the accumulated figures. Only in operating cash flow there is some negative deviation and that is always in the tax effect which was not perfectly forecasted. But I think this a temporary effect because this was fully incorporated in our guidance of operating cash flow.

If we have a look into the segmentation report we see a shrinking contribution or proportional contribution of solar farms and wind farms and asset management to the net revenues line. The reason for that is that we have huge growth in the service business which is due to the first consolidation of Stern. The margin specifically in the asset business is stable as it was in the past.

Let’s talk about these in detail. So in the solar business we have a slight decrease by €5 million, or -2% in the net revenues. This is due to high power prices, which we have seen in the previous year, which were not repeated this year, and high power production due to high irradiation last year which was not repeated this year, because this year we do have standard weather. But the newly consolidated parks in Italy, the Netherlands and Denmark somewhat compensated that shortfall.

That is accompanied by pretty stable EBITDA, therefore the EBITDA margin is stable at 80%. The depreciation due to the impairment test in previous year of €22 million can be seen specifically in the EBIT development, because although the EBITDA is quite stable the EBIT increases and that is because we have a depreciation last year and not repeated this year. That leads to again normalised increase of the EBIT margin.

Now, let’s go to the wind farms. In the wind farms we has - surprise - last year, very good wind conditions as well as high power prices, and that could be repeated this year as we explained last year due to specifically in Germany pretty low feed-in tariff in terms of wind compared to solar. We enjoyed here more merchant prices in wind and therefore this now falls back more or less to the lower feed-in tariff so it is normalised now. So the revenues this year are not low, in previous years they were very high due to these two effects.

So therefore the operating EBITDA margin as well as the EBIT margin is somewhat normalising now. In Stern Energy we see a sharp increase of our revenues, this is mainly due to the first consolidation of Stern. As a matter of fact, here we do see an effect which comes somewhat as a surprise, the EBITDA margin is much lower than anticipated. As you know we guided for an EBITDA margin of 18% and now we see 7% after some 14% last accumulated half year.

As a matter of fact we have a change in the Italian law, in Italian GAAP, which says that the profit of a project which stretches over several quarters or years may only be accounted for if the project is finalised. So the whole accounting system of Italian GAAP had to be changed and the adjustment driver is due to the fact that this law was implemented several weeks ago, could not be adjusted here. So this adjustment will be done in the course of Q4, and we are confident that they will go for the guidance.

The Asset Management has some delay in some projects, as a matter of fact the higher interest rate environment leads to a change in behaviour of the investors in the Asset Management business. So new products and new projects, new funds with higher return expectations need to be implemented in the prospectus, and have to be published. So we see some delay here but business is resurrecting and we expect that the guidance will be reached here as well. So both cases, for Services as well as Asset Management, we do see here a temporary effect.

The revenue in the headquarters consolidation here I think we have to say that the revenues line is a consolidation issue, the EBITDA and EBIT Lines are the headquarters costs. So for the consolidation of the revenues we see specifically the increase of the now internal revenues of our PV segment with Stern and we are extremely happy about the quality of the service that we get done. While the EBITDA and EBIT we see a reduction of the cost of the headquarters, this is mainly due to the provisions for the leave package for the former CEO in previous year.

Ladies and gentlemen, we have seen that we have to accept weather conditions are now back on standard level compared to previous year's extraordinary good weather conditions. That prices are still higher than in the previous years but much lower than last year's high pricing. And that we do have some timing effect in Service and Asset Management. But all of that is either in plan or will be compensated in Q4, therefore we confirm our guidance.

We can do that currently because we see here the deviation of power prices compared to previous year and if you compare that chart with that one, which we provided you with in March for the guidance, then we have seen an average more or less 40% decline in prices compared to previous year. If you then have a look on the August chart then you see that on average it was somewhat 50 to 68% decline compared to previous year's prices and that is pretty much the same level we see now here as well.

There are only minor deviations, they are somewhat lower, but since we have now only a very short period of remaining time of this year this won't have such a big impact on our figures. Therefore we go for our guidance and here it's outlined and we confirm it with this quarterly result. Ladies and gentlemen, thank you very much for listening, thank you very much for taking the time. And now we are available to answer your questions.

