ENCAVIS

Annual Report 2021

Group operating KPIs*

In TEUR

	2017	2018	2019	2020	2021	+/- compared to previous year
Revenue	222,432	248,785	273,822	292,300	332,703	14%
Operating EBITDA	166,768	186,890	217,626	224,819	256,398	14%
Operating EBIT	100,387	113,682	132,229	132,158	149,050	13%
Operating EBT	46,739	56,753	76,627	76,488	87,345	14%
Operating EAT	39,962	47,036	63,446	68,291	77,004	13%
Operating EPS (in EUR)	0.29	0.31	0.43	0.43	0.48	12%
Balance sheet total**	2,519,698	2,537,101	2,747,035	2,823,844	3,215,888	14%
Equity	698,594	687,057	722,713	751,561	1,066,388	42%
Equity ratio	27.7%	27.1%	26.3%	26.6%	33.2%	-
Operating cash flow	153,017	174,282	189,315	212,947	251,941	18%

* 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 in the 2020 financial year, thus making them not reconcilable with the annual report for the 2018 and 2019 financial years.

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Foreword from the Management Board

Dear Shareholders,
Ladies and Gentlemen,

The past year and especially the beginning of 2022 have been dominated by the kind of crises we never thought possible just a couple of years ago. The pandemic is now in its second year and has impacted vast swathes of the economy all over the world. The recent escalation of tensions in Ukraine turned a regional conflict into a global crisis, demonstrating with great clarity that Europe's major reliance on Russian gas and oil is not sustainable. There's nothing we can do to end the war or ease the suffering of the millions of refugees, but we can play our part in the energy transition and help to reduce our dependency on fossil fuels. Our aim is to make renewable energies with storage technology so flexible and efficient that they can provide a permanent basic supply of energy without relying on subsidies – purely on the basis of private-sector contracts. We are committed and highly motivated to achieving this goal. Every day, something considered a bold idea a few years ago is getting closer and closer to becoming a reality.

Thanks to an IT environment that was upgraded at just the right time, comprehensive communication at all times and that luck we needed, there have still 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. For the most part, our 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, without any loss of substance, tempo or efficiency. We would like to thank everyone involved for their openness and flexibility and look forward to meeting you all again in person soon.

During the Covid-19 pandemic, we again managed to demonstrate to the capital market that our business model and our business operations are practically unaffected by the other uncertainties and disruption of the pandemic. Significant delays in approval processes for new wind and solar installations throughout 2021 led to corresponding hold-ups in connecting our strategic development partners' solar parks to the power grid. However, momentum started to pick up again in the fourth quarter. There was also a surge in the number of opportunities to purchase existing wind and solar parks outside of Germany at the end of 2021 and start of 2022, which we were able to seize. At the end of November 2021, we successfully placed our significantly oversubscribed hybrid convertible bond with an issue volume of EUR 250 million with institutional investors in a matter of hours at extremely favourable conditions and at an excellent price, thereby equipping ourselves with the tools we need for growth over the coming years.

The organic growth of our portfolio of wind and solar parks forms the basis for the implementation of >> Fast Forward 2025, our growth strategy. To achieve our growth targets, we have secured – together with our strategic development partners – a project pipeline of wind and solar installations with a total generation capacity of more than 3.5 gigawatts (GW). 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 (known as power purchase agreements, or PPAs). These parks open up the world of direct sales of green electricity to companies, which is a global market experiencing extremely dynamic growth. For this purpose, we combined our expertise into a separate PPA Origination department last year. With our two large-scale projects in Spain – La Cabrera with a generation capacity of 200 megawatt-peak (MWp) and the even larger Talayuela solar park (300 MWp) – we will be able to generate stable returns while avoiding around 3.4 million tonnes of harmful CO_2 emissions over the ten-year PPA term, without needing to rely on government subsidies. By generating power from renewable energy, we are already making a crucial contribution to supplying environmentally friendly and sustainable energy. Energy generated by the Group solely through the use of photovoltaics and wind power in 2021 avoided more than 1.3 million tonnes of harmful CO_2 emissions. To learn more about our sustainability strategy, as well as the latest measures and ongoing achievements in our Group-wide ESG efforts and ambitions, please refer to our Encavis AG sustainability report, which is published in an environmentally friendly online-only format available on our website: https://www.encavis.com/en/sustainability/.

Our subsidiary Encavis Asset Management AG in Neubiberg near Munich continues to perform well. The target group, consisting of institutional investors such as insurance companies, building societies and cooperative banks, once again entrusted us with a substantial volume of funds in the reporting period. The special bank fund Encavis Infrastructure Fund IV (EIF IV) was set up in collaboration with BayernInvest Luxembourg S.A. at the end of 2021 with the aim of providing a portfolio that is highly diversified in terms of technology (onshore wind and solar) and European locations and focuses on the stability and yield strength of renewable energies. It has a target fund volume of EUR 500 million.

The positive development of the Encavis Group, which continued in the 2021 financial year, is founded on the ongoing expansion of the portfolio and the high degree of availability of our installations. Despite average or below-average meteorological conditions in many parts of Europe, we were able to achieve and even exceed our forecast goals. Steady rises in the price of electricity over the past year had a positive impact on our business. With the vast majority of our electricity prices secured in long-term agreements, we were only able to benefit from this trend with a small share of our energy generation activities, but the effect is still noticeable. Our revenue came to EUR 332.7 million, a year-on-year increase of 14 % to EUR 292.3 million. Operating earnings before interest, tax, depreciation and amortisation (operating EBITDA) rose by 14 % to approximately EUR 256.4 million (previous year: EUR 224.8 million), resulting in a stable EBITDA margin of around 77 %. Operating earnings before interest and tax (operating EBIT) climbed by 13 % to EUR 149.1 million from EUR 132.2 million in the previous year, generating a stable operating EBIT margin of around 45 %. Operating cash flow was the main beneficiary of this upturn, increasing significantly by around EUR 39.0 million to EUR 251.9 million (increase of 18 %). At EUR 0.48, operating earnings per share, which is a key performance indicator for the management of the Group, exceeded the forecast value of EUR 0.46 and was up by a substantial 12 % compared to the figure of EUR 0.43 reported in the previous year. The guidance which we had confirmed multiple times throughout 2021 was therefore clearly exceeded for all KPIs.

