ENCAVIS

Half-Year Report
2018

Foreword from the Executive Board

Dear Shareholders, Ladies and Gentlemen,

We have a good first half of 2018 behind us. During this period, we have succeeded in consolidating our position as one of the leading listed independent power producers (IPPs) in Europe and set the course for the further expansion of our portfolio. We currently operate 171 solar parks and 65 wind parks in nine European countries, with a total generation capacity of more than 1.5 gigawatts (GW).

With the revenue and earnings figures for the first half of 2018, our company is still fully within budget and on track. In the first six months, we again increased our revenue by 8 per cent to almost EUR 123 million. In particular, the increased sunshine in Germany from the beginning of the "summer of the century" from mid April to the reporting date ensured that revenue losses due to meteorological factors from the first quarter of 2018 could be made up for. Operating earnings before interest, taxes and depreciation and amortisation (EBITDA) therefore came to EUR 94.0 million in the first half of 2018 compared to EUR 88.0 million in the previous year. The operating earnings before interest and taxes (EBIT) at some EUR 57.8 million exceeded the level of the same period in 2017 (EUR 55.9 million). Cash flow from operating activities increased significantly in the first half of 2018 by 12 per cent to EUR 78.3 million (2017: EUR 69.9 million).

Encavis's growth in the first half of 2018 was compared with a very strong meteorological performance in the first half of 2017. Adjusted for meteorological effects, revenue in the first half of 2018 would have increased even more by EUR 11.3 million compared to the same period in the previous year, which would have corresponded to an increase in revenue of around 10 per cent. This meteorologically adjusted increase is solely attributable to our focused acquisitions in the previous year and the grid connection in 2017 of solar and wind parks acquired in the reporting period and thus reflects Encavis's organic growth. As such, weather adjusted operating EBITDA came in at EUR 93.3 million (6M 2017: EUR 85.0 million; +10%) and weather adjusted operating EBIT increased from EUR 52.9 million to EUR 57.1 million (+8%).

Furthermore, we were able to acquire parks, which will make their revenue contributions at first in 2019. In mid March 2018, for example, we successfully acquired another ready-to-build solar park in the Netherlands not far from the city of Eindhoven. With a total generation capacity of 43.9 megawatts (MW), this solar park is not only the largest individual park acquired by Encavis to date, but was also developed by our partner, British project developer Solarcentury, marking the successful start of the strategic partnership between Encavis and Solarcentury, which we entered into at the end of 2017. Over a period of three years, the agreement ensures us exclusive access to solar parks with a total generation capacity of around 1.1 GW. Additionally, at the beginning of 2018, we concluded a contract with Irish sovereign development fund Ireland Strategic Investment Fund (ISIF) to make joint investments in a solar park portfolio belonging to Irish project developer Power Capital comprising more than 20 parks with a total generation capacity of 140 MW. Preparations are underway for the implementation of the first projects under this partnership. With these two strategic partnerships, we have already secured access to an attractive acquisition pipeline of more than 1.2 GW over the next three years. This means that we have the potential to almost double our current total generation capacity of 1.5 GW over the next three years.

We will finance this acquisition pipeline and other attractive projects offered to us in the market both by taking on additional growth capital via the financial markets and from our own resources. For example, a green debenture bond with a volume of EUR 50 million through one of our banking partners is currently in the placement phase. Our debenture bond was certified for the first time as a "Green Schuldschein" by the Climate Bond Standard Executive Board and is thus also targeted towards institutional investors who attach particular importance to the sustainability of their investments. With regard to the financing market, our 100 per cent renewable energy portfolio is paying dividends. In addition, we will continue to focus consistently on generating synergy effects and constantly optimising our business. For example, we have succeeded in agreeing with the banks to reduce the deposits of the park companies in so-called reserve accounts. As a result, we will release liquid assets of around EUR 18 million over the coming months, which will be available to us for new investments. In addition to existing investment funds and optimisation measures, however, we will continue to examine and exploit the opportunities offered by a persistently favourable interest rate environment. In doing so, we intend to continue to pursue alternative and equity-preserving financing channels.

Ladies and Gentlemen, with the revenue and earnings figures for the first half of 2018, our company is still fully within budget and on track. We hereby affirm our guidance for the 2018 financial year published in March 2018. This is based solely on the portfolio of solar and wind parks already existing and secured as of mid March 2018 and the assumption of average meteorological conditions without the effects of the "summer of the century". The acquisition of further solar and wind parks and positive meteorological effects have therefore also not been taken into account in our forecast. We

are expecting an increase in revenue to more than EUR 240 million for the current 2018 financial year. Furthermore, we expect to achieve an operating EBITDA of more than EUR 175 million. At Group level, we anticipate additional growth in operating EBIT to more than EUR 105 million. We calculate cash flow from operating activities at more than EUR 163 million. Furthermore, we expect to generate operating earnings per share of EUR 0.30.

It goes without saying that we enabled you, our shareholders, to participate in the successful development of our company and distributed a dividend of EUR 0.22 per voting share for the 2017 financial year. For the fifth time in a row, this was paid as an optional dividend. Nearly 40 per cent of you decided against the cash payment in favour of converting your dividend into new shares in Encavis AG. We regard this very good acceptance rate as proof of confidence and confirmation of the growth course we have embarked on. The majority of our major shareholders also decided once again to take their dividend in the form of shares. We will also continue the dividend policy announced in 2017. Accordingly, Ladies and Gentlemen, you can expect a nominally 50 per cent higher dividend until 2021 compared to 2016; this corresponds to a dividend of EUR 0.30. Here, too, we are holding our course and delivering the results promised.

We would therefore be delighted if you were to continue to put your trust in Encavis AG and accompany us on our course of qualitative growth.

Hamburg, August 2018

Dr Dierk Paskert

CEO

Dr Christoph Husmann

CFO

Dr Dierk Paskert
Chief Executive Officer (CEO)

Dr Christoph Husmann
Chief Financial Officer (CFO)

Group operating KPIs*

In EUR million	01.01.–30.06.2018	01.01.-30.06.2017**
Revenue	122.8	113.8
EBITDA	94.0	88.0
EBIT	57.8	55.9
EBT	31.2	29.7
EAT	27.8	25.1
Operating cash flow	78.3	69.9
Earnings per share (undiluted, in EUR)	0.19	0.19

	30.06.2018	31.12.2017
Equity	695	699
Liabilities	1,904	1,821
Total assets	2,599	2,520
Equity ratio in %	26.7	27.7

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

** Due to an adjustment of the composition of the operating financial earnings, the previous year's figures have been adjusted and cannot be reconciled with the figures published in the 2017 semi-annual report (see notes in the management report).

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The Encavis share

Share's key figures	
Listed since	28.07.1998
Subscribed capital	129,437,340 EUR
Number of shares	129,437,340
Stock exchange segment	Prime Standard
Dividend 2015 per share	0.18 EUR
Dividend 2016 per share	0.20 EUR
Dividend 2017 per share	0.22 EUR
52-week high	7.09 EUR
52-week low	5.85 EUR
Share price (27 August 2018)	6.24 EUR
Market capitalisation (27 August 2018)	807.69 Mio. EUR
Indexes	SDAX, HASPAX, PPVX, Solar Energy Stock Index
Trading centres	Xetra, Frankfurt am Main, Hamburg
ISIN	DE 0006095003
Designated sponsor	Oddo Seydler Bank AG

The first half of 2018 on the stock market

The German stock market underwent mixed development overall in the first half of 2018. On 29 June 2018, Germany's most important share index, the DAX, closed at 12,323 points. The DAX thus lost 4.6 per cent over the reporting period. The SDAX, the index where Encavis shares are listed, closed at 11,885 points on 29 June 2018, almost unchanged from the close of trading in 2017. The high volatility in the stock markets was noteworthy.

Growing uncertainties in the markets contributed to this development. The first half of 2018 was marked by trade and political tensions around the globe. In this regard, the focus was on the conflict between the two largest economies, the United States and China, which weighed on the global capital markets. The conflict over tariffs between the United States and Europe also stood in the way of a more positive development on the capital markets. In contrast, the still very good figures of businesses were able to provide positive momentum.

The Encavis share was also unable to detach itself from the general sentiment. It started at EUR 6.44 on 2 January 2018 and closed at EUR 6.25 on 29 June 2018. The Encavis share reached its half-year high on 23 January 2018 with a closing price for the day of EUR 7.09.

The share's liquidity fell slightly compared to the previous year, but still remains at an average level. On average, 182,775 Encavis shares were traded daily on the electronic trading platform Xetra. January 2018 was the month with the heaviest trading on average, with 240,515 Encavis shares traded daily.

At the end of the first half-year of 2018, Encavis's market capitalisation was more than EUR 800 million. As of 30 June 2018, the share capital of the company was EUR 129,437,340, divided into the equivalent number of bearer shares.

Coverage – Encavis share considered a "buy" by all covering analysts

In August 2018, analyses of eight financial institutions and analysts assessed the Encavis AG share actively. Among them are Baader Bank, Bankhaus Lampe, Berenberg Equity Research and DZ-Bank, Macquarie, M.M. Warburg & Co., Quirin Privatbank and Oddo Seydler. All analysts recommend the share as a "buy". On average, they see the share with a price target of EUR 8.15, whereby the range of valuations of the price target is between EUR 7.60 and EUR 8.80. Encavis is currently holding discussions with several other renowned institutions interested in analysing the share.

Encavis AG publishes the latest target share prices issued by analysts in the Investor Relations section of its website under "Research".

Stable shareholder structure

There were slight changes in the shareholder structure of Encavis AG in the reporting period. Most of the major shareholders kept their shares in the company stable. The Büll family increased its shareholding above the threshold of 20 per cent to 20.1 per cent.

As of August 2018, the shareholdings in Encavis AG broke down as follows:

- The Büll family (AMCO Service GmbH) 20.1 per cent
- Dr. Liedtke Vermögensverwaltung GmbH, 7.0 per cent
- Dr Kreke family (founding family of Douglas), 3.6 per cent
- PELABA Anlagenverwaltungs GmbH & Co. KG (Peter Heidecker), 4.6 per cent
- Free float, 64.7 per cent

Ordinary shareholders' meeting

Encavis AG's annual shareholders' meeting was held on 8 May 2018. The participating shareholders and their representatives corresponded to approximately 56.5 per cent of share capital. This represents a slight year-on-year increase in presence. The shareholders approved all but one of the items on the agenda by a large majority. A counter-motion was adopted by a large majority to authorise the issue of warrant/convertible bonds and the creation of conditional capital in 2018.

In addition, the Management Board's proposal to increase the dividend to EUR 0.22 per share met with broad approval. The dividend was again offered as a share dividend. Around 40 per cent of the shareholders preferred to receive the share dividend rather than the cash dividend.

Information on the annual shareholders' meetings of Encavis AG can be found in the Investor Relations section of the company website under "Annual shareholders' meeting".

Questions and information

In line with our ethos of transparent capital market communication, all relevant information pertaining to Encavis AG is published and made available in the Investor Relations section of the company website www.encavis.com.

In addition, Encavis AG has been actively using the Twitter news channel since June 2015. Furthermore, the Investor Relations division is always happy to receive any further questions and suggestions you may have.

We look forward to hearing from you!

Encavis AG

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Encavis AG financial calendar 2018	
Date	**Financial Event**
29 August 2018	Commerzbank Sector Conference 2018, Frankfurt/Main
30 August 2018	Semi-annual financial report 2018
31 August 2018	Analysts' earnings call, first half of 2018
3 September 2018	Non-Deal Roadshow ODDO BHF Zurich
26 September 2018	Berenberg & Goldman Sachs Seventh German Corporate Conference Munich
4 October 2018	Macquarie's Alternative/Green Energy Conference 2018 London
27 - 28 November 2018	German Equity Forum 2018 Frankfurt
30 November 2018	Interim report for the third quarter of 2018
3 December 2018	Berenberg European Conference London (Pennyhill Park)

Interim Group management report

General information

The Encavis Group (hereafter known as “the Group” or “Encavis”) prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). The interim consolidated financial statements were prepared in accordance with IAS 34. The parent company is Encavis AG, whose place of business is Hamburg. It is responsible for corporate strategy, portfolio and risk management and financing. The company’s share capital amounts to EUR 129,437,340.00, divided into 129,437,340 shares with no par value.

The average number of shares in circulation (undiluted) in the reporting period was 128,687,085 (previous year: 126,904,431).

Business activities

Business model

Encavis AG is listed in the SDAX segment of Deutsche Börse and makes use of the various opportunities offered by the generation of power from renewable energy sources. As an independent operator of environmentally friendly and emission-free power plant capacities, Encavis has continued to expand its generation portfolio since 2009 and is one of Europe’s largest independent power producers (IPPs) in the renewable energy sector. The Group’s core business is the acquisition and operation of solar parks and onshore wind parks. When acquiring new installations, the Group generally focuses on turnkey projects or existing installations with guaranteed feed-in tariffs or long-term power purchase agreements and which are built in geographical regions that stand out due to a stable economic environment and reliable investment and operating conditions. Solar parks and wind parks can therefore generate reliable returns and predictable cash flows.

Moreover, Encavis – through its subsidiary Encavis Asset Management AG – offers attractive opportunities for institutional investors to invest in facilities for the production of renewable energies. Asset Management includes all services in this business segment – that is, the initiation of funds and/or the individual design and structuring of other investments for professional investors within the renewable energies sector as well as the operation of the facilities owned by these investors.

Encavis currently operates a total of 171 solar parks and 65 wind parks with a capacity of more than 1.5 GW in Germany, Italy, France, the United Kingdom, Austria, Finland, Sweden, Denmark and the Netherlands. Of those, the Group operates eight solar parks and 34 wind parks as part of their third-party Asset Management segment.

Economic framework conditions

Economic areas undergoing inconsistent development

From the perspective of the International Monetary Fund (IMF), the global economy is heading for solid growth of 3.9 per cent in 2018. In its World Economic Outlook from mid July 2018, the IMF reaffirms its forecast for the full year published in April 2018. However, the uncertainties regarding this forecast have increased in the course of the year to date. The reasons for this lie in particular in the current trade tensions between the United States and major economic areas such as the European Union and China, which are expressed in mutual tariff increases. The increasing differences in the monetary policies of major economies with their global effects on currency relations also represent a risk factor.

A look at recent economic developments in individual economic areas reveals a growing imbalance: in the United States, for example, fiscal policy measures and robust household consumption supported the economy. By contrast, economic growth in the eurozone, the United Kingdom and Japan fell short of expectations in the first months of the year. Among the developing countries, oil-exporting countries benefited from the sharp rise in oil prices, while other nations struggled with the devaluation of their local currencies and the resulting inflationary pressure. Meanwhile, China recorded a slight slowdown in growth, which is attributable to politically stimulated restrictions on lending and lower export demand.

Interest rates in the eurozone are expected to remain at their current level of 0 per cent until at least summer 2019. This was announced by the European Central Bank (ECB) at the end of July 2018. The ECB hopes to support the economy and fuel inflation by doing so. In the medium term, the ECB is striving for price stability at an inflation rate of just under 2 per cent. After all, permanently low or even falling prices could cause companies and consumers to postpone investments – which could lead to a significant slowdown in the economy. According to Eurostat, the inflation rate in the eurozone was 2.1 per cent in July 2018.

Framework conditions for renewable energies

Consistent growth market

The structural change in the energy industry and climate policy continues. Worldwide, conventional energy sources and fossil fuels are being supplemented or completely replaced by the expansion and use of renewable energy sources. Numerous international and supranational agreements and targets for achieving climate policy goals, such as the United Nations Paris Agreement, also contribute to this.

In the photovoltaic sector, 2017 saw the installation of new facilities around the globe with generation capacity of almost 100 GW according to the German Solar Association. Installed generation capacity therefore almost reached the 400-GW mark.

Based on surveys by the Global Wind Energy Council, new wind installations with a total generation capacity of around 53 GW were installed worldwide in the wind energy sector in 2017. At the end of 2017, the worldwide installed generation capacity in the wind sector therefore amounted to some 540 GW (2016: 487 GW).

The global expansion of renewable energies continued unabated in the first six months of the current financial year and reached a significant milestone: total installed capacity worldwide exceeded one terawatt. In the same period, Germany also generated more electricity from renewable energy sources than from brown and black coal for the first time.

The political environment also continues to create good conditions for a sustained growth market; for example, the European Union revised its Renewable Energy Directive in the first half of 2018 and raised its target of achieving a 27 per cent share of renewable energies in final energy consumption by 2030 to a 32 per cent share.

Developments in core markets: Germany, Denmark, France, the United Kingdom, Italy, the Netherlands and Austria

During the reporting period, there were no material changes to the legislative framework for renewable energies that adversely affect the business model of Encavis AG.

When acquiring new installations, Encavis generally focuses on ready-to-build or turnkey projects, or existing installations with guaranteed feed-in tariffs or long-term power purchase agreements. Additionally, Encavis does not subject itself to project planning risks. Any changes to the future structuring of subsidy systems and mechanisms for renewable energies are accounted for within the return calculations for new investments and have no influence on the company's existing portfolio. Furthermore, as part of its Asset Management segment, Encavis offers institutional investors – both via various investment vehicles as well as direct investments – the opportunity to invest in attractive renewable energy installations. Encavis Asset Management AG, a wholly owned subsidiary of Encavis AG, is responsible for business with institutional investors within the Encavis Group.

Germany

In Germany, the 2017 Renewable Energy Sources Act (EEG 2017) has been in effect since 1 January 2017. The objective, among other things, is to increase the share of renewable energies in the gross electricity consumption from 30 to 45 per cent by the year 2025. In particular, the new EEG will rely on more competition to accomplish this; for all significant technologies in the renewable energies sector, the subsidy amounts will be determined through tendering processes in future.

Since 1 January 2018, the utilisation and the amount of a state-guaranteed feed-in tariff for electricity from newly commissioned solar installations of 750 kilowatts peak (kWp) or more has thus only been determined by successful participation in tenders. So far in 2018, two tender rounds have taken place in February and June. The lowest value of a bid that was accepted was EUR 0.0389 per kilowatt-hour (kWh) in June. In the last bidding round of the previous year, in October 2017, this value was still EUR 0.0429 per kWh. The falling remuneration is above all an expression of the continuing decline in module prices.

Since 1 May 2017, the German Federal Network Agency has also been organising tender rounds for onshore wind energy in Germany. Three tender rounds took place in 2017, and a total of four tender rounds are planned for 2018. The first two tender rounds were conducted in February and May 2018. At the last tender round in May 2018, the lowest tender was EUR 0.0465 per kWh compared to EUR 0.038 per kWh in February 2018. For the first time, the tendered amount of 670 MW was signed; tenders of around 604 MW were received. The increase in the feed-in tariff for onshore wind parks can also be attributed to, among other things, the suspension of the EEG special rules for public wind parks. The special rules for public wind parks had led to significant price declines in the first tender rounds. In June 2018, the legislature stopped this distortion by suspending the special rule until 1 June 2020.

Denmark

The Danish government is pursuing the long-term strategic objective of Denmark's independence from fossil fuels by 2050. To this end, it last raised its expansion target for renewable energies by five percentage points by 2030. The share of renewable energies in the overall energy mix is to be increased to 55 per cent by then. Denmark hopes to have a complete supply of renewable energies by 2050.

Similar to the German EEG, the Denmark grants a fixed feed-in tariff for onshore wind parks of EUR 0.0335 (converted from DKK 0.25) per kWh. What is more, all revenue generated beyond EUR 0.0335 per kWh by electricity sold in the open market represents additional revenue. Unlike with the German EEG, the feed-in tariff is not valid for a fixed period, but rather for the first 22,000 full-load hours per MW.

Last year, the Danish government decided to gradually phase out the Public Service Obligation, which is comparable to the German EEG levy, by 2021. Instead, the energy transition is to be financed by public budgets.

France

French President Emmanuel Macron is sticking to the transition of France's environmental and energy policies to more environmentally friendly and sustainable models. To do so, he is primarily relying on continuity with the laws relating to the energy transformation which came into effect under President François Hollande. Additionally, Macron has announced his intention to make investments of some EUR 15 billion available for the transition in the energy sector. By the year 2020, his goal is to increase the share of renewable energies in France to 30 per cent and to completely move away from coal within the next five years. The framework conditions for renewable energies in France are therefore very attractive on the whole.

United Kingdom

After a moment of stagnation following the United Kingdom's decision to leave the EU, the renewable energy sector is also beginning to move again. In 2018, the United Kingdom decided to phase out coal by 2025. Furthermore, wind and solar together supplied more energy in 2017 than all nuclear power plants in the country for the first time. The share of renewable energies in electricity production thus rose to 29.4 per cent in 2017, whereas the share of nuclear energy was around 21 per cent. The aim is to decarbonise the economy, which is why the United Kingdom continues to rely on low-carbon energy sources, including nuclear energy. In this respect, the United Kingdom remains officially committed to the completion of the new Hinkley Point C nuclear power plant, which is scheduled to be connected to the grid in 2023. Nevertheless, there have already been considerable delays in this regard. In addition, the British government intends to continue driving the expansion of renewable energies. What is more, the United Kingdom is apparently planning to build up a comprehensive network of battery storage facilities in the coming years, with the goal of establishing a national network of battery storage facilities with an output of more than 2 GW. The continuing weakness of the British pound makes the British energy market particularly appealing for foreign investors.

Italy

In November 2017, Italy's government at the time presented the national energy strategy "SEN 2017". Among other things, this provides for a share of renewable energies in energy consumption of 28 per cent by 2030. Around EUR 35 billion are planned for the expansion of renewable energies. By the year 2025, the country hopes to no longer be reliant upon coal for its electricity supply.

New Italian Prime Minister Giuseppe Conte, who was sworn in on 1 June 2018, spoke out in favour of increased investment in the field of renewable energies when presenting his government programme.

Netherlands

The Netherlands has committed itself to more climate protection as part of a cross-party initiative. The climate law adopted at the end of June provides for greenhouse gas emissions to be reduced by 49 per cent by 2030 and 95 per cent by 2050 compared to the reference year 1990. All coal power plants in the Netherlands are to be closed by 2030.

In the Netherlands, tendering procedures for large solar installations have also been used for several years. Under the name SDE+ ("Stimulering Duurzame Energieproductie"), subsidies for renewable energies are set annually in two rounds. Funding is granted for a period of 15 years, most recently between EUR 0.09 and 0.13 kWh.

Austria

The government programme in Austria has set a target of 100 per cent electricity from renewable energy sources by 2030. In 2016, Austria also ratified the Paris Agreement on climate protection. For the implementation of the ambitious targets, a climate and energy strategy was drawn up which provides for a "consistent decarbonisation path" for Austria through to 2050.

A new funding model for wind parks is currently being discussed in Austria, also in consideration of the fact that the expansion of wind power in the Alpine republic has continued to decline.

Asset Management segment

With its Asset Management segment, the Encavis Group offers institutional investors the opportunity to invest in assets in the renewable energy sector through various investment vehicles. In addition to funds and bespoke direct investments, Asset Management enables institutional investors – through the use of funds structured in accordance with Luxembourg law – to invest in a highly diversified portfolio of wind and solar parks.

Renewable energy installations provide institutional investors with attractive returns on investment and stable cash flows which are in large part government-guaranteed. With their long terms and a low correlation to other asset classes or to economic fluctuations, these types of investment are particularly suited for pension funds and insurance products, for example, which invest over the long term and must diversify very large portfolios. According to the Renewable Global Status Report, institutional investors invested approximately USD 9.9 billion in renewable energies in 2017, which is an increase of around 42 per cent compared to the previous year.

Course of business

Encavis and Irish sovereign development fund ISIF conclude partnership in order to make joint investments in the Irish solar market via projects of Irish project developer Power Capital

On 18 January 2018, Encavis AG concluded a partnership with Irish sovereign development fund Ireland Strategic Investment Fund (ISIF) in order to make joint investments in a solar park portfolio belonging to Irish project developer Power Capital comprising more than 20 parks with a total generation capacity in excess of 140 MW. By virtue of the partnership, the Irish sovereign development fund will be investing in the solar energy sector in Ireland for the first time, thus developing the country's solar market in conjunction with Encavis. The partnership envisages that ISIF, as a silent partner, will acquire 25 per cent of the equity for each of the projects in which Encavis AG invests in Ireland.

It is planned to build solar parks on the east and south-west coasts of Ireland, from the region of Louth to the region of West Cork. The individual parks will measure between 5 megawatts and 25 MW in scale. All necessary permits were obtained at the end of 2017 for parks with a generation capacity totalling 110 MW.

The Irish government has set a target of meeting some 40 per cent of Irish electricity demand with renewable energies by 2020. In order to meet this target, it is expected that Ireland will soon introduce a new system of government subsidies for renewable energies. A study published by consultancy firm KPMG estimates that generation capacity of more than 3,750 MW would have to be installed by 2030 in order to meet the demand and potential within the Irish solar market.

Renaming to "Encavis"

On 27 February 2018, the company announced its new name of "Encavis AG". Following the merger of Capital Stage AG (as was) and CHORUS Clean Energy AG in 2016, both companies are now publicly pooling their strength and expertise in the renewable energy sector under a new name. Our new brand, "Encavis", symbolises the three pillars on which our company is built. It stands for "energy" and thus the product that is the focus of our investments and operating activities. It also stands for "capital" and thus for the financial part of our business model. And finally it stands for "vision" – after all, we are committed to the energy system of the future and we make renewable energies economically viable. The name change also affects the companies Encavis Asset Management AG (formerly: CHORUS Clean Energy AG) and Encavis Technical Services GmbH (formerly: Capital Stage Solar Service GmbH).

Encavis AG acquires solar park with capacity of 43.9 MW in the Netherlands, thus implementing first project with Solarcentury

On 12 March 2018, Encavis announced the acquisition of a ready-to-build solar park with a total generation capacity of 43.9 MW close to the Dutch city of Eindhoven, in the province of North Brabant. The project developer for the park is British company Solarcentury, with whom Encavis AG entered into a strategic partnership in December 2017. This partnership concerns access to solar parks with a total generation capacity of some 1.1 GW over the next three years. Grid connection is planned for the fourth quarter of 2018. The total investment volume, including project-related debt financing, is around EUR 44 million. Solarcentury will provide almost 20 per cent of the equity share of the investment. A guaranteed feed-in tariff of EUR 0.104 per kWh has been secured for the first 15 years following grid connection as part of an auction process. The company expects the solar park to generate annual revenue of almost EUR 4.5 million from the first year of full operation onwards. Commercial and technical operation will be handled by Solarcentury.

Changes in the Management Board of Encavis AG

On 27 April 2018, Encavis AG announced that Holger Götze had, by mutual and amicable agreement, stepped down from the Management Board as of 26 April 2018.

Due to the acquisition of CHORUS Clean Energy AG, Holger Götze had served on the Management Board of Encavis AG since October 2016. During this period, he played, for example, a crucial role in the successful integration of CHORUS, now Encavis Asset Management AG, within Encavis AG. In this regard, he was particularly influential in developing the asset management business for institutional investors and establishing it as an independent business segment within the Encavis Group.

Once CHORUS had been integrated within Encavis AG, Holger Götze and the Supervisory Board agreed that he would terminate his Management Board contract early, which was due to run until 18 October 2019. Dr Dierk Paskert, CEO of Encavis AG since 1 September 2017, and Dr Christoph Husmann, CFO of Encavis AG since 1 October 2014, will take over the duties of Holger Götze.

Segment development

PV Parks segment

As of 30 June 2018, the solar parks in the portfolio of Encavis comprised a total of 163 solar parks with a total generation capacity of 830 MW, with parks located in the countries of Germany, Italy, France, the United Kingdom and the Netherlands.

The business activities of the Group are subject to seasonal influences, leading to fluctuations in revenue and results throughout the course of the year. In terms of the PV Parks segment, which comprises all solar parks in the Group's own portfolio, the months from April to September tend to generate more revenue than the autumn and winter months.

While the German solar park portfolio exceeded its targets in the first half of 2018, the French, British and Italian portfolios were all below forecast. Actual fed-in power in the first half of 2018 came to 432,808 MWh (previous year: 391,885 MWh). The solar parks in Germany accounted for around 35 per cent of the feed-in power (previous year: 36 per cent), those in Italy for 24 per cent (previous year: 29 per cent), those in the United Kingdom for 15 per cent (previous year: 11 per cent) and those in the France for 26 per cent (previous year: 24 per cent).

In almost all cases, operation of the installations ran smoothly. In the United Kingdom, the cables at some solar parks were renewed.

Solar parks acquired in the first half of the 2018 financial year:

- Zonnepark Budel B.V., Netherlands, Group share: 80.01 per cent

Wind Parks segment

As of 30 June 2018, the wind parks in the portfolio of Encavis comprised a total of 31 wind parks with a total generation capacity of 318 MW, with parks located in the countries of Germany, Italy, France, Austria and Denmark.

Due to weather conditions, the wind parks generate more revenue in the autumn and winter months than they do in summer.

The wind park portfolio was below plan in the first half of 2018 due to low wind.

In almost all cases, operation of the installations ran smoothly.

Wind parks acquired in the first half of the 2018 financial year:

- Energiepark Hürth-Barbarahof WP HB GmbH & Co. KG (5 MWp), Germany, Group share: 100 per cent
- Energiepark Odisheim GmbH & Co. WP ODI KG (10 MWp), Germany, Group share: 100 per cent
- Windenergieanlagen Rindum Enge 1 and 5 (6 MWp), Denmark, Group share: 100 per cent

PV Service segment

Encavis Technical Services GmbH, Group share: 100 per cent

The company has assumed responsibility for the technical management of many German and Italian solar parks of the Encavis Group. The volume of Group assets under management amounts to 209 MWp as of 30 June 2018.

From 2012 onwards, Encavis Technical Services GmbH also took over contracts for the technical operation of parks not belonging to the Encavis Group. The parks in question are located in Saxony-Anhalt, Thuringia, Brandenburg and northern Italy. The volume of non-Group assets under management comes to around 13 MWp.

Earnings after taxes came in at TEUR 737 in the first half of the 2018 financial year and were therefore TEUR 22 above the previous year's level (TEUR 715). While revenue and other income recorded an increase of TEUR 326, depreciation and amortisation as well as expenses for materials and personnel and other expenses also increased in total by TEUR 315. Due to the complete repayment of a loan in financial year 2017, the financial result in the first half of 2018 was TEUR 0 (previous year: TEUR –11).

Asset Management segment

Asset Management includes all services for third-party investors – that is, the initiation of funds and/or the individual design and structuring of other investments for professional investors within the renewable energies sector as well as the operation of the facilities owned by these investors. As of 30 June 2018, the portfolio comprises a total of eight solar parks and 34 wind parks in the countries of Germany, Italy, France, the United Kingdom, Finland and Sweden.

Earnings, net assets and financial position

Adjustment to the previous year's figures

In the 2017 consolidated financial statements, Encavis adjusted the composition of its operating financial earnings to also include an appropriate consideration of non-controlling interests in private companies in its operating key financial figures. This adjustment had not yet been taken into account in the financial statements of the 2017 semi-annual financial report. As a result, this adjustment has now also been applied to the comparative figures for the previous year, which is why there has been a change in some key figures for the previous year compared with the figures published in the 2017 semi-annual financial report, although each figure is below EUR 1 million. In the following, all information that deviates from the figures published in the 2017 semi-annual financial report due to this adjustment have been marked with a "[1]". In tables, the "[1]" has been placed next to the year (column heading); in text blocks, the "[1]" has been placed directly behind the corresponding figure.

Encavis has also adjusted the composition of individual items in the cash flow statement. Please refer to the notes to the interim consolidated financial statements for further details. On an aggregated level, this resulted in an adjustment of TEUR 19 in cash flow from operating activities. In the following, all information that deviates from the figures published in the 2017 semi-annual financial report due to this adjustment have been marked with a "[2]". In tables, the "[2]" has been placed next to the year (column heading); in text blocks, the "[2]" has been placed directly behind the corresponding figure.

Operating earnings (non-IFRS)

In the first half of the 2018 financial year, the Group generated revenue of TEUR 122,757 (previous year: TEUR 113,775). This represents an increase of some 8 %. Growth was driven both by the expansion of the wind park portfolio and by the expansion of the solar park portfolio, and was achieved overall compared with a very strong meteorological performance in the first half of 2017. Without these exceptionally strong meteorological effects, revenue in the first half of 2018 would have risen by EUR 11.3 million compared to the same period of the previous year, an even more significant increase. This would have represented a revenue increase of some 10 per cent. The increased sunshine in Germany since mid April up to the reporting date ensured that revenue losses due to meteorological factors from the first quarter of the 2018 financial year could be made up for.

The Group generated other operating income of TEUR 4,756 (previous year: TEUR 3,035). This includes non-recurring income in the amount of TEUR 2,096 from the derecognition of previously recognised liabilities for potential repayment claims of grid operators, which are no longer expected to be realised, as well as non-period income in the amount of TEUR 1,428 (previous year: TEUR 2,081).

Operating personnel expenses came to TEUR 6,449 (previous year: TEUR 4,542). On the one hand, the increase is due to the expansion of the team at Encavis AG. On the other hand, the number of members of the Management Board of Encavis AG has increased to three since 1 September 2017 with the addition of Dr Dierk Paskert as CEO of Encavis AG. With the departure of Holger Götze on 26 April 2018, one-time personnel expenses were incurred in this context in the reporting period.

Other operating expenses of TEUR 26,210 were incurred (previous year: TEUR 23,613). This mainly consists of costs of TEUR 19,267 for operating solar parks and wind parks (previous year: TEUR 18,315). Other expenses also include TEUR 6,794 in costs of current operations (previous year: TEUR 5,237). The increase in costs is based on the growth of the existing portfolio and the associated higher expenses from start-up costs in connection with the announced expansion of business activities to include the solar parks still under construction in the Netherlands and from various consulting costs.

Operating earnings before interest, taxes, depreciation and amortisation (EBITDA) were TEUR 93,986 in the first half of the 2018 financial year (previous year: TEUR 87,951). This represents an increase of some 7 %. The EBITDA margin was around 77 per cent. The increase in EBITDA was limited by the start-up costs for solar parks still under construction, which will only be offset in the future by revenue. The weather adjusted operating EBITDA would have increased by 10 % to EUR 93.3 million in the first half of the 2018 financial year (previous year: TEUR 85.0).

The depreciation and amortisation of TEUR 36,172 (previous year: TEUR 32,076) chiefly comprises scheduled depreciation of the photovoltaic and wind power installations. The increase in depreciation and amortisation stems primarily from the solar and wind parks acquired or newly constructed in 2017 and in the first half of 2018.

Operating earnings before interest and taxes (EBIT) amounts to TEUR 57,814 and thus increased by a good 3 per cent, or TEUR 1,939, compared to the previous year (previous year: TEUR 55,875). The only moderate increase in EBIT is mainly due to the particularly strong comparative period and various non-recurring cost effects. The EBIT margin was 47 per cent. The weather adjusted operating EBIT would have increased by 8 % to EUR 57.1 million in the first half of the 2018 financial year (previous year: TEUR 52.9).

Operating financial earnings amount to TEUR -26,580 (previous year: TEUR -26,195)[1]. This includes in particular the interest expenses for the non-recourse loans to finance installations in the park companies and interest expenses in connection with the mezzanine capital of Gothaer Versicherungen.

Operating earnings before taxes (EBT) therefore came to TEUR 31,234 (previous year: TEUR 29,681)[1]. The EBT margin was around 25 per cent.

The consolidated statement of comprehensive income shows operating tax expenses for the first half of the 2018 financial year of TEUR 3,422 (previous year: TEUR 4,592), mainly for effective tax payments in connection with solar and wind parks.

Altogether, this resulted in consolidated operating earnings of TEUR 27,811 (previous year: TEUR 25,089)[1]. The EAT margin was approximately 23 per cent.

Operating cash flow came in at TEUR 78,258 in the first half of 2018, compared with TEUR 69,908[2] in the first half of 2017. The increase in the revenue, in particular, is responsible for this rise.

Determining the operating KPIs (adjusted for IFRS effects)

As outlined in the "Internal management system at Encavis" section of the 2017 annual report, Group IFRS accounting is influenced by non-cash measurement effects and the resulting depreciation and amortisation. In addition, non-cash interest effects and deferred taxes impair a transparent view of the operating earnings situation as per IFRS.

In TEUR	01.01.–30.06.2018	01.01.–30.06.2017[1]
Revenue	122,757	113,775
Other income	10,669	17,309
Cost of materials	-870	-703
Personnel expenses, of which TEUR –245 (previous year: TEUR –67) in share-based remuneration	-6,512	-4,609
Other expenses	-26,414	-24,011
Adjusted for the following effects:		
Income from the disposal of financial investments and other non-operating income	0	-12
Other non-cash income (primarily profit from business combinations [badwill] and the reversal of interest rate advantages from subsidised loans [government grants] as well as non-cash non-period income)	-5,913	-14,262
Other non-operating expenses	205	399
Share-based remuneration (non-cash)	63	67
Adjusted operating EBITDA	**93,986**	**87,951**
Depreciation and amortisation	-54,949	-49,776
Adjusted for the following effects:		
Amortisation of intangible assets (electricity feed-in contracts) acquired as part of business combinations	22,224	21,212
Subsequent measurement of uncovered hidden reserves and liabilities on step-ups for property, plant and equipment acquired as part of business combinations	-3,447	-3,512
Adjusted operating EBIT	**57,814**	**55,875**
Financial result	-24,161	-23,364
Adjusted for the following effects:		
Other non-cash interest and similar expenses and income (primarily arising from effects of currency translation, effective interest rate calculation, swap valuation and interest cost from subsidised loans [government grants])	-2,419	-2,831
Adjusted operating EBT	**31,234**	**29,681**
Tax expenses	-2,326	-8,396
Adjusted for the following effects:		
Deferred taxes (non-cash)	-1,096	3,804
Adjusted operating EAT	**27,811**	**25,089**

The following IFRS KPIs deviate from the operating earnings position:

The Group generated other income of TEUR 10,669 (previous year: TEUR 17,309). In relation to the provisional purchase price allocations pursuant to IFRS 3, a difference was recognised in the amount of TEUR 4,838 (previous year: TEUR 12,579) through profit or loss in the reporting period.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) were TEUR 99,631 in the first half of the 2018 financial year (previous year: TEUR 101,760). The EBITDA margin was around 81 per cent.

Depreciation and amortisation of TEUR 54,949 (previous year: TEUR 49,776) mainly comprises depreciation of the photovoltaic plants and wind power installations as well as amortisation of intangible assets (electricity feed-in contracts and exclusive licences). The increase stems mainly from the newly acquired solar and wind parks and those only consolidated pro rata temporis in the previous year.

Earnings before interest and tax (EBIT) totalled TEUR 44,681 (previous year: TEUR 51,984). The EBIT margin was around 36 per cent.

Operating financial result totalled TEUR -24,161 (previous year: TEUR -23,364). Financial income amounts to TEUR 7,732 (previous year: TEUR 5,204). With income of TEUR 4,569 (previous year: TEUR 2,891), this interest income stems from the reversal of step-ups on bank loans and leasing liabilities. In the same period of the previous year, some of this income was still shown net within financial expenses. Income of TEUR 1,822 is included (previous year: TEUR 2,249) in connection with the changes in the market values of the interest rate swaps as well as income from currency translation in the amount of TEUR 1,072 relating to the shareholder loans granted to the British subsidiaries in foreign currencies. Financial expenses of TEUR 31,893 were incurred (previous year: TEUR 28,567). This includes in particular the interest expenses for the non-recourse loans to finance installations in the park companies and interest expenses in connection with the mezzanine capital of Gothaer Versicherungen, as well as various non-cash expenses.

Earnings before taxes (EBT) therefore came to TEUR 20,520 (previous year: TEUR 28,621).

The consolidated statement of comprehensive income shows tax expenses for the first half of the 2018 financial year of TEUR 2,326 (previous year: TEUR 8,396) and is comprised of effective tax payments and deferred taxes. Quarterly taxes are calculated in accordance with IAS 34.

Altogether, this resulted in consolidated earnings of TEUR 18,194 (previous year: TEUR 20,225).

Consolidated earnings are made up of earnings attributable to shareholders of the parent company of TEUR 15,209 (previous year: TEUR 19,551), earnings attributable to non-controlling interests of TEUR 445 (previous year: TEUR 674) and earnings attributable to the hybrid bondholders of TEUR 2,540 (previous year: TEUR 0). Comprehensive income for the Group of TEUR 19,592 (previous year: TEUR 22,401) is made up of consolidated earnings and changes in other reserves shown in equity. In addition to the currency translation reserve in the amount of TEUR 149 (previous year: TEUR 153), other reserves also contain hedge reserves in the amount of TEUR 1,695 (previous year: TEUR 3,028), which also contain amounts to be recognised in profit or loss in future over the remaining term of the respective underlying items for interest rate swaps previously held in a hedging relationship, the cost of hedging in the amount of TEUR -42 (previous year: TEUR 0) as well as the effects from the valuation of available-for-sale financial assets with no effect on profit or loss in the amount of TEUR 0 (previous year: TEUR –176). Corresponding deferred tax effects of TEUR –404 (previous year: TEUR –829) have a contrasting effect. Undiluted earnings per share (after non-controlling interests) were 0.12 Euro (previous year: EUR 0.15). The average number of shares in circulation in the reporting period was 128,687,085 (previous year: 126,904,431). Diluted earnings per share were 0.12 Euro (previous year: EUR 0.15).

Financial position and cash flow

The change in cash and cash equivalents in the first half of 2018 came to TEUR 8,154 (previous year: TEUR -12,063)[2]. This broke down as follows:

Cash flow from operating activities amounts to TEUR 78,258 (previous year: TEUR 69,908)[2]. This consists largely of cash inflows from the operating business of the solar and wind parks and the resulting proceeds. Also included here are changes in assets and liabilities not attributable to investing or financing activities.

Cash flow from investing activities of TEUR -54,047 (previous year: TEUR -41,987)[2] was mainly for payments for the acquisition of a solar park in the Netherlands and wind parks in Germany and Denmark, as well as payments related to investments in property, plant and equipment for the construction of solar and wind parks in France, the Netherlands and Austria.

Cash flow from financing activities of TEUR -16,057 (previous year: TEUR -39,984)[2] results primarily from the regular loan repayments and interest paid less the loans for newly acquired solar and wind parks paid out after the dates of initial consolidation. Also included are the payment of the dividend for 2017 financial year in the amount of TEUR 20,838, the dividend payment to hybrid bondholders in the amount of TEUR 2,554 and the taking out of a money market loan in the amount of TEUR 28,000. In the first half of 2017, a working capital loan of TEUR 20,000 continued to have an effect on the cash flow from financing activities.

As of 30 June 2018, the Group has cash and cash equivalents amounting to TEUR 128,142 (30 June 2017: TEUR 113,537), under consideration of the current account liabilities in the amount of TEUR 1,065 (previous year: TEUR 4,299).

Assets position

As of 30 June 2018, equity amounted to TEUR 694,981 (31 December 2017: TEUR 698,594). The decrease in the amount of TEUR 3,613, or 0.5 per cent, results primarily from the payment of the dividends. The issue of new shares and the positive earnings for the period had an opposite effect. Share capital increased by TEUR 1,185 through contributions in kind. The equity ratio is 26.7 per cent (31 December 2017: 27.7 per cent).

Total assets increased from TEUR 2,519,698 as of 31 December 2017 to TEUR 2,599,068.

Goodwill stood at TEUR 32,419 as of 30 June 2018 (31 December 2017: TEUR 32,405).

As of 30 June 2018, the Group has bank and leasing liabilities amounting to TEUR 1,556,047 (31 December 2017: TEUR 1,487,365). These loans and leases relate to funding for solar parks and wind parks and the mezzanine capital provided by Gothaer Versicherungen in November 2014. This also includes liabilities from listed notes for the Grid Essence portfolio including accrued interest in the amount of TEUR 40,415 as well as liabilities from debenture bonds in the amount of TEUR 23,000. This does not include amounts recognised under other liabilities totalling TEUR 10,572 (31 December 2017: TEUR 10,678), which comprises interest advantages from low-interest government loans (KfW) and is to be accounted for in accordance with IAS 20 and shown separately. Non-current liabilities from the mezzanine capital amounted to TEUR 150,000 as of 30 June 2018 and as of 31 December 2017. Liability for almost all debt related to the parks is limited (non-recourse financing).

Events after the balance sheet date

There were no significant events after the conclusion of the balance sheet date.

Opportunities and risks

There were no material changes in the reporting period to the opportunities and risks outlined in the consolidated financial statements for the 2017 financial year.

Furthermore, the Management Board of Encavis AG is, at the time of preparing the 2018 semi-annual financial report, not aware of any risks that would jeopardise the continued existence of the company or the Group.

Forecast

The following statements include forecasts and assumptions that are not certain to materialise. If one or more of these forecasts or assumptions do not materialise, actual results and developments may differ substantially from those outlined.

Underlying economic conditions

Global economy continues to grow

The IMF does not expect any additional momentum in global economic growth for the coming year, but the positive growth trend continues. At 3.9 per cent, global economic growth in 2019 should thus reach roughly the level of the current year.

The European Central Bank will continue its expansive monetary policy over the medium term. The prime interest rate has been at a record low of 0.0 per cent since March 2016. Lending in the eurozone has recently picked up again, so that the ECB is likely to stop acquiring government and corporate bonds at the end of the year. The volume of these transactions is expected to have grown to over EUR 2.5 trillion by then. In the United States, the Fed initially did not raise interest rates any further at the beginning of August 2018, leaving them in a range of 1.75 to 2.0 per cent. The Fed wants to make further interest rate hikes dependent on the further dynamics of economic development. Experts expect an interest rate hike in September 2018.

While the US dollar is gaining ground on the euro thanks to the increasing interest rate gap and the more dynamic economic momentum in the United States, uncertainty is still high with regard to the British pound. Over the medium term, stability in this regard should not be expected until the terms of the Brexit deal have been determined by the official exit date, 29 March 2019.

Underlying conditions for renewable energies

The global success story continues

The expansion of renewable energies is continuing with great dynamism around the world. In addition to political climate goals such as those agreed in the UN's Paris climate agreement, more and more companies are actively advocating restructuring and expanding their energy supply to renewable energy sources. As a result, long-term private power purchase agreements between companies and electricity producers in the renewable energies sector with a total capacity of around 5.4 GW were concluded in 2017 (2016: 4.3 GW).

Renewable energies are also likely to benefit from the constant technical development of battery storage technology. By coupling photovoltaics or wind power, for example, to a modern storage system, electricity from these renewable energy sources can be fed into the grid in a more demand-oriented manner and is less dependent on meteorological conditions. The combination of storage technologies and the key technologies of renewable energies will contribute significantly to a further structural change in the energy markets in favour of renewable energies in the coming years.

In the technology fields of solar and wind energy where Encavis Group is active, significant growth rates are expected to continue in the coming years.

SolarPower Europe (SPE), the association of Europe's solar industry, has published its most recent expectations of capacity expansion in the photovoltaic sector under the title "Global Market Outlook 2017 – 2021". In the optimistic scenario in its report, SPE expects that global photovoltaic generation capacity will climb to more than 900 GW by 2021; in its pessimistic scenario, it predicts that this figure will rise to more than 600 GW.

The wind power sector will also witness significant expansion over the next few years. According to the forecasts of the Global Wind Energy Council ("Market Forecast for 2018 – 2022"), generation capacities in the wind energy sector could rise to nearly 840 GW by the year 2022.

Overview of expected development

Both the existing and future expectations surrounding the underlying economic and sociopolitical conditions as well as the consistently low interest rates continue to provide Encavis with the ideal environment for further qualitative growth.

Encavis has also secured long-term access to an attractive acquisition pipeline through strategic partnerships with leading project developers and financing partners. To this end, Encavis will increasingly, and earlier than before, enter the construction phase of the projects. However, Encavis will generally not assume project planning risks in the future either. In addition, all installations acquired by Encavis continue to have long-term feed-in tariffs or private power purchase agreements. By diversifying according to technology and country, the company also consciously and actively contributes to a further reduction of potential risks from operating activities. In addition, long-term financing at the project level, which does not permit recourse to Encavis AG, rounds off the company's conservative business model.

Encavis is particularly appreciated in the market for its expertise, reliability, ability to close deals and complete acquisition processes swiftly. The company therefore has a very well-filled acquisition pipeline; many projects are also offered to the company off-market and exclusively.

With the strategic partnerships concluded in 2017 and at the beginning of the current year, the company has secured additional exclusive access to solar projects with a total generation capacity of around 1.2 GW over the next three years. Strategic partners include the British project developer Solarcentury, the Irish project developer Power Capital and the Irish sovereign development fund Ireland Strategic Investment Fund (ISIF).

The conclusion of strategic partnerships with an exclusive acquisition pipeline results in significantly greater transparency and planning reliability for Encavis's future growth course, and the further expansion of the portfolio can be managed and scheduled in a more targeted manner.

Encavis makes renewable energies economical and sees the future of the energy market in decentralised energy supply from solar and wind power plants combined with state-of-the-art storage technology. Encavis intends to make greater and consistent use of the significantly improved efficiency and competitiveness of electricity generation from renewable energies in the future in order to position itself among companies as an electricity supplier within the framework of long-term private power purchase agreements and to offer them individual and attractive service and supply contracts.

Encavis also makes its many years of experience and market knowledge in the field of renewable energies available to institutional investors. Encavis Asset Management AG is the specialist for institutional investors within the Encavis Group. Encavis Asset Management plans and builds a portfolio of renewable energy assets tailored to the needs of its clients. This can be done individually or as part of fund solutions based on Luxembourg special funds (SICAV/SICAF).

Guidance 2018 – Encavis AG fully on target after first half-year

Encavis AG is fully on target and on track with its results for the first half of 2018. The Management Board of Encavis AG therefore once again confirms its guidance for the 2018 financial year published in March 2018. This is based solely on the portfolio of solar and wind parks as of 16 March 2018 and the assumption of average meteorological conditions. Growth in the current 2018 financial year has been achieved even in comparison to strong growth in the previous 2017 financial year, which benefited in particular from above-average meteorological conditions.

In EUR million	2018
Revenue	>240
Operating EBITDA*	>175
Operating EBIT*	>105
Operating cash flow*	>163
Operating EPS in TEUR*	>0.30

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

Dividend policy

The Management and Supervisory Boards of Encavis AG want the shareholders to share in the success of the company to an appropriate extent. At the annual shareholders' meeting on 08 May 2018, they therefore proposed the payment of a dividend in the amount of EUR 0.22 for each dividend-entitled share. The Annual General Meeting approved the recommendation of the company by a large majority. The dividend was also once again offered as an optional dividend which provides the shareholders with the greatest possible freedom to choose. A portion of the balance sheet profit of EUR 34,388,583.44 for the 2017 financial year was used to pay out the cash dividend – which was carried out on 11 June 2018 – in accordance with the resolution passed at the Annual General Meeting of Encavis AG. With an acceptance rate of nearly 40 per cent, the optional dividend was once again well received. In total, 1,185,126 new bearer shares were issued.

Hamburg, August 2018

Dr Dierk Paskert — Dr Christoph Husmann

CEO — CFO

Condensed consolidated statement of comprehensive income (IFRS)

In TEUR	01.01.–30.06.2018	01.01.–30.06.2017	Q2/2018	Q2/2017
Revenue	122,757	113,775	76,876	71,836
Other income	10,669	17,309	7,359	4,520
Cost of materials	-870	-703	-421	-420
Personnel expenses	-6,512	-4,609	-3,737	-2,875
of which in share-based remuneration	*-245*	-67	*-124*	-33
Other expenses	-26,414	-24,011	-13,733	-13,945
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**99,631**	**101,760**	**66,344**	**59,116**
Depreciation and amortisation	-54,949	-49,776	-27,564	-25,108
Earnings before interest and taxes (EBIT)	**44,681**	**51,984**	**38,781**	**34,007**
Financial income	7,732	5,204	2,990	2,637
Financial expenses	-31,893	-28,567	-17,437	-14,901
Earnings before taxes on income (EBT)	**20,520**	**28,621**	**24,334**	**21,744**
Taxes on income	-2,326	-8,396	-1,434	-6,012
Consolidated earnings	**18,194**	**20,225**	**22,900**	**15,732**
Items which can be reclassified to profit or loss				
Currency translation differences	149	153	-155	189
Hedging of cash flows – effective part of the change in fair value	1,695	3,028	889	1,860
Cost of hedging measures	-42	0	8	0
Change in the market value of available-for-sale financial assets	0	-176	0	-194
Income taxes relating to items which can be reclassified to profit or loss	-404	-829	-216	-461
Consolidated comprehensive income	**19,592**	**22,401**	**23,426**	**17,125**
Consolidated comprehensive income for the period attributable to				
Shareholders of Encavis AG	15,209	19,551	21,040	14,781
Non-controlling interests	445	674	587	950
Hybrid capital investors	2,540	0	1,274	0
Consolidated comprehensive income for the period attributable to				
Shareholders of Encavis AG	16,606	21,727	21,566	16,175
Non-controlling interests	445	674	587	950
Hybrid capital investors	2,540	0	1,274	0
Earnings per share				
Average number of shares in circulation in the reporting period				
Undiluted	*128,687,085*	*126,904,431*	*129,117,177*	*127,340,449*
Diluted	*128,748,420*	*126,924,654*	*129,174,384*	*127,360,529*
Earnings per share (undiluted, in EUR)	0.12	0.15	0.16	0.12
Earnings per share (diluted, in EUR)	0.12	0.15	0.16	0.12

Condensed consolidated financial statements (IFRS)

Assets in TEUR	30.06.2018	31.12.2017
Intangible assets	592,005	609,482
Goodwill	32,419	32,405
Property, plant and equipment	1,527,172	1,455,168
Financial assets accounted for using the equity method	690	690
Financial assets	7,029	11,071
Other receivables	14,649	14,558
Deferred tax assets	113,958	118,896
Total long-term assets	**2,287,922**	**2,242,271**
Inventories	324	339
Trade receivables	50,114	40,146
Non-financial assets	12,260	8,585
Income tax receivables	19,222	21,471
Other current receivables	19,289	11,311
Liquid assets	209,937	195,577
Cash and cash equivalents	*129,208*	*124,388*
Restricted cash and cash equivalents	*80,729*	*71,188*
Total short-term assets	**311,146**	**277,428**
Total assets	**2,599,068**	**2,519,698**

Equity and liabilities in TEUR	30.06.2018	31.12.2017
Subscribed capital	129,437	128,252
Capital reserve	412,927	406,834
Reserve for equity-based employee remuneration	521	458
Other reserves	-1,057	-2,753
Net retained profit	50,274	63,737
Equity attributable to Encavis AG shareholders	**592,102**	**596,528**
Equity attributable to non-controlling interests	7,437	6,582
Equity attributable to hybrid capital investors	95,442	95,484
Total equity	**694,981**	**698,594**
Long-term liabilities to non-controlling interests	5,142	2,791
Long-term financial liabilities	1,345,676	1,284,199
Long-term leasing liabilities	77,223	80,578
Provisions for restoration obligations	37,425	26,089
Other long-term liabilities	11,113	11,078
Deferred tax liabilities	229,601	233,548
Total long-term liabilities	**1,706,180**	**1,638,283**
Short-term liabilities to non-controlling Interests	18,093	17,705
Income tax payable	4,680	7,027
Short-term financial liabilities	127,266	117,996
Short-term lease liabilities	6,683	6,612
Trade payables	26,946	20,261
Other current liabilities	8,857	6,689
Current accruals	5,383	6,532
Total short-term liabilities	**197,907**	**182,821**
Total equity and liabilities	**2,599,068**	**2,519,698**

Condensed consolidated cash flow statement (IFRS)

in TEUR	01.01.–30.06.2018	01.01-30.06.2017[2]
Net profit/loss for the period	18,194	20,225
Depreciation and amortisation of fixed assets	54,949	49,776
Profit/loss from the disposal of fixed assets	4	0
Other non-cash income and expenses	-5,476	-13,357
Financial income/financial expenses	24,157	23,364
Taxes on income	-1,208	4,109
Increase/decrease in other assets/liabilities not attributable to investment or financing activities	-12,362	-14,209
Cash flow from operating activities	**78,258**	**69,908**
Payments made for acquisition of consolidated companies less acquired cash/proceeds from the sale of consolidated companies	-12,623	-10,718
Payments related to investments in property, plant and equipment/proceeds from the disposal of assets in property, plant and equipment	-41,236	-29,964
Payments for investments in intangible assets	-219	-420
Payments related to investments in financial assets/proceeds from the sale of financial assets	24	-993
Dividends received	7	109
Cash flow from investing activities	**-54,047**	**-41,987**
Loans proceeds and repayments	42,441	5,044
Interest received/paid (cash items)	-25,173	-23,949
Proceeds from capital increases/payment for issue costs	-119	-72
Change in restricted cash and cash equivalents	-9,555	-2,970
Dividends paid	-20,838	-18,037
Dividend payments to hybrid capital investors	-2,554	0
Payments to non-controlling interests	-259	0
Cash flow from financing activities	**-16,057**	**-39,984**
Change in cash and cash equivalents	8,154	-12,063
Changes in cash due to exchange rate changes	5	-98
Cash and cash equivalents		
As at 01.01.2018 (01.01.2017)	119,984	125,698
As at 30.06.2018 (30.06.2017)	128,142	113,537

[2)] Some of the previous-year figures have been adjusted (see explanation in the notes to the interim consolidated financial statements).

Condensed consolidated statement of changes in equity (IFRS)

In TEUR	Sub-scribed capital	Capital reserve	Currency trans-lation reserve	Hedge reserve	Cost of hedging measures	Reserve from changes in fair value
As at 01.01.2017	**126,432**	**399,559**	**1,062**	**-4,887**		**-142**
Consolidated earnings						
Other comprehensive income			153	2,153		-131
Consolidated comprehensive income for the period			**153**	**2,153**		**-131**
Dividend						
Income and expenses recognised directly in equity						
Changes from capitalisation measures	1,820	8,973				
Transactions with shareholders recognised directly in equity		-248				
Issuance costs		-72				
Acquisition of shares from non-controlling interests						
As at 30.06.2017	**128,252**	**408,212**	**1,215**	**-2,733**		**-273**
As at 01.01.2018	**128,252**	**406,834**	**1,176**	**-3,630**		**-298**
Effect from the first-time application of IFRS 9						298
As of 01.01.2018 (adjusted for IFRS 9)	**128,252**	**406,834**	**1,176**	**-3,630**		
Consolidated earnings						
Other comprehensive income			149	1,284	-35	
Consolidated comprehensive income for the period			**149**	**1,284**	**-35**	
Dividend						
Income and expenses recognised directly in equity						
Changes from capitalisation measures	1,185	6,192				
Transactions with shareholders recognised directly in equity		22				
Issuance costs		-121				
Acquisition of shares from non-controlling interests						
As at 30.06.2018	**129,437**	**412,927**	**1,324**	**-2,346**	**-35**	

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 01.01.2017	**344**	**63,342**	**585,710**	**22,846**		**608,556**
Consolidated earnings		19,551	19,551	674		20,225
Other comprehensive income			2,175			2,175
Consolidated comprehensive income for the period		**19,551**	**21,726**	**674**		**22,401**
Dividend		-25,286	-25,286			-25,286
Income and expenses recognised directly in equity	67		67			67
Changes from capitalisation measures			10,793			10,793
Transactions with shareholders recognised directly in equity			-248			-248
Issuance costs			-72			-72
Acquisition of shares from non-controlling interests				-966		-966
As at 30.06.2017	**410**	**57,607**	**592,690**	**22,554**		**615,243**
As at 01.01.2018	**458**	**63,737**	**596,528**	**6,582**	**95,484**	**698,594**
Effect from the first-time application of IFRS 9		-456	-158			-158
As of 01.01.2018 (adjusted for IFRS 9)	**458**	**63,281**	**596,370**	**6,582**	**95,484**	**698,436**
Consolidated earnings		15,209	15,209	445	2,540	18,194
Other comprehensive income			1,398			1,398
Consolidated comprehensive income for the period		**15,209**	**16,607**	**445**	**2,540**	**19,592**
Dividend		-28,215	-28,215		-2,554	-30,769
Income and expenses recognised directly in equity	63		63			63
Changes from capitalisation measures			7,377	30		7,407
Transactions with shareholders recognised directly in equity			22	-22		
Issuance costs			-121		-28	-149
Acquisition of shares from non-controlling interests				401		401
As at 30.06.2018	**521**	**50,274**	**592,102**	**7,437**	**95,442**	**694,981**

Selected notes and disclosures in the notes

General remarks

These condensed and unaudited interim consolidated financial statements have been prepared in accordance with section 37w, paragraph 3, of the German Securities Trading Act (*Wertpapierhandelsgesetz* – WpHG) and with IAS 34 "Interim Financial Reporting". They do not include all the information that is required under IFRS for the consolidated financial statements as of the end of a financial year and should therefore only be read in conjunction with the consolidated financial statements as of 31 December 2017.

The interim financial statements and the interim management report have not been audited in accordance with section 317 of the German Commercial Code (*Handelsgesetzbuch* – HGB) nor reviewed by an auditor.

The condensed consolidated statement of comprehensive income and the condensed consolidated cash flow statement contain comparative figures for the first half of the previous year. The condensed consolidated financial statements include comparative figures as of the end of the previous financial year.

The interim financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) as applicable within the European Union.

The accounting policies applied are the same as those used for the last year-end consolidated financial statements. We published a detailed description of the methods applied in the notes to the consolidated financial statements for 2017. If there are any amendments to accounting policies, they will be explained in the individual notes.

The reporting company

Encavis AG (hereafter known as "company" or together with its subsidiaries as "Group") is a German joint stock company based in Hamburg. The Group's main areas of activity are described in chapter 1 of the notes to the consolidated financial statements for the financial year ended 31 December 2017.

Subject to the interim consolidated financial statements are Encavis AG and its affiliates. For the group of consolidated companies, the reader is referred to section 17 of the notes to the consolidated financial statements as of 31 December 2017 and, with regard to the amendments in the first half of 2018, to the notes in the following section. The parent company of the Group, Encavis AG, was entered in the commercial register of Hamburg district court on 18 January 2002 under HRB 63197 and has its place of business in Grosse Elbstrasse 59, 22767 Hamburg.

Intra-Group transactions are conducted on arm's-length terms.

Significant accounting policies and consolidation principles

Seasonal influences

The business activities of the Group are subject to seasonal influences, leading to fluctuations in revenue and results throughout the course of the year. Due to seasonal influences, revenue from the PV Parks segment is usually higher in the second and third quarters of a financial year than in the first and fourth quarters, whereas revenue and results from the Wind Parks segment tend to be higher in the first and fourth quarters of a financial year than in the second and third quarters.

New standards and amendments to standards and interpretations

In the first two quarters of 2018, the Group applied the following new and revised IFRS standards and interpretations:

New and amended standards and interpretations		Required to be applied for financial years beginning on or after the specified date	EU endorsement status (as at: 30.06.2018)
IFRIC 22	Foreign Currency Transactions and Advance Consideration	01.01.2018	Adopted
IAS 40	Amendment – Transfers of Investment Property	01.01.2018	Adopted
IFRS 2	Amendment – Classification and Measurement of Share-based Payment Transactions	01.01.2018	Adopted
AIP	Annual Improvement Programme for IFRS: 2014–2016 cycle	01.01.2017–01.01.2018	Adopted
IFRS 4	Amendment – Application of IFRS 9 “Financial Instruments” in combination with IFRS 4 “Insurance Contracts”	01.01.2018	Adopted
IFRS 15	Amendment – Clarifications to IFRS 15	01.01.2018	Adopted
IFRS 9	New standard – Financial Instruments (2014)	01.01.2018	Adopted
IFRS 15	New standard – Revenue from Contracts with Customers	01.01.2018	Adopted

The new and amended standards/interpretations – with two exceptions – have no significant impact on these interim consolidated financial statements. With regard to the standards IFRS 9 “Financial Instruments” (2014) and IFRS 15 “Revenue from Contracts with Customers”, the effects on the presentation and measurement in the consolidated financial statements are explained below, in addition to the comments in the consolidated financial statements as of 31 December 2017.

Status of IFRS and interpretations which are not yet obligatory and which the Group has not applied before the effective date

There is no new significant information relating to the standard IFRS 16 “Leases” – which has received the EU endorsement – which is why the reader is referred to the information contained in the consolidated financial statements as of 31 December 2017.

IFRS 15 – Revenue from Contracts with Customers

In the financial year beginning 1 January 2018, Encavis applied the new standard IFRS 15 “Revenue from Contracts with Customers” for the first time – which replaces the existing standards IAS 11 “Construction Contracts” and IAS 18 “Revenue” – using the modified retrospective method. There was no conversion effect on retained earnings from the first-time application of IFRS 15 for Encavis.

The core principle of IFRS 15 is the recognition of revenue in the amount that an entity can expect in return for the transfer of goods or services to a customer. Revenue is recognised when the customer has control over the goods or services. IFRS 15 also contains requirements for the disclosure of existing power reserves or service obligations at contract level. In addition, the standard requires financial statement issuers to provide more detailed information to users of the financial statements than previously.

To determine the timing (or period) and the amount of revenue to be recognised, IFRS 15 has introduced a five-step model, which Encavis uses in assessing its business transactions.

The goods transferred by Encavis (supply of electricity) and services offered represent individual service obligations or service obligation bundles. The allocation of transaction prices to the individual service obligations on the basis of the individual sale prices does not change from previous practice. There are therefore no effects on the carrying amounts of assets and liabilities reported in the consolidated balance sheet.

The following table shows a breakdown of revenue with third parties by the main geographical markets and the time of revenue recognition in order to illustrate the influence of economic factors on the type, amount, time and uncertainty of revenues and cash flows:

In TEUR	PV Parks	Wind Parks	PV Service	Asset Management	Total
Main geographical markets					
Germany	36,711	20,270	144	1,332	58,457
Italy	29,255	931	0	0	30,186
France	17,542	3,913	0	0	21,455
United Kingdom	8,816	0	0	0	8,816
Austria	0	2,861	0	0	2,861
Denmark	0	982	0	0	982
Total	92,324	28,957	144	1,332	122,757
Date of revenue realisation					
Performance obligations provided over a certain period of time	92,324	28,957	144	1,332	122,757

Revenues from the supply of electricity are recognised in exact amounts using an output-based method, and revenues from the provision of services are recognised on an ongoing basis in accordance with the performance of the service. The simplification rule is applied here to record revenue in the amount invoiced by Encavis.

IFRS 9 – Financial Instruments (2014)

This disclosure explains the effects of the first-time application of IFRS 9 “Financial Instruments” on Encavis’s consolidated financial statements. In addition, the differences to previous accounting resulting from the new accounting standard are described in detail.

The new standard replaces the provisions previously contained in IAS 39 “Financial Instruments: Recognition and Measurement” for the classification and measurement of financial assets and also includes new regulations for hedge accounting. The previous regulations for determining impairments are being replaced by the so-called expected credit loss (ECL) model.

Encavis has applied IFRS 9 for the first time for the financial year beginning 1 January 2018. As a rule, first-time application is carried out retrospectively. In accordance with the transitional provisions, Encavis has elected to continue to present the comparative information in accordance with IAS 39.

Specifically, the first-time application of IFRS 9 at Encavis leads to the following changes. Overall, the Group considers the impact of the newly applied standard on the net assets, financial and earnings position to be immaterial. The effects are shown in a separate line in the condensed statement of changes in equity. The amendments to IAS 1 resulting from IFRS 9 (recognition of impairments as a separate item in the statement of comprehensive income) will not be made by Encavis due to the small amounts involved. As in the past, this is reported as a net amount under other operating expenses or income.

Financial liabilities

The Group’s financial liabilities include trade liabilities, financial liabilities, liabilities to non-controlling interests and other financial liabilities. These are still carried at amortised cost (AC). Liabilities from finance leases and liabilities from contingent consideration are not allocated to any category of IFRS 9.

Financial assets

IFRS 9 introduces a uniform model for classifying financial assets, which classifies them into the following three categories:

- Financial assets measured at amortised cost (AC)
- Financial assets measured at fair value through profit or loss (FVPL)
- Financial assets measured at fair value in other comprehensive income (FVOCI)

Financial assets whose cash flows consist exclusively of interest and principal payments are classified according to Encavis's business model. Financial assets held within a business model that intends to hold the asset in order to collect the contractual cash flows are measured at amortised cost. These business models are managed primarily on the basis of the interest rate structure and the credit risk. If the business model generally provides for holding the assets, but disposals are also made if this is necessary, for example to cover a certain liquidity requirement, these assets are measured at fair value in other comprehensive income. Financial assets that contain only interest and principal payments but are not held within one of the two business models mentioned are measured at fair value through profit or loss.

At Encavis, financial assets whose cash flows do not consist exclusively of interest and principal payments, such as investments in investment funds, are measured at fair value through profit or loss. For equity instruments, IFRS 9 optionally permits measurement at fair value in other comprehensive income. Encavis does not currently use this option.

Trade receivables, loans, other current receivables and liquid assets were classified as loans and receivables (L&R) under IAS 39 and measured accordingly at amortised cost. All of these instruments are measured at amortised cost (AC) under IFRS 9 and are generally subject to the effective interest method.

Mezzanine capital held and investments in investment funds which are reported under non-current financial assets were classified as available for sale under IAS 39 and measured at fair value in other comprehensive income. These financial assets are now classified in the category at fair value through profit or loss (FVPL) in accordance with IFRS 9. They do not meet the criteria for measurement at amortised cost, as the cash flows from these do not only represent interest and principal payments. As of 1 January 2018, the valuation effects of these instruments, previously recognised directly in equity, were reclassified to the Group's net retained profit. In the first half of 2018, net losses from changes in the fair value of these investments amounting to TEUR 94 were recognised in consolidated earnings. Of this amount, TEUR 97 is recognised under financial income and TEUR –191 under financial expenses.

Assets or liabilities classified as held for trading under IAS 39 (derivatives without a hedging relationship) are allocated to the FVPL category in accordance with IFRS 9. This has not resulted in any changes in valuation.

Impairment model based on expected credit losses (ECL model)

IFRS 9 introduces an impairment model based on expected credit losses, which is applicable to all financial assets (debt instruments) that are either measured at amortised cost or at fair value in other comprehensive income. While only losses actually incurred were recorded as impairment losses on financial assets under IAS 39, the new approach also includes expectations for the future. The recognition of expected credit losses generally uses a three-step procedure for allocating impairments:

Level 1: Expected credit losses within the next 12 months

This includes all contracts without a significant increase in credit risk since initial recognition and regularly includes new contracts and those whose payments are not, or not materially, overdue. The portion of the expected credit losses over the term of the instrument that is attributable to a default within the next 12 months is recognised.

Level 2: Expected credit losses over the entire term – no impaired credit rating

A financial asset is allocated to this level if it has experienced a significant increase in credit risk but its credit rating is not impaired. The expected credit losses over the entire term of the financial asset are recorded as an impairment.

Level 3: Expected credit losses over the entire term – impaired credit rating

A financial asset is allocated to this level if its credit rating is impaired or defaulted. The expected credit losses over the entire term of the financial asset are recorded as an impairment. From Encavis's point of view, objective indications that the credit rating of a financial asset is impaired include, for example, an overdue period of 90 days or more and further information on the debtor's material financial difficulties.

The determination of whether a financial asset has experienced a significant increase in credit risk is based on an assessment of the probability of default, which is carried out at least quarterly and takes into account both external rating information and internal information on the credit quality of the financial asset. A significant increase in credit risk is primarily determined on the basis of information regarding overdue payments.

A financial asset is transferred to level 2 if the credit risk has significantly increased compared to its credit risk at the time of initial recognition. Credit risk is estimated on the basis of the probability of default. For trade receivables, the simplified approach is applied, according to which the expected credit loss for these receivables is calculated over the entire term. Accordingly, no assessment of a significant increase in credit risk is required. Encavis applies the simplified

impairment model of IFRS 9 to trade receivables and thus recognises the expected losses over the entire term. Other receivables and loans, including interest receivables, are shown using the general approach. There are currently no financial assets allocated to level 3 in the Group.

Valuation of expected credit losses

Expected credit losses are calculated based on the following factors:

a) credit risk, broken down by country (based on the one-year CDS of the respective country)

b) credit risk divided into private and public or semi-public customers

c) receivables, subdivided according to the aspects mentioned above as of the balance sheet date

d) the expected default loss rate

e) time value of money

A financial instrument is derecognised if it is reasonably unlikely that a financial asset can be fully or partially realised, for example after the end of insolvency proceedings or as a result of court decisions.

Significant modifications (for example if the present value of the contractual cash flows changes by 10 per cent) of financial assets result in derecognition. The expectation is that this will usually not be relevant for Encavis. If the terms of the contract are renegotiated or modified and this does not result in derecognition, the gross carrying amount of the contract is recalculated and any difference is recognised in profit or loss.

For reasons of materiality, despite the classification in the AC category, no expected loss is determined for liquid assets and recorded in the consolidated statement of comprehensive income.

In detail, the following items are affected by impairments:

Trade receivables

The Group applies the simplified impairment model of IFRS 9 for trade receivables in accordance with the standard. This is based on the so-called lifetime expected loss.

In order to determine the expected credit defaults, trade receivables have been combined into largely homogeneous groups with similar characteristics with regard to their estimated credit risks. In particular, there was a separation between governmental and semi-public customers, which account for the majority of buyers in the electricity production sector, and private buyers. The Encavis Group has private buyers mainly in the Asset Management segment and, to a lesser extent, also in the electricity buyers segment.

As of 1 January 2018, the first-time application of IFRS 9 resulted in an impairment loss of TEUR 95 on trade receivables (the impairment loss pursuant to IAS 39 as of 31 December 2017 was TEUR 0).

The opening value for the impairment of trade receivables as of 1 January 2018 is calculated on the basis of the existing receivable as of 31 December 2017.

In the first half of 2018, impairments of trade receivables increased by TEUR 196 to TEUR 291. This development is due in particular to the increase in trade receivables and the development of credit risk factors. According to the incurred loss model from IAS 39, no impairment loss would have had to be recognised in the reporting period.

Loans to associates and other loans as well as other current receivables

In principle, the Group estimates the credit risks for loans granted and other current receivables to be low, which is why a provision for losses on receivables was formed for these items in the amount of the expected 12-month losses on receivables. As of 1 January 2018, the first-time application of IFRS 9 resulted in a provision of TEUR 62 (the impairment loss pursuant to IAS 39 as of 31 December 2017 was TEUR 0).

Significant estimation uncertainties and accounting judgements

Impairment losses on financial assets are based on estimates of loan defaults and expected default rates. The Group exercises its discretion in making this assessment. Even minor deviations in the valuation parameters used for calculation can lead to significant deviations in the calculation, particularly due to the amount of trade receivables.

Derivative financial instruments and hedge accounting

Encavis only uses derivative financial instruments to hedge financial risks resulting from commercial business or refinancing activities. These are primarily interest rate and currency risks. Embedded derivatives are generally separated from the host contract and recorded separately. They are not separated if the host contract is a financial asset, if the entire hybrid contract is measured at fair value through profit or loss or if the embedded derivative is closely linked to the host contract.

Derivative financial instruments are recognised at fair value upon initial recognition and on each subsequent balance sheet date, as under IAS 39. The fair value of exchange-listed derivatives corresponds to their positive or negative market value. If no market values are available, they are calculated using recognised financial mathematical models, such as discounted cash flow models or option price models. Derivatives are recognised as assets when their fair value is positive and as liabilities when their fair value is negative.

If the requirements of IFRS 9 for hedge accounting are met, Encavis designates and documents the hedging relationship as a cash flow hedge from this point in time. In the case of a cash flow hedge, fluctuations in future cash flows from highly probable expected transactions or cash flows to be paid or received in connection with a recognised asset or liability are hedged. The documentation of the hedging relationships includes the objectives and strategy of risk management, the type of hedging relationship, the hedged risk, the designation of the hedging instrument and the underlying transaction, as well as an assessment of the effectiveness criteria, which include the risk-reducing economic relationship, the effects of the credit risk and the appropriate hedge ratio. Hedging relationships are regularly reviewed to determine whether they have been effective throughout the period for which they were designated.

Changes in the value of derivatives designated as hedges are regularly recognised in other comprehensive income. The future component of a forward as well as any foreign currency basis spreads are excluded from the designation of a derivative as a hedging instrument and recognised as cost of hedging. Changes in the fair value of these components are recognised temporarily in other comprehensive income (cost of hedging) and transferred to the income statement over the period of the hedge. Changes in the value of derivatives not designated are measured at fair value through profit or loss. Changes in the fair value of derivative financial instruments assigned to a cash flow hedge are initially recognised in other comprehensive income in the amount of the hedge-effective portion. Under IFRS 9, amounts recognised as effective hedging gains/losses from hedging transactions in other comprehensive income are removed from the equity reserve and directly added to the acquisition cost of the underlying transaction upon recognition if the underlying item, e.g. the expected transaction, results in the recognition of a non-financial asset or non-financial liability.

In the case of cash flow hedges, the cumulative hedging gains/losses from the hedging transactions are transferred from the equity reserve to the consolidated earnings for other underlying transactions at the same time as the effect on profit or loss of the hedged underlying transactions. The hedge-ineffective portions of changes in fair value are recognised directly in consolidated earnings.

If derivative financial instruments are not, or no longer, included in hedge accounting because the requirements for hedge accounting are not, or are no longer, met, they are measured at fair value through profit or loss (FVPL).

Effects on the consolidated financial statements

The comparative figures for the previous year have to be adjusted due to changes in accounting and valuation methods. As explained in the next section, IFRS 9 was applied for the first time without adjusting the comparative figures for the previous year. The adjustments in recognition and measurement resulting from the new impairment model and the adjusted measurement categories are therefore not reflected in the closing balance sheet as of 31 December 2017, but are included in the opening balance sheet as of 1 January 2018 (if necessary by adjusting the opening value of net retained profit).

The following tables show the adjustments made for each individual valuation category. Report lines that were not affected by the changes are not displayed here. Subtotals and final totals therefore cannot be recalculated using the values displayed. The individual adjustments are explained in detail below. Due to the first-time application of IFRS 9, it was not necessary to adjust the statement of comprehensive income for the previous year.

Reconciliation of carrying amounts in TEUR	Carrying amount as at 31. December 2017	Reclassification effects	Valuation effects	Carrying amount as at 1. January 2018
Financial instruments measured at amortised cost				
Trade receivables	40,146		-95	40,051
Loans to associates and other loans	5,116		-50	5,066
Other current receivables	3,778		-12	3,766
Available-for-sale financial assets (AfS)				
Long-term financial assets	5,955	-5,955		0
Financial assets measured at fair value through profit or loss				
Long-term financial assets		5,955		5,955
Net retained profit	63,737	-298	-158	63,281
Reserve from changes in fair value	-298	298		0

As of 31 December 2017, no impairments were required under IAS 39.

IFRS 9 replaces the provisions of IAS 39 on the recognition, disclosure and measurement of financial assets and liabilities and on the derecognition of financial instruments, impairment of financial assets and hedge accounting.

The application of IFRS 9 “Financial Instruments” since 1 January 2018 led to an adjustment of the accounting and valuation methods and to a change in the recognised amounts recorded in the consolidated financial statements. The new valuation methods are described below. In accordance with the transitional provisions of IFRS 9 (7.2.15 and 7.2.16), comparative information is not adjusted.

The overall effect on the Group’s net retained profit as of 1 January 2018 is as follows:

In TEUR	2018
Balance of net retained profit as at 31 December 2017 in accordance with IAS 39	63,737
Reclassification of financial investments from available for sale to FVPL	-298
Increase in impairment of trade receivables	-95
Increase in impairment of other loans (amortised cost)	-50
Increase in impairment of other current receivables (amortised cost)	-12
Adjusted net retained profit from the first-time application of IFRS 9 as at 1 January 2018	63,281

Adjustments to the previous year’s figures

Recognition changes in the condensed consolidated cash flow statement

Encavis has adjusted the composition of individual items of the cash flow statement during the financial year to provide users of the financial statements with more reliable and relevant information. The previous year’s information in the condensed consolidated cash flow statement includes the adjusted figures. The following table illustrates the adjustments for the previous-year period:

In TEUR	After change in recognition 01.01.–30.06.2017	Before change in recognition 01.01.–30.06.2017
Cash flow from operating activities	**69,908**	**69,927**
thereof changed subheadings		
Other non-cash income and expenses	-13,357	-13,203
Taxes on income	4,109	3,423
Increase/decrease in other assets/liabilities not attributable to investment or financing activities	-14,209	-13,658
Cash flow from investing activities	**-41,987**	**-42,006**
thereof changed subheadings		
Payments related to investments in property, plant and equipment/proceeds from the disposal of assets in property, plant and equipment	-29,964	-29,983
Cash flow from financing activities	**-39,984**	**-39,833**
thereof changed subheadings		
Change in restricted cash and cash equivalents	-2,970	-2,819
Change in cash and cash equivalents	-12,063	-11,912
Changes in cash due to exchange rate changes	-98	-249

In the following, all information that deviates from the figures published in the 2017 semi-annual financial report due to this adjustment have been marked with a “2“. In tables, the “2“ has been placed next to the year (column heading); in text blocks, the “2“ has been placed directly behind the corresponding figure.

Segment reporting

From the first half of 2018, management has decided to adjust the presentation of segment reporting, with the aim of presenting the profitability of the operating segments more transparently. Conversely, the Administration segment should only present those costs that do not generate an operating contribution. For this purpose, the circumstances were identified for all cost types that can be assigned to one or more operating segments. After identification, the relevant cost items were allocated to the operating segments via management allocation according to the respectively logical keys (e.g. employees, investment volume and generation capacity). Since this was carried out in the sense of a primary allocation, the corresponding internal Group legal offsetting settlements were eliminated.

In the following, all information that deviates from the figures published in the 2017 semi-annual financial report due to this adjustment have been marked with a “3“. In tables, the “3“ has been placed next to the year (column heading); in text blocks, the “3“ has been placed directly behind the corresponding figure.

Group of consolidated companies

In the first six months of 2018, the following companies were included in the consolidated financial statements in addition to those mentioned in note 17 to the consolidated financial statements as of 31 December 2017.

Name and location of the company	Registered office	% share
Fully consolidated Group companies		
Creevy Solar Farm DAC	Dublin, Ireland	75.00
Encavis Real Estate GmbH	Hamburg, Germany	100.00
Energiepark Hürth-Barbarahof WP HB GmbH & Co. KG	Bremerhaven, Germany	100.00
Energiepark Odisheim GmbH & Co. WP ODI KG	Bremerhaven, Germany	100.00
Garrymore Solar Farm DAC	Dublin, Ireland	75.00
Martinstown Solar Farm DAC	Dublin, Ireland	75.00
Trequite Freehold Ltd.	London, United Kingdom	100.00
Zonnepark Budel B.V.	Helmond, Netherlands	80.01

The equity interests are equal to the share of voting rights.

The names of the following entities were changed in the first half of 2018:

Former company name	New company name
Erinlake Ltd.	Capital Stage Ireland GP Ltd.
CHORUS Clean Energy Advisor GmbH	ENCAVIS AM Advisor GmbH
CHORUS Vertriebs GmbH	ENCAVIS AM Capital GmbH
CHORUS Clean Energy Invest GmbH	ENCAVIS AM Invest GmbH
CHORUS Clean Energy Assetmanagement GmbH	ENCAVIS AM Management GmbH
CHORUS Clean Energy Verwaltungs GmbH	ENCAVIS AM Services GmbH
CHORUS Clean Energy AG	Encavis Asset Management AG
Capital Stage Finance B.V.	Encavis Finance B.V.
Capital Stage Solar Service GmbH	Encavis Technical Services GmbH
Capital Stage Wind Danmark ApS	Encavis Wind Danmark ApS
TC Asset Management GmbH	TC Wind Management GmbH

Business combinations

Business combinations are accounted for as described in the notes to the consolidated financial statements as of 31 December 2017.

The purchase price allocations (PPA) used for initial consolidation are only provisional, because in some cases facts may come to light after the PPA has been completed that result in subsequent changes up to one year after the acquisition. The changes may occur in particular in the valuation of intangible assets, property, plant and equipment and financial debt. All three PPAs are still provisional, because the technical reviews and the related final budgets, which form the basis for the valuation of the intangible assets, have also not yet been completed.

In addition to the operation of installations, the acquisition of existing solar parks and wind parks, as well as those currently under construction, is part of the business activities of the Group and therefore represents the primary reason for the acquisitions.

Business combinations in the first half of 2018

Energiepark Hürth-Barbarahof WP HB GmbH & Co. KG – Wind Parks segment

In TEUR	Carrying amount before PPA	Fair value according to preliminiary PPA
Intangible assets	0	2,106
Property, plant and equipment	9,888	10,059
Short-term assets	1,166	1,166
Cash and cash equivalents	77	77
Debt and provisions	11,794	12,055
Deferred tax assets	0	323
Deferred tax liabilities	0	771
Identified acquired net assets	**-663**	**905**
Determining the amount of the difference		
Purchase price for acquired shares		1
Purchase price for acquired financial liabilities		2,547
Total purchase price		**2,548**
Identified acquired net assets		905
Acquired financial liabilities (shareholder loans)		2,547
Badwill (-)		**-904**
Net outflow of cash from the acquisition		2,471

This transaction refers to the 100 per cent acquisition of a German wind park near Cologne. The park was consolidated for the first time as of 8 January 2018. The business combination was carried out by applying the purchase (partial goodwill) method. The revaluated shareholders' equity at the time of initial consolidation was TEUR 905. The current receivables assumed as a result of the transaction, which are made up of tax receivables, have a fair value of TEUR 1,166. The best estimate, on the acquisition date, of the anticipated unrecoverable portion of the contractual cash flows was TEUR 0. There were no contingent assets or liabilities. The incidental transaction costs totalled TEUR 16. Revenue of TEUR 358 and a loss of TEUR 96 have been recognised from the acquired company since the date of first consolidation. Had the company been included in the Group since the beginning of 2018, projections would not have had a material impact on revenue or consolidated earnings. The purchase price for the shares and an assumed shareholder loan amounted to TEUR 2,548 and was fully discharged in cash.

Energiepark Odisheim GmbH & Co. WP ODI KG – Wind Parks segment

In TEUR	Carrying amount before PPA	Fair value according to preliminiary PPA
Intangible assets	0	2,321
Property, plant and equipment	20,652	20,721
Short-term assets	641	641
Cash and cash equivalents	2,648	2,648
Debt and provisions	25,054	25,302
Deferred tax assets	0	471
Deferred tax liabilities	0	773
Identified acquired net assets	**-1,113**	**727**
Determining the amount of the difference		
Purchase price for acquired shares		1
Purchase price for acquired financial liabilities		5,840
Total purchase price		**5,841**
Identified acquired net assets		727
Acquired financial liabilities (shareholder loans)		5,840
Badwill (-)		**-726**
Net outflow of cash from the acquisition		3,193

This transaction refers to the 100 per cent acquisition of a German wind park in Odisheim, in the Cuxhaven district of Lower Saxony. The park was consolidated for the first time as of 2 February 2018. The business combination was carried out by applying the purchase (partial goodwill) method. The revaluated shareholders' equity at the time of initial consolidation was TEUR 727. The current receivables assumed as a result of the transaction, comprising trade receivables and tax receivables, have a fair value of TEUR 460. The best estimate, on the acquisition date, of the anticipated unrecoverable portion of the contractual cash flows was TEUR 0. There were no contingent assets or liabilities. The incidental transaction costs totalled TEUR 33. Revenue of TEUR 818 and a profit of TEUR 160 have been recognised from the acquired company since the date of first consolidation. Had the company been consolidated since the beginning of 2018, projections show that the consolidated financial statements would have reflected additional revenue of TEUR 992 and a profit of TEUR 205 from this company. The purchase price for the shares and an assumed shareholder loan amounted to TEUR 5,841 and was fully discharged in cash.

Rindum Enge 1 and 5 (Asset Deal) – Wind Parks segment

In TEUR	Carrying amount before PPA	Fair value according to preliminiary PPA
Intangible assets	0	557
Property, plant and equipment	7,191	10,930
Short-term assets	15	15
Cash and cash equivalents	0	53
Debt and provisions	0	240
Deferred tax assets	0	53
Deferred tax liabilities	0	945
Identified acquired net assets	**7,206**	**10,422**
Determining the amount of the difference		
Purchase price for acquired shares		7,206
Total purchase price		**7,206**
Identified acquired net assets		10,422
Badwill		**-3,216**
Net outflow of cash from the acquisition		7,206

The transaction involved the acquisition of two wind parks not far from Ringkøbing on Denmark's North Sea coast. The acquisition was made as part of an asset deal and was recognised as a business combination, as all the criteria required for business operations within the meaning of IFRS 3 have been met. The date of acquisition was 24 April 2018. The business combination was carried out by applying the purchase (partial goodwill) method. The revaluated shareholders' equity at the time of initial consolidation was TEUR 10,422. No current receivables were assumed as part of the transaction. The best estimate as of the acquisition date of the anticipated unrecoverable portion of the contractual cash flows was TEUR 0. There were no contingent assets or liabilities. The incidental transaction costs totalled TEUR 145. Since the date of initial consolidation, revenue of TEUR 105 has been recognised. The results of operations cannot be reliably identified for the period of inclusion in the Group, as the transactions attributable to the acquired assets cannot be determined separately from the transactions of Encavis Wind Danmark ApS. No information can be provided with respect to profit or loss and revenue for the period prior to acquisition, as this information was not provided by the seller. The purchase price for the installations acquired amounted to TEUR 7,206 and was fully discharged in cash.

Finalisation of the purchase price allocation for Todderstaffe Solar Ltd.
During the valuation period as per IFRS 3.45, the Company adjusted the purchase price allocation in the first half of 2018 due to the now finalised measurement of the intangible assets. The main changes to the provisional price allocation and the figures presented in the 2017 annual report are a decrease in intangible assets of TEUR 10 and a decrease in deferred tax assets of TEUR 2. This resulted in a reduction in badwill of TEUR 8.

Overall impact of the business combinations on the Group's results
The interim financial statements for the period up to 30 June 2018 show profits of TEUR 64 from companies that were consolidated for the first time as a result of business combinations in the current financial year. The revenue recognised as of 30 June 2018 includes TEUR 1,176 from the newly consolidated companies. If the business combinations had taken place as of 1 January 2018, projections show that Group revenue as of 30 June 2018 would have been TEUR 174 greater and the earnings for the period TEUR 44 higher. These figures do not include the acquisition of the Rindum Enge 1 and 5 wind parks.

The negative difference (badwill) for the business acquisitions in the first six months of 2018 and adjustments to provisional purchase price allocations made in the 2017 financial year come to TEUR 4,838 in total and are shown in other income.

Reasons for the realisation of badwill
The badwill was largely generated by the advantages that Encavis has over other potential purchasers. These advantages particularly include very strong liquidity and therefore the possibility of repaying the sellers' existing short-term loans promptly.

Business combinations often require participation in a public sale process whereby the purchase price is significantly influenced by the bids made by competitors. However, the Group acquisitions result only from exclusive negotiations with the seller, which has a significant influence on the realisation of badwill. Additionally, public and structured sale processes take longer than exclusive negotiations. Many sellers prefer the quick and predictable conclusion of the transaction with a very small time period from contract signing to closing – i.e. payment of the purchase price – over a time-consuming and structured sale process, because this often results in a highest-bidding buyer who is unknown and possibly unable to pay, which results in a timely closing not being possible.

Another aspect for the generation of badwill is the discount that can be obtained when a portfolio of assets is acquired. This block discount reflects the greater speed of sale and associated savings in personnel, administration and transaction costs achieved through a portfolio sale rather than individual sales of the assets concerned.

Each year, the Group receives a multitude of solar and wind parks to analyse. During a clearly defined filtering process, these offers are reduced to the most attractive ones which are deemed worthy of additional scrutiny in the short term. Many years of experience and competent staff enable the Group to review and execute business combinations in a very short space of time. As the business relationships go back a long way in some cases, the sellers also have a high degree of trust in Encavis. Experience shows that this filtering process leads to between eight and ten transactions over the course of a year. Because several solar and wind parks could be acquired as part of a single transaction, this corresponds to the acquisition of around 20 solar and wind parks per year.

Acquisition of subsidiaries which do not meet the definition of business operation

Encavis acquired 80.01 per cent of the shares in the Dutch company Zonnepark Budel B.V. on 8 March 2018. This is a project company for the construction of a wind park in the Netherlands with a production capacity of 43.9 megawatts. It is planned to enter operation in the fourth quarter of 2018.

Critical accounting judgements and key sources of estimation uncertainties

In some cases during the preparation of the consolidated financial statements, estimates and assumptions are made which affect the use of accounting methods and the amount of the presented assets, liabilities, income and expenses. The actual amounts may differ from these estimates. The estimates, and the assumptions upon which they are based, are continuously evaluated. Adjustments to estimates are recognised prospectively.

Below, the most important forward-looking assumptions as well as the other principal sources of estimation uncertainties as of the end of the reporting period are discussed, which could give rise to a substantial risk within the coming financial year that a significant adjustment of the reported assets and liabilities will be required.

Economic life of property, plant and equipment and intangible assets

When measuring property, plant and equipment and intangible assets, the expected useful life of the assets must be estimated; in doing so, we take into account contractual agreements, knowledge of the industry and management estimates. Further disclosures can be found in the notes to the consolidated financial statements as of 31 December 2017.

Impairment in goodwill

To determine the existence of an impairment in goodwill, the value in use of the group of cash-generating units to which the goodwill is allocated must be determined. The calculation of the value in use necessitates the estimation of future cash flows from the group of cash-generating units as well as an appropriate capitalisation interest rate for the cash value calculation. If the actual expected future cash flows are lower than previously estimated, this could result in a significant impairment.

Business combinations

As part of business combinations, all identifiable assets and liabilities are recognised at fair value during their initial consolidation. The recognised fair values are subject to estimation uncertainties. If intangible assets are identified, the fair values are determined using generally acknowledged valuation methods. The valuations form the basis for the company's planning, which also takes into account contractual agreements and management estimates. The discount rate (WACC) applied in connection with the valuation of intangible assets was between 1.99 and 3.53 per cent (previous year: 2.54 to 4.15 per cent).

The acquisition of solar and wind parks already connected to the grid is treated like a business combination because, in the opinion of the Group, the requirements of an existing business operation exist.

The reader is referred to the discussion in note 7 of the notes to the consolidated financial statements as of 31 December 2017 for details of the assumptions made when determining the fair value of financial assets. The measurement methods and input factors applied have not changed since 31 December 2017.

Additional disclosures related to financial assets and liabilities

Carrying amounts, recognised amounts and fair value according to classes and valuation categories

Classes of financial instruments in TEUR	Valuation category under IFRS 9*	Carrying amount as at 30.06.2018	Carrying amount under IFRS 9*			Carrying amount under IAS 17	Fair value as at 30.06.2018
			Amortised cost	Fair value not recognised through profit or loss	Fair value recognised through profit or loss		
Financial assets							
Long-term financial assets	FVPL	5,796			5,796		5,796
Non-current receivables from contingent consideration	n.a.	303			303		303
Trade receivables	AC	50,114	50,114				50,114
Other current receivables	AC	10,580	10,580				10,580
Loans to associated companies and other lendings	AC	1,233	1,233				1,233
Cash and cash equivalents	AC	209,937	209,937				209,937
Derivative financial assets							
Derivatives in a hedging relationship	Hedge Accounting	1,794		1,794			1,794
Financial liabilities							
Trade payables	AC	26,946	26,946				26,946
Financial liabilities	AC	1,450,701	1,450,701				1,594,569
Liabilities from finance leases	n.a.	83,906				83,906	84,976
Liabilities to non-controlling shareholders	AC	23,235	23,235				23,235
Liabilities from contingent consideration	n.a.	79			79		79
Other financial liabilities	AC	722	722				722
Derivative financial liabilities							
Derivatives in a hedging relationship	Hedge Accounting	17,967		17,967			17,967
Derivatives not in a hedging relationship	FVPL	3,473			3,473		3,473

Classes of financial instruments in TEUR	Valuation category under IFRS 9*	Carrying amount at 30.06.2018	Carrying amount under IFRS 9*			Carrying amount under IAS 17	Fair value as at 30.06.2018
			Amortised cost	Fair value not recognised through profit or loss	Fair value recognised through profit or loss		
Of which aggregated by valuation categories as per IFRS 9							
Financial assets measured at amortised cost	AC	271,863	271,863				271,863
Financial assets measured at fair value through profit or loss	FVPL	5,796			5,796		5,796
Financial liabilities measured at amortised cost	AC	1,501,603	1,501,603				1,645,472
Financial liabilities measured at fair value through profit or loss	FVPL	3,473			3,473		3,473

Classes of financial instruments in TEUR	Valuation category under IAS 39*	Carrying amount as at 31.12.2017	Carrying amount under IAS 39*			Carrying amount under IAS 17	Fair value as at 31.12.2017
			Amortised cost	Fair value not recognised through profit or loss	Fair value recognised through profit or loss		
Financial assets							
Long-term financial assets	AfS	5,955	130	5,825			5,955
Non-current receivables from contingent consideration	n.a.	301			301		301
Trade receivables	L&R	40,146	40,146				40,146
Other current receivables	L&R	3,778	3,778				3,778
Current receivables from contingent consideration	n.a.	552			552		552
Loans to associated companies and other lendings	L&R	5,116	5,116				5,116
Cash and cash equivalents	L&R	195,577	195,577				195,577
Derivative financial assets							
Derivatives in a hedging relationship	n.a.	877		877			877
Derivatives not in a hedging relationship	FAHfT	737			737		737
Financial liabilities							
Trade payables	AC	20,261	20,261				20,261
Financial liabilities	AC	1,378,403	1,378,403				1,546,753
Liabilities from finance leases	n.a.	87,190				87,190	89,449
Liabilities to non-controlling shareholders	AC	20,496	20,496				20,496
Liabilities from contingent consideration	n.a.	79			79		79
Other financial liabilities	AC	1,941	1,941				1,941
Derivative financial liabilities							
Derivatives in a hedging relationship	n.a.	16,379		16,379			16,379
Derivatives not in a hedging relationship	FAHfT	5,393			5,393		5,393

Classes of financial instruments in TEUR	Valuation category under IAS 39*	Carrying amount as at 31.12.2017	Carrying amount under IAS 39*			Carrying amount under IAS 17	Fair value as at 31.12.2017
			Amortised cost	Fair value not recognised through profit or loss	Fair value recognised through profit or loss		
Of which: aggregated by valuation categories as per IAS 39							
Loans and receivables	L&R	244,617	244,617				244,617
Available for sale	AfS	5,955	130	5,825			5,955
Financial assets held for trading	FAHfT	737			737		737
Financial liabilities at amortised cost	AC	1,421,101	1,421,101				1,589,451
Financial liabilities held for trading	FAHfT	5,393			5,393		5,393

* FVPL: fair value through profit or loss; AC: amortised cost; Hedge Accounting: derivative financial instruments measured as part of hedging relationships; AfS: available for sale; L&R: loans and receivables; FAHfT: financial assets held for trading; FLHfT: financial liabilities held for trading. In comparison to the balance sheet, financial liabilities are shown separately in the following categories: financial liabilities, liabilities from contingent consideration, other financial liabilities, derivatives with a hedging relationship and derivatives without a hedging relationship.

Fair value hierarchy

Valuation levels in TEUR 30.06.2018 (31.12.2017)	Level 1	Level 2	Level 3
Assets			
Long-term financial assets			5,796
(31.12.2017)			(5,825)
Non-current receivables from contingent considerations			303
(31.12.2017)			(301)
Current receivables from contingent considerations			0
(31.12.2017)			(552)
Derivative financial assets:			
Derivatives in a hedging relationship		1,794	
(31.12.2017)		(877)	
Derivatives not in a hedging relationship		0	
(31.12.2017)		(737)	
Liabilities			
Liabilities from contingent consideration			79
(31.12.2017)			(79)
Derivative financial liabilities:			
Derivatives in a hedging relationship		17,967	
(31.12.2017)		(16,379)	
Derivatives not in a hedging relationship		3,473	
(31.12.2017)		(5,393)	

Interest rate and currency hedges are measured using yield and foreign exchange (FX) forward curves and acknowledged mathematical models (present value calculation). The market values recognised in the balance sheet therefore correspond to level 2 of the fair value hierarchy defined in IFRS 13.

The non-current and current receivables from contingent consideration as well as the financial investments and liabilities from contingent consideration carried at fair value in the consolidated financial statements are based on level 3 information and input factors.

Changes between measurement levels occurred neither in the current nor in the previous reporting year.

For each class of assets and liabilities not measured at fair value in the balance sheet and for which fair value is not approximately equal to the carrying amount, the following table shows the level of the fair value hierarchy to which the measurement of fair value has been assigned overall.

Valuation levels in TEUR 30.06.2018 (31.12.2017)	Level 1	Level 2	Level 3
Liabilities			
Financial liabilities measured at amortised cost			
Financial liabilities		1,594,569	
(31.12.2017)		(1,546,753)	
Liabilities from finance leases		84,976	
(31.12.2017)		(89,449)	

The following tables show the valuation methods that were used to determine fair values.

Financial instruments measured at fair value

Type	Valuation method	Significant, unobservable input factors
Long-term financial assets: Investment funds	The financial investments are measured using one of the following methods or a combination of more than one of the following methods: amortised costs relating to the most recent financial investments, valuation standards within the industry, standing offers, contractual obligations. The relative weighting of each valuation method reflects a judgement as to the appropriateness of each valuation method for the respective non-realised financial investment.	Risk premium The estimated fair value of the financial investments available for sale would increase (decrease) if the risk premium were lower (higher)
Long-term financial assets: Mezzanine capital	Discounted cash flows: The fair values are determined using the future expected cash flows discounted using the standard observable market data of the corresponding interest structure curves.	Expected distributions The estimated fair value of the mezzanine capital would increase (decrease) if the distributions would be higher (lower) and/or would be made at an earlier (later) date
Interest rate swaps	Discounted cash flows: The fair values are determined using the future expected cash flows discounted using the standard observable market data of the corresponding interest structure curves.	Not applicable
Non-current and current receivables from contingent considerations	Discounted cash flows based on contractually fixed mechanisms	Date of the addition of the other wind parks The estimated fair value of the receivables from contingent consideration would increase (decrease) if the additional wind parks were added at an earlier (later) date
Liabilities from contingent consideration	Discounted cash flows based on contractually fixed mechanisms	Performance of the solar park The estimated fair value of liabilities from contingent consideration would increase (decrease) if the solar park's performance were higher (lower)

Financial instruments not measured at fair value

Type	Valuation method	Important non-observable input factor
Financial liabilities and liabilities from finance leases	Discounted cash flows: The fair values are determined using the future expected cash flows discounted with equivalent terms using the standard observable market interest rates and taking an appropriate risk premium into account	Not applicable

For financial instruments with short-term maturities – including cash and cash equivalents, trace receivables, trade liabilities and other current receivables and liabilities – the assumption is made that their fair values are approximately equal to their carrying amounts.

The following overview provides a detailed reconciliation of the assets and liabilities regularly measured at fair value in level 3.

In TEUR	2018	2017
Long-term financial assets		
As of 1.1.	5,825	7,266
Purchases (including additions)	102	5
Sales (including disposals)	-33	-141
Profit (-)/loss (+) in the consolidated result of the period	-97	-706
Changes in value recognised in other comprehensive income	0	-176
As at 30.06.	**5,796**	**6,248**
Liabilities from contingent consideration		
As of 1.1.	79	61
Changes in value recognised in other comprehensive income	0	-1
As at 30.06.	**79**	**60**
Non-current receivables from contingent considerations		
As of 1.1.	301	0
Profit (-)/loss (+) in the consolidated result of the period	2	0
As at 30.06.	**303**	**0**
Current receivables from contingent considerations		
As of 1.1.	552	0
Sales (including disposals)	-552	0
As at 30.06.	**0**	**0**

A deviation in the fair values of the investment funds recognised in long-term financial assets (formerly recognised as available-for-sale financial assets) by +/– 200 basis points would respectively increase or decrease consolidated earnings after taxes by TEUR 79.

The following interest income and expenses originate from financial instruments not measured at fair value through profit or loss:

In TEUR	01.01.–30.06.2018	01.01.–30.06.2017
Interest income	4,630	3,034
Interest expenses	-26,789	-24,678
Total	**-22,159**	**-21,644**

Not included are, in particular, interest income and expenses from derivatives and interest income and expenses from assets and debt outside of the scope of IFRS 7.

Interest rate swaps

The fair value of the interest rate swaps on the balance sheet date is determined by discounting future cash flows through application of both the yield curves on the balance sheet date and the credit risk of the contracts.

As of the reporting date, the Group held a total of 97 (31 December 2017: 88) interest rates swaps under which the Group receives interest at a variable rate and pays interest at a fixed rate. These are what are known as amortising interest rate swaps, whose nominal volume is reduced at regular, defined intervals. The following table shows the nominal amounts as of the reporting date, the average (volume-weighted) fixed interest rates and the fair values. It distinguishes between interest rate swaps that are part of an effective hedging relationship pursuant to IFRS 9 and those that are not.

	30.06.2018	31.12.2017
Nominal volume in TEUR	**434,330**	**378,503**
of which in a hedging relationship	*341,112*	*250,555*
of which not in a hedging relationship	*93,218*	*127,947*
Average interest rate in %	2.26	2.40
Fair value in TEUR	**-19,646**	**-20,219**
of which in a hedging relationship	*-16,173*	*-15,502*
of which not in a hedging relationship	*-3,473*	*-4,717*

All hedges designated by Encavis in accordance with IAS 39 also meet the requirements of IFRS 9 and are therefore treated as continuing hedges.
The ineffective portion of the swaps in a hedging relationship was recognised as income of TEUR 791 through profit and loss (previous year: TEUR 628). The market value of swaps that are not in a hedging relationship was recognised as expenses of TEUR 161 through profit or loss (previous year: income in the amount of TEUR 1,422). The effective portion in the current financial year of TEUR –862 (previous year: TEUR 3,037) was adjusted for deferred tax effects in the amount of TEUR –64 (previous year: TEUR –877) and recognised in equity. For the interest rate swaps for which no more evidence of their effectiveness pursuant to IAS 39 could be provided prior to 1 January 2018 (applicable period of IAS 39), the changes in value formerly recognised in the hedge accounting reserves with no effect on profit or loss in the amount of TEUR 12 (previous year: TEUR 10), taking into account the deferred tax liabilities in the amount of TEUR –3 (previous year: TEUR –3), were amortised on schedule with effect on profit or loss.

Principles of risk management

The main risk for Encavis's financial assets and liabilities and its planned transactions is interest rate risk. Risk management aims to limit this risk by means of ongoing activities. Depending on the assessment of the risk, derivative hedging instruments are used to do so. To minimise credit risk, only respected banks with good credit ratings are used as counterparties for interest rate hedges. Hedging is generally limited to risks that affect the Group's cash flow.

The risks facing the Encavis Group, as well as the extent of these risks, have either not changed or not changed significantly compared with the 2017 consolidated financial statements.

Equity

As of 30 June 2018, equity amounted to TEUR 694,981 (31 December 2017: TEUR 698,594). The decrease in the amount of TEUR 3,613, or 0.5 per cent, results primarily from the payment of the dividends for the previous financial year. The issue of new shares and the positive earnings for the reporting period had the opposite effect. Share capital increased by TEUR 1,185 through contributions in kind. The equity ratio is 26.7 per cent (31 December 2017: 27.7 per cent).

The Management and Supervisory Boards 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 shareholders' meeting on 8 May 2018, to pay out a dividend of EUR 0.22 for each dividend-entitled share. This represents a year-on-year increase of 10 per cent (dividend for the 2016 financial year: EUR 0.20). The proposal by the Management and Supervisory Boards was approved by a clear majority.

The Management and Supervisory Boards wish to give Encavis AG shareholders the greatest possible freedom of choice in connection with the dividend. As a result, the dividend issued by Encavis AG was once again structured as an optional dividend. As such, the company's shareholders had the choice of receiving the dividend entirely in cash or a portion of the dividend in cash for payment of the tax liability and the remaining portion of the dividend in the form of shares in the company. Furthermore, the dividend is partially tax-free in accordance with section 27, paragraph 1, of the German corporation tax act (*Körperschaftssteuergesetz* – KStG).

The dividend was paid on 11 June 2018. 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 almost 40 per cent is seen as a sign of the shareholders' confidence in the company. In total, 1,185,126 new bearer shares were issued. The new shares have dividend rights from 1 January 2018 onwards. Share capital increased from EUR 128,252,214.00 to EUR 129,437,340.00.

As of the reporting date, share capital therefore comes to EUR 129,437,340.00, divided into 129,437,340 shares with a nominal value of EUR 1.00 per share.

Related-party disclosures

In the course of normal business, the parent company Encavis AG maintains relationships to subsidiaries and to other related companies (associates and companies with the same staff in key positions) and individuals (majority shareholders and members of the Supervisory Board and Management Board as well as their relatives).

Associated companies

Transactions with associates are carried out under the same conditions as those with independent business partners. Outstanding items as of the reporting date are unsecured and interest-free, and settlement is made in cash. No guarantees were made to or by related companies or individuals with regard to receivables or liabilities.

In TEUR	First half of 2018	First half of 2017
Transactions		
Services	708	639
Total transactions	**708**	**639**
Balances	1,484	599
Total balances	**1,484**	**599**

Joint arrangements

The participating interest in Richelbach Solar GbR in the amount of TEUR 240 as of 30 June 2018 (previous year: TEUR 240) is classified as a joint arrangement pursuant to IFRS 11. Encavis accounts for its participating interest in the joint arrangement through the recognition of its share of the assets, liabilities, income and expenses pursuant to its contractually transferred rights and obligations.

Other related companies and individuals

As of the reporting date, rental contracts 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 office space for Encavis AG. In the first half of 2018, the sum of the transactions with B&L Holzhafen West GmbH & Co. KG amounts to TEUR 276 (previous year: TEUR 263). As of the reporting date, there is an outstanding balance from transactions with B&L Holzhafen West GmbH & Co. KG. in the amount of TEUR 2.

For the company Encavis Asset Management AG, there is a rental agreement for the offices of the Asset Management segment in Neubiberg with PELABA Vermögensverwaltungs GmbH & Co. KG, a company that is allocated to Supervisory Board member Peter Heidecker. The rental agreement has a fixed term to 2019 and, after expiration of this term, will automatically extend for a period of one year each year unless terminated by either party with a notice period of six months. The monthly rent is based on arm's-length terms. In the first half of 2018, the sum of the transactions with PELABA Vermögensverwaltung GmbH & Co. KG amounts to TEUR 82 (previous year: TEUR 75). As of the reporting date, there is an outstanding balance from transactions with PELEBA Vermögensverwaltungs GmbH & Co. KG. in the amount of TEUR 8.

Other information

Employees

In the first half of 2018, apart from the Management Board members, the Group had 117 employees on average (previous year: 92), determined on the basis of the figures on the respective reporting dates. Of these, 63 (previous year: 52) were employed at Encavis AG, 40 (previous year: 32) were employed at Encavis Asset Management AG, ten (previous year: eleven) were employed at Encavis Technical Services GmbH and four were employed at TC Wind Management GmbH (formerly: TC Asset Management GmbH). The increase in headcount is chiefly due to growth-driven team expansion, as well as the takeover of TC Wind Management GmbH midway through 2017.

Events after the balance sheet date

For the significant events after the end of the reporting period, the reader is referred to the section "Events after the reporting date" in the interim Group management report.

Notification requirements

Notifications in accordance with section 21, paragraph 1, or paragraph 1a, of the Securities Trading Act (WpHG) are shown on the Encavis AG website at https://www.encavis.com/investor-relations/corporate-governance/.

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.

Differences may arise in percentages and figures quoted in this report due to rounding.

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Assurance of the legal representatives

We declare that, to the best of our knowledge and according to the applicable accounting standards, the half-yearly financial reporting as of 30 June 2018, in connection with the annual report for 2017, gives a true and fair view of the net assets and financial and earnings positions of the Group, and that the situation of the Group is presented in a true and fair way as to suitably describe the principal opportunities and risks associated with the expected development of the Group.

Hamburg, August 2018

Encavis AG

Management Board

Dr Dierk Paskert

CEO

Dr Christoph Husmann

CFO

Condensed Group segment reporting (IFRS)

In TEUR	Administration	PV Parks	PV Service	Asset Management
Revenue	0	92,325	1,993	1,332
(Previous year's figures)[3]	(0)	(89,470)	(1,713)	(1,629)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	-3,842	77,005	743	-1,113
(Previous year's figures)[3]	(-3,434)	(87,247)	(728)	(621)
Earnings before interest and taxes (EBIT)	-3,904	36,587	720	-1,589
(Previous year's figures)[3]	(-3,327)	(49,232)	(697)	(197)
Financial result	-235	-20,423	0	-91
(Previous year's figures)[3]	(-569)	(-19,659)	(0)	(-712)
Earnings before taxes on income (EBT)	-4,139	16,164	720	-1,681
(Previous year's figures)[3]	(-3,896)	(29,573)	(697)	(-515)
Consolidated profit for the period (EAT)	-5,421	15,324	759	-1,954
(Previous year's figures)[3]	(-3,553)	(21,567)	(575)	(-478)
Earnings per share, undiluted	-0.06	0.12	0.01	-0.02
(Previous year's figures)[3]	(-0.05)	(0.17)	(0.00)	(0.00)
Assets including investments	496,522	2,147,680	3,786	37,534
(as at 31.12.2017)	(630,416)	(2,015,637)	(6,732)	(39,266)
Cash flow from investing activities	-3,264	-14,518	898	-160
(Previous year's figures)[2,3]	(551)	(-16,284)	(993)	(-135)
Debt	95,021	1,684,387	400	4,110
(as at 31.12.2017)	(70,679)	(1,636,933)	(1,464)	(6,844)

In TEUR	Wind Parks	Reconciliation	Total
Revenue	28,956	-1,849	122,757
(Previous year's figures)[3]	(22,529)	(-1,567)	(113,775)
Earnings before interest, taxes, depreciation and amortization (EBITDA)	26,882	-44	99,631
(Previous year's figures)[3]	(16,591)	(8)	(101,760)
Earnings before interest and taxes (EBIT)	12,905	-37	44,681
(Previous year's figures)[3]	(5,169)	(15)	(51,984)
Financial result	-3,423	12	-24,161
(Previous year's figures)[3]	(-2,422)	(-1)	(-23,364)
Earnings before taxes on income (EBT)	9,482	-25	20,520
(Previous year's figures)[3]	(2,747)	(14)	(28,621)
Consolidated profit for the period (EAT)	9,568	-81	18,194
(Previous year's figures)[3]	(2,101)	(13)	(20,225)
Earnings per share, undiluted	0.07	-0.01	0.12
(Previous year's figures)[3]	(0.02)	(0.00)	(0.15)
Assets including investments	864,788	-951,243	2,599,068
(as at 31.12.2017)	(775,835)	(-948,188)	(2,519,698)
Cash flow from investing activities	-16,384	-20,620	-54,047
(Previous year's figures)[2,3]	(-3,796)	(-23,316)	(-41,987)
Liabilities	609,014	-488,846	1,904,087
(as at 31.12.2017)	(578,973)	(-473,788)	(1,821,105)

3) The previous-year figures have been adjusted (see explanation in the notes to the interim consolidated financial statements).

ENCAVIS

renewable energy

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