O Ladies and gentlemen at this time we begin the question and answer session. Anyone who wishes to ask a question may click the Q&A button on the left side of your screen and then raise your hand, or choose the chat button to ask a question via chat. If you are connected via phone please press star followed by one on your telephone keypad.

If you wish to remove yourself from the question queue you may press star followed by two or please lower your hand. For written questions please click the Q&A button and then write a question button. One moment for the first question, please. So and here the first questions come in. The first question comes from Harrison Williams from Morgan Stanley, please go ahead.

HW Hi there, thank you for taking my questions. Two from me, firstly and apologies if I missed this I had some troubles connecting earlier. But on windfall taxes, I know that's included in your guidance for 2023 but we have had indications from the EU Council that we could see that extended into some countries through to mid-2024. I was hoping can you clarify if you have any provisions for that in place already or secondly any expectations you can provide in terms of impacts on earnings next year? So that's the first question.

And then the second question was more broadly, actually on the PPA market itself. Are you able to just help us, give a little colour on how you are seeing that develop? Are you still seeing demand increasing for pay-as-produced PPAs or are you seeing a shift towards more sophisticated base load PPAs? And any colour on duration as well would be appreciated. Thank you.

CH Thank you, Harrison, for your question. I'll take the first one and Mario will take the second one. So regarding the windfall taxes here we see that first of all the impact of such windfall taxes which were imposed by a few different countries is not severe as expected because the price levels we currently do see in the market are much lower.

But they are still in place in Spain, they are running until year's end, there is some discussion about prolongation. But as you might know, first of all, 75% of our parks in Spain do have fixed tariffs via PPAs anyhow, and so therefore they are not impacted here and only by the merchant part there would be an impact. But honestly said, we only guide in the report the net revenues and therefore this is the figure which is of relevance for us, honestly to say no one cares internally for the gross revenues, so it's always after these caps.

But they are not as meaningful anymore because in Italy and Germany they ran out in the summer of this year and so therefore we are going to see an impact here. And in the UK we found out that we are not impacted by these additional taxation there because our entities, each of them are too small to qualify for that. So having said that there is only an impact from Spain and there to a limited extent only.

MS Regarding your question on the demand for PPA from corporates I think it's important to differentiate a little bit. I would say that the situation is different in different countries, we still see strong demand in Germany and Italy. We do see a little slow-down now in Spain where people are just sort of trying to understand what's going to happen, a lot of projects have been permitted, so buyers are just trying to understand when all these projects will be connected to the grid, if at all. So there is a little bit more caution.

So in general I would say demand is strong, the price level is still interesting with regard to costs, especially in the solar business, solar industry are going down as we are talking, basically, the module prices are in freefall. So yes, with a little bit of differentiating or need for differentiation in general we are very positive.

HW That's clear, thank you.

CH You are welcome.

O And the next question comes from the line of Martin Tessier, please go ahead.

MT Yes, good morning, can you hear me?

CH Yes, we do, hi Martin.

MT Thanks for the presentation, two questions from me. The first one on Asset Management, the full year guidance looks quite ambitious with 25 million revenues, 11 million EBITDA versus basically zero EBITDA as of nine months. So could you provide us with some colour on the expected performance in Q4? Because if I'm not mistaken the higher costs are mainly driven by higher external expenses with the hiring of many people in the last few months.

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And the second question is more on your strategy regarding the acquisition path in the future, especially on the acquisitions that you make on the secondary markets with external parties. Could you maybe explain what is your competitive advantage here when you compete with someone else for a project? Why would you be better than someone else to buy the project? Many thanks.

CH Okay, this time I take the first one as well. So the Asset Management business, well, indeed if you compare the gap in revenues and the gap in EBITDA it looks to be 100% EBITDA margin they are targeting at, even slightly above that. How does it work? Well it is not that, revenues are cost are time-wise always in the same quarter. So these people which were hired previously already worked but as a matter of fact the revenues of this business can only be accounted for if our contracts are signed and financial close has happened.