It goes practically without saying that we would like to offer you, our shareholders, an opportunity to benefit from the successful growth of Encavis AG. That is why we plan to recommend to the Annual General Meeting the distribution of a dividend of EUR 0.30 per voting share for the 2021 financial year, in accordance with our long-term dividend strategy, which remains valid until the end of the current financial year. As in years past, the distribution will once again be offered as an optional dividend, enabling shareholders to choose between receiving it 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, we again expect significant growth in the 2022 financial year. The acquisitions we completed in 2021 will provide a significant boost to both revenue and earnings moving forward, as will further transactions already agreed for the 2022 financial year and continued rises in electricity prices, which we will be able to take advantage of through variable-rate electricity generation and new PPAs. We anticipate revenue growth of EUR 380 million in the 2022 financial year (increase of 14 %). Operating EBITDA is expected to increase to more than EUR 285 million (increase of 11 %). At Group level, we are set to achieve growth in operating EBIT to more than EUR 166 million (increase of 11 %), bringing operating earnings per share up to EUR 0.51 (increase of 6 %). We expect to generate operating cash flow upwards of EUR 260 million, which is on even higher than the extremely strong operating cash flow generated in 2021. These expectations for the 2022 financial year are based on the composition of our portfolio of wind and solar parks at the beginning of March 2022, as well as the expectations with regard to 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 to see how we seize the opportunities offered by these times – with dedication and good judgement – to create a successful future.

Hamburg, March 2022

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)

Financial calendar

Encavis AG financial calendar

Date	Financial event
2022	
29 March 2022	Consolidated financial statements 2021
30 March 2022	Sustainability report 2021
30 March 2022	Conference call on the consolidated financial statements and the sustainability report 2021
30 to 31 March 2022	Jefferies Virtual Pan-European Mid-Cap Conference 2022
1 April 2022	Bank of America Securities Energy & Utilities Conference 2022, London, United Kingdom
5 to 6 April 2022	Stifel Virtual Non-Deal Roadshow (NDR), USA
7 April 2022	M.M. Warburg Virtual ESG Conference, Germany
12 April 2022	CM-CIC Market Solutions Non-Deal Roadshow, Paris, France
20 to 22 April 2022	RBI Institutional Investor Conference “Virtual Zürs 2022“, Zürs, Austria
3 May 2022	Berenberg Roadshow Geneva/Zurich, Switzerland
12 May 2022	Interim Statement for Q1/3M 2022
19 May 2022	Virtual Annual General Meeting 2022, Hamburg, Germany
23 May 2022	Berenberg Roadshow Lugano, Switzerland; Milan, Italy
24 May 2022	Interest payment on hybrid convertible bond 2021
25 May 2022	Jefferies Virtual Renewable Energy Conference: Key Debate Across the Value Chain, London, United Kingdom
1 to 2 June 2022	Quirin Virtual Champions Conference 2022, Germany
9 June 2022	Jefferies Equity-Linked Conference, London, United Kingdom
15 August 2022	Interim statement for Q2/6M 2022
5 to 6 September 2022	Quirin Roadshow Skandinavien, Helsinki, Finland; Stockholm, Sweden, Copenhagen, Denmark
7 September 2022	ODDO BHF Commerzbank Corporate Conference 2022, Frankfurt a. M., Germany
7 to 8 September 2022	Stifel Cross Sector Insight Conference, London, United Kingdom
12 September 2022	Interest payment on Green Schuldschein (green bonded loan) 2018
19 to 21 September 2022	Berenberg/Goldman Sachs 11th German Corporate Conference, Munich, Germany
22 September 2022	11th BAADER Investment Conference, Munich, Germany
29 September 2022	Bernstein’s 19th Pan European Annual Strategic Decisions Conference, London, United Kingdom
15 November 2022	Interim statement for Q3/9M 2022
16 to 17 November 2022	BNP Paribas Exane 5th MidCap CEO Conference, Paris, France
22 November 2022	DZ Bank Equity Conference, Frankfurt a. M., Germany
24 November 2022	Interest payment on hybrid convertible bond 2021
28 to 30 November 2022	Deutsches Eigenkapitalforum (Deutsche Börse), Frankfurt a. M., Germany
11 December 2022	Interest payment on Schuldschein (bonded loan) 2015

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 2021 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 it was required to do so 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 five ordinary Supervisory Board meetings in the 2021 financial year, one of which was held as a strategic meeting. 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 attended all Supervisory Board meetings in the 2021 financial year in accordance with their term of office. An overview of individual members' attendance can be found in the table below.

Meeting attendance of Supervisory Board members In the 2021 financial year*	Supervisory Board	Audit Committee	Personnel Committee
Dr Manfred Krüper, Chairman	5/5	2/2	3/3
Alexander Stuhlmann, Deputy Chairman	5/5	2/2	3/3
Christine Scheel	5/5	-	-
Albert Büll	5/5	-	2/3
Dr Cornelius Liedtke	5/5	-	-
Professor Dr Fritz Vahrenholt	5/5	2/2	3/3
Peter Heidecker (until the end of the Annual General Meeting on 27 May 2021)	2/5	-	-
Dr Henning Kreke	5/5	-	-
Dr Marcus Schenck	5/5	-	-
Dr Rolf Martin Schmitz (since the Annual General Meeting on 27 May 2021)	4/5	-	-

* 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 included the following: investment decisions on various investment proposals, such as the proposal at the start of the 2021 financial year to acquire a Finnish wind park (21.5 MW) with the planned conclusion of a long-term PPA and various financing measures, such as the issuing of a bearer bond with a total volume of EUR 20 million, the issuing of the company's first ESG-compliant syndicated loan in August 2021 with a total volume of EUR 125 million to secure further growth financing, the mandatory conversion of the hybrid convertible bond issued in 2017, 2018 and 2019 with a total volume of EUR 150 million and the successful placement of a subordinate bond with no fixed term and temporary rights for conversion into bearer shares in the company in the amount of EUR 250 million.

Scope of topics/focus of deliberations

The general impact of the Covid-19 pandemic on the general business environment and the progress in implementing the growth strategy through to 2025 was one focus of deliberations and resolutions for the Supervisory Board in the first half of the 2021 financial year. In particular, the Supervisory Board focused on the latest developments regarding the target operating model (TOM) introduced at the start of 2021.

In addition, the range of topics included the annual and consolidated financial statements as at 31 December 2020 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 23 March 2021. In their preparations for the Annual General Meeting, the Management Board and the Supervisory Board once again looked into the structure and organisation of the virtual format necessitated by the ongoing pandemic and the associated measures and legal requirements.

Other meetings centred on monitoring existing development partnerships, and forming new ones, as well as evaluating new opportunities relating to the expansion of the solar and wind park portfolio. A range of new partnerships were concluded in the 2021 financial year, including a development partnership with Norwegian company Solgrid AS. Following the successful sale of 49 % of shares in a wind park portfolio in Austria to Austria’s largest regional energy provider, Wien Energie GmbH, at the end of 2020, the Supervisory Board also worked with the Management Board to deal with the terms of the first full divestment of what was, until the sale, a majority stake in Wien Energie GmbH. The transaction took legal effect in December 2021.

In discussions on the position and strategic development of the Encavis Group, a significant amount of time was devoted to discussions and deliberations on the financing situation for new investments, the conversion of the hybrid convertible bonds issued in 2017 and 2019 and the possibility of issuing of a new instrument of this nature. Another point of focus was the assessment of the retroactive intervention into government subsidy programmes that is having an adverse effect on the financial viability of existing investments and therefore also the business model, as in the case of France’s new budget approved in October 2020 and implemented in December 2021. Meetings involved regular dialogue and ongoing monitoring of the latest developments of the anticipated reduction in feed-in tariffs in France in relation to the small number of French parks held in the Encavis portfolio. Discussions also revolved around the impact of new legislation introduced in Spain in September 2021 – initially as a temporary measure until 31 March 2022 and subsequently extended to the end of June 2022 – which included measures to mitigate the effects of rising natural gas prices on the gas and electricity market and Spanish energy consumers.

In the meeting held in December of the 2021 financial year, the Supervisory Board addressed the system to derive the risk-adjusted minimum rate of return for investments and the defined criteria, the main features of which had already been presented at the strategy meeting.

The Supervisory Board’s deliberations also regularly focused on the presentation of investment resources, the development of the PV Parks, Wind Parks and Asset Management segments 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, Professor Dr Fritz Vahrenholt and, since the Supervisory Board meeting in December 2021, Dr Rolf Martin Schmitz. The committee held three meetings in the 2021 financial year. The Personnel Committee dealt in detail with the goals and goal achievement of the two members of the Management Board, which acts as a benchmark for variable annual remuneration (short-term incentive – STI). Discussions on the Personnel Committee focused, among other topics, on the amendments from the new German Corporate Governance Code (DCGK) published on 20 March 2020 and the requirements for the establishment of the abstract remuneration system presented at the Annual General Meeting in 2021.

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 Dr Fritz Vahrenholt. The Audit Committee held two meetings in the 2021 financial year. In March 2021, it dealt with the 2020 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 2021 consolidated and annual financial statements together with the auditors in its last meeting at the end of the year. The Audit Committee also prepared the resolution of a new pre-approval guideline for the assignment to the auditor of non-auditing services effective as at January 2022, which was subsequently resolved.

In addition, 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 2021. 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/governance/.

In the course of compliance with recommendations of the German Corporate Governance Code the Supervisory Board has decided to carry out an external audit to verify the efficiency of its overall tasks accomplishment and declarations in the second quarter of 2022.

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 receive any notifications or indications of conflicts of interest on the part of the members of the Management Board and the Supervisory Board in the 2021 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 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 29 March 2022, 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 29 March 2022. The annual financial statements were therefore adopted. Finally, the Supervisory Board has endorsed the Management Board's proposal for the use of distributable profit for 2021, i.e. the distribution of a dividend of EUR 0.30 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 2021 of EUR 160,469,282.00, divided into 160,469,282 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 changes in the composition of the Supervisory Board in the reporting year. Peter Heidecker's term as member of the Supervisory Board ended at the end of the Annual General Meeting for the 2020 financial year. He was succeeded by Supervisory Board member Dr Rolf Martin Schmitz, who was elected to the company's Supervisory Board in the Annual General Meeting on 27 May 2021. Dr Rolf Martin Schmitz has also been a member of the Personnel Committee since December 2021.

Changes in the composition of the Management Board

There were 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 2021, as well as for their dedication and personal contribution to the successful 2021 financial year.

Hamburg, 29 March 2022

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

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

Dr Rolf Martin Schmitz

Member of the Supervisory Board

Professor Dr Fritz Vahrenholt

Member of the Supervisory Board

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Management report and Group management report for the 2021 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, registered 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 160,469,282.00, divided into 160,469,282 no-par-value shares. The average number of (undiluted) shares in circulation during the reporting period amounted to 144,378,743 (previous year: 137,799,309).

All disclosures in this report relate to 31 December 2021 or the financial year from 1 January to 31 December 2021, unless stated otherwise.

Basic information about the Group

Business model

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

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

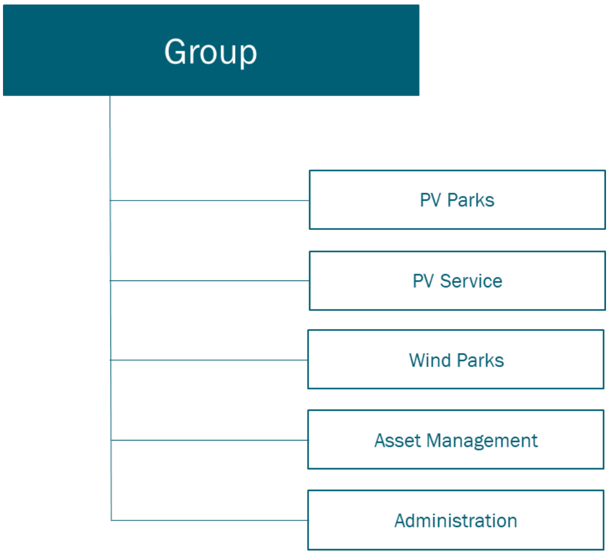
The Encavis portfolio is currently comprised of a total of 206 solar parks and 96 wind parks with a capacity of more than 3.0 GW in Germany, Italy, France, the United Kingdom, Austria, Finland, Sweden, Denmark, the Netherlands, Spain and Ireland. Of these, the Group operates 33 solar parks and 56 wind 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. The Group’s total electricity production amounted to some 4.42 terawatt-hours (TWh) in 2021. Of this figure, around 2.75 TWh was 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 253 subsidiaries held directly or indirectly as at 31 December 2021 (previous year: 242).

The diagram illustrates the Group's segments as at 31 December 2021:



PV Parks	This segment comprises all of the company's solar parks in Germany, Italy, France, the United Kingdom, the Netherlands, Spain and Denmark as well as any holding companies.
PV Service	This segment consists of Encavis Technical Services GmbH and the minority interest in Stern Energy S.p.A. It also includes business transactions of Encavis AG attributed to this segment.
Wind Parks	Wind Parks includes all of the company's wind parks in Germany, France, Austria, Denmark and Finland, as well as associated holding companies.
Asset Management	The Asset Management segment includes the business activities of Encavis Asset Management AG and those activities undertaken by Encavis GmbH relating to the asset management field and other companies assigned to this field.
Administration	This segment comprises administrative business transactions concluded by the parent company of the Group, Encavis AG, as well as Encavis GmbH business activities allocated to this segment. This segment also includes Encavis Finance B.V. and other companies allocated to the Administration segment.

Internal control system of Encavis

Encavis' main aim is to generate profitable growth and therefore increase 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 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. It is based on the detailed plans provided by the individual Group companies. The published forecast is reviewed quarterly and adapted by the Management Board where required.

Encavis' earnings indicators, EBITDA and EBIT, sometimes include material non-cash valuation effects resulting from the application of IFRS. These include, among others, income from the cancellation of the interest benefit 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, 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.

As a result, Encavis 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 2021 financial year in the report on expected developments is also based on these adjusted financial figures.

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

- operating cash flow
- technical installation availability
- revenue
- adjusted operating EBITDA
- adjusted operating EBIT
- operating earnings per share

The achievement of key figures with regard to 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 reversal of the interest benefit 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 as part of business combinations
- impairments following 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

Covid-19 pandemic and rising inflation dominate the global economy in 2021

The global economy developed very positively in 2021 and generated considerable growth. According to estimates by the International Monetary Fund (IMF) published on 25 January 2022, global gross domestic product (GDP) increased by approximately 5.9 % on the previous year. Global economic development successfully recovered from the previous year's volatility, especially in the first few months of 2021. This recovery came on the back of a decline in Covid-19 infections in spring 2021, which led to the gradual removal of pandemic-related restrictions and triggered additional economic growth momentum.

The growth dynamic was shored up in subsequent months by the decision by many countries not to impose any additional measures to stem the spread of the virus, as well as by the expansive monetary policy that continued to be pursued by central banks. However, the second half of 2021 was marred by a number of issues that put the brakes on the dynamic upturn. Rising Covid-19 case numbers, particularly in Europe, caused disruption to supply chains and material procurement. Coronavirus outbreaks in China, interruptions in industrial manufacturing due to power outages, declining real estate investment and falling government spending all resulted in a significant downshift in the pace of economic growth.

Even though there were signs of a reversal in the global trend in November 2021 – particularly as international trade picked up again and positive data emerged from the service sector and industrial manufacturing –, it wasn't enough to fully compensate for the previous adverse effects. As a result, global economic recovery slowed noticeably from the midway point of the year.

Continuation of economic growth expected in 2022

The IMF expects global GDP to grow by 4.4 % in 2022. In addition, inflation is predicted to remain at a high level because further supply chain disruptions and rising energy prices are anticipated in 2022. The spread of new coronavirus variants could prolong the pandemic and again weigh on economic development. The tightening of monetary policy the IMF expects to see in some countries should curb inflationary pressure, although room for manoeuvre in national fiscal policy remains limited as health and social spending have risen sharply in the course of the coronavirus pandemic. Nevertheless, the IMF takes the view that investment in climate policy remains essential to reduce the risk of far-reaching climate change.

The European Economic Area showed highly positive development in the 2021 reporting period. According to estimates by Eurostat, the statistical office of the European Union, eurozone GDP was up 5.2 % year on year, with consumer spending among private households having a strong and positive effect on GDP growth.

The German economy also returned to its growth trajectory in 2021. According to figures published by the Federal Statistical Office (Destatis), GDP climbed by 2.7 %. Economic output recovered, in spite of the ongoing pandemic, delivery bottlenecks and material shortages, but has not yet been able to return to pre-pandemic levels. GDP for 2021 was still 2.0 % down on the figure reported in 2019, one year before the start of the pandemic. The positive trend over the course of 2021 influenced almost all sectors of the economy, and especially gross fixed capital formation, imports and exports. Consumer spending by private households stabilised at the low level recorded in 2020. The average number of people in employment remained on a par with the previous year at approximately 44.9 million. Germany closed 2021 with a financial deficit of EUR 153.9 billion – the second-highest on record since German re-unification.

Further tightening of monetary policy as inflation persists

The US Federal Reserve has chosen to dial down its bond-buying activities significantly and raise interest rates in 2022. The European Central Bank (ECB) also announced that it will gradually scale back its net asset purchases. In addition, in view of the high inflation rates, the ECB announced that it would maintain its key interest rate level until adequate progress was made in stabilising inflation at its medium-term target. The central bank will periodically review its economic outlook.

Underlying conditions for renewable energies

The market for renewable energy

The global energy transition boosts demand for energy from renewable sources

The world is undergoing a profound energy transition that encompasses a broad spectrum including renewable energies, energy storage, electrified vehicles and the use of sustainable materials. The expansion of renewable energies plays a key role in the global energy transition. The growth of renewables continued with sustained momentum in 2021.

More than USD 900 billion was invested in the global energy transition and related climate technologies last year. Investments in the energy transition alone reached USD 755 billion, up by a quarter compared to 2020 – double that of 2015 and more than twenty times the figure from 2004. Almost 50 % of this investment, amounting to around USD 366 billion, went into the expansion of renewable energies. Conventional energy sources and fossil fuels are increasingly being supplemented or replaced with the consistent expansion and use of renewable energy sources.

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

- Experts from the International Energy Agency (IEA) believe that there will be no let-up in the pressure to achieve the energy transition and that the energy sector will remain pivotal in finding a solution to climate change. The energy sector is responsible for almost three quarters of the global emissions that have already pushed the average global temperature up by 1.1 °C on pre-industrial levels and had a corresponding undoubted impact on the climate and extreme weather. Photovoltaics and wind power are already the lowest-cost sources of electricity in most markets. The economic superiority of renewable energies has given the energy transition renewed momentum. That being said, the substantial rise in the use of coal and oil in 2021 underlines how complex the process is.

- Ahead of the UN Climate Change Conference in Glasgow, many countries agreed binding commitments to reduce emissions and press ahead with the transformation of their energy systems. If all agreements are upheld, global energy-related CO_2 emissions will decline by roughly 40 % by the year 2050. However, governments will have to ramp up their efforts considerably if they are to meet the agreed targets. That being said, current commitments cover less than 20 % of the emissions gap that will have to be closed by 2030 to achieve the target of limiting global warming to 1.5 °C. According to its World Energy Outlook, the IEA expects there to be a further rise in political pressure in the next few years.

- The IEA highlights four key measures already set in stone in many national action plans that can help to achieve the ambitious goals: an additional push for clean electrification, a focus on energy efficiency, a drive to cut CO_2 emissions from fossil fuel operations and a boost to clean energy innovation. A sustainable solution is reliant on a holistic approach, with renewable energies – and particularly photovoltaics and wind energy – at the core.

- According to the IEA, achieving the 1.5 °C goal requires a surge in annual investment in clean energy projects and infrastructure to nearly USD 4 trillion by 2030. Financing the energy transition is a major challenge, especially for emerging markets and developing economies. Adequate funding solutions are required to enable a systematic, global approach. It is believed that comparable international cooperation projects will continue to gain in importance moving forward.

- The IEA expects the gradual move away from coal-powered energy to continue, although coal remains a crucial element of the energy mix in many countries. Besides the importance of investing in alternative energy sources, there are also other significant aspects to consider, including supply security, energy prices and the aim of achieving a socially balanced transition. The IEA notes that dealing with these challenges from a political perspective is a vital element of successful climate policy, especially given the imperative nature of broad social acceptance. Given the underlying context, it is assumed that social-political motivations will become an increasingly significant driving force in energy policy.

- The enormous investments in the energy transition offer private-sector stakeholders great economic potential. The experts at the IEA put the market potential for manufacturers of wind turbines, solar cells, lithium-ion batteries and fuel cells at well over one trillion US dollars by 2050. This roughly corresponds to the size of the current global oil market and illustrates the extraordinarily high economic relevance of the transformation process. Global energy and economic policies are therefore becoming closely interlinked.

- Following Russia's horrifying war against Ukraine, which has triggered a refugee crisis and led to the West imposing sanctions against the Russian economy, it has become very clear that Europe's reliance on Russian gas and Russian oil is not sustainable. In fact, the expansion of renewable energies is regarded as THE solution to Europe's energy supply and the key to "energy freedom". This ought to inject further momentum into renewables in Europe. In this regard the European Commission has presented a plan "PowerEU" in March 2022, in which the expansion of renewable energies' capacity up to 980 GW until 2030 is considered.

Photovoltaics remain the fastest-growing energy technology in the world. Investment in large- and small-scale solar projects rose to a new record of USD 205 billion in 2021, an increase of 19 % compared to the previous year. Investment in solar installations accounted for 185 GW of generation capacity in 2021, a year-on-year increase of some 31 %. In 2020, investment volume stood at 144 GW. Robust photovoltaics growth in Europe, coupled with other trends, give grounds for further optimism. According to the preliminary figures of the SolarPower Europe association, installed nominal output increased by around 34 % year on year. The figures show that solar installations with a total capacity of 25.9 GW were connected to the power grid in the 27 EU member states, making 2021 the year with the highest photovoltaic capacity expansion ever recorded, trumping the 21.4 GW recorded in 2011. In China, the most important photovoltaics market in the world, capacity expansion continued apace in 2021. According to preliminary figures released by China's National Energy Administration (NEA), the solid previous-year figure was exceeded by around 10 %. China broke the 50 GW capacity expansion mark for the first time in 2021, connecting solar installations with a total capacity of approximately 53 GW to the power grid.

Wind power only benefited from the renewable energy growth trend to a limited extent. Total investment in wind energy stood at approximately USD 147 billion in the 2021 reporting year, which marks a slight decline on previous years (2020: USD 155 billion; 2019: USD 160 billion). Total onshore installed output grew by 16 %, while total offshore installed output dropped by 45 % after the outstanding performance in the previous year involving many major projects. Investment in offshore wind energy was comparable with 2019 levels. According to the Global Wind Energy Council (GWEC), annual wind power capacity expansion stood at 92 GW, although a slight decline is forecast in 2022 as booming offshore wind park growth eases in China and expansion of onshore wind park installations in the US declines. Further global market growth is expected in subsequent years on the back of climate protection measures implemented by many countries.

Private-sector power purchase agreements (PPAs) remain attractive

The further improved economic efficiency of renewable energies compared to conventional energy carriers, as well as companies' commitments to maintaining an eco-friendly energy balance (as outlined in the RE100 initiative, for example), have been creating increasing momentum in the market for private-sector power purchase agreements for years now. What's more, electricity prices are extremely volatile and have reached unprecedented heights. Industrial companies have a vested interest in securing carbon-neutral energy on dependable terms over a long period of time. "Environmentally friendly electricity at reliable prices" has become the most important criterion for them. According to BloombergNEF, companies purchased a record 31.1 GW of clean energy under power purchase agreements, with technology companies again the largest buyers. PPAs are playing an increasingly important role in the energy transition.

Political framework conditions

COP26 in Glasgow

As part of the UN Climate Change Conference in Paris in 2015, nearly 200 countries signed a climate protection agreement – the Paris Agreement – committed to limiting global warming to well under 2 °C, or 1.5 °C if possible, compared to pre-industrial levels. 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. According to the European Union, 2021 was by the far the warmest calendar year of the past seven years. The average temperature was 1.2 °C higher than the pre-industrial mean for the years 1850 to 1900.

The 2021 UN Climate Change Conference was held in Glasgow in November against the backdrop of these alarming headlines. Signatories from all over the world committed to implementing the conference's resolutions as well as the Paris Agreement. For the first time in the history of climate change conferences, all UN member states agreed to accelerate the global energy transition and move away from burning coal, heralding a new era in the achievement of the Paris Agreement climate targets. Given the ambitious nature of the targets and the slow progress in climate action by some countries, a systematic approach is now required on the basis of the resolutions agreed in Glasgow.

Climate policy within the European Union

The EU's energy and climate policy is focused on reducing harmful greenhouse gas emissions as much as possible in accordance with the targets defined in the Paris Agreement. The European Commission is setting the tempo for the climate policy of its member states on an increasing basis, particularly through EU emissions trading and EU-wide standards. The European Climate Law targets net zero greenhouse gas emissions by 2050 as well as a 55 % reduction in greenhouse gas emissions in 2030 compared to 1990 levels. However, it remains to be seen whether these targets are achievable in the given time frame. The European Environment Agency believes that the current measures are sufficient to attain a 41 % reduction in emissions by 2030.

With a view to dialling up the transition and bringing climate policy instruments more in line with the relevant targets, the European Commission unveiled its Fit for 55 package in July 2021. The proposals from the European Commission cover a broad range of instruments, including carbon pricing, standards, objectives for member states and compensation. The law has also adjusted the framework for renewable energies and increasing energy efficiency (in buildings). The latest draft legislation published by the European Commission has attracted criticism for adding nuclear energy and natural gas to the taxonomy under certain conditions, with the German Federal Environment Agency fearing that the credibility and relevance of the taxonomy as an instrument of transparency for the financial markets may suffer.

Political framework conditions in core regions

Europe

A total of 75 % of emissions in the EU are associated with energy consumption, and so the restructuring of the European energy system is key to achieving European climate protection goals. Achieving greater energy savings and ensuring that renewable energies make up a greater percentage of consumption are key factors in employment, growth and cutting emissions. To prevent the use of fossil fuels and cut greenhouse gas emissions, the European Commission plans to increase the share of renewables in gross final energy consumption within the EU to 40 % by 2030. This target is part of the European Green Deal, which aims to make the EU climate-neutral by 2050. To achieve this goal, the first step in the European Commission's plan is to reduce the annual greenhouse gas emissions of EU member states by 55 % by 2030 compared to 1990 levels. The European Commission set this new benchmark in July 2021 in its Fit for 55 package; the previous goal was only 40 %. In the reference year 2019, emissions were 24 % lower than in 1990. This illustrates the need to expand the use of renewable energy sources.

The use of renewable energies has risen in all 27 EU member states in recent years. As the German Federal Statistical Office reported in mid-October 2021, the share of renewables in gross final energy consumption grew from 13.9 % to 19.7 % on average between 2009 and 2019. Northern Europe remains at the vanguard of environmentally friendly energy generation thanks to its huge reservoirs.

Germany

As part of the coalition agreement, the German government agreed on a new target that renewable energies should cover 80 % of gross energy consumption by the year 2030. The previous target set as part of the German Renewable Energies Act (EEG) was 65 %. The coalition government intends to press ahead with the decentralised expansion of renewable energies to achieve its goal. Alongside the EEG, the German government also plans to enhance instruments for subsidy-free capacity expansion, such as long-term power purchase agreements and Europe-wide guarantee of origin trading.

But the new government has one major challenge to overcome: according to Agora, greenhouse gas emissions in Germany rose to 772 million tonnes of CO_2 in 2021. As a result, Germany is wavering from its climate target for 2030 and will have to save 37 million tonnes of CO_2 per year from 2022 to remain on track to achieve it. The rise in emissions in Germany came predominantly as a result of the increase in energy consumption caused by partial economic recovery, a cold winter with greater demand for heating and a high percentage of harmful coal-based electricity. Emissions are likely to climb further in 2022 if the economy continues to recover.

Germany is failing to meet its own expectations in terms of the share of the energy mix attributable to renewable energies. In the 2021 reporting year, renewable energies covered 42.3 % of electricity consumption, the same level reported in 2019. According to forecasts from Agora, Germany will have to up its expansion of photovoltaic and wind energy if renewable energies are to cover 80 % of electricity consumption in Germany by 2030, as planned.

Renewable energies are becoming increasingly important in the German energy generation framework. Numerous nuclear power stations have been decommissioned in the past few years as part of the country’s move away from nuclear power, while the expansion of wind energy and photovoltaics has continued, albeit at a slow pace. By contrast, there has been little development of other generation capacities such as biomass or offshore wind parks. This trend was also reflected in 2021, although momentum of fossil generation technology has picked up again.

Renewable energies capacity expansion increased slightly year on year in Germany in 2020. At the end of 2021, total installed output from renewable energies stood at 137 GW, which equates to capacity expansion of 6.7 GW – an increase of around 5 % compared to 2020. The distribution of capacity expansion by energy source was extremely uneven as significantly more photovoltaic capacity was installed than wind energy. Around three quarters of the 6.7 GW increase in renewable energy capacity expansion was from photovoltaics. The remaining 1.8 GW was attributable to onshore wind installations (1,7 GW) and biomass installations. No offshore wind installations were connected to the power grid in 2021.

Photovoltaic installations with a total output of 5.0 GW were connected to the power grid in 2021 – an increase of 3 % on the previous year. This marks a continuation of the positive trend of consistent capacity expansion following the slump between 2013 and 2018. Nevertheless, growth still falls far short of the level required to achieve political targets, namely photovoltaic output of 200 GW by the year 2030. Annual capacity expansion of around 16 GW will be required from 2022 to achieve this goal.

Onshore wind installation capacity expansion stood at approximately 1.7 GW in 2021, an increase of 34 % on 2020 figures and the third year of growth in succession. That being said, capacity expansion is still significantly down on the figures reported in 2016 and 2017, when wind energy was booming. The new German government’s coalition agreement does not include a fixed capacity expansion target for onshore wind energy by the year 2030. Based on the overall target and assumed system parameters, experts at Agora believe that between 90 and 130 GW of installed output will be required by 2030, which will require annual capacity expansion of 5 to 7 GW – which is double or triple the level of capacity expansion in 2021.

Denmark

The Danish government is pursuing the long-term strategic objective of making Denmark independent of fossil fuels by 2050. In 2020, Denmark exceeded its original goal of expanding renewable energies to a 55 % share of the overall energy mix by 2030. Wind power currently contributes more than 60 % to the energy mix in Denmark, making the share of total energy consumption covered by wind energy in Denmark the highest in the world.

In addition, a cross-party climate package was adopted, in which the CO_2 emissions are to be reduced by 70 % in comparison to 1990 by the year 2030. By then, Denmark intends to cut CO_2 emissions by 3.4 million tonnes. To achieve this, reforms will be initiated to make renewable energies more affordable and fossil energy more expensive. Oil and gas heating in private households will be eliminated and replaced by heat pumps and green district heating. Moreover, more charging stations for electric vehicles are planned, and the industrial sector is slated to increase its energy efficiency by utilising renewable energies or biogas.

France

France is currently revising its climate and energy policy and looking to achieve ambitious renewable energy and energy efficiency targets. It is also set to commit to reducing the share of nuclear energy in its energy mix. France is one of the most important energy markets in Europe, with it and Germany accounting for more than one third of energy generated and consumed in the continent. The two countries have been working together successfully on energy policy for many years and have been a driving force in the integration of European energy markets.

A key element of the France 2030 strategy unveiled by Emmanuel Macron in October 2021 is decarbonising the economy. Investment in small nuclear reactors is the most important part of the plan, the President said, stating that France is fortunate to have so many nuclear reactors, which employ some 200,000 people and emit a low amount of carbon. Macron believes that the fight against climate change can only be won with the help of nuclear energy, which is why he is backing this industry. The French president provided further detail on his plans in a speech in Belfort on

10 February 2022 to announce French state-owned utility Électricité de France's (EDF) takeover of General Electric's nuclear turbine unit. Macron also took the opportunity to unveil his energy policy through to the year 2050. Six new nuclear power plants are to be constructed, with an option for eight more, to achieve carbon neutrality. The first set of reactors are set to cost around EUR 50 billion, with construction starting in 2028 and the plant going online in 2035. EDF has also been tasked with reviewing an extension to the lifespan of all reactors for the next 50 years.

Macron is also keen on expanding renewable energy generation. The total output of all solar installations in France is to be increased from around 13.2 GW at the end of 2021 to 100 GW. The French government's multi-year expansion plan represents a clear commitment to solar energy and includes a total of 35 GW of installed photovoltaic output by 2028.

Expansion of new wind capacity would also require more dynamic development. France plans to construct offshore wind installations with a total output of 40 GW by 2050; it does not currently operate any offshore wind parks. Installed onshore output would have to double from the current level of approximately 17.5 GW to 35 GW.

United Kingdom

Following its departure from the European Union, the United Kingdom is no longer bound by European climate policy regulations or requirements. The United Kingdom set its own targets for a low-carbon economy by 2050 in the 2008 Climate Change Act. The government plans to continue promoting the expansion of renewable energies to make the United Kingdom a world leader in affordable and clean energy production. In October 2021, the British prime minister stated that the United Kingdom would switch to fully renewable energy in the year 2035. Offshore wind power plays a key role here. The expansion of offshore wind power capacities is to be expanded to 40 GW by 2030.

In 2020, more electricity was generated from renewable energies than fossil fuels in the United Kingdom for the first time. Their share of overall electricity production reached 42 %. The dynamic expansion of wind parks represents an important driving force behind the expansion of renewable energy in the United Kingdom. Last year, almost a quarter of Britain's electricity was produced by wind power stations, doubling the wind energy share compared to 2015 to a total of one-fifth of the overall energy mix. In 2021, offshore wind parks had a capacity of approximately 10 GW. The British government is planning to quadruple the share of offshore wind energy by 2030 and supply all British households with renewable energy. The British government is planning to decommission the last coal-fired power plants by 2024 while retaining a commitment to nuclear energy.

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

Italy

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

Italy plans to increase installed photovoltaic capacity by roughly 50 GW by the year 2030. Solar installations had a nominal capacity of 22 GW at the end of 2021. However, capacity expansion will have to gain momentum in order to achieve the target. The government has pinpointed the strict approval requirements as a major challenge in this regard and plans to simplify the rules to speed the approval process up.

Netherlands

The Netherlands has committed itself to more climate protection as part of a cross-party initiative. The climate legislation adopted at the end of June 2019 specifies a 49 % reduction in greenhouse gas emissions by 2030 and a 95 % reduction by 2050 compared to the reference year 1990. All coal-fired power plants in the Netherlands are to be shut down by 2030. The Netherlands commissioned solar installations with a total capacity of 3.3 GW in 2021, equivalent to a year-on-year rise of 24 %. Total solar capacity has risen to 13.1 GW, which equates to the highest capacity per capita in Europe at 765 watts.

Spain

The renewable energy market in Spain has undergone significant acceleration over the last few years. Spain cemented its position as Europe's second-largest photovoltaic market in 2021. Photovoltaic systems with a nominal capacity of approximately 3.8 GW were installed in the reporting year, equating to a slight year-on-year increase of 3.5 GW. Growth was fuelled by PPA-based systems, which made up 3.0 GW of capacity expansion. Solar power plants with a capacity of 2.9 GW were also allocated as part of two renewable energy auctions and should be installed for the most part by 2023. The Spanish market for roof-based installations is still at an early stage of development, but the Spanish stimulus package regards roof-based PV installations as a crucial part of the energy transition. The government approved investment of EUR 450 million for home PV installations in Spanish regions in 2021.

Finland

Finland has been meeting the 2030 target set by the European Union of covering at least 40 % of gross final energy consumption through renewable energies for the past two years. In 2021, renewable energies accounted for 45.4 % of total net energy generation in the country. Just under half of this energy was generated using hydropower installations, 12.5 % was through wind installations and around 10.3 % with biomass. Finland installed new wind capacity of 671 MW in 2021 alone. Wind installations with a nominal capacity of 2.47 GW had already been installed in the sparsely populated country at the end of 2020.

Sweden

Sweden is regarded as the cradle of Europe's energy transition. At the end of 2020, the Swedes covered around 60 % of their gross final energy consumption using renewable energies due to the high portion of hydroelectric power, the most in Europe. Sweden looks set to retain its undisputed number one spot for the foreseeable future, too. Over the past two years, every other car sold in Sweden has been an electric vehicle. From 2030, the sale of cars containing internal combustion engines will be banned entirely. Not only has the Swedish government put in place the necessary infrastructure for the ban, it is also working towards covering 100 % of its energy requirements through renewable energies by 2040. Hydroelectric power makes up the largest share of Sweden's renewable energies at 45 %, followed by wind power, bioenergy and photovoltaic. Capacity expansion is bolstered by high carbon prices that have been applied to fossil fuels. Wind energy is particularly on the rise. At the end of 2020, Sweden had installed nominal wind capacity of around 9.7 GW. Some 2.1 GW of new wind installations were added in 2021. In addition to this Sweden increases its photovoltaic capacities due to reduction of specific invstment costs.

Significant events

Course of business

Significant events in the Group portfolio and the project pipeline

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

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

Mission accomplished – ENCAVIS almost wholly owns its entire solar park portfolio

On 29 December 2021, Encavis AG announced that it had acquired the remaining minority stake (19.99 %) in its Talayuela solar park (300 MWp), in the province of Extremadura in Spain, from Statkraft. Statkraft developed, built and sold this large solar park to Encavis along with La Cabrera (200 MWp), Encavis AG's second largest solar park in Spain. Encavis is looking forward to further cooperation with the Norwegian company in Spain.

In line with its growth strategy >> Fast Forward 2025, Encavis AG now owns 100 % of its 500 MWp Spanish solar park portfolio following the acquisition of the outstanding minority stake in the major Spanish solar project La Cabrera in 2020.

In 2020, Encavis AG also completed takeovers of the Budel solar park in the Netherlands (44 MWp total capacity), the Brandenburg/Havel solar park (19 MWp total capacity), the Bitterfeld solar park (6 MWp total capacity), as well as twelve further solar parks in France with a total capacity of 75 MW. Encavis AG is now holds almost full ownership of all solar parks in the United Kingdom, France, Italy and Spain, as well as nearly all solar parks in the Netherlands and Germany. In total, Encavis AG owns 99.6 % of its entire solar portfolio.

Encavis grows in the northern European wind segment

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

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

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

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

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

On 12 November 2021, Encavis AG announced that it had acquired five solar parks in the Netherlands with a generation capacity of 74 MWp in total. Three of the five solar parks, representing a combined generation capacity of 50 MWp, had already been connected to the grid at the time of the announcement. The two other solar parks were also connected to the grid and began feeding in electricity in January 2022. All five parks benefit from the Dutch subsidy scheme SDE+ for the first 15 years Statkraft developed, built and sold the solar parks to Encavis and is also going to provide operational & maintenance (O&M) services as well as long-term asset management services.

Encavis AG acquires two solar parks in Denmark with a generation capacity of 105 MWp from European Energy

On 28 December 2021, Encavis AG announced that it had signed a sale and purchase agreement for two solar parks in Denmark with a total generation capacity of 105 MWp. The subsidy-free solar park Svinningegården in the north-western part of Zealand delivers generation capacity of 34 MWp and is already connected to the grid. Initial consolidation took place in December 2021. The Rødby Fjord solar park in Lolland, in the far south-west of Zealand, offers a generation capacity of 71 MWp and will be connected to the grid in the first quarter of 2022. Initial consolidation took place in February 2022. European Energy developed, constructed and sold the two solar parks to Encavis. The electricity produced will be sold to reputable tech-companies on the basis of a pay-as-produced structure under ten-year power purchase agreements. In addition, Rødby Fjord will benefit from a 20-year feed-in tariff (FiT) from the Danish Ministry of Energy, Utilities and Climate.

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

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

Encavis AG partners with Solgrid AS on a 100+ MWp solar portfolio in Sweden

On 21 December 2021, Encavis AG announced that it had signed an investment agreement with the Norwegian company Solgrid AS for a portfolio of non-subsidised solar projects in southern Sweden spanning over 100 MWp. The first solar park , located in Varberg on Sweden’s west coast, has a generation capacity of approximately 5 MWp is already connected to the grid. An additional five projects with a generation capacity of over 100 MWp are at various stages of development.

State-of-the-art bifacial solar modules mounted on fixed sub-structures or alternatively