ENCAVIS

Annual Report
2020

Group operating KPIs*

In TEUR

	2016	2017	2018	2019	2020	+/- compared to previous year
Revenue	141,783	222,432	248,785	273,822	292,300	7%
Operating EBITDA	106,064	166,768	186,890	217,626	224,819	3%
Operating EBIT	61,589	100,387	113,682	132,229	132,158	0%
Operating EBT	22,906	46,739	56,753	76,627	76,488	0%
Operating EAT	20,486	39,962	47,036	63,446	68,291	8%
Balance sheet total**	2,353,797	2,519,698	2,537,101	2,747,035	2,823,844	3%
Equity	608,556	698,594	687,057	722,713	751,561	4%
Operating cash flow	103,755	153,017	174,282	189,315	212,947	12%

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

** Some of the previous-year figures have been adjusted due to deferred tax assets and tax liabilities being recognised net for the first time, thus making them not reconcilable with the annual report for financial years 2018 and 2019 (additional details in section 2 of the notes).

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Foreword from the Management Board

Dear Shareholders,
Ladies and Gentlemen,

The past financial year was the perfect proof that even improbable events can come to pass and that our lives can be completely changed from one day to the next. But it also showed how flexibly we, as a company, can adapt to even radical changes of this magnitude within a short period of time, without losing any substance, speed or efficiency.

Thanks to our early, quick and targeted actions, comprehensive communication at all times and that little bit of necessary luck, there have not been any restrictions or limitations at Encavis AG due to the pandemic. The nature of our approach and the sacrifices made by everyone involved have brought our company even closer together. Management Board and Supervisory Board meetings; meetings of executives; internal department workshops as well as external workshops; webinars; negotiations with banks, brokers, development partners, applicants, customers and institutional investors; roadshows with analysts and investors; our Capital Markets Day; and even our Annual General Meeting took place virtually. Our high-performance IT equipment aided all company divisions and departments in carrying out their tasks without a permanent presence in the office even during the first lockdown in the spring of 2020 as well as during the current lockdown. Our teams had to try out and develop new ways of working together. We are proud and relieved that we discovered and successfully implemented these methods in next to no time, which now enables us to safely navigate the company even through longer-lasting crises. At the same time, we are also equipped for the challenges of a new working world.

The organic growth of our portfolio of wind and solar parks forms the basis for the implementation of >> Fast Forward 2025, our growth strategy. In the future, we will also realise both opportunities to purchase installations that benefit from guaranteed feed-in tariffs as well as to acquire parks for which the sale of the electricity produced is secured via long-term contracts with industrial customers (so-called power purchase agreements – PPAs). To this end, we have combined the expertise into its own PPA Origination department. To realise our growth targets, we have a project pipeline of wind and solar installations at our disposal with a total generation capacity of more than 3 GW that we have secured with the help of our strategic development partners.

The completion and on-schedule grid connection of the La Cabrera solar park – our major project in Spain with a generation capacity of 200 MWp (megawatts peak) – as well as of the even-larger Talayuela solar park (300 MWp) are important milestones in our entry into the lucrative and seminal PPA market. We are very pleased about the timely completion because, after the lockdown in Spain and the associated temporary halts in construction, we had feared major delays. These parks open up the world of direct sales of green electricity to companies for us – a global market undergoing extremely dynamic growth. In the future – through the commissioning of our two major solar projects with a generation capacity of 500 MW– Spain will be the front runner within the Encavis solar park portfolio.

With our two solar parks in Talayuela and La Cabrera, we will not only generate stable returns, but we will also avoid emitting around 3.4 million tonnes of harmful CO_2 emissions over the ten-year PPA period – all without being dependent on government subsidies. By generating power from renewable energy, we are already making a crucial contribution to an energy supply which is environmentally friendly and sustainable. The energy of the Group produced regeneratively through the use of photovoltaics and wind power in 2020 alone prevented the emission of more than 1.25 million tonnes of harmful CO_2. You can find further details and background information about our sustainability strategy and about our measures and the initial successes of our Group-wide efforts and ambitions with regard to environmental, social and governance issues in the Encavis AG sustainability report – published for the first time for 2020 – on our website at https://www.encavis.com/en/sustainability/.

Our subsidiary Encavis Asset Management AG in Neubiberg near Munich continues to undergo positive development. The target group consisting of institutional investors such as insurance companies, building societies and cooperative banks entrusted us once again with considerable funds during the reporting period. The Encavis Infrastructure Fund II (EIF II) special fund reached its maximum target volume totalling EUR 480 million in equity, thus closing one of the largest renewable energy funds in Germany with a total of more than 50 credit institutes invested. Altogether, a volume of significantly more than EUR 1 billion will be able to be invested in wind and solar parks with this special fund. Additional institutional investors hired us to act as consultants in the design of funds and the establishment of a portfolio of wind and solar parks.

The Encavis Group underwent very positive development overall during the financial year. The continuing expansion of the portfolio and the high degree of availability of our installations contributed to us being able to achieve our forecast targets in spite of more or less average meteorological conditions in many parts of Europe; we were thus able to generate revenue in the amount of EUR 292.3 million. This equates to an increase of more than 6.7% on the previous-year value of EUR 273.8 million. Operating earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 3.3% to approximately EUR 224.8 million (previous year: EUR 217.6 million). Operating earnings before interest and taxes (EBIT) came to EUR 132.2 million compared to EUR 132.2 million in the previous year (increase of 0%). During the reporting year, the expansion of our capacities and the positive development of asset management were compensated for by the significantly less favourable meteorological conditions compared to the previous year. Nevertheless, cash flow from operating activities rose significantly by some EUR 23.6 million to EUR 212.9 million (+12.4%). At EUR 0.43, operating earnings per share – a KPI which is crucial in management of the Group – also exceeded the forecast figure of EUR 0.41. The guidance which we had confirmed multiple times throughout 2020 was therefore slightly exceeded for all KPIs.

During the Covid-19 pandemic, we managed to demonstrate to the capital market that our business model and our business operations are nearly unaffected by the other uncertainties of the pandemic. The constantly increasing prices of the Encavis share in 2020 significantly outperformed the traditional DAX, MDAX and SDAX indexes; only the ÖkoDAX was able to make up ground in the second half of the year. At the end of 2020, the share closed at its high mark for the year of EUR 21.35 – more than double the high in the previous year of EUR 9.39. Effective on 22 March 2021, the Encavis AG share was moved via the fast-entry process from the SDAX to the MDAX, the index with the 60 largest exchange-listed companies in Germany after the DAX, measured by market capitalisation and daily trading volume. But we are happy that the successful development of Encavis AG is not reflected only in our share price. In October 2020, the European ratings agency Scope Ratings confirmed its investment-grade rating of BBB− with a stable outlook for Encavis

Honoured Shareholders, we would of course like you to take part in the successful growth of Encavis AG, beyond the positive development of the share price, which is why we – in accordance with our long-term dividend strategy from the Annual General Meeting – recommend the distribution of a dividend of EUR 0.28 per voting share for the 2020 financial year. As in years past, this will once again be offered as an optional dividend, enabling shareholders to choose between receiving the dividend in the form of shares in the company or in the form of cash.

In light of the Encavis Group’s business strategy, which is geared towards qualitative growth, the we expect more significant growth for the 2021 financial year compared to the previous year. The strategic transformation of the company and the successful entry into the PPA business with the La Cabrera and Talayuela solar parks in Spain – both of which are already connected to the grid – will significantly increase revenue and profit. We expect an increase in revenue to more than EUR 320 million for the 2021 financial year (increase of 9%). Operating EBITDA is expected to increase to more than EUR 240 million (increase of +7%). At the Group level, we anticipate growth in operating EBIT to more than EUR 138 million (increase of +4%). The operating earnings per share would reach a level of EUR 0.46 (increase of 7%). For operating cash flow, we expect a figure of more than EUR 210 million and thus a figure at the level of 2020, which was a very strong year. These expectations for the 2021 financial year are based on the composition of our portfolio of wind and solar parks as of the beginning of March 2021 as well as the expectation of standard weather conditions.

We would be very pleased if you, dear Encavis AG Shareholders, would continue to place your trust in us and accompany us on our path towards future growth. Stay healthy during these difficult times, and stay tuned for how we – with dedication and good judgement – are going to take advantage of the opportunities offered by these times to create a successful future.

Hamburg, March 2021

The Management Board

Dr Dierk Paskert

CEO

Dr Christoph Husmann

CFO

Dr Dierk Paskert
Chief Executive Officer (CEO)

Dr Christoph Husmann
Chief Financial Officer (CFO)

The Encavis share

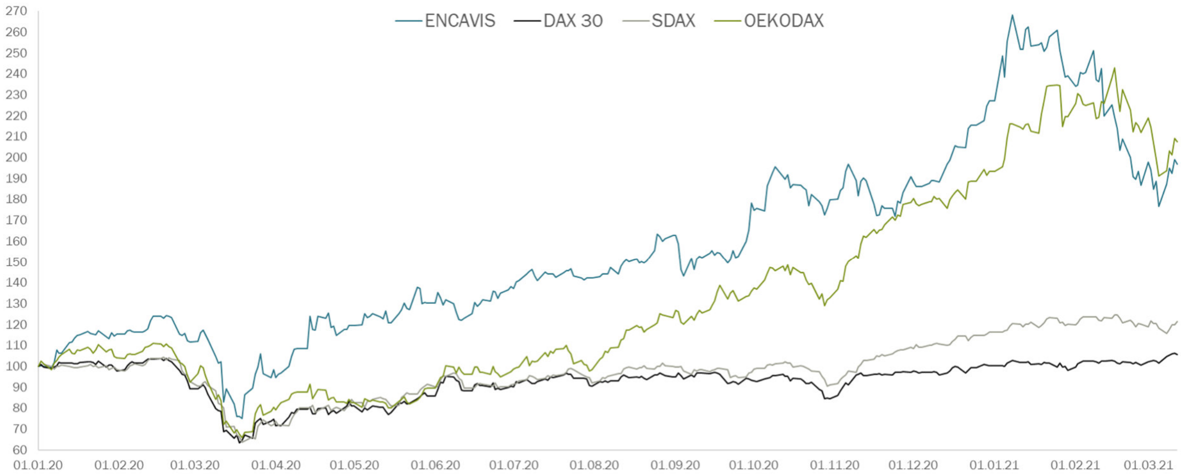
Key financial figures	
Listed since	28.07.1998
Subscribed capital	138,437,234.00 EUR
Number of shares	138.44 Mio.
Stock market segment	Prime Standard
Dividend 2016 per share	0.20 EUR
Dividend 2017 per share	0.22 EUR
Dividend 2018 per share	0.24 EUR
Dividend 2019 per share	0.26 EUR
Dividend 2020 per share*	0.28 EUR
52-week high	25.55 EUR
52-week low	6.76 EUR
Share price (12 March 2021)	18.50 EUR
Market capitalisation (12 March 2021)	2.561 Mio. EUR
Indexes	MDAX, HASPAX, PPVX, Solar Energy Stock Index
Trading centres	Regulated market in Frankfurt am Main (Prime Standard) and Hamburg; over-the-counter market in Berlin, Düsseldorf, Munich and Stuttgart; Tradegate Exchange
ISIN	DE 0006095003
Designated sponsor	M.M. Warburg & CO Bank; Raiffeisen Bank International AG; Stifel Europe Bank AG

* Proposal to the Annual General Meeting for the appropriation of distributable profit

Encavis share climbs to new heights

The 2020 financial year was entirely dictated by the Covid-19 pandemic and its economic impact. At the beginning of the year, the general uncertainty about the situation had a restraining effect on prices on the stock market. The outbreak of the coronavirus crisis, with the first lockdown in March, sank nearly all share prices into the depths: losses of as much as 50% were not uncommon. Within a single month, the Encavis share price crashed from EUR 11.68 to EUR 6.76 by mid March. Within a short time, Encavis reassured the capital market of the sustainable resistance to crises of its business operations. The nearly constantly increasing prices of the Encavis share in 2020 significantly outperformed the traditional DAX family (DAX, MDAX and SDAX indexes); only the ÖkoDAX was able to make up ground in the second half of the year. At the end of 2020, the share closed at its high mark for the year of EUR 21.35 – an increase of 127% compared to the high in the previous year of EUR 9.39. The positive development of the share price was supported by countless announcements from the company. In particular the timely grid connection of the two major projects in Spain – despite the tough lockdown restrictions on the two construction sites – and the transparent and continuous reporting on the lessening effects of the coronavirus crisis on the Group had a positive impact on the share price.

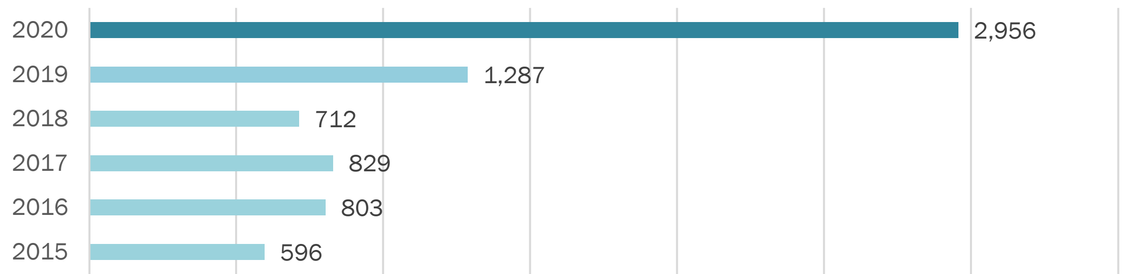
After the end of the reporting period, the Encavis share rose in just a few days to its all-time high of EUR 25.55 at the beginning of January 2021 and, through the beginning of February, remained stable above the closing price for 2020, before following the general trend of consolidation among renewable energy companies. At the close of trading on 12 March 2021 the share reached a price of EUR 18.50.



Market capitalisation and trading volume increase greatly once again

At the end of trading on 30 December 2020, the last trade date of the year, market capitalisation of Encavis AG amounted to some EUR 2,956 million (30 December 2019: EUR 1,287 million). Market capitalisation thus more than doubled within a year, growing by around 130%. There were 138,437,234 shares at the end of the reporting period. Over the course of the year, the liquidity of the share also grew significantly and ultimately more than doubled. For the year, an average of 461,416 shares were traded daily (2019: 195,848 shares), with the first and fourth quarters standing out in particular with a daily average of well more than 500,000 traded shares. Market capitalisation for Encavis AG currently amounts to EUR 2,561 million (as of: 12 March 2021). As a result of the rapid increase in market capitalisation and daily trading volume, the Encavis AG share was moved via the fast-entry process from the SDAX to the MDAX – the index with the 60 largest exchange-listed companies in Germany after the DAX, measured by market capitalisation and daily trading volume – effective on 22 March 2021.

Market capitalisation
(as of 31 December of the given year; in EUR million)



Increasing research coverage of the Encavis share becomes more international

A total of 12 institutions and analysts currently observe the Encavis AG share and have published research reports. At the moment, ten institutions recommend the Encavis share as a “buy”, “hold” or “neutral”. Spotlight Research of Raiffeisen Centrobank is generally not intended to make recommendations. Institutions that have recently begun or resumed their research are M.M. Warburg, HSBC, Stifel and Hauck & Aufhäuser. Bankhaus Lampe ceased the entirety of its equity operations at the end of 2020 and therefore no longer publishes any research reports. On average, the analysts expect a fair price of EUR 19.15, with all estimates coming in between EUR 13.00 and 25.10.

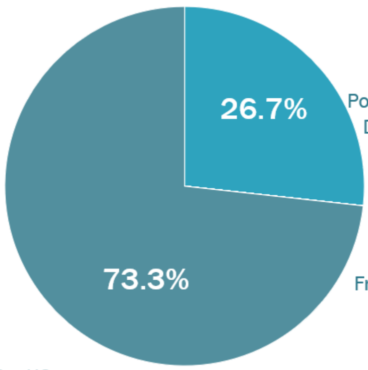
Encavis AG publishes the latest target share prices issued by analysts, along with their contact information, in the Investor Relations section of its website under “Research”.

Shareholder structure ensures trading liquidity with high level of free float

Within the free float (73.3%) of Encavis AG, there was a significant increase in institutional investors during the reporting period, both from continental Europe as well as from the United States as a new region. In particular, the proportion of passively managed index-oriented exchange-traded funds (ETFs) and the proportion of ESG funds oriented towards the criteria of sustainability came from these regions. After the conclusion of a voting rights pooling agreement, major shareholders AMCO Service GmbH and Dr. Liedtke Vermögensverwaltung GmbH of the two Büll and Liedtke families of entrepreneurs now jointly hold 26.7% of shares.

The ownership structure of Encavis AG is as follows in March 2021:

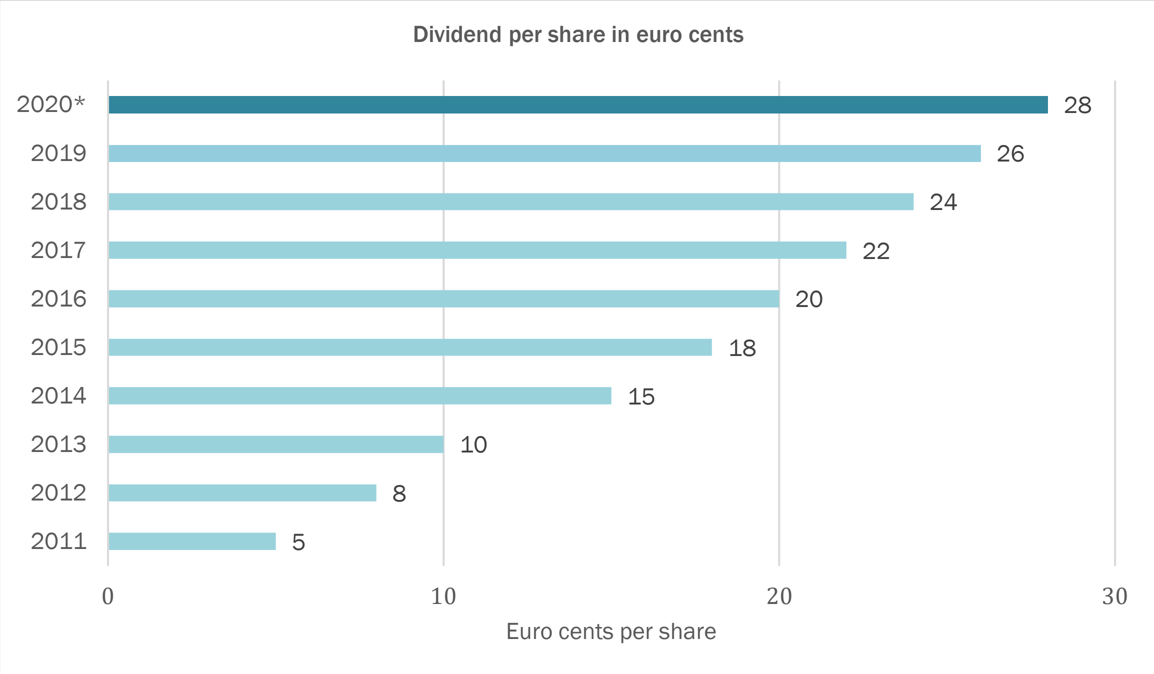
Major investors within the free float:
10.2% BlackRock Fund Managers Limited
therein: 5.3% iShares Trust
7.3% The Goldman Sachs Group, Inc.
5.1% UBS Group AG
4.0% Versicherungskammer Bayern
3.5% Lobelia Beteiligungsgesellschaft/
Kreke Immobilien KG
3.2% Invesco ETF Trust II
3.1% DWS Investment GmbH, Frankfurt/Main
2.3% PELABA Vermögensverwaltungs GmbH & Co. KG
0.4% Management of Encavis AG



Annual shareholders' meeting confirms shareholders' trust in Encavis AG

Encavis AG's annual shareholders' meeting was held in Hamburg on 13 May 2020. Pursuant to section 1 of the German Act on Measures in Corporate, Cooperative, Association, Foundation and Residential Property Law to Combat the Effects of the Covid-19 Pandemic (*Bundesgesetzblatt*, 2020, Part I, dated 27 March 2020, page 570 et seq.), the annual shareholders' meeting of the company was held as a virtual Annual General Meeting without the physical presence of the shareholders or their authorised representatives (with the exception of the authorised representative of the company). For shareholders and their authorised representatives, audio and video of the entire Annual General Meeting – including any answering of questions and votes – was broadcast live on the internet under password protection. Using this service, the properly registered shareholders (and any of their authorised representatives) were able to exercise their granted shareholder rights, submit their votes, appoint proxies, submit questions or declare objections to the minutes pursuant to the procedures provided for these purposes. The shareholders and shareholder representatives in attendance represented around 62% of the share capital, and approved all of the items on the agenda by large majorities.

Once again, at the Annual General Meeting, the shareholders and their representatives approved with a large majority the recommendation of the Management Board to pay out a share dividend from a portion of net earnings from the 2019 financial year. This was increased to EUR 0.26 per share. As in previous years, the shareholders were able to choose between having their dividend paid out as a cash dividend and a dividend in kind in the form of shares in Encavis AG.



* Proposal to the Annual General Meeting for the appropriation of distributable profit

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

Questions and information

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

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

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

We look forward to hearing from you!

Encavis AG

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Encavis AG financial calendar

Date	Financial event
2021	
23 March 2021	Encavis AG 2020 annual report and sustainability report
24 March 2021	Bank of America Energy & Utilities Virtual Conference 2021
26 March 2021	Jefferies Equity-Linked Virtual Conference 2021
30 to 31 March 2021	Jefferies Virtual Pan-European Mid Cap Conference 2021
1 April 2021	Stifel Virtual Roadshow – Canada/Unites States
12 to 14 April 2021	Raiffeisen Bank International Institutional Investors Conference – Zürs, Austria (virtual)
14 April 2021	Warburg Meet the Future: Renewables Virtual Conference
27 to 28 April 2021	Crédit Mutuel-CIC Virtual Roadshow – France
5 to 6 May 2021	Virtual PV Operations Europe 2021 – digital conference and exhibition
11 May 2021	Stifel German SMID Cap One-on-One Forum – Frankfurt am Main, Germany
14 May 2021	Quarterly report for Q1/first three months of 2021
19 May 2021	Berenberg Virtual US Conference 2021 – Tarrytown, New York, United States
20 May 2021	Crédit Mutuel-CIC Conference – Market Solutions Forum by ESN – Paris, France
27 May 2021	Annual shareholders’ meeting – Hamburg, Germany
10 June 2021	Quirin Champions Conference 2021 – Frankfurt am Main, Germany
10 to 11 June 2021	M.M. Warburg Highlights Conference – Hamburg, Germany
21 to 22 June 2021	Digital DIRK Conference 2021
13 August 2021	Interim financial report for Q2/first half of 2021
25 August 2021	Montega Hamburg Investor Day (HIT) – Hamburg, Germany
1 September 2021	Commerzbank Sector Conference – Frankfurt am Main, Germany
1 to 2 September 2021	Stifel Cross Sector Insight Conference – London, United Kingdom
12 September 2021	Interest payment on the 2018 Green Schuldschein bond
13 September 2021	Interest payment on hybrid convertible bond
22 September 2021	Berenberg/Goldman Sachs Tenth German Corporate Conference – Unterschleißheim (Munich), Germany
15 November 2021	Quarterly report for Q3/first nine months of 2021
22 to 24 November 2021	German Equity Forum (Deutsche Börse) – Frankfurt am Main, Germany
30 November 2021	Crédit Mutuel-CIC Renewable Conference – ESN, Paris, France
30 November 2021	DZ Bank Equity Conference – Frankfurt am Main, Germany
11 December 2021	Interest payment on 2015 debenture bond

Report of the Supervisory Board

Dear Shareholders,

The Supervisory Board, as composed throughout the year, exercised its rights and duties in accordance with the law, the Articles of Association and the rules of procedure without restriction in the 2020 financial year. It regularly advised the Management Board in its management of the company and continuously oversaw material management measures for the Group. It also reviewed the risk management and compliance functions of the company and believes that they satisfy the requirements in full. The Supervisory Board was directly involved in all decisions of particular note for the company. The Supervisory Board approved individual transactions insofar as this was required in accordance with the law, the Articles of Association or the rules of procedure.

The Management Board met its information obligations and informed the Supervisory Board regularly, promptly and extensively in writing and orally about the company's financial and economic position, strategic orientation, investment projects as well as risk management and compliance. The Supervisory Board discussed all measures requiring approval with the Management Board in advance. The chairman of the Supervisory Board also received detailed information between the Supervisory Board's meetings and was therefore always aware of important issues for the company and the Group. The Management Board and the Supervisory Board jointly coordinated the Group's strategic orientation and development.

There were four ordinary Supervisory Board meetings during the 2020 financial year. All members of the Management Board were fully represented at all meetings, insofar as discussions of the Supervisory Board did not concern matters of the Management Board. All members of the Supervisory Board took part in all meetings. An overview of individual members' attendance can be found in the table below.

Supervisory Board members' attendance at meetings in the 2020 financial year*	Supervisory Board	Audit committee	Personnel committee
Dr Manfred Krüper, Chairman	4/4	2/2	2/2
Alexander Stuhlmann, Deputy Chairman	4/4	2/2	2/2
Christine Scheel	4/4	-	-
Albert Büll	4/4	-	2/2
Dr Cornelius Liedtke	4/4	-	-
Professor Fritz Vahrenholt	4/4	2/2	2/2
Peter Heidecker	4/4	-	-
Dr Henning Kreke	4/4	-	-
Dr. Marcus Schenck	4/4	-	-

* Attendance = number of meetings attended by the Supervisory Board member/total number of meetings.

The Management Board sent detailed reports and presentations to the members of the Supervisory Board before all Supervisory Board meetings. If decisions requiring approval had to be made, the documents contained detailed submissions to facilitate the decision-making and investment process. The Supervisory Board also passed resolutions in circulation procedures. The subjects of the resolutions passed by the Supervisory Board in circulation procedures were, among others, the systematic acquisition of outstanding minority interests up to 100% in multiple solar parks, including the Brandenburg/Havel solar park, as well as the acquisition of the remaining shares (20%) of the La Cabrera solar project in Spain (200 MW total generation capacity) from Solarcentury, the strategic development partner.

Scope of topics/deliberation focus

During the first half of the 2020 financial year, one focus of discussions and resolutions of the Supervisory Board was the impact of the Covid-19 pandemic on the status of completion and planned grid connection of the two major projects in Spain under construction, Talayuela and La Cabrera. Due to the lockdown, and especially due to the brief stop in construction in March and April 2020 in Spain, the Management board initially expected delays in the progress of construction of both projects. This effect only occurred temporarily, however, and both projects were connected to the grid on time in spite of the continuation of the Covid-19 pandemic throughout 2020.

In addition, the range of topics included the annual and consolidated financial statements as of 31 December 2019 which – at the recommendation of the audit committee and following discussions with the auditing firm PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) – were approved by the Supervisory Board in its meeting on 19 March 2020. As part of preparations for the Annual General Meeting, the Management Board and Supervisory Board also addressed the structure of a virtual Annual General Meeting and the associated implementation measures and legal requirements on the basis of the new so-called Pandemic Act.

Additionally, the focus of the other meetings was on, among other topics, the pursuit and realisation of the of the growth strategy of the Group through 2025, which was announced in 2020. Among other things, the expansion of the existing portfolio of solar and wind parks with selected ready-to-build and early-stage projects was discussed in this regard. This included the development partnership with GreenGo established in May 2020 for a portfolio of solar parks in Denmark with a generation capacity of more than 500 MW. The focus of discussions was also on the planned disposal of further minority interests of up to 49% in selected wind parks – pursuant to the growth strategy – to institutional investors or energy providers. By disposing of 49% of its wind park portfolio in Austria to the largest regional energy provider in Austria – WIEN ENERGIE GmbH – Encavis once again confirmed the strategic direction in this regard at the end of 2020.

In the context of the Encavis Group management report and its strategic development, the discussions and deliberations largely dealt with new investments and deal flows (including the status of the implementation of the La Cabrera and Talayuela major projects in Spain with project developer Solarcentury), as well as the conclusion of new partnership agreements with, among others, Sunovis GmbH for a portfolio of subsidy-free solar projects with a generation capacity exceeding 200 MW in Germany.

In the meeting on 16 December 2020, the Supervisory Board discussed, among other topics, the subject of green hydrogen. Additionally, following discussions in prior meetings, the Management Board informed the Supervisory Board about the results of its adapted business model to account for the future strategic challenges in the market environment of subsidy-free solar and wind projects. For instance, newly identified core processes include the company's own department for long-term bilateral power contracts (PPA Origination), a business unit for energy portfolio management – including energy marketing of free volumes – and energy risk management as a new corporate governance function. The adapted business model enables the >> Fast Forward 2025 strategy to be implemented at a higher and more professional level and growth – under consideration of energy-related risks and opportunities – to be managed in an earnings-oriented manner.

The Supervisory Board's deliberations also regularly focused on the presentation of investment resources, the development of the PV Parks and Wind Parks segments, the Asset Management segment and financing for future projects. The Management Board regularly presented investment opportunities and discussed the current state of negotiations. In the process, the Management Board explained the financial conditions of these projects to the Supervisory Board in detail, along with the associated opportunities and risks. Opportunities to procure capital in order to finance further growth were also discussed in detail.

The Management Board reported on the development of the existing portfolio in all of the Supervisory Board's regular meetings. The development of other target markets was considered as well.

Meetings held by the personnel committee

The personnel committee is composed of Dr Manfred Krüper (chairman), Alexander Stuhlmann, Albert Büll and Professor Fritz Vahrenholt. The committee held two meetings in the past financial year. The personnel committee dealt in detail with the goals and goal achievement of the two members of the Management Board as a decisive basis for the variable annual remuneration (short-term incentive – STI). The focus of discussions on the personnel committee was on, among other topics, the amendments from the new German Corporate Governance Code (DCGK) published on 20 March 2020. Among other subjects, the personnel committee deals with the requirements of the abstract remuneration system to be presented to the 2021 Annual General Meeting as well as any potential deviations from the code in relation to the new version.

The personnel committee extensively prepared all decisions on personnel matters that were made in plenary.

Meetings held by the audit committee

The audit committee is composed of Alexander Stuhlmann (chairman), Dr Manfred Krüper and Professor Fritz Vahrenholt. The audit committee held two meetings in the past financial year. In March 2020, it dealt with the 2019 consolidated and annual financial statements and discussed these with the Management Board prior to their publication. The auditors attended the meeting and reported on the findings of their audits. The audit committee also dealt with the current status of the audit and determined the focal points for the audit of the 2020 consolidated and annual financial statements together with the auditors in its last meeting at the end of the year.

In addition, the some of the heads of the Group functions were available in the audit committee's meetings for reporting and to answer questions on individual issues.

Corporate governance

In recognition of the fact that corporate governance significantly contributes to responsible, value-oriented management and control, the Supervisory Board also dealt with topics and issues relating to corporate governance in 2020. Together with the Management Board, the Supervisory Board issued an annual declaration pursuant to section 161 of the German stock corporation act (*Aktiengesetz* – AktG) on the recommendations contained in the German Corporate Governance Code. Further information on corporate governance can be found in the combined declaration on corporate governance in accordance with section 315 (5) in conjunction with section 289f of the German Commercial Code (HGB). The combined declaration on corporate governance also includes the corporate governance report prepared by the Management Board and the Supervisory Board and the declaration on the recommendations contained in the German Corporate Governance Code. The combined declaration on corporate governance can be accessed permanently on Encavis AG's website at https://www.encavis.com/en/sustainability/corporate-governance/.

The members of the Management Board and the Supervisory Board disclose any conflicts of interest to the Supervisory Board without delay. The Supervisory Board did not have any notifications or indications of conflicts of interest on the part of the members of the Management Board and the Supervisory Board in the 2020 financial year.

Audit of the annual and consolidated financial statements

The Hamburg branch of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft is the auditor of the annual financial statements and of the consolidated financial statements. The auditing firm issued an unqualified audit opinion on the annual financial statements of Encavis AG and the consolidated financial statements of the Encavis Group. In order to monitor the independence of the auditor, the audit committee – in addition to confirming the auditor's independence – also satisfied itself of the auditor's compliance with the prohibition of inadmissible non-audit services. Furthermore, the committee has obtained assurance that PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Hamburg branch, has implemented appropriate processes and measures for quality assurance, including for engagement acceptance and continuation as well as for independent engagement-related quality assurance. The auditing firm issued an unqualified audit opinion on the annual financial statements of Encavis AG and the consolidated financial statements of the Encavis Group.

The Supervisory Board discussed the annual financial statements prepared pursuant to the German Commercial Code, the consolidated financial statements of Encavis AG and the combined management report in detail at its meeting on 23 March 2021, which the auditor also attended. The Management Board's proposal regarding the appropriation of net earnings was also discussed at the meeting. The consolidated financial statements in accordance with IFRS, the combined management report for Encavis AG and the Group, the annual financial statements of Encavis AG and the relevant auditor's reports were made available to all members of the Supervisory Board in due time. The auditors presented the most important findings of their audit and were available for further questions. The Supervisory Board raised no objections following its own examination and adopted the auditors' report. The audit committee discussed the drafts of the consolidated financial statements, the management report, Group management report, audit reports and the proposal on the appropriation of distributable profit at length in its meeting on 22 March 2021 in the presence of the auditors. The key audit matters were also discussed with the auditor. Following the Supervisory Board's own examination, there are no objections to be raised against the financial statements. The Supervisory Board therefore approved the annual financial statements of Encavis AG and the consolidated financial statements of the Encavis Group on 23 March 2021. The annual financial statements were thus adopted. Finally, the Supervisory Board has endorsed the Management Board's proposal for the use of distributable profit for 2020, i.e. the distribution of a dividend of EUR 0.28 per dividend-entitled share. The dividend will either be paid in cash or in the form of Encavis AG shares. The details of the cash distribution and the opportunity available to shareholders to choose shares will be provided in a document made available to shareholders, along with the invitation to the Annual General Meeting, that contains in particular information on the number and type of the shares and explains the background and details of the offer.

The dividend amount and the residual amount to be carried forward to new account in the proposed resolution on the appropriation of distributable profit are based on the eligible share capital on 31 December 2020 of EUR 138,437,234.00, divided into 138,437,234 shares.

The number of eligible shares may change by the time the resolution on the appropriation of net earnings is passed. In such a case, the Management Board and the Supervisory Board will submit a suitably amended proposed resolution to the Annual General Meeting on the appropriation of distributable profit.

Changes in the composition of the Supervisory Board

There were no changes in the composition of the Supervisory Board or its committees in the reporting year.

Changes in the composition of the Management Board

There were also no changes in the composition of the Management Board in the reporting year.

The Supervisory Board would like to thank and recognise the Management Board and the employees of the companies of the Encavis Group for the work done in 2020, as well as for their dedication and personal contribution to the successful 2020 financial year.

Hamburg, 23 March 2021

For the Supervisory Board

M. Krüper

Dr Manfred Krüper

Chairman


Dr Manfred Krüper
Chairman of the Supervisory Board


Alexander Stuhlmann
Deputy Chairman of the Supervisory Board


Albert Büll
Member of the Supervisory Board


Peter Heidecker
Member of the Supervisory Board


Dr Henning Kreke
Member of the Supervisory Board


Dr Cornelius Liedtke
Member of the Supervisory Board


Christine Scheel
Member of the Supervisory Board


Dr Marcus Schenck
Member of the Supervisory Board


Professor Fritz Vahrenholt
Member of the Supervisory Board

Table of contents of combined Management report and Group management report

Management report and Group management report for the 2020 financial year

The Encavis Group

General information

The combined management report covers the Encavis Group (hereinafter referred to as the “Group” or “Encavis”) and the parent company Encavis AG, based in Hamburg, Germany. It was prepared in accordance with the provisions of the German Commercial Code (HGB) and in application of German Accounting Standard (DRS) no. 20.

Encavis AG prepares the individual financial statements in accordance with the accounting principles set out in the HGB and the consolidated financial statements in accordance with the accounting principles set out in the International Financial Reporting Standards (IFRS). The management report and Group management report are combined, whereas the financial performance, financial position and net assets are presented separately.

The share capital amounts to EUR 138,437,234.00 and is divided into 138,437,234 no-par-value shares. The average number of shares in circulation (undiluted) in the reporting period was 137,799,309 (previous year: 131,052,531).

All disclosures in this report relate to 31 December 2020 or the financial year from 1 January to 31 December 2020, unless stated otherwise.

Basic information about the Group

Business model

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

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

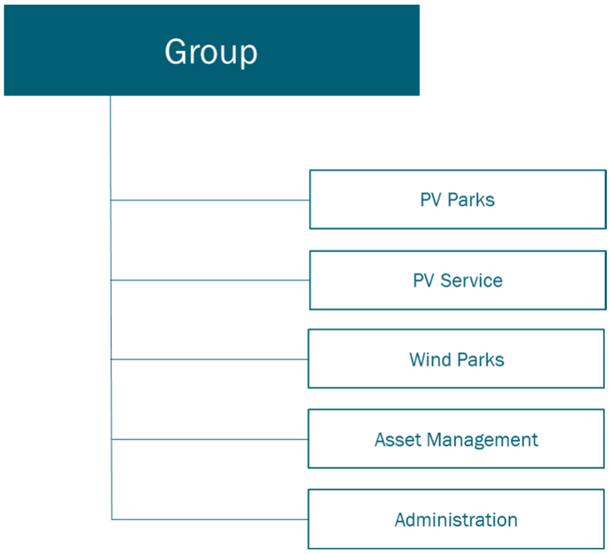
The Encavis portfolio is currently comprised of a total of 190 solar parks and 93 wind parks with a capacity of around 2.8 GW in Germany, Italy, France, the United Kingdom, Austria, Finland, Sweden, Denmark, the Netherlands and Spain. Of these, the Group operates 24 solar parks and 51 wind parks for third parties in the Asset Management segment.

By generating power from renewable energy, the Encavis Group makes a significant contribution to a sustainable, clean energy supply. Total electricity production of the Group amounted to some 3.4 TWh in 2020. Of this figure, some 2.1 TWh are attributable to the solar and wind parks in the company’s own portfolio, whose production is reflected in the revenue of the Group.

Group structure

Encavis AG is the parent company of the Encavis Group. In addition to Encavis AG, the consolidated financial statements included 242 subsidiaries held directly or indirectly as at 31 December 2020 (previous year: 233).

The diagram illustrates the Group's segments as of 31 December 2020:



PV Parks	This segment comprises all photovoltaic parks in the company's portfolio as well as any holding companies in Germany, Italy, France, the United Kingdom, the Netherlands and Spain.
PV Service	This segment consists of Encavis Technical Services GmbH as well as the minority interest in Stern Energy S.p.A. Also included are the transactions of Encavis AG assigned to this segment.
Wind Parks	This includes all the Group's own wind parks in Germany, Italy, France, Austria and Denmark and the associated holding companies.
Asset Management	The segment includes the activities undertaken by Encavis Asset Management AG, as well as those activities of Encavis GmbH, relating to the asset management field and other companies assigned to this field.
Administration	The segment comprises management-related transactions for the Group's parent company, Encavis AG, and transactions allocated to this segment from Encavis GmbH. Encavis Finance B.V., Encavis Real Estate GmbH and Encavis Renewables Beteiligungs GmbH and Encavis Grundstück Beteiligungs GmbH are also included in this segment.

Internal control system of Encavis

The major aim of Encavis is profitable growth and therefore an increase in the company's value. The Management Board is informed about current developments on a regular basis as regards the implementation and monitoring of targets. The information received covers technical and commercial aspects of existing parks such as the cumulative power production, installations' technical availability and the integration of newly acquired solar or wind parks into the Encavis Group. Potential investment opportunities and spare cash available for investment purposes are also discussed by the Management Board. The liquidity of the operating solar and wind parks is monitored on a continuous basis, which allows the Management Board to respond to circumstances at short notice and to take suitable measures.

The forecast for the following financial year is also published in the annual report. This is based on the detailed plans of the individual Group companies. The published forecast is reviewed quarterly and adapted by the Management Board where required.

The earnings indicators EBITDA and EBIT for Encavis sometimes include material non-cash valuation effects resulting from the application of IFRS. These include, among others, income from the cancellation of the interest advantage from subsidised loans (government grants) and, in the past, also the differences determined in the course of purchase price allocations for the first-time consolidation of new solar and wind parks. Due to the adjustment of the definition of a business associated with the amendment to IFRS 3, however, acquisitions of new solar and wind parks are generally no longer accounted for as business combinations, but as acquisitions of assets. In this context, the difference between the purchase price and the revaluation of the asset is no longer recognised as goodwill (balance sheet item) or badwill (in profit or loss), but rather allocated to the individual material assets and capitalised.

Encavis therefore publishes earnings adjusted for these effects that reflect the company's operating profitability and development in a substantially more transparent and sustainable manner.

The earnings forecast for the 2020 financial year in the forecast report is also based on these adjusted financial figures.

The financial and non-financial control parameters used internally within the Group that are orientated towards the interests and expectations of shareholders include in particular:

- Operating cash flow
- Technical installation availability
- Revenue
- Adjusted operating EBITDA
- Adjusted operating EBIT
- Operating earnings per share

The achievement of key figures as regards technical installation availability, kilowatt-hours (kWh) produced and the resulting revenue is presented in the regular performance report and discussed with the Management Board.

Operating cash flow is determined using the indirect method in accordance with IAS 7. Interest payments are reported in full in the cash flow from financing activities. The operating cash tax expense is included in the operating cash flow.

The focus in investment decisions in particular is on the expected internal rate of return (IRR) that reflects the return on the capital invested or the return on the investment over a multi-year period. The return on equity (ROE) is also an important parameter in investment decisions. It reflects the relationship between adjusted operating earnings after interest and taxes (operating EAT) and the equity invested. Qualitative and strategic criteria such as stable remuneration systems, high-quality components and attractive financing terms are also taken into consideration.

Adjusted operating EBITDA and adjusted operating EBIT are both derived from the IFRS key figures EBITDA and EBIT and are adjusted for the following effects.

Operating EBITDA = IFRS EBITDA less the following effects:

- Income and expenses resulting from the disposal of financial assets and other non-operating cash income
- Other non-cash income, primarily from the cancellation of the interest advantage from subsidised loans (government grants) and profit from business combinations (badwill)
- Non-cash share-based remuneration and other non-operating expenses
- Selected one-off effects

Operating EBIT = IFRS EBIT less the following effects:

- Already-adjusted effects from operating EBITDA
- Amortisation of intangible assets acquired in business combinations
- Impairments resulting from impairment tests on assets resulting from purchase price allocations
- Depreciation of step-ups on property, plant and equipment acquired in business combinations

The financial control parameters for Encavis AG are – with the exception of revenue and the technical availability of installations – essentially identical to the key figures used in the Group. EBITDA and EBIT adjustments at Encavis AG mainly relate to effects from disposals of financial assets, from currency translation and from other non-cash income.

Economic report

Framework conditions

Economic framework conditions

The Covid-19 pandemic leads to major downturn in the global economy in 2020

In 2020, the Covid-19 pandemic and its impact on the global economy led to a 3.5% decrease in the global economic output according to estimates of the International Monetary Fund (IMF) from 20 January 2021. In October 2020, the IMF still expected a decrease in global economy of as much as 4.4% and explained the better-than-expected result with economic activity that was stronger than expected during the second half of 2020. Nonetheless, the forecast contraction of 3.5% is significantly more pronounced than during the times of financial crisis in 2009, when the global economy shrank by 0.1%. This demonstrates the more massive impact of the pandemic by comparison.

Due to the situation of the global pandemic, there were restrictions on contact, mobility and travel around the world, as well as complete lockdown measures, which led to a decrease in most major economic indicators such as global trade, investment, production and consumption in the first half of 2020 – some well into the double digits.

To minimise the effects of the pandemic, many economies around the globe passed economic stimulus packages as well as direct financial aid for companies and private individuals. The United States alone passed an economic stimulus package in March 2020 totalling USD 2.4 trillion; Europe announced its “NextGenerationEU” recovery programme, which is intended to help deal with the damage to the economy and the society caused by the coronavirus, and which has been funded with EUR 750 billion. In Germany, the stimulus package amounted to EUR 130 billion.

The central banks contributed to the economic support with various measures. The European Central Bank, for example, established a Pandemic Emergency Purchase Programme (PEPP) in the amount of EUR 750 billion for the purchase of bonds, which supports the issuing of credit and is intended to reduce the cost of loans. PEPP was increased in December 2020 once again to a volume now totalling EUR 1,850 billion.

Despite all of these measures, a decrease of 7.2% is still forecast for the economy of the eurozone for the previous year. The IMF predicts the most significant drops in the eurozone to be France (9.0%), Italy (9.2%), and Spain (11.1%). On the other hand, a lesser decline is expected for the economies in Germany (5.4%), the Netherlands (4.1%) and Poland (3.4%).

The analysts of the IMF expect that the United States will close the 2020 financial year with a drop of 3.4%, while China – the second-largest economy in the world – is expected to grow again by 2.3%.

Global economy should make a strong recovery in 2021 with increasing availability of vaccines

The global economy is expected to grow by 5.5% during the current financial year, as predicted by the International Monetary Fund in its estimate from January 2021. However, the IMF also makes note of the significant uncertainty associated with this forecast. This uncertainty is based on the currently observable resurgence of the pandemic in the form of new waves of infection, as well as in the form of mutated variants of the coronavirus which could spread around the world. The most recent forecast for 2021 has been raised by 0.3 percentage points compared to the forecast from October 2020.

Additionally, it is generally expected that the most important central banks will continue their expansive monetary policy in 2021 as well and will thus continue to support the growth outlook.

Additional stimulus packages – in the United States and Japan in particular – as well as increased approvals for vaccines and vaccination campaigns in all countries of the world, according to the IMF, will lead to a revival of economic activity during the second half of 2021. There may be differences, however, from region to region, depending on the availability, level of acceptance and speed of the vaccination campaigns. But differences in the public health system, in overcoming unemployment caused by the pandemic and in the flexibility and adaptability of the economy – especially to an economic cycle where mobility may remain low – will also be overarching factors.

In turn, the faster and greater availability of already-licensed vaccines and vaccines still to be licensed may also lead to an increase in private consumption and investment that exceeds expectations, as well as a decrease in unemployment, all of which could positively influence the growth of the global economy beyond the current forecast.

For the European Economic Area, the IMF expects growth of 4.2% for 2021. Greater growth is predicted for Spain (5.9%) and France (5.5%), while Germany (3.5%), Italy (3.0%) and the Netherlands (3.0%) are forecast to grow somewhat more weakly.

The IMF expects a growth rate of 5.1% for the United States, and the Chinese economy is expected to expand at a rate of 8.1%.

ECB continues to promote loans with its unchanged zero-interest-rate policy

The European Central Bank (ECB) did not change interest rates in the eurozone in 2020. The key rate for supplying commercial banks with liquidity remained unchanged at 0.0% throughout the year. The ECB maintained the so-called deposit rate at a level of −0.5%. The aforementioned interest rates are intended to maintain favourable financing conditions beyond the period of the Covid-19 pandemic, thus supporting the flow of credit to all sectors of the economy and ensuring price stability over the medium term.

Underlying conditions for renewable energies

The market for renewable energy

The global energy revolution

The pace of expansion of renewable energies continued to increase in 2020. Energy markets worldwide are in the midst of transformation as conventional sources of energy and fossil fuels are increasingly being supplemented or replaced by the growth and use of regenerative energy sources. In spite of the enormous macroeconomic pressure from the Covid-19 pandemic, the transition from traditional to renewable energy sources continued unabated in 2020.

In the European Union (EU), for example, 2020 was the “greenest” year of all time in terms of electricity: the generation of electricity from renewable sources exceeded that of fossil fuels for the first time. Renewable energies achieved a share of more than 38% of the electricity mix of the 27 EU member states, whereas fossil fuels contributed around 37% of the electricity mix. The main driver for this change was the rapid growth in wind and solar power generation, which has almost doubled across the EU since 2015. Together, these two sectors now account for around 20% of electricity generation. The share of renewable energies in European electricity production increased by four percentage points compared to the previous year, while fossil fuels decreased by almost three percentage points and nuclear energy by nearly two percentage points.

The highest shares of renewable energies were recorded in Denmark (62%), Ireland (35%), Germany (33%) and Spain (29%).

On the whole, Europe’s electricity in 2020 was 10% less CO_2-intensive than in the previous year. The carbon intensity of European electricity generation reached a record low of 226 grams of CO_2 per kWh in 2020.

The following factors play a key role in shaping the global energy revolution and increasing use of renewable energies:

- The negative effects of climate change come with new, stronger international agreements on climate protection and fighting global warming, including the global Paris Agreement that entered into force in 2016. There are also numerous other national and supranational initiatives and measures to achieve climate targets, to stop using nuclear power and to create a carbon-free economy.
- Private-sector initiatives such as RE100 show that not only governments but also businesses are increasingly interested in the use of renewable energies. They enter into corresponding voluntary commitments to cover their energy requirements entirely from renewable energy sources. In addition to sustainability aspects, in particular the increasing efficiency of renewable energy and the ability to plan energy costs in the long term as a result of long-term power purchase agreements play a major role.

- The significant decline in power generation costs – especially for photovoltaics and wind energy – has led to a drastic increase in competitiveness and in the efficiency of power generation from renewable sources. In many regions today, renewable energy installations are economical even without the support of government subsidies.
- Global investments in the energy transition reached a level of more than USD 501 billion in the 2020 financial year. Compared to the previous-year period, this represents growth of 9%. This branch of the economy proved to be largely unaffected by the Covid-19 pandemic. The majority – totalling USD 304 billion – was attributable to renewable energies, an increase of 2% compared to 2019, despite the Covid-19 pandemic. Global investment in solar installations – including planned photovoltaic installations – increased by 12% to USD 149 billion, while investments in wind energy fell by 6% to USD 143 billion as determined by the current analysis of Bloomberg New Energy Finance published in January 2021. Global investments in the energy transition are increasing in spite of the of Covid-19 pandemic. This shows once again that our business is not impacted by the pandemic.
- Investments in the expansion of capacities in the renewable energy sector in Europe amounted to USD 82 billion last year, up 52% from the previous-year level, which was also the highest investment volume since 2012.
- Energy requirements are increasing worldwide. The digitisation of the economy, the progressing urbanisation of society and electromobility are among the most important drivers of growth. For example, by 2040, an increase of some 30% is expected in global energy requirements compared to 2015 – growth which will spur demand for green electricity.

Wind energy and photovoltaic capacities increase globally by 172 GW

Based on estimates by the International Energy Agency (IEA), global expansion in the wind energy sector will have amounted to around 65 GW in 2020, representing growth of around 8%. Of the total amount, onshore wind energy accounts for around 60 GW and offshore wind energy for 5.3 GW. On the other hand, the expansion of capacities in onshore wind energy in Europe is said to have amounted to 9.2 GW. On a regional level, expansion of 1 GW is assumed in each of the onshore wind energy sectors of Germany, Sweden, the United Kingdom and France. While the expansion of new capacities in Germany and Sweden would therefore have remained stable compared to the previous year, the expansion in France would correspond to a decline of around one-third and of around half in the United Kingdom compared to 2019.

Expansion in the Netherlands is seen at 600 MW, significantly more than in 2019, when only 100 MW of additional wind power capacity (onshore) was connected to the grid. In Denmark, there was no addition of wind energy in 2019 and, the year prior, the reported capacity expansions amounted to 200 MW.

The forecast expansion of photovoltaic installations in 2020 of around 107 GW globally was therefore at the level of the previous year (108 GW). In contrast, the share of projects in the magnitude of power plants grew worldwide by 3% to a value of 68 GW.

In Europe, the capacity expansions in the solar power sector were 16.5 GW last year, which corresponds to a decline of about 4%; however, expansion in Spain in 2019 was particularly high in a long-term comparison amounting to around 4 GW. With regard to projects of a power plant magnitude, expansion is expected to have totalled 6.8 GW in 2020, which represents a decrease of some 7% compared to 2019, when as much as 7.3 GW of additional capacities were installed.

Germany is expected to add 1.1 GW of capacities in 2020 at the power plant level, almost twice as much as in the previous year, when 0.6 GW was added. The expansion of photovoltaic capacities on a power plant scale is expected to reach 2 GW in Spain, 0.9 GW in France and 0.8 GW in both the Netherlands and Italy by 2020.

PPA contracts reach record volumes in spite of the pandemic

The European market for private-sector power purchase agreements (PPAs) reached a record level in 2020, with a published volume of contracts concluded amounting to 8.9 GW. Of this figure, 54% – that is, approximately 4.8 GW – was accounted for by contracts with private-sector companies. This was a significant increase of 69% compared to the previous year, when 2.6 GW was concluded via PPAs.

Photovoltaic energy was the most important component of the market as a whole, totalling 4.1 GW and making up around 46% of all PPA contracts concluded. In addition to companies from the digital economy such as Google and Amazon, an increasing number of contracts were concluded with companies from the chemicals industry last year. In the 2020 financial year, these companies concluded PPAs for 1.6 GW, compared to digital economy companies with contracts totalling 0.9 GW.

According to current estimates, a double-digit GW level of PPAs could be reached for the first time this year, with 10 GW of private-sector power purchase agreements concluded.

Political framework conditions

International UN Paris Agreement

As part of the UN Climate Change Conference in Paris in 2015, nearly 200 countries signed a climate protection agreement – the Paris Agreement – which provides for the limitation of global warming to well under 2 °C, or 1.5 °C if possible, compared to the pre-industrial level. This target can only be achieved if global climate protection policies are effective and immediate. The further implementation of the Paris Agreement was determined at the UN Climate Change Conference in Katowice in 2018.

In spite of the alarming reports from the scientific community, increasing numbers of natural catastrophes around the world and the Fridays for Future movement, the participants of the climate conference in December 2019 in Madrid were not able to agree on further measures for the implementation of the Paris Agreement. At the beginning of November 2020, the then US president Donald Trump even sealed the United States' withdrawal from the Paris Agreement. Shortly after taking office, his successor Joe Biden reversed this decision in January 2021. Since then, the subject has once again become a focus of the public at large, in particular because the new president has announced that he will soon present ambitious climate goals for the United States through the year 2030, a move which seems to have brought movement into the negotiations of the international community.

Climate policy within the European Union

In line with the Paris Agreement on climate protection, the European Union also follows energy and climate policies that are aimed at the reduction of harmful greenhouse gases. The planned climate law of the European Union, for example, provides for a reduction in greenhouse gas emissions of at least 40% by the year 2030 compared to 1990 levels. Additionally, renewable energy sources are to account for at least 27% of total energy consumption and energy efficiency is to be increased by at least 27%. These intermediate stages are intended to achieve the long-term goal of climate neutrality for Europe by the year 2050. This is also in line with the targets of the Green Deal presented by the EU Commission in December 2019. This is moving too fast for some member states, but too slowly for others. There is much disagreement with regard to the intermediate targets for 2030 in particular. At the end of 2020, the EU Commission compromised on a reduction in greenhouse gases of 55% instead of the previously planned 40% planned so far. The EU Commission is under pressure on this issue because, on the one hand, it has to give the United Nations a concrete target figure and, on the other hand, the European Parliament hopes to push through a reduction of 60%.

Raising EU climate targets could accelerate energy transition over the long term

Decarbonsation of the energy sector – which, according to the EU Commission, is responsible for 75% of greenhouse gas emissions in the European Union – is one of the core objectives the EU has set for becoming climate-neutral by the year 2050. Achieving the target of a 55% reduction in greenhouse gases by 2030 already requires an annual increase in renewable energies of 100 TWh, which would be almost twice the value achieved in 2020 with an increase of 51 TWh.

The IEA expects the expansion of photovoltaic installations in Europe to be 21 GW in 2021 and then to increase to 25 GW per year in the years from 2023 to 2025. For onshore wind power, the IEA expects expansion of 12 GW in 2021 and 14 GW the following year, which should level off at this level annually in the period from 2023 to 2025.

Political framework conditions in core regions

In the acquisition of new installations, Encavis focuses on a mix of projects in development and construction-ready projects or existing installations that have guaranteed feed-in tariffs or for which long-term power purchase agreements (PPAs) have been concluded. Any already-known future changes to the 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.

Europe

In order to achieve at least the targets of the Green Deal for the year 2030, the generation of electricity from solar and wind power in particular must be significantly increased. As the analysts from Agora Energiewende and EMBER calculate in their study published in January 2021, the average 38 TWh of solar and wind power generated annually between 2010 and 2020 must be increased to 100 TWh per year by 2030 to achieve this. In 2020, production had already reached 51 TWh. The International Energy Agency (IEA) expects record growth in solar and wind power capacities for 2021. This development could be seen coming: the Netherlands, for example, already increased its existing capacity by 40% in 2020, along with Sweden by 36% and Belgium by 28%.

The level of expansion already achieved in solar and wind installations within the European Union is around 20% on average; however, this is subject to significant fluctuation: while Denmark, the leader in this regard, already covered 62% of its energy consumption in 2020 with renewable sources, in Slovakia this figure amounted to a mere 2%. Ireland comes in second with around 35%, and Germany takes third place with around 33% ahead of Spain with around 28%. The countries that remained under the 10% threshold included Bulgaria at 8%, Hungary at 7% and the Czech Republic at 4%.