So they are just waiting for that this should be done and then every Euro of revenues contributes not only to the top line but the EBITDA as well. And so, since many of such contracts are already negotiated and are already signed it is more a question of timing now when they will show up. So therefore, we are confident that we will reach that target. If that answers your question. Mario?

MS In terms of acquisition on the secondary market we do see, actually not only in the secondary market we see in general a decrease in competition and this is mainly driven by the fact that our financial investors are a little bit more cautious, they had to recalibrate their return expectations after having been very aggressive over the last years. And this basically gives us the opportunity to play our cards better than in the past where the only factor was ultimately the price.

Now sellers are better considering highly the transaction security, the fact that the counterparty is able to transact within a certain timeframe, this is PPAs. I think the speedy execution is also playing into our favour, these are characteristics that we’ve always had and that unfortunately, yes, were a little bit less valued by sellers in the last years when, again, there was really a lot of cheap money in the market. So this has played in our favour.

MT Okay, thank you.

O And the next question comes from the line of Charles Swabey, please go ahead. Mr Charles Swabey? Your line is open.

CS Hello, can you hear me?

CH Yes.

CS Hi, good morning everyone, thank you very much for the presentation, two questions from me. Given the significant decline we’ve seen in the cost of solar modules and the expectations that module market is likely to remain well-supplied for the next few years is there a possibility that your Capex guidance to ’27 is looking a bit conservative?

And then a second question would be, you mentioned in the press release that you’re seeing higher project returns. Could you provide a bit more detail across your portfolio where you’re seeing these returns, or the best returns? And what is driving this? Thank you.

CH We hear an echo,… thank you.

MS Yes, to be honest when we launched our business plan for the next years or our strategy map we discuss that a lot on the Capex to assume, because again history has shown us that technology usually become cheaper over time. During the last years we've seen some pickups when we had issued on the supply chains, now we're back where we basically think things should be.

And you know us, I guess we are in general quite cautious and prudent, we don't want to be too bullish. I think it's only an upside that is still somehow hidden in our expected figures at the moment. It feels like a little bit early to revise the assumptions for the long term. This for the first question.

The second one was on the project returns, yes. Again, I think we have to differentiate a little bit between the countries. We've seen a huge increase in expected returns in Italy and also in Germany where last year's the returns were not the highest, that's why we have also not bought too much in the last years in Germany. The Nordic countries are still interesting, the price levels are good, technology costs are going down, so we do see an increase there.

I would say compared to Italy, it's a really rough figure but compared to what we've seen in the last years we have 200, 300 basis points I think in all countries. And it depends a little bit on specific situations, but as I say wherever there is a strong demand in power we see interest in us because of course buyers are willing to pay a good amount for the PPAs.

CS Okay, thank you very much.

O Ladies and gentlemen, as a reminder anyone who wishes to ask a question may click the Q&A button on the left half of the screen and then raise your hand. Or press star one by telephone. The next question comes from Ralf Marinoni, please go ahead.

RM Yes, good morning everybody, I've got a familiar question regarding new projects in development. Over the last years financing costs have been rising, on the other hand prices for components such as solar modules came down. What does it mean for the internal rate of return for your new projects?

And second question, in this context do you have an explanation for the share price decline? It's not only regarding to Encavis, but also for the sector as a whole. Thank you.

MS Yes, on the new projects we do see increasing return expectation and in returns due to the fact that the willingness from our competitors to pay high prices is reduced. So yes, ultimately it's a system in which all the elements have to be in balance, which are the Capex, which are the financing costs, which is the PPA, for example. All these things have to match but ultimately when you as an investor decide to deploy capital you base the decision on the return that you want to make.

So it's all accounted for and adjusted for in the purchase price that will be offered. And these prices have gone down. And the good thing is that this industry is still I would say healthy, meaning that enough people can still make money, so there is not a party which is suffering too much, developers are making a little bit less money that they used to do, fair enough, but they still can compensate this by developing more projects and this is actually what we see, by recycling the cash earlier. Authorisations are somehow easier to get, there are a lot of

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preferential permitting processes.

So I think, yes, in general everything is well on balance and the returns have gone up basically due to the fact that investors like us, but not only us, do want these projects to return higher, more money and return than they used to be in the past. It's a general adjustment that the whole market is going through.

CH And regarding the share price decline, well this is in the end pretty much the same story as Mario is pointing out for the respective projects. It is that financial investors who desperately flooded that market in previous years, are now withdrawing and investing somewhere else because now they find meaningful returns in other asset classes as well. And this is something of the whole sector, that the shares of the whole sector are suffering of.

And whether this is justified or not is up to you and not up to us to comment that. But as a matter of fact I think the increase in interest rates is the main driving force behind the price decline.

RM Okay, thank you, understood.

CH Thank you very much.

O And the next question comes from Anis Zgaya, please go ahead.

AZ Hello, do you hear me? Yes, thank you very much for taking my question. I have two questions. First, on the guidance, yes, and given the nine month results, the good nine months results and given your comments on expected rebound in Services and Asset Management margins in Q4, don't you think that the implied Q4 EBITDA of 64 million is too cautious now?

And two, my second question is on PPA and on the market. Could you please share with us your view on the current PPA environment, on prices and demand? Thank you.

CH Yeah, so I'll take the first one. And so regarding the guidance well first of all I think you know us to be more or less cautious or prudent and so therefore we don't see a reason to raise the guidance because there are so many still turbulences in the market. We don't know where the interest rates will go to at year's end. We don't know if the power prices will go to in the very important fourth quarter with the wind business where we have shown here we are pretty much impacted by the volatility of prices due to pretty low feed-in tariff system.

And so therefore there are so many turbulences and we don't know how strong the wind will blow. So only due to the fact that we had nine months more or less standard weather doesn't mean that it will run standard wind in fourth quarter. So therefore we stick to the guidance and confirm it.

MS Yes, in terms of PPA market I can only confirm what I've said before. Strong demand in the countries where there is a lot of power consumption, maybe in Germany and Italy, and maybe a little of, I would also probably add the Netherlands, although they have different price dynamics there.

Things are a little bit more difficult in Spain, as mentioned before a lot of new projects being built so a lot of offering, basically, of new PPAs and buyers being a little bit more cautious and prudent. Price levels are all right, I said before the projects are all also profitable and the developers can still, might be able to make decent margins. Although again, not the margins that they used to make. So we are bullish and we see that whenever we run a tender for one of our new projects there is a lot of interest. We actually have much more demand than what we can supply with, so we would even need more and more projects to cover all the demand that we have seen in the market. So again, no reason to worry, actually no, it's the other way round. It's something that we can be very bullish on and confirms the fact that targeting industrial customers and corporates is the right approach.

AZ Okay, thank you very much.

O And the next question comes from Thomas Junghanns, please go ahead.

TJ Good morning, gentlemen, thanks for taking my question. I have four questions, maybe we can one by one. The first question is, with respect to your adjusted EBITDA I am positively surprised by your adjusted EBITDA in PV parks which increased from roughly 79 million to 86 million in Q3, implying an improvement in adjusted EBITDA margin of 300 basis points to 87%, despite falling electricity prices and poor weather conditions. So my question is what has caused this improvement?

CH Well, a pretty good performance of the solar farms, as a matter of fact we have seen the solar farms in the first half year not to be so well. And so the irradiation in the first half was not so convincing, but now we are in solar exactly on plan. So in the third quarter we had production running, and that is the reason.

So there are two factors which lead to a revenue change which one to one will be reflected in the EBITDA. One is price and the other is volume. Because we have zero marginal cost of production and so therefore the more power production does not mean more cost, and that's the reason why the EBITDA margin improved in the third quarter.

TJ Okay, that makes sense, thanks. Then a follow up question with respect to your Capex. What is the current Capex per megawatt for solar parks?

MS Well it's a complex one because of course it depends what you include. In general, what used to account for 50% of the total Capex, namely the modules, are not having this important role anymore. The grid connection is starting to become I would say the key factor. And so, yes, it's really difficult to give you an overall number which is accurate.

I would say in general the pure components that are installed on the ground, I mean we're talking about something like, yes, around €400,000 per megawatt. To be honest, again, it can go up to 600,000, 700,000, 800,000 depending on the connection, so it's really… and high voltage components. So again, it's not an easy one to answer, it really depends what you include in the values.

TJ Okay. Mario, I have another question for you and this is with respect to the capacities. How confident are you of expanding capacity by 600 megawatts this year? I know you have already elaborated on this and you have mentioned that you are confident, but is it a soft guidance, is it a hard guidance, yes, and could you be more precise about what you mean by soon? What do you define as soon?

MS You want to nail me (laughing). On the expected projects and deals, all the styles that you are seeing are real projects we are currently negotiating, and where we are exclusive. Let's take it like this. So I'm very comfortable and very confident we can deliver on that. As always, it's a negotiation, two parties need to agree. If there is only one, ultimately one who wants to execute before a certain date it's difficult to complete the deal. So again, it's very difficult to commit on a timeline, but it's for me very easy to say that we are getting there and we're getting there, in my opinion, absolutely on track. That's what I would say.

CH May I add something? So, Thomas, your question was regarding the megawatts, so this was clear confirmation, but I would highlight more that with the 600 megawatts of guidance we gave in March we said that this represents 750 gigawatt hours of power production. And that is from our point of view more meaningful, and please give me a minute of time to explain that.

Because 750 gigawatt hours of power production means that this is the power, which is remunerated, therefore is reflected in the P&L in the following years. And the gigawatt hour is in the end what we pay for, because - in a nutshell - the wind capacity in megawatt costs us approximately twice as much as a solar capacity. Why? Because the energy output is twice as high.

So, by the mixture of the 600 megawatts, whether it is more or less wind, or more or less solar, in the end the gigawatt hours are defined. So if we then, as you see here (on the chart), have already 550 gigawatt hours secured, this is almost more than 70% of the 750 gigawatt hours – percentage-wise more than the 334 megawatts compared to the 600 MW target. The reason for that is that we acquired more wind this year so therefore spent more money but it will have a higher impact on the revenue line in future.

So therefore, this 600 megawatt is confirmed and I would say the 750 gigawatt hour will be exceeded.

MS Yes, correct, very good point, Christoph. It's not only wind/solar it's also where you install solar, solar in Denmark yields 1,000 hours a year, in Spain 2,000, so it's really about also the portfolio balance. I think the whole industry is still very much focussed on megawatts, historically fair enough with the tariff I mean we understand where it comes from. But in the future as Christoph just pointed out I think it's really important to start focussing on the gigawatt hours because this is what is consumed, actually, by the consumers.

TJ Yes, thanks for the detailed explanations. The last question is with respect to the industrial electricity prices, the so-called 'Industriestrompreis' in Germany. Is there any news regarding the introduction of an industrial electricity price and could this lead to a drop in PPA prices? Or to what extent will Encavis be affected by an introduction?

CH Okay, so first of all as far as I understood it it is that the government decided already on an 'Industriestrompreis', but surprisingly in an intelligent way. And this is not by subsidising power, but by reducing the taxation of power. Now, as a matter of fact, will that have an impact on PPA, no. Because the taxation is just a cost which has then to be transferred to the state anyhow.

So if the taxation is reduced the willingness first of all to acquire power is increasing, because now some companies which usually suffer under high power prices, including the taxation, now due to the reduced taxation can afford to produce their products based on German power. And therefore the demand for power will increase, that's by the way the intention of the government to empower the whole industry and transfer it from other sources of electricity production to power.

Having said that we more or less see an increase in demand for power and therefore this will have a positive increasing effect on PPA prices. Because the capacities are there and as long as the authorities do not approve new projects and the grid won't be empowered to be decentralised then they will have shortage of power production and that will have a positive impact on PPA prices.

TJ Perfect, thanks for answering my questions.

CH Thank you for the questions.

O So there are currently no more questions by voice or by text, so I hand back to Dr Christoph Husmann for closing remarks.

CH Yes, thank you very much ladies and gentlemen for dialling in, thank you very much for listening, and taking the time. And as a matter of fact, you see the business model is running, the world is turbulent and not very positive, but our business is developing and progressing positively. So thank you very much for accompanying us and we will talk to each other in the near future. Thank you very much and have a good day. Bye.

MS Bye.