In total, European countries invested nearly USD 82 billion in new generation capacities from solar and wind in 2020. Compared to the previous year, this represents an increase by some 52% and this would nearly be sufficient to match the investment level of China, the world leader in this regard.

The reduction of CO_2-intensive coal power generation plays a crucial role in the achievement of the overarching goal of climate neutrality. For the most part, member states have worked to cut coal power generation in half from 2015 to 2020, with the figure sinking by one-fifth in 2020 alone. This means that coal power plants now only provide 13% of electricity in Europe. Additionally, the authors of the study indicate that Europe's electricity was 29% less CO_2-intensive in 2020 compared to 2015. The carbon intensity of European electricity generation reached a record low of 226 grams of CO_2 per kWh in 2020.

Germany

In Germany, the reformed Renewable Energy Sources Act (EEG) has been in effect since 1 January 2021. One of the aims of the amended law is to increase the share of renewable energies in total gross electricity consumption by the year 2030 to 65% as well as to set binding targets for the expansion of the renewable energy sector.

By the year 2030, the installed output of wind installations in Germany should reach a level of around 71 GW. This figure was some 54 GW at the end of 2019. The wind turbines are to be built primarily in southern Germany, which is less windy. There are also plans for the municipalities to have a participating interest in the profits. Going forward, operators of new wind installations are to pay the municipality in which the installation is located the standard rate of 0.2 cents per kWh for electricity actually supplied. Additionally, it is to be examined whether residents can purchase electricity at discounted rates. Moreover, the aim is to ensure that old wind parks do not lose their permits and can be upgraded with more modern turbines and thus continue operations

In terms of solar energy, the plan to achieve gradually increasing growth of between 4.6 GW and 5.6 GW annually. The objective is to install photovoltaic capacities of 100 GW by the year 2030, which would represent approximately double the current capacity. In future, the purchase of electricity from roof-mounted solar installations with an output of more than 750 kW will be subject to a tendering process.

Additionally, the regulations of the EEG levy were adjusted as part of the revision. For private producers of solar electricity, their own consumption is to be exempt from the levy for installations of up to a maximum of 30 kW, rather than the previous 10 kW. The production of green hydrogen is to be exempted from the EEG levy. Due to the CO_2 price and a subsidy from the federal government, the levy for the financing of green electricity is capped in the coming years at EUR 0.065 per kWh of electricity consumed; in 2022, this figure will only be EUR 0.06.

Further capacities from solar and wind installations are necessary in particular with regard to energy consumption, especially because nuclear and coal power plants are being taken off the grid. In its climate programme, the major coalition assumes that gross energy consumption in Germany in 2030 will be slightly below today's level at around 595 TWh.

However, a series of scientific studies – among them one from the Institute of Energy Economics at the University of Cologne (EWI) from the beginning of 2020 – forecasts that the gross energy consumption will climb to 748 TWh by that time. At the same time, energy production from renewable sources would rise to 345 TWh. The proportion of renewable energies would therefore only be 46% rather than the target of 65%.

According to information from the Fraunhofer Institute for Solar Energy Systems ISE from July 2020, electricity production from renewable sources in Germany has reached a new record level. During the first half of 2020, renewable energies made up 55.8% of net electricity production, with the proportion even reaching 61.8% in February. Solar and wind energy installations fed a total of 102.9 TWh into the public grid, compared to 92.3 TWh in the first half of 2019. Photovoltaic installations fed approximately 11.2% more electricity into the grid than in the previous year, and wind power installations recorded growth of some 11.7%. In contrast, electricity production from coal experienced a stark downturn: the share of lignite dropped to 13.7% and black coal managed a mere 6%. Wind energy held its own and was once again the most important energy source with a share of 30.6%. In the previous year, the proportion of fossil and renewable energy generation were still reversed.

Meanwhile, Germany's leading utilities have announced plans to close 11 coal power plants in northern Germany with a total capacity of 4,788 MW over the course of 2021.

Denmark

The Danish government is pursuing the long-term strategic objective of Denmark's independence from fossil fuels by 2050. In 2020, Denmark already exceeded its original target for 2030 of increasing the share of renewable energies in the total energy mix to 55%, reaching a share of approximately 62% along the way. Denmark hopes to secure a complete supply of renewable energies by 2050.

Additionally, a climate package was approved across party lines which would mean a reduction of CO_2 emissions by 70% by 2030 compared to the year 1990. By then, the Danes hope to have saved 3.4 million tonnes of CO_2 emissions. Reforms are to be introduced to this end which will make renewable energies more affordable and, in turn, fossil fuels more expensive. Oil and gas heating in private households are to be done away with and replaced with green district heating. Additionally, more charging stations for electric cars are planned and, finally, the industrial sector is to work more efficiently with regard to energy through the use of renewable sources or biogas.

France

In France, the energy transition continues to make only slow progress. The country still sources around 70% of its electricity from nuclear power and has around 56 operational nuclear reactors. President Emmanuel Macron of France considers atomic energy to be essential for climate protection, as it does not produce any greenhouse gases. Nevertheless, by 2035, he plans to shut down reactors and limit the proportion of atomic energy to 50%. In addition, the French government decided in October 2020 to retroactively reduce solar subsidies for feed-in contracts signed before 2011 for solar installations with outputs above 250 kW. However, the extent of the reductions will be decided on a case-by-case basis, obviously taking into account the economic viability of the installations concerned. However, the criterion of economic viability has not yet been clearly formulated and new tariffs have not yet been set, so a final assessment of the impact on affected installations in France remains to be made. Encavis has installations with a capacity of around 51 MW in France that could be subject to this rule.

The current levels of expansion in the wind and solar sectors is much too low to achieve the targets that have been set. Between October 2019 and September 2020, new solar installations with a mere 692 MW in output were connected to the grid. The rate of expansion thus remained at a low level for three years in a row (2018: 873 MW; 2019: 704 MW). The total output of all solar installations in France amounted to some 10.6 GW at the end of September 2020. However, the French government's multi-year expansion programme provides for a total of 20.1 GW of installed photovoltaic capacity by 2023. The rate of expansion would have to more than triple in order for this target to be achieved.

The expansion of new wind capacities would also have to undergo dynamic development. New onshore wind power plants with a capacity of 1.4 GW were commissioned in 2019. From January to September 2020, by contrast, the figure was only 671 MW, which is around 17% less than in the same period last year. In total, wind installations with a capacity of 17.3 GW are now installed. The target set by the government for 2023 is 24.1 GW; in order to achieve this, capacity expansion would have to increase to around 2 GW each year.

United Kingdom

Its withdrawal from the European Union means that the United Kingdom is no longer subject to the regulations and requirements of European climate policies. In 2008, the United Kingdom had already established its own targets for a low-carbon economy by 2050 in the form of the British Climate Change Act. The government plans to further promote the expansion of renewable energies, in the hope of making the United Kingdom a global leader in affordable and clean energy production. Offshore wind power will play a crucial role in this undertaking. The expansion of offshore wind power capacity is to be increased to 40 GW by 2030.

For the first time in the United Kingdom, more electricity was produced from renewable energy than from fossil fuels in 2020. The share of renewables in total electricity production reached 42%. An important driver of the expansion of renewable energy in the United Kingdom is the dynamic expansion of wind parks. Nearly one-fourth of the electricity in the United Kingdom was produced by wind installations last year. This means that the share of wind energy doubled compared to 2015 and reached a total share of about one-fifth.

Expansion of the solar sector is also making headway in the United Kingdom. A total of 545 MW of new photovoltaic capacities were installed last year, the first full calendar year without subsidies for photovoltaic installations. This represents an increase of 27% compared to 2019. Of the new capacities, 60% were sourced from ground-mounted photovoltaic installations in 2020. The remaining 40% was installed on roofs, the majority of which was on commercial and industrial buildings.

Italy

With the announcement of a new comprehensive 2030 climate and energy strategy, the Ministry of Economic Development (MiSE) has finalised the planned energy policies of Italy’s national energy strategy (*Strategia Energetica Nazionale*) from the end of 2017. Among other plans, the strategy calls for Italy’s departure from coal power by the year 2025. Additionally, renewable energies are supposed to make up around 27% of total energy consumption by the year 2030. To achieve this, the energy generation capacities must be expanded to 50 GW in the photovoltaic sector and to 18.4 GW in the wind sector. Photovoltaics would then make up more than 50% of the total generation capacity in the renewable energy sector in Italy, followed by hydroelectricity and wind power.

The expansion figures in the photovoltaic sector have been continuously climbing for year. In 2019, some 737 MW of new photovoltaic installations were installed. This marks the largest increase in six years and corresponds to a jump of nearly 69% compared to 2018. In the first half of 2020, in spite of the Covid-19 pandemic, this figure had already reached 362 MW, up from 231 MW in the same period of the previous year. Once again, numerous large projects concluded in recent moths with long-term power purchase agreements (PPAs) contributed to this increase.

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 2019 provides for greenhouse gas emissions to be reduced by 49% by 2030 and 95% by 2050 compared to the reference year 1990. All coal power plants in the Netherlands are to be closed by 2030. Until then, however, the mix of energy production methods in the Netherlands will have to change at its core: in 2020, the share of fossil fuels was 72% – the second-highest figure in the EU – with nuclear power accounting for 3% and renewable energies only 25%.

Austria

The Austrian federal government had submitted a draft of the Renewable Energies Expansion Act (EAG) in January 2020 which was supposed to be passed by October 2020 and enter into force on 1 January 2021. There have been delays in the passing due to differences of opinion on the further structure of the subsidy system within Austria and with the EU. However, the government coalition consisting of the Austrian People’s Party (ÖVP) and the Austrian Green Party is holding on to its goal of covering the energy demand exclusively from renewable sources by 2030 (on balance over the whole year) and climate neutrality from 2040. To achieve these objectives, significant investments must be made in the expansion of generation capacities and in grid infrastructure. The Austrians plan to invest approximately EUR 1 billion in the expansion of green electricity each year. The law is designed to significantly expand the renewable energy sector and increase the current generation capacity – by 27 TWh to 81 TWh. Plans call for 11 TWh of this figure to be allocated to photovoltaic installations, 10 TWh to wind installations, 5 TWh to hydroelectric power plants and 1 TWh to biomass plants.

Spain
The renewable energy market in Spain has undergone significant acceleration over the last few years. At the end of 2020, some 28% of the energy needs were met by renewable sources – primarily photovoltaics. At the end of the year, solar installations with a total generation capacity of some 11.5 GW were installed. As in the previous year 2019, new capacities of more than 3.9 GW were installed. Looking at the expansion figures from the previous year make it clear how enormous this growth really is: new capacities of a mere 261.7 MW in 2018, 135 MW in 2017 and 55 and 49 MW in 2016 and 2015, respectively, were installed.

As part of its Climate Change and Energy Transition Act, the Spanish government set itself the goal of completely covering the country's energy needs via renewable sources by the year 2050. Within the next ten years, Spain plans to have a 74% share of green energy in their consumption. The last coal and nuclear power plants are also to be closed by 2030, which would reduce Spain's greenhouse gas emissions by around 90% compared to 1990 levels. Their objective by 2050 is for climate-neutrality to be a reality. In order to achieve this goal, at least 3 GW of new solar and wind capacities are to be installed each year over a period of ten years. As of the end of June 2020, Spain had disconnected half of its coal power plants from the grid. The increased prices for emissions rights which must be paid for particularly high levels of harmful emissions made operating the old power plants less and less profitable.

Spain benefits in particular from the growing market for PPAs, that is, long-term private-sector power purchase contracts that do not require any government subsidies. The combination of a drastic decrease in costs of photovoltaic technology, the high levels of sunshine and a low population density in the country make the Spanish market particularly attractive.

Asset Management segment
The Asset Management segment of the Encavis Group offers institutional investors the opportunity to invest in assets in the renewable energy sector through various investment vehicles. In addition to individually tailored investment strategies and 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 offer reliable and attractive returns on investment and stable cash flows which are in large part government-guaranteed or secured by creditworthy customers. Their long terms and low correlation to other asset classes or to economic fluctuations mean that these types of investment are predestined for pension funds and insurance products, for example, which invest over the long term and must diversify very large portfolios. In addition, the decarbonisation of investment portfolios has established itself as a trend internationally. Institutional investors are increasingly reducing their investments in fossil fuels like coal and oil in favour of new investments in the renewable energy sector.

Significant events

Course of business

Encavis AG plans to double its own generation capacity by 2025
On 8 January 2020, Encavis announced that – on the basis of detailed planning and internal measures, as well as comprehensive market analyses – the Management Board of Encavis AG has decided on a strategic growth plan for the next six years. The coronavirus pandemic had and has hardly any impact on the business development of the Group. You can find further details on this in the future outlook in this combined management report.

Encavis AG completely takes over La Cabrera solar park and acquires further shares in a series of solar parks already fully consolidated in Germany, France and the Netherlands
Encavis AG consistently pursues its strategy of being the 100% owner of all solar parks in its portfolio. The acquisition of the remaining shares (20%) in the major Spanish project La Cabrera (generation capacity of 200 MW) from development partner Solarcentury was carried out on 7 April 2020 (10%) and 19 May 2020 (10%). Prior to that, Encavis acquired the remaining 49% of shares in the Brandenburg/Havel solar park (generation capacity of 18.7 MW). The majority interest of 64% in the Bitterfeld solar park (generation capacity of 6 MW), which is already fully

consolidated, was also acquired. Additionally, Encavis acquired the remaining shares (15% each) in 12 solar parks in France (total generation capacity of 75 MW) in July 2020, as well as the remaining 19.99% in the Budel solar park (44 MW generation capacity) in the Netherlands in December 2020. Encavis AG is now the sole owner of all solar parks in the United Kingdom, France and Italy as well as nearly all solar parks in the Netherlands and Germany (each at approximately 99%).

Encavis AG concludes development partnership with GreenGo for a portfolio of solar parks in Denmark of more than 500 MW

On 26 May 2020, Encavis AG announced a development partnership with the GreenGo Energy Group A/S for the development and financing of a portfolio of subsidy-free solar parks in Denmark with a generation capacity of more than 500 MW. Encavis has thus secured exclusive access to a development portfolio which is diversified throughout Denmark. Now that the schedule has been approved and the construction permit has been obtained for the major project in Ringkøbing-Skjern on the west coast of Jutland, construction is scheduled to begin in the spring of 2021. The partnership with GreenGo supplements the existing portfolio of strategic development partnerships which Encavis recently concluded with regard to PV in Denmark.

Encavis AG and Sunovis conclude cooperation agreement for solar portfolio in Germany of more than 200 MW

On 4 June 2020, Encavis AG announced that it had concluded a cooperation agreement with Sunovis GmbH for a portfolio subsidy-free solar projects in Germany with a capacity of more than 200 MW. Construction of two high-capacity photovoltaic installations is expected to begin within a year at two different locations in Germany. Per year, the photovoltaic power plants save some 65,000 tonnes of CO_2 emissions through the production of green electricity.

As part of this innovative partnership, Encavis takes on construction-ready installations and is responsible for financing the projects, as well as the structuring, negotiation and conclusion of the long-term power purchase agreements (PPAs). Encavis thus secures itself additional subsidy-free ground-mounted photovoltaic installations in Germany, one of Europe’s most sought-after locations for solar energy. As the general contractor, Sunovis is responsible for the professional realisation of the photovoltaic power plants and provides the entire range of project development services, as well as construction and maintenance of the installations.

This is not the first cooperation for these two companies: in 2017 and 2019, Sunovis GmbH built two installations with a total capacity of 14.3 MW which were acquired by Encavis.

Encavis purchases wind park in Germany with a total of 14.4 MW in generation capacity

On 29 June 2020, Encavis AG announced that it had acquired four of the five wind installations of the Viertkamp wind park in the Stade district in the north of Lower Saxony. The four installations were connected to the grid between December 2019 and February 2020. The fifth and identical wind installation belongs to local residents and was commissioned in 2018. This Vestas V126/3.6 turbine, with a hub height of 137 metres, already produced significantly more green electricity in 2019 than expected. Encavis expects electricity production of 12.45 GWh annually per installation – so a total of 49.8 GWh per year for the remaining 24.5 years of the entire project term of 25 years. The land is leased for a period of 20 years, with two extension options of five years each. A fixed price is paid for the green electricity in accordance with the EEG for a total of 20 years after initial commissioning until the end of 2039. Each year, these wind installations alone save around 30,000 tonnes of harmful CO_2 emissions.

Encavis disposes of minority interest of 49% in a wind park portfolio in Austria

On 21 December 2020, Encavis AG announced the disposal of 49% of its wind park portfolio in Austria to the largest Austrian regional energy provider, WIEN ENERGIE GmbH. The three wind parks – Pongratzer Kogel and Herrenstein in Styria along with Zagersdorf in Burgenland – represent a total generation capacity of 36.2 MW. The strategic decision of the Encavis Group to sell minority interests of up to 49% in selected wind parks to institutional investors or energy providers releases existing cash reserves for investment in further projects, with the goal of improving the regional diversification of the portfolio. In addition, these sales regularly confirm the carrying amounts of the assets in the existing portfolio (according to IFRS) and result in accounting profits in the separate financial statements (according to the HGB).

Encavis Asset Management AG expands the portfolio of the Encavis Infrastructure Fund II (EIF II) Luxembourg special fund and has reached the maximum fund volume at EUR 480 million in equity of institutional investors

Encavis Asset Management AG initially raised EUR 74.5 million in equity in June 2020 for the Encavis Infrastructure Fund II (EIF II) special fund and, in November 2020, raised an additional EUR 215.5 million. The exclusive distribution partner is Bayerische Landesbank (BayernLB). The investment offering of the fund is directed towards banks that want to invest in a diversified portfolio of solar and wind parks in Europe. The special fund is managed by HANSAINVEST Lux S.A. The last certificates of subscription for the special fund were accepted on 30 December 2020. One of the largest renewable energy funds in Germany with a total of more than 50 credit institutes invested is thus closed. Following this successful placement, the fund boasts equity of EUR 480 million. A successor product of Encavis Asset Management AG is being established and should begin distribution by BayernLB in mid 2021.

Encavis Asset Management AG is tasked with the creation of the portfolio and the operation of the power plants. To date, wind and solar parks have been realised in the euro markets of Germany, the Netherlands, Finland and France. The total nominal output of the fund currently installed amounts to more than 350 MW and, today, helps prevent nearly 190,000 tonnes of emissions of harmful CO_2. Altogether, a volume of significantly more than EUR 1 billion will be able to be invested in wind and solar parks with this special fund for banks and building societies.

In April 2020, three solar parks in the Netherlands and one wind park in Germany – with a total generation capacity of more than 55 MW – were acquired for this special bank fund. The three solar parks are in different locations throughout the Netherlands. Since the beginning of March 2020, the Flierbelten solar park in the Overijssel province has been feeding up to 5.7 MW into the electricity grid. The photovoltaic installations of the Jumaheerd solar park, which have a capacity of 6.7 MWp, were also connected to the grid in September 2020. The Sekdoorn solar park, near the city of Zwolle, was constructed adjacent to a quarry lake. The installations, some of which are floating on the lake, have provided a total generation capacity of 14.5 MW since their connection to the grid in June 2020. The PV installations were developed and realised by Munich-based project developer and energy service provider BayWa r.e. The portfolio also includes the Gieboldehausen wind park in the Göttingen district of Lower Saxony. The eight wind turbines from the manufacturer Vestas have a total nominal output of 28.5 MW and were built and commissioned between 2016 and 2019. The installations were planned by the energy park developer UKA, which will continue to handle technical management of the wind park via the company UKB Umweltgerechte Kraftanlagen Betriebsführung GmbH. Each year, these solar and wind installations save around 57,000 tonnes of harmful CO_2 emissions.

Over the remainder of the financial year, an already-operational wind park in France was added to the portfolio from Energiequelle GmbH. The acquired Senonnes wind park is located in the Pays de la Loire in the north-west of France and was connected to the grid in May 2019. The five Enercon E-82 wind turbines have a total generation capacity of some 11.5 MW. A wind park in the west of France was also added, with five Enercon E-92 wind turbines and a total generation capacity of 11.75 MW. It was newly constructed and commenced operations at the end of September 2020. Additionally, at the end of the financial year, a solar park in the Netherlands was expanded by 6.7 MW with floating installations on a quarry lake.

A solar park in France was also added to the managed portfolio of EIF II. The “Blueberry” ground-mounted photovoltaic installation – located in Châteauroux in the Centre-Val de Loire region of France – has a nominal output of some 30 MWp and benefits from long-term feed-in tariffs. The park commenced operations in the first quarter of 2021.

In December, a portfolio of wind parks in Finland – located in the regions of Lapland, Ostrobothnia and North Ostrobothnia – with a nominal output of 36.2 MW was added and allocated both to EIF II as well as EIF III. With wind speeds of up to 7.8 m/s, the four locations have top weather conditions for the yield strength of the turbines. Additionally, due to its stable country rating and very transparent structures, Finland is an attractive market for investments in the onshore wind sector. All installations have already been in operation for between three and five years and benefit from government feed-in tariffs.

Most recently, a portfolio of wind parks in Germany was added to the EIF II portfolio. The four installations – located in North Rhine-Westphalia, Rhineland-Palatinate and Saarland – provide 41,000 homes with green electricity and help avoid 51,000 tonnes of harmful CO_2 emissions. The total generation capacity of the installations is 53 MW. The wind parks were developed and realised by renewable energy company BayWa r.e. In light of the complex approval processes and the lofty requirements from policymakers and local governments, the acquisition of wind energy projects in Germany which have already been realised is a rare opportunity that requires an excellent network within the industry.

Encavis AG: Annual General Meeting concludes increase in the dividend

The first virtual Annual General Meeting of Encavis AG once again concluded an increase of the cash dividend to EUR 0.26 (previous year: EUR 0.24) per share with an acceptance rate of 88.71%. This increase – the eighth consecutive increase in the dividend – brings the dividend closer to the target mark of EUR 0.30 per share for the year 2021. For the seventh time in a row, shareholders were able to choose whether to subscribe to the cash dividend of EUR 0.26 per share or to subscribe to new shares at a ratio of 60.25:1 (for a calculated 60.25 existing shares, the shareholder receives one additional new share) at a calculated subscription price or EUR 10.845 per share, or a combination of both options. The clear majority of shareholders (61.5%) opted to receive the dividend as new shares rather than a cash dividend. In total, 1,398,087 new shares were issued and a cash dividend of EUR 20,467,924.71 was distributed to the shareholders. The cash dividend was paid out on 16 June 2020, and the new shares were recorded in shareholders' securities accounts on 24 June 2020.

For the first virtual Annual General Meeting of Encavis AG, which took place as planned on 13 May 2020, a little more than 200 shareholders joined via the internet. Some 220 shareholders and guests were on hand in person for the previous year's Annual General Meeting. This year's presence of voting share capital of approximately 61.6% exceeded the previous-year figure of some 56.2%.

Encavis AG: Successful placement of shares under family ownership

In May 2020, Encavis AG was informed that the Heidecker family sold a total of 2,950,903 shares – corresponding to around 2.15% – in Encavis AG on 28 May 2020. PELABA Vermögensverwaltung GmbH & Co. KG was the seller in the transaction. The shares sold were previously allocated to members of the family who wanted to restructure their assets.

The Heidecker family will continue to hold some 3.1 million shares, corresponding to around 2.26%, in Encavis AG via PELABA Anlageverwaltungs GmbH & Co. KG. Berenberg Bank was tasked with the placement of the shares.

Scope Ratings confirms investment-grade issuer rating of BBB− with stable outlook for Encavis AG

On 2 October 2020, Encavis AG was once again given an investment-grade issuer rating (BBB−) in the most recent analysis of Scope Ratings; the outlook for the rating is stable. The confirmation reflects Scope's assessment of the protected business model of Encavis, the continuously improved diversification and the solid hedging of liabilities and liquidity.

Scope has confirmed the issuer rating of BBB−/stable for Encavis AG and its financing subsidiary Encavis Finance B.V. At the same time, Scope confirmed the long-term ratings for primary unsecured liabilities with BBB− and BB for subordinate (hybrid) liabilities such as the hybrid convertible bond (ISIN: DE000A19NPE8) as well as for short-term liabilities with S-2.

With its issuer rating, Scope provides participants on the international financial markets with a clear orientation and independent assessment of Encavis's current and medium-term creditworthiness, thus ensuring greater security and transparency.

As part of its sustainability offensive, Encavis AG commits to the Ten Principles of the UN Global Compact

On 1 December 2020, Encavis AG announced that it had joined the sustainability network of the United Nations (United Nations Global Compact). Encavis is thus making tangible efforts to drive its recently begun sustainability offensive. By joining the UN Global Compact, Encavis has now formally committed to the values of the world's largest initiative for responsible corporate governance, thereby committing to the ten universal principles in the areas of human rights, labour standards, environment and climate, and corruption prevention. Around the world, some 15,000 organisations have already joined the sustainability initiative of the United Nations.

Encavis has set out to analyse and further optimise its own value creation structures from top to bottom. Sustainability, in all its facets, needs to be integrated into the operational and strategic company processes. In accordance with the requirements of the UN Global Compact, Encavis will report annually on progress within the ten sustainability principles, while also aligning with other key national and international sustainability standards.

An overview of the Ten Principles of the UN Global Compact:

Human Rights

1. Businesses should support and respect the protection of internationally proclaimed human rights.

2. Businesses should make sure that they are not complicit in human rights abuses.

Labour

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

4. Businesses should advocate for the elimination of all forms of forced and compulsory labour.

5. Businesses should advocate for the effective abolition of child labour.

6. Businesses should advocate for the elimination of discrimination in respect of employment and occupation.

Environment

7. Businesses should support a precautionary approach to environmental challenges.

8. Businesses should undertake initiatives to promote greater environmental responsibility.

9. Businesses should encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

10. Businesses should work against corruption in all its forms, including extortion and bribery.

Encavis AG joins the United Nations Principles of Responsible Investments (UN PRI) network

On 3 December 2020, Encavis AG announced that – together with its wholly owned subsidiary Encavis Asset Management AG – it had joined the United Nations Principles of Responsible Investments (UN PRI) sustainability network. Encavis is thus committed to investment behaviours which, in addition to economic and financial factors, also factor in ecological and social criteria as well as questions of sound corporate governance (environmental, social and governmental issues – ESG). This means that Encavis will include ESG criteria more clearly into the investment process going forward.

The six PRI Principles address a company's own responsibility, which results from societal and customer expectations of Encavis, political and regulatory requirements and changing opportunities and risks on the capital market. The membership in the PRI network is further dedication to a transparent and documented commitment to sustainability. This commitment involves an initial report on the status quo of the investment and an annual progress report as part of Encavis AG's ongoing work and communication in the area of sustainability. The Group hereby documents its obligation to develop towards greater sustainability and the development of its own investment portfolio in accordance with ESG criteria.

An overview of the six Principles for Responsible Investment:

1. We will incorporate ESG issues into investment analysis and decision-making processes.

2. We will be active owners and incorporate ESG issues into our ownership policies and practices.

3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.

4. We will promote acceptance and implementation of the Principles within the investment industry.

5. We will work together to enhance our effectiveness in implementing the Principles.

6. We will each report on our activities and progress towards implementing the Principles.

Comparison of the actual and forecast figures in 2020

Encavis's Management Board assumed in the forecast issued in the 2019 management report in relation to the operating figures adjusted for non-cash IFRS effects that the positive development of revenue and earnings will continue in the 2020 financial year.

In EUR million

	Forecast (AR 2019)	Actual 2020 (operating)	Actual 2019 (operating)	% change on the previous year
Revenue	>280	292.3	273.8	+6.8
Operating EBITDA	>220	224.8	217.6	+3.3
Operating EBIT	>130	132.2	132.2	+0.0
Operating cash flow	>200	212.9	189.3	+12.5
Operating earnings per share in EUR	0.41	0.43	0.43	+0.0
Technical installation availability in %	>95	99	99	+0.0

Compared to the previous year, revenue increased by EUR 18.5 million, or 7%, and exceeded the target figure from the forecast published in the 2019 annual report by EUR 12.3 million. After a meteorologically strong nine months, the fourth quarter proved to be very windless. Altogether, weather conditions in 2020 were only slightly better than the long-term average and significantly worse than in 2019. As a result, the solar parks in Germany generated revenue above the budgeted figure, albeit below the previous year's level. In Italy and the United Kingdom in particular, meteorological conditions resulted in revenue falling short of the previous year's figure and the budget assumptions. Due to a level of wind which was below average altogether – in particular in Germany, Denmark and Austria – the Wind Parks segment came in around 8% below budget. However, revenue in this segment was above the previous-year figure due to the expansion of the portfolio with several installations in Denmark. Generally speaking, there is more planning uncertainty in the Wind Parks segment than in the PV Parks segment. The amount of wind is subject to greater annual fluctuations than sunshine. Revenue exceeded expectations in the Asset Management segment.

The forecast published in the 2019 annual report based on the existing portfolio as of 10 March 2020 was also exceeded with regard to EBITDA and EBIT by EUR 4.8 million and EUR 2.2 million, respectively.

Operating cash flow was increased from EUR 189.3 million in the previous year to EUR 212.9 million in the 2020 financial year. The forecast published in the 2019 annual report was thus significantly exceeded.

At EUR 0.43, operating earnings per share came in above the figure forecast in the 2019 annual report (EUR 0.41).

Segment development

The development of the reportable segments in the Encavis Group is presented below. Only acquired companies that have already contributed to the power generation of the respective segment during the financial year are shown.

PV Parks segment

As of 31 December 2020, the solar parks in the portfolio of Encavis comprised a total of 166 solar parks with a total generation capacity of more than 1.3 GW, with parks located in the countries of Germany, Italy, France, the United Kingdom, the Netherlands and Spain.

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

In light of a rather moderate number of hours of sunshine, the solar park portfolio was able to exceed the budget figure of around 4% in 2020 due to the new acquisition of the La Cabrera solar park in Spain, which was fully connected to the grid in November. However, revenue from solar parks was down compared to the previous year, which was characterised by particularly favourable meteorological conditions. The electricity supplied by the solar parks held by the Group in the 2020 financial year was 1,047,911 MWh (previous year: 985,550 MWh). This figure thus increased by some 6% over the previous year. The solar parks in Germany accounted for 27% of the fed-in power (previous year: 29%), those in France for 23% (previous year: 25%), those in Italy for 21% (previous year: 22%), those in the United Kingdom for 12% (previous year: 13%), those in the Netherlands for 11% (previous year: 11%) and the solar parks in Spain for 6% (previous year: 0%).

The following company shares were acquired in the 2020 financial year:

- Cabrera Energía Solar S.L., Spain, increase of Group share from 80% to 100%

The four solar parks Desarrollos Empresariales Luanda S.L.U., Narges Develops S.L.U., Navid Enterprise S.L.U. and Neftis Business S.L.U. are each wholly owned subsidiaries of Cabrera Energía Solar S.L., as well as the associated infrastructure company Griffin Develops S.L.

Wind Parks segment

As of 31 December 2020, the wind parks in the portfolio of Encavis comprised a total of 42 wind parks with a total generation capacity of 427 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.

Due to a level of wind which was below average altogether – in particular in Germany, Denmark and Austria – the wind park portfolio came in around 8% below budget in 2020. The electricity supplied by the wind parks held by the Group in the 2020 financial year was 1,024,843 MWh (previous year: 742,933 MWh). This represents a year-on-year increase of around 38%, mainly due to new acquisitions in Denmark and Germany. Of the fed-in electricity, 49% (previous year: 62%) is attributable to wind parks in Germany, 34% (previous year: 15%) to wind parks in Denmark, 9% (previous year: 11%) to wind parks in France, 7% (previous year: 11%) to wind parks in Austria and 1% (previous year: 1%) to the wind park in Italy.

The following wind park was acquired in the 2020 financial year:

- Windpark Viertkamp GmbH & Co. KG, Germany, Group share: 100%

PV Service segment

This segment only includes the wholly owned subsidiary Encavis Technical Services GmbH. The company assumes technical management for many solar parks in the Encavis Group located in Germany and Italy. The volume managed within the Group was some 280 MWp as of 31 December 2020.

Encavis Technical Services GmbH has also taken over contracts since 2012 for the technical management of parks that are not part of the Encavis Group. The parks are in Thuringia and northern Italy. The volume of non-Group assets managed was around 9 MWp.

In the 2019 financial year, the company founded Stern Energy GmbH and transferred all of its property, plant and equipment as well as a portion of its agency agreements as part of an asset deal. The shareholding in Stern Energy GmbH was sold to the associate Stern Energy S.p.A. in the first quarter of the 2020 financial year. This transaction ideally combines the expertise of the two partners – Stern and Encavis – enabling a comprehensive range of technical management services for the Group's own as well as third-party parks in many European countries. Strategically, Encavis plans to increase its current shareholding of 30% to 50% at first, and then 100% over the medium term.

Asset Management segment

The Asset Management segment covers all services for third-party investors, such as the launching of funds, the individual design and structuring of other investments for professional investors in the field of renewable energy and the management of the investments held by these investors. As of 31 December 2020, the managed portfolio comprises a total of 23 solar parks and 47 wind parks in Germany, Italy, France, the United Kingdom, Finland, Sweden, Austria and the Netherlands.

Revenue significantly exceeded expectations in the Asset Management segment. The portfolio of wind and solar parks under management was expanded considerably in the reporting year. In particular, 15 solar and wind parks in various European countries were acquired for institutional investors for the Encavis Infrastructure Fund II Luxembourg special fund. With equity of EUR 480 million, the maximum fund volume was reached in December 2020, which equates to a total investment volume of around EUR 1 billion. A successor product for EIF II is currently being established and should begin distribution by BayernLB current in mid 2021.

Financial performance, financial position and net assets of the Encavis Group

General

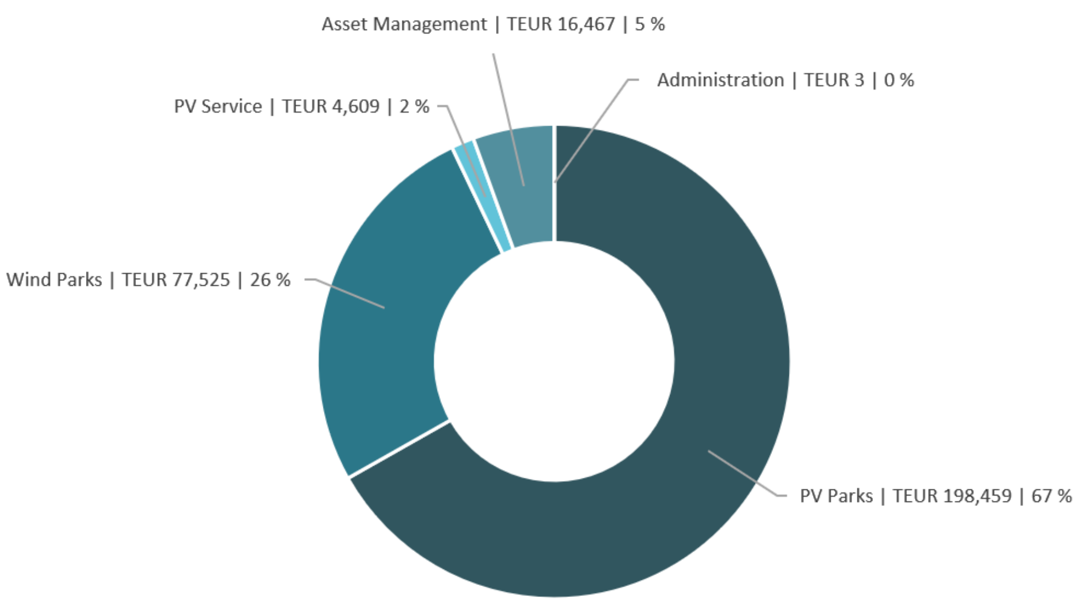
During the financial year, Encavis changed the method of offsetting the deferred tax assets and liabilities. The change results in a reduction of deferred tax assets and liabilities by TEUR 111,964 each as of 1 January 2019 and TEUR 112,903 as of 31 December 2019. In light of this, the previous year's figures in this regard are not comparable to those of the 2019 financial year. See chapter 2 of the notes to these consolidated financial statements for more detailed information

Financial performance

The Group generated revenue in the amount of TEUR 292,300 in the 2020 financial year (previous year: TEUR 273,822). This represents growth of some 7%. Although the wind park portfolio managed growth in the amount of TEUR 14,410, revenue of the solar park portfolio decreased by TEUR 1,665 compared to the same period in the previous year. The increase in revenue for the wind park portfolio is primarily due to the addition of multiple installations in Denmark to the portfolio, but a newly acquired wind park in Germany also generated revenue in the amount of TEUR 984 for the first time during the reporting period. The decrease in revenue of the solar park portfolio is due to weather conditions. Although the number of hours of sunshine was above the long-term average, it was still below the figure from the previous year. In particular the lower levels of sunshine in Italy, the United Kingdom, Germany and France compared to the previous year led to revenue of the solar park portfolio decreasing in comparison. This weather-related decrease also could not be compensated for by the revenue of the La Cabrera solar park in Spain, which has been fully connected to the grid since November 2020 and contributed revenue of TEUR 2,343. The revenue also included income in the amount of TEUR 16,467 (previous year: TEUR 11,612) from the Asset Management segment.

Group revenues are made up of revenue from feeding electricity into the grid, from the operation of parks owned by third parties and from additional revenue from asset management.

Revenue is broken down by segment as follows:



The Group generated other income in the amount of TEUR 17,314 (previous year: TEUR 14,839). This figure includes TEUR 4,851 in one-time income in conjunction with the initial consolidation of a solar park in Spain from transitional accounting which was previously accounted for using the equity method as well as TEUR 3,055 in income from the sale of Stern Energy GmbH. This item still includes income from the reversal of deferred accrual items (government grants) in the amount of TEUR 2,311 (previous year: TEUR 2,255) and non-period income of TEUR 1,983 (previous year: TEUR 4,759). Of the non-period income, TEUR 848 (previous year: TEUR 476) is due to the reversal of provisions.

The cost of materials amounted to TEUR 3,008 in the reporting period (previous year: TEUR 2,136). This includes primarily the expenses for purchased power in the solar and wind parks.

Personnel expenses rose from TEUR 16,997 in the 2019 financial year to TEUR 20,659 in the reporting year. The increase is primarily attributable to higher expenses from share option programmes (SOP) in conjunction with the very positive development of the share price. In the 2020 financial year, TEUR 9 (previous year: TEUR 44) from the 2012 physical share option programme (SOP 2012), TEUR 1,124 (previous year: TEUR 1,718) from the 2017 virtual share option programme, TEUR 2,695 (previous year: TEUR 1,070) from the 2018 share option programme, TEUR 1,444 (previous year: TEUR 194) from the 2019 virtual share option programme and TEUR 85 from the virtual share option programme relaunched for the 2020 financial year were recorded as personnel expenses. The expenses for SOP 2012 resulted from the valuation of options at their fair value on the relevant issue dates and have been recorded for the sixth tranche of the programme. The final tranche of SOP 2012 was fully released in 2020. SOP 2017 through 2020 are annually recurring, long-term remuneration components related to the overall performance of the Encavis share. An allotment amount defined by the Supervisory Board is converted into virtual share options known as share appreciation rights (SARs). The amount of the variable component was calculated based on the share option plans for 2017 through 2020, which entered into force on 1 July 2017, 1 July 2018, 1 July 2019 and 1 July 2020 respectively.

Besides the Management Board, the Encavis Group employed 134 people as of 31 December 2020 (previous year: 134).

Other operating expenses in the 2020 financial year amounted to TEUR 57,542 (previous year: TEUR 53,427). This includes in particular the costs of operating solar and wind parks in the amount of TEUR 44,439 (previous year: TEUR 38,812). This includes, among other items, expenses for repairs and maintenance, the technical and commercial management, insurance, various other costs such as vehicle costs, costs for IT and telecommunications. Other expenses also include TEUR 13,103 in costs of current operations (previous year: TEUR 14,615). The increase in other expenses can be attributed to the wind and solar parks newly acquired in the past few quarters as well as various expenses for repairs and maintenance of solar parks

Thus, in the 2020 financial year, the Group generated earnings before interest, taxes, depreciation and amortisation (EBITDA) in the amount of TEUR 228,405 (previous year: TEUR 216,101). The EBITDA margin was around 78% (previous year: 79%).

Depreciation and amortisation of TEUR 136,580 (previous year: TEUR 124,674) 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* the previous year.

Earnings before interest and taxes (EBIT) rose from TEUR 91,426 in the previous year to TEUR 91,825 in the 2020 financial year. This corresponds to an EBIT margin of around 31% (previous year: 33%).

Financial income declined from TEUR 24,771 in the previous year to TEUR 17,256 in the reporting year. With income of TEUR 7,728 (previous year: TEUR 3,030), this stems from interest income from loans to affiliates. This still includes interest income from the reversal of step-ups on bank loans and lease liabilities in the amount of TEUR 7,233 (previous year: TEUR 11,485) as well as income in connection with the changes in the market values of interest rate swaps in the amount of TEUR 1,555 (previous year: TEUR 1,032). Financial expenses of TEUR 72,120 were incurred (previous year: TEUR 62,468). 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 interest expenses for further Group financing and various non-cash expenses. The development of financial income and financial expenses is largely influenced by income and expenses from currency translation. Within financial income, this results in a decrease of TEUR 4,195 and within the financial expenses in an increase of TEUR 4,430. Additionally, financial earnings include earnings from financial assets accounted for using the equity method in the amount of TEUR -9,622 (previous year: TEUR -3,078).

Earnings before taxes (EBT) therefore came to TEUR 27,339 (previous year: TEUR 50,652). The EBT margin is some 9% (previous year: 18%). The decline in EBT is mainly due to the above-mentioned non-cash measurement effects in the financial result.

The tax expenses reported in the consolidated statement of comprehensive income amounted to TEUR 8,965 in the 2020 financial year (previous year: TEUR 21,257) attributable to non-cash deferred taxes and effective tax payments. The current tax expense amounted to TEUR 9,498 (previous year: TEUR 16,196). During the reporting year, deferred tax assets of TEUR 533 (previous year: expenses of TEUR 5,061) were recognised.

Altogether, this resulted in consolidated earnings of TEUR 18,374 (previous year: TEUR 29,394).

Consolidated earnings are made up of earnings attributable to shareholders of the parent company totalling TEUR 10,142 (previous year: TEUR 22,189), earnings attributable to non-controlling shareholders totalling TEUR 327 (previous year: TEUR 1,280) and the earnings attributable to hybrid bondholders totalling TEUR 7,905 (previous year: TEUR 5,925). The increase in earnings attributable to hybrid bondholders resulted from the increase in the convertible bond in the previous year. Consolidated comprehensive income of TEUR 62,573 (previous year: TEUR -44,438) is made up of consolidated earnings and changes in other reserves shown in equity. A total of TEUR 34,321 of the changes in other reserves is the result of the recognition of expenses and income from participating interests valued according to the equity method with no effect on profit or loss. Additionally, in connection with the initial consolidation of the participating interest in the Spanish La Cabrera project – which was previously accounted for using the equity method – the pro rata earnings (TEUR 13,623), which were recognised in equity with no effect on profit or loss until initial consolidation, were reclassified to the comprehensive income after the participating interest was increased to 100%. In addition to the currency translation reserve in the amount of TEUR 597 (previous year: TEUR -51), other reserves also contain hedge reserves in the amount of TEUR -5,906 (previous year: TEUR -10,476), 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, as well as well as costs of hedging in the amount of TEUR 15 (previous year: TEUR 8). Amounts recognised in equity will be reclassified in full to consolidated earnings once the corresponding hedged items have expired. In the 2020 financial year, TEUR 0 (previous year: TEUR 1) was reclassified from the currency translation reserve to consolidated earnings. On the other hand, there were corresponding deferred tax effects in the amount of TEUR 1,549 (previous year: TEUR 2,455). Undiluted earnings per share (after non-controlling interests) amounted to EUR 0.07 (previous year: EUR 0.17). The average number of shares on issue in the reporting period amounted to 137,799,309 (previous year: 131,052,531). Diluted earnings per share were also EUR 0.07 (previous year: EUR 0.17).

Calculating operating KPIs (adjusted for IFRS effects)

As described under “Internal control system of Encavis”, the Group’s IFRS accounting is affected by non-cash valuation effects and the resulting depreciation and amortisation. Non-cash interest effects and deferred taxes also hamper a transparent assessment of the operating income situation pursuant to IFRS.

In TEUR	Notes	01.01.–31.12.2020	01.01.–31.12.2019
Revenue	3.21; 5.1	292,300	273,822
Other income	5.2	17,314	14,839
Cost of materials	5.3	-3,008	-2,136
Personnel expenses, of which TEUR -5,357 (previous year: TEUR -3,026) in share-based remuneration	5.4	-20,659	-16,997
Other expenses	5.5	-57,542	-53,427
Adjusted for the following effects:			
Income resulting from the disposal of financial assets and other non-operating income		-4,851	-1
Other non-cash income (mainly gains from business combinations [badwill], reversal of the interest advantage from subsidised loans [government grants] and non-cash income from other periods)		740	-1,373
Other non-operating expenses		516	2,856
Share-based remuneration (non-cash)		9	44
Adjusted operating EBITDA		**224,819**	**217,626**
Depreciation and amortisation	5.6	-136,580	-124,674
Adjusted for the following effects:			
Depreciation and amortisation of intangible assets (electricity feed-in contracts) and goodwill acquired as part of business combinations		50,690	46,228
Subsequent measurement of uncovered hidden reserves and liabilities on step-ups for property, plant and equipment acquired as part of business combinations		-6,771	-6,951
Adjusted operating EBIT		**132,158**	**132,229**
Financial result	5.7	-64,486	-40,775
Adjusted for the following effects:			
Other non-cash interest and similar expenses and income (mainly resulting from effects from currency translation, calculation of the effective rate, swap valuation and interest expenses from subsidised loans [government grants])		8,816	-14,828
Adjusted operating EBT		**76,488**	**76,627**
Tax expenses	5.8	-8,965	-21,257
Adjusted for the following effects:			
Deferred taxes (non-cash items) and other non-cash tax effects		769	8,077
Adjusted operating EAT		**68,291**	**63,446**
of which attributable to Encavis AG shareholders		59,878	56,006
Average number of shares in circulation in the reporting period		137,799,309	131,052,531
Adjusted operating EAT per share (in EUR)		0.43	0.43

Financial position and cash flow

Changes in cash and cash equivalents amounted to TEUR 5,671 in the reporting year (previous year: TEUR -10,336) and is comprised as follows:

Net cash flow from operating activities increased by approximately TEUR 23,632, from TEUR 189,315 the previous year to TEUR 212,947 in the reporting year. It consisted largely of cash inflows from the operating business of the solar parks and wind parks. Also included here are changes in assets and liabilities not attributable to investing or financing activities.

Cash flow from investing activities amounted to TEUR -94,144 (previous year: TEUR -232,701) and was mainly the result of payments related to loans to associates; payments for investments in property, plant and equipment for the construction of a solar park in Spain; and payments for the acquisition of a wind park in Germany.

Cash flow from financing activities amounts to TEUR -112,714 (previous year: TEUR 32,676) and results from, among other things, 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. In addition, this includes the payment of the cash dividend to the shareholders of Encavis AG, the dividend payment to the hybrid bondholders and the change in restricted cash and cash equivalents. During the reporting period, a credit line with Agricultural Bank of China in the amount of TEUR 50,000 was utilised. Incoming payments are also reported here for the sale of company shares (TEUR 12,183) as well as payments for the acquisition of company shares (TEUR 19,194), each of which does not lead to a change in the control relationship. In the comparative period in 2019, the successful increase of the hybrid convertible bond issued in 2017 (TEUR 60,553) as well as a capital increase (TEUR 48,331) still had a positive effect on the cash flow from financing activities.

In the 2020 financial year, TEUR 186,765 (previous year: TEUR 120,237) was raised in the form of loans. Of this, TEUR 126,525 (previous year: TEUR 40,225) results from long-term loans for financing solar and wind parks, TEUR 50,000 from the utilisation of a credit line from the Agricultural Bank of China and TEUR 10,000 from a shareholder loan. Total interest payments and repayments for the Group’s loans resulted in a cash outflow of TEUR 266,422 in the 2020 financial year (previous year: TEUR 214,840).

During the virtual Encavis AG annual shareholders’ meeting held on 13 May 2020, it was resolved that a dividend of EUR 0.26 per entitled share would be paid out. This constituted an increase of around 8% on the previous year (EUR 0.24 per share). Pursuant to the resolution passed at the Encavis AG Annual General Meeting, a proportion of the company’s net earnings for the 2019 financial year amounting to EUR 50,207,308.20 was to be used for the dividend payout, which occurred on 16 June 2020. With an acceptance rate of more than 60%, the optional dividend was once again well received. In total, 1,398,087 new bearer shares were issued.

As of the balance sheet date, the Group had unused credit lines available in the amount of TEUR 39,393 (previous year: TEUR 35,021.

Net assets

As of 31 December 2020, equity amounted to TEUR 751,561 (31 December 2019: TEUR 722,713). The change in the amount of TEUR 28,848, or 4.0%, is primarily due to the issue of new shares as a result of the share dividend chosen by the majority of shareholders, various value changes accounted for in equity with no effect on profit or loss and the positive result for the period under IFRS. Offsetting this increase was the payment of the dividend. Share capital increased through contributions in kind of TEUR 1,398. The equity ratio is 26.61% (31 December 2019: 26.31%).

The balance sheet total rose from TEUR 2,747,035 in the previous year to TEUR 2,823,844 in the reporting year.

As of 31 December 2020, the Group reported intangible assets in the amount of TEUR 493,885 (31 December 2019: TEUR 547,168).

As of 31 December 2020, the company’s goodwill amounted to TEUR 27,560 (31 December 2019: TEUR 26,569). This is an increase in the amount of TEUR 991 compared with the previous year. Encavis had annual goodwill impairment testing conducted as of 30 September 2020. This testing took place at the level of a group of cash-generating units (CGUs) which, since the 2016 financial year, represent the operating segments by country. The impairment test did not give rise to an impairment loss. The change compared to the previous year relates to the goodwill recognised as part of the provisional initial consolidation of a portfolio of wind parks in Denmark, whose valuation within the valuation period under IFRS 3.45 has not been finalised, as well as currency effects to a lesser extent.

The increase in property, plant and equipment to TEUR 1,901,989 (31 December 2019: TEUR 1,749,657) primarily results from the first-time consolidation of a solar park in Spain and a wind park in Germany. The current scheduled depreciation and amortisation had the opposite effect.

The deferred tax assets prior to offsetting primarily result from differences in property, plant and equipment in the comparison between IFRS and tax balance sheets, from differences in lease liabilities carried as liabilities exclusively in accordance with IFRS 16 as well as from tax loss carry-forwards likely to be usable.

Current assets increased from TEUR 301,582 in the previous year to TEUR 303,236 as of 31 December 2020. These included liquid assets of TEUR 230,996 as of the balance sheet date (31 December 2019: TEUR 222,481).

The liquid assets include restricted funds in the amount of TEUR 63,507 (31 December 2019: TEUR 57,980). Of these, TEUR 56,021 (previous year: TEUR 54,734) is attributable to capital services and project reserves, and TEUR 7,487 (previous year: TEUR 3,246) to other restricted credit.

The Group's financial liabilities (primarily bank and lease liabilities) amounted to TEUR 1,783,667 as of 31 December 2020 (31 December 2019: TEUR 1,750,678). These comprised the loans and lease agreements for the financing of solar parks and wind parks and the mezzanine capital provided by Gothaer Versicherungen in November 2014 in the amount of TEUR 150,000. They also contained liabilities from listed notes from the Grid Essence portfolio (United Kingdom), including accrued interest in the amount of TEUR 34,380, as well as liabilities from debenture bonds and/or registered bonds including accrued interest in the amount of TEUR 133,933. Liabilities from lease obligations in the amount of TEUR 193,039 are recognised (31 December 2019: TEUR 188,952). In nearly all debt financing, the liability risk relating to the parks is limited (non-recourse financing).

The deferred tax liabilities prior to offsetting primarily result from differences in the electricity feed-in contracts in the comparison between IFRS and tax balance sheets, from differences of the energy installations in the comparison between IFRS and tax balance sheets and rights of use capitalised exclusively in accordance with IFRS 16.

Trade payables amounted to TEUR 16,043 on 31 December 2020 (31 December 2019: TEUR 10,738).

Segment reporting (operating)

Expenses and income within the segments were largely attributed to services relating to technical and commercial company management and to interest income from, and interest expenses for, internal loans. These loans are normally granted as bridge financing for VAT and investments in solar park projects.

PV Parks

Revenue in the solar parks decreased slightly to TEUR 198,459 in the 2020 financial year (previous year: TEUR 200,124). The decrease in revenue of the solar park portfolio is due to weather conditions. In particular the lower levels of sunshine in Italy, the United Kingdom and France compared to the previous year led to revenue of the solar park portfolio decreasing in comparison. This weather-related decrease also could not be compensated for by the revenue of the La Cabrera solar park in Spain, which has been fully connected to the grid since November 2020 and contributed revenue of TEUR 2,343. Other income in 2020 came to TEUR 2,915 (previous year: TEUR 4,236). This was offset by the costs for operation of the solar parks as well as other expenses of TEUR 40,405 (previous year: 37,051) and depreciation and amortisation on PV installations and other intangible assets in the amount of TEUR 65,052 (previous year: TEUR 62,416). The increase in depreciation and amortisation is mainly due to the La Cabrera solar park in Spain, which was commissioned in 2020. In total – in this year which was meteorologically weaker than the previous year – the PV Parks segment generated operating earnings before interest and taxes (operating EBIT) in the amount of TEUR 95,918 (previous year: TEUR 104,894) and an operating earnings before interest, taxes, depreciation and amortisation in the amount of TEUR 160,970 (previous year: TEUR 167,310).

PV Service

In the PV Service segment, revenue and other income, less the cost of materials, of TEUR 7,367 (previous year: TEUR 4,542) were counteracted by personnel expenses and other expenses totalling TEUR 3,156 (previous year: TEUR 3,065). During the financial year, this includes one-time income from the sale of Stern Energy GmbH to Stern

Energy S.p.A. in the amount of TEUR 2,744. After depreciation and amortisation, operating earnings before interest and taxes (operating EBIT) amounts to TEUR 4,206 (previous year: TEUR 1,429), and operating EBITDA amounts to TEUR 4,211 (previous year: TEUR 1,477).

Wind Parks

Revenue in the amount of TEUR 77,525 (previous year: TEUR 63,115) is recognised in the reporting year in spite of a meteorologically weak performance. With revenue growth of TEUR 11,768 and TEUR 2,674 respectively, in particular the wind park portfolios in Denmark and Germany expanded with new capacities contributed to this increase. But wind parks in France – with a moderate increase of TEUR 766 – also contributed to the positive development in revenue. In 2020, other income amounted to TEUR 6,145 (previous year: TEUR 7,526) and includes TEUR 4,162 in income from the sale of a 49% shareholding in a portfolio of wind parks in Austria. In this previous year, this included one-time income from the sale of a 49% shareholding in a portfolio of wind parks in Germany in the amount of TEUR 5,936. In total, expenses for operating and managing the parks and other expenses came to TEUR 21,337 (previous year: TEUR 18,817). Operating EBITDA amounted to TEUR 62,332 (previous year: TEUR 51,825). Depreciation and amortisation on the wind installations and other intangible assets amounting to TEUR 26,283 (previous year: TEUR 21,447) were recognised. In total, the Wind Parks segment achieved operating earnings before interest and taxes (operating EBIT) of TEUR 36,049 (previous year: TEUR 30,378).

Asset Management

Operating earnings before interest and taxes (EBIT) amounted to TEUR 6,132 in the 2020 financial year (previous year: TEUR 5,046) and operating EBITDA amounted to TEUR 6,717 (previous year: TEUR 5,646). Revenue and other income in the amount of TEUR 16,931 (previous year: TEUR 12,047) was offset by cost of materials, personnel expenses, other expenses and depreciation and amortisation in the amount of TEUR 10,799 (previous year: TEUR 7,001). The significant increase in revenue and earnings is primarily attributable to the growth of the number of energy installations in the managed portfolio.

Other companies and Group functions

Operating earnings before interest and taxes (operating EBIT) for the Administration segment amounts to TEUR -10,341 (previous year: TEUR -9,499). Other income rose from TEUR 1,824 in the previous year to TEUR 2,143 in the reporting year. Personnel expenses, other expenses and depreciation and amortisation increased to TEUR 12,486 (previous year: TEUR 11,325). Other expenses comprised, in particular, operating expenses as well as legal and consulting costs relating to, among other things, the purchase of new park companies.

Notes to the individual financial statements of Encavis AG (HGB)

The annual financial statements of Encavis AG for the 2020 financial year were prepared pursuant to the provisions of the German Commercial Code (HGB) and taking into account the supplementary provisions of the German Stock Corporation Act (AktG).

Financial performance

Encavis AG generated revenue of TEUR 5,552 in the reporting year (previous year: TEUR 6,506). This resulted primarily from charging expenses for insurance, administration and commercial management of the solar and wind parks to Encavis Group companies, as well as from charging expenses for tax returns, accounting and management of the solar and wind park companies. The decrease in revenue results from non-period one-time effects in the previous year.

Other operating income amounted to TEUR 12,275 (previous year: TEUR 3,403). The increase compared to the previous year primarily results from internal restructuring within the Group. Encavis AG sold its shares in Centrale Photovoltaique d’Avon-les-Roches SAS, Paris, France, in the amount of TEUR 2,426, to Capital Stage Solar IPP GmbH at a price of TEUR 11,000.

Personnel expenses were TEUR 16,054 (previous year: TEUR 13,758). In addition to the increase of five employees at Encavis AG, the increase compared to the previous year is primarily due to increased expenses in the amount of

TEUR 5,725 (previous year: TEUR 3,794) from the share option programme as a result of the stark increase in the share price during the reporting period.

Other operating expenses of TEUR 11,077 were TEUR 3,100 lower compared to the previous year (TEUR 14,173). This reduction in other operating expenses is in particular based on the lower insurance expenses in the amount of TEUR 2,033 (previous year: TEUR 3,281) as well as on reduced costs from the capital increase in the amount of TEUR 117 (previous year: TEUR 1,989). Other operating expenses still primarily concern costs for legal advice as well as for other consultancy services in the amount of TEUR 4,138 (previous year: TEUR 3,533), costs for office space in the amount of TEUR 778 (previous year: TEUR 750), financial statement preparation and audit costs in the amount of TEUR 476 (previous year: TEUR 597), Supervisory Board remuneration in the amount of TEUR 476 (previous year: TEUR 389) and maintenance costs for hardware and software in the amount of TEUR 389 (previous year: TEUR 422).

Financial income rose to TEUR 66,475 (previous year: TEUR 39,323) in 2020. In particular, this item includes distributions of profit from the operating activities of affiliates – in particular Encavis GmbH in the amount of TEUR 26,000 (previous year: TEUR 0), Encavis Nordbrise A/S in the amount of TEUR 6,180 (previous year: TEUR 0) and other affiliates totalling TEUR 3,089. This still includes in particular interest income resulting from loans issued to affiliates amounting to TEUR 20,789 (previous year: TEUR 17,459) as well as income from loans to companies with which an investment relationship exists in the amount of TEUR 7,728 (previous year: TEUR 3,030).

Encavis AG collected income in the amount of TEUR 2,689 (previous year: TEUR 4,313) from the control and profit transfer agreement concluded in the 2012 financial year between Encavis AG and Encavis Technical Services GmbH, as well as from the control and profit transfer agreement concluded on 12 March 2020 between Encavis AG and Solarpark Neuhausen GmbH.

Financial expenses came to TEUR 13,911 (previous year: TEUR 10,744). These mainly include interest paid to affiliated companies of TEUR 7,616 (previous year: TEUR 6,411), interest paid to credit institutes of TEUR 5,257 (previous year: 4,320) and value adjustments on foreign-currency receivables in the amount of TEUR 1,038 (previous year: TEUR 1,058).

In 2020, Encavis AG assumed a loss in the amount of TEUR 1,639 due to the control and profit transfer agreement concluded on 12 March 2020 between Encavis AG and Capital Stage Solar IPP GmbH.

Taxes on income in the amount of TEUR 301 include corporation taxes in the amount of TEUR 47, the solidarity surcharge in the amount of TEUR 2 and trade taxes in the amount of TEUR 252 from the current taxable profit.

Encavis AG reported a net profit for the year of TEUR 40,488 (previous year: TEUR 9,885).

Financial position

Shareholders' equity increased from TEUR 636,163 the previous year to TEUR 656,183 as of 31 December 2020. The increase resulted primarily from the higher net profit for the financial year as well as from the capital increase associated with the share dividend in the middle of the year. The recognition of dividends for 2019 (TEUR 35,630) had an offsetting effect. The equity ratio as of the reporting date was 58.3% (previous year: 59.9%).

Total assets rose from TEUR 1,061,698 in the previous year to TEUR 1,124,910 in the 2020 financial year. With regard to assets, the increase primarily results from the expansion of financial assets through the issue of loans and the purchasing of shares. With regard to liabilities, increases were primarily in the liabilities to financial institutions, which rose by TEUR 20,747. Liabilities to affiliates increased by TEUR 23,020.

In 2020, cash flow from operating activities in the amount of TEUR –11,305 (previous year: TEUR –2,862). Compared to 2019, higher payments were made to employees and the members of the Management Board of Encavis AG from the share option programme for the 2012 and 2017 tranches totalling TEUR 3,915. A deposit of the reimbursed capital gains tax for the 2017 financial year in the amount of TEUR 9,445 was received in the first quarter of 2020.

Investment activity yielded a cash flow of TEUR –50,549 (previous year: TEUR –202,180). In the previous year, this was impacted by the issue of loans to the two solar projects in Spain, Cabrera Energía Solar S.L. and Genia Extremadura Solar S.L. (Talayuela) with a total of TEUR 144,236 as financing during the construction phase as well as the investment in a large wind park in Denmark with a total of TEUR 57,064. Significantly fewer loans were issued to the two solar projects in Spain this year, totalling only TEUR 58,592. In turn, repayments of loans amounting to TEUR 49,166 were made by Cabrera Energía Solar S.L. Additional payments resulted from the acquisition of minority interests. Specifically, shares in Solarpark Brandenburg (Havel) GmbH in the amount of TEUR 7,921 and in CHORUS CleanTech GmbH & Co Solarpark Bitterfeld KG in the amount of TEUR 2,961 were acquired.

Cash flow from financing activities was TEUR 73,335 (previous year: TEUR 217,824). The cash flow from the previous year primarily concerned the proceeds attributed to equity as part of the capital increase in exchange for cash in the amount of TEUR 48,318. Additionally, Encavis AG borrowed significantly less compared to the previous year. Bank loans in the amount of TEUR 60,000 were taken out, including a loan from the Agricultural Bank of China in the amount of TEUR 50,000. Encavis AG repaid bank loans in the amount of TEUR 28,000, which had an offsetting effect.

In the 2020 financial year, a dividend of EUR 0.26 per share was distributed to the shareholders of Encavis AG (previous year: EUR 0.24 per share). The shareholders could select whether to have the dividend paid out in cash or in the form of Encavis AG shares. With an acceptance rate of 61.5%, the optional dividend was once again very well received. A cash dividend in the amount of TEUR 20,468 was paid out to shareholders in June 2020 (previous year: TEUR 19,112).

Supplementary report

Between the balance sheet date of 31 December 2020 and the preparation of the annual and consolidated financial statements for 2020, the general situation regarding the Encavis Group’s business activities did not change significantly from the circumstances described in the following.

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

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

Encavis AG improves ISS ESG rating and MSCI ESG rating

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

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

At the end of 2020, Konzern Versicherungskammer announced that it would significantly increase its engagement in its special fund – which is managed by HANSAINVEST LUX – by EUR 150 million; the increase was carried out in January 2021. The fund, with a target volume in the mid three-figure millions, is currently invested in a balanced portfolio consisting of wind and solar parks in Germany, France, Austria and Finland. The acquisition of the Vlagtwesse solar park in the Netherlands, which was only recently completed, adds a further 110 MWp to the portfolio. The park is located in the Groningen province, in the town of Westerwolde, which borders the German state of Lower Saxony. The solar park also includes land for blueberries and flowers to be planted to support the biodiversity of the area. The south side of the solar park was commissioned at the end of June 2020, with the north side following at the beginning of December 2020. A part of a Finnish wind park portfolio was also acquired for the special fund.

Encavis AG enters MDAX via fast-entry process

On 22 March 2021, Encavis AG was included via the fast-entry process in the MDAX, the index with the 60 largest exchange-listed companies in Germany after the DAX, measured by market capitalisation and daily trading volume. The stock market is thus rewarding the impressive operational successful story of Encavis AG. The introduction of the former Capital Stage AG to the Prime Standard of Deutsche Börse AG in 2013 was followed, almost exactly seven years ago on 24 March 2014, by its inclusion in the SDAX.

Other

Personnel

In the 2020 financial year, there were an average of 129 employees at the Group (2019: 123 employees), of which 83 employees at Encavis AG, 33 employees at Encavis Asset Management AG and 13 employees at Encavis GmbH. Additionally, Stern Energy GmbH had ten employees in the previous year.

At the end of 2020, there were 134 employees in the Group. This change in the number of employees was due to the growth-induced expansion of the Encavis team. The loss of the employees of Stern Energy GmbH had the opposite effect. The number of employees per function at the end of 2020 is as follows:

Number of employees per function at the year end	Encavis AG	Stern Energy GmbH	Encavis Asset Management AG	Encavis GmbH	Total
Finance	20				20
(Previous year)	(20)				(20)
Operations	28				28
(Previous year)	(29)				(29)
Staff	24				24
(Previous year)	(19)				(19)
Investments	9				9
(Previous year)	(7)				(7)
Corporate Finance/ Project Finance	6				6
(Previous year)	(6)				(6)
Asset Management			34	13	47
(Previous year)			(29)	(14)	(43)
Technology/ Administration		0			0
(Previous year)		(10)			(10)
Total	87	0	34	13	**134**
(Previous year)	(81)	(10)	(29)	(14)	(134)

On 31 December 2020, Encavis AG and Encavis Asset Management AG each had two Board members.

Supervisory Board

There were no changes to the composition of the Supervisory Board in 2020.

Remuneration report

Structure of Management Board remuneration

The remuneration packages for Board members are based on the individual Board member's role and performance. They comprise the following three main components:

- A fixed annual basic salary
- A short-term variable remuneration relating to the financial year (annual bonus)
- A long-term variable remuneration linked to the Encavis share price

Basic remuneration and fringe benefits

The basic remuneration comprises a fixed remuneration component paid out in 12 monthly instalments. Remuneration in kind and fringe benefits comprise, in particular, the provision of a company car, insurance premiums, travel expenses and other low-value fringe benefits.

Variable remuneration

The annual bonus is a success- and performance-dependent variable remuneration and is paid out for the previous financial year, taking into account the company's result and financial position, as well as the individual performance of the Supervisory Board members. The annual bonus is due and payable upon conclusion of the Supervisory Board meeting in which the respective annual financial statements were approved and the bonus defined. With regard to goal achievement, an upper limit of 200% of the respective target value is applicable. The Supervisory Board is also entitled to pay a special bonus for extraordinary performance under consideration of the interests of the company.

SOP 2017 is a programme that is designed as an annually recurring long-term remuneration component based on the overall performance of the Encavis share in terms of framework and objectives. An allotment amount defined by the Supervisory Board is converted into virtual share options known as share appreciation rights (SARs). The amount of the variable component was calculated based on the 2017 share option programme (SOP), which entered into force on 1 July 2017. The allotment date, however, was 13 December 2017. The aim of SOP 2017 is to secure long-term loyalty to Encavis AG of the executives of the Encavis Group. The SARs may be exercised for the first time after a vesting period of three years from 1 July 2017. After that, they can be exercised at half-year intervals within the two years. A prerequisite for exercising a SAR is the successful achievement of the respective goal. To achieve the target within SOP 2017, the overall performance of the Encavis share within the XETRA trading system (or in a comparable successor system) on the Frankfurt Stock Exchange must exceed the basic price by at least 30% (strike price) on the day on which the SAR is exercised, as measured by the interim rise and the dividends paid since issue of the SAR. The basic price is the arithmetic average of the daily closing price of the Encavis share performance index within the XETRA trading system on the Frankfurt Stock Exchange (or in a comparable successor system) half a year before the plan takes effect. For each SAR assigned, a claim to payment of the difference between the strike price and the basic price accrues. The maximum payment amount is three times the difference between the strike price and the basic price. If a Board member leaves the company of his/her own volition or has his/her contract terminated for good cause, the assigned SARs will expire, in whole or in part, pursuant to the pertinent programme rules.

In the 2018, 2019 and 2020 financial years, three further share option programmes (SOP 2018, 2019 and 2020) were launched on the basis of SOP 2017, which have essentially identical conditions to SOP 2017. SOP 2018 entered into force on 1 July 2018, SOP 2019 on 1 July 2019 and SOP 2020 on 1 July 2020. The allotment dates, however, were 12 December 2018, 25 September 2019 and 23 September 2020 respectively. The vesting period for SOP 2018 begins on 1 July 2018; analogously, the period for SOP 2019 begins on 1 July 2019 and for SOP 2020 on 1 July 2020. The remaining conditions were agreed analogously to SOP 2017.

SOP 2017 could be exercised for the first time in the financial year after expiration of the waiting period. Both members of the Management Board made use of this option and exercised all of their shares.

In financial years from 2013 to 2016, the Management Board was granted share options within SOP 2012. The subscription rights deriving from these share options can be exercised at the earliest after a waiting period of four years from the respective assignment date. If a Board member leaves the company of his/her own volition or has his/her contract terminated for good cause, the assigned share options will expire, in whole or in part, pursuant to the pertinent programme rules. In the 2020 financial year, the last exercisable tranche remaining from SOP 2012 – which was granted in 2016 and was now exercisable – was settled in cash at its market value with the approval of the Supervisory Board.

Details about the share option programmes and about valuations are provided in the notes to the consolidated financial statements.

Remuneration for 2020

The following table lists the individual remuneration for the active Board members in the 2020 financial year pursuant to section 314 (1), no. 6a, of the German Commercial Code (HGB).

In EUR

	Fixed salary	Fringe benefits	One-year variable remuneration	Multi-year variable remuneration	Total for 2020	Total for 2019
Dr Dierk Paskert	450,000.00	33,292.82	375,000.00	295,223.73	1,153,516.55	1,246,930.02
Dr Christoph Husmann	425,000.00	25,769.71	375,000.00	295,223.73	1,120,993.44	1,243,489.20
Total	**875,000.00**	**59,062.53**	**750,000.00**	**590,447.46**	**2,274,509.99**	**2,490,419.22**
Previous year	800,000.00	58,345.22	1,000,000.00	632,074.00	2,490,419.22	

The amount for the multi-year variable remuneration listed in the table above represents the fair value at the time of granting (in accordance with IFRS 2). As in the previous year, Board members did not receive any loans or advances in the 2020 financial year.

In the 2020 financial year, Dr Dierk Paskert and Dr Christoph Husmann were granted 68,181 SARs each from SOP 2020 with a fair value of TEUR 295 at the time the option was granted. The expense for share option programmes recorded in the 2020 financial year amounts to TEUR 1,320 for Dr Dierk Paskert and TEUR 1,329 for Dr Christoph Husmann.

Management Board remuneration in accordance with the German Corporate Governance Code

In accordance with section 4.2.5, appendix tables 1 and 2 (benefits granted and received) of the German Corporate Governance Code (DCGK), the two tables below disclose the benefits granted by and received from Encavis AG. The basic remuneration and fringe benefits are consistent with the disclosures as per section 314(1), no. 6a, of the German Commercial Code (HGB).

Benefits granted (all amounts in EUR)	Dr Dierk Paskert Chairman of the Management Board Joining date: 01.09.2017			
	2019	2020	2020 (Min)	2020 (Max)
Fixed salary	400,000.00	450,000.00	450,000.00	450,000.00
Fringe benefits	30,893.02	33,292.82	33,292.82	33,292.82
Total	**430,893.02**	**483,292.82**	**483,292.82**	**483,292.82**
One-year variable remuneration	500,000.00	375,000.00	0.00	500,000.00
Multi-year variable remuneration	316,037.00	295,223.73	0.00	673,151.01
SOP 2019	*316,037.00*	-	-	-
SOP 2020	-	*295,223.73*	*0.00*	*673,151.01*
Total	**816,037.00**	**670,223.73**	**0.00**	**1,173,151.01**
Contributions	-	-	-	-
Total remuneration	**1,246,930.02**	**1,153,516.55**	**483,292.82**	**1,656,443.83**

Benefits granted (all amounts in EUR)	Dr Christoph Husmann Management Board member Joining date: 01.10.2014			
	2019	2020	2020 (Min)	2020 (Max)
Fixed salary	400,000.00	425,000.00	425,000.00	425,000.00
Fringe benefits	27,452.20	25,769.71	25,769.71	25,769.71
Total	**427,452.20**	**450,769.71**	**450,769.71**	**450,769.71**
One-year variable remuneration	500,000.00	375,000.00	0.00	500,000.00
Multi-year variable remuneration	316,037.00	295,223.73	0.00	673,151.01
SOP 2019	*316,037.00*	-	-	-
SOP 2020	-	295,223.73	0.00	673,151.01
Total	**816,037.00**	**670,223.73**	**0.00**	**1,173,151.01**
Contributions	-	-	-	-
Total remuneration	**1,243,489.20**	**1,120,993.44**	**450,769.71**	**1,623,920.72**

Benefits received (all amounts in EUR)

	Dr Dierk Paskert Chairman of the Management Board		Dr. Christoph Husmann	
	2020	2019	**2020**	2019
Fixed salary	450,000.00	400,000.00	425,000.00	400,000.00
Fringe benefits	33,292.82	30,893.02	25,769.71	27,452.20
Total	**483,292.82**	430,893.02	**450,769.71**	427,452.20
One-year variable remuneration	500,000.00	375,000.00	500,000.00	375,000.00
Multi-year variable remuneration	926,250.00	-	1,991,250.00	522,000.00
SOP 2012 (granted 2016 and/or 2015)	-	-	*1,065,000.00*	*522,000.00*
SOP 2017 (granted 2017)	*926,250.00*	-	*926,250.00*	-
Total	**1,426,250.00**	375,000.00	**2,491,250.00**	897,000.00
Contributions	-	-	-	-
Total remuneration	**1,909,542.82**	805,893.02	**2,942,019.71**	1,324,452.20

Supervisory Board remuneration

Since 2018, Supervisory Board remuneration has no longer been determined by resolution of the Annual General Meeting; instead it is set out in the Articles of Association as fixed remuneration, whereby membership in committees should be taken into account to increase remuneration.

The Annual General Meeting on 13 May 2020 resolved, in the form of an amendment to the Articles of Association, to amend the fixed remuneration of the Supervisory Board as follows: The members of the Supervisory Board and its committees receive an attendance fee of EUR 1,000 for each Supervisory Board and committee meeting they attend. For multiple meetings of the Supervisory Board and/or its committees on one calendar day, the attendance fee will be paid only once. The chairperson of the Supervisory Board receives a fixed salary of EUR 60,000, and the deputy chairman receives EUR 45,000. All other Supervisory Board members are entitled to a fixed salary in the amount of EUR 30,000. Additionally, the committee chairs receive remuneration of EUR 20,000 each and other members of these committees receive EUR 15,000.

Total remuneration recorded for the Supervisory Board amounts to TEUR 476 for the financial year. The amounts are based on the remuneration rules described above. Remuneration for the personnel committee and for the audit committee is included in the total remuneration for Supervisory Board.

In EUR	Supervisory Board remuneration		Remuneration for commitee participation		Total	
	2020	2019	2020	2019	2020	2019
Dr Manfred Krüper	64,000	54,000	38,000	28,000	102,000	82,000
Alexander Stuhlmann	49,000	41,500	38,000	28,000	87,000	69,500
Dr Cornelius Liedtke	34,000	29,000	-	-	34,000	29,000
Albert Büll	34,000	29,000	16,000	12,000	50,000	41,000
Professor Fritz Vahrenholt	34,000	28,000	33,000	23,000	67,000	51,000
Christine Scheel	34,000	29,000	-	-	34,000	29,000
Peter Heidecker	34,000	29,000	-	-	34,000	29,000
Dr Henning Kreke	34,000	29,000	-	-	34,000	29,000
Dr Marcus Schenck	34,000	18,625	-	-	34,000	18,625
Professor Klaus-Dieter Maubach	-	10,375	-	-	-	10,375
Total	351,000	297,500	125,000	91,000	476,000	388,500

Other disclosures

Disclosure of barriers to takeovers pursuant to section 289a, paragraph 1, and section 315a, paragraph 1, of the HGB

- As of the reporting date of 31 December 2020, the subscribed capital of the company amounted to EUR 138,437,234.00 (one hundred thirty-eight million four hundred thirty-seven thousand two hundred thirty-four), divided into 138,437,234 no-par-value shares. The shares are issued in bearer form.
- There are no restrictions on voting rights or transferability.
- The following shareholders held equity carrying more than 10% of voting rights as of the balance sheet date:

  Pool of AMCO Service GmbH (Büll family), Hamburg, Germany, and Dr. Liedtke Vermögensverwaltung GmbH, Hamburg, Germany.
- In the event that a person who was not an Encavis AG shareholder subject to notification in accordance with section 21 of the German Securities Trading Act (WpHG) on 14 November 2014 acquires more than 50% of the voting rights in Encavis AG, Gothaer Lebensversicherung Aktiengesellschaft has the extraordinary right to terminate the mezzanine capital contract concluded on 14 November 2014. This right of termination entitles Gothaer to claim repayment from Encavis AG. The mezzanine capital drawn as of 31 December 2020 amounted to TEUR 150,000.
- There are no special-rights shares.
- There are no limits of any kind of voting rights.
- Management Board members are appointed and dismissed in accordance with the provisions of section 84 et seq. of the German Stock Corporation Act (*Aktiengesetz* – AktG).
- Any amendments to the Articles of Association require a resolution by the Annual General Meeting. The power to make editorial changes has been granted to the extent specified in the Articles of Association.
- Authority granted to the Management Board by the Annual General Meeting in relation to increasing the share capital and issuing shares is set out in sections 4 and 6 of the Articles of Association. Please refer to the detailed information on shareholders' equity provided in the notes for further information.

Key features of the internal control system for the accounting process

The Encavis AG Management Board is responsible for preparing the annual financial statements and management report for Encavis AG in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). In addition, the consolidated financial statements are prepared according to International Financial Reporting Standards (IFRS). German Accounting Standard 20 (GAS 20) is applied to the consolidated management report.

The Management Board has established an appropriate internal control system in order to safeguard the accuracy and completeness of the financial reports, including the integrity of the accounting system.

The internal control system has been designed to ensure the prompt, uniform and accurate recording in accounts of all business processes and transactions, as well as to guarantee compliance with statutory requirements and financial accounting regulations. Any amendments to legislation, the accounting standards and other official announcements are continually analysed for their implications for the individual and consolidated financial statements. The internal control system is also based on a number of control measures embedded in the process. These process-integrated control measures include organisational safeguards, ongoing automatic measures (segregation of duties, access restrictions, organisational policies and procedures such as powers of representation) as well as control mechanisms integrated into workflows. In addition, non-process-based control measures guarantee the effectiveness of the internal control system.

Accounting for the majority of the fully consolidated companies and the consolidation procedures are centralised. Automated controls are monitored by staff and complemented by manual checks. A standard consolidation system is applied to consolidation procedures.

All staff involved in accounting processes receive regular training.

The Supervisory Board of Encavis AG is responsible for regularly reviewing the effectiveness of the internal control and monitoring systems and receives regular reports from the Management Board. In this context, an auditing firm was tasked with auditing the internal controlling and monitoring systems in the 2020 financial year regarding the treasury processes at Encavis AG and with regard to the existence of the requirements pursuant to the Financial Investment Mediation Ordinance (FinVermV) in conjunction with German Trade Regulation (GewO) for Encavis Asset Management AG. A report detailing the outcome of the audit was submitted to the Management Board and Supervisory Board.

Opportunities and risks

Risk and opportunity management system

Risk and opportunity management is an essential component of all planning, controlling and reporting systems in the individual companies and at Group level and is a central element of reporting. It comprises the systematic identification, evaluation, control, documentation and monitoring of both risks and opportunities which are controlled by a Group-wide risk management system. However, the effects of opportunities and risks are not offset against each other. The risk management system enables Group management to act and intervene quickly and effectively to take timely measures to minimise risks and to exploit opportunities for the benefit of the Group.

The objectives and strategies of the risk and opportunity management system are:

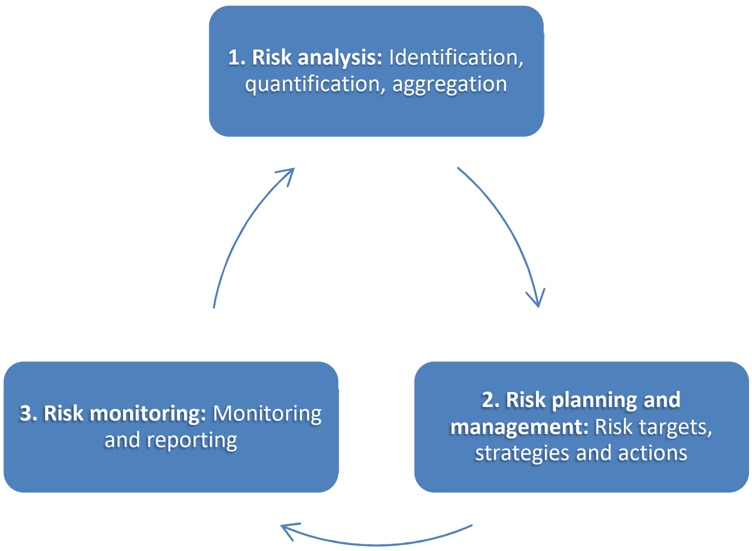
- To meet legal and regulatory requirements
- To ensure the continued existence of the Encavis Group by means of early, sustainable and transparent identification of overall risks
- To protect or increase the company's value through the holistic and active management of all risks and opportunities that could impair the achievement of the Group's commercial goals
- To create added value by taking appropriate account not only of return but also of risks in relevant decisions and processes, including investment decisions, risk capital allocations and corporate planning

Organisation of the risk and opportunity management system

Overall responsibility for monitoring and controlling the total risk of the Group is borne by the Management Board of Encavis. It established rules and minimum standards and thus decides on the framework of risk management an the superordinate risk management strategy of the Encavis Group.

The company's proactive and efficient management of risks and opportunities is based on transparent, intelligible nomenclature as well as timely and targeted communication. Standardised communication across all divisions has been set out to ensure that pertinent information is forwarded both to the Management Board (decision maker) as well as the risk manager and/or the risk owner.

Risk management at Encavis is to be understood as an iterative process. This can be illustrated as follows:



The risk manager is responsible for the implementation, further development and coordination of the framework for risk and opportunity management, and is supported in this by the risk owners. The risk owners are the heads of the following areas of Encavis AG with Group-wide responsibility: Tax, Investments, Group Accounting, Accounting, Controlling, Project Finance, Corporate Finance/Treasury/Insurance, IR/PR, Legal – Corporate/Compliance, Legal – Energy/Investments, Operations/Process Management/IT and HR. The risk owners are responsible for identifying any risks at an early stage, assessing them adequately and managing them in accordance with corporate guidelines. The risk manager reports to the chief financial officer and is responsible for implementing the risk management system and reporting the Group's risk exposures to the Encavis AG Management Board. Additionally, the Management Board reports to the Supervisory Board about the risk situation of the Group.

Risk and opportunity management is a continuous process and integrated into all operational procedures. Risks and opportunities – defined as having a negative or positive impact on corporate goals or at least one of the general project targets of time, costs, scope or quality – are reported at least annually as well as for all significant decisions. The risk exposures are also monitored between the quarterly reporting dates. Any material changes in risk exposure are reported to the Management Board immediately.

Risk assessment

Risks are presented gross, and a period of 12 months is generally considered to be the period during which the risk arises. However, this may extend beyond this period in individual cases for longer-term significant risks. Identified risks are evaluated based on their probability of occurrence and effect and assigned to risk classes (high, medium, low) using the combination (multiplication) of the two factors. Both probability of occurrence and effect are assessed a score on a scale from 1 (very low) to 10 (very high). The scores for probability and impact are then multiplied. which results in a risk index ranging from 1 to 100. For this purpose, the evaluation of an effect is associated with the estimated cost or income loss that would occur if the corresponding risk were to arise. Risks with a rating of up to 19 points are classified as “low risk”. Medium risks are those with a score of 20 to 50 points, and risks assessed scores from 51 to 100 are classified as high risks.

Risk class	Thresholds for risk assessment
Low	1
Medium	20
High	51

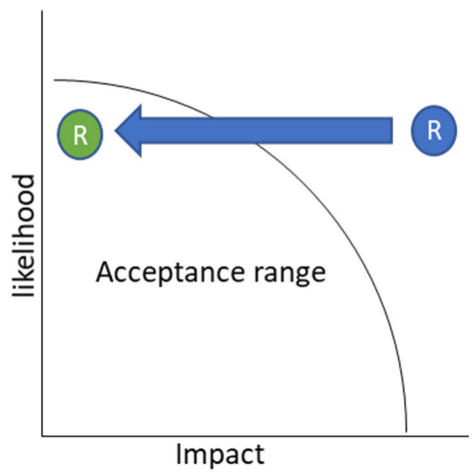
Particular attention is paid to risks classified as “fact”, “high” or “medium”, with strategies focusing on managing the risk(s) in order that these risks are in a lower-middle range within the net approach. Additional classification of inventory and growth risks have been introduced to assess the impact of the identified risk on either existing business operations or the future growth prospects of the Encavis Group. Inventory risks are assessed in terms of probability of occurrence and impact. Growth risks are only assessed in terms of probability of occurrence because such risks have no influence on the existing business of the Encavis Group.

Risk actions

As part of managing risks through appropriate instruments, both active as well as passive measures are available (“risk strategies”). Insofar as possible, significant risks are to be brought into acceptable ranges in the optimal way with regard to costs. This is generally achieved through a mix of the measures and instruments described in the following.

Using active measures involves a direct effect on the probability of occurrence and/or the scope of impact of the risk. This is comprised of the following steps:

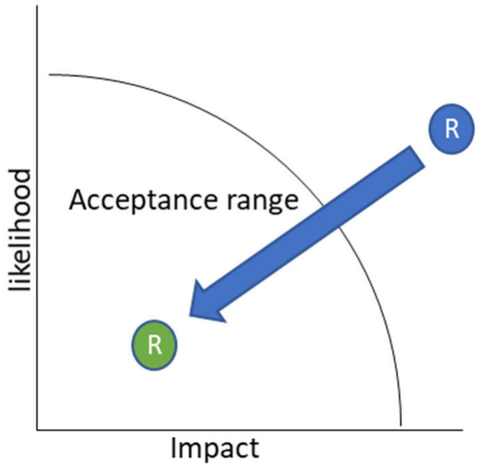
a) Avoidance: By avoiding activities in certain areas of projects, it can be avoided that an activity leading to risk is ever carried out.



For example, possible ways to avoid risk are:

- ✓ Foregoing investments in politically unstable countries
- ✓ Using only tried-and-tested technology

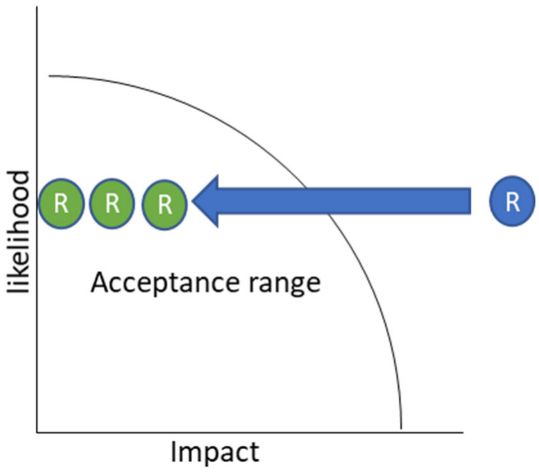
b) Mitigation: Risks are still taken, but are secured to a certain extent. This is reflected in a reduced probability and scope of impact.



For example, possible ways to mitigate risk are:

- ✓ Reduction of interest risk through the use of swaps
- ✓ Projects to increase the stability of the IT system

c) Diversification: This involves attempting to limit the risk by spreading the risk around or actively passing on losses to other parties.



For example, possible ways to diversify risk are:

- ✓ Energy production in various countries
- ✓ Use of different generation technologies (wind, water, solar, etc.)
- ✓ Acquisition of parks from various project companies

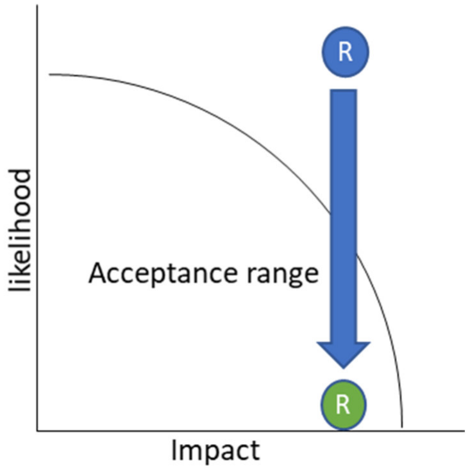
Unlike active measures, passive measure do not impact the risk structures.

The objective of these measures is to be able to react to risks at short notice, without delay and quickly with sufficient resources and an appropriate level of potential effectiveness.

Passive measures include primarily the following:

d) Independent risk taking: This involves taking and bearing risks in a conscious manner. This can be done, for example, by taking precautionary measures or forming reserves.

e) Risk transfer: By concluding corresponding agreements/contracts, the risk can be transferred to another party. In addition to insurance, this also includes the use of financial derivatives and/or transferring risks to customers and suppliers.



For example, possible ways to transfer risk are:

- ✓ Sale of receivables without recourse
- ✓ Insurance

Risk management

The Encavis Group has developed a variety of risk mitigation and risk avoidance strategies with appropriate measures.

The Group's focus is still primarily on existing installations in order to minimise the risks relating to project planning. However, the company increasingly pursues projects that stipulate involvement at an earlier phase of the project, thus representing minimal development risk for the company. This means that Encavis assumes project risks in an early phase on an individual-case basis, for example the monetary protection of project rights which, if the project does not materialise, would be considered sunk costs. However, Encavis always has the option to withdraw from the project during the individual project phases of the development partnership. The contract are structured accordingly, so that individual phases are subject to risks of the project possible not being pursued, but these are limited in nature. There are manufacturer's warranties for the unlikely event of a reduction in performance and appropriate insurance policies are in place to cover any loss of earnings.

In addition, project reserves which can be used to replace components have been built up from current cash flows in the solar parks and wind parks. Online monitoring in real time minimises downtimes. Monitoring is carried out either by the Encavis Group or external partners.

To minimise financing risks, the Group ensures that the financing banks do not have any recourse to companies other than the respective borrowers. Therefore, as a rule, only non-recourse financing is taken out, whereby the collateral is limited to the installation in question.

Meteorological risks are taken into account in the form of haircuts in the calculation for wind parks, as levels of wind may be subject to considerable annual fluctuations. Independent yield assessments are also commissioned in many cases.

Interest rate swaps may be used in order to hedge interest rate risks because they allow reliable calculation and planning.

Risk control

The objective of Encavis's approach is holistic risk management, i.e. it becomes an integral part of everyday life at all levels and in all areas of the company. All employees are encouraged to actively engage with the topic of risk management. Each member of staff can and should report any newly identified risks, changes or revised estimates directly to the relevant risk owner. In addition, at least once per year, risk management meetings take place in the form of individual discussions or interviews between the respective risk owner and the risk manager. In preparation for these meetings, all risk owners review the risk assessment of their area/risks and formulate and present any appropriate measures they would like to suggest.

If necessary, the entire risk inventory is presented at the end of the year for discussion of any revision of individual risk assessments and classifications as well as any changes to the previous year.

Information regarding material changes to risk

Encavis identifies, analyses, assesses and monitors the relevant risks for the company on an ongoing and comprehensive basis. Material risks are listed, explained and classified in the following risk report. In addition, any measures and strategies employed by the company to avoid or mitigate these risks are also presented.

No new risk categories were identified in the 2020 financial year compared with the previous year.

Opportunity management

Systematic management of risks is one side. As part of opportunity and risk management, on the other side, the opportunities for securing long-term corporate success are recorded and exploited by means of a holistic opportunity management system. Opportunities are discussed and recorded at the same time as risks and, following their assessment, specific measures are decided upon for taking advantage of these opportunities. In the context of opportunity management, a distinction is made between two types of opportunity:

- External opportunities which have causes we are unable to influence, e.g. lowering of a tax
- Internal opportunities which arise in our company, e.g. as a result of achieving synergies

The opportunities identified within the Encavis Group can be found in the opportunity report.

Risk report

The risk exposures of the Encavis Group and Encavis AG listed below have been assessed and classified according to their probability of occurrence and impact within the context of the risk management process.

Risk class “growth risk”

Risk exposures within this class may affect the future growth of the Encavis Group.

Risk class “fact”

The risks in this class have already occurred but do not necessarily have any major impact on the Encavis Group and Encavis AG.

Risk class “high”

Risks in this class are highly likely to occur and have a major impact on the Encavis Group and Encavis AG.

Risk class “medium”

Risks in this class are highly likely to occur but are unlikely to have a major impact, or their probability of occurrence is low, but they are likely to have a major impact on the Encavis Group and Encavis AG.

Risk class “low”

Risks in this class have a low probability of occurrence and are unlikely to have a major impact on the Encavis Group and Encavis AG.

Disclosure of material risks

In the following, we discuss the individual risk classes and the significant individual risks within these classes. Encavis identifies, analyses, assesses and monitors the relevant risks for the company on an ongoing and comprehensive basis. In addition, any measures and strategies employed by the company to avoid or mitigate these risks are also presented and illustrated.

Financial risks

Encavis is exposed to various financial risks (e.g. interest risks) and, due to its comprehensive business relationships, also credit risks (e.g. counterparty default risks under project contacts such as PPAs or EPC agreements).

Project financing risk: Growth risk "medium probability of occurrence"

The construction and commissioning of solar parks and wind parks are associated with high investment costs. These are financed through borrowing on project-related loans which, Depending on the geographic region and the level of guaranteed remuneration for the electricity purchase, this can make up as much as 80% of the total investment. Restrictions on appropriate loans and stricter covenant requirements by the lending banks could make financing any future projects much more difficult if not impossible. As a result, there would be fewer investment opportunities for the Encavis Group, which would significantly slow down its potential growth.

The Encavis Group therefore maintains direct and ongoing contact with a number of European financial institutions that have been in this business for many years. Dividing the funding requirements for individual Group projects between different banks means that the company is not dependent on any particular institution. At the same time, the Group's 283 solar parks and wind parks are proof that the investment concept for projects is economically sustainable.

The persisting low-interest environment in Europe, the lack of alternative investments with comparable risk–opportunity profiles and corresponding competition for these projects among the financial institutions currently offer the company a position from which to secure project financing at favourable conditions. Moreover, in spite of the spread of the Covid-19 pandemic during the first quarter, the Encavis Group managed to renegotiate existing project finance deals and secure better terms from the banks.

Additionally, the Encavis Group continues to constantly monitor compliance with the covenants for all existing as well as any new project funding. The company also examines any available alternative financing options.

Risks associated with the Group's capital procurement: Growth risk "low probability of occurrence"

Investment in solar and wind installations for the portfolio of the Encavis Group are financed on a project basis through borrowing as well as assets from the Group's investment resources. Any inability of the Encavis Group to make sufficient resources available in future would have a negative impact on the further growth of the company.

These investment resources have been raised via smaller capital increases of Encavis AG in the past. In 2014, they were supplemented with EUR 150 million from a strategic partnership with Gothaer Versicherungen from successfully placing multiple debenture bonds, including the first-time placement of a Green Schuldschein bond in September 2018 with a volume of EUR 50 million. In 2019 as well, Encavis AG successfully issued another debenture bond in the form of a registered bond with a total volume of EUR 60 million. Additionally, Encavis AG realised the increase in the hybrid convertible bond through the issue of new bonds with a total nominal value of EUR 53 million, which is recognised as an equity measure. Thanks to the successful capital measures carried out in the past, in 2020 Encavis was therefore not forced to take further capital measures during the Covid-19 pandemic; instead, the company was accordingly able to respond opportunistically to potential financing transactions. This approach is also in tune with the >> Fast Forward 2025 growth strategy communicated at the beginning of 2020 which Encavis adopted on the basis of detailed planning, internal measures packages and comprehensive market analyses. Growth financing via borrowing at favourable conditions is therefore still planned, but always while maintaining the long-term equity ratio of more than 24%.

However, using borrowing purely for growth capital and without corresponding measures would lead to a lowering of the Encavis Group equity ratio due to the additional leverage at project level through the corresponding increase in financial liabilities at Group level. Safeguarding financial stability is a top priority for Encavis. The Encavis Group has therefore deliberately refrained from expanding or entering into any partnerships similar to that with Gothaer Versicherungen through further mezzanine capital.

As an independent producer of power from renewable sources operating in Europe, Encavis is the biggest listed solar and wind energy company in Germany operating exclusively in the solar and wind sectors, measured in terms of market capitalisation. Due to the global climate debate, more and more investors are opting for sustainable investment opportunities. Encavis now enjoys a wider selection of available options to finance further growth, as demonstrated by issuing a hybrid convertible bond in 2017 and the successful increase of this bond in 2019 for instance. The capital increase from authorised capital carried out at the end of 2019 shows that Encavis is also open to alternative forms of financing for the further growth of the company. Encavis also has the option of another capital increase in the future, especially for inorganic growth, for example, for which corresponding authorised capital is to be created and made available.

The current size of the Encavis Group makes any possible placements to raise capital in recent years (2017–2021) more certain due to greater visibility, a greater balance sheet total, the compliance with the target equity ratio, the market capitalisation and the move from the SDAX to the MDAX of the German stock exchange, among other aspects.

The conditions on the borrowing market are largely dependent on the creditworthiness of Encavis as well as the underlying rating issued by international ratings agencies. The issuer rating awarded by Scope in the spring of 2019 and confirmed in March 2020 in the investment-grade range (BBB–) has led Encavis to remain confident that it will continue to be able to successfully generate liquid funds for the financing of further growth.

Currency risk: Risk class “medium”

Encavis is also active outside of the European Union and operates ground-mounted photovoltaic installations with a generation capacity of approximately 127 MW in the United Kingdom and wind parks with a generation capacity of 120 MW in Denmark. Investments and revenue denominated in foreign currencies are subject to exchange rate fluctuations as soon as one currency is exchanged for another. The British pound lost value against the euro following the decision made by the United Kingdom in June 2016 to leave the European Union, which has since been completed. Encavis had hedged its revenue from the UK solar parks up until the fourth quarter of 2020 against exchange rate fluctuations even before the referendum. Further hedging transactions have also been carried out for the period thereafter (currently until 2023). Revenue from the Danish wind parks has not been hedged, however, since the Danish krone is subject to the European exchange rate mechanism (ERM II) and has therefore been tied to the euro since 1 January 1999.

In addition, the Asset Management segment of the Encavis Group is engaged with two wind parks in the United Kingdom and one in Sweden, which is also outside the eurozone. No foreign currency risks arise from these engagements since Encavis does not own the installations but only manages them for third parties.

Encavis proactively minimises the risk by continuously monitoring the performance of the British pound and the Danish krone and being prepared to enter into hedging arrangements as and when required, as successfully done in the lead-up to the Brexit decision.

Risks from existing covenant agreements: Risk class “low”

The mezzanine capital contract with Gothaer Versicherungen from November 2014 contains standard covenants on compliance with defined financial ratios. There is always the risk of a breach of these covenants, which, in principle, would entitle the holder to immediately call in the mezzanine capital paid out. This would result in a substantial burden on the financial performance, financial position and net assets of Encavis.

In addition, the solar and wind park project companies normally raise project funding for the development and construction of their installation. These contracts also contain covenants that must be complied with by the relevant project company. Encavis mitigates financial risk for the Group by ensuring that financing banks at project company level do not have access to any companies other than the borrower. For this reason, financing arrangements are generally on a non-recourse basis, in which the collateral for the bank is limited to the park in question. A violation of the covenants contained in these contracts could result in the early termination of the respective loan agreement by the financing bank, which would in turn cause the remainder of the borrowed amount to become due immediately. In order to minimise this risk, the respective Corporate Finance/Treasury/Insurance department at Encavis monitors all existing agreements and, in particular, compliance with any covenants they contain. This enables the company to recognise any undesirable developments at an early stage and manage them proactively before any contractually agreed covenants are breached.

Interest rate risk: Risk class "low"

The financing strategy of the Encavis Group for the acquisition of suitable wind and solar parks includes a borrowing portion in the form of loans, but the consolidated equity ratio of the Encavis Group should not fall below the target figure of 24%. The solar parks and wind parks are financed with loans at both fixed and variable interest rates with maturities of up to 19 years. The company's calculations factor in substantial interest rises once fixed-interest periods expire. Any rises following the expiry of fixed-interest periods above and beyond those allowed for in the calculations may reduce the profitability of some solar parks or wind parks. The company does consider appropriate interest rate hedging instruments, known as interest rate swaps, for variable-rate loans, as they allow reliable calculation and planning in the long term.

Working capital and guaranteed lines of credit in place with standard market interest rates and maturities are also in place. The currently low levels of interest rates contribute to an overall very moderate interest rate risk. According to the announcement by the European Central Bank, monetary policy in the eurozone will remain expansive for the time being.

Risks arising from financial instruments: Risk class "low"

For the first time in September 2017, Encavis issued a subordinate bond in the amount of EUR 97.3 million with time-limited conversion rights. In 2019, the bond was increased to EUR 150.3 million at the same conditions. There is no fixed deadline for repayment of the hybrid convertible bond. The hybrid convertible bond can be converted into fully paid-in new and/or existing ordinary bearer shares in the company by the tenth trading day before 13 September 2023 (the "first redemption date"). The coupon for the hybrid convertible bond will be 5.25% p.a. until the first redemption date. After the first redemption date, the interest rate for the hybrid convertible bond will be fixed at 1,100 basis points above the five-year euro swap rate. This rate will be reset every five years. The interest is payable every six months in arrears. There is therefore a risk that interest rates will change after the first redemption date.

Risks arising from negative interest: Risk class "fact"

The solar and wind park project companies have primarily entered into long-term non-recourse project financing deals with banks. Building up a debt servicing reserve is normally agreed as part of the respective project financing to ensure that debts can still be serviced even if there is insufficient income. Debt servicing reserves usually amount to the sums required to service debts for the next six months. The negative interest rates on deposits set by the European Central Bank mean that the banks financing the projects try to pass on these negative deposit interest rates to the project company's debt servicing reserves. This entails the risk that any negative interest payable would result in a burden on the financial performance, financial position and net assets of the project companies and ultimately the Encavis Group. Encavis undergoes relevant negotiations with the banks for the granting of allowances for which no negative interest rates are demanded. Encavis conducted negotiations with banks to reduce these debt servicing reserves or to replace them with additional credit facilities for the project companies in the same amount which, if necessary, can be drawn on to cover debt servicing. For example, in the financing for the solar park in Talayuela concluded in 2019, only one credit facility was included in the overall financing from the outset.

Tax risk: Risk class "medium"

Due to the various entities subject to taxes within the individual national markets (tax groups and service relationships within the Group) as well as different legal forms within the Encavis Group, the tax structure is to a certain extent very complex. In particular, restrictions on the tax deductibility of interest expenses, the taxation of dividends and minimum taxation in the event of loss offsetting according to the tax legislation in the various countries are of material relevance.

For the acquisition of new projects, tax risks are assessed by performing tax due diligence and an investment evaluation as well as, for foreign transactions, by involving experts in the respective national tax law.

In international tax law, risks are primarily dependent upon the transfer prices within the Group. Intra-Group services provided to subsidiaries are rendered in the form of services or through the provision of loans. Encavis AG has agreed target figures with experts in transfer pricing for the corresponding invoicing processes. The company audit conducted in 2019 did not result in any findings. However, there is a risk – at least for the years from 2016 – of a partial nonrecognition of transfer prices in the Encavis Group by the German or foreign tax authorities. Because this would in fact concern merely a shift between the individual national markets, the tax risk is limited, however.

Even if the company is of the opinion that tax risks have been taken into account comprehensively with the tax provisions, taxes may become payable as a result of future external audits. The Group ensures that all relevant tax-related issues (especially due to the initiatives regarding BEPS/ATAD) are regularly discussed with the tax advisers. There were no findings relating to subsequent years from the company audit carried out in 2019, so no adjustments due to findings of the tax authorities need to be taken into account.

Strategic risks

Risks related to investments and investment opportunities: Growth risk “low probability of occurrence”

Being in a position to identify and secure suitable investment opportunities in solar parks and wind parks (or similar operating companies) and to effectively integrate newly acquired companies is critical for the success of the Encavis Group. The >> Fast Forward 2025 growth strategy therefore calls for additional investments in wind and solar parks which are ready to build, as well as the securing of projects already in the early stages of development in collaboration with the current ten strategic development partners.

Due to the relatively low entry barriers, it cannot be excluded that new rivals will enter the market and compete with Encavis for investment opportunities.

Encavis’ many years of experience, growing financial strength and the level of transaction security and transparency offered result in a strong competitive position from which to be able to identify and realise investments in accordance with the continued growth strategy, even in light of potentially growing competition.

Moreover, entering into a strategic partnership with the British project developer Solarcentury in 2017 for the establishment of a project pipeline provided Encavis with more predictable growth opportunities. Furthermore, new partnerships established in the 2020 financial year included a development partnership with GreenGo Energy Group A/S for a 500 MW portfolio of subsidy-free solar projects in Denmark and a cooperation agreement with Sunovis GmbH for a 200 MW portfolio of subsidy-free solar projects in Germany.

Overall, Encavis conservatively assumes a probability of success of less than 50% for development projects at portfolio level, so that planning and realisation are not disproportionate even if projects are not realised.

Dependence on national programmes to subsidise renewable energy: Risk class “low”

The success of generating solar and wind power is generally closely linked to national support programmes for promoting renewable energy. The greatest threat for the Encavis business model is that of retroactive interventions, which would have a negative impact on the profitability of existing investments. For the generation of electricity on the basis of renewable energy sources, there is a danger that governments reduce subsidies, for instance due to national budget deficits. In Spain, for example, subsidy rates for renewable energies underwent massive cuts in 2014, retroactive to 2013, even for existing installations. Italy, too, saw reductions in 2014 through various changes in legislation and ordinances which have already led to decreases in income and which will lead to further decreases over the course of the operational term.

Based on the assessment of an external law firm hired for this purpose which has already successfully represented a large number of European plaintiffs in the arbitration proceedings against Italy and Spain, among others (most recently in a case under the Energy Charter Treaty for a German investor against the country of Italy in September 2020), we assume that it is highly probable that we will receive compensation for the lost income.

In France as well, the government decided in October 2020 to retroactively reduce solar subsidies for feed-in contracts signed before 2011 for solar installations with outputs above 250 kW. However, the extent of the reductions will be decided on a case-by-case basis, obviously taking into account the economic viability of the installations concerned. However, the criterion of economic viability has not yet been clearly formulated and the new tariffs have not yet been set, so a final assessment of the impact on affected installations in France remains to be made.

In addition, the increasing establishment of tendering processes may have an impact on the profitability and realisability of projects in the sector of renewable energies, among other things due to lower subsidies or if tenders are not won. By contrast, future adjustments or reductions of support mechanisms or subsidy levels can be factored into the investment calculations of the Encavis Group to their full extent and are therefore fully reflected in the purchase prices offered.

The dependence of renewable energy sources on public support has generally continued to decline in recent years. Technological advances, experience gained and economies of scale have all contributed towards a marked reduction in investment costs, especially in the photovoltaic and wind energy sector. Solar and wind energy have already achieved grid parity in many regions and no longer need public subsidies. The Talayuela and La Cabrera projects in Spain serve as examples, both of which were successfully completed on schedule at the end of 2020 in spite of the Covid-19 pandemic and the lockdown in Spain between March and April. These projects do not feature any subsidies and are realised exclusively on the basis of expected future electricity prices. To reduce the price risk, long-term power purchase agreements have been concluded with companies such as Amazon. Public support, for instance in the form of feed-in tariffs, has continued to decline in the Encavis Group’s European core regions over the past few years. In contrast, production costs also fell significantly during the same period. Experts expect further cost savings in the coming years, and new technologies such as battery storage could enable the electricity produced to be marketed even more flexibly.

National and international climate targets, such as the one agreed at the UN Climate Change Conference in Paris in December 2015, will not be achieved without the further expansion of renewable energy sources.

Encavis therefore remains positive that renewable energy will continue to be a global megatrend for years to come. Geographic diversification of the current portfolio across several countries has generally reduced any potential negative impact on the financial performance, financial position and net assets of the Encavis Group from any amendments to national legislation, especially retrospective restatements.

Additionally, more and more companies are securing access and prices for green electricity over the long term. While the proportion of power purchased via PPAs in 2017 was still approximately 5.6 GW, this had already more than doubled in 2018 to 12.8 GW. This figure was around 19.2 GW in 2019 and reached 22.9 GW in 2020.

Encavis, too, constantly examines alternative ways of marketing its projects in order to further reduce dependence on national renewable energy subsidy programmes. One example is entering into long-term power purchase agreements with creditworthy customers to sell the electricity generated. Even though the risk of dependency on subsidy programmes is mitigated by the increasing momentum of the market towards PPAs, the conclusion of PPAs also poses legal challenges for the structuring of contracts with regard to the volatility and fluctuations of prices on the electricity market, which need to be addressed adequately. Depending on the structure of the PPA – provided a fixed price for electricity (per kWh) has been agreed – a balance therefore must be found as to which party has to bear the respective market price risk in the event of a deviation of the fixed price from the spot market price and, if necessary, make additional payments to the other contractual party.

With the Talayuela and La Cabrera solar parks completed at the end of 2020, Encavis has already positioned itself successfully in the PPA market. With 500 MW of generation capacity, Spain is set to become the largest location in the solar segment of Encavis. In December 2019, Encavis concluded a long-term power purchase agreement for a period of ten years with Amazon. The company’s second-largest solar park with a capacity of some 200 MW is located in the direct vicinity of Seville. The installation was connected to the grid at the beginning of September 2020. Amazon will be provided with a capacity of 149 MW via PPA, and 50 MW of additional capacity will be freely sold at market prices. Encavis did not sign the first long-term power purchase agreement (PPA) over ten years for the Spanish Talayuela solar park (300 MW capacity) – which was successfully connected to the grid in January 2021 – until September 2019. The purchaser is a European energy company.

Legal risks: Risk class “low”
Business operations necessitate the assumption of legal risks from court or arbitration proceedings.

The Encavis Group companies are exposed to risks from current or possible future legal disputes. Such legal disputes may arise from ordinary activities, in particular from the assertion of claims resulting from failures relating to performance or delivery, or from payment disputes.

Encavis recognises provisions for litigation risks when an obligation is likely to arise and a reasonable estimate of the sum can be made. An actual claim may exceed the deferred amount under certain circumstances.

However, legal risks may also arise from infringements of compliance guidelines by individual employees or from infringements other legal requirements arise. With the introduction of the anonymous whistle-blower system in accordance with the requirements of the German Corporate Governance Code, which applies not only to internal purposes but also to external business partners, any irregularities, in particular violations of applicable law and internal directives and processes, can be reported and tracked anonymously.

The increased risk related to the introduction and fulfilment of the obligations arising from the new General Data Protection Regulation (GDPR) in 2018 is also present in the Encavis Group and is continuously monitored with the help of an externally appointed data protection officer. The subjects of data protection and IT security in particular were subjected to an external certification process, which Encavis passed successfully. Encavis is thus in a position to take out a cyber-risk insurance policy that provides Encavis with additional protection against its own claims as well as potential third-party claims.

Economic and industry risk: Risk class “low”

The Group is focused on the development of the renewable energy sub-market, which is one of the strong global growth industries. Operating solar parks and wind parks is only subject to minor economic fluctuations as a result of legally guaranteed feed-in tariffs (FIT), long-term power purchase agreements (PPAs) or renewable purchase obligations (RPO), as set out in the German Renewable Energy Act (EEG) for instance.

Weak economic development could even lead to an increase in the number of solar parks and wind installations on offer, as companies and private investors may need to sell assets due to economic reasons or liquidity shortages. What is more, weak economic development is often accompanied by lower interest rates, which would result in lowered financing costs on a Group and project level.

Nevertheless, the Group continuously monitors the relevant markets in order to respond to any arising economic and industry risks appropriately and at an early stage. For this purpose, the company subscribes to various trade publications, attends conferences, symposiums and trade shows and is a member of industry associations. In addition, the company cultivates direct contacts and participates in regular discussions on relevant issues as part of a network of partners, experts and industry representatives.

Operational risks

Sales risks arising from expanding asset management activities: Growth risk “medium probability of occurrence”

Encavis Asset Management AG specialises in services for institutional investors within the Encavis Group. The subsidiary provides institutional and professional investors who wish to invest in the renewable energy sector with structured investment options (e.g. special funds, debt instruments, direct investments). These institutional investors, in particular insurance companies and financial institutions, are subject to specific regulations designed to safeguard the interests of their beneficiaries. Investment options for European insurance companies are further limited by EU directives. The Solvency II directive, for instance, introduces new capital requirements for insurance companies and pension funds. This and other unforeseen amendments of the regulatory framework may reduce the willingness of institutional and professional investors to engage with renewable energies.

This may make it more difficult for the Encavis Group to persuade institutional investors to increase their holdings in (special) funds or invest directly in renewable energy projects. The result of such a development would be a reduction in future revenues from performance-related remuneration and asset management fees in this business segment.

From the perspective of the Encavis Group, the market environment continued to develop in favour of a positive investment climate for institutional investors in the renewable energy sector. Considerable cost reductions for technical components of solar and wind installations have increased the profitability of such investments. Conventional power stations are no longer more profitable and are exposed to political uncertainties. Furthermore, the UN Climate Change Conference in Paris in December 2015 provided the latest evidence that the worldwide growth of renewable energies will continue over the coming years. With growth rates in the double-digit percentage range, the RES market therefore remains an important growth market that is also largely unaffected by economic fluctuations. Sales risks are therefore currently low and Encavis is confident that it will be able to further expand the Asset Management segment as a sustainable third source of income.

Moreover, the company continually optimises its sales activities and constantly works towards a wider spectrum of potential investors, for example to include differently regulated client segments such as insurance companies, pension funds, utility companies, foundations and religious organisations. Further geographical expansion of the activities in this business segment has been planned and partially realised (e.g. solar parks in the Netherlands and Spain).

Liability or reputation risks from activities in the Asset Management segment: Risk class "low"
Non-compliance with investment criteria when purchasing and, as a result, a performance that is worse than expected for solar parks and wind parks that are managed for institutional investors by Encavis Asset Management AG or poor decisions within the scope of the management of these parks could lead to a liability for Encavis Asset Management AG and thus to a deterioration in the reputation of the Encavis Group.

Such risks are counteracted insofar as clear criteria for investment in the fund are laid down and, if there is a deviation thereof, the relevant investor is asked to make a decision prior to payment of the investment. In addition, Encavis Asset Management AG is appropriately insured for any liability arising from its activities.

Downtimes: Risk class "medium"
Technical faults in the installations or substations can bring solar parks and wind parks to a standstill, or they may be temporarily disconnected from the grid by energy suppliers so that necessary works can be undertaken. This carries the risk of prolonged downtimes if they are not detected early and any technical faults are not repaired in due time.

The Encavis Group can mitigate the risk of downtimes in its solar and wind power plants at an early stage, as the management and monitoring of the installations are undertaken either by the Group itself or by experienced external partners. Online monitoring in real time ensures that technical issues are detected and investigated immediately. Moreover, all installations are insured against the risk of business interruption due to external events.

Meteorological risks (solar): Risk class "medium"
The output of solar parks (ground-mounted systems) depends on meteorological conditions, which may negatively impact the performance. Assessments of expected solar radiation may prove inaccurate and climate changes and pollution could result in predicted weather conditions not occurring or deviating from both existing assessments and the meteorological mean.

Encavis looks to its own experience and external assessments of expected solar radiation as part of the economic efficiency calculation for the acquisition of new solar parks. These assessments are based on long-term historical data on the levels of sunshine and form median values for the forecast. The effects of deviations from these prognoses on the economic efficiency calculation are also tested with sensitivity analyses. In addition, diversification of the current portfolio of solar parks reduces dependence on the meteorological conditions in one region. It must also be considered that, due to changes in climate, the hours of sunshine in several European countries are regularly increasing and are well above the long-term average. This meteorological effect has been observed in recent years and is not factored into the evaluation of the parks.

Meteorological risks (wind): Risk class "medium"
Generally speaking, generation capacity in the Wind Parks segment is subject to greater fluctuations than the solar power sector. Fluctuations in the wind energy sector may be up to 25% above or below the median value per year. Encavis mitigates the risk by factoring in the greater volatility in the wind segment in the economic efficiency calculation for the acquisition of new (onshore) wind parks in the form of haircuts and/or by simulating worst-case scenarios. Here, too, the Group relies on its own experience and external assessments of expected levels of wind.

However, such fluctuations cannot be completely ruled out, with the resulting risk that the performance of individual wind parks will fall below the values originally planned. Geographic diversification of the current portfolio of wind parks as well as the lower share of individual parks in the Wind Parks segment in the Group's total revenue makes the associated overall risk acceptable for the Encavis Group.

Risks arising from the project planning/construction of solar parks and wind parks: Risk class "low"
Authorisations, regulatory approval and permissions for both building as well as operating installations for power generation from renewable sources carry considerable risks associated with the planning process of new solar parks and wind parks.

The focus of the core business of the Encavis Group remains unchanged on the operation of solar and wind parks that are either newly constructed or already in operation. Nevertheless, Encavis is increasingly moving towards securing investment opportunities early on, which means that Encavis is exposed to potential development risks.

In these cases, drawing on the company’s extensive experience in the commercial and technical management of its existing portfolio as well as occasional project developments in the past enables Encavis to identify any potential risks early in the process, even at earlier phases of the project, or to minimise them. In addition, payments for projects in the development phase are only made once certain milestones have been reached. Furthermore, Encavis can refinance acquired project rights that are not pursued further for various reasons by selling them to third parties.

During the Covid-19 pandemic, many authorities imposed decreed that employees work from home to protect against infection. The civil servants in the building and environmental authorities who issue the permits required for the realisation of renewable energy projects are often unable to carry out their work properly due to a lack of technical equipment. As a result, the speed of project approval is expected to decrease. While this may result in delays, Encavis remains confident that it will achieve the plan target of its >> Fast Forward 2025 growth strategy.

Risks arising from negative power prices: Risk class “low”
The strong increase in renewable energy suppliers and the establishment of the German electricity market may lead to negative power prices at the energy exchange due to an excess of supply. Negative power prices have become much more common in recent years. As a result of amendments to the EEG and splitting of feed-in tariffs into fair value and market premium, negative power prices are passed on to the project companies. Negative power prices may result in a burden on the financial performance, financial position and net assets of the project companies and the Encavis Group as a whole.

In order to reduce the burden of negative power prices for the individual project companies, the Group is continuing to investigate the possibilities of storing the generated power in the event of negative prices on the energy exchange and is continuously pursuing the battery storage segment as an important strategic fit for increasing the intrinsic value of electricity from renewable sources.

Technical risks and reduction in performance: Risk class “low”
The technical risks of permanently installed solar parks are low and restricted to a few key components. Such risks are higher with wind parks, as wear and tear or material fatigue of the moving parts may occur.

The Encavis Group takes particular care in selecting its solar park and wind park partners and in ensuring the quality of the components used and/or installed. All installations undergo an extensive technical due diligence process. Moreover, since Encavis Technical Services GmbH is a wholly owned subsidiary of the Encavis Group and specialises in the technical management of solar parks, it can carry out inspections of the installations as part of the due diligence process. The Group relies on external service providers for wind parks.

As a rule, manufacturer’s or general contractor’s warranties cover the event of a reduction in performance or breakdown of technical components during the operating phase of an installation. Furthermore, appropriate insurance policies are in place to cover any damages or loss of earnings. On 2 June 2020, there was a wind turbine accident at the Kümper wind park, which is managed by Encavis Asset Management AG. In this incident, the rotor hub of a wind turbine crashed; no one was injured, despite the damage to the rotor blades. The cause of the damage was quickly clarified by Encavis. The result of the investigation was, among other things, that the information chains on the day of the accident had functioned, that is, the cooperation between the park manager, the technical management, the maintenance company and Encavis as operator. Nevertheless, a standardised emergency plan has been developed for future incidents in order to be able to counter future risks even more effectively and to mitigate them adequately. The review of existing insurance cover for installations to be acquired is also an integral part of the overall due diligence process that is conducted for new acquisitions.

In addition, project reserves for the solar parks and wind parks are being built up. These can be used to replace components for example. Current cash flows from the parks are used for the project reserves. The amounts saved are based on many years of experience.

Risks arising from investment calculations: Risk class “low”
A detailed economic efficiency calculation of the solar park or wind park in question is carried out before every new investment. Evaluations of the solar parks and wind parks are based on long-term investment plans and the assumption of long-term electricity price developments that are sensitive to any changes in power plant expansion, in capital and operating costs or in income. Changes in any of these factors may cause an installation to become unprofitable, contrary to the original calculation.

Due diligence calculations factor in changes in one or several of these parameters based on carefully conducted sensitivity analyses. Furthermore, plausibility checks are an integral part of the Encavis Group calculation models. Additionally, the company’s own valuations and assumptions are compared with the wind or solar forecasts from independent experts. Electricity price forecasts are backed up by the analyses of multiple external providers. The Group’s extensive portfolio of installations provides Encavis with many years of experience which are taken into consideration when performing the relevant investment calculations.

Health risks (viral epidemics): Risk class “low”
Viral epidemics that spread around the globe, such as the coronavirus in 2020, had no direct economic impact on the operating activities of the Encavis Group. In spite of the significant limitations on the economy and the restrictions on daily life, Encavis pursued its >> Fast Forward 2025 growth strategy to ensure that the long-term goals could still be achieved.

The wind and solar parks in ten countries in western Europe produce electricity from renewable energy sources predominantly on their own and fully automatically. Due to the minimal maintenance needs of the installations, no staff are required on-site. Wind and sunshine are not affected by the coronavirus.

Even the delays in construction communicated in the first and second quarter regarding the two major Spanish projects as a result of the lockdown in March and April in Spain would have had a minimal negative impact on earnings per share (EPS) for 2020 amounting to EUR 0.01. This effect did not occur, and both projects were completed on schedule.

In light of the macroeconomic impact of the coronavirus so far, no other significant negative impact is expected for the Encavis Group. If the persistent spread of the coronavirus continues for an extended period or continues to worsen in the coming months, limitations in the on-site maintenance of the solar and wind parks due to individual technicians cannot be excluded; however, these could still be replaced by alternative service providers. Risks due to delays in project approvals by the respective authorities in the event of the pandemic continuing cannot be ruled out either.

Organisational risks

Personnel and organisational risks: Risk class “low”
With regard to personnel, the Encavis Group competes with other companies for qualified technical staff and managers to remain well prepared for future challenges.

To this end, Encavis relies on comprehensive talent management and the continual development of a motivating and family-friendly work environment. In spite of the coronavirus pandemic and the contact restrictions, Encavis continued to have regular meetings of executives; these were held via remote videoconference, however.

Additionally, annual appraisal interviews are held with each employee where both their performance in the past year as well as the goal agreements and expectations for the coming year are discussed in detail. In the process, the employee and their supervisor agree on qualitative and quantitative goals as well as measures for their professional development. The half-yearly feedback meetings scheduled for the 2020 financial year – which allowed for adjustments to be made during the year in light of the actual circumstances, for instance the effects of the Covid-19 pandemic – were carried out successfully. In this way, Encavis actively contributes to the qualification and motivation of its staff and promotes long-term loyalty to the company.

IT risks: Risk class “low”
The business activities of the Encavis Group are characterised by the use and development of information technology. Among other measures, the server landscape was completely reworked. All essential operational processes are supported by IT and mapped with the help of modern software solutions. At the same time, however, the inherent systemic risk rises with increasing complexity and the dependence on the availability and reliability of IT systems.

Encavis continuously optimises its IT to minimise risks. The Group also makes use of professional external service providers so that utilisation of internal resources for ongoing maintenance of the IT system and implementation of new components is kept at an appropriate level. Comprehensive precautions such as firewalls, up-to-date antivirus software, emergency plans and data protection training safeguard the processing of data. In addition, an external data protection officer independently monitors compliance with data protection standards for organisational purposes.

Total risk

An overall assessment of the current risk situation as of the balance sheet date does not show any risks which would jeopardise the Group's going-concern status. Nor are any risks currently recognisable that might threaten this status in the future. The total risk exposures of the Encavis Group should be considered low.

These risk exposures were constantly identified, analysed and managed by means of a proactive risk management system. The Encavis Group has implemented appropriate risk management measures as and when required.

Opportunity report

Conservative investment strategy

The merger of Capital Stage AG and CHORUS Clean Energy AG in 2016 created the Encavis Group. Under the new name of "Encavis", successful histories and expertise come together: two independent solar and wind park operators and integrated service providers for renewable energy have been shaping the future together ever since.

Encavis was successful in its efforts to further expand its position as an exchange-listed independent power producer (IPPs). The solar park portfolio alone comprises 190 parks with a total generation capacity of around 1,720 MW and is one of the largest portfolios in Europe. On top of that come 93 wind parks, which have a generation capacity of around 1,051 MW.

The adoption of the Paris Agreement at the UN Climate Change Conference in 2015, which primarily aims to limit the annual increase in global warming, has driven the end of the use of fossil fuels for energy generation and laid the foundation for a new era of international climate protection. For many years, the continuous development of renewable energy sources has made a significant contribution towards achieving national and global climate protection targets.

The dynamic and growing RES market constantly opens up new chances and opportunities for Encavis. Systematic identification and exploitation of these opportunities, whilst recognising and minimising any potential risks, is the basis for the company's sustainable growth.

This includes taking advantage of any opportunities that arise internally and, for instance, that will increase the Group's efficiency and profitability. The foundation for identifying, analysing and successfully exploiting these opportunities is the profile of Encavis Group employees, whose personal qualifications are compared with the job descriptions.

The Encavis Group will continue to primarily focus on ground-mounted PV installations and onshore wind parks in the future and also be active in the Asset Management segment as a service provider for investments in the renewable energy sector. The business model of Encavis remains risk-averse, with a focus on existing installations and turnkey or ready-to-build projects. Encavis currently operates wind and solar parks in the markets of Germany, France, the Netherlands, Austria, the United Kingdom, Denmark, Sweden, Finland, Italy and Spain – all countries with an investment-grade rating. Regardless of this, as part of the most recent cooperation agreements, Encavis has positioned itself for early-stage entry within the context of project development and is thus already actively involved in the project structure with the respective project developers at an earlier stage of the project. Corresponding payment tranches are initiated depending on the achievement of milestones specific to the projects, thus allowing Encavis to control the risk of project development accordingly; financial commitments are only made in conjunction with the achievement of milestones and the continuation of the project.

Encavis continues to set great store in the technical components of the parks, their condition and construction, and generally only invests in solar and wind parks that either have a long-term feed-in tariff or otherwise guarantee the sale of the electricity produced via long-term power purchase agreements. The completion of the Talayuela solar park in Spain is of outstanding importance in this context and represents a milestone in the company's history. It also marked Encavis' successful entry into the growing market for subsidy-free projects on the basis of private-sector power purchase agreements, which can generate returns in the mid to upper single-digit percentage range. An additional milestone was the conclusion of a power purchase agreement with Amazon for another solar project in Spain at the end of 2019, which was also completed on time at the end of 2020 without any delays brought on by the Covid-19 pandemic. In the course of concluding these private-sector power purchase agreements, Encavis has gained comprehensive knowledge of the valuation and structure of this type of PPA and has made use – through strategic partners to a certain extent – of advice and support services with regard to structuring the PPAs as part of negotiations. The expertise gained in this manner represents an opportunity for future negotiations.

Additionally, in light of the strategic challenges to come in the market after the end of the era of feed-in tariffs, Encavis has adjusted its business model to establish risk management capabilities and to align it more closely with the PPA market. For instance, newly identified core processes include the company's own PPA Origination department, a business unit for energy portfolio management – including energy marketing of free volumes – and energy risk management specifically for PPAs as a new governance function, which simultaneously support the two core business processes of PPA investment management and portfolio management. The adapted business model enables the >> Fast Forward 2025 strategy to be implemented at a higher and more professional level and profitable growth – under consideration of energy-related risks and opportunities – to be achieved.

Opportunities arising from economic growth

The economic environment has little or no direct impact on the Encavis Group portfolio or its business activities, i.e. its financial position, financial performance and net assets. The company generally only acquires solar parks and wind parks with long-term and guaranteed feed-in tariffs and corresponding certainty of sales, or long-term power purchase agreements. Both of these are relatively unaffected by economic fluctuations. Nevertheless, a revival of economic conditions may lead to higher electricity demand and thus higher electricity prices, which may have an impact on the implementation of future projects.

Weak economic growth could actually present opportunities for the Encavis Group when it comes to acquisitions in the secondary market for solar parks and wind parks, as some players in the market may come under increasing pressure to sell. As a result, prices for such assets would improve in the secondary market in favour of the Encavis Group as an investor.

The low correlation to economic growth makes the RES market attractive for institutional clients in particular, such as insurance companies, since they are reliant on constant income that is predictable in the long term. Consequently, the Asset Management segment offers attractive investment opportunities for these customer groups even in the event of weaker economic development.

Opportunities arising from sustained low interest rates

Due to the persistent low-interest-rate environment, costs of capital acquisition for the Encavis Group as well as the loan financing costs on a project level have decreased.

Encavis still actively takes advantage of the low interest rates and assesses opportunities to refinance existing loans at more favourable conditions for the long term on an ongoing basis, for instance via the successful refinancing of a solar park portfolio in Italy. Equity released by the refinancing is now available to Encavis for new investments.

Opportunities arising from meteorological conditions

The generation capacity of solar parks and wind parks is highly dependent on meteorological conditions. In view of this, Encavis generally takes a conservative approach to calculating the profitability of any solar parks and wind parks it plans to acquire. Any positive deviation from the predicted long-term mean of sunshine hours or wind levels has a direct short-term impact on the financial performance, financial position and cash flow of the company. At the same time, meteorological forecasts and prognoses have become more and more precise over the past years, with only rare material discrepancies. The forecast accuracy for sunlight in particular is now very high, whereas wind forecasting remains volatile. Encavis works on the general assumption that the differences between forecast and actual values will continue to fall on average in future, especially for newly acquired installations.

Opportunities arising from the regulatory environment and international developments

By adopting the Paris Agreement at the UN Climate Change Conference in December 2015, the international community has shown an unequivocal will to counteract the threat of climate change by increasing the proportion of renewable and CO_2-neutral clean sources of energy. The agreement sends a strong signal to further expand renewable energy sources and to achieve the climate protection targets by means of appropriate national and international support programmes and investments. According to Bloomberg New Energy Finance, global investments in renewable energies reached USD 283 billion in 2018. This figure even reached USD 298 billion and USD 304 billion in 2019 and 2020 respectively. Consequently, the market remains a growth market.

The various public support instruments are generally designed to strengthen the profitability of solar and wind parks. The global need to increase sources of renewable energy may therefore make new regions and countries attractive and worthwhile for Encavis and enable further geographical diversification.

There is a growing trend towards private power purchase agreements, irrespective of the use of public support schemes. The option to enter into power purchase agreements for up to 20 years directly with the industrial sector without the involvement of the public purse makes energy costs more predictable for companies and thus independent of the public supply. The International Energy Agency expects that half of the newly created global supply of energy from renewable sources will be provided via power purchase agreements either in auctions or directly with companies by 2022. It is already clear that more and more companies are moving towards securing the purchase and price of “green” electricity in the long term through these power purchase agreements. While the proportion of power purchased via PPAs in 2017 was still within the range of approximately 5.6 GW, this had already increased to 22.9 GW by 2020.

Opportunities arising from geographical diversification

Encavis constantly monitors and reviews the development of RES electricity and relevant opportunities in other regions. The company focuses mainly on developed countries in (Western) Europe, but also in the NAFTA region (the United States, Canada and Mexico), with stable economic policies and regulatory frameworks and which promote growth of renewable energy sources via assessment-financed feed-in tariff systems. Geographic diversification contributes to further reducing risk in the existing portfolio by increasing independence from the sunshine or wind in individual regions as well as theoretically plausible retroactive adjustments to the subsidy programmes and amounts. Furthermore, entering markets in new countries gives the Company additional potential for growth outside its previous core markets.

Opportunities from large portfolio volumes in the core regions

Encavis operates in the European core markets that have been investing in the renewable energy sector for some time now and thus have a corresponding portfolio of solar parks and wind parks. With its focus on turnkey and fully functional installations already connected to the national grid, the company benefits from the large number of existing installations in the core regions.

Opportunities arising from innovation

The RES sector enjoys continuous innovation. This not only leads to more efficient existing technologies, it also means that new technologies can be brought to market which, in turn, will increase or prolong the profitability of future projects. Many public support programmes for expanding electricity generation from renewable sources aim to provide additional incentives for further innovation by integrating degression models into the support tariffs. Furthermore, new and innovative manufacturing processes and economies of scale have markedly reduced the production costs for the technical components of solar parks and wind parks. This has helped the RES sector to achieve grid parity in some regions and it is already competing with conventional power stations. Experts anticipate that prices for technical components will continue to fall over the coming years, too. Lower-priced yet technically and qualitatively superior installations are likely to increase the profitability and geographic usability of the technologies, opening up further opportunities for the Encavis Group. The establishment of new technologies – for example the use of battery storage systems or hydrogen and the application of existing technologies such as energy management systems – could also offer fresh business opportunities and greater freedom from weather conditions for energy production while enabling more needs-based power generation and decentralisation.

Opportunities arising from business relationships and collaborations

Encavis has firmly established itself in the industry as market player and operator of wind and solar parks. Its 283 solar parks and wind parks with a generation capacity of approximately 2.8 GW make the company one of the biggest independent power producers (IPP) in Europe in the solar energy segment. Encavis is visible in the market thanks to the size of the company and the track record of its current portfolio. Also, thanks to its expertise in the area of long-term power purchase agreements that has been built up in the meantime, Encavis is increasingly being approached by project developers as a possible cooperation partner in the realisation of project pipelines. This has enabled the Encavis Group to build up a broad and reliable network of project developers, general contractors, operators, partners, service providers, brokers, consultants and banks over the years. The strategic partners are, among others, the British project developer Solarcentury, the Danish project developer GreenGo, project development fund Aurora and two Italian developers, as well as four other developers. This strategic partnership was agreed in December 2017 with the internationally active project development company Solarcentury, based in the United Kingdom. This partnership provides exclusive access to a project pipeline with a total generation capacity of 1.1 GW over a period of three years. Under the framework agreement which expired at the end of 2020, Encavis successfully realised 50% of the projects. To date, the partnership has not been extended. With its current strategic partnerships, Encavis currently has a pipeline with a capacity of over 3 GW.

The size of its power plant portfolio makes Encavis attractive to utilities and large electricity consumers with whom we have already concluded long-term power purchase agreements.

The continuously growing renown and good reputation of the Company grows the circle of potential business partners and investors on an ongoing basis – as well as for the Asset Management segment for institutional clients. More than 50 buildings societies and cooperative banks have subscribed to substantial investments in the Encavis Infrastructure Fund II special fund, with which more than EUR 1 billion can be invested in renewable energy installations. The fund was closed at the end of 2020 with a placement volume of EUR 480 million and is thus one of the largest renewable energy funds in Germany.

To support its further growth strategy, Encavis AG gained BayernInvest Kapitalverwaltungsgesellschaft mbH, Munich, in December 2019 as a strategic investor, which acquired a 4.21% shareholding by increasing Encavis' share capital in return for a cash contribution. No further cash capital measures have been carried out since then.

In 2019 and 2020, Encavis worked closely with banks on the realisation of projects. For example, the European Investment Bank (EIB) and Deutsche Bank have provided project financing totalling around EUR 165 million for the Talayuela project to finance a proportion of the total project costs of EUR 228 million. EIB financing is secured by the European Fund for Strategic Investment (EFSI), the core of the Investment Plan for Europe, also known as the Juncker Plan.

Opportunities arising from consolidation of the market

The acquisition of CHORUS Clean Energy AG in October 2017, and the size of the company that it has gained as a result, has not only promoted awareness of the company on the acquisition side, but it also creates new opportunities that each company would not have been able to implement on its own. This includes acquiring bigger portfolios of installations or entering new markets inside and outside Europe, for example.

Opportunities arising from the size of the company

Higher market capitalisation, an increase in the balance sheet total of the Encavis Group, the equity ratio and the improved liquidity of the share have opened up access to new forms of growth financing and types of investors for Encavis. In September 2017, Encavis AG was therefore able to successfully place a perpetual subordinated hybrid convertible bond with a volume of EUR 97.3 million with temporary conversion rights on the company's ordinary bearer shares. The resulting improvement in the equity ratio gave Encavis more scope to borrow outside capital. Encavis took advantage of this opportunity in September 2018 and placed a Green Schuldschein bond with a volume of EUR 50 million in the market for the first time. In 2019, Encavis successfully continued the growth financing it had begun and issued a further debenture bond in the form of a registered bond with a total volume of EUR 60 million, as well as successfully implemented the increase in the hybrid convertible bond recognised as equity with a nominal volume of EUR 53 million. In spite of the Covid-19 pandemic, Encavis has evaluated and monitored further opportunities for future growth financing in the current financial year, without action being necessary during the times of the pandemic. In fact, Encavis was able to take an opportunistic approach in this regard because of the financing measures it had successfully carried out in the past.

Future outlook

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

Macroeconomic developments

The experts of the IMF expect economic growth of 5.5% for 2021, followed by a growth rate prediction of 4.2% the next year. On the one hand, the IMF sees positive and healthy economic development overall with, On the other hand, major uncertainties such as the Covid-19 pandemic are having a negative impact on the economic output in the current year. However, the current forecast for 2021 has been raised by 0.3 percentage points compared to the forecast from October 2020.

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

Expansive monetary policy continues

Market observers do not expect any significant changes in monetary policy and the interest rates in the eurozone will remain unchanged at 0.0% for the time being. Additionally, it is generally expected that the most important central banks will continue their expansive monetary policy in 2021 as well and will thus continue to support the growth outlook.

Additional stimulus packages – in Europe (Green Deal), the United States and Japan in particular – as well as increased approvals for vaccines and vaccination campaigns in all countries of the world, according to the IMF, will lead to a revival of economic activity during the second half of 2021. There may be differences, however, from region to region, depending on the availability, level of acceptance and speed of the vaccination campaigns. Differences in the public health system, overcoming unemployment caused by the pandemic and the flexibility and adaptability of the economy – especially to an economic cycle where mobility may remain low – will also play a role.

In turn, the faster and greater availability of already-licensed vaccines and vaccines still to be licensed could also lead to an increase in private consumption and investment that exceeds expectations, as well as a decrease in unemployment, all of which could positively influence the growth of the global economy beyond the current forecast.

Megatrend renewable energy

Protecting the climate and the environment has become one of the greatest challenges of our time. Energy markets worldwide are in the midst of transformation as conventional sources of energy and fossil fuels are increasingly being supplemented or replaced by regenerative energy sources. During the reporting year, the expansion of renewable energy sources continued to accelerate, thereby offering Encavis clear opportunities for growth.

Global investments in the energy transition reached a level of more than USD 501 billion in the 2020 financial year. Compared to the previous-year period, this represents growth of 9%. This branch of the economy proved to be largely unaffected by the Covid-19 pandemic. The majority – totalling USD 304 billion – was attributable to renewable energies, an increase of 2% compared to 2019, as determined by the current analysis of Bloomberg New Energy Finance (BNEF – January 2021). Over the long term, electricity from wind and solar parks is expected to amount to nearly half of the global energy supply by 2050. In Germany, the proportion of electricity from renewable energy sources is now around 40%. In light of the fact that EU Commission is planning a new EU strategy to adapt to climate change, this proportion can be expected to increase further.

The increasing demand for private-sector power purchase agreements (PPAs) also fits this trend. The European market for PPAs alone reached a record level in 2020, with a published volume of contracts concluded amounting to 8.9 GW. Of this figure, 54% – that is, approximately 4.8 GW – was accounted for by contracts with private-sector companies. This was a significant increase of 69% compared to the previous year. Solar energy was the most important component of the European market as a whole, totalling 4.1 GW and making up around 46% of all PPAs concluded. According to current Pexapark estimates, a double-digit GW level could be reached for the first time this year, with 10 GW of PPAs concluded.

Intelligent battery storage facilities should also give a boost to the market for renewable energy, impacting the solar segment in particular. For example, the coupling of photovoltaic or wind installations to modern storage systems would significantly improve the demand-oriented feeding in of electricity from renewable energy sources and make it less dependent on meteorological conditions. As a result, BNEF expects significant growth in the renewable energy sector in the coming years as well.

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

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

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

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

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

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

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

Overall assessment of future development

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

The Management Board therefore predicts that revenue will increase to more than EUR 320 million (2020: EUR 292.3 million) for the 2021 financial year, based on the existing portfolio as it stands on 12 March 2021 as well as the expectation of standard weather conditions. Operating EBITDA is expected to increase to more than EUR 240 million (2020: EUR 224.8 million). The Group anticipates growth in operating EBIT to more than EUR 138 million (2020: EUR 132.2 million). The Group expects operating cash flow of over EUR 210 million (2020: EUR 212.9 million). An operating earnings per share of EUR 0.46 is also expected (2020: EUR 0.43).

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

These predictions are based on the following assumptions:

- No significant retroactive changes to legislation
- No significant deviations from the multi-year weather forecasts

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

The Management Board predicts that earnings before interest, taxes, depreciation and amortisation (EBITDA) will amount to approximately EUR –21.5 million for the 2021 financial year for Encavis AG, which, as the holding company, bears the administrative expenses of the Group – that is, essentially the costs of acquisitions, financing and operational supervision of the park. Earnings before interest and taxes (EBIT) are expected to amount to approximately EUR –22.3 million. The negative result is mainly influenced by existing share option programmes. For the 2021 financial year, the Management Board again expects further growth for the company.

Corporate governance declaration in accordance with sections 289f and 315d of the German Commercial Code (HGB)

The corporate governance declaration contains the annual declaration of conformity, corporate governance report, disclosures on corporate governance practices and a presentation of the working practices of the Management Board and the Supervisory Board. The declaration has been made permanently available to shareholders on the Group website at https://www.encavis.com. It has therefore been omitted from the combined management report. The declaration on corporate governance in accordance with sections 289f and 315d of the HGB is a component of the combined management report.

Hamburg, 23 March 2021

The Management Board

Dr Dierk Paskert

CEO

Dr Christoph Husmann

CFO

Consolidated financial statements of Encavis AG

Consolidated statement of comprehensive income

In TEUR	Notes	2020	2019
Revenue	3.21; 5.1	292,300	273,822
Other income	5.2	17,314	14,839
Of which income from the reversal of impairments for expected credit losses		*846*	*0*
Cost of materials	5.3	-3,008	-2,136
Personnel expenses	5.4	-20,659	-16,997
Of which in share-based remuneration		*-5,357*	*-3,026*
Other expenses	5.5	-57,542	-53,427
Of which impairment for expected credit losses	5.5	*-99*	*-2,555*
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**228,405**	**216,101**
Depreciation and amortisation	5.6	-136,580	-124,674
Earnings before interest and taxes (EBIT)		**91,825**	**91,426**
Financial income	5.7	17,256	24,771
Financial expenses	5.7	-72,120	-62,468
Earnings from financial assets accounted for using the equity method	6.4	-9,622	-3,078
Earnings before taxes on income (EBT)		**27,339**	**50,652**
Taxes on income	5.8	-8,965	-21,257
Consolidated earnings		**18,374**	**29,394**
Items that can be reclassified to profit or loss			
Currency translation differences	5.9	597	-51
Cash flow hedges – effective portion of changes in fair value	5.9	-5,906	-10,476
Cost of hedging measures	5.9	15	8
Other comprehensive income from investments accounted for using the equity method	5.9	34,321	-65,769
Income tax relating to items that may be reclassified to profit or loss	5.9	1,549	2,455
Reclassifications	5.9	13,623	1
Other comprehensive income	5.9	**44,200**	**-73,832**
Consolidated comprehensive income		**62,573**	**-44,438**
Consolidated earnings for the period			
Attributable to Encavis AG shareholders		10,142	22,189
Attributable to non-controlling interests		327	1,280
Attributable to hybrid capital investors		7,905	5,925
Consolidated comprehensive income for the period			
Attributable to Encavis AG shareholders		54,473	-51,451
Attributable to non-controlling interests		196	1,088
Attributable to hybrid capital investors		7,905	5,925
Earnings per share	3.25; 12		
Average number of shares in circulation in the reporting period			
Undiluted		137,799,309	131,052,531
Diluted		137,857,831	131,121,575
Undiluted/ diluted earnings per share (in EUR)		0.07	0.17

Consolidated balance sheet

Assets in TEUR	Notes	31.12.2020	31.12.2019	01.01.2019
Non-current assets				
Intangible assets	3.5; 3.8; 6.1	493,885	547,168	579,950
Goodwill	3.6; 6.2	27,560	26,569	19,989
Property, plant and equipment*	3.7; 3.8; 3.24; 6.3; 6.16	1,901,989	1,749,657	1,682,716
Financial assets accounted for using the equity method	3.9; 6.4	12,521	9,590	14,514
Financial assets	3.10; 6.5	73,111	104,830	6,474
Other receivables*	3.10; 3.11; 6.6	8,261	3,650	2,243
Deferred tax assets**	3.14; 6.7	3,280	3,989	6,205
Total non-current assets		2,520,607	2,445,453	2,312,091
Current assets				
Inventories	3.13; 6.8	334	412	422
Trade receivables	3.10; 3.15; 6.9	46,730	45,283	36,178
Non-financial assets	3.15; 6.10	4,710	5,340	9,714
Receivables from income taxes	3.14; 6.10	14,415	15,703	29,269
Other current receivables*	3.10; 3.15; 6.10	6,051	12,361	12,313
Liquid assets	3.16; 6.11	230,996	222,481	252,491
Cash and cash equivalents	3.16; 6.11	167,489	164,501	175,564
Liquid assets with restrictions on disposition	3.16; 6.11	63,507	57,980	76,927
Total current assets		303,236	301,582	340,387
Balance sheet total		2,823,844	2,747,035	2,652,478

* Due to the first-time application of IFRS 16, the figures from 1 January 2019 are not comparable at this time with the figures from 31 December 2018 published in the 2018 annual report. This affects both other current and non-current receivables as well as property, plant and equipment. Since 1 January 2019, property, plant and equipment has included rights of use capitalised pursuant to IFRS 16. The rights of use are recognised in the same balance sheet item as the underlying asset in the possession of Encavis.

** The previous-year figures have been adjusted due to deferred tax assets and deferred tax liabilities being recognised net for the first time in this annual report (further details on this in section 2 of the notes).

Equity and liabilities in TEUR	Notes	31.12.2020	31.12.2019	01.01.2019
Equity				
Subscribed capital	6.12	138,437	137,039	129,487
Capital reserves	6.12	479,561	468,873	413,104
Reserve for equity-settled employee remuneration	3.23; 6.13	0	143	383
Other reserves	6.12	-31,357	-75,358	-1,718
Net retained earnings	6.12	9,244	33,430	41,200
Equity attributable to Encavis AG shareholders	6.12	**595,885**	**564,127**	**582,456**
Equity attributable to non-controlling interests	6.12	7,085	10,009	9,145
Equity attributable to hybrid capital investors	6.12	148,591	148,577	95,456
Total equity	6.12	**751,561**	**722,713**	**687,057**
Non-current liabilities				
Non-current liabilities to non-controlling interests	3.20; 6.14	43,427	40,122	5,264
Non-current financial liabilities	3.18; 6.15	1,448,268	1,366,789	1,349,602
Non-current lease liabilities*	3.24; 6.16	181,723	178,092	187,151
Other non-current liabilities	3.18; 6.19	6,540	7,945	10,764
Non-current provisions	3.19; 6.17	62,065	50,388	39,724
Deferred tax liabilities**	3.14; 6.7	132,491	135,595	122,576
Total non-current liabilities		**1,874,515**	**1,778,931**	**1,715,081**
Current liabilities				
Current liabilities to non-controlling interests	3.20; 6.14	37	2,971	17,140
Liabilities from income taxes	3.14; 6.19	10,714	7,681	7,694
Current financial liabilities	3.18; 6.15	142,361	194,937	174,420
Current lease liabilities*	3.24; 6.16	11,315	10,860	8,923
Trade payables	3.18; 6.18	16,043	10,738	16,784
Other current liabilities	3.18; 6.19	4,720	8,560	18,756
Current provisions	3.19; 6.17	12,579	9,646	6,623
Total current liabilities		**197,768**	**245,392**	**250,340**
Balance sheet total		**2,823,844**	**2,747,035**	**2,652,478**

* Due to the first-time application of IFRS 16, the figures from 1 January 2019 are not comparable at this time with the figures from 31 December 2018 published in the 2018 annual report.

** The previous-year figures have been adjusted due to deferred tax assets and deferred tax liabilities being recognised net for the first time in this annual report (further details on this in section 2 of the notes).

Consolidated cash flow statement

In TEUR

	Notes	2020	2019
Consolidated earnings		18,374	29,394
Depreciation and impairments of fixed assets	5.6	136,580	124,674
Profit/loss from the disposal of fixed assets		8	8
Other non-cash expenses		9,932	6,120
Other non-cash income		-8,346	-7,393
Financial income	5.7	-17,256	-24,771
Financial expenses	5.7	72,120	62,468
Taxes on income (recognised in income statement)	5.8	8,965	21,257
Taxes on income (paid)		-3,861	-10,814
Earnings from deconsolidation	5.2	-2,967	0
Increase in other assets not attributable to investing or financing activities[1]		4,804	-8,891
Increase (previous year: decrease) in other liabilities not attributable to investing or financing activities[1]		-5,406	-2,737
Cash flow from operating activities		**212,947**	**189,315**
Payments for the acquisition of consolidated entities, net of cash acquired	4.2	-3,842	-63,474
Proceeds from the sale of consolidated entities	4.3	3,609	0
Payments for investments in property, plant and equipment		-34,957	-4,593
Proceeds from the sale of property, plant and equipment		0	4
Payments for investments in intangible assets		-35	-405
Payments for investments in financial assets		-60,586	-166,438
Proceeds from the sale of financial assets		1,642	2,165
Dividends received		26	40
Cash flow from investing activities		**-94,144**	**-232,701**
Loan proceeds		186,765	120,237
Loan repayments		-198,154	-146,155
Repayment of lease liabilities		-9,575	-10,230
Hybrid capital proceeds		0	60,553
Interest received		98	967
Interest paid		-58,693	-58,455
Proceeds from capital increases		43	48,331
Payments for issuance costs		-117	-1,989
Payments received from the sale of shares without change of control		12,183	24,855
Payments for the acquisition of shares without change of control		-19,194	-232
Dividends paid to Encavis AG shareholders		-20,468	-19,113
Dividend payments to hybrid capital investors		-7,891	-5,108
Payments to non-controlling interests		-903	-1,912
Change in cash with restrictions in disposition		3,192	20,928
Cash flow from financing activities		**-112,714**	**32,676**
Change in cash and cash equivalents		6,090	-10,710
Changes in cash due to exchange rate changes		-419	374
Change in cash and cash equivalents		**5,671**	**-10,336**
As of 01.01.2020 (01.01.2019)	6.11	161,196	171,533
As of 31.12.2020 (31.12.2019)	6.11	166,867	161,196

[1] The previous year's figures were adjusted with regard to deferred taxes due to the net recognition of deferred tax assets and deferred tax liabilities, resulting in a shift between the increase in other assets not attributable to investment or financing activities and the decrease in other liabilities not attributable to investment or financing activities.

Consolidated statement of changes in equity

in TEUR	Subscribed capital	Capital reserve	Other reserves			
			Currency translation reserve	Hedge reserve	Cost of hedging measures	Reserve from equity valuation
As of 01.01.2019	**129,487**	**413,104**	**1,010**	**-2,700**	**-28**	
Consolidated earnings						
Other comprehensive income*			-50	-7,829	7	-65,769
Reclassifications to profit/loss			1			
Consolidated comprehensive income for the period			**-49**	**-7,829**	**7**	**-65,769**
Dividends						
Income and expenses recognised directly in equity						
Changes from capitalisation measures	7,552	52,730				
Transactions with shareholders recognised directly in equity		-2,618				
Issuance costs		-1,293				
Hybrid capital proceeds		7,553				
Exercise of the share option programme		-603				
Acquisition of shares from non-controlling interests						
As of 31.12.2019	**137,039**	**468,873**	**961**	**-10,529**	**-22**	**-65,769**
As of 01.01.2020	**137,039**	**468,873**	**961**	**-10,529**	**-22**	**-65,769**
Consolidated earnings						
Other comprehensive income*			590	-4,216	13	34,321
Reclassifications to profit/loss						13,623
Consolidated comprehensive income for the period			**590**	**-4,216**	**13**	**47,944**
Dividends						
Income and expenses recognised directly in equity						
Changes from capitalisation measures	1,398	13,764				
Transactions with shareholders recognised directly in equity		-2,047		-329		
Issuance costs		-117				
Settlement for stock options		-913				
Disposal of shares from non-controlling interests						
As of 31.12.2020	**138,437**	**479,561**	**1,551**	**-15,074**	**-9**	**-17,825**

* Excluding separately recognised effects from reclassifications.

in TEUR	Reserve for equity-based employee remuneration	Net retained profit	Equity attributable to Encavis AG shareholders	Equity attributable to non-controlling interests	Equity attributable to hybrid capital investors	Total
As of 01.01.2019	383	41,200	582,456	9,145	95,456	687,057
Consolidated earnings		22,189	22,189	1,280	5,925	29,394
Other comprehensive income*			-73,641	-192		-73,833
Reclassifications to profit/loss			1			1
Consolidated comprehensive income for the period		22,189	-51,451	1,088	5,925	-44,438
Dividends		-31,077	-31,077	-698	-5,108	-36,883
Income and expenses recognised directly in equity	-31	1,126	1,095			1,095
Changes from capitalisation measures			60,282	14		60,296
Transactions with shareholders recognised directly in equity		-8	-2,626	-2		-2,628
Issuance costs			-1,293		-696	-1,989
Hybrid capital proceeds			7,553		53,000	60,553
Exercise of the share option programme	-209		-812			-812
Acquisition of shares from non-controlling interests				463		463
As of 31.12.2019	143	33,430	564,127	10,009	148,577	722,713
As of 01.01.2020	143	33,430	564,127	10,009	148,577	722,713
Consolidated earnings		10,142	10,142	327	7,905	18,374
Other comprehensive income*			30,708	-131		30,577
Reclassifications to profit/loss			13,623			13,623
Consolidated comprehensive income for the period		10,142	54,473	196	7,905	62,573
Dividends		-35,630	-35,630	-353	-7,891	-43,874
Income and expenses recognised directly in equity	9	1,302	1,311			1,311
Changes from capitalisation measures			15,162	43		15,205
Transactions with shareholders recognised directly in equity			-2,376	-2,836		-5,213
Issuance costs			-117			-117
Settlement for stock options	-152		-1,065			-1,065
Disposal of shares from non-controlling interests				27		27
As of 31.12.2020	0	9,244	595,885	7,085	148,591	751,561

* Excluding separately recognised effects from reclassifications.

Table of contents of notes to the consolidated financial statements

Notes to the consolidated financial statements of Encavis AG

1 General information

Encavis AG, as the parent company of the Group, was entered in the commercial register of the Hamburg district court under registration number HRB 63197 on 18 January 2002. The company's registered office is located at Grosse Elbstrasse 59, 22767 Hamburg, Germany.

According to the Articles of Association, the business activities of Encavis AG comprise the operation of installations for the production of electricity from renewable energy sources in Germany and abroad, either by the company itself or its subsidiaries, as an independent power producer.

Other business activities include the provision of commercial, technical or other services not subject to authorisation or approval in connection with the acquisition, construction and operation of installations for the production of electricity from renewable energy sources in Germany and abroad, either by the company itself or its subsidiaries, as well as the acquisition, holding, management and disposal of equity interests. The Group also provides advisory and asset management services to institutional investors in the renewable energy sector.

The company is entitled to undertake all measures and transactions which are suitable for promoting the company's purpose. It may set up branches in Germany and abroad, establish other companies, acquire existing ones or acquire an interest in such companies and conclude corporate contracts. It may acquire, use and transfer patents, trademarks, licences, distribution rights and other objects and rights. The business purposes of subsidiaries and associated companies may differ from that of Encavis AG if they seem suitable to further the company's purpose.

The consolidated financial statements present the operations of Encavis AG and its affiliated undertakings. Please refer to the list of shareholdings in section 18 of the notes for more information on the companies included in the scope of consolidation.

The consolidated financial statements of Encavis AG have been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) – including the interpretations of the IFRS Interpretations Committee (IFRS IC) regarding the IFRS as adopted by the European Union and the additional requirements of German commercial law pursuant to Section 315e(1) of the German Commercial Code (HGB) – and are published in the German electronic Federal Gazette (Bundesanzeiger).

To improve clarity, various statement of comprehensive income and balance sheet items have been combined. These items are disclosed separately and explained in the notes. The statement of comprehensive income has been prepared using the total-cost (nature of expense) method. The figures in the notes are given in euros (EUR), thousands of euros (TEUR) or millions of euros. Differences may arise in percentages and figures quoted in this report due to rounding.

As a rule, the consolidated financial statements are prepared using the acquisition cost principle. This does not apply to certain financial instruments that are measured at their fair value.

The Group's business activities are subject to seasonal influences that lead to fluctuations in revenue and earnings during the course of the year. Due to seasonal factors, revenue in the PV Parks segment is usually higher in the second and third quarters than in the first and fourth quarters of the financial year, while revenue and earnings in the Wind Parks segment are generally higher in the first and fourth quarters than in the second and third quarters of the financial year.

2 Application of new and revised International Financial Reporting Standards (IFRS) and adjustments in accordance with IAS 8

The Group applied the following new and amended International Financial Reporting Standards and interpretations, as adopted by the EU, in the financial year. This also includes the amendments published as part of the IASB's ongoing Annual Improvements to IFRS Project (AIP). Unless stated otherwise, application of these amended standards and interpretations does not have any material impact on the presentation of the Group's financial performance, financial position and net assets.

The Group has applied the following new and/or amended standards and interpretations for the first time in the 2020 financial year:

New and amended standards and interpretations – obligatory as of 31.12.2020

		Application obligatory in financial years beginning on or after the date specified	EU endorsement status (as of 31.12.2020)	Status of application at Encavis
Conceptual Framework	Amendment – References to the Conceptual Framework in the IFRS	01.01.2020	Adopted	Applied
IAS 1, IAS 8	Amendment – Definition of Material	01.01.2020	Adopted	Applied
IFRS 9, IAS 39, IFRS 7	Amendment – Interest Rate Benchmark Reform	01.01.2020	Adopted	Applied
IFRS 3	Amendment – Definition of a Business	01.01.2020	Adopted	Applied
IFRS 16	Amendment – Covid-19-Related Rent Concessions	01.01.2020	Adopted	Applied

Standards, interpretations and amendments of standards and interpretations to be applied for the first time in the reporting period which had an impact on the amounts and disclosures reported in the period under review

The new and amended standards/interpretations have no significant impact on these consolidated financial statements.

In 2019, Encavis AG opted for early application of the amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform". This affects hedging relationships that existed at the beginning of the reporting period or were designated thereafter. On the basis of the associated simplifications, Encavis assumes that the effectiveness of the hedges carried on the balance sheet will not be impaired by the IBOR reform and that no hedges will have to be terminated.

The change in the definition of materiality according to IAS 1 and IAS 8 is generally relevant to Encavis, but is not reflected in the Group's earnings, net assets and financial position.

The amendment to IFRS 3 defines a business as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income or generating other income from ordinary activities. The business consists of inputs and processes applied to those inputs that have the ability to contribute to the creation of outputs. For the acquisition of solar and wind park companies, this definition generally means that these are no longer considered business combinations, but rather as acquisitions of assets. In this context, the difference between the purchase price and the revaluation of the asset is no longer recognised as goodwill (balance sheet item) or badwill (in profit or loss), but rather allocated to the individual material assets and capitalised. Because Encavis is increasingly investing at earlier stages in development projects that would have been accounted for as acquisitions of assets even without the amendment to IFRS 3, the amendment to the definition of a business has no significant impact on the Group's earnings, net assets and financial position in this regard. For the acquisition of energy installations already in operation, the amendment to IFRS 3 can lead to effects on the Group's earnings, net assets and financial position by accounting for these acquisitions as acquisition of assets and the accompanying discontinuation of goodwill or badwill.

At Encavis, no concessions – such as rent forbearance or rent price discounts – were granted in direct connection with the coronavirus, which is why the amendment to IFRS 16 has no effect on accounting at Encavis.

New and amended IFRS and interpretations not yet required to be applied and which were not applied early by the Group

In addition, the IASB or IFRS IC has published or amended the following new standards and interpretations which will either not be applicable until a later date or which have not yet been endorsed by the European Commission.

New and amended standards and interpretations – not obligatory as of 31.12.2020

		Application obligatory in financial years beginning on or after the date specified	EU endorsement status (as of 31.12.2020)	Status of application at Encavis
IFRS 14	New standard – Regulatory Deferral Accounts	01.01.2016	Adoption not proposed due to very limited user group	Not applied
IFRS 10, IAS 28	Amendment – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Postponed indefinitely by the IASB	Not yet adopted	Not applied
IFRS 9, IAS 39, IFRS 7 and IFRS 16	Amendment – Phase 2 of the Interest Rate Benchmark Reform	01.01.2021	Not yet adopted[1]	Not applied
IFRS 3	Amendment – References to the Conceptual Framework in IFRS 3	01.01.2022	Not yet adopted	Not applied
IAS 16	Amendment – Clarification of Offsetting Proceeds from Sales during the Construction of Property, Plant and Equipment against Construction Costs	01.01.2022	Not yet adopted	Not applied
IAS 37	Amendment – Definition of Costs of Fulfilling a Contract	01.01.2022	Not yet adopted	Not applied
AIP	Annual Improvement Programme for IFRS: 2018–2020 cycle	01.01.2022	Not yet adopted	Not applied
IAS 1	Amendment – Classification of Liabilities as Current or Non-Current, including Postponement of the Mandatory Effective Date	01.01.2023	Not yet adopted	Not applied
IFRS 17	New standard – Insurance Contracts, including Postponement of the Mandatory Effective Date	01.01.2023	Not yet adopted	Not applied
IFRS 4	Amendment – Extension of the Temporary Exemption from Applying IFRS 9 for Certain Insurance Companies	01.01.2021	Adopted	Not applied

[1] EU endorsement took place on 13 January 2021.

The amendment to IFRS 9, IAS 39, IFRS 7 and IFRS 16 (Phase 2 of the Interest Rate Benchmark Reform) is fundamentally relevant to Encavis and is expected to have an impact on the accounting at Encavis. At the time of preparation of the annual report, however, the effects of the amendments cannot yet be conclusively assessed.

The change in the classification of liabilities as current or non-current pursuant to IAS 1 is fundamentally relevant to Encavis, but is not reflected in the Group's earnings, net assets and financial position.

At the moment, Encavis AG does not expect the application of the other new accounting standards to have a material impact on the consolidated financial statements, if adopted by the EU in this form.

Adjustments in accordance with IAS 8: Net recognition of deferred tax assets and deferred tax liabilities

During the financial year, Encavis changed the method of offsetting the deferred tax assets and liabilities. Previously, Encavis had interpreted the offsetting requirements to mean that the offsetting requirement must be tested separately in each individual future period of the reversal of temporary differences or the use of loss carry-forwards. Beginning with the 2020 financial year, Encavis generally assumes that the reversal of taxable or deductible temporary differences in the individual taxable entities or tax groups will occur with congruent time frames. Encavis has applied this amendment retroactively to 1 January 2019. The change results in a reduction of deferred tax assets and liabilities by TEUR 111,964 each as of 1 January 2019 and TEUR 112,903 as of 31 December 2019. Additionally, due to the resulting decrease in total assets, the equity ratio increased by 1.05 percentage points to 25.90% as of 1 January 2019 and by 1.04 percentage points to 26.31% as of 31 December 2019.

The changes have no effect on the consolidated earnings, the statement of comprehensive income and the earnings per share.

3 Material accounting policies and consolidation principles

3.1 Consolidation principles

Encavis AG and all significant domestic and foreign subsidiaries under its control are included in the consolidated financial statements. Control exists if the company is exposed to, or has rights to, fluctuating returns on its investment and is able to influence those returns through its power of disposal. As a rule, control is exercised if a direct or indirect voting right majority exits. The profits and losses of subsidiaries acquired or sold during the year are included in the statement of comprehensive income from the acquisition date or until their date of disposal. Intra-Group transactions are conducted on arm's-length terms.

The effects of intra-Group transactions are eliminated. Loans and other receivables and payables between consolidated companies are offset against each other. Inter-company profits and losses are eliminated and intra-Group income is offset against the corresponding expenses.

Companies over which Encavis AG has a significant influence on the financial and operating policies (associates) are generally recognised using the equity method, as are joint ventures which are controlled together with other companies. A joint venture is then classified as such if the parties which jointly control the venture have rights to the net assets of the venture. Changes in the equity interest of the enterprise/joint venture that do not have to be recognised in the statement of comprehensive income are recognised directly in equity. The same accounting policies are applied to determine Encavis AG's interest in the equity of all companies using the equity method.

The reporting date of all consolidated subsidiaries corresponds to that of Encavis AG.

The following table shows the main valuation principles underlying the preparation of the consolidated financial statements:

Balance sheet item	Measurement principle
Assets	
Intangible assets	Amortised acquisition costs (IAS 38)
Goodwill	Acquisition costs less possible impairments (IFRS 3)
Property, plant and equipment	Amortised acquisition costs (IAS 16)
Rights of use	Detailed description in section 3.24 (IFRS 16)
Financial assets accounted for using the equity method	Further development of pro rata net assets (IAS 28)
Financial investments	Detailed description in section 3.10 (IFRS 9)
Other receivables	Amortised acquisition costs (IFRS 9)
Deferred tax assets	Detailed description in section 3.14 (IAS 12)
Inventories	According to the lower-of-cost-or-market (LCM) principle (IAS 2)
Trade receivables	Amortised acquisition costs less expected credit losses (IFRS 9)
Non-financial assets	Amortised acquisition costs
Receivables from income taxes	Amortised acquisition costs less expected credit losses (IAS 12)
Other current receivables	Amortised acquisition costs (IFRS 9)
Cash and cash equivalents	At nominal value (IFRS 9)

Balance sheet item	Measurement principle
Equity and liabilities	
Reserve for equity-settled employee remuneration	Detailed description in section 3.23 (IFRS 2)
Liabilities to non-controlling shareholders	Detailed description in section 3.20 (IFRS 9)
Financial liabilities	Amortised cost under the application of the effective interest method (IFRS 9)
Lease liabilities	Detailed description in section 3.24 (IFRS 16)
Other liabilities	Settlement value (IFRS 9)
Provisions	Settlement value (IAS 37)
Deferred tax liabilities	Detailed description in section 3.14 (IAS 12)
Trade payables	Amortised acquisition costs (IFRS 9)

3.2 Business combinations

To be classified as a business, an acquired set of activities and assets requires an input and a substantive process which, together, contribute to the capability to create output (production of goods or provision of services). If the significant portion of the fair value of the acquired gross assets is concentrated in a single identifiable asset, or a group of comparable assets, this does not constitute a business within the meaning of IFRS 3. The acquisition therefore does not constitute a business combination, but rather an acquisition of assets, which are measured at the consideration transferred as part of the transaction, with differences to the acquired net asset being allocated proportionately to the assets. The recognition of goodwill is excluded, as is the creation of badwill.

The acquisition of a business is accounted for using the purchase method. The consideration transferred in a business combination is recognised at fair value, which comprises the sum of the fair values of the assets transferred at the date of exchange, the liabilities assumed by the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. As a rule, any incurred costs associated with the business combination are recognised in profit or loss.

The identifiable assets acquired and liabilities assumed are carried at fair value, with the following exceptions:

- Deferred tax assets or deferred tax liabilities and assets or liabilities associated with employee benefit arrangements are to be recognised and accounted for in accordance with IAS 12 “Income Taxes” or IAS 19 “Employee Benefits”.
- In accordance with IFRS 2 “Share-based Payment”, liabilities or equity instruments associated with share-based payments or the reimbursement of share-based payments by the Group are recognised at the acquisition date.
- Assets (or disposal groups) classified as held for sale as per IFRS 5 “Non-Current Assets Held for Sale and Discontinued Operations” are recognised in accordance with this standard.

Goodwill represents the excess of the sum of the consideration transferred, the amount of all non-controlling interests in the acquiree, the fair value of the equity interest previously held by the acquirer in the acquiree (if any) and the balance of the amounts of identifiable assets acquired and liabilities assumed on the acquisition date. In the event that, following reassessment, the Group’s share of the fair value of the identifiable net assets acquired is greater than the sum of the consideration transferred, the non-controlling interest in the acquiree and the fair value of the equity interest previously held by the acquirer in the acquiree (if any), the excess amount is recognised directly in profit or loss as income (within other operating income).

Non-controlling interests that currently confer ownership rights and, in the event of liquidation, entitle the holder to receive a proportionate share of the net assets of the enterprise are recognised upon addition either at fair value or at the corresponding share of the recognised amounts of the identifiable net assets. This option can be exercised with every new business combination. Other components of non-controlling interests are recognised at fair value or at value measurements derived from other standards.

If initial accounting for a business combination is incomplete at the end of the financial year in which it takes place, the Group discloses provisional amounts for the items with incomplete accounting. The provisional amounts recognised are adjusted during the accounting period, or additional assets or liabilities must be recognised in order to reflect the new information on facts and circumstances existing at the acquisition date and which would have affected the measurement of amounts recognised at that date had they been known.

Technical factors may cause a slight discrepancy between the technical date of initial consolidation and the actual closing date when accounting for business combinations.

3.3 Foreign currency translation

The consolidated financial statements are prepared in euros. The euro is the functional and reporting currency of Encavis AG. The annual financial statements of the consolidated subsidiaries prepared in foreign currencies are translated into euros using the functional currency concept as set out in IAS 21. The functional currency of foreign companies is determined by the primary economic environment in which they operate. Assets and liabilities are translated at the closing rate, while equity, with the exception of income and expenses recognised directly in equity, is carried at historical rates. Until the disposal of the subsidiary, any resulting currency translation differences are not recognised in the statement of comprehensive income and are reported as a separate item in equity. The statement of comprehensive income items are converted into euros using weighted average exchange rates.

Currency translation is based on the following exchange rates:

EUR 1 =	Closing exchange rates		Average exchange rates	
	31.12.2020	31.12.2019	2020	2019
British pound (GBP)	0.8990	0.8508	0.8892	0.8773
US dollar (USD)	1.2271	1.1234	1.1413	1.1196
Danish krone (DKK)	7.4409	7.4715	7.4544	7.4661

3.4 Significant accounting decisions and key sources of uncertainties in estimates

Within the scope of preparing the consolidated financial statements, in certain cases estimates and assumptions are made that affect how accounting methods are applied as well as which amount of assets, liabilities, income and expenses are recorded. The actual values may differ from these estimates. The estimates and underlying assumptions undergo continuous reviews. The adapted estimates are accounted for on a prospective basis.

In the following section, the main assumptions for the future and other key sources of estimate uncertainties at the end of the reporting period will be listed which may give rise to a significant risk that calls for a material adjustment to assets and liabilities in the next financial year.

Presentation of PPAs using the equity method

In 2018 and 2019, Encavis acquired 80% shareholdings via Encavis Iberia GmbH in each of the project companies Talayuela and La Cabrera, both of which are building a solar park in Spain. The purchase price for the two Spanish investments was determined together with the partner Solarcentury using financial models that already take into account the PPAs to be concluded in the expected inflows. However, due to the contractual arrangements, there was no control over the companies prior to commissioning, so that the shareholdings were valued as financial assets accounted for using the equity method in accordance with IAS 28 due to the significant influence. This accounting method stipulates that participating interests be initially recorded at acquisition cost and then amortised over the allocated pro rata results.

In the 2019 financial year, both companies concluded a PPA in the form of a derivative for a period of ten years, in which the fixed electricity purchase price is presently below the current market price level, but at the level of the joint valuation model with Solarcentury and thus the assumptions of the purchase price.

The outstanding shares in, and control over, La Cabrera were acquired in the 2020 financial year. La Cabrera – together with its subsidiaries – has thus been fully consolidated since 2020 and the PPA recognised in the hedge accounting in the consolidated financial statements. All effects from the equity investment recognised in other comprehensive income up to the acquisition were reclassified to consolidated earnings as part of full consolidation.

In the context of equity accounting, the derivative with a negative market value recognised in the balance sheet of Talayuela means that, following a complete reduction of the equity approaches (due to the attributed pro rata results) in accordance with IFRS regulations, the associated loans are also reduced in part with no effect on income. The recognition of the derivative in the balance sheet is separate from the determination of the investment value in which the effects of the PPA were already included in the purchase price. This consolidation technique does not in any way lead to the intrinsic value of the participating interest being impaired.

Economic life of property, plant and equipment and intangible assets

When evaluating the values of property, plant and equipment and intangible assets, the expected useful life of the assets must be estimated while taking into account, in particular, contractual provisions, industry insights and assessments by company management. Additional information is included in notes 3.5 and 3.7.

Lease terms

In order to measure lease liabilities and rights of use under leases in accordance with IFRS 16, it is necessary to estimate the term of the lease; in particular, the probability of the use of extension options must be estimated. Explanations of the estimates can be found in note 3.24 and note 6.16.

Impairment of goodwill

In order to determine whether goodwill is impaired, it is necessary to calculate the value in use of the Group's cash-generating units that are allocated to goodwill. Calculating the value in use requires an estimate of future cash flows from the Group's cash-generating units as well as an appropriate capitalisation interest rate for the calculation of the present value. A material impairment may result if the actual expected future cash flows are less than previously estimated. The calculation was carried out as of 30 September 2020. In the period from 30 September 2020 to 31 December 2020, there were no fundamental changes that would have required an adjustment of the calculated values.

The carrying amount of goodwill as of 31 December 2020 was TEUR 27,560 (previous year: TEUR 26,569). The increase is mainly due to the addition of TEUR 1,069, which is attributable to the adjustment of the purchase price allocation of a wind park portfolio in Denmark acquired in 2019. It also includes effects of translation at closing exchange rates in accordance with IAS 21 on the goodwill of British companies whose functional currency is the British pound sterling in the amount of TEUR –107, as well as goodwill of Danish companies whose functional currency is the Danish krone in the amount of TEUR 29.

Business combinations

The IASB has concretised IFRS 3 with regard to the definition of a business for application in financial years from 1 January 2020. The adjustments in IFRS 3, Appendix D, and in the application guidelines require that an acquired set of activities and assets have an input and a substantive process which, together, contribute to the capability to create output (production of goods or provision of services) in order to be considered a business within the meaning of IFRS 3. To classify the acquisition, the Group uses the concentration test to determine whether the significant portion of the fair value of the acquired gross asset is concentrated in a single identifiable asset or a group of comparable assets. If this is the case, the acquisition is accounted for as the acquisition of assets rather than as a business combination. Regardless of their date of completion or commissioning, the acquisition of solar and wind installations generally represents an acquisition of assets.

All identifiable assets and liabilities are recognised at their fair values at the time of initial consolidation within the scope of business acquisitions. The estimated fair values recognised are subject to uncertainties. If intangible assets are identified, the fair value must be estimated using generally accepted valuation methods. The valuations are based on the company's plans, which are based on estimates by management while taking contractual agreements into account. Differences between identifiable assets at their fair values are capitalised to the significant assets of the company.

Control of the companies Windkraft Sohland GmbH & Co. KG, BOREAS Windfeld Greußen GmbH & Co. KG, Windkraft Olbersleben II GmbH & Co. KG and Windkraft Kirchheilingen IV GmbH & Co. KG

The aforementioned wind parks are structured in the form of a limited commercial partnership (KG) formed with a limited liability company (GmbH) as general partner and the members of the GmbH, their families, or outsiders as limited partners. The general partner and thus the personally liable partner in each case is BOREAS Management GmbH, Reichenbach. The general partner has no share in the company's assets or profit and loss and has not made a financial contribution. The limited partners are Capital Stage Wind IPP GmbH, Hamburg (with a contribution over 50%), and BOREAS Energie GmbH, Dresden (with a contribution under 50%). Encavis does not hold interests in the general partner.

In accordance with IFRS 10, a control situation is assumed if the parent company bears the risk exposure due to fluctuating yields from the commitment in the investment, is able to influence the amount of returns, has full control of the investment and thus decides on the relevant activities. For one wind park, the relevant operational and financial activities are mainly liquidity planning and control as well as decisions on the conclusion of maintenance agreements and on necessary repairs.

The management is the responsibility of the general partner. However, the main decisions mentioned above call for the simple majority of the voting rights at the shareholders' meeting according to the partnership agreement. Encavis holds the direct or indirect voting majority (with an investment of over 50%) in all the aforementioned wind parks and can exert significant influence on the operating and financial activities.

Encavis is therefore not restricted to the supervisory role typical of a limited partner, but instead plays an active role in all significant decisions. If a decision does not call for a vote by the shareholders' meeting, the general partner prepares decision proposals that Encavis may approve, amend or reject.

Encavis thus assumes control of the company, as it initially holds the decision-making power on financial and operating activities and these activities allow it to generate significant economic benefits through its shareholding of over 50%.

The aforementioned wind parks are therefore included in the fully consolidated companies in the consolidated financial statements.

3.5 Intangible assets

With the exception of goodwill, intangible assets all have a limited useful life and are valued at their acquisition cost less scheduled linear amortisation. They are amortised on the basis of their economic life. Currently, only acquired intangible assets exist within the Encavis Group.

If the recoverable amount is below the carrying amount as of the balance sheet date, the lesser value is allocated. If the reasons for the impairment losses previously carried out are no longer in effect, write-ups are made with an effect on net income.

Amortisation of feed-in contracts is usually carried out over the term of the regulated period for each respective wind park or solar park. The expected useful lives of the individual intangible assets are as follows:

Useful life in years	
Electricity feed-in contracts – solar parks and wind parks in Germany and Italy	20
Electricity feed-in contracts – solar parks in France	20
Electricity feed-in contracts – solar parks under feed-in tariffs (FIT) in the United Kingdom	20
Electricity feed-in contracts – wind parks in France	15
Electricity feed-in contracts – solar parks in the Netherlands	15
Electricity feed-in contracts – wind parks after expiry of bonus compensation depending on the supported number of kilowatt-hours (Denmark)	Approx. 6 to 8
Electricity feed-in contracts – wind parks supported by renewable obligation certificates (ROC) in the United Kingdom	Max. 30
Project rights	18 to 30
Other intangible assets	3 to 5

3.6 Goodwill

The goodwill resulting from a business combination is accounted for at acquisition cost less impairment losses, if necessary, and is recorded separately in the consolidated balance sheet.

For the purposes of assessing impairment of goodwill, the amount of goodwill is assessed separately for each cash-generating unit (or groups thereof) of the Group which may be expected to be able to take advantage of the synergy effects resulting from the combination.

Cash-generating units to which a part of goodwill has been allocated must be assessed annually for impairment. If there is proof that a unit has been impaired, it will be evaluated more frequently. If the recoverable amount of a cash-generating unit is less than the carrying amount of the unit, the impairment loss is initially allocated to the carrying amount of the goodwill associated with the unit and then proportionately to the remaining assets based on the carrying amount of each asset in the unit. Any impairment recognised as a goodwill impairment loss is recorded directly in the statement of comprehensive income. An impairment loss recognised for goodwill may not be offset in future periods.

If a cash-generating unit is disposed of, the corresponding amount of goodwill within the scope of calculating the deconsolidation earnings is taken into account.

3.7 Property, plant and equipment

Property, plant and equipment are valued at acquisition cost minus accumulated depreciation. Profits or losses from the disposal of property, plant and equipment are included in other income or expenses. The depreciation period and the depreciation method are reviewed at the end of each financial year.

Property, plant and equipment are written off proportionally over the period of their estimated economic life. The expected useful lives of individual property, plant and equipment are as follows:

Useful life in years	
Photovoltaic and wind installations	18 to 30
Office equipment	2 to 15

3.8 Impairment of property, plant and equipment and intangible assets with the exception of goodwill

The impairment test is carried out at least once a year to determine whether there are indications of impairment. If such indications are discovered, the recoverable amount of the asset is estimated in order to determine the amount of any impairment loss.

The recoverable amount is the higher amount of either the fair value less the disposal costs and the value in use of an asset or a cash-generating unit. In determining the value in use, the estimated future cash flow from the continued use of the asset and from its ultimate disposal with a pre-tax rate are discounted. This pre-tax rate takes into account current market assessments of the fair cash value as well as inherent risks from the asset value, insofar as the estimated future cash flow has not been adapted to this.

If the recoverable amount of the individual asset cannot be estimated, the estimated value will be the recoverable amount of the cash-generating unit to which the asset belongs.

If the estimated recoverable amount of an asset or a cash-generating unit is less than the carrying amount, the carrying amount of the asset or the cash-generating unit will be reduced to the recoverable amount. The impairment loss for a cash-generating unit first reduces the carrying amount of any goodwill that is allocated to the cash-generating unit and then proportionately the other assets of the unit according to the carrying amounts of each individual asset. The effect of the impairment loss on net income is recognised immediately.

If the reasons for a previously recognised impairment are no longer in effect, the carrying amount of the asset or the cash-generating unit is increased to the most recent estimate of the recoverable amount as recognised in net income. The increase in the carrying amount may not exceed the value that would have been determined if no impairment loss was recognised in previous years. A reversal of an impairment loss for a cash-generating unit is allocated to the asset values of the unit, except for goodwill, proportionally to the carrying amount of these assets.

3.9 Financial assets accounted for using the equity method

Financial assets accounted for using the equity method are initially recognised at acquisition cost and in subsequent periods at amortised pro rata net assets. The carrying amounts are increased or reduced annually by the pro rata results, the distributions and all other changes in equity. Other changes in equity include, in particular, items recognised directly in equity (reserve from equity valuation) via other comprehensive income. Any goodwill is not reported separately but is included in the carrying amount of the participating interest. Financial assets accounted for using the equity method are written down if the recoverable amount is less than the carrying amount. Once the carrying amount is fully depleted by negative allocations of earnings and/or distributions, the allocations are transferred to any existing assets associated with the investment, such as loans to these entities.

3.10 Primary financial instruments

The accounting treatment of primary and derivative financial instruments has been regulated in IFRS 9 “Financial Instruments” since 2018.

3.10.1 Financial assets

IFRS 9 stipulates 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 (both equity and debt instruments) 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. Encavis recognises standard market transactions on the settlement date.

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.

Under IFRS 9, trade receivables, loans, other current receivables and liquid assets are classified as measured at amortised cost (AC) and are generally subject to the effective interest method.

Under IFRS 9, mezzanine capital held and investments in investment funds which are reported under non-current financial assets are classified as at fair value through profit or loss (FVPL). They do not meet the criteria for measurement at amortised cost, as the cash flows from this do not only represent interest and principal payments.

Derivative financial assets at fair value through profit or loss relate to derivatives outside of hedge accounting (category FVPL).

Changes in the value of financial assets measured at fair value are either recognised directly in equity under other reserves (FVOCI) or in consolidated earnings through profit or loss (FVPL).

Impairment model based on expected credit losses (ECL model)

IFRS 9 defines 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. This approach takes into account not only credit losses that have already occurred, but also expectations about 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 material 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 material 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 material 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 material increase in credit risk is primarily determined on the basis of information regarding overdue payments. The Group regularly assumes that the loans are past due from 30 days.

A financial asset is transferred to level 2 if the credit risk has materially 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 material 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.

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.

Material modifications (for example if the present value of the contractual cash flows changes by 10%) 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 buyers, 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.

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.

Material estimation uncertainties and accounting judgements

Impairment losses on financial assets are generally based on estimates for loan defaults and expected default rates based on the valuation parameters described above and, where appropriate, on individual estimates on a case-by-case basis in the case of items actually at risk of default. The Group exercises certain discretion in making this assessment. Even minor deviations in the valuation parameters – in interest rates, for example – used for calculation can lead to material deviations in the calculation, particularly due to the amount of trade receivables.

3.10.2 Financial liabilities

The Group's financial liabilities include trade liabilities, financial liabilities, liabilities to non-controlling interests and other financial liabilities. These are carried at amortised cost (AC). Lease liabilities are not allocated to any category of IFRS 9.

Financial liabilities are recorded if a Group company becomes a contractual party to the financial instrument. They are measured at amortised cost pursuant to the effective interest method.

The effective interest method is a way of calculating the amortised cost of a financial liability and allocating the interest expense to the respective periods. The effective interest rate is the rate that discounts estimated future cash payments (including all fees and payments received or effected which are an integral component of the effective interest rate, transaction costs and other premiums or discounts) through the expected lifetime of the financial instrument or a shorter period, if applicable, to the net carrying amount from the initial recognition.

Derecognition of financial liabilities

The Group only derecognises a financial liability if the Group's corresponding liability (or liabilities) has (or have) been settled, cancelled or expired. The difference between the carrying amount of the derecognised financial liability and the consideration received or to be received must be recorded as profit or loss.

3.10.3 Fair value measurement

Calculating the fair values financial assets and liabilities requires a wide range of accounting and valuation methods and information from the Group.

To determine the fair value of an asset or a liability, the Group relies as much as possible on observable market data (market or stock exchange price). If no active market value exists, the fair value is determined as much as possible using other observable input factors. If no observable input factors are available, the fair value is determined using methods of financial mathematics, for example by discounting future cash flows at the market interest rate or by applying recognised option pricing models, and is verified as far as possible by confirmations from the banks settling the transactions. Depending on the availability of observable parameters and the significance of these parameters for measuring fair value as a whole, the fair value measurement is assigned to level 1, 2 or 3. This fair value hierarchy is defined as follows:

- Input parameters for level 1 are quoted prices (unadjusted) on active markets for identical assets or liabilities that the Company can access on the measurement date.
- Input parameters for level 2 are listed prices other than those used for level 1, which can either be observed for the asset or debt directly or indirectly, or which can be derived indirectly from other prices.
- Input parameters for level 3 are unobservable inputs for the asset or liability.

Assets and liabilities consistently measured at fair value are reclassified from one level to another if necessary – for example, if an asset is no longer traded on an active market or is traded for the first time.

3.11 Derivative financial instruments and hedge accounting

Encavis only uses derivative financial instruments to hedge future cash flows (so-called underlying transactions) for financial risks resulting from commercial business or refinancing activities. These are primarily interest rate, price and currency risks. In accordance with the Group's risk management principles, generally 100% of the forecast highly probable cash flows are hedged. There are no expected transactions at Encavis for which hedge accounting was used in the previous period but which are no longer expected to occur.

Derivative financial instruments are recognised at fair value upon initial recognition and on each subsequent balance sheet date. The fair value 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.

A prerequisite for hedge accounting is that the clear hedging relationship between the underlying transaction and the hedging instrument is documented and its effectiveness has been demonstrated. Interest rate and currency swaps and forward exchange contracts are used as hedging instruments. 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 Group enters into interest rate swaps that generally have the same terms as the underlying transaction, such as reference interest rates, repricing dates, payment dates, maturities and nominal amounts. During the financial year, all material contractual terms and conditions were the same, so that there was an economic relationship between the hedged item and the hedging instrument. 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. The reasons for ineffectiveness of interest rate swap hedges may be credit value/debit value adjustments that are not offset by changes in the value of the hedged loans, and subsequent designations in which the date on which the interest rate derivative is designated differs from the date on which it is designated as a hedge.

The designated effective portion of the hedging instrument is recognised directly in other comprehensive income, and the designated ineffective portion of the hedging instrument is recognised directly in other comprehensive income under the costs of the hedging measures. 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 costs 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 (financial result) upon realisation of the underlying transaction. The ineffective portion of a cash flow hedge is recognised immediately through profit or loss and transferred to the income statement (financial result) over the term of the hedge. Changes in the value of derivatives not designated are measured at fair value through profit or loss. 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.

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). Forward exchange transactions are also allocated to the FVPL category.

3.12 Collateral

The financial liabilities from the solar parks and wind parks are essentially non-recourse loans. For these financial liabilities and, where appropriate, also contingent liabilities, the consolidated Group companies for the most part have provided collateral to the financing banks or creditors. As usual in this type of financing, property, plant and equipment and all rights as well as future claims have been assigned to the banks. The current amount of the collateral furnished thus corresponds to the carrying amount of the assets or the amount of reserves (section 6.11 of the notes), or involves intangible assets (such as the right to join feed-in contracts). The main forms of collateral are:

- enforceable land charges (property, plant and equipment)
- Pledging of debt service and project reserve accounts (liquid assets with restrictions on disposition)
- Assignment of the various companies' rights to payment of the electricity feed-in tariff and assignment of payment and compensation claims vis-à-vis third parties from any direct marketing contracts (revenue)
- Assignment of goods stored in a specific place (property, plant and equipment)

3.13 Inventories

The inventories mainly comprise replacement parts for power generation equipment and merchandise. They are recognised at the lower value of either acquisition or production cost or net realisable value. The net realisable value is calculated from the expected selling price less the estimated costs until completion and the estimated necessary distribution costs.

3.14 Income taxes

Income tax expenses are the sum of current tax expenses and deferred taxes.

Current and deferred taxes are recorded in the consolidated statement of comprehensive income, unless they are related to items recognised in other comprehensive income or directly in equity. In this case, the current and deferred taxes are also recognised in other comprehensive income or directly in equity. The income tax consequences of dividend payments within the meaning of IFRS 9 on financial instruments classified as equity are treated in accordance with the treatment of the transactions giving rise to the tax effect. The tax effects from the deductibility of interest on the hybrid bond classified as equity, which, due to its lack of profit dependency, does not include any profit distributions within the meaning of IFRS 9, are therefore recognised in equity.

Current taxes

The actual tax refund claims and tax liabilities are valued at the expected amount of a reimbursement from or payment to the tax authorities. They are based on the tax rates and tax laws in effect as of the balance sheet date.

Deferred taxes

Deferred taxes are calculated in relation to temporary recognition and valuation differences between the IFRS carrying amount of an asset or liability and its tax base. Deferred tax liabilities are generally recognised for all taxable temporary differences. However, deferred tax liabilities are not recognised if they result from the first-time recognition of goodwill. Deferred taxes are also not recognised if they arise from the first-time recognition of an asset or liability in a transaction that is not part of a business combination and, at the time of the transaction, affects neither accounting nor taxable earnings (so-called initial recognition exemption). Since the 2020 financial year, this relates in particular to the acquisitions of new solar parks and wind parks, which do not meet the definition of a business and are accounted for like acquisitions of assets.

Deferred tax assets are recorded to the extent that it is probable that there will be sufficient excess taxes in future which can be used for the deductible temporary differences. Deferred tax assets from unused loss carry-forwards are capitalised to the extent that it is likely within a planning period of five years that these can be offset in the future with available taxable income. In addition, further stipulations of IAS 12 must be observed if there is an excess of deferred tax liabilities, and if the existing loss carry-forwards cannot be used within the period of five years.

Deferred tax assets and liabilities are generally calculated using the respective individual corporate and country-specific tax rate for the company which is expected to be valid as of the date of performance of the liability or realisation of the asset. For the German companies, a weighted tax rate that takes into account the various corporation tax rates in Germany was used.

Individual Group companies are entitled to tax breaks for investments in qualified assets (e.g. the “Tremonti Ambiente” tax incentive programme in Italy). The Group accounts for such tax credits as an increase in the tax base of the subsidised installations. Deferred taxes on the resulting temporary differences are not recognised, because they arise from the first-time recognition of assets outside of a business combination and, at the time of the transaction, affect neither accounting nor taxable earnings. They reduce the income tax liability and the actual tax expense in the years in which the subsidised installations are used and taxable income is generated.

The tax reconciliation and additional information are provided in section 5.8 of the notes.

3.15 Trade receivables and other assets

Trade receivables are initially carried at their fair value, which generally corresponds to the nominal amount less the expected credit losses. As a result, they are valued at their amortised cost. Value adjustments have been made on the basis of the expected credit loss model in accordance with IFRS 9. Impairments are recognised in other expenses; they are reversed and/or reduced in other income.

3.16 (Restricted) cash and cash equivalents

Cash and cash equivalents consist of cash on hand and bank and deposit balances which have a high degree of liquidity and a total maturity of up to three months. They are not subject to any interest rate risk and are carried at nominal values. The debt service and project reserve accounts are an exception, which serve as collateral for the lending banks for solar parks and wind parks and can only be used with the approval of the lending banks; to a lesser extent, another exception is restricted cash at Encavis AG, CSG IPP GmbH and other Group companies. They are classified as restricted cash and cash equivalents but do not form part of cash and cash equivalents within the meaning of IAS 7.

3.17 Assets held for sale and associated liabilities

Individual non-current assets or groups of assets and any directly attributable liabilities (disposal groups) are reported in these line items if they can be disposed of in their current condition and there is a high possibility that their disposal will actually take place. For a group of assets and associated liabilities to be classified as a disposal group, the assets and liabilities in it must be held for sale in a single transaction or as part of a comprehensive plan.

Discontinued operations are components of an entity that are either held for sale or have already been sold and can be clearly distinguished from other corporate operations, both operationally and for financial reporting purposes. Additionally, the component classified as a discontinued operation must represent a major business line or a specific geographic business segment of the Group.

Non-current assets that are held for sale either individually or collectively as part of a disposal group or that belong to a discontinued operation are no longer depreciated. They are instead accounted for at the lesser value between the carrying amount and the fair value less any remaining costs to sell. If the fair value is less than the carrying amount, an impairment loss is recognised.

The income and losses resulting from the measurement of components held for sale at fair value less any remaining disposal costs as well as the profits and losses arising from the disposal of discontinued operations are reported separately in the statement of comprehensive income under income/loss from discontinued operations together with the income from the ordinary operating activities of these divisions. However, results from the valuation of individual assets held for sale and disposal groups are recognised in depreciation.

At present, the Encavis Group has no assets held for sale and associated liabilities.

3.18 Financial liabilities and other liabilities

Financial liabilities are recognised at their fair value at the time they are recorded in the balance sheet. Subsequent valuation is carried out at amortised cost using the effective interest method. The financial liabilities from the solar parks and wind parks are essentially non-recourse loans; that is, the solar and wind energy installations are the collateral for each respective loan. Other liabilities are recognised at the amount required to settle the respective obligation if fair value is negligible given their short maturity (less than one year).

3.19 Provisions

Other current provisions are recognised in the amount of their expected settlement without a discount and take into account all liabilities identifiable as of the balance sheet date which are based on past transactions or past events prior to the balance sheet date and whose amount or maturity is uncertain. The amount is calculated on the basis of the most likely settlement value.

Non-current provisions are discounted (risk-free) at an appropriate interest rate.

Provisions are only made if there is an underlying legal or de facto obligation towards third parties and the probability of occurrence is greater than 50%. Forming provisions presupposes that the fulfilment of the obligation is likely to result in the outflow of resources and a reliable estimate of the amount of the provision is possible.

3.20 Liabilities to non-controlling interests

Non-controlling interests in private companies are reported as non-current or current liabilities. Upon initial recognition, they are measured either at fair value or at the proportionate share of the identifiable net assets recognised in the balance sheet. The further development of liabilities is carried out through the further development of the pro rata net assets. Liabilities also include loans issued to non-controlling shareholders plus accrued interest.

3.21 Revenue

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.

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.

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

3.22 Financial income

Dividend income from investments is recognised when the shareholder’s right to receive payment has been established (provided it is probable that the economic benefit will flow to the Group and the amount of income can be measured reliably).

Interest income must be recognised if it is likely that the economic benefit will flow to the Group and the amount of income can be measured reliably. Interest income must be accrued or deferred on the basis of the outstanding nominal amount via the applicable effective interest rate. The effective interest rate is the exact rate by which the expected future payments over the lifetime of the financial asset will be discounted from the net carrying amount of that asset on initial recognition.

3.23 Share option programmes

Share options (equity-settled share-based payment transactions) are measured at their fair value at the time they are granted. The fair value of the obligation is recognised as personnel expenses over the vesting period, and a capital reserve is recognised at the same time (reserve for equity-settled employee remuneration to be met through equity instruments). The options issued are measured via a binomial option price model.

The valuation of share-based payment awards with cash settlement (share appreciation rights – SARs) is calculated using a Monte Carlo simulation. The SARs are assessed at each reporting date and settlement date. The calculated value of the SARs that are expected to become exercisable is recognised in profit and loss on an accrual basis as personnel expenses in the vesting period. Provisions are formed to the same extent. When SARs expire, the provisions already formed are released to other income with an effect on profit or loss.

3.24 Leases

Because Encavis does not act as lessor, the following explanations are limited to the accounting of the lessee.

At the start of each contract, an assessment is made as to whether the contract constitutes a lease in the sense of IFRS 16 or contains a lease. A lease within the meaning of IFRS 16 exists when the agreement grants Encavis the right to control the use of an identified asset for a specified period of time in return for a fee.

If a lease has been identified, a right of use is to be capitalised in an amount equal to the acquisition cost on the provision date, i.e. the date on which asset is available for use by Encavis. The acquisition cost includes:

- The amount recognised as a lease liability at initial valuation
- All initial direct costs incurred
- All lease payments already made before or as of the provision date less lease incentives received
- All estimated asset retirement and comparable obligations

Subsequent valuation is carried out at acquisition cost less any linear depreciation, amortisation and impairment losses, and adjusted for revaluations and modifications of the lease liability. The depreciation period is defined as the shorter of the useful life and the lease term. If the exercise of a call option is deemed sufficiently certain, the asset is depreciated over the useful life of the underlying asset.

On the provision date, a lease liability is to be recognised as a liability in the amount of the present value of the outstanding lease payments over the term of the lease. Encavis uses the marginal borrowing rate as the basis for discounting, provided that the interest rate implicit in the lease cannot otherwise be readily determined. Since the interest rate implicit in the lease cannot usually be readily determined, Encavis usually uses the marginal interest rate. The marginal interest rate is defined as the interest rate that a lessee would have to pay if it were to borrow, for a comparable period of time and with comparable certainty, the funds it would need in a comparable economic environment for an asset with a value comparable to the right of use. Encavis' marginal interest rate estimates are based on observable market yields, from which effective interest rates are derived and which are subsequently adjusted for liquidity and country-specific risks.

The lease liabilities include:

- Fixed payments (including de facto fixed payments) less lease incentives to be received
- Variable lease payments linked to an index or interest rate
- Amounts expected to be paid as part of residual value guarantees
- Exercise prices for call options, provided that their exercise is sufficiently probable
- Penalties for early termination of the lease, if it is reasonably certain that the termination will be exercised

Variable lease payments not pegged to an index or interest rate are recognised in the statement of comprehensive income. In the case of Encavis, these are mainly lease payments, which are linked, for example, to the revenues or other earnings figures of the respective energy installation.

The lease term consists of the binding term plus any extension options whose exercise is sufficiently likely as well as periods during which a termination option is granted, provided that this option is sufficiently unlikely to be exercised.

The lease liability is compounded over the term and reduced by the payments made. In the event of any changes in the lease that affect future lease payments, the lease must be revalued. These changes include, for example, revised estimates of the exercise of extension and termination options or adjustments to the amount of the lease payments.

Encavis makes use of its optional right granted by the standard to not recognise short-term leases with a term of up to 12 months and leases with low-value underlying assets (i.e. with an original value of up to USD 5,000) as assets and/or liabilities in the balance sheet. All related payments are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. As Encavis primarily has long-term contracts due to its business model, these exceptions rarely occur within the Group and are not considered significant.

3.25 Earnings per share

Undiluted earnings per share are calculated by dividing the earnings attributable to shareholders by the weighted average number of shares in circulation during the period. Diluted earnings per share are calculated by dividing the earnings attributable to shareholders by the weighted average number of shares in circulation during the period, plus the number of exercisable options. The options were taken into account if the average weighted market price of the ordinary shares had reached or exceeded the exercise price of the option during the period. The potential ordinary shares from the issued hybrid convertible bond do not have a dilutive effect due to the anti-dilution protection in accordance with IAS 33.41.

3.26 Borrowing costs

Borrowing costs incurred directly in connection with the creation of qualified assets from the start of production to commissioning are capitalised and then depreciated with the corresponding asset value. The cost of funding is determined on the basis of the specific financing costs of capital borrowed specifically for the production of a qualified asset. The cost-of-funding rate underlying the capitalisation in the amount of TEUR 568 was 2.30%. There was no capitalisation in the previous year. Other borrowing costs are recognised as current expenses.

3.27 Government grants

The benefit of a government loan (e.g. a subsidised loan from the KfW Group) at a below-market rate of interest is treated as a government grant and measured as the difference between the proceeds received and the fair value of the loan determined at the market rate. The interest rate advantage is recognised as deferred income and dissolved in profit and loss over the term of the subsidised fixed-interest rate for the loan.

3.28 Segment reporting

Segment reporting is carried out based on the accounting standard IFRS 8 “Operating Segments” in accordance with the management approach set out therein, which provides for segmentation and reporting based on the internal organisational and reporting structure as well as the internal control parameters. The segments were therefore defined and identified in accordance with the internal organisational and reporting structure. The Group has the following reportable operating segments: PV Parks, PV Service, Wind Parks and Asset Management. In addition, the non-reportable segment Administration is reported under other companies and Group functions because it is not a separate business segment under IFRS 8.6. Reporting is generally based on services rendered and products; a breakdown by region is shown in note 7. In particular, revenue and operating earnings before interest, taxes, depreciation and amortisation (EBITDA) are monitored separately by management in order to make decisions about the allocation of resources and to determine the profitability of the segments. Management also monitors the following operating performance indicators of the segments: EBITDA margin and earnings before interest and taxes (EBIT).

3.29 Risk management

The Encavis Group’s risk management system is designed to detect potential risks at an early stage and evaluate them precisely. Risk identification is therefore of great importance for the Encavis Group. For detailed information on the various types and classes of risk, please refer to the management report.

4 Subsidiaries

4.1 Disclosures on subsidiaries

Details on subsidiaries as of the balance sheet date are listed below:

Segment	Country	Number of wholly owned subsidiaries	
		31.12.2020	31.12.2019
PV Parks	Germany	50	48
	Italy	65	63
	France	15	8
	United Kingdom	23	23
	Netherlands	3	2
	Ireland	1	1
	Spain	8	2
	Denmark	6	1
Wind Parks	Germany	17	16
	France	4	4
	Austria	0	3
	Denmark	2	3
PV Service	Germany	1	2
Asset Management	Germany	20	19
Administration	Germany	6	4
	Netherlands	1	1
Total		222	200

Segment	Country	Number of non-wholly owned subsidiaries	
		31.12.2020	31.12.2019
PV Parks	Germany	2	4
	France	0	7
	Ireland	1	7
	Netherlands	1	2
Wind Parks	Germany	11	11
	Denmark	1	1
	Austria	3	0
	Italy	1	1
Total		20	33

The following changes in the subsidiaries included in the consolidated financial statements occurred in the 2020 financial year:

Changes in subsidiaries included in the consolidated financial statements	In Germany	Abroad	Total
Included as of 31 December 2019	104	129	233
Acquisition	5	6	11
Transition from equity accounting	0	6	6
Disposal	-1	-6	-7
Dissolution/liquidation/merger	-1	0	-1
Included as of 31 December 2020	107	135	242

In the financial year, Danish intermediate holding company Nørhede-Hjortmose Vind 12 ApS was renamed Mermaid Solar Komplementar ApS. Although the company was previously allocated to the Wind Parks segment, it will belong to the Solar Parks segment going forward.

The real estate company Thöringswerder GmbH & Co. KG was consolidated into the parent company Encavis Real Estate GmbH.

No holding companies were founded in the financial year.

Due to majority-preserving increases or decreases in shareholdings, there were several changes in the number of wholly owned and non-wholly owned subsidiaries at Encavis during the financial year:

Change in shareholding without change in control

	Encavis shareholding (old)	Encavis shareholding (new)
PV Germany: Bitterfeld	36.00%	100.00%
PV Germany: Brandenburg	51.00%	100.00%
PV France: Luxel portfolio (seven companies)	85.00%	100.00%
PV Netherlands: Budel	80.01%	100.00%
Wind Austria: Pongratzer Kogel, Herrenstein, Zagersdorf (three companies)	100.00%	51.00%

Details on the transactions presented here can be found in the following section of these notes.

Details on non-wholly owned subsidiaries which include significant non-controlling interests

The following table includes details on non-wholly owned subsidiaries which include significant non-controlling interests. Intra-Group transactions have not been removed from the specified amount.

Subsidiaries

	Equity interests and share of voting rights of non-controlling shares in %		Profit or loss attributed to non-controlling interests in TEUR		Cumulative non-controlling interests in TEUR	
	31.12.2020	31.12.2019	2020	2019	31.12.2020	31.12.2019
Zonnepark Zierikzee B.V.	10.00	10.00	1	5	469	468
Parco Eolico Monte Vitalba S.r.l.	15.00	15.00	-26	11	441	467
Nørhede-Hjortmose Vindkraft I/S	18.50	18.50	62	134	1,744	1,980
Windpark Herrenstein GmbH	49.00	0.00	0	0	638	0
Windpark Pongratzer Kogel GmbH	49.00	0.00	0	0	2,130	0
Windpark Zagersdorf GmbH	49.00	0.00	0	0	1,659	0
Centrale Photovoltaique S-au-S06 SARL	0.00	15.00	0	66	0	138
CPV Sun 20 SARL	0.00	15.00	0	-30	0	-18
CPV Sun 21 SARL	0.00	15.00	0	13	0	40
CPV Sun 24 SARL	0.00	15.00	0	-13	0	-20
CPV Bach SARL	0.00	15.00	0	-49	0	-45
CPV Entoublanc SARL	0.00	15.00	0	-19	0	-67
Solaire Ille SARL	0.00	15.00	0	66	0	129
Solarpark Brandenburg (Havel) GmbH	0.00	49.00	0	953	0	6,883
Zonnepark Budel B.V.	0.00	19.99	292	186	0	118
Other immaterial subsidiaries			-1	-43	3	-65
Total amount of non-controlling interests			327	1,280	7,085	10,009

In July 2020, Encavis AG increased to 100% its shareholding in the Solaire Ille SARL, Centrale Photovoltaique S-au-S06 SARL, CPV Sun 20 SARL, CPV Sun 21 SARL, CPV Sun 24 SARL, CPV Bach SARL and CPV Entoublanc SARL solar parks in France, as well as in the German company Solarpark Brandenburg (Havel) GmbH in February 2020. Additionally, pursuant to the purchase contract of November 2020, the remaining shares in Zonnepark Budel B.V. solar park in the Netherlands were acquired.

In November 2020, the six development projects in Ireland recognised in other insignificant subsidiaries were sold: Ballinaclough Solar DAC, Creevy Solar Farm DAC, Garrymore Solar Farm DAC, Mainscourt Solar DAC, Martinstown Solar Farm DAC and Toolestown Solar DAC.

Additionally, in December 2020, 49% shareholdings in each of the three Austrian park companies Windpark Pongratzer Kogel GmbH, Windpark Herrenstein GmbH and Windpark Zagersdorf GmbH were disposed of.

Condensed financial information relating to subsidiaries in which the Group holds significant non-controlling interests is provided below. The condensed financial information corresponds to the amounts before intra-Group eliminations.

No more items are shown in the balance sheet, consolidated earnings or cash flow statement for the 2020 financial year for the companies in which the shareholding was increased to 100% during the 2020 financial year. If applicable, annual earnings or comprehensive income attributable to non-controlling interests, as well as dividends paid to them, are presented separately below the table.

Zonnepark Zierikzee B.V., Netherlands	31.12.2020 in TEUR	31.12.2019 in TEUR
Current assets	1,033	898
Non-current assets	15,822	16,731
Current liabilities	650	2,263
Non-current liabilities	11,520	10,686
Net assets	4,685	4,680
Carrying amount of non-controlling interests	469	468
	2020	2019
Revenue	1,579	1,496
Annual earnings	5	53
Total comprehensive income	5	53
Profit or loss attributable to non-controlling interests	1	5
	2020	2019
Cash flow from operating activities	939	1,107
Cash flow from investing activities	0	-530
Cash flow from financing activities	-1,118	-187
Net change in cash and cash equivalents	**-179**	**390**

Parco Eolico Monte Vitalba S.r.l., Italy	31.12.2020 in TEUR	31.12.2019 in TEUR
Current assets	437	418
Non-current assets	3,697	4,314
Current liabilities	86	154
Non-current liabilities	1,127	1,485
Net assets	2,921	3,093
Carrying amount of non-controlling interests	441	467
	2020	2019
Revenue	436	733
Annual earnings	-172	70
Total comprehensive income	-172	70
Profit or loss attributable to non-controlling interests	-26	11
	2020	2019
Dividends paid to non-controlling interests	0	139
Cash flow from operating activities	-23	741
Cash flow from investing activities	-5	0
Cash flow from financing activities	-16	-1,096
Net change in cash and cash equivalents	-44	-355

Nørhede-Hjortmose Vindkraft I/S, Denmark	31.12.2020 in TEUR	31.12.2019 in TEUR
Current assets	404	406
Non-current assets	10,364	11,382
Current liabilities	214	143
Non-current liabilities	1,172	986
Net assets	9,383	10,659
Carrying amount of non-controlling interests	1,744	1,980
	2020	2019
Revenue	1,781	2,166
Annual earnings	333	722
Total comprehensive income	374	717
Profit or loss attributable to non-controlling interests	62	134
Comprehensive income attributable to non-controlling interests	69	133
	2020	2019
Dividends paid to non-controlling interests	294	438
Cash flow from operating activities	1,685	901
Cash flow from investing activities	-24	0
Cash flow from financing activities	-1,596	-2,356
Net change in cash and cash equivalents	64	-1,455

Windpark Herrenstein GmbH, Austria	31.12.2020 in TEUR	31.12.2019 in TEUR
Current assets	2,764	1,858
Non-current assets	34,256	36,077
Current liabilities	3,508	2,392
Non-current liabilities	33,286	35,592
Net assets	226	-49
Carrying amount of non-controlling interests	638	0
	2020	2019
Revenue	3,444	3,555
Annual earnings	275	326
Total comprehensive income	275	326
	2020	2019
Cash flow from operating activities	2,936	2,700
Cash flow from investing activities	-84	-85
Cash flow from financing activities	-2,704	-2,646
Net change in cash and cash equivalents	**149**	-31

Windpark Pongratzer Kogel GmbH, Austria	31.12.2020 in TEUR	31.12.2019 in TEUR
Current assets	941	2,328
Non-current assets	10,185	11,180
Current liabilities	938	839
Non-current liabilities	7,853	10,542
Net assets	2,335	2,126
Carrying amount of non-controlling interests	2,130	0
	2020	2019
Revenue	1,553	1,789
Annual earnings	204	331
Total comprehensive income	209	327
	2020	2019
Cash flow from operating activities	1,305	1,447
Cash flow from financing activities	-2,582	-813
Net change in cash and cash equivalents	**-1,277**	634

Windpark Zagersdorf GmbH, Austria	31.12.2020 in TEUR	31.12.2019 in TEUR
Current assets	618	1,228
Non-current assets	13,194	14,006
Current liabilities	925	920
Non-current liabilities	10,643	12,238
Net assets	2,245	2,077
Carrying amount of non-controlling interests	1,659	0
	2020	2019
Revenue	1,493	1,646
Annual earnings	195	292
Total comprehensive income	168	198
	2020	2019
Cash flow from operating activities	1,287	1,379
Cash flow from investing activities	-290	0
Cash flow from financing activities	-1,491	-993
Net change in cash and cash equivalents	**-494**	**386**

Centrale Photovoltaique S-au-S06 SARL, France	31.12.2019 in TEUR
Current assets	1,124
Non-current assets	12,799
Current liabilities	3,560
Non-current liabilities	9,445
Net assets	919
Carrying amount of non-controlling interests	138
	2019
Revenue	1,588
Annual earnings	442
Total comprehensive income	442
Profit or loss attributable to non-controlling interests	66
	2019
Cash flow from operating activities	1,059
Cash flow from investing activities	-211
Cash flow from financing activities	-730
Net change in cash and cash equivalents	**118**

CPV Sun 20 SARL, France

	31.12.2019 in TEUR
Current assets	697
Non-current assets	7,349
Current liabilities	1,655
Non-current liabilities	6,509
Net assets	-118
Carrying amount of non-controlling interests	-18
	2019
Revenue	832
Annual earnings	-203
Total comprehensive income	-203
Profit or loss attributable to non-controlling interests	-30
	2019
Cash flow from operating activities	313
Cash flow from financing activities	-556
Net change in cash and cash equivalents	**-243**

CPV Sun 21 SARL, France

	31.12.2019 in TEUR
Current assets	1,115
Non-current assets	9,507
Current liabilities	2,186
Non-current liabilities	8,169
Net assets	267
Carrying amount of non-controlling interests	40
	2019
Revenue	1,080
Annual earnings	84
Total comprehensive income	84
Profit or loss attributable to non-controlling interests	13
	2019
Cash flow from operating activities	927
Cash flow from investing activities	-22
Cash flow from financing activities	-700
Net change in cash and cash equivalents	**206**

CPV Sun 24 SARL, France

	31.12.2019 in TEUR
Current assets	1,352
Non-current assets	15,572
Current liabilities	3,571
Non-current liabilities	13,486
Net assets	-134
Carrying amount of non-controlling interests	-20
	2019
Revenue	1,738
Annual earnings	-84
Total comprehensive income	-84
Profit or loss attributable to non-controlling interests	-13
	2019
Cash flow from operating activities	1,057
Cash flow from investing activities	-2
Cash flow from financing activities	-1,149
Net change in cash and cash equivalents	**-94**

CPV Bach SARL, France

	31.12.2019 in TEUR
Current assets	828
Non-current assets	9,384
Current liabilities	2,046
Non-current liabilities	8,463
Net assets	-297
Carrying amount of non-controlling interests	-45
	2019
Revenue	1,060
Annual earnings	-324
Total comprehensive income	-324
Profit or loss attributable to non-controlling interests	-49
	2019
Cash flow from operating activities	956
Cash flow from investing activities	-55
Cash flow from financing activities	-607
Net change in cash and cash equivalents	**293**

CPV Entoublanc SARL, France

	31.12.2019 in TEUR
Current assets	814
Non-current assets	9,817
Current liabilities	2,223
Non-current liabilities	8,856
Net assets	-448
Carrying amount of non-controlling interests	-67
	2019
Revenue	1,043
Annual earnings	-127
Total comprehensive income	-127
Profit or loss attributable to non-controlling interests	-19
	2019
Cash flow from operating activities	340
Cash flow from investing activities	-71
Cash flow from financing activities	-1,015
Net change in cash and cash equivalents	**-745**

Solaire Ille SARL, France

	31.12.2019 in TEUR
Current assets	1,037
Non-current assets	11,885
Current liabilities	3,024
Non-current liabilities	9,034
Net assets	863
Carrying amount of non-controlling interests	129
	2019
Revenue	1,589
Annual earnings	438
Total comprehensive income	438
Profit or loss attributable to non-controlling interests	66
	2019
Cash flow from operating activities	1,142
Cash flow from financing activities	-1,126
Net change in cash and cash equivalents	**16**

Solarpark Brandenburg (Havel) GmbH, Germany	31.12.2019 in TEUR
Current assets	3,753
Non-current assets	32,461
Current liabilities	2,116
Non-current liabilities	23,057
Net assets	11,040
Carrying amount of non-controlling interests	6,883
	2019
Revenue	5,193
Annual earnings	1,946
Total comprehensive income	1,946
Profit or loss attributable to non-controlling interests	953
	2019
Dividends paid to non-controlling interests	155
Cash flow from operating activities	3,261
Cash flow from financing activities	-3,141
Net change in cash and cash equivalents	**120**

Zonnepark Budel B.V., Netherlands	31.12.2019 in TEUR
Current assets	2,003
Non-current assets	47,353
Current liabilities	11,957
Non-current liabilities	36,801
Net assets	598
Carrying amount of non-controlling interests	118
	2019
Revenue	5,108
Annual earnings	930
Total comprehensive income	-25
Profit or loss attributable to non-controlling interests	186
Comprehensive income attributable to non-controlling interests	-5
	2019
Cash flow from operating activities	3,536
Cash flow from investing activities	1,541
Cash flow from financing activities	-5,555
Net change in cash and cash equivalents	**-477**

In 2020, TEUR 292 of the earnings and TEUR 153 of the comprehensive income of the Zonnepark Budel B.V. solar park were attributable non-controlling interests. Additionally, dividends in the amount of TEUR 48 were paid to these non-controlling interests.

Reference is made to the list of shareholdings in section 18 of the notes.

4.2 Business combinations

Finalisation of the purchase price allocation for Encavis Nordbrise A/S

During the measurement period as per IFRS 3.45, the company adjusted the purchase price allocation in 2020 due to the now finalised measurement of the intangible assets and property, plant and equipment as well as changes to the net assets acquired. The main changes to the provisional price allocation and the figures presented in the 2019 annual report are decreases in intangible assets of TEUR 292, property, plant and equipment of TEUR 413 and deferred tax assets of TEUR 155. Additionally, other receivables were increased by TEUR 504 and liabilities and provisions by TEUR 1,023, resulting in an increase in goodwill of TEUR 1,069.

Overall impact of the business combinations on the Group result

The increase in goodwill from the adjustments of the provisional purchase price allocation for the company Nordbrise A/S from the 2019 financial year amounts to TEUR 1,069. No other adjustments were made in the 2020 financial year.

Acquisition of subsidiaries that do not meet the definition of a business

In the 2020 financial year, thanks to a number of purchases, Encavis was able to significantly expand its international portfolio of solar and wind installations. Under the amendment to IFRS 3 described above, which entered into force during the financial year, none of the following transactions match the definition of a business acquisition. All acquisitions were therefore accounted for as acquisitions of assets in the consolidated financial statements – regardless of when the installation was commissioned.

Cabrera Energía Solar S.L.

On 7 April 2020, the 80% shareholding in Cabrera Energía Solar S.L. held by Encavis was increased by 10% initially, and by a further 10% on 19 May 2020, resulting in a 100% shareholding. Within the Encavis Group, Cabrera Energía Solar S.L. was treated as an associate until 18 May 2020 due to a lack of control and was therefore accounted for using the equity method. With the acquisition of all shares, Cabrera Energía Solar S.L. as the parent company with its four wholly owned subsidiaries Narges Develops S.L.U., Navid Enterprise S.L.U., Neftis Business S.L.U. and Desarrollos Empresariales Luanda S.L.U. – now represents a sub-Group within the Encavis Group going forward. The purchase price, including a put option, amounted to TEUR –2,289. The four previously mentioned subsidiaries each operate a 49.99 MW photovoltaic installation in the south of Spain in the direct vicinity of Seville, and each have a 25% shareholding in the infrastructure company Griffin Develops S.L., which is also included as a subsidiary in the consolidated financial statements. In addition, the four above-mentioned solar park companies each hold 12.5% of shares in the second infrastructure company Sisteme Electrico Conexion Nudo Don Rodrigo 220 KV S.L. On 11 May 2020, the amount of the shareholdings was decreased by 2.425% to 10.075% respectively. These shares in the four park companies are valued using the equity method; they are recognised as associates.

The acquisition of Cabrera Energía Solar S.L. is not presented as a business combination within the meaning of IFRS 3, but rather as an acquisition of assets. For an integrated set of activities and assets to meet the definition of a business, it must contain at least one input and one substantive process that, together, contribute significantly to the ability to generate output. Because the commissioning of the solar installations took place in September 2020 and thus after the date on which the control was obtained, the criterion of the ability to generate power is already lacking. As this is an acquisition of assets and not the acquisition of a business, the difference between the purchase price and the revalued assets was not recognised as goodwill, but was allocated to the net assets acquired and capitalised. Financial assets and liabilities were recognised at their respective fair values. As part of the first-time consolidation, non-recurring income of TEUR 4,851 was recognised from transitional accounting.

With the increase of the shareholding to 100%, the company form changes to S.L.U. For simplification purposes, the company name Cabrera Energía Solar S.L. is used uniformly in this annual report. In the list of shareholdings, the company is listed as Cabrera Energía Solar S.L.U.

In TEUR	Allocation of the purchase price
Intangible assets	606
Property, plant and equipment	146,766
Right-of-use assets IFRS 16	17,791
Financial assets	1,609
Other non-current assets	18
Current assets	370
Cash and cash equivalents	5,145
Liquid assets with restrictions on disposition	8,924
Liabilities and provisions	150,576
Negative market value of power purchase agreement	22,705
Lease liabilities IFRS 16	10,236
Identified acquired net assets	**-2,289**

Viertkamp GmbH & Co. KG
On 26 June 2020, Encavis acquired 100% of shares in the German wind park Viertkamp GmbH & Co. KG, which is located in the Stade district. The purchase price was TEUR 4,493. An agreement on a purchase price retention in the amount of TEUR 200 was concluded as part of the transaction. The company comprises four wind installations with a total generation capacity of 14.4 MW. The four installations were commissioned between December 2019 and February 2020.

The acquisition of Viertkamp GmbH & Co. KG is not presented as a business combination within the meaning of IFRS 3, but rather as an acquisition of assets. The test of whether there is an input factor and a substantive process so that output can be generated led to the conclusion that there is no business because there is no organised workforce and the process of generating electricity is not unique. As this is an acquisition of assets and not the acquisition of a business, the difference between the purchase price and the revalued assets was not recognised as goodwill, but was allocated to the net assets acquired and capitalised. Financial assets and liabilities were recognised at their respective fair values.

In TEUR	Allocation of the purchase price
Property, plant and equipment	29,356
Right-of-use assets IFRS 16	4,985
Current assets	649
Cash and cash equivalents	1,095
Liabilities and provisions	27,998
Lease liabilities IFRS 16	3,573
Deferred tax liabilities	20
Identified acquired net assets	**4,493**

The other non-current assets in the amount of TEUR 649 assumed as part of the acquisition of assets and liabilities represent advance payments for the leased land and, pursuant to IFRS 16, are reclassified to rights of use.

Other acquisitions
On 30 April 2020, Encavis acquired Encavis AM Komplementär GmbH, headquartered in Neubiberg, which acts as general partner within the framework of asset management activities. This company has no significant transactions.

Additionally, in November 2020, Encavis acquired the two holdings – H&J Energieportfolio Verwaltungs GmbH i.L. and REGIS Treuhand & Verwaltung GmbH für Beteiligungen i.L. – headquartered in Neubiberg. These companies hold tax assets vis-à-vis the Italian tax authorities which are to be enforced.

In addition, the following projects were acquired via the various development partnerships concluded in the previous year and in the financial year:

Acquisition in the financial year	Segment
GreenGo Energy M01a K/S	PV Denmark
GreenGo Energy M01b K/S	PV Denmark
GreenGo Energy M23 K/S	PV Denmark
GreenGo Energy M30 K/S	PV Denmark
LT01 S.R.L.	PV Italy
LT02 S.R.L.	PV Italy
Solarpark Lindenhof GmbH	PV Germany

All companies currently represent energy installations in the very early stages of development which do not yet have significant impact on the consolidated financial statements.

Increase in shareholding in solar parks

In the first quarter of 2020, Encavis increased its shareholdings in two German solar parks – CHORUS CleanTech GmbH & Co. Solarpark Bitterfeld KG (previously 36%) and Solarpark Brandenburg (Havel) GmbH (previously 51%) – to 100% respectively, as planned. Neither of the two transactions had an effect on profit or loss for the Group during the financial year.

On 6 July 2020, Encavis AG expanded its portfolio of solar parks in France as planned, and is now the sole owner of 12 additional solar parks in France with a total capacity of 75 MW. The acquisition of the remaining shares (15% respectively) now means that Encavis AG holds 100% ownership of all its solar parks in France. Within the Group, the capital consolidation of the 15% shareholding acquired is carried out as a transaction to maintain a majority with no effect on profit or loss.

With a purchase contract dated 24 November 2020 and payment on 17 December 2020, Encavis AG acquired the remaining 19.99% in the Budel solar park near the city of Eindhoven in the Nordbrabant province in the Netherlands. Altogether, nearly 99% of the solar park portfolio of some 106 MW in the Netherlands is now under the ownership of Encavis. Within the Group, the capital consolidation of the 19.99% shareholding acquired is carried out as a transaction to maintain a majority with no effect on profit or loss.

Business combinations and other acquisitions after the balance sheet date

With the commissioning of the Genia Extremadura Solar S.L. (Talayuela) solar park in Spain on 4 January 2021, this park is now fully consolidated in the Group. The project is the Encavis Group's largest, with a generation capacity of 300 MWp.

At the beginning of 2021, Encavis acquired the Montefiascone solar park in Italy with a generation capacity of 48 MWp as part of a development partnership. The park is to be provided with a PPA. Due to the early phase in construction, the project does not have any significant effects on the consolidated financial statements at this point in time.

There were no other changes in scope of consolidation of Encavis at the time this report was published.

Business combinations in the previous year

In the 2019 financial year, the following companies were added to the scope of consolidation as a result of business combinations:

In Germany	Abroad
Energiepark Debstedt 2 RE GmbH & Co. WP DE KG	Encavis Nordbrise A/S
	Zonnepark Zierikzee B.V.

4.3 Disposals of subsidiaries and participating interests

Sale of Stern Energy GmbH (PV Service segment)

In February 2020, Stern Energy GmbH – which was part of the PV Service segment – was sold to the associate Stern Energy S.p.A. as planned. Encavis exercised its option to show the resulting income completely in the consolidated financial statements in accordance with IFRS 10. As a result of the transaction, the Group received cash and cash equivalents of TEUR 2,832.

Sale of six development projects in Ireland (Solar Parks segment)

In November 2020, Encavis disposed of six development projects in Ireland: Ballinaclough Solar DAC, Creevy Solar Farm DAC, Garrymore Solar Farm DAC, Mainscourt Solar DAC, Martinstown Solar Farm DAC and Toolestown Solar DAC headquartered in Dublin. The transaction did not result in any significant effects on the consolidated financial statements.

Majority-preserving reduction of the share capital by 49% for three Austrian companies (Wind Parks segment)

On 18 December 2020, Encavis disposed of shares in the amount of 49% each in three wind parks in Austria to WIEN ENERGIE GmbH: Windpark Pongratzer Kogel GmbH, Windpark Herrenstein GmbH and Windpark Zagersdorf GmbH. The transaction was carried out without effect on the status of control over the subsidiaries. The inflow of funds from the majority-preserving reduction of the share capital is recognised in the cash flow from financing activities and amounts to TEUR 12,184, of which a total of TEUR 4,427 is attributable to the acquisition of shares; holdings of non-controlling shareholders have been recognised in the corresponding amount. Additionally, a total of loan and interest receivables in the amount of TEUR 7,756 was transferred to the buyer as part of the transaction.

4.4 Significant restrictions

Pursuant to IFRS 12.13, CSG IPP GmbH is subject to the following significant restrictions that result from the mezzanine capital contract with Gothaer Lebensversicherung AG (hereinafter “Gothaer”). Investments in connection with the mezzanine capital are subject to various investment criteria that are determined by a committee comprising equal numbers of representatives of Encavis and Gothaer. Furthermore, during the term of the mezzanine capital contract, the shares in CSG IPP GmbH must not be pledged or encumbered with other rights and no cash-pooling contracts are permitted to exist. This does not include contracts between CSG IPP GmbH and the subsidiaries of CSG IPP GmbH. Material measures such as the dissolution or liquidation of CSG IPP GmbH require a unanimous decision by the committee. If Encavis intends to sell its interest in CSG IPP GmbH, Gothaer has a right of first refusal. Furthermore, the mezzanine capital contract stipulates narrowly defined rules on the liquidity available for distribution. The carrying amount of the assets of CSG IPP GmbH as of the balance sheet date is TEUR 221,908 (previous year: TEUR 214,347) and the carrying amount of the liabilities is TEUR 204,906 (previous year: TEUR 202,218). The carrying amount of the assets of CSG IPP GmbH in the consolidated financial statements as of the balance sheet date is TEUR 22,000 (previous year: TEUR 15,843) and the carrying amount of the liabilities is TEUR 155,882 (previous year: TEUR 156,307).

5 Notes to the consolidated statement of comprehensive income

5.1 Revenue

TEUR 292,300

Previous year: TEUR 273,822

The following table shows a breakdown of external revenue 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	69,429	42,489	350	15,964	128,232
(previous year)	(69,370)	(39,815)	(159)	(10,423)	(119,767)
Italy	59,179	436			59,615
(previous year)	(61,620)	(733)			(62,353)
France	38,016	8,078			46,094
(previous year)	(38,884)	(7,312)			(46,196)
United Kingdom	17,233				17,233
(previous year)	(18,759)				(18,759)
Austria		6,490			6,490
(previous year)		(6,991)			(6,991)
Denmark		20,032			20,032
(previous year)		(8,264)			(8,264)
Netherlands	12,257				12,257
(previous year)	(11,492)				(11,492)
Spain	2,343				2,343
(previous year)	(0)				(0)
Ireland	4				4
(previous year)	(0)				(0)
Total	198,461	77,525	350	15,964	292,300
(previous year)	(200,125)	(63,115)	(159)	(10,423)	(273,822)
Date of revenue realisation					
Services provided over a certain period of time	198,461	77,525	350	15,964	292,300
(previous year)	(200,125)	(63,115)	(159)	(10,423)	(273,822)

Of revenue, TEUR 5,395 stems from compensation for throttling; these are payments made to compensate for the grid operator shutting down the energy generation installations (due to bottlenecks in the grid or for other technical reasons) or by the direct marketer (for example due to remuneration being temporarily too low on the electricity exchange).

5.2 Other income

TEUR 17,314

Previous year: TEUR 14,839

This item comprises:

Type of income in TEUR	2020	2019
Income from the initial consolidation of solar parks and wind parks	0	2,055
Non-period income	1,983	4,759
- of which from the reversal of provisions	*848*	*476*
Income from the reversal of deferred accrual items (government grants)	2,311	2,255
Other income	13,021	5,770
Total	17,314	14,839

Other income includes income from the transfer of the equity accounting for full consolidation of Cabrera Energía Solar S.L. in the amount of TEUR 4,851 and income from the sale of Stern Energy GmbH to Stern Energy S.p.A. as in the amount of TEUR 3,055.

5.3 Cost of materials

TEUR -3,008

Previous year: TEUR -2,136

This largely comprises the purchase of externally supplied electricity for the operation of the solar parks and wind parks in the amount of TEUR 1,927 (previous year: TEUR 1,737). Additionally, to a lesser extent, this includes grid costs, costs for infrastructure companies or substations and trade or direct-marketing costs.

5.4 Personnel expenses

TEUR -20,659

Previous year: TEUR -16,997

Personnel expenses changed as follows:

In TEUR	2020	2019
Salaries	13,520	12,256
Social security contributions	1,593	1,304
Other personnel expenses	189	412
Personnel expenses from share-based payment	5,357	3,026
Total	20,659	16,997

In the 2020 financial year, there were an average of 129 employees in the Group (2019: 123 employees). The average number of employees is shown below broken down by company:

Average number of employees	2020	2019
Encavis AG	83	77
Stern Energy GmbH	0	10
Encavis Asset Management AG	33	26
Encavis GmbH	13	11
Total	129	123

Salaries also include expenses for employee bonuses and other payments. A breakdown of Management report remuneration is included in the remuneration report in the management report.

Personnel expenses from the share option programmes (see section 6.13 of the notes) of TEUR 5,357 (previous year: TEUR 3,026) were recognised in the consolidated earnings in the 2020 financial year.

In the 2020 financial year, payments of the employer's shares of statutory German pension insurance contributions amounted to TEUR 751 (previous year: TEUR 696).

5.5 Other expenses

TEUR -57,542

Previous year: TEUR -53,427

This item comprises:

Type of expense in TEUR	2020	2019
Costs for solar and wind parks	44,439	38,812
Legal and consulting costs, third-party services	7,305	5,346
Operating expenses	2,657	3,633
Due diligence and transaction costs	532	737
Financial statement preparation and audit costs	532	779
Supervisory Board remuneration	476	389
Rent and cost of premises	240	365
Publications and Annual General Meeting	191	140
Investor relations and designated sponsoring	106	99
Impairment for expected credit losses	28	2,659
Other	1,038	468
Total	57,542	53,427

Due to adjustments in the Group's accounts system, there are deviations in individual items from the previous year compared to the information published in the 2019 annual report.

Other expenses are primarily comprised of costs for the operation of the parks, acquisition and administration, stock exchange listing costs, costs for legal and tax advice as well as auditing and general administrative costs such as travel expenses, insurance, advertising costs, telecommunications, vehicle costs and Supervisory Board remuneration. The following table shows a detailed overview of the costs for solar parks and wind parks. Expenses from the addition of imputed loan loss provisions (ECL) in accordance with IFRS 9 for receivables, loans and other assets are reported under "Impairment for expected credit losses". The high expense in the previous year is solely due to the increase in loans issued and is not an indication of actual impairment. Details can be found in section 8 of the notes.

Costs for solar parks and wind parks can be broken down as follows:

Costs of solar and wind parks in TEUR	2020	2019
Repairs and maintenance	15,703	10,730
Technical and commercial management	14,619	11,899
Other tax expenses for parks	3,018	2,986
Legal and consulting costs, third-party services	2,731	3,837
Insurance	2,316	2,389
Alarm and security costs	890	457
Fees, incidental costs and allowable expenses	755	1,043
Commercial lease	572	626
Other	3,835	4,846
Total	**44,439**	38,812

5.6 Depreciation and amortisation

TEUR -136,580

Previous year: TEUR -124,674

This item comprises:

Depreciation and amortisation in TEUR	2020	2019
Scheduled amortisation of intangible assets	51,999	47,462
- of which on electricity feed-in contracts/project rights	*50,773*	*46,276*
Scheduled depreciation of property, plant and equipment	84,581	77,213
- of which on energy generation installations	*82,977*	*75,626*
Total	136,580	124,674

5.7 Financial result

TEUR –64.486

Previous year: TEUR -40,775

This item comprises:

In TEUR	2020	2019
Interest and other similar income	17,207	21,200
Income from participating interests	49	21
Earnings attributable to non-controlling interests	0	3,550
Financial income	**17,256**	**24,771**
Interest and other similar expenses	-70,906	-61,375
Depreciation and amortisation on financial investments and current securities	-12	0
Earnings attributable to non-controlling interests	-1,202	-1,093
Financial expenses	**-72,120**	**-62,468**
Earnings from financial assets accounted for using the equity method	**-9,622**	**-3,078**
Total	-64,486	-40,775

Interest and other similar income includes income from the valuation of derivative financial instruments in the amount of TEUR 1,801 (previous year: TEUR 1,056), income from the continuous valuation of financial liabilities within the scope of business combinations in the amount of TEUR 7,233 (previous year: TEUR 11,485) and interest income from loans to affiliates in the amount of TEUR 7,728 (previous year: TEUR 3,030). The line item for interest and similar expenses also includes the compounding effects of lease liabilities additionally in the amount of TEUR 6,650 (previous year: TEUR 6,651). The financial result also comprises net expenses from foreign currency translation of

TEUR 4,361 (previous year: net income of TEUR 4,302). The measurement of non-current financial assets at fair value through profit or loss resulted in net expenses of TEUR 1,226 in the 2020 financial year (previous year: net income of TEUR 153). The result of financial assets accounted for using the equity method is used to adjust the originally recognised carrying amounts with an effect on profit or loss. The transfer to the corresponding loans to associated companies recognised in profit or loss is also shown here. Please refer to note 6.4 for more further details.

5.8 Income taxes

TEUR -8,965

Previous year: TEUR -21,257

The reconciliation of expected to actual expenses for taxes on income can be seen in the following table:

In TEUR	2020	2019
Earnings before taxes (EBT)	27,339	50,651
Expected taxes on income (32.28 %; previous year: 32.28 %)	**-8,824**	**-16,303**
Differences due to different local tax rates and tax rate changes	334	1,216
Taxes relating to other periods	4,989	-3,657
Effects from tax-free income	839	1,270
Effects from non-tax-deductible operating expenses	-1,952	-3,102
Effects due to the use or impairment of loss carry-forwards	-622	54
Effects from financial assets accounted for using the equity method	-1,624	0
Effects from additions (initial recognition exemption)	-62	0
Effects of trade tax additions and deductions	-1,596	-521
Other	-447	-214
Taxes on income	**-8,965**	**-21,257**

With an actual tax liability of TEUR 9,498 (previous year: TEUR 16,196) and deferred tax income of TEUR 533 (previous year: tax expenses of TEUR 5,061), total tax expense for 2020 recognised in consolidated earnings amounts to TEUR 8,965 (previous year: TEUR 21,257).

Deferred taxes recognised in other comprehensive income amount to TEUR 1,549 (previous year: TEUR 2,455). They result from the effective part of the change in the fair value of derivative financial instruments used in cash flow hedges.

For the hybrid equity raised via Encavis Finance B.V. in accordance with IFRS, calculated income taxes on the tax-deductible interest expense of TEUR 1,302 (previous year: TEUR 1,125) were recognised directly in equity.

No significant audit findings were made for the audits of individual subsidiaries ongoing in 2020, so that no provisions for income taxes were formed in this regard.

Provisions totalling TEUR 3,400 were formed with effect on profit or loss for tax risks. These risks primarily result from a matter which is closed; however, the appeals process has not been concluded on this matter as of 31 December 2020.

A receivable totalling TEUR 3,973 has been recognised in the consolidated financial statements for benefits in Italy due to the potential tax credit within the framework of the “Tremonti Ambiente” environmental tax incentive. Corresponding applications regarding this tax credit have been submitted, and a decision by the Italian tax authorities is expected in 2021 or 2022. Due to positive decisions in comparable cases, the company decided to capitalise these claims as of 31 December 2020. No deferred tax assets were capitalised for the potential future benefits from available tax loss carry-forwards as a result of this tax subsidy. It is expected that further tax credits eligible for offsetting in the amount of TEUR 29,478 can be used in the future at Italian Group companies within the framework of the “Tremonti Ambiente” environmental tax incentive.

5.9 Other comprehensive income

TEUR 44,200

Previous year: TEUR -73,832

Other comprehensive income is mainly comprised of the hedge reserve of TEUR -5,906 (previous year: TEUR -10,476), changes in value from the equity method, which are recognised directly in equity (TEUR 34,321; previous year: TEUR -65,769) and currency translation differences of TEUR 597 (previous year: TEUR -51) from the translation of subsidiaries managed in foreign currencies. The changes in value from the equity method result primarily from power purchase agreements of associates, the changes in value of which are recognised directly in the equity of the associates as a derivative in accordance with IFRS 9 and are therefore also reported here in the consolidated financial statements.

Amounts recognised in equity will be reclassified in full to consolidated earnings once the corresponding hedged items have expired. In the 2020 financial year, TEUR 13,623 from the equity reserve was reclassified to consolidated earnings with the full consolidation of the former affiliate Cabrera Energía Solar S.L.

The corresponding deferred tax effects amount to TEUR 1,549 (previous year: TEUR 2,455). There are currently no items in the Encavis Group that cannot be reclassified to profit or loss.

In TEUR	Amount before taxes	Tax effect	Amount after taxes
Items that can be reclassified to profit or loss			
Currency translation differences	597	0	597
(previous year)	(-51)	(0)	(-51)
Hedging of cash flows – effective part of the change in fair value	-5,906	1,551	-4,355
(previous year)	(-10,476)	(2,456)	(-8,020)
Cost of hedging measures	15	-2	13
(previous year)	(8)	(-1)	(7)
Changes in value from the equity method recorded directly in equity	34,321	0	34,321
(previous year)	(-65,769)	(0)	(-65,769)
Reclassifications	13,623	0	13,623
(previous year)	(1)	(0)	(1)
Total change	**42,650**	**1,549**	**44,200**
(previous year)	**(-76,287)**	**(2,455)**	**(-73,832)**

6 Notes to the consolidated balance sheet

6.1 Intangible assets

TEUR 493,885

Previous year: TEUR 547,168

Changes in intangible assets were as follows:

In TEUR	Other intangible assets	Electricity feed-in contracts/project rights	Total
Acquisition cost			
As of 01.01.2019	14,650	710,575	725,225
Additions	405	0	405
Changes in the scope of consolidation	0	13,257	13,257
Disposals	-2	0	-2
Transfers	-106	106	0
Currency translation	5	1,367	1,372
As of 31.12.2019	**14,952**	**725,305**	**740,257**
Depreciation and amortisation			
As of 01.01.2019	2,897	142,378	145,275
Additions	1,186	46,276	47,462
Disposals	-2	0	-2
Currency translation	0	353	353
As of 31.12.2019	**4,081**	**189,007**	**193,088**
Carrying amount as of 31.12.2019	**10,871**	**536,298**	**547,168**
Acquisition cost			
As of 01.01.2020	14,952	725,305	740,257
Additions	2,899	0	2,899
Changes in the scope of consolidation	-2,864	-292	-3,156
Disposals	-2	0	-2
Currency translation	0	-1,456	-1,456
As of 31.12.2020	**14,984**	**723,557**	**738,542**
Depreciation and amortisation			
As of 01.01.2020	4,081	189,007	193,088
Additions	1,226	50,773	51,999
Disposals	-19	0	-19
Currency translation	0	-410	-411
As of 31.12.2020	**5,287**	**239,370**	**244,657**
Carrying amount as of 31.12.2019	10,871	536,298	547,168
Carrying amount as of 31.12.2020	**9,697**	**484,187**	**493,885**

The collateral offered is described in section 3.12 of the notes. There are no contractual obligations to acquire intangible assets.

6.2 Goodwill

TEUR 27,560

Previous year: TEUR 26,569

The goodwill as of the balance sheet date is mainly derived from the acquisition of CHORUS Clean Energy AG and its subsidiaries, as well as the acquisition of Encavis Technical Service GmbH and several solar park portfolios in England and wind parks in Denmark.

As of the reporting date, the following groups of cash-generating units accounted for a significant portion of goodwill:

	31.12.2020	30.09.2020	
	Goodwill in TEUR *(previous year)*	Before-Tax-WACC in % *(previous year)*	After-Tax-WACC in % *(previous year)*
PV Germany	1,674 *(1,674)*	4.74 *(3.84)*	3.40 *(2.81)*
PV Italy	1,073 *(1,073)*	5.88 *(4.76)*	4.11 *(3.39)*
PV United Kingdom	2,865 *(2,972)*	5.60 *(4.35)*	4.67 *(3.64)*
Wind Germany	570 *(570)*	4.70 *(3.88)*	3.40 *(2.81)*
Wind Denmark	7,581 *(6,482)*	4.30 *(-)**	3.57 *(-)**
Wind France	2,445 *(2,445)*	4.59 *(3.86)*	3.57 *(3.02)*
Wind Austria	231 *(231)*	4.34 *(3.65)*	3.43 *(2.92)*
PV Service	1,481 *(1,481)*	4.29 *(3.19)*	3.40 *(2.81)*
Asset Management	9,640 *(9,640)*	4.34 *(3.61)*	3.40 *(2.81)*
Total	27,560 *(26,569)*		

* In the previous year, no impairment test was necessary for the goodwill of the Wind Denmark cash-generating units.

During the financial year, the goodwill of the Wind Denmark group of cash-generating units increased by TEUR 1,069 due to adjustments of the purchase price allocations. The goodwill figures for the Wind Denmark and PV United Kingdom groups of cash-generating units are subject to currency fluctuations.

As required by IAS 36, goodwill is tested for impairment once a year. This is based on groups of cash-generating units (CGU). For goodwill, these groups are the operating segments, subdivided by country.

The sum of carrying amounts in each group of cash-generating units is compared to the recoverable amount in the impairment tests. The recoverable amount is the value in use, which is calculated from discounted future cash flows. The expected cash flows are reduced by the amount of income tax and discounted based on a capitalised interest rate after taxes. The capital asset pricing model is used to determine the capitalised interest rate from the average weighted average cost of capital (WACC). The detailed plan approved by the Encavis AG Management Board forms the basis for these cash flow forecasts, which take internal historical data into account. The detailed planning period is generally three years; it can be four years in exceptional cases, if there is more detailed planning, or eight years in the case of the group of cash-generating units Wind Denmark in order to smooth out special circumstances such as a short-term drop in electricity prices or very short depreciation periods for assets that cannot be replaced. After the conclusion of the detailed planning period, as was the case in the previous year, a growth rate of 1.0% is applied. The cash flow forecasts are most sensitive to the assumed long-term growth rate and the cost of capital.

The review was carried out on 30 September 2020 and confirmed the recoverability of all capitalised goodwill on the basis of groups of cash-generating units. In the period from 30 September 2020 to 31 December 2020, there were no indications that the valuation would have been materially affected.

Two sensitivity analyses were carried out for each group of cash-generating units in addition to this test. A scenario without growth rate was assumed for each group of cash-generating units during the first sensitivity analysis. The capitalised interest rate was increased by 0.5 percentage points for the second sensitivity analysis. If this would have any effects, they are shown in the following table:

	Scenario: "Growth rate of 0 %"		Scenario: "Increase in capitalised interest rate" (0.5 basis points)	
	Impairment in TEUR	Threshold for the growth rate above which impairment occurs	Impairment in TEUR	Threshold within the increase in the interest rate above which impairment occurs
PV United Kingdom	630	0.03 %	-	-
Wind Germany	53,986	0.51 %	-	-
Wind France	10,184	0.58 %	-	-

6.3 Property, plant and equipment

TEUR 1,901,989

Previous year: TEUR 1,749,657

Changes in property, plant and equipment were as follows:

In TEUR	Installations under construction	Power generation installations	Other property, plant and equipment	Total
Acquisition cost				
As of 01.01.2019	1,044	1,803,687	4,456	1,809,187
Additions	272	6,172	817	7,261
Changes in the scope of consolidation	0	124,324	0	124,324
Disposals	0	-2	-234	-236
Changes due to fair value measurement	0	5,243	0	5,243
Transfers	-77	77	0	0
Effects from the first-time application of IFRS 16	0	127,286	6,791	134,077
Change from revaluation/modification under IFRS 16	0	656	105	761
Currency translation	0	7,642	0	7,642
As of 31.12.2019	**1,239**	**2,075,085**	**11,935**	**2,088,259**
Depreciation and amortisation				
As of 01.01.2019	0	259,285	1,263	260,548
Additions	0	75,626	1,587	77,213
Disposals	0	-1	-37	-38
Currency translation	0	878	0	878
As of 31.12.2019	**0**	**335,788**	**2,814**	**338,601**
Carrying amount as of 31.12.2019	**1,239**	**1,739,297**	**9,121**	**1,749,657**

In TEUR

	Installations under construction	Power generation installations	Other property, plant and equipment	Total
Acquisition cost				
As of 01.01.2020	1,239	2,075,085	11,935	2,088,259
Additions	32,773	8,208	818	41,800
Changes in the scope of consolidation	145,577	52,517	-66	198,028
Disposals	-6	-657	-58	-721
Changes due to fair value measurement	0	2,704	0	2,704
Transfers	-169,519	158,743	10,776	0
Change from revaluation/modification under IFRS 16	0	1,891	-198	1,693
Currency translation	2	-7,917	5	-7,910
As of 31.12.2020	**10,066**	**2,290,574**	**23,212**	**2,323,852**
Depreciation and amortisation				
As of 01.01.2020	0	335,788	2,814	338,601
Additions	0	82,977	1,604	84,581
Disposals	0	-199	-8	-207
Transfers	0	-496	496	0
Currency translation	0	-1,113	2	-1,112
As of 31.12.2020	**0**	**416,956**	**4,907**	**421,863**
Carrying amount as of 31.12.2019	1,239	1,739,297	9,121	1,749,657
Carrying amount as of 31.12.2020	**10,066**	**1,873,617**	**18,305**	**1,901,989**

Land and rights of use for leases are reported in one item together with the energy generation installations. Rights of use for buildings and cars are contained in the item for other property, plant and equipment. Further details on rights of use can be found in section 6.16. The category for changes due to fair value measurement includes the further development of capitalised asset retirement costs. The change from revaluation/modification under IFRS 16 comprises reassessments and modifications of capitalised rights of use, in particular the indexation of leases.

Property, plant and equipment includes power generation installations, installations under construction and other property, plant and equipment amounting to TEUR 1,691,573 (previous year: TEUR 1,564,588) as collateral for existing financing. There are no contractual obligations to purchase property, plant and equipment and no material non-current assets have been disposed of.

6.4 Financial assets accounted for using the equity method

TEUR 12,521

Previous year: TEUR 9,590

During the financial year, the associates developed as follows: The equity method must be used for shares in associates.

In TEUR	CHORUS IPP Europe GmbH	Gnannenweiler Windnetz GmbH & Co. KG	Pexapark AG	Genia Extremadura Solar S.L.	Cabrera Energía Solar S.L.
As of 01.01.2020	153	114	2,712	0	0
Addition/acquisition	0	0	1,935	0	0
Disposal	0	0	0	0	0
Distribution	0	0	0	0	0
Transition to full consolidation	0	0	0	0	-13
Attributed result for the period	0	-12	-508	0	13
Attributed other comprehensive income	0	0	0	0	0
As of 31.12.2020	**153**	**101**	**4,139**	**0**	**0**

In TEUR	Stern Energy S.p.A.	Sisteme Electrico Conexion Nudo Don Rodrigo 220 KV S.L.	Stern PV 2 Srl	Total
As of 01.01.2020	6,611	0	0	9,590
Addition/acquisition	0	1,609	20	3,564
Disposal	0	-312	0	-312
Distribution	0	0	0	0
Transition to full consolidation	0	0	0	-13
Attributed result for the period	241	-44	0	-310
Attributed other comprehensive income	3	0	0	3
As of 31.12.2020	**6,855**	**1,253**	**20**	**12,521**

As of the balance sheet date, Encavis holds all shares of CHORUS IPP Europe GmbH, registered in Neubiberg, Germany. The company is not fully consolidated but classified as an associate despite the majority interest because most of the returns from the investment are received by an external third party via interest on mezzanine capital. In addition to the shares in CHORUS IPP Europe GmbH, Encavis holds mezzanine capital in and also provides services for the company. The investment serves as a means to expand the Group's asset management business by taking over management of the portfolio of solar parks and wind parks held.

As of the balance sheet date, Encavis held 20% of the shares in Gnannenweiler Windnetz GmbH & Co. KG. The company serves various energy installations as a substation and is used jointly by them. Due to the significant influence of Encavis, the equity method is used.

At the end of 2018, Encavis acquired 18.16% of shares in the young Swiss company Pexapark. At the end of 2020, the shareholding amounts to 22.37% due to a capital increase in the amount of TEUR 1,935. Significant influence is assumed on the basis of the amount of shares held and the co-determination rights conferred by a seat on the company's administrative board.

At 80% respectively, the shares in the two Spanish solar projects Genia Extremadura Solar S.L. and Cabrera Energía Solar S.L. were initially accounted for as investments in associates using the equity method. There was no control prior to commissioning due to the contractual arrangements. The remainder of the shares in Cabrera Energía Solar S.L. were acquired in the middle of the financial year, resulting in the company being fully consolidated. The shares fully absorbed in the previous year through the allocation of other comprehensive income were initially revalued and subsequently derecognised in the course of transitional accounting. Because Genia Extremadura Solar S.L. had not yet been commissioned as of the reporting date, its presentation as an associate still applies as of the end of 2020. As the shares for the company were fully absorbed in the previous year through earnings allocations, in particular through the valuation of the PPA, they are also measured at zero in 2020 as well. Having commenced operations at the beginning of January 2021, this company will also be transitioned to full consolidation.

The shareholding (30%) in the Italian company Stern Energy S.p.A. is reported as an associate in accordance with the equity method due to its significant influence on the company and the existing ties between Encavis and Stern Energy S.p.A. The investment is intended to strengthen the PV Service segment as well as lay the foundation for the cooperation of the two groups in the field of technical operations management. This is also supported by the sale of Stern Energy GmbH at the beginning of the 2020 financial year.

With the full consolidation of Cabrera Energía Solar S.L. along with its subsidiaries, Sisteme Electrico Conexion Nudo Don Rodrigo 220 KV S.L. – with an initial shareholding of 50% – is now also included in associates. After acquisition, 9.7% was disposed of in exchange for TEUR 312. Significant influence is to be assumed based on the shareholding. The company serves various solar energy installations as a substation and is used jointly by them.

In December 2020, Encavis acquired 95% of the shares in the Italian development project Stern PV 2 S.r.l. Due to the contractual arrangements, there is no control over the company until it reaches ready-to-build status, so it is recognised as an associate for the time being.

Quantitative information on the business relationships maintained can be found in section 11 of the notes.

6.5 Financial assets

TEUR 73,111

Previous year: TEUR 104,830

Changes to financial assets are as follows:

In TEUR	Participating interests	Securities	Loans to affiliates	Other loans	Total
Acquisition cost					
As of 01.01.2019	5,056	1,092	964	265	7,378
Additions/acquisitions	151	0	147,409	0	147,560
Disposals/payments	-1,021	-175	-1,143	0	-2,339
Additions from the equity method	0	0	-44,484	0	-44,484
Change in fair value measurement/ECL	-138	291	-2,534	0	-2,381
As of 31.12.2019	**4,048**	**1,208**	**100,212**	**265**	**105,733**
Depreciation and amortisation					
As of 01.01.2019	904	0	0	0	904
As of 31.12.2019	**904**	**0**	**0**	**0**	**904**
Carrying amount as of 31.12.2019	**3,144**	**1,208**	**100,212**	**265**	**104,830**
Acquisition cost					
As of 01.01.2020	4,048	1,208	100,212	265	105,733
Additions/acquisitions	442	0	66,194	0	66,636
Disposals/payments	-1,122	0	-120	-279	-1,521
Transfers	-1	1	0	0	0
Transitional accounting to full consolidation	0	0	-121,386	0	-121,386
Additions from the equity method	0	0	25,019	0	25,019
Change in fair value measurement/ECL	-720	-507	757	14	-456
As of 31.12.2020	**2,648**	**702**	**70,677**	**0**	**74,027**
Depreciation and amortisation					
As of 01.01.2020	904	0	0	0	904
Additions	12	0	0	0	12
As of 31.12.2020	**916**	**0**	**0**	**0**	**916**
Carrying amount as of 31.12.2019	3,144	1,208	100,212	265	104,830
Carrying amount as of 31.12.2020	**1,732**	**702**	**70,677**	**0**	**73,111**

The non-current financial assets of the Encavis Group are divided into participating interests and securities. The participating interests include investments in four investment funds in the renewable energy sector in the form of limited partnerships that are registered in the United Kingdom and in the Cayman Islands: CleanTech Europe I L.P., London, United Kingdom (“Zouk I”), CleanTech Europe II L.P., London, United Kingdom (“Zouk II”), Hudson Clean Energy Partners (Cayman) L.P., Cayman Islands (“Hudson”), and European Renewable Energy Fund I L.P., London, United Kingdom (“Platina”), totalling TEUR 616 (previous year: TEUR 2,277). The decrease is primarily the result of the capital repayments received by Encavis during the financial year as well as valuation effects. The investment funds are currently being dissolved or are approaching the end of their term. Additionally, miscellaneous other equity investments totalling TEUR 187 as of 31 December 2020 (previous year: TEUR 199) are also reported here. The equity investments include investments in non-listed shares which are not traded on an active market. Encavis also holds 3.96% of the shares in an Irish development fund to support the development of the market segment in the amount of TEUR 489 (previous year: TEUR 266). The reduction in the shareholding compared to the previous year results from dilution effects. The shares in CHORUS Infrastructure Fund S.A. SICAV-SIF in the amount of TEUR 440 (previous year: TEUR 403) are also included in the investments.

The securities recognised in non-current assets contain mezzanine capital of CHORUS IPP Europe GmbH, Neubiberg, in the amount of TEUR 702 (previous year: TEUR 1,208). The decrease is attributable to valuation effects.

As of the balance sheet date, Encavis does not intend to dispose of any of these investments.

Mezzanine capital held and investments are classified as 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 this do not only represent interest and principal payments. In the 2020 financial year, net losses from changes in the fair value of these investments amounting to TEUR 1,227 (previous year: gains of TEUR 153) were recognised in consolidated income. Of this amount, TEUR 282 (previous year: TEUR 584) is recognised under financial income and TEUR –1,509 (previous year: TEUR –431) under financial expenses.

Financial assets also include loans to associates in the amount of TEUR 70,677 (previous year: TEUR 100,212). All other loans were settled during the financial year (previous year: TEUR 265). In the financial year, loans were extended to the Spanish project companies Genia Extremadura S.L. and Cabrera Energía Solar S.L., which are or were classified as associates, for further project financing (TEUR 56,850). Additionally, loans were extended to Stern PV 2 S.r.l. (TEUR 440) and Stern Energy S.p.A. as (TEUR 900). Deferred interest is also reported in this item. Allocated comprehensive income from the equity method has fully absorbed the carrying amounts of the corresponding equity investment in Genia Extremadura Solar S.L. as of 31 December 2019 and 2020. Remaining earnings allocations were consequently transferred to the loans and increased these by TEUR 28,755 through other comprehensive income (reverse effect in 2019) and reduced these by TEUR 3,736 through the financial result. Accordingly, in 2019, these were reduced by TEUR 42,377 through comprehensive income and by TEUR 2,106 through the financial result. After the acquisition of the remaining shares in Cabrera Energía Solar S.L. and the corresponding full consolidation, the loans are no longer recognised as loans to affiliates; instead, they are eliminated within the Group as part of debt consolidation. This explains the significant decline in the line item.

The Group estimates the credit risks for loans granted to be low, in principle unchanged since initial recognition, 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 in the amount of TEUR 1,812 (previous year: TEUR 2,583).

6.6 Other receivables (non-current)

TEUR 8,261

Previous year: TEUR 3,650

This item comprises:

In TEUR	2020	2019
Derivatives with positive fair values	2,785	971
Other non-current receivables	5,476	2,679
Total	8,261	3,650

Sureties in the amount of TEUR 2,900 are recognised in other non-current receivables.

6.7 Deferred taxes

Deferred taxes are generally recognised for the foreign companies in the Group at the respective company's individual tax rate. For a portion of the German companies, a weighted tax rate of 29.01% was used for the calculation of deferred taxes. The expected Group tax rate is 32.28% and corresponds to the tax rate of the Group parent company Encavis AG, consisting of the corporation tax rate of 15%, the solidarity surcharge of 5.5% on the corporation tax rate and a trade tax rate of 16.45%.

The provisional loss carry-forwards for the Group as at 31 December 2020 were around TEUR 120,058 in corporation tax (previous year: TEUR 126,857) and TEUR 58,756 in German trade tax (previous year: TEUR 60,052). Of this, totals of TEUR 25,770 in corporation tax (previous year: TEUR 57,103) and TEUR 19,248 in German trade tax (previous year: TEUR 41,077) will likely not be used within a reasonable period. Therefore, no deferred tax assets have been recognised for these amounts. As a result, interest carry-forwards amounted to TEUR 27,958 as of 31 December 2020 (previous year: TEUR 34,328). As utilisation is uncertain at the present time both in terms of amount and reason, no deferred taxes were recognised on the interest carry-forwards existing as of 31 December 2020.

Furthermore, surpluses from deferred tax assets amounting to TEUR 3,023 on temporary differences at some Group companies were not recognised, as the recoverability of these deferred tax assets is not expected within a reasonable period of time.

Deferred tax assets and liabilities arise due to valuation differences in relation to the following balance sheet items:

Deferred taxes

	31.12.2020		31.12.2019		01.01.2019		
	Assets in TEUR	Liabilities in TEUR	Assets in TEUR	Liabilities in TEUR	Assets in TEUR	Liabilities in TEUR	Change
Fixed assets	45,493	273,199	43,089	275,915	46,875	276,018	5.120 (previous year: -3.683)
Current assets	7,499	1,324	10,970	1,233	7,540	1,276	-3.563 (previous year: 3.474)
Liabilities	72,202	5,135	87,310	14,499	88,892	2,021	-5.744 (previous year: -14.060)
Tax loss carry-forwards	25,254	0	18,672	0	19,369	0	6.582 (previous year: -697)
Interest carry-forward	0	0	0	0	268	0	0 (previous year: -268)
Subtotal	150,448	279,659	160,041	291,647	162,944	279,315	
Offsetting	-147,168	-147,168	-156,052	-156,052	-156,739	-156,739	
Total	3,280	132,491	3,989	135,595	6,205	122,576	**2.395 (previous year: -15.235)**
of which recognised directly in equity (other income)							-1.549 (previous year: -2.455)
of which from currency translation not recognised in the income statement							-189 (previous year: -254)
of which other changes with no effect on profit or loss							-124 (previous year: 12.883)
Change recognised in profit or loss in 2020							**533 (previous year: -5.061)**

Deviating presentation compared to the previous year due to the change in the offsetting method for deferred tax assets and deferred tax liabilities, see 2 Application. The offsetting effects for 31 December 2019 and 01 January 2019 contain, in addition to the adjustment in accordance with IAS 8 (TEUR 112,903 and TEUR 111,964), netting effects from the application of IFRS 16 (TEUR 43,149 and TEUR 44,775), which were not reported separately in the 2019 annual report.

Deferred tax assets are primarily deferred tax assets for wind and photovoltaic installations (TEUR 35,991; previous year: TEUR 38,272) and for liabilities (TEUR 72,202; previous year: TEUR 87,310).

Deferred tax liabilities are primarily deferred tax liabilities on electricity feed-in contracts (TEUR 127,463; previous year: TEUR 139,599) and on wind or solar installations (TEUR 90,044; previous year: TEUR 78,236).

Tax loss carry-forwards decreased compared to 2019. Deferred tax assets on tax loss carry-forwards decreased by contrast (increase from TEUR 18,672 to TEUR 25,254). The primary reason for the increase in deferred tax assets was the expansion of the income tax group of Encavis AG. The expansion of the tax group led to the justification of the recoverability of loss carry-forwards within the tax group that had previously not qualified as recoverable.

No deferred taxes are recognised on temporary differences of TEUR 7,596 (previous year: TEUR 8,143) in connection with shares in Group companies, as the reversal can be controlled by the Group and no sufficiently concrete disposals are foreseeable as of the balance sheet date.

6.8 Inventories

TEUR 334

Previous year: TEUR 412

Inventories are primarily commodities and spare parts.

6.9 Trade receivables

TEUR 46,730

Previous year: TEUR 45,283

In TEUR	2020	2019
Trade receivables (gross)	46,956	45,450
Impairments	-226	-167
Net result	46,730	45,283

Trade receivables are amounts owed by government or private purchasers or other customers for goods sold or services rendered in the ordinary course of business. They are generally due within 30 to 60 days, depending on the country, and are therefore classified as current. Trade receivables are initially recognised at the amount of the unconditional consideration. No significant financing components are included for Encavis. The Group holds trade receivables in order to collect the contractual cash flows and subsequently measures them at amortised cost using the effective interest method. Details of the Group's impairment methods and the calculation of the impairments and other risks to which the Group is exposed are disclosures in section 8 of the notes under the section for credit risks. Impairment losses on trade receivables increased over the course of the year from TEUR 167 to TEUR 226. This increase is mainly attributable to the development of the underlying yield curves. Encavis has not currently entered into any agreements on the transfer of receivables (factoring).

Of the trade receivables, TEUR 46,956 (previous year: TEUR 45,450) were provided as collateral. This consists of the assignment of the various companies' rights to payment of the electricity feed-in tariff and the assignment of payment and compensation claims vis-à-vis third parties from any direct marketing contracts.

6.10 Other current assets

TEUR 25,156

Previous year: TEUR 33,404

Other current assets break down as follows:

In TEUR	2020	2019
Non-financial assets	4,710	5,340
Receivables from income taxes	14,415	15,703
Other current receivables	6,051	12,361
Total	25,176	33,404

The non-financial assets comprise primarily VAT receivables.

Income tax receivables include TEUR 11,900 (previous year: TEUR 4,392) in corporation tax receivables, TEUR 1,202 (previous year: TEUR 1,134) in trade tax receivables and TEUR 1,313 (previous year: TEUR 10,177) in capital gains tax receivables.

Other current receivables are mainly deferred receivables in the amount of TEUR 2,778 (previous year: TEUR 2,756), sureties amounting to TEUR 555 (previous year: TEUR 1,807) and other assets and receivables. A reservation fee and other current repayment claims in the amount of TEUR 3,671 were nearly completely repaid during the 2020 financial year. The financial assets included here, which are measured at amortised cost, were written down accordingly in the amount of TEUR 17 (previous year: TEUR 51). As the Group has continuously regarded the default risks for these items as low since initial recognition, a risk provision was formed in the amount of the expected 12-month losses on receivables.

6.11 Liquid funds

TEUR 230,996

Previous year: TEUR 222,481

The liquid funds item comprises the following:

In TEUR	2020	2019
Cash and cash equivalents	167,489	164,501
of which overdraft facilities	*622*	*3,305*
of which cash and cash equivalents in the cash flow statement	*166,867*	*161,196*
Restricted liquid funds	63,507	57,980
Total	230,996	222,481

Liquid funds are composed entirely of cash on hand and bank balances. They include debt service and project reserves, which serve as collateral for the solar parks and wind parks with the lending banks and can only be used in consultation with the lending banks (TEUR 56,021; previous year: TEUR 54,734) and, to a lesser extent, restricted liquid funds held at Encavis AG, CSG IPP GmbH and other subsidiaries (TEUR 7,487; previous year: TEUR 3,246). In accordance with IAS 7, cash funds are composed of non-restricted cash and cash equivalents.

6.12 Equity

TEUR 751,561

Previous year: TEUR 722,713

Changes to equity are reported in the consolidated statement of changes in equity.

The fully paid-up share capital of Encavis AG amounted to TEUR 138,437 (previous year: TEUR 137,039) as of 31 December 2020, divided into 138,437,234 (previous year: 137,039,147) no-par-value bearer shares with a nominal value of EUR 1.00 per share.

Authorised Capital 2017

A resolution of the annual shareholders' meeting on 18 May 2017 with the approval of the Supervisory Board authorised the Management Board to increase the share capital in the period up until 17 May 2022 by up to EUR 63,261,830.00 by issuing a total of 63,261,830 new no-par-value bearer shares against cash and non-cash contributions on one or more occasions (“Authorised Capital 2017”). Shareholders’ subscription rights are excluded. The Management Board is entitled to exclude shareholders’ subscription rights in certain cases with the approval of the Supervisory Board. Authorised Capital 2017 totalled EUR 63,261,830.00 as of 31 December 2017. In order to offset dividend entitlements, the Encavis AG Management Board decided to make partial use of Authorised Capital 2017 with the consent of the Supervisory Board and increase the company’s share capital by EUR 1,185,126.00 through the issue of 1,185,126 new no-par-value bearer shares with profit entitlement starting on 1 January 2018. Implementation of the capital increase was entered in the commercial register of the Hamburg district court on 14 June 2018 (HRB 63197). Authorised Capital 2017 totalled EUR 62,076,704.00 as of 31 December 2018.

In 2019, the Management Board of Encavis AG also resolved – with the approval of the Supervisory Board – to increase the share capital of the company by EUR 2,010,807.00 by issuing 2,010,807 new no-par-value bearer shares with entitlement to dividends from 1 January 2019 to offset dividend entitlements through the partial utilisation of the Authorised Capital 2017. Implementation of the capital increase was entered in the commercial register of the Hamburg district court on 21 June 2019 (HRB 63197). Authorised Capital 2017 then totalled EUR 60,065,897.00.

On 11 December 2019, the Management Board of Encavis AG resolved – with the approval of the Supervisory Board – to make further use of Authorised Capital 2017 by increasing the company’s share capital in exchange for cash contributions by up to 4.21%. The share capital of Encavis AG was thus increased from EUR 131,498,147.00 to EUR 137,039,147.00 using a portion of the existing Authorised Capital 2017 through the issue of 5,541,000 new bearer shares with a proportional amount of the share capital of EUR 1.00 per share. Authorised Capital 2017 therefore totalled EUR 54,524,897.00 as of 31 December 2019.

In order to offset dividend entitlements, the Encavis AG Management Board decided in 2020 to make partial use of Authorised Capital 2017 with the consent of the Supervisory Board and increase the company’s share capital by EUR 1,398,087.00 through the issue of 1,398,087 new no-par-value bearer shares with profit entitlement starting on 1 January 2020. Implementation of the capital increase was entered in the commercial register of the Hamburg district court on 19 June 2020 (HRB 63197). Authorised Capital 2017 totals EUR 53,126,810.00 as of 31 December 2020.

Contingent capital

By virtue of the authorising resolution of the Annual General Meeting on 18 May 2017, the share capital of Encavis AG has been increased by up to EUR 25,304,730.00 through the issue of up to 25,304,730 new no-par-value bearer shares with a nominal value of EUR 1.00 per share (Contingent Capital 2017).

The contingent capital increase will only be implemented if the holders of bonds issued or guaranteed before 17 May 2022 by the company, or a wholly owned direct or indirect holding of the company, as per authorisation resolution of the Annual General Meeting on 18 May 2017, exercise their option or conversion rights, or, if they are required to convert, fulfil their obligation to convert, or, if the company exercises its option to grant shares in the company as full or partial payment of cash due if not settled in cash, or own shares are used to service the debt. With the consent of the Supervisory Board, the Management Board may, as far as permitted by law, determine that new shares participate in profits in a different proportion from that defined in section 60, paragraph 2 of the Stock Corporation Act (*Aktiengesetz* – AktG).

By resolution of the Annual General Meeting on 13 May 2020, Contingent Capital 2017 was reduced to EUR 12,825,220.00. Contingent Capital 2017 thus totals EUR 12,825,220.00 as of 31 December 2020.

By resolution of the Annual General Meeting of Encavis AG on 20 June 2012, share capital of the company was conditionally increased by up to EUR 2,320,000.00 through the issue of up to 2,320,000 no-par-value bearer shares (Contingent Capital III). By resolution of the Annual General Meeting on 18 May 2017, Contingent Capital III was reduced to EUR 640,000.00. Contingent Capital III serves to secure subscription rights from share options. With the consent of the Supervisory Board, the Management Board was authorised by the Annual General Meeting on 20 June 2012, pursuant to the specific option conditions laid down in the 2012 member share option programme (SOP 2012), to grant up to 2,320,000 share options on company shares by 19 June 2017 (inclusive) to selected executives and other key employees of the company, whereby each share option confers the right to acquire one share in the company. From the 2012 share option programme, 50,000 warrants were exercised pursuant to the specific option conditions and converted into a total of 50,000 no-par-value shares in the company – with a nominal value of EUR 50,000.00 in total – from Contingent Capital III, which was approved by the Annual General Meeting on

20 June 2012. Implementation of the capital increase was entered in the commercial register of the Hamburg district court on 12 February 2019 (HRB 63197).

Following the partial expiration of individual tranches under SOP 2012 in the 2018 and 2019 financial years, the Supervisory Board resolved at its meeting on 25 September 2019 to make a settlement offer to the holders of share options issued by the Supervisory Board to a member of the company's Management Board and to employees of the company under SOP 2012 in 2015. The effective date of the settlement offer was 1 October 2019. All entitled holders accepted the settlement offer. A total of 275,000 no-par-value shares were settled under SOP 2012. In its meeting on 23 September 2020, the Supervisory Board submitted a settlement offer for the remaining tranche from SOP 2012 which was attributable to one member of the Management Board. This offer was accepted on 19 October 2020. A total of 150,000 no-par-value shares were settled during the 2020 financial year.

Contingent Capital III is thus fully utilised as of 31 December 2020.

Furthermore, share capital is conditionally increased by up to EUR 19,000,000.00 through the issue of up to 19,000,000 new no-par-value bearer shares (Contingent Capital 2018). The contingent capital increase will only be implemented to the extent that holders of conversion rights or warrants attached to warrant bonds, convertible bonds, mezzanine capital and/or profit-linked bonds (or a combination of these instruments) issued before 7 May 2023 by the company or its direct or indirect wholly owned affiliates on the basis of the resolution passed by the Annual General Meeting on 8 May 2018 (known collectively as the "bonds") make use of their conversion rights or warrants, or if the holders or creditors of the corresponding bonds issued before 7 May 2023 by the company or its indirect or direct wholly owned affiliates on the basis of the resolution passed at the Annual General Meeting on 8 May 2018 meet their obligation to convert their bonds or exercise their warrants.

By resolution of the Annual General Meeting on 13 May 2020, Contingent Capital 2018 was reduced to EUR 7,282,200.00. Contingent Capital 2018 thus totalled EUR 7,282,200.00 as of 31 December 2020.

Share capital has been further conditionally increased by up to EUR 14,000,000.00 through the issue of up to 14,000,000 new no-par-value bearer shares (Contingent Capital 2020). The contingent capital increase will only be implemented to the extent that holders of conversion rights or warrants attached to warrant bonds, convertible bonds, mezzanine capital and/or profit-linked bonds (or a combination of these instruments) issued before 12 May 2025 by the company or its direct or indirect wholly owned affiliates on the basis of the resolution passed by the Annual General Meeting on 13 May 2020 (known collectively as the "bonds") make use of their conversion rights or warrants, or if the holders or creditors of the corresponding bonds issued before 12 May 2025 by the company or its indirect or direct wholly owned affiliates on the basis of the resolution passed at the Annual General Meeting on 13 May 2020 meet their obligation to convert their bonds or exercise their warrants. Contingent Capital 2020 was entered in the commercial register of the Hamburg district court on 19 June 2020 (HRB 63197).

Capital reserves

The change of TEUR 10,688 in capital reserves is primarily a result of the capital increase carried out in 2020 in order to compensate for dividend claims. This was offset by the costs attributable to the additional settlement payment to existing shareholders of the former CHORUS Clean Energy AG resolved by the court in December 2019 (TEUR 176), additional issue costs (TEUR 117) and the compensation in cash (TEUR 913) of a tranche from the 2012 share option programme against the capital reserve. Similarly, TEUR –2,047 was offset in the financial year as part of the majority-preserving increases and decreases in shareholdings.

Other reserves

The currency translation adjustment item of TEUR 1,551 (previous year: TEUR 961) mainly relates to the translation of British pounds sterling and Danish kroner from the respective subsidiaries into euros as of the balance sheet date.

In addition to the currency translation reserve, other reserves also contain hedge reserves (including the corresponding deferred tax effects) in the amount of TEUR -15,074 (previous year: TEUR -10,529) as well as cost of hedging measures in the amount of TEUR -9 (previous year: TEUR -22).

This also contains reserves in connection with the equity method, which primarily result from valuation effects in the associated Spanish project company that do not affect profit or loss (TEUR -17,825; previous year: TEUR -65,769). Of these reserves, TEUR 13,623 was reclassified to consolidated earnings in the financial year.

The hedge reserve comprises gains or losses from the effective portion of cash flow hedges arising from changes in the fair value of the hedges. The cumulative gain or loss from changes in the fair value of the hedging transactions, which was recognised in the reserve from hedges, is only transferred to the statement of comprehensive income if the underlying hedged item affects the statement of comprehensive income. A cumulative gain or loss from changes in the fair value of hedging instruments in the amount of TEUR 3,601 (previous year: TEUR 4,135) was transferred to the statement of comprehensive income in the reporting period.

Net earnings

Consolidated net earnings comprise the following:

In TEUR	31.12.2020	31.12.2019
Consolidated earnings after non-controlling interests	10,142	22,189
Retained profit	33,430	41,200
Other items recognised directly in equity	1,302	1,118
Dividend distributions	-35,630	-31,077
Consolidated net earnings	**9,244**	**33,430**

At the Encavis AG annual shareholders' meeting held on 13 May 2020 it was resolved that a dividend of EUR 0.26 per entitled share would be paid out.

Equity attributable to non-controlling interests

The holdings of non-controlling interests in the amount of TEUR 7,085 (previous year: TEUR 10,009) primarily relate to the following companies: Nørhede-Hjortmose Vindkraft I/S, Solarpark Zierikzee and, starting with this financial year, the three wind parks in Austria, Herrenstein, Pongratzer Kogel and Zagersdorf. Due to the acquisition of the relevant shares, no shares of non-controlling interests are recognised for the previously included Solarpark Brandenburg (Havel) GmbH, the solar parks in France or the Zonnepark Budel B.V. solar park.

Hybrid capital investors portion

On 6 September 2017, Encavis AG placed a perpetual subordinate bond with time-limited conversion rights into ordinary bearer shares in the amount of TEUR 97,300 via its Dutch financing subsidiary Encavis Finance B.V. (formerly Finance B.V.). The issue and value date of the hybrid convertible bond was 13 September 2017.

There is no fixed deadline for repayment of the hybrid convertible bond. The hybrid convertible bond carries the option to be converted by the investor(s) into fully paid new and/or existing ordinary bearer shares of the company ("ordinary shares") up to the tenth trading day before 13 September 2023 (the "first redemption date"). The initial conversion price was set at EUR 7.5943, a premium of 25.0% on the volume-weighted average price of the Encavis share in the XETRA trading system on the Frankfurt Stock Exchange between start and completion of the placement. The conversion price may be adjusted up to the first redemption date in accordance with the contractually agreed conditions. The investor(s) lose(s) the conversion right from the first redemption date, and the bond automatically becomes a perpetual bond without redemption date.

The coupon for the hybrid convertible bond will be 5.25% p.a. from the settlement date until the first redemption date. After the first redemption date, and after that at five-year intervals, provided the hybrid convertible bond is not redeemed or converted, the interest rate for the hybrid convertible bond will be fixed at 1,100 basis points above the five-year euro swap rate applicable on the reporting date. The interest is payable every six months in arrears. Subject to certain requirements, Encavis may decide to defer any scheduled partial or total payment of the interest. Such non-payment of interest does not constitute default or a breach of any other obligation.

The hybrid convertible bond will be issued at 100% of its par value and may be redeemed by Encavis at 100% of its par value together with all accrued and outstanding interest and all outstanding retroactive interest. This option will be available to Encavis for the first time on the first redemption date and then on every subsequent interest payment date. Encavis will have the option to carry out a mandatory conversion of the hybrid convertible bond at any time on or after 4 October 2021 and before the first redemption date. Notice can only be given of the premature mandatory conversion if the share price corresponds to 130% of the conversion price, or exceeds this amount, for a certain period of time.

Since Encavis AG is not contractually obliged to redeem the nominal value or to pay the interest to the investors of the hybrid convertible bond, the instrument was classified as an equity instrument in accordance with IAS 32. The amount initially recognised in equity is not remeasured. In previous years, costs associated with the bond issue totalled TEUR 3,358 and were offset against equity without impacting income.

On 5 September 2019, the hybrid convertible bond was successfully nominally increased by TEUR 53,000. The issue at a price of 114.25% of its nominal value resulted in a premium of TEUR 7,553, which was offset against the Group's capital reserves without affecting profit or loss. The issue and value date of the new hybrid convertible bond is 13 September 2019. The initial conversion price was set at EUR 7.2779, a premium of 25.0% on the volume-weighted average price of the Encavis share in the XETRA trading system on the Frankfurt Stock Exchange between start and completion of the placement. Otherwise, the same terms and conditions apply as for the originally issued bond. Costs associated with the new bond issue totalled TEUR 696 and were also offset against equity without impacting income in the previous year.

In the financial year under review, TEUR 7,905 (previous year: TEUR 5,925) of the earnings contribution for the hybrid bondholders was recorded and TEUR 7,891 (previous year: TEUR 5,108) was distributed to them.

Capital management

The objective of capital management is to ensure that the Group is able to meet its financial obligations. The Group's long-term goal is to increase its corporate value. The Group actively manages its capital structure according to general economic conditions. In order to maintain or to adjust its capital structure, the Group can opt to, for example, adjust dividend payments to shareholders, pay back capital to shareholders or issue new shares. As of the balance sheet date, the equity ratio of the Group was 26.61 % (previous year: 26.31 %).

Because it was adjusted by the retrospective offsetting of deferred tax assets and deferred tax liabilities, the equity ratio for 2019 deviates from the published figure in the annual report of the previous year and was 25.27% prior to offsetting.

The table below discloses the equity, the equity ratio and cash and cash equivalents.

	31.12.2020	31.12.2019
Equity in TEUR	751,561	722,713
Equity ratio in %	26.61	26.31
Liquid funds in TEUR	230,996	222,481

For the 2019 financial year, all covenants – with the exception of one German project company – were fulfilled within the Encavis Group. Encavis obtained a waiver letter for this exception from the credit-issuing bank prior to the reporting date. The requirements of the waiver letter have been fulfilled as of 31 December 2020 and during the preparation period. The carrying amount of the liability concerned amounts to TEUR 24,478 on the reporting date. There are currently no indications that the covenants for the 2020 financial year will not be able to be met.

6.13 Share option plan

In order to enable Encavis AG to grant share options as a remuneration component with a long-term incentive effect, the Encavis AG Annual General Meeting on 31 May 2007 resolved to increase the company's share capital by up to EUR 2,520,000.00 through issuing up to 2,252,000 no-par-value bearer shares ("Contingent Capital I"). The purpose of Contingent Capital I is to secure subscription rights arising from share options issued by Encavis AG under the 2007 share option programme (SOP 2007) in the period between 1 June 2007 and 30 May 2012, based on the authorisation of the 31 May 2007 Annual General Meeting. Beneficiaries are Management Board members, selected senior staff and other Encavis AG key personnel. All share options from SOP 2007 expired or were exercised as of the balance sheet date.

Following expiry of SOP 2007, a new share option programme (SOP – 2012 equity settled) was initiated and Contingent Capital III created at the Annual General Meeting on 20 June 2012.

Warrants were offered in every year between 2008 and 2016. Each option entitles the holder to one Encavis AG no-par-value bearer share with voting rights. The option holder is free to exercise their options one at a time or all at once.

In order to serve their purpose as a long-term incentive, subscription rights arising from share options may only be exercised for the first time after a vesting period. The vesting period under SOP 2012 is four years. The subscription price (strike price) for both programmes equates to the arithmetic mean of the closing prices for the Encavis share in the XETRA trading system on the Frankfurt Stock Exchange (or in a comparable successor system) over the five trading days prior to the granting of the subscription rights. A prerequisite for exercising a subscription right is the successful achievement of the performance target. Under SOP 2012, the price for the Encavis share in the XETRA trading system on the Frankfurt Stock Exchange (or in a comparable successor system) must exceed the strike price by at least 30% over the ten trading days preceding the date the subscription right is exercised. The period defined as the relevant exercise period is the period in which the subscription rights in question may be exercised for the first time due to the performance target having been reached or exceeded.

Share option programme 2012 (SOP 2012)

On 21 March 2013, 26 June 2014, 27 January 2015, 31 March 2015, 21 April 2015 and 31 March 2016, the following share options were granted under the share option programme for 2012:

Year of allocation	2016	2015	2015
Exercise period	01.04.2020 to 31.03.2023	22.04.2019 to 21.04.2022	01.04.2019 to 31.03.2022
Share price at time of issue	7.33 EUR	6.51 EUR	6.10 EUR
Strike price	7.24 EUR	6.49 EUR	6.08 EUR
Performance hurdle at issue	9.41 EUR	8.44 EUR	7.91 EUR
Number of options offered and accepted	180,000	150,000	580,000
Number of shares on 01.01.2020	150,000	0	0
Number of options exercised	0	0	0
Number of options settled	150,000	0	0
Number of options expired	0	0	0
Number of shares on 31.12.2020	0	0	0
Exercisable as of 31.12.2020	0	0	0

Year of allocation	2015	2014	2013
Exercise period	28.01.2019 to 27.01.2022	27.06.2018 to 26.06.2021	22.03.2017 to 21.03.2020
Share price at time of issue	4.90 EUR	3.70 EUR	3.78 EUR
Strike price	4.92 EUR	3.74 EUR	3.81 EUR
Performance hurdle at issue	6.40 EUR	4.86 EUR	4.95 EUR
Number of options offered and accepted	150,000	250,000	600,000
Number of shares on 01.01.2020	0	0	0
Number of options exercised	0	0	0
Number of options settled	0	0	0
Number of options expired	0	0	0
Number of shares on 31.12.2020	0	0	0
Exercisable as of 31.12.2020	0	0	0

No options were exercised in the 2020 financial year. A total of 150,000 options were settled for cash in 2020, all of which are attributable to the Management Board. As a result, there were no more options as of the balance sheet date of the financial year (previous year: 150,000).

In accordance with IFRS 2, the share options were recognised at fair value in the balance sheet, whereby the fair value is to be distributed as personnel expenses over the vesting period. The warrants must therefore be measured on issue using a suitable model. The capital market features of the warrants must be included in the measurement. Non-capital market features, such as the vesting period, are to be reflected in expected employee turnover. The total value arrived at on the basis of the option's value and the estimated number of options still exercisable at the end of the vesting period must be distributed pro rata over the vesting period and recognised in the statement of comprehensive income as personnel expenses. Expected employee turnover is based on the turnover in recent years. In accordance with IFRS 2, the options from SOP 2012 settled for cash in the financial year were offset against the Group's capital reserve at the time of acceptance by the participants without no effect on profit or loss, whereby the reserves accumulated during the vesting period were also transferred to the capital reserves.

No options from SOP 2012 were issued during the 2020 financial year.

From the 2012 share option programme, TEUR 9 (previous year: TEUR 44) was recognised in the statement of comprehensive income in the year 2020. In addition, other operating income in the amount of TEUR 0 (previous year: TEUR 75) was recognised as a result of the termination of option holders' employment. In subsequent years, the programme will not entail recognition of any personnel expenses (previous year: TEUR 9).

Share-based compensation programme 2017 (SOP 2017)

SOP 2017 is a programme that is designed as an annually recurring long-term remuneration component based on the overall performance of the Encavis share in terms of framework and objectives. SOP 2017, unlike its predecessor SOP 2012, is cash-settled. An allotment amount defined by the Supervisory Board is converted into virtual share options known as share appreciation rights (SARs). Beneficiaries are Management Board members, selected senior staff and other key personnel of the Encavis Group.

The amount of the variable component was calculated based on the 2017 share option programme (SOP), which entered into force on 1 July 2017. The grant date for employees, however, was 6 November 2017 and for Management Board members 13 December 2017. A total of 837,500 SARs were granted in the 2017 financial year; 437,500 SARs are allocated to Management Board members and 400,000 to employees.

The aim of SOP 2017 is to secure long-term loyalty of the executives and senior management to Encavis AG. The SARs may be exercised for the first time after a vesting period of three years from 1 July 2017. After that, they can be exercised at half-year intervals within the two years following the three-year waiting period. A prerequisite for exercising a SAR is the successful achievement of the respective goal. To achieve the target within SOP 2017, the overall performance of the Encavis share within the XETRA trading system (or in a comparable successor system) on the Frankfurt Stock Exchange must exceed the basic price by at least 30% (strike price) on the day on which the SAR is exercised, as measured by the interim rise and the dividends paid since issue of the SAR. The basic price is the arithmetic average of the daily closing price of the Encavis share performance index within the XETRA trading system on the Frankfurt Stock Exchange (or in a comparable successor system) half a year before the plan takes effect. For each SAR assigned, a claim to payment of the difference between the strike price and the basic price accrues. The maximum payment amount is three times the difference between the strike price and the basic price. In the event of a Management Board member or employee leaving the company of their own accord, or having their employment terminated for good cause, the programme rules stipulate that any SARs granted will be forfeited in whole or in part.

Liability for SARs is measured at fair value as of the grant date and all subsequent balance sheet dates until the SARs have been either exercised or they expire. SARs issued in 2017 were measured on the basis of a Monte Carlo simulation.

All SARs from SOP 2017 were exercised during the 2020 financial year. A total of TEUR 2,850 was paid out. From SOP 2017, TEUR 1,124 (previous year: TEUR 1,718) was recognised as personnel expenses in the statement of comprehensive income in the 2020 financial year.

Share-based compensation programme 2018 (SOP 2018)

Analogous to SOP 2017, an additional share option programme with similar conditions was established in 2018. The amount of the variable component was calculated based on the 2018 share option programme (SOP), which entered into force on 1 July 2018. The grant date for employees, however, was 14 December 2018 and for Management Board members 12 December 2018. A total of 912,000 SARs were granted in the 2018 financial year; 375,000 SARs are allocated to Management Board members and 537,000 to employees. The vesting period for SOP 2018 began on 1 July 2018. Apart from this, the conditions correspond to those of SOP 2017, which were explained in the previous section.

No SARs from SOP 2018 were exercised during the 2020 financial year. A total of 10,000 SARs expired and no SARs were settled within the scope of employment termination. As of 31 December 2020, there are still a total of 740,500 SARs, of which 375,000 are attributable to the Management Board. As of the balance sheet date, the carrying amount recognised for settling SARs from SOP 2018 amounted to TEUR 3,724 (previous year: TEUR 1,076). From SOP 2018, TEUR 2,695 (previous year: TEUR 1,070) was recognised in the statement of comprehensive income in the 2020 financial year.

Share option programme 2019 (SOP 2019)

Analogous to SOP 2017 and SOP 2018, an additional share option programme with similar conditions was established in the financial year. The amount of the variable component was calculated based on the 2019 share option programme (SOP), which entered into force on 1 July 2019. The grant date for employees, however, was 8 October 2019 and for Management Board members 25 September 2019. A total of 740,235 SARs were granted in the 2019 financial year; 224,140 SARs are allocated to Management Board members and 516,095 to employees. The vesting period for SOP 2019 began on 1 July 2019. Apart from this, the conditions correspond to those of SOP 2017, which were explained in the previous section.

No SARs from SOP 2019 were exercised during the 2020 financial year and none settled; a total of 14,368 SARs expired. As of 31 December 2020, there are still a total of 603,453 SARs, of which 224,140 are attributable to the Management Board. As of the balance sheet date, the carrying amount recognised for settling SARs from SOP 2019 amounted to TEUR 1,632 (previous year: TEUR 194). From SOP 2019, TEUR 1,444 (previous year: TEUR 194) was recognised as personnel expenses in the statement of comprehensive income in the 2020 financial year.

Share-based compensation programme 2020 (SOP 2020)

Analogous to the existing virtual SOPs, an additional share option programme with similar conditions was established in the financial year. The amount of the variable component was calculated based on the 2020 share option programme (SOP), which entered into force on 1 July 2020. The grant date for employees, however, was 7 December 2020 and for Management Board members 23 September 2020. A total of 281,249 SARs were granted in the 2020 financial year; 136,362 SARs are allocated to Management Board members and 144,887 to employees. The vesting period for SOP 2020 began on 1 July 2020. Apart from this, the conditions correspond to those of SOP 2017, which were explained in the previous section.

No SARs from SOP 2020 were exercised during the 2020 financial year and none were settled or expired. As of the balance sheet date, the carrying amount recognised for settling SARs from SOP 2020 amounted to TEUR 85 (previous year: TEUR 0). From SOP 2020, TEUR 85 (previous year: TEUR 0) was recognised as personnel expenses in the statement of comprehensive income in the 2020 financial year.

For all four tranches of the share option programmes for 2017 to 2020, a liability of TEUR 5,440 (previous year: TEUR 3,112) was recognised as of the balance sheet date. During the 2020 financial year, total expenses in the amount of TEUR 5,348 (previous year: TEUR 2,982) were recognised in the statement of comprehensive income.

6.14 Liabilities to non-controlling interests

TEUR 43,464

Previous year: TEUR 43,093

Liabilities to non-controlling interests are comprised as follows:

Liabilities to non-controlling shareholders in TEUR

	31.12.2020		31.12.2019	
	Non-current	Current	Non-current	Current
Income attributable to non-controlling interests	17,026	37	16,386	2,971
Loans (incl. interest) to non-controlling interests	26,400	0	23,737	0
Total	43,427	37	40,122	2,971

Earnings attributable to and loans to non-controlling interests increased during the financial year, in particular due to the disposal of 49% of the portfolio of wind parks in Austria. The acquisition of the remaining third-party shareholdings in the portfolio of solar parks in France, the Brandenburg and Bitterfeld solar park companies in Germany and the Budel solar park in the Netherlands had the opposite effect.

6.15 Financial liabilities

TEUR 1,590,629

Previous year: TEUR 1,561,726

Financial liabilities are comprised of the following items:

Financial liabilities in TEUR

	31.12.2020		31.12.2019	
	Non-current	Current	Non-current*	Current
Liabilities to banks and other loans	1,071,732	131,533	1,016,787	185,194
Liabilities from mezzanine capital	150,000	6,800	150,000	6,000
Liabilities from debenture bonds	72,769	321	72,698	0
Derivatives with negative fair value	62,320	0	31,522	0
Liabilities from registered bonds	59,552	613	59,516	613
Liabilities from listed notes	31,895	2,485	35,662	3,129
Liabilities from contingent considerations	0	609	604	0
Total	1,448,268	142,361	1,366,789	194,937

* The breakdown of the non-current financial liabilities from the previous year has been adjusted, which leads to a deviating presentation compared to the 2019 annual report.

In addition to the non-derivative financial liability, each item also contains the associated interest liabilities, if applicable.

6.16 Leases

Encavis leases include leases of both movable assets (e.g. company cars, company bicycles, photocopiers, coffee machines) and immovable property (e.g. office space, land, power generation installations). The fixed basic term of the contracts is usually three years for company cars, company bicycles and coffee machines, four years for photocopiers, eight to 41 years for land, five to 13 years for buildings and 18 to 22 years for power generation installations.

A number of the leases also include termination and extension options to ensure maximum flexibility in the use of the underlying assets. Encavis assesses at its own discretion whether the exercise of the option is probable by considering all relevant factors that provide an economic incentive to exercise the option. Changes in terms of maturity from extension or termination options are only taken into account if it is sufficiently certain that they will be exercised. In the event of subsequent material events or changes in circumstances that have an impact on the assessment, the term will be reassessed if Encavis has control over this. Extension options are a significant component at Encavis, in particular within the context of leases. These were largely taken into account when determining the term of the leases. This is due to the fact that the planned operating life of the power generation installations erected on the land often exceeds the basic rental period and that exercising the option therefore makes economic sense.

With regard to the leased power generation installations, the Encavis Group has the option to acquire them at a fixed price at the end of the contractually agreed period. The exercise of these options is not sufficiently certain, so they were not taken into account for the lease liabilities.

Many lease agreements contain variable lease payments. On the one hand, these are payments linked to indexes (such as the consumer price index) which are taken into account in the lease liability in the amount of the current indexed amount to be paid (i.e. without estimates of the future index development). In addition, some lease agreements for land contain variable lease payments depending on the electricity income received or comparable earnings figures. Such payment terms are used primarily to minimise fixed costs. Fully revenue-dependent payments are not included in the lease liability, but are recognised in the period in which they are incurred in the statement of comprehensive income.

The leased assets themselves serve as collateral for the lessor. In some cases, rental collateral has also been agreed as part of the rental agreements. Apart from this, the contracts do not contain any additional collateral. Furthermore, the lease agreements for power generation installations are linked to compliance with covenants.

The following table provides an overview of the capitalised rights of use per asset class as of 31 December 2020:

Rights of use in TEUR	31.12.2020	31.12.2019
Land	189,509	171,052
Buildings	4,894	5,806
Power generation installations	35,269	37,398
Vehicles	178	88
Total	**229,850**	**214,343**

The additions to the rights of use in the 2020 financial year amounted to TEUR 23,766 (previous year: TEUR 7,762) and arose primarily within the framework of acquisitions.

As of 31 December 2020, lease liabilities are comprised as follows:

Lease liabilities in TEUR	31.12.2020	31.12.2019
Non-current	181,723	178,092
Current	11,315	10,860
Total	**193,039**	**188,952**

In the 2020 financial year, the following amounts relating to leases were recognised in the consolidated statement of comprehensive income:

Amounts recognised in the consolidated statement of comprehensive income in TEUR	01.01. – 31.12.2020	01.01. – 31.12.2019
Depreciation of right of use	9,430	8,937
of which for property	*6,496*	*5,975*
of which for buildings	*700*	*701*
of which for energy generation installations	*2,129*	*2,129*
of which for vehicles	*106*	*132*
Interest expenses from the accretion of leases	6,650	6,651
Expenses in connection with short-term leases	0	58
Expenses in connection with leases for low-value assets	18	21
Variable lease payments	484	441
Total	**16,582**	**16,107**

Cash outflows resulting from leases (including variable lease payments and leases for low-value assets) totalled TEUR 16,543 (previous year: TEUR 15,251) in the 2020 financial year.

6.17 Provisions

TEUR 74,644

Previous year: TEUR 60,033

Provisions are comprised as follows:

Provisions in TEUR	31.12.2020		31.12.2019	
	Non-current	Current	Non-current	Current
Provisions for asset retirement obligations	60,234	0	49,171	0
Provisions for personnel expenses	1,803	7,696	1,217	5,101
Other provisions	29	4,884	0	4,545
Total	62,065	12,579	50,388	9,646

The provisions for asset retirement obligations include the estimated cost for the demolition and clearing of an asset and restoring the site on which it is located. When measuring asset retirement obligations, there are minor uncertainties that relate exclusively to the amount of the provision. This results from the fact that the due dates of asset retirement for the power generation installations are fixed by the residual term of the lease, which lies between a range of 9.25 and 29 years. In determining the actual asset retirement costs, an average inflation rate of 2% has been assumed (previous year: 2%). Provisions are accreted to their present value on an annual basis. The expenses from accretion in the 2020 financial year were TEUR 62 (previous year: TEUR 189).

The provisions for personnel expenses largely comprise employee bonuses and bonuses for the Management Board, as well as share-based payment. Other provisions contain a number of minor single items. The corresponding outflows are expected within one year for the most part.

Changes in provisions were as follows:

Schedule of provisions in TEUR	As of 01.01.2020	Used	Additions	Reversals	Changes in consolidated companies, currency adjustments, unwinding discounts, reclassifications	As of 31.12.2020
Provisions for asset retirement obligations	49,171	0	0	0	11,063	60,234
Provisions for personnel expenses	6,318	-5,824	9,080	-2	-74	9,498
Other provisions	4,545	-3,298	4,492	-845	19	4,912
Total	60,033	-9,122	13,572	-848	11,008	74,644

6.18 Trade payables

TEUR 16,043

Previous year: TEUR 10,738

Trade payables are comprised as follows:

Trade payables in TEUR	31.12.2020	31.12.2019
Invoices received from suppliers	13,468	8,208
Accrued supplier invoices	2,575	2,530
Total	16,043	10,738

The increase is primarily attributable to the expansion of the existing portfolio of solar and wind parks.

6.19 Other liabilities

TEUR 21,974

Previous year: TEUR 24,186

Other liabilities are attributable to the following items:

Other liabilities in TEUR	31.12.2020		31.12.2019	
	Non-current	Current	Non-current	Current
Income tax liabilities	0	10,714	0	7,681
Other tax liabilities	0	1,677	0	2,352
Liabilities from personnel and employee benefits	0	3	0	37
Deferred accrual (interest rate advantage)	4,538	1,949	6,707	2,126
Other	2,003	1,091	1,238	4,046
Total	6,540	15,433	7,945	16,241

The accrued expense and deferred income largely relate to the advantage from subsidised loans from the KfW Group at an interest rate below the market rate.

Other information

7 Segment reporting

During the reporting year, the focus of the Encavis Group's business activities did not change significantly from the previous year and remains on the operation and development of solar parks and wind parks. The Group's reportable segments are PV Parks, PV Service, Wind Parks and Asset Management, as well as the non-reportable segment Administration. This is contained in the section on other companies and Group functions. Additional information on the companies consolidated for the first time as well as deconsolidated companies can be found in section 4 of the notes.

PV Parks

The PV Parks segment comprises the solar parks in the United Kingdom, Germany, France, Italy, the Netherlands, Spain, Ireland and Denmark, and any associated holding companies, as well as the transactions of Encavis AG and Encavis GmbH assigned to this segment.

This segment's main business activity is the production of electricity. The segment's revenue comes mainly from either the feed-in tariffs paid by the various local providers, long-term purchase agreements with private companies and the market premiums paid for the direct marketing of electricity on the energy markets.

PV Service

The PV Service segment consists of Encavis Technical Services GmbH, as well as the transactions of Encavis AG assigned to this segment. The principal business activities of the segment are the technical and commercial operation of both the Group's and external solar park installations. The revenue generated by this segment mainly comes from plant operation charges.

Wind Parks

The Wind Parks segment includes all the wind parks in Germany, Italy, France, Austria and Denmark and the associated holding companies, as well as the transactions of Encavis AG and Encavis GmbH assigned to this segment.

This segment's main business activity is the production of electricity. The segment's revenue comes mainly from either the feed-in tariffs paid by the various local providers or the market premiums paid for the direct marketing of electricity on the energy markets.

Asset Management

The Asset Management segment includes those activities undertaken by Encavis GmbH relating to the asset management field and other companies assigned to this field, in particular Encavis Asset Management AG.

The main activities of this segment are commercial services for the managed portfolio of assets in third-party ownership as well as consulting services. These include setting up funds for professional investors and customised and structured systems for these groups of investors in the field of renewable energies. Following the structuring of these portfolios, Encavis provides asset management services for institutional funds and other investment vehicles of professional investors and the operating companies owned by them.

Administration

The Group-wide activities of Encavis AG and Encavis GmbH are described in detail in the Administration segment. This segment also includes Encavis Finance B.V., Encavis Renewables Beteiligungs GmbH, Encavis Real Estate GmbH and Encavis Grundstück Beteiligungs GmbH, as well as H&J Energieportfolio Verwaltungs GmbH i.L. and REGIS Treuhand & Verwaltung GmbH für Beteiligungen i.L., which were acquired during the financial year. Administration is contained in the section on other companies and Group functions.

Segment reporting is generally carried out in accordance with the recognition and measurement methods used in the consolidated financial statements, adjusted for purely valuation-related, non-cash effects. Segment reporting is based on internal reporting by operating KPIs.

Transactions within the segments are executed on the same conditions as with third parties.

The following table contains information about the business segments of the Group for the 2020 and 2019 financial years:

In TEUR	Wind Parks	PV Parks	PV Service	Asset Management
Revenue	77,525	198,459	4,609	16,467
(previous year)	(63,115)	(200,124)	(4,669)	(11,612)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	62,332	160,970	4,211	6,717
(previous year)	(51,825)	(167,310)	(1,477)	(5,646)
EBITDA margin (%)	80%	81%	91%	41%
(previous year)	(82%)	(84%)	(32%)	(49%)
Depreciation and amortisation	-26,283	-65,052	-5	-585
(previous year)	(-21,447)	(-62,416)	(-48)	(-600)
Earnings before interest and taxes (EBIT)	36,049	95,918	4,206	6,132
(previous year)	(30,378)	(104,894)	(1,429)	(5,046)

In TEUR	Total of reportable operating segments	Other companies and Group functions	Reconciliation	Total
Revenue	297,060	3	-4,763	292,300
(previous year)	(279,520)	(2)	(-5,700)	(273,822)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	234,231	-9,590	179	224,819
(previous year)	(226,258)	(-8,600)	(-32)	(217,626)
EBITDA margin (%)	79%	-	-4%	77%
(previous year)	(81%)	-	(1%)	(79%)
Depreciation and amortisation	-91,925	-750	15	-92,661
(previous year)	(-84,511)	(-900)	(15)	(-85,396)
Earnings before interest and taxes (EBIT)	142,305	-10,341	193	132,158
(previous year)	(141,747)	(-9,499)	(-17)	(132,231)

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

Revenue with third parties is distributed to the individual operating segments and Administration as follows:

Revenue by segment

	In TEUR	Share in %
PV Parks		
2020	198,459	67.9
(previous year)	(200,124)	(73.1)
Wind Parks		
2020	77,525	26.5
(previous year)	(63,115)	(23.0)
Asset Management		
2020	15,964	5.5
(previous year)	(10,423)	(3.8)
PV Service		
2020	350	0.1
(previous year)	(158)	(0.0)
Administration		
2020	3	0.0
(previous year)	(2)	(0.0)
Total		
2020	**292,300**	**100.0**
(previous year)	**(273,822)**	**(100.0)**

The Encavis Group is not dependent on major customers pursuant to IFRS 8.34.

The primary assets (intangible assets and property, plant and equipment) are divided among the individual regions as follows:

Revenue and non-current assets by region

	Revenue in TEUR	Share in %	Non-current assets in TEUR	Share in %
Denmark				
2020	20,032	6.9	154,110	6.4
(previous year)	(8,264)	(3.0)	(164,213)	(7.1)
Germany				
2020	128,232	43.9	951,591	39.7
(previous year)	(119,768)	(43.7)	(971,880)	(42.3)
France				
2020	46,095	15.8	374,431	15.6
(previous year)	(46,196)	(16.9)	(392,179)	(17.1)
United Kingdom				
2020	17,233	5.9	142,458	5.9
(previous year)	(18,759)	(6.9)	(157,717)	(6.9)
Ireland				
2020	4	0.0	0	0.0
(previous year)	(0)	(0.0)	(1,002)	(0.0)
Italy				
2020	59,615	20.4	414,038	17.3
(previous year)	(62,353)	(22.8)	(443,216)	(19.3)
Netherlands				
2020	12,257	4.2	103,644	4.3
(previous year)	(11,492)	(4.2)	(106,416)	(4.6)
Austria				
2020	6,489	2.2	57,601	2.4
(previous year)	(6,990)	(2.6)	(60,204)	(2.6)
Spain				
2020	2,343	0.8	198,000	8.3
(previous year)	(0)	(0.0)	(0)	(0.0)
Total				
2020	**292,300**	100.0	**2,395,874**	100.0
(previous year)	(273,822)	(100.0)	(2,296,826)	(100.0)

Reconciliation of adjusted operating EBITDA

Adjusted operating EBITDA is reconciled to earnings before taxes on income (EBT) as follows:

In TEUR	Notes	2020	2019
Adjusted operating EBITDA		**224,819**	**217,626**
Other non-operating income		4,851	1
Other non-cash income (mainly gains from business combinations [badwill], reversal of the interest advantage from subsidised loans [government grants] and non-cash income from other periods)		-740	1,373
Other non-operating expenses		-516	-2,856
Share-based remuneration (non-cash)		-9	-44
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**228,405**	**216,101**
Depreciation and amortisation	5.6	-136,580	-124,674
Financial result	5.7	-64,486	-40,775
Earnings before taxes on income (EBT)		**27,339**	**50,652**

In order to reconcile adjusted operating EBIT to earnings before taxes on income (EBT), in addition to the adjustments stated in the reconciliation statement, the amortisation of intangible assets acquired in the course of business combinations (electricity feed-in contracts) as well as goodwill in the amount of TEUR 50,690 (previous year: TEUR 46,228) and the subsequent measurement of disclosed hidden reserves and liabilities from step-ups for property, plant and equipment acquired in the course of business combinations in the amount of TEUR -6,771 (previous year: TEUR -6,951) must be taken into account. In order to reconcile adjusted operating EBT to earnings before taxes on income (EBT), other non-cash interest and similar expenses and income (mainly from currency translation effects, effective interest rate calculation, swap valuation and interest expense from subsidised loans) in the amount of TEUR 8,816 (previous year: TEUR -14,828) must be taken into account, as well as the adjustments stated in the reconciliation statement and the above-mentioned adjustments.

8 Additional disclosures related to financial assets and liabilities

Carrying amounts, recognised amounts and fair value according to classes and valuation categories under IFRS 9

Classes of financial instruments in TEUR			Carrying amount under IFRS 9				
	Measurement category under IFRS 9*	Carrying amount as of 31.12.2020 (31.12.2019)	Amortised cost	Fair value not recognised through profit or loss	Fair value recognised through profit or loss	Carrying amount under IAS 28	Fair value as of 31.12.2020 (31.12.2019)
Financial assets							
Non-current financial assets	FVPL	2,434			2,434		2,434
(31.12.2019)		(4,353)			(4,353)		(4,353)
Financial assets accounted for using the equity method	n/a	12,521				12,521	12,521
(31.12.2019)		(9,590)				(9,590)	(9,590)
Non-current receivables from contingent considerations	FVPL	453			453		453
(31.12.2019)		(135)			(135)		(135)
Trade receivables	AC	46,730	46,730				46,730
(31.12.2019)		(45,283)	(45,283)				(45,283)
Other current receivables	AC	3,024	3,024				3,024
(31.12.2019)		(7,383)	(7,383)				(7,383)
Loans to associates and other loans	AC	70,677	70,677				70,677
(31.12.2019)		(100,477)	(100,477)				(100,477)
Liquid assets	AC	230,997	230,997				230,997
(31.12.2019)		(222,481)	(222,481)				(222,481)
Derivative financial assets							
Derivatives in a hedging relationship (swaps)	FVOCI	1,094		1,094			1,094
(31.12.2019)		(971)		(971)			(971)
Derivatives not in a hedging relationship (swaps, DTG)	FVPL	1,691			1,691		1,691
(31.12.2019)		(0)			(0)		(0)

* FVPL: fair value through profit or loss; AC: amortised cost (financial assets/liabilities recognised at amortised cost); FVOCI: derivative financial instruments measured as part of hedging relationships (presented in other non-current receivables and/or non-current financial liabilities). Non-current assets, loans to associates and other loans have been aggregated and presented under the line item for financial assets in the balance sheet. 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.

Classes of financial instruments in TEUR	Measurement category under IFRS 9*	Carrying amount as of 31.12.2020 (31.12.2019)	Carrying amount under IFRS 9: Amortised cost	Carrying amount under IFRS 9: Fair value not recognised through profit or loss	Carrying amount under IFRS 9: Fair value recognised through profit or loss	Carrying amount under IFRS 16	Fair value as of 31.12.2020 (31.12.2019)
Financial liabilities							
Trade payables	AC	16,043	16,043				16,043
(31.12.2019)		(10,738)	(10,738)				(10,738)
Financial liabilities	AC	1,527,232	1,527,232				1,738,163
(31.12.2019)		(1,529,112)	(1,529,112)				(1,681,034)
Lease liabilities**	n/a	193,039				193,039	-
(31.12.2019)		(188,952)				(188,952)	(-)
Liabilities to non-controlling shareholders	AC	43,463	43,463				43,463
(31.12.2019)		(43,093)	(43,093)				(43,093)
Non-current liabilities from contingent considerations	FVPL	0			0		0
(31.12.2019)		(604)			(604)		(604)
Current liabilities from contingent considerations	FVPL	609			609		609
(31.12.2019)		(0)			(0)		(0)
Other financial liabilities	AC	469	469				469
(31.12.2019)		(488)	(488)				(488)
Derivative financial liabilities							
Derivatives in a hedging relationship (swaps)	FVOCI	31,998		31,998			31,998
(31.12.2019)		(28,776)		(28,776)			(28,776)
Derivatives not in a hedging relationship (swaps)	FVPL	6,517			6,517		6,517
(31.12.2019)		(2,745)			(2,745)		(2,745)
Derivatives in a hedging relationship (PPA)	FVOCI	23,805		23,805			23,805
(31.12.2019)		(0)		(0)			(0)
Of which aggregated by valuation categories as per IFRS 9							
Financial assets measured at their amortised cost	AC	351,428	351,428				351,428
(31.12.2019)		(375,625)	(375,625)				(375,625)
Financial assets measured at fair value through profit or loss	FVPL	4,578			4,578		4,578
(31.12.2019)		(4,488)			(4,488)		(4,488)
Financial liabilities measured at their amortised cost	AC	1,587,207	1,587,207				1,798,138
(31.12.2019)		(1,583,432)	(1,583,432)				(1,735,354)
Financial liabilities measured at fair value through profit or loss	FVPL	7,126			7,126		7,126
(31.12.2019)		(3,350)			(3,350)		(3,350)

** The relief provision of IFRS 7.29 was applied to the disclosures on the fair values of lease liabilities.

Fair value hierarchy

Fair value hierarchy 31.12.2020 (31.12.2019) in TEUR	Level 1	Level 2	Level 3
Assets			
Non-current financial assets			2,434
(previous year)			(4,353)
Non-current receivables from contingent considerations			453
(previous year)			(135)
Derivative financial assets:			
Derivatives in a hedging relationship (swaps)		1,094	
(previous year)		(971)	
Derivatives not in a hedging relationship (swaps, DTG)		1,691	
(previous year)		(0)	
Liabilities			
Non-current liabilities from contingent considerations			0
(previous year)			(604)
Current liabilities from contingent considerations			609
(previous year)			(0)
Derivative financial liabilities:			
Derivatives in a hedging relationship (swaps)		31,998	
(previous year)		(28,776)	
Derivatives not in a hedging relationship (swaps)		6,517	
(previous year)		(2,745)	
Derivatives in a hedging relationship (PPA)		23,805	
(previous year)		(0)	

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

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

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

The following table shows the level of the fair value hierarchy to which the measurement of fair value has been assigned in its entirety for each class of asset and liability not measured at fair value in the balance sheet and for which fair value does not approximate the carrying amount.

Fair value hierarchy 31.12.2020 (31.12.2019) in TEUR	Level 1	Level 2	Level 3
Liabilities			
Financial liabilities measured at amortised cost			
Financial liabilities		1,738,163	
(previous year)		(1,681,034)	

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
Non-current 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: acquisition cost of the most recent financial investments, measurement criteria within the industry, currently received offers, contractual obligations. The relative weighting of each measurement method reflects an assessment of the suitability of each measurement 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).
Non-current 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
Receivables from contingent considerations	Discounted cash flows on the basis of 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. **Tax benefit** The assessed fair value of the receivables from contingent considerations would increase (fall) were the tax benefit higher (lower).
Liabilities from contingent considerations	Discounted cash flows on the basis of contractually fixed mechanisms	**Performance of the installations** 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	Significant, unobservable input factors
Financial liabilities	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, trade receivables, trade payables and other current receivables and current liabilities, it is assumed that their fair values approximate their carrying amounts. The relief provision of IFRS 7.29 was applied to the disclosures relating to the fair values of lease liabilities, on the basis of which the fair value was not determined.

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

In TEUR	2020	2019
Non-current financial assets		
As of 01.01	4,353	5,245
Additions	442	151
Disposals	-1,123	-1,196
Unrealised profit (+)/loss (-) in consolidated earnings	-1,470	153
Realised profit (+)/loss (-) in consolidated earnings	233	0
As of 31.12	2,434	4,353
Non-current liabilities from contingent considerations		
As of 01.01	604	596
Unrealised profit (-)/loss (+) in consolidated earnings	3	8
Maturity of reclassifications	-607	0
As of 31.12	0	604
Current liabilities from contingent considerations		
As of 01.01	0	775
Maturity of reclassifications	607	0
Disposals	0	-665
Realised profit (-)/loss (+) in consolidated earnings	0	-110
Unrealised profit (-)/loss (+) in consolidated earnings	2	0
As of 31.12	609	0
Non-current receivables from contingent considerations		
As of 01.01	135	0
Additions	311	0
Maturity of reclassifications	0	135
Unrealised profit (+)/loss (-) in consolidated earnings	7	0
As of 31.12	453	135
Current receivables from contingent considerations		
As of 01.01	0	305
Maturity of reclassifications	0	-135
Unrealised profit (+)/loss (-) in consolidated earnings	0	-170
As of 31.12	0	0

The non-current earn-out liability was recognised with the acquisition of the solar park in Boizenburg during the 2018 financial year. The payment is mainly related to the performance of the park after planned repairs. The liability accrued interest of TEUR 3 during the financial year and subsequently reclassified as current, because payment is expected to be made within the next 12 months. This resulted in an additional TEUR 2 of accrued interest.

In the course of the asset deals for Rindum Enge 1 and 5 as well as 2 and 3 in 2018, agreements on contingent consideration were concluded. Due to a noise reduction measure, the wind turbines ran in a reduced operating mode. Contractually agreed technical adjustments to the wind turbines achieved an increase in production, which resulted in an increase in the purchase price. Following a corresponding evaluation, an additional payment of TEUR 665 (translated) was made in the 2019 financial year; the remaining amount was derecognised through profit or loss.

The current earn-out receivable from the acquisition of the wind park UGE Markendorf Eins GmbH & Co. KG Umweltgerechte Energie in the 2017 financial year was written down in the 2019 financial year to TEUR 135 following a thorough review and reclassified to non-current earn-out receivables, because payment was not expected within the 2020 financial year. The status is unchanged as of the end of 2020.

A non-current earn-out receivable of TEUR 311 in conjunction with the sale of Stern Energy GmbH was recognised in the financial year, because the purchase price could increase for the acquirer of the company depending on the usability of tax losses. Interest of TEUR 7 was accrued for the receivable over the course of the financial year.

The following table shows the net gains and losses from financial instruments taken into account in the statement of comprehensive income, as per IFRS 9 and broken down by valuation category:

In TEUR	Measurement category	Effect on net income from interest, dividends	Effect on net income from the subsequent valuation of the fair value	Effect on net income from the subsequent valuation (other)	Income-neutral from the allocation of other comprehensive income	Net result
Financial assets						
Financial assets measured at their amortised cost	AC	7,743		-3,736	28,755	32,762
(previous year)		(3,043)		(-2,106)	(-42,377)	(-41,440)
Financial instruments measured at fair value through profit or loss	FVPL		-1,465			-1,465
(previous year)			(149)			(149)
Ineffective portion of derivatives in a hedging relationship (Swap)	FVPL		204			204
(previous year)			(-269)			(-269)
Derivatives not in a hedging relationship (Swap)	FVPL		30			30
(previous year)			(0)			(0)
Financial liabilities						
Financial liabilities measured at their amortised cost	AC	-46,391				-46,391
(previous year)		(-38,722)				(-38,722)
Financial instruments measured at fair value through profit or loss	FVPL		-5			-5
(previous year)			(-173)			(-173)
Ineffective portion of derivatives in a hedging relationship (Swap)	FVPL		451			451
(previous year)			(112)			(112)
Ineffective portion of derivatives in a hedging relationship (PPA)	FVPL		-140			-140
(previous year)			(0)			(0)
Derivatives not in a hedging relationship (Swap)	FVPL		-1,708			-1,708
(previous year)			(-42)			(-42)
2020		-38,648	-2,633	-3,736	28,755	-16,262
(previous year)		(-35,679)	(-224)	(-2,106)	(-42,377)	(-80,386)

The net gains and losses from financial instruments, taking IFRS 9 into account, comprise valuation results, the recognition and reversal of impairment losses and interest and all other effects on profit or loss from financial instruments. Income components of the net income from financial instruments are usually recorded in the financial result. The effects recognised in the category “Financial assets measured at amortised cost” as not affecting profit or loss from the allocation of other comprehensive income represent the remaining earnings allocations transferred to the loans within the scope of the equity valuation, which increased these by TEUR 28,755 via other comprehensive income.

There was also a reduction through profit or loss via the result of financial assets accounted for using the equity method in the amount of TEUR 3,736. The line item with effect on profit or loss and the line item with no effect on profit or loss include effects from the presentation of Cabrera Energía Solar S.L. using the equity method until the transition to full consolidation. The item "Derivatives not in a hedging relationship" contains earnings from instruments which are not designated as hedging instruments as part of a hedge relationship in accordance with IFRS 9. The item in other reserves "Ineffective portion of derivatives in a hedging relationship (swap)" includes the effects through profit or loss from the ineffective portion of the financial instruments, which are designated hedging instruments pursuant to IFRS 9, the measurement of forward exchange contracts and the effects – recycled in other reserves – on profit or loss for financial instruments from the hedge reserve that are no longer effective. The ineffective portion from the PPA is recognised separately in the item "Ineffective portion of derivatives in a hedging relationship (PPA)". Net gain or loss for this item does not contain any interest or dividend income.

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

In TEUR	2020	2019
Interest income	14,976	14,524
Interest expenses	-57,377	-58,469
Total	-42,401	-43,945

Not included, in particular, are interest income and interest expenses from derivatives and interest income and interest expenses from assets and liabilities outside of the scope of IFRS 7. In accordance with IFRS 7.20 (b), interest expenses include interest expenses in connection with IFRS 16, as the lease liabilities are classified as financial liabilities not measured at fair value through profit or loss.

Derivative financial instruments

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

As of the balance sheet date, the Group held a total of 100 (31 December 2019: 97) interest rates swaps, under which the Group receives interest at a variable rate and pays interest at a fixed rate. As a general rule, these are amortising interest rate swaps, whose nominal volume is reduced at regular, defined intervals. The following table shows the nominal volumes as of the reporting date, the average (volume-weighted) fixed interest rate and the fair value. It differentiates between interest rate swaps that are part of an effective hedging relationship pursuant to IFRS 9 and those that are not.

In TEUR	31.12.2020	31.12.2019
Nominal volume	531,670	442,540
of which in a hedging relationship	*394,479*	*391,873*
of which not in a hedging relationship	*137,191*	*50,667*
Average interest rate in %	1.78	2.17
Average remaining term in years	8.49	9.32
Fair value	-35,888	-30,487
of which in a hedging relationship	*-30,904*	*-27,806*
of which not in a hedging relationship	*-4,984*	*-2,681*

The following table provides information on the nominal volume of hedging instruments:

In TEUR	Remaining term			Total nominal volume	Total nominal volume	Average interest rate
	Up to one year	One to five years	Over five years	31.12.2020	31.12.2019	31.12.2020
Hedging interest and currency risk						
Interest and currency swaps (GBP)	0	0	23,645	23,645	22,026	4.90%
Hedging interest risk						
Interest rate swaps	2,052	10,881	357,901	370,835	369,847	1.69%
Hedging the currency risk						
Forward exchange contracts (GBP)	1,233	1,515	0	2,748	964	
Hedging price risk						
PPA	10,443	43,236	51,825	105,504		

The following table contains information on hedging instruments as part of cash flow hedges:

In TEUR	Carrying amount	Balance sheet item	Change in fair value to determine ineffectiveness	Nominal volume
	31.12.2020	31.12.2020	31.12.2020	31.12.2020
Hedging interest and currency risk				
Interest and currency swaps				
Derivative assets	1,094	Other receivables	656	18,053
Derivative liabilities	-141	Non-current financial liabilities	-39	5,592
Hedging interest risk				
Interest rate swaps				
Derivative assets	0	Other receivables	-2	0
Derivative liabilities	-31,857	Non-current financial liabilities	-16,996	370,835
Hedging price risk				
PPA				
Derivative liabilities	-23,805	Non-current financial liabilities	-1,100	105,504

The following table contains information on profit and loss from cash flow hedges:

In TEUR				Reclassifications from hedge reserves to the income statement		
	Profit or loss from CFH recognised in equity	**Ineffectiveness recognised in the income statement**	**Item in the statement of comprehensive income in which the recorded ineffectiveness is included**	**Due to premature termination CFH**	**Due to the realisation of the hedged item in the income statement**	**Item in the statement of comprehensive income in which the reclassification is included**
	31.12.2020	**31.12.2020**	**31.12.2020**	**31.12.2020**	**31.12.2020**	**31.12.2020**
Hedging interest and currency risk	274	106	Financial expenses/ financial income	0	0	Financial expenses/ financial income
Hedging interest risk	-5,436	452	Financial expenses/ financial income	-1,903	3,601	Financial expenses/ financial income
Hedging price risk	-961	-140	Other expenses/ other income	0	737	Other expenses/ other income

The market value of swaps that are not in a hedging relationship was recognised as expenses of TEUR 1,678 through profit or loss (previous year: TEUR 42).

The following table shows the hedged items for cash flow hedges:

In TEUR	Change in value for the period of the hedged item to determine ineffectiveness	Status of hedge reserve and currency reserve for active cash flow hedges	Status of hedge reserve and currency reserve for terminated cash flow hedges
	2020	31.12.2020	31.12.2020
Hedging interest and currency risk			
Designated components	-616	557	
Non-designated components		-11	
Hedging interest risk			
Designated components	23,888	-19,957	234
Non-designated components			
Hedging price risk			
Designated components	961	-961	
Non-designated components			

Principles of risk management

With regard to its financial assets and liabilities and planned transactions, Encavis is mainly exposed to risk from interest rate changes. The aim of financial risk management is to limit this market risk by means of ongoing activities. Derivative hedging instruments are used to this end, depending on the risk assessment. In order to minimise default risk, interest rate hedging instruments are only concluded with renowned banks with corresponding credit ratings. As a general rule, only risks that impact the Group's cash flow are hedged. At the end of the reporting period, no risk concentrations are seen for the Group's companies.

Interest rate risk

Interest rate risk is the risk that a financial instrument's fair value or future cash flows will fluctuate due to changes in market interest rates. In addition to acquisition financing, the risk of fluctuations comes largely from the financing for individual items if this financing has a floating rate of interest. If the market interest rate level for the variable-rate loans not hedged by a swap had been 100 basis points higher as of 31 December 2020, earnings before taxes on income (EBT) would have been TEUR 216 lower (previous year: TEUR 24). If the market interest rate level had been 100 basis points lower as of 31 December 2020, earnings before taxes on income (EBT) would have been TEUR 53 higher (previous year: TEUR 24).

For the other financing transactions, unconditional interest rate hedges are in place in the form of interest rate swaps over the entire nominal volume, resulting in only marginal fluctuations in the current statement of comprehensive income. However, a change in market expectations regarding interest rates causes a change in the valuation of gains and losses expected from the interest rate hedge, which – if the derivatives are part of an effective hedging relationship – is assumed to solely impact the hedging reserve. For derivatives not in a hedging relationship pursuant to IFRS 9, the change in expectations accordingly directly impacts earnings.

Interest rate risks are shown by means of sensitivity analyses pursuant to IFRS 7. If market interest rates as of 31 December 2020 had been 100 basis points higher, earnings before taxes would have been TEUR 7,611 (previous year: TEUR 3,746) higher and the hedge reserve in equity before taxes would have been TEUR 15,830 (previous year: TEUR 15,580) higher. If market interest rates as of 31 December 2020 had been 100 basis points lower, earnings before taxes would have been TEUR 7,598 (previous year: TEUR 3,379) lower and the hedge reserve in equity before taxes would have been TEUR 18,156 (previous year: TEUR 17,940) lower. This is due to the fact that an increase (decrease) in the market interest rate level as of the balance sheet date reduces (increases) net cash outflows from the interest rate hedging instruments over the entire duration of the interest rate swaps and thus increases (decreases) their present value.

As part of hedging relationships with interest rate swaps or cross-currency interest rate swaps, the IBOR reform exposes the Encavis Group to uncertainties regarding the timing and the amount of the IBOR-based cash flows or the hedged risk of the underlying transaction or hedging instrument. The Group makes use of the simplifications associated with the amendments to the standard – irrespective of the remaining term of the hedged items and hedging instruments included in the hedging relationship – for all hedging relationships affected by the aforementioned uncertainties arising from the IBOR reform. The uncertainties relate to the GBP LIBOR reference rate. For cash flow hedges in which risks from changes in future cash flows are hedged, the uncertainty relates to the highly probable expectation of hedged future variable cash flows. The anticipated effects of the IBOR reform are continuously assessed, and necessary measures are initiated in good time. By adapting systems and processes, the measures are intended to ensure that the reference interest rates replaced by the IBOR reform can be replaced by the new reference interest rates in a timely manner. The SONIA reference interest rate is currently the focus of attention in the Encavis Group due to the advanced level of market acceptance and the significance of the transactions concerned.

For the GBP LIBOR, the nominal amounts of hedging instruments exposed to the uncertainties from the IBOR reform described above are TEUR 58,304.

Exchange rate risk

The company has issued loans to its British and Danish subsidiaries and project companies in British pounds and Danish kroner respectively. The loans are, as a general rule, subject to exchange rate fluctuations between the British pound or Danish krone and the euro. The resulting risks from exchange rate fluctuations are presented by means of a foreign currency sensitivity analysis pursuant to IFRS 7. As the Danish krone is subject to the European exchange rate mechanism (ERM II) and has thus been pegged to the euro since its introduction on 1 January 1999, no sensitivity analysis is performed for the Danish krone. If the euro were to rise by 10% against the British pound, annual earnings and shareholders' equity would fall by TEUR 6,628 (previous year: TEUR 5,284). This is due to the fact that, from a Group perspective, the existing receivables are to be adjusted by the currency translation loss. If the euro were to fall by 10% against the British pound, annual earnings and shareholders' equity would increase by TEUR 8,101 (previous year: TEUR 6,459).

The exchange rate risk associated with interest and principal payments made by British subsidiaries in the Group's functional currency (euro) is hedged by means combined interest rate and currency swaps. The risks are hedged with the aim of minimising the volatility of interest and principal payments. No further material exchange rate risks pursuant to IFRS 7 exist currently in the Encavis Group.

Price risk

In the absence of legally guaranteed feed-in tariffs, the company may be exposed to the volatility of the market price of electricity with its solar and wind parks; this applies in particular to the solar parks in Spain. In order to minimise the risk profile, the company has therefore concluded long-term power purchase agreements (PPAs) with reputable private-sector customers which provide for fixed prices for a large part of the electricity produced.

Credit risk

Credit risk describes the risk that counterparties are unable to meet their obligations as contractually agreed. The receivables from solar parks and wind parks are primarily trade receivables from the sale of the kilowatt-hours produced. In nearly all the markets in which the Encavis Group operates, the purchase of the electricity produced, which is based on contractually defined remuneration rates, is regulated and safeguarded by law. As a result of its entry into the market in the United Kingdom and Denmark, the Group also has trade receivables whose counterparties are not exclusively semi-public grid companies or comparable organisations, but private companies. The Group is not, however, exposed to any significant default risk because the companies are renowned companies with a good or very good credit rating.

Trade receivables are exclusively current receivables which are generally settled within 30 to 60 days depending on the country. The maximum default risk is limited to the carrying amounts of the corresponding trade receivables and other receivables. Upon initial recognition of trade receivables and other receivables, the Group recognises impairment losses using the expected credit loss model. In addition, in the event that there is objective evidence of impairment, impairment losses are recognised on a case-by-case basis. Evidence of this nature exists if the invoices for the kilowatt-hours produced, which are generally prepared by the buyer, are not prepared or not paid within the agreed periods. In addition, further objective indications such as insolvency cases are continuously monitored. In the event of either of these events becoming overdue, the corresponding items will be examined again in detail and, if necessary, an additional impairment will be formed. In the reporting period, the default rate for trade receivables was 0% (previous year: 0%).

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 buyers, 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.

In the 2020 financial year, impairments of trade receivables increased by TEUR 59 to TEUR 226.

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. The risk provision amounted TEUR 1,829 as of the reporting date (previous year: TEUR 2,585). The significant year-on-year decrease is mainly due to the decrease in the balance sheet item “Loans to affiliates” in conjunction with the now fully consolidated Spanish company Cabrera Energía Solar S.L.

Material 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 material deviations in the calculation, particularly due to the amount of trade receivables.

Changes in impairments during the financial year under review

The closing balance sheet value of the impairments on trade receivables, as well as on loans and other current receivables, is reconciled to the opening balance sheet value of the impairments as follows and is continued until the end of the financial year:

In TEUR	Trade receivables		Other loans and current receivables	
	2020	2019	2020	2019
1 January	167	170	2,585	76
Change in impairments of credit losses recognised in profit or loss for the financial year under review	59	-3	-756	2,509
31 December	226	167	1,829	2,585

There were no amounts written off as unrecoverable or utilisation of the impairments made in the financial year under review. The changes in the impairments recognised result exclusively from the fluctuation in the receivables portfolio between the beginning of the year and the end of the year as well as from the development of the underlying interest rate parameters for the individual country portfolios.

The maximum credit risk for the Encavis Group is therefore measured on the basis of the carrying amount of trade receivables and other loans and receivables, all of which are measured at amortised cost and are therefore subject to the impairment model. Financial assets measured at fair value through profit or loss are also subject to a full credit risk. Due to the recognition at market value, no impairment model is applied to these, but rather a valuation based on other market parameters. The Encavis Group does not currently hold any collateral that would mitigate the aforementioned credit risks.

The derecognition of financial assets measured at amortised cost did not result in any material amounts being recognised in the consolidated statement of comprehensive income.

If an increased number of credit defaults occur in the Group's financial assets, the classification of the credit risk would be adjusted. This was not necessary as of the balance sheet date. A bundling of credit risks is not evident in the Group due to the diversification across different country markets and customers.

The following table shows the gross carrying amounts of financial assets by rating class. There are currently no loan commitments or financial guarantees.

In TEUR	Level 1 12-month ECL	Level 2 Total-term ECL (not impaired)	Level 3 Total-term ECL (impaired)	Simplified approach Total-term ECL	Level 4 Acquired/ granted impaired assets
Credit risk rating grade 1: Receivables not at risk of default	73,349			46,956	
Credit risk rating grade 2: Impaired receivables					
Credit risk rating grade 3: Defaulted receivables					
Total	**73,349**			**46,956**	
(previous year)	(109,560)			(45,450)	

Liquidity risk

Liquidity risk describes the risk that the Group is unable to meet its obligations as they fall due. The financial liabilities did not pose any liquidity risk since, as of the balance sheet date, the Group held cash and cash equivalents of TEUR 167,489 (previous year: TEUR 164,501). The Group also receives ongoing cash flows from the solar parks and wind parks; there is a high degree of certainty that these cash flows can be expected to continue and they are ample to service the interest payments, principal repayments and financial liabilities. Ultimately, the Management Board is responsible for liquidity risk management. The Management Board has established an appropriate approach for managing short-, medium- and long-term financing and liquidity requirements. The Group manages liquidity risks by holding suitable reserves and through constant monitoring of forecast and actual cash flows, as well as matching the maturity profiles of financial assets and liabilities.

IFRS 7 also requires a maturity analysis for derivative and non-derivative financial liabilities. The following maturity analysis shows how the non-discounted cash flows in connection with the liabilities as of 31 December 2020 (31 December 2019) influence the Group's future liquidity situation.

Type of liability in TEUR	Carrying amount as of 31.12.2020 (31.12.2019)	Remaining term of up to one year	Remaining term of one to five years	Remaining term of more than five years
Non-derivative financial liabilities				
Trade payables	16,043	16,043	0	0
(previous year)	(10,738)	(10,738)	(0)	(0)
Financial liabilities	1,527,232	221,457	729,995	876,300
(previous year)	(1,529,112)	(277,263)	(664,848)	(917,695)
Lease liabilities	193,039	17,258	68,957	174,635
(previous year)	(188,952)	(16,343)	(65,419)	(170,134)
Liabilities to non-controlling shareholders	43,463	37	0	43,427
(previous year)	(43,093)	(2,971)	(0)	(40,122)
Liabilities from contingent considerations	609	609	0	0
(previous year)	(604)	(0)	(604)	(0)
Other financial liabilities	469	469	0	0
(previous year)	(488)	(488)	(0)	(0)
Derivative financial liabilities				
Interest rate derivatives in a hedging ralationship	31,998	3,856	18,202	13,772
(previous year)	(28,776)	(3,191)	(15,217)	(13,064)
Interest rate derivatives not in a hedging relationship	6,517	1,623	5,632	3,470
(previous year)	(2,681)	(1,401)	(3,122)	(450)
Forward exchange contracts	0	0	0	0
(previous year)	(64)	(64)	(0)	(0)
Other derivatives in a hedging relationship (PPA)	23,805	640	8,545	25,656
(previous year)	(0)	(0)	(0)	(0)

The approach when calculating the amounts was generally as follows:

If the contractual partner can demand a payment at various dates, the liability is recognised at the earliest due date. Interest payments made on financial instruments with floating interest rates are calculated on the basis of forward interest rates. The cash flows of the lease liabilities comprise their non-discounted interest payments and principal repayments. Part of the liabilities to non-controlling interests may become due at any time as a result of a termination right with compensation claim and are therefore partially classified as current liabilities. In the case of the derivative financial instruments, the non-discounted net payments are shown.

9 Notes to the consolidated cash flow statement

The cash flow statement is presented as a separate statement.

The cash flow statement shows the changes in the Encavis Group's cash funds. Cash funds comprise cash and cash equivalents that are not subject to any restrictions. The cash flow statement was prepared in accordance with IAS 7 and classifies the changes to liquid assets into cash flows from operating, investing and financing activities. The cash flow from ongoing operating activities is presented using the indirect method.

Liquid funds are composed entirely of cash on hand and bank balances. This includes reserves for debt servicing and projects of TEUR 63,507 (previous year: TEUR 57,980), which serve as collateral for the lending banks of the solar parks and wind parks and can only be used in agreement with the lending banks for the respective company, and, to a lesser extent, restricted liquid funds at Encavis AG, CSG IPP GmbH and other Group companies.

Reconciliation of the movement of liabilities to cash flows from financing activities

As of 1 January 2017, changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes, are evaluated. The classification as a component of the cash flow from financing activities is a definitive criterion for cash flow. The following table shows the reconciliation of the opening balances to the closing balances of the balance sheet items.

In TEUR	Non-current financial liabilities	Current financial liabilities	Lease liabilities	Cash flow hedges with positive market value	Liabilities to non-controlling interests	Total
Balance sheet as of 01.01.2020	1,366,789	191,632	188,952	1,035	43,093	1,791,501
(Adjusted balance sheet as of 01.01.2019)	(1,349,602)	(170,389)	(196,074)	(2,006)	(22,404)	(1,740,474)
Loan proceeds	182,398	4,311			55	186,765
(previous year)	(116,151)	(4,074)			(12)	(120,237)
Loan repayments	-164,839	-32,945			-370	-198,154
(previous year)	(-121,790)	(-24,079)			(-286)	(-146,155)
Repayment of lease liabilities			-9,575			-9,575
(previous year)			(-10,230)			(-10,230)
Interest paid	-4,895	-46,276	-6,530		-992	-58,693
(previous year)	(0)	(-52,671)	(-4,783)		(-1,001)	(-58,455)
Payments to non-controlling interests					-561	-561
(previous year)					(-1,180)	(-1,180)
Payments received from the sale of shares without change of control					7,757	7,757
(previous year)					(24,855)	(24,855)
Payments for the acquisition of shares without change of control					(-7,409)	-7,409
(previous year)					(0)	(0)
Change in cash flows	12,664	-74,910	-16,104		-1,521	-79,871
(previous year)	(-5,640)	(-72,676)	(-15,013)		(22,400)	(-70,929)
Acquisition	43,171	1,249	13,809		0	58,230
(previous year)	(22,350)	(41,241)	(1,842)		(164)	(65,596)
Deconsolidation					-344	-344
(previous year)					(0)	(0)
Foreign exchange rate change	-3,848	-253	-581	-57		-4,739
(previous year)	(3,525)	(362)	(432)	(113)		(4,432)
Changes in fair values	11,222			1,649		12,870
(previous year)	(8,558)			(-1,084)		(7,474)
Reclassifications	22,892	-22,892				0
(previous year)	(-5,123)	(5,123)				(0)
Interest expenses		46,802	6,650		1,021	54,473
(previous year)		(47,746)	(6,651)		(645)	(55,042)
Additions from lease liabilities			187			187
(previous year)			(16)			(16)
Disposals of lease liabilities			-158			-158
(previous year)			(-201)			(-201)
Modifications and revaluation of lease liabilities			1,744			1,744
(previous year)			(759)			(759)
Measurement and other effects	-4,621	109	-1,460		1,213	-4,758
(previous year)	(-6,483)	(-552)	(-1,607)		(-2,519)	(-11,161)
Non-cash change	68,816	25,017	20,191	1,592	1,891	117,507
(previous year)	(22,827)	(93,919)	(7,892)	(-971)	(-1,710)	(121,957)
Balance sheet as of 31.12.2020	1,448,268	141,739	193,039	2,627	43,463	1,829,136
(31.12.2019)	(1,366,789)	(191,632)	(188,952)	(1,035)	(43,093)	(1,791,501)

The sum of the cash flows (loan proceeds, loan repayments, repayment of lease liabilities, interest paid, dividends paid to non-controlling interests, payments received from the sale of shares without change of control, payments made for the acquisition of shares without change of control) shows the corresponding components from the consolidated cash flow statement's cash flow from financing activities. In the 2020 financial year, TEUR 342 (previous year: TEUR 732) was allocated as a distribution to non-controlling interests in equity, which is why the dividends paid to non-controlling interests differ from the cash flow from financing activities by this amount. The payments received from the sale of shares without change of control as well as the payments for the acquisition of shares without change of control only represent payments for the acquisition or sale of the existing liabilities (company loans and the associated interest) to non-controlling interests. The additional amounts recognised in the cash flow from financing activities concern other payments, in particular for the acquisition of shares themselves or ancillary acquisition costs. The non-cash changes in liabilities were broken down into changes from acquisitions, exchange rate changes, changes in fair value, reclassifications, interest expenses and other valuation effects not subsumed in other categories. Similarly, additions, disposals, modifications and revaluations of lease liabilities are also shown in the non-cash section to illustrate the effects of IFRS 16. Unlike the balance sheet item, current financial liabilities do not contain any current accounts of banks because they are not for financing purposes. The current accounts of banks are therefore included as a component of cash and cash equivalents in the opening and closing cash flows.

10 Contingent liabilities and other obligations

No rights of use or lease liabilities are recognised in the balance sheet for short-term leases, leases for low-value underlying assets and variable, revenue-dependent lease payments. Further details can be found in chapters 3.24 and 6.16.

As of the balance sheet date, the Group therefore had the following off-balance-sheet obligations in conjunction with leases, not including variable, revenue-dependent lease payments in the presentation.

Type of obligation	Other obligations of up to one year In TEUR	Other obligations of one to five years In TEUR	Other obligations of more than five years In TEUR
Leases	28	37	0
(previous year)	(8)	(15)	(0)

As of 31 December 2020, there are contingent liabilities in the amount of TEUR 218 resulting from rental guarantees (previous year: TEUR 218),

Furthermore, Encavis AG has provided guarantees for two French, two Dutch and two Spanish subsidiaries, which are also affiliates or associates, in the total amount of TEUR 10,390 (previous year: TEUR 7,273), of which TEUR 294 has already been deposited for these guarantees. In addition, Encavis AG has issued one so-called letter of comfort for a total of 42 Italian subsidiaries to secure asset retirement obligations and tax liabilities totalling TEUR 8,500 (previous year: TEUR 1,347). Due to the economic situation of the company, claims associated with these guarantees and letters of comfort are not expected.

As part of the issue of the hybrid convertible bond, payment guarantees to the creditors of the bonds of Encavis Finance B.V., Amsterdam, Netherlands, existed as of the balance sheet date covering a total amount of TEUR 150,300. In our opinion, Encavis Finance B.V. is likely to be able to meet the underlying liabilities. In light of this, claims associated with these guarantees are not expected.

Furthermore, Encavis AG has assumed so-called parent company guarantees for obligations arising from project development contracts for German, Danish and Italian project companies. These amount to some TEUR 26,839 as of 31 December 2020. These obligations are reduced accordingly as further milestones are reached. No further obligations arise without the achievement of further milestones. Claims associated with these obligations are therefore not expected.

11 Related parties

In the course of normal business, the parent company Encavis AG maintains relationships with subsidiaries and with 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).

Transactions with individuals in key positions in management

The remuneration presented in line with IAS 24 for management in key positions within the Group contains the remuneration for active members of the Management Board and Supervisory Board.

The active members of the Management Board and Supervisory Board were remunerated as follows:

Remuneration in TEUR	2020	2019
Short-term employee benefits	2,160	2,247
Long-term employee benefits (share-based payments)	2,649	1,727
Total remuneration	4,809	3,974

The statement of share-based payments includes the expenses recorded in the financial year for the share option programmes SOP 2012, SOP 2017, SOP 2018, SOP 2019 and SOP 2020. The provision for share-based payment transactions with cash settlement for the members of the Management Board amounts to TEUR 2,532 (previous year: TEUR 1,753).

Associates

Transactions with associates are carried out under the same conditions as those with independent business partners. Outstanding items at the end of the year are unsecured and (with the exception of loans) interest-free, and settlement is made in cash. No guarantees were provided to or by related parties with regard to receivables or liabilities.

In TEUR	Services provided including interest	Services received	Receivables	Liabilities	Loans issued including interest
Cabrera Energía Solar S.L.*	3,053				0
CHORUS IPP Europe GmbH	515		41		
Genia Extremadura Solar S.L.	4,660				72,257
Gnannenweiler Windnetz GmbH & Co. KG		41			
Pexapark AG		547		120	
Stern Energy S.p.A	14	1,577		7	794
Stern PV 2 S.r.l.**	1				441
Total	**8,243**	**2,165**	**41**	**127**	**73,492**
(previous year)	(3,725)	(855)	(139)	(129)	(147,266)

* Because Cabrera Energía Solar S.L. has been fully consolidated since 19 May 2020, only the business relationships up to this point in time are reported.

** Because the participating interest in Stern PV 2 S.r.l. was acquired on 11 December 2020, only the business relationships will be reported from this date.

In February 2020, Encavis sold Stern Energy GmbH to the associate Stern Energy S.p.A. as planned, resulting in an inflow of liquid funds to the Group totalling TEUR 2,832. A loan granted in the amount of TEUR 900 had the opposite effect.

On 19 May 2020, Encavis acquired the remaining shares in the company Cabrera Energía Solar S.L. in Spain, which was previously reported under associates. From this point forward, the company along with its subsidiaries are included in the consolidated financial statements within the framework of full consolidation. At the same time, the participating interest in Sisteme Electrico Conexion Nudo Don Rodrigo 220 KV S.L. was acquired, which has been recognised as an associate since then and is valued according to the equity method. There were no transactions to report between the acquisition date and 31 December 2020, other than that the shareholding was reduced by 9.70% to 40.30%. Additional details on the acquisition can be found in the information on the scope of consolidation in these notes.

As part of a capital increase for Pexapark AG, the shareholding was increased by TEUR 1,935 in June 2020, now totalling 22.37% as of 31 December 2020.

In December 2020, Encavis acquired 95% of the shares in the Italian development project Stern PV 2 S.r.l., which is recognised as an associate due to a lack of control until it reaches ready-to-build status.

Joint arrangements

The participating interest in Richelbach Solar GbR in the amount of TEUR 120 as of 31 December 2020 (previous year: TEUR 120) is classified as a joint operation pursuant to IFRS 11 due to the contractually agreed co-determination rights of the two participating solar parks. All decisions must be made unanimously. The shareholders only have joint power of disposal over the relevant activities, which are exclusively aimed at providing the infrastructure for the solar parks. Encavis recognises its interest in the joint operation through the recognition of its share in the assets, liabilities, income and expenses in accordance with its contractually assumed 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 2020 financial year, the sum of the transactions with B&L Holzhafen West GmbH & Co. KG amounts to TEUR 768 (previous year: TEUR 752). As of the balance sheet date, there were no outstanding balances from transactions with B&L Holzhafen West GmbH & Co. KG.

For the company Encavis GmbH, there is a rental agreement regarding the Asset Management segment's office space in Neubiberg with PELABA Vermögensverwaltungs GmbH & Co. KG, a company related to Supervisory Board member Peter Heidecker. The rental agreement had a fixed term until the end of 2019 and has renewed automatically by one year each year since then unless either of the parties terminates it with a notice period of six months. The contract thus runs until at least the end of 2021. The monthly rent is based on customary market conditions. In the 2020 financial year, the sum of the transactions with PELABA Vermögensverwaltung GmbH & Co. KG amounts to TEUR 147 (previous year: TEUR 142). As of the balance sheet date, there is an outstanding balance from transactions with PELEBA Vermögensverwaltungs GmbH & Co. KG. in the amount of TEUR 1.

12 Earnings per share

The weighted average number of ordinary shares used in calculating the diluted earnings per share is calculated from the weighted average number of ordinary shares used in calculating the basic earnings per share, as derived below. The potential shares from the hybrid convertible bond issued are not taken into account in the calculation of diluted earnings per share due to the protection against dilution within the meaning of IAS 33.41.

	31.12.2020	31.12.2019
Weighted average number of ordinary shares from the calculation of the undiluted earnings per share	137,799,309	131,052,531
Shares assumed to have been issued for no consideration:		
Number of employee options	58,522	69,044
Weighted average number of ordinary shares used for the calculation of diluted earnings per share	137,857,831	131,121,575
Earnings per share from continuing operations, undiluted (EUR)	0.07	0.17
Earnings per share from continuing operations, diluted (EUR)	0.07	0.17

13 Management Board

The total remuneration granted to members of the Management Board in the financial year amounted to TEUR 2,275 (previous year: TEUR 2,490).

Details of their membership in other supervisory and advisory boards		
Dr Dierk Paskert	The Mobility House AG, Zurich	Member of the Administrative Board
	Pexapark AG, Zurich	Member of the Administrative Board
	Encavis Asset Management AG, Neubiberg	Member of the Supervisory Board
Dr Christoph Husmann	Encavis Asset Management AG, Neubiberg	Chairman of the Supervisory Board

All disclosures for the active members of the Management Board, individualised disclosures and further details on the remuneration system are contained in the remuneration report in the management report.

14 Supervisory Board

Members of the Supervisory Board of Encavis AG		
Chairman	Dr Manfred Krüper	Independent management consultant
Deputy chairman	Alexander Stuhlmann	Independent management consultant
Other members	Dr Cornelius Liedtke	Partner in the Büll & Liedtke Group
	Albert Büll	Partner in the Büll & Liedtke Group
	Professor Fritz Vahrenholt	Independent management consultant
	Christine Scheel	Independent management consultant
	Peter Heidecker	Businessman
	Dr Henning Kreke	Entrepreneur
	Dr Marcus Schenck	Partner at Perella Weinberg Partners

Details of their membership in other supervisory and advisory boards		
Dr Manfred Krüper	Power Plus Communications AG, Mannheim	Chairman of the Supervisory Board
	EQT Partners Beteiligungsberatung GmbH, München	Senior advisor
	EEW Energy from Waste GmbH, Helmstedt	Member of the Supervisory Board
Alexander Stuhlmann	Euro-Aviation Versicherungs-AG, Hamburg	Chairman of the Supervisory Board
	Ernst Russ AG, Hamburg	Chairman of the Supervisory Board
	GEV Gesellschaft für Entwicklung und Vermarktung AG, Hamburg (until 24th June 2020)	Chairman of the Supervisory Board
	Frank Beteiligungsgesellschaft mbH, Hamburg	Chairman of the Advisory Board
	Siedlungsbaugesellschaft Hermann und Paul Frank mbH & Co. KG, Hamburg	Chairman of the Advisory Board
	bauhaus wohnkonzept gmbH, Hofheim am Taunus	Chairman of the Advisory Board
	C.E. Danger GmbH & Co. KG, Hamburg	Member of the Advisory Board
	M.M. Warburg & CO Hypothekenbank AG, Hamburg	Member of the Supervisory Board
Dr Cornelius Liedtke	BRUSS Sealing Systems GmbH, Hoisdorf	Member of the Advisory Board
	SUMTEQ GmbH, Düren	Member of the Advisory Board
	Brockhaus Capital Management AG, Frankfurt (since 14th September 2020)	Member of the Supervisory Board
Albert Büll	BRUSS Sealing Systems GmbH, Hoisdorf	Member of the Advisory Board
	noventic GmbH, Hamburg	Chairman of the Advisory Board
Professor Fritz Vahrenholt	Aurubis AG, Hamburg	Chairman of the Supervisory Board
Christine Scheel	Barmenia Versicherungsgruppe, Wuppertal	Member of the Advisory Board
Peter Heidecker	Auszeit Hotel & Resort AG, Munich	Chairman of the Supervisory Board
Dr Henning Kreke	Deutsche EuroShop AG, Hamburg	Member of the Supervisory Board
	Douglas GmbH, Düsseldorf	Chairman of the Supervisory Board
	Thalia Bücher GmbH, Hagen	Member of the Supervisory Board
	Perma-Tec GmbH & Co. KG, Euerdorf	Member of the Advisory Board
	Püschmann GmbH & Co. KG, Wuppertal	Member of the Advisory Board
	Con-Pro Industrie-Service GmbH & Co. KG, Peine	Member of the Advisory Board
	Ferdinand Bilstein GmbH & Co. KG, Ennepetal	Member of the Advisory Board
	noventic GmbH, Hamburg	Member of the Advisory Board
Dr. Marcus Schenck	EQT Infrastructure, Stockholm, Sweden	Member of the Independent Advisory Board

15 Corporate governance

The declaration of compliance with the German Corporate Governance Code pursuant to section 161 of the German Stock Corporation Act (*Aktiengesetz* – AktG) has been made and is permanently available to shareholders on the company website.

16 Auditor fees and services

PricewaterhouseCoopers Gesellschaft mit beschränkter Haftung, Wirtschaftsprüfungsgesellschaft (PwC), a member of the German Wirtschaftsprüferkammer (chamber of public accountants – WPK) in Berlin, has acted as the company's auditor since the 2016 financial year. The undersigned auditors are Mr Christoph Fehling, who took over the company in the 2020 financial year as a result of partner rotation, and Mr Martin Zucker. The above-mentioned auditing firm has signed the financial statements for the fifth consecutive year.

The total fees for the auditor in the 2020 financial year can be broken down as follows:

In TEUR	2020	2019
Auditing services	594	601
of which for the previous year	*26*	*50*
Tax advice	26	0
Certification services	0	46
Other services	25	116
Total	645	764

Auditing services relate in particular to the annual and consolidated financial statements of Encavis AG and one subsidiary. The tax advisory services relate to services in connection with transfer prices.

Other services primarily concern the agreed analyses of financial information as well as audit-related consulting services for process optimisation with regard to taxes.

17 Events after the balance sheet date

Between the balance sheet date of 31 December 2020 and the preparation of the annual and consolidated financial statements for 2020, the general situation regarding the Encavis Group's business activities did not change significantly from the circumstances described in the following.

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

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

Encavis Infrastructure Fund III (EIF III) receives additional EUR 150 million in equity and acquires the largest solar installation currently in operation in the Netherlands
At the end of 2020, Konzern Versicherungskammer announced that it would significantly increase its engagement in its special fund – which is managed by HANSAINVEST LUX – by EUR 150 million; the increase was carried out in January 2021. The fund, with a target volume in the mid three-figure millions, is currently invested in a balanced portfolio consisting of wind and solar parks in Germany, France, Austria and Finland. The acquisition of the Vlagtwesse solar

park in the Netherlands, which was only recently completed, adds a further 110 MWp to the portfolio. The park is located in the Groningen province, in the town of Westerwolde, which borders the German state of Lower Saxony. The solar park also includes land for blueberries and flowers to be planted to support the biodiversity of the area. The south side of the solar park was commissioned at the end of June 2020, with the north side following at the beginning of December 2020. A part of a Finnish wind park portfolio was also acquired for the special fund.

Encavis AG enters MDAX via fast-entry process

On 22 March 2021, Encavis AG was included via the fast-entry process in the MDAX, the index with the 60 largest exchange-listed companies in Germany after the DAX, measured by market capitalisation and daily trading volume. The stock market is thus rewarding the impressive operational successful story of Encavis AG. The introduction of the former Capital Stage AG to the Prime Standard of Deutsche Börse AG in 2013 was followed, almost exactly seven years ago on 24 March 2014, by its inclusion in the SDAX.

18 Full ownership list pursuant to section 313, paragraph 2, of the HGB

As of 31 December 2020, the Group is comprised of Encavis AG and the following consolidated entities:

Company	Registered office	Share in %
Fully consolidated Group companies		
Alameda S.R.L.	Bolzano, Italy	100.00
ARSAC 4 SAS	Paris, France	100.00
ARSAC 7 SAS	Paris, France	100.00
Asperg Erste Solar GmbH	Halle (Saale), Germany	100.00
Asperg Fünfte Solar GmbH	Halle (Saale), Germany	100.00
Asperg Sechste Solar GmbH	Halle (Saale), Germany	100.00
Asperg Zweite Solar GmbH	Halle (Saale), Germany	100.00
Atlantis Energy di CHORUS Solar Italia Centrale 5. S.R.L. & Co. S.A.S.	Bruneck, Italy	100.00
BOREAS Windfeld Greußen GmbH & Co. KG	Greußen, Germany	71.40
Bypass Nurseries LSPV Ltd.	London, United Kingdom	100.00
Cabrera Energía Solar S.L.U.[1)]	Valencia, Spain	100.00
Cagli Solar di CHORUS Solar Italia Centrale 5. S.R.L. & Co. S.A.S.	Bruneck, Italy	100.00
Capital Stage Caddington Ltd.	London, United Kingdom	100.00
Capital Stage Caddington II Ltd.	London, United Kingdom	100.00
Capital Stage Cullompton Ltd.	London, United Kingdom	100.00
Capital Stage Hall Farm Ltd.	Edinburgh, United Kingdom	100.00
Capital Stage Investments Ltd.	Athlone, Ireland	75.00
Capital Stage Ireland GP Ltd.	Athlone, Ireland	100.00
Capital Stage Manor Farm Ltd.	London, United Kingdom	100.00
Capital Stage Solar IPP GmbH	Hamburg, Germany	100.00
Capital Stage Tonedale 1 Ltd.	London, United Kingdom	100.00
Capital Stage Tonedale 2 Ltd.	London, United Kingdom	100.00
Capital Stage Tonedale LLP	London, United Kingdom	100.00
Capital Stage Venezia Beteiligungs GmbH	Hamburg, Germany	100.00
Capital Stage Wind Beteiligungs GmbH	Hamburg, Germany	100.00
Capital Stage Wind IPP GmbH	Hamburg, Germany	100.00
Casette S.R.L.	Bolzano, Italy	100.00
Centrale Eolienne de Bihy SARL	Vern-sur-Seiche, France	100.00
Centrale Fotovoltaica Camporota S.R.L.	Bolzano, Italy	100.00
Centrale Fotovoltaica Santa Maria in Piana S.R.L.	Bolzano, Italy	100.00
Centrale Fotovoltaica Treia 1 S.A.S. di Progetto Marche S.R.L.	Bolzano, Italy	100.00
Centrale Photovoltaique d'Avon – les – Roches SAS	Paris, France	100.00
Centrale Photovoltaique S-au-S06 SARL[3)]	Paris, France	100.00
CHORUS CleanTech 1. Fonds Invest GmbH	Neubiberg, Germany	100.00
CHORUS CleanTech 2. Fonds Invest GmbH	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solardach Betze KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Bitterfeld KG[3)]	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Bockelwitz KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Burgheim KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Denkendorf KG	Neubiberg, Germany	100.00

Company	Registered office	Share in %
CHORUS CleanTech GmbH & Co. Solarpark Eisleben KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Gardelegen KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Greiz KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Gut Werchau KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Kemating KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Neuenhagen KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Pasewalk KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Richelbach KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Rietschen KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Rüdersdorf KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Ruhland KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Scheibenberg KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Vilseck KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Warrenzin KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarparks Niederbayern KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Windpark Hellberge KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Windpark Ruhlkirchen KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Windpark Stolzenhain KG	Neubiberg, Germany	100.00
CHORUS CleanTech Management GmbH	Neubiberg, Germany	100.00
CHORUS Energieanlagen GmbH	Neubiberg, Germany	100.00
CHORUS Solar 3. S.R.L.	Bruneck, Italy	100.00
CHORUS Solar 3. S.R.L. & Co. S.A.S. 2	Bruneck, Italy	100.00
CHORUS Solar Casarano S.R.L.	Bruneck, Italy	100.00
CHORUS Solar Foggia 2 S.R.L.	Bruneck, Italy	100.00
CHORUS Solar Foggia 3 S.R.L.	Bruneck, Italy	100.00
CHORUS Solar Foggia 4 S.R.L.	Bruneck, Italy	100.00
CHORUS Solar Foggia 5 S.R.L.	Bruneck, Italy	100.00
CHORUS Solar Foggia 6 S.R.L.	Bruneck, Italy	100.00
CHORUS Solar Foggia 7 S.R.L.	Bruneck, Italy	100.00
CHORUS Solar Foggia 8 S.R.L.	Bruneck, Italy	100.00
CHORUS Solar Foggia 9 S.R.L.	Bruneck, Italy	100.00
CHORUS Solar Italia Centrale 5. S.R.L.	Bruneck, Italy	100.00
CHORUS Solar Matino S.R.L.	Bruneck, Italy	100.00
CHORUS Solar Nardo S.R.L.	Bruneck, Italy	100.00
CHORUS Solar Ternavasso Due S.R.L.	Bruneck, Italy	100.00
CHORUS Solar Ternavasso Uno S.R.L.	Bruneck, Italy	100.00
CHORUS Solar Torino Due S.R.L.	Bruneck, Italy	100.00
CHORUS Solar Torino Uno S.R.L.	Bruneck, Italy	100.00
CHORUS Wind Amöneburg GmbH & Co. KG	Neubiberg, Germany	100.00
CHORUS Wind Appeln GmbH & Co. KG	Neubiberg, Germany	100.00
CHORUS Wind Hürth GmbH & Co. KG	Neubiberg, Germany	100.00
Clawdd Ddu Farm Ltd.	London, United Kingdom	100.00
Collecchio Energy S.r.l.	Bruneck, Italy	100.00
Communal le Court SAS	Paris, France	100.00
CPV Bach SARL[3)]	Paris, France	100.00
CPV Entoublanc SARL[3)]	Paris, France	100.00

Company	Registered office	Share in %
CPV Sun 20 SARL[3)]	Paris, France	100.00
CPV Sun 21 SARL[3)]	Paris, France	100.00
CPV Sun 24 SARL[3)]	Paris, France	100.00
CS Solarpark Bad Endbach GmbH	Halle (Saale), Germany	100.00
CSG IPP GmbH	Hamburg, Germany	100.00
Data Trust GmbH	Neubiberg, Germany	100.00
DE - Stern 1 S.R.L.	Bolzano, Italy	100.00
DE - Stern 15 S.R.L.	Bolzano, Italy	100.00
DE - Stern 4 S.R.L.	Bolzano, Italy	100.00
Desarrollos Empresariales Luanda, S.L.U.[1)]	Valencia, Spain	100.00
DE-Stern 10 S.R.L.	Bolzano, Italy	100.00
DMH Treuhand Vermögensverwaltung GmbH	Neubiberg, Germany	100.00
ENCAVIS AM Advisor GmbH	Neubiberg, Germany	100.00
ENCAVIS AM Capital GmbH	Neubiberg, Germany	100.00
ENCAVIS AM Invest GmbH	Neubiberg, Germany	100.00
ENCAVIS AM Komplementär GmbH[1)]	Neubiberg, Germany	100.00
ENCAVIS AM Management GmbH	Neubiberg, Germany	100.00
ENCAVIS AM Services GmbH	Neubiberg, Germany	100.00
Encavis Asset Management AG	Neubiberg, Germany	100.00
Encavis Finance B.V.	Rotterdam, Netherlands	100.00
Encavis GmbH	Neubiberg, Germany	100.00
Encavis Grundstück Beteiligungs GmbH	Hamburg, Germany	100.00
Encavis Hispania S.L.	Valencia, Spain	100.00
Encavis Iberia GmbH	Hamburg, Germany	100.00
ENCAVIS Infrastructure S.à r.l.	Grevenmacher, Luxembourg	100.00
Encavis Nordbrise A/S	Roskilde, Denmark	100.00
Encavis Real Estate GmbH	Hamburg, Germany	100.00
Encavis Renewables Beteiligungs GmbH	Hamburg, Germany	100.00
Encavis Technical Services GmbH	Halle (Saale), Germany	100.00
Encavis Wind Danmark ApS	Roskilde, Denmark	100.00
Encavis Windinvest GmbH	Neubiberg, Germany	100.00
Energia & Sviluppo S.R.L.	Bruneck, Italy	100.00
Energie Solaire Biscaya SAS	Paris, France	100.00
Energiekontor Windstrom GmbH & Co. UW Lunestedt KG	Neubiberg, Germany	51.00
Energiepark Breitendeich RE WP BD GmbH & Co. KG	Neubiberg, Germany	51.00
Energiepark Debstedt GmbH & Co. RE WP KG	Neubiberg, Germany	51.00
Energiepark Grevenbroich RE WP GRE GmbH & Co. KG	Bremerhaven, Germany	100.00
Energiepark Hürth-Barbarahof WP HB GmbH & Co. KG	Bremerhaven, Germany	100.00
Energiepark Lunestedt GmbH & Co. WP HEE KG	Neubiberg, Germany	51.00
Energiepark Lunestedt GmbH & Co. WP LUN KG	Neubiberg, Germany	51.00
Energiepark Odisheim GmbH & Co. WP ODI KG	Bremerhaven, Germany	100.00
Energiepark Passow WP Briest III GmbH & Co. KG	Neubiberg, Germany	51.00
Enerstroom 1 B.V.	Rotterdam, Netherlands	100.00
Enerstroom 2 B.V.	Rotterdam, Netherlands	100.00
Fano Solar 1 S.R.L.	Bolzano, Italy	100.00
Fano Solar 2 S.R.L.	Bolzano, Italy	100.00

Company	Registered office	Share in %
Ferme Eolienne de Maisontiers-Tessonniere SAS	Paris, France	100.00
Ferme Eolienne de Marsais I SAS	Paris, France	100.00
Ferme Eolienne de Marsais II SAS	Paris, France	100.00
Foxburrow Farm Solar Farm Ltd.	London, United Kingdom	100.00
GE.FIN. Energy Oria Division S.R.L.	Bolzano, Italy	100.00
Gosfield Solar Ltd.	London, United Kingdom	100.00
Green Energy 010 GmbH & Co. KG	Neubiberg, Germany	100.00
Green Energy 018 GmbH & Co. KG	Neubiberg, Germany	100.00
GreenGo Energy M01a K/S[1]	Roskilde, Denmark	100.00
GreenGo Energy M01b K/S[1]	Roskilde, Denmark	100.00
GreenGo Energy M23 K/S[1]	Roskilde, Denmark	100.00
GreenGo Energy M30 K/S[1]	Roskilde, Denmark	100.00
Grid Essence UK Ltd.	London, United Kingdom	100.00
Griffin Develops, S.L.[1]	Valencia, Spain	100.00
H&J Energieportfolio Verwaltungs GmbH i.L.[1]	Neubiberg, Germany	100.00
Haut Lande SARL	Paris, France	100.00
Infrastruktur Amöneburg-Roßdorf GmbH & Co. KG	Wörrstadt, Germany	71.43
IOW Solar Ltd.	London, United Kingdom	100.00
Krumbach Photovoltaik GmbH	Halle (Saale), Germany	100.00
Krumbach Zwei Photovoltaik GmbH	Halle (Saale), Germany	100.00
La Gouardoune Centrale Solaire SARL	Paris, France	100.00
La Rocca Energy di CHORUS Solar 3. S.R.L. & Co. S.A.S.	Bruneck, Italy	100.00
Labraise Sud SARL	Paris, France	100.00
Lagravette SAS	Paris, France	100.00
Le Communal Est Ouest SARL	Paris, France	100.00
Le Lame S.R.L.	Bruneck, Italy	100.00
LT01 S.R.L.[1]	Bolzano, Italy	100.00
LT02 S.R.L.[1]	Bolzano, Italy	100.00
Lux Energy S.R.L.	Bruneck, Italy	100.00
Mermaid Solar Holding ApS	Roskilde, Danmark	100.00
Mermaid Solar Komplementar ApS[2]	Roskilde, Danmark	100.00
MonSolar IQ Ltd.	London, United Kingdom	100.00
MTS4 S.R.L.	Bolzano, Italy	100.00
Narges Develops, S.L.U.[1]	Valencia, Spain	100.00
Navid Enterprise, S.L.U.[1]	Valencia, Spain	100.00
Neftis Business, S.L.U.[1]	Valencia, Spain	100.00
Nørhede-Hjortmose Vindkraft I/S	Fårup, Denmark	81.50
Notaresco Solar S.R.L.	Bolzano, Italy	100.00
Oetzi S.R.L.	Bolzano, Italy	100.00
Parco Eolico Monte Vitalba S.R.L.	Bolzano, Italy	85.00
Pfeffenhausen-Egglhausen Photovoltaik GmbH	Halle (Saale), Germany	100.00
Piemonte Eguzki 2 S.R.L.	Bolzano, Italy	100.00
Piemonte Eguzki 6 S.R.L.	Bolzano, Italy	100.00
Polesine Energy 1 S.R.L.	Bolzano, Italy	100.00
Polesine Energy 2 S.R.L.	Bolzano, Italy	100.00
Progetto Marche S.R.L.	Bolzano, Italy	100.00

Company	Registered office	Share in %
REGIS Treuhand & Verwaltung GmbH für Beteiligungen i.L.[1)]	Neubiberg, Germany	100.00
REM Renewable Energy Management GmbH	Neubiberg, Germany	100.00
Ribaforada 3 S.R.L.	Bolzano, Italy	100.00
Ribaforada 7 S.R.L.	Bolzano, Italy	100.00
Rodbourne Solar Ltd.	London, United Kingdom	100.00
San Giuliano Energy S.R.L.	Bruneck, Italy	100.00
San Martino S.R.L.	Bruneck, Italy	100.00
Sant'Omero Solar S.R.L.	Bolzano, Italy	100.00
Solaire Ille SARL[3)]	Paris, France	100.00
Solar Energy S.R.L.	Bolzano, Italy	100.00
Solar Farm FC1 S.R.L.	Bolzano, Italy	100.00
Solar Farm FC3 S.R.L.	Bolzano, Italy	100.00
Solarpark Bad Harzburg GmbH	Halle (Saale), Germany	100.00
Solarpark Boizenburg I GmbH & Co. KG	Boizenburg, Germany	100.00
Solarpark Brandenburg (Havel) GmbH[3)]	Halle (Saale), Germany	100.00
Solarpark Gelchsheim GmbH & Co. KG	Neubiberg, Germany	100.00
Solarpark Glebitzsch GmbH	Halle (Saale), Germany	100.00
Solarpark Gnannenweiler GmbH & Co. KG.	Reußenköge, Germany	100.00
Solarpark Golpa GmbH & Co. KG	Reußenköge, Germany	100.00
Solarpark Lettewitz GmbH	Halle (Saale), Germany	100.00
Solarpark Lindenhof GmbH[1)]	Rostock, Germany	100.00
Solarpark Lochau GmbH	Halle (Saale), Germany	100.00
Solarpark Neuhausen GmbH	Halle (Saale), Germany	100.00
Solarpark PVA GmbH	Halle (Saale), Germany	100.00
Solarpark Ramin GmbH	Halle (Saale), Germany	100.00
Solarpark Rassnitz GmbH	Halle (Saale), Germany	100.00
Solarpark Roitzsch GmbH	Halle (Saale), Germany	100.00
Solarpark Staig GmbH & Co. KG	Reußenköge, Germany	75.70
Sowerby Lodge Ltd.	London, United Kingdom	100.00
SP 07 S.R.L.	Bolzano, Italy	100.00
SP 09 S.R.L.	Bolzano, Italy	100.00
SP 10 S.R.L.	Bolzano, Italy	100.00
SP 11 S.R.L.	Bolzano, Italy	100.00
SP 13 S.R.L.	Bolzano, Italy	100.00
SP 14 S.R.L.	Bolzano, Italy	100.00
Sun Time Renewable Energy di CHORUS Solar 3. S.R.L. & Co. S.A.S.	Bruneck, Italy	100.00
TC Wind Management GmbH	Neubiberg, Germany	100.00
Todderstaffe Solar Ltd.	London, United Kingdom	100.00
Treia 1 Holding S.R.L.	Bolzano, Italy	100.00
Treponti di CHORUS Solar 3. S.R.L. & Co. S.A.S.	Bruneck, Italy	100.00
Trequite Farm Ltd.	London, United Kingdom	100.00
Trequite Freehold Ltd.	London, United Kingdom	100.00
Trewidland Farm Ltd.	London, United Kingdom	100.00
UGE Malterhausen GmbH & Co. KG Umweltgerechte Energie	Meissen, Germany	100.00
UGE Markendorf Eins GmbH & Co. KG Umweltgerechte Energie	Meissen, Germany	100.00
UVG Umspannwerk Verwaltungsgesellschaft mbH	Neubiberg, Germany	100.00

Company	Registered office	Share in %
Vallone S.R.L.	Bolzano, Italy	100.00
Windkraft Kirchheilingen IV GmbH & Co. KG	Kirchheilingen, Germany	50.99
Windkraft Olbersleben II GmbH & Co. KG	Olbersleben, Germany	74.90
Windkraft Sohland GmbH & Co. KG	Reichenbach, Germany	74.30
Windpark Breberen GmbH	Neubiberg, Germany	100.00
Windpark Dahme - Wahlsdorf 3 GmbH & Co. KG	Schönefeld, Germany	100.00
Windpark Gauaschach GmbH	Hamburg, Germany	100.00
Windpark Herrenstein GmbH[3)]	Vienna, Austria	51.00
Windpark Lairg Management GmbH	Neubiberg, Germany	100.00
Windpark Lairg Services GmbH	Neubiberg, Germany	100.00
Windpark Lairg Verwaltungs GmbH	Neubiberg, Germany	100.00
Windpark Pongratzer Kogel GmbH[3)]	Vienna, Austria	51.00
Windpark Viertkamp GmbH & Co. KG[1)]	Hamburg, Germany	100.00
Windpark Zagersdorf GmbH[3)]	Vienna, Austria	51.00
Wisbridge Solar Ltd.	London, United Kingdom	100.00
Witches Solar Ltd.	London, United Kingdom	100.00
Zonnepark Budel B.V.[3)]	Hertogenbosch, Netherlands	100.00
Zonnepark Zierikzee B.V.	Rotterdam, Netherlands	90.00
Joint arrangements		
Richelbach Solar GbR	Neubiberg, Germany	60.00
Associates		
CHORUS IPP Europe GmbH	Neubiberg, Germany	100.00
Genia Extremadura Solar S.L.	Valencia, Spain	80.00
Gnannenweiler Windnetz GmbH & Co. KG	Bopfingen, Germany	20.00
Pexapark AG[3)]	Schlieren, Switzerland	22.37
Sisteme Electrico Conexion Nudo Don Rodrigo 220 KV S.L.[1)]	Seville, Spain	40.30
Stern Energy S.p.A.	Parma, Italy	30.00
Stern PV 2 Srl[1)]	Parma, Italy	95.00

1) Initial consolidation or acquisition of shares in the 2020 financial year.

2) Company renamed/changed legal form in the 2020 financial year.

3) Change in the shareholding ratio in the 2020 financial year.

Further disclosures in accordance with section 313, paragraph 2 (4), of the HGB

Company	Equity 2019 in EUR	Share in %	2019 result in EUR
CHORUS IPP Europe Verwaltungs GmbH, Neubiberg, Germany	19,578.46	100.00	1,360.25
DE Stern 11 Srl, Parma, Italy	1,669,324.00	24.00	421,722.00
DE Stern 14 Srl, Parma, Italy	1,720,440.00	24.00	311,267.00
DE Stern 8 Srl, Parma, Italy	1,024,171.00	30.00	14,811.00
Enne Pi Studio FV. 9 S.r.l., Bolzano, Italy	137,864.00	100.00	39,774.00
GER – ENERGIES GLOBALES S.A.R.L., Lille, France	234,730.00	100.00	17,872.00
IREI S.r.l. Italian Renewable Energy Investments, Parma, Italy	1,788,744.00	6.00	75,294.00
Parc Eolien de Fresnes-en-Saulnois S.A.S., Lille, France	-6,441,421.00	100.00	805,761.00
Pexapark (UK) LTD, London, United Kingdom	146,543.51	22.37	-147,096.28
SASU Sun Premier France S.A.S., Lille, France	-5,875,165.00	100.00	97,852.00
SEFEOSC S.A.S., Lille, France	-1,470,683.00	100.00	703,233.00
Société d'Exploitation du Parc Eolien de Talizat Rezentières S.A.S., Lille, France	2,072,186.00	100.00	406,211.00
Société d'Exploitation du Parc Eolien Fond Gerome S.A.R.L., Lille, France	-1,512,431.00	100.00	707,046.00
Société d'Exploitation du Parc Eolien le mont d'Hezecques S.A.R.L., Lille, France	-1,796,442.00	100.00	613,746.00
Stern Energy B.V., Rotterdam, Netherlands	28,149.00	30.00	178,052.14
Stern Energy GmbH, Halle (Saale), Germany	-8,809.03	30.00	233,501.38
Stern Energy Ltd., London, United Kingdom	552,636.18	30.00	331,050.78
UW Schäcksdorf GmbH & Co. KG, Breklum, Germany	35,715.78	37.50	112.02
Wind Hacksta AB, Uppsala, Sweden	8,986.00	100.00	-339,468.00
Wind POL 1 Holding Ltd., Bramhall, United Kingdom	-3,276,127.93	100.00	436,407.86
Wind POL 2 Holding Ltd., Bramhall, United Kingdom	-101,229.37	100.00	-34,295.16
Wind Port of Liverpool, Bramhall, United Kingdom	-1,470,098.28	100.00	297,901.67
Windpark Baar GmbH & Co. KG, Neubiberg, Germany	256,350.70	100.00	151,171.87
Windpark Kaseldorf GmbH & Co. KG, Neubiberg, Germany	-954,927.54	100.00	165,564.79

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

19 Notification requirements

In the period from 1 January 2020 to 12 March 2021, Encavis AG Hamburg, Germany, received the following notifications pursuant to section 40, paragraph 1, of the German Securities Trading Act (WpHG):

Encavis AG was notified in a letter dated 27 March 2020 pursuant to section 33(1) of the WpHG that the share of the voting rights in Encavis AG held by DWS Investment GmbH, Germany, exceeded the threshold of 3% of the voting rights on 24 March 2020 and, from this date, was 2.80% (3,842,586 voting rights) via direct voting rights and 0.30% (412,246 voting rights) via other instruments, thus totalling 3.10% (4,254,832 voting rights). The party obligated to notify is neither controlled nor does the party obligated to notify control other companies that hold voting rights in Encavis AG or to which voting rights in Encavis AG are attributed.

Encavis AG was notified in a letter dated 9 June 2020 pursuant to section 33(1) of the WpHG that the share of the voting rights in Encavis AG held by Mr Peter Heidecker, Germany, fell below the threshold of 3% of the voting rights on 28 May 2020 and, from this date, was 2.22% (3,046,412 voting rights). The voting rights are attributable to PELEBA Vermögensverwaltungs GmbH & Co. KG, Germany.

Encavis AG was notified in a letter dated 2 December 2020 pursuant to section 33(1) of the WpHG that the share of the voting rights in Encavis AG held by Invesco Exchange-Traded Fund Trust II, United States, exceeded the threshold of 3% of the voting rights on 25 November 2020 and, from this date, was 3.16% (4,377,651 voting rights). The party obligated to notify is neither controlled nor does the party obligated to notify control other companies that hold voting rights in Encavis AG or to which voting rights in Encavis AG are attributed.

Encavis AG was notified in a letter dated 4 February 2021 pursuant to section 33(1) of the WpHG that the share of the voting rights in Encavis AG held by The Goldman Sachs Group, Inc., United States, exceeded the thresholds of 3% and 5% of the voting rights on 2 February 2021 and, from this date, was 0.79% (1,090,123 voting rights) via direct voting rights and 6.50% (8,992,359 voting rights) via other instruments, thus totalling 7.28% (10,082,482 voting rights). The party obligated to notify is neither controlled nor does the party obligated to notify control other companies that hold voting rights in Encavis AG or to which voting rights in Encavis AG are attributed.

Encavis AG was notified in a letter dated 5 March 2021 pursuant to section 33(1) of the WpHG that the share of the voting rights in Encavis AG held by BlackRock Inc., United States, exceeded the thresholds of 3% and 5% of the voting rights on 2 March 2021 and, from this date, was 4.26% (5,894,477 voting rights) via direct voting rights and 5.95% (8,243,409 voting rights) via other instruments, thus totalling 10.21% (14,137,886 voting rights). Additionally, Encavis AG was notified in a letter dated 5 March 2021 pursuant to section 33(1) of the WpHG that the share of the voting rights in Encavis AG held by iShares Trust, United States, exceeded the thresholds of 3% and 5% of the voting rights on 2 March 2021 and, from this date, was 2.79% (3,864,533 voting rights) via direct voting rights and 2.47% (3,422,295 voting rights) via other instruments, thus totalling 5.26% (7,286,828 voting rights). These voting rights are included as a subset in the respective voting rights notified by BlackRock, Inc. The party obligated to notify is neither controlled nor does the party obligated to notify control other companies that hold voting rights in Encavis AG or to which voting rights in Encavis AG are attributed.

Encavis AG was notified in a letter dated 8 March 2021 pursuant to section 33(1) of the WpHG that the share of the voting rights in Encavis AG held by UBS Group AG, Switzerland, exceeded the thresholds of 3% and 5% of the voting rights on 3 March 2021 and, from this date, was 0.65% (902,799 voting rights) via direct voting rights and 4.47% (6,187,387 voting rights) via other instruments, thus totalling 5.12% (7,090,186 voting rights). The party obligated to notify is neither controlled nor does the party obligated to notify control other companies that hold voting rights in Encavis AG or to which voting rights in Encavis AG are attributed.

With regard to the reporting thresholds for voting shares (3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75%) in accordance with section 33 et seq. of the WpHG, on 12 March 2021 the pool of AMCO Service GmbH and Dr. Liedtke Vermögensverwaltungs GmbH held more than 25%; BlackRock Inc. more than 10%; The Goldman Sachs Group, Inc., iShares Trust and UBS Group AG each held more than 5%; BayernInvest Kapitalverwaltungsgesellschaft mbH, Lobelia Beteiligungsgesellschaft/Kreke Immobilien KG, Invesco Exchange-Traded Fund Trust II and DWS Investment GmbH each held more than 3% of the voting rights in Encavis AG.

20 Date of approval for publication

These consolidated financial statements were approved for publication by resolution of the Management Board of Encavis AG on 23 March 2021.

The auditor’s report reproduced below also includes a “Report on the audit of the electronic reproductions of the financial statements and the management report prepared for disclosure purposes in accordance with section 317 (3b) of the HGB” (“ESEF report”). The subject matter of the ESEF report (ESEF documents to be audited) is not attached. The audited ESEF documents can be viewed in or retrieved from the Federal Gazette (Bundesanzeiger).

Independent auditor’s report

To Encavis AG, Hamburg

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of Encavis AG, Hamburg, and its subsidi-aries (the Group), which comprise the consolidated balance sheet as at December 31, 2020, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the financial year from January 1 to December 31, 2020 and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Encavis AG, which is combined with the Company’s management report, for the financial year from January 1 to December 31, 2020. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to § [Article] 289f and § 315d HGB [Han-delsgesetzbuch: German Commercial Code].

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e Abs. [paragraph] 1 HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at Decem-ber 31, 2020, and of its financial performance for the financial year from January 1 to De-cember 31, 2020, and
- the accompanying group management report as a whole provides an appropriate view of the Group’s position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropri-ately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the statement on corporate govern-ance referred to above.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB , we declare that our audit has not led to any res-ervations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as “EU Audit Regulation”) in compliance with German Generally Accepted Stand-ards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and prin-ciples are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit ser-vices prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evi-dence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2020.These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

In our view, the matters of most significance in our audit were as follows:

❶ Accounting treatment of deferred taxes

❷ Financial instruments – Accounting treatment of hedging transactions

Our presentation of these key audit matters has been structured in each case as follows:

① Matter and issue

② Audit approach and findings

③ Reference to further information

Hereinafter we present the key audit matters:

❶ Accounting treatment of deferred taxes

① After netting, deferred tax assets amounting to EUR 3.3 million and deferred tax liabilities of EUR 132.5 million are reported in the Company's consolidated financial statements. These items were recognized to the extent that the executive directors consider it probable that taxable profit will be available in the foreseeable future which will enable the deductible temporary differences, unused tax losses and interest carryforwards to be utilized. For this purpose, insofar as sufficient deferred tax liabilities are not available, future taxable profits are projected on the basis of the adopted business plan. No deferred tax assets were recog-nized in respect of unused tax losses amounting in total to EUR 19.2 million for trade tax and EUR 25.8 million for corporate income tax or interest carryforwards amounting to EUR 28.0, since it is not probable that they will be utilized for tax purposes by means of offset against taxable profits. From our point of view, the accounting treatment of deferred taxes was of particular significance in the context of our audit, as it depends to a large extent on the estimates and assumptions made by the executive directors and is therefore subject to uncertainties. In particular, the large number of foreign subsidiaries acquired in previous years and in the reporting year led to temporary differences arising from acquisition ac-counting. The recognition of the corresponding deferred taxes requires in particular an as-sessment of the specific features of the respective national tax laws.

② As part of our audit and with the assistance of our internal specialists from Capital Markets & Accounting Advisory Services, among other things we assessed the internal processes and controls for recording tax matters, as well as the methodology used for the determination, accounting treatment and measurement of deferred taxes. We also assessed the recoverabil-ity of the deferred tax assets relating to deductible temporary differences, unused tax losses and interest carryforwards on the basis of internal forecasts of the respective subsidiaries' fu-ture earnings situation and evaluated the appropriateness of the underlying estimates and assumptions. With regard to the deferred taxes of foreign subsidiaries, we increasingly in-volved our internal specialists from the respective countries. Based on our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors are substantiated and sufficiently documented.

③ The Company's disclosures relating to deferred taxes are contained in sections 2, 3.14, 5.8 and 6.7 of the notes to the consolidated financial statements.

❷ Financial instruments – Accounting treatment of hedging transactions

① The companies of the Encavis Group and entities included in the consolidated financial statements using the equity method enter into a number of different derivative financial in-struments to hedge against currency, price and interest rate risk arising in the ordinary course of business. The hedging policy defined by the executive directors serves as the basis for these transactions and is documented in the respective internal guidelines of the Encavis Group. Currency risk mainly arises from financing denominated in foreign currency.

Inter-est rate hedges are entered into for the purpose of avoiding exposure to variable interest rates. Furthermore, two long-term electricity purchase agreements are in place at the level of an equity-accounted entity and a fully consolidated subsidiary to hedge against price fluc-tuations on the electricity spot market. Derivative financial instruments are recognized at fair value as of the balance sheet date. The positive fair values of the total derivative financial instruments used for hedging purposes and included in a hedging relationship in accord-ance with IFRS 9 amount to EUR 1.1 million as of the balance sheet date and the negative fair values amount to EUR 55.7 million. The fair value changes are recognized in other com-prehensive income over the duration of the hedging relationship until such time as the hedged expected future cash flows are recognized in profit or loss (effective portion). As of the balance sheet date, the cash flow hedge reserve amounted to EUR -15.1 million and the cash flow hedge reserve at the equity-accounted entities amounted to EUR -17.8 million. Given the highly complex nature and large number of hedging transactions as well as the po-tential impact on earnings resulting from the accounting treatment and measurement, in our view these matters were of particular significance in the context of our audit.

② As a part of our audit and with the assistance of our internal specialists from Corporate Treasury Solutions, among other things we assessed the contractual and financial bases and the accounting treatment of the effects on equity and profit or loss arising from the various hedging transactions. Together with these specialists, we assessed, among other things, the established internal control system with regard to derivative financial instruments, includ-ing the internal activities to monitor compliance with the hedging policy. Furthermore, for the purpose of evaluating the fair value measurement of derivative financial instruments, we also assessed the calculation methods on the basis of market data and the underlying data used. With respect to the hedging of expected cash flows, we mainly assessed the prospective effectiveness test, the estimate of expected future hedge effectiveness, and the determination of hedge ineffectiveness. We obtained bank confirmations as of the balance sheet date for the purpose of assessing the completeness of the hedging instruments and the correctness of the fair values of currency and interest rate derivatives. Based on our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors are substantiated and sufficiently documented.

③ The Company's disclosures relating to hedging transactions are contained in section 8 of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information com-prises the statement on corporate governance pursuant to § 289f HGB and 315 d HGB.

The other information comprises further remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor’s report.

Our audit opinions on the consolidated financial statements and on the group management re-port do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Finan-cial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial state-ments that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidat-ed financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the

Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material mis-statement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group manage-ment report that as a whole provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future develop-ment. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group’s financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and ap-propriately presents the opportunities and risks of future development, as well as to issue an au-ditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated finan-cial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to con-tinue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated finan-cial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence ob-tained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial state-ments, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial state-ments give a true and fair view of the assets, liabilities, financial position and financial per-formance of the Group in compliance with IFRSs as adopted by the EU and the additional re-quirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the enti-ties or business activities within the Group to express audit opinions on the consolidated fi-nancial statements and on the group management report. We are responsible for the direc-tion, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group’s position it provides.
- Perform audit procedures on the prospective information presented by the executive direc-tors in the group management report On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information and evaluate the proper derivation of the prospective infor-mation from these assumptions. We do not express a separate audit opinion on the prospec-tive information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those mat-ters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our audi-tor’s report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Assurance Report in Accordance with § 317 Abs. 3b HGB on the Electronic Repro-duction of the Consolidated Financial Statements and the Group Management Re-port Prepared for Publication Purposes

Reasonable Assurance Conclusion

We have performed an assurance engagement in accordance with § 317 Abs. 3b HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the “ESEF documents”) contained in the at-tached electronic file Encavis_AG_KA+KLB_ESEF-2020-12-31.zip and prepared for publication purposes com-plies in all material respects with the requirements of § 328 Abs. 1 HGB for the elec-tronic reporting format (“ESEF format”). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the con-solidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group man-agement report contained in the above-mentioned attached electronic file and prepared for pub-lication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned electronic file beyond this reasonable assurance conclusion and our audit opinion on the accompanying con-solidated financial statements and the accompanying group management report for the finan-cial year from January 1 to December 31, 2020 contained in the “Report on the Audit of the Con-solidated Financial Statements and on the Group Management Report” above.

Basis for the Reasonable Assurance Conclusion

We conducted our assurance engagement on the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached elec-tronic file in accordance with § 317 Abs. 3b HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410) and the International Standard on Assurance Engagements 3000 (Revised). Accordingly, our responsibilities are further described below in the “Group Auditor’s Responsibilities for the Assurance Engagement on the ESEF Documents” section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF docu-ments including the electronic reproduction of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The executive directors of the Company are also responsible for the submission of the ESEF doc-uments together with the auditor's report and the attached audited consolidated financial statements and audited group management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Group Auditor’s Responsibilities for the Assurance Engagement on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance engagement. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.
- Obtain an understanding of internal control relevant to the assurance engagement on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance conclusion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as at the balance sheet date on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enables a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on May 13, 2020.We were en-gaged by the Supervisory board on September 23, 2020. We have been the group auditor of the Encavis AG, Hamburg, without interruption since the financial year 2016.

We declare that the audit opinions expressed in this auditor’s report are consistent with the addi-tional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Christoph Fehling.

Hamburg, 23 March 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Christoph Fehling
Wirtschaftsprüfer
(German Public Auditor)

ppa. Martin Zucker
Wirtschaftsprüfer
(German Public Auditor)

Assurance of the legal representatives

We declare that, to the best of our knowledge and according to the applicable accounting standards, the annual financial statements and consolidated financial statements give a true and fair view of the financial position, financial performance and net assets of the company and the Group, and that the combined management report and the Group management report include a fair review of the course of business, including the business result, and the situation of the company and the Group and suitably present the principal opportunities and risks associated with the expected development of the company and the Group.

Hamburg, March 2021

Encavis AG

Management Board

Dr Dierk Paskert	Dr Christoph Husmann
CEO	CFO

Glossary

Abbreviations and terms from the energy sector	
EAG	Erneuerbaren-Ausbau-Gesetz – Austrian Renewable Energies Expansion Act
EEG	Erneuerbare-Energien-Gesetz – German Renewable Energy Act
FIT	Feed-in tariff
GW	Gigawatt – unit of power
IEA	International Energy Agency
IPP	Independent power producer
kW	Kilowatt – unit of power
kWh	Kilowatt-hour – unit for measuring electricity and amount of energy
kWp	Kilowatt peak – nominal output of an energy installation
MW	Megawatt – unit of power
MWh	Megawatt-hour – unit for measuring electricity and amount of energy
Onshore	Wind parks built on land for the generation of electricity
Era after feed-in tariffs	Period after the existence of guaranteed feed-in tariffs
PPA	Power purchase agreement – private purchase contract for electricity
PV	Photovoltaic – energy acquired from the sun
REN21	Renewable Energy Policy Network for the 21st Century – political network in the field of renewable energies
RE100	Global initiative of companies with the objective of meeting 100% of the energy needs of member companies with electricity from renewable sources
SPE	SolarPower Europe – union of the European solar industry
TW	Terawatt – unit of power
TWh	Terawatt-hour – unit for measuring electricity and amount of energy

Abbreviations and terms from the financial and business sectors	
AC	Amortised cost – category under IFRS 9 in which financial assets are measured at amortised cost
AFS	Available for sale – category under IAS 39 for financial assets held for sale
AktG	Aktiengesetz – German Stock Corporation Act
SOP	Share option programme (regulation of share-based remuneration)
Badwill	Negative goodwill – if the purchase price for a company acquired for consideration is less than the value of the assets after deduction of the liabilities, the difference is to be recognised as income
GDP	Gross domestic product – economic output of a country
CAGR	Compound annual growth rate
Cash flow	Economic measurement that represents the net inflow of liquid funds during a given period
CDS	Credit default swap – instruments used to hedge a potential default by a borrower
CFH	Cash flow hedges – instruments for hedging cash flows
CGU	Cash-generating unit – the smallest identifiable group of assets that generates cash inflows that are largely independent of those from other assets
Covid-19	Coronavirus disease 2019 – infectious disease subject to reporting requirements
CSI 300	China Securities Index 300 – Chinese stock index

DAX	Deutscher Aktienindex – German stock index
DCGK	Deutscher Corporate Governance Kodex – German corporate governance code
GAS	German Accounting Standards
Due diligence	Careful examination of a company as part of an acquisition
Early-stage project	Project in the early stage of development
EAT	Earnings after taxes – a key performance indicator
EBIT	Earnings before interest and taxes – a key performance indicator
EBITDA	Earnings before interest, taxes, depreciation and amortisation – a key performance indicator; EBITDA is calculated as EBIT plus depreciation and amortisation recognised in profit or loss, and less reversals of impairment losses on intangible assets and property, plant and equipment recognised in profit or loss
EBT	Earnings before taxes on income – a key performance indicator
ECL model	Expected credit loss model – impairment model based on expected credit losses
EMBER	Independent climate and energy think tank
EPC	Engineering, procurement and construction
EPS	Earnings per share – measurement of the profitability of a company
ESG	Environmental social governance – focus on the environment, social issues and corporate governance
ECB	European Central Bank
FAHFT	Financial assets held for trading – category under IAS 39 for financial assets held for trading and measured at fair value through profit or loss
Fast entry	Inclusion of a company in a stock index outside of the regular inclusion periods
FTSE 100 Index	Financial Times Stock Exchange 100 Index – British stock index
FVOCI	Fair value through other comprehensive income – category under IFRS 9 in which financial assets are measured at fair value through other comprehensive income
FVPL	Fair value through profit and loss – category under IFRS 9 in which financial assets are measured at fair value through profit or loss
FX	Foreign exchange – foreign currency
Goodwill	Positive goodwill – if the purchase price for a company acquired for consideration is more than the value of the assets after deduction of the liabilities, the positive difference is to be capitalised as goodwill
Green Bond	Debt security which must meet clearly defined requirements with regard to the investment objects (ESG criteria)
HASPAX	Hamburg stock index
HGB	Handelsgesetzbuch – German Commercial Code
HTM	Held to maturity – category under IAS 39 for financial investments held to maturity
IASB	International Accounting Standards Board – independent private-sector body that develops and adopts the IFRS
IBOR	Interbank offered rate
IFRS	International Financial Reporting Standards – international accounting standards to be applied by capital-market-oriented companies in the European Union
IFRS IC	IFRS Interpretations Committee – body that develops and published interpretations of the IFRS
IRR	Internal rate of return – key figure for measuring the return on an investment
ISE	Fraunhofer Institute for Solar Energy Systems
ISIF	Ireland Strategic Investment Fund – an Irish government fund
ISIN	International securities identification number
ISS	Institutional Shareholder Services – provider of corporate governance and responsible investment (RI) solutions
IMF	International Monetary Fund
LIBOR	London interbank offered rate
L&R	Loans and receivables – category for loans and receivables under IAS 39
MDAX	Mid-cap DAX
MiSE	Ministry of Economic Development in Italy

MSCI	US financial services provider
NAFTA	North American Free Trade Agreement – free-trade agreement or zone between the United States, Canada and Mexico
OCI	Other comprehensive income – a component of equity in which certain expenses/income are recognised directly in equity
ÖkoDAX	Stock index for the renewable energy sector
Operating	In the Encavis Group, “operating” refers to all key figures that do not contain any IFRS-related valuation effects
PEPP	Pandemic Emergency Purchase Programme
PPA	Power purchase agreement – private purchase contract for electricity
PPVX	Photon Photovoltaic Stock Index
Ready-to-build project	A project which is ready to build
ROE	Return on equity – key figure used to measure the operating return on equity of an investment
SAR	Share appreciation rights – virtual share options
Scope	Scope Ratings – a ratings agency
SDAX	Small-cap DAX
TEUR	Thousands of euros
UN Global Compact	United Nations Global Compact – the world’s largest initiative for responsible corporate governance
UN PRI	United Nations Principles for Responsible Investment – international network of investors which has developed six principles for responsible investments
WACC	Weighted average cost of capital
WpHG	Wertpapierhandelsgesetz – German Securities Trading Act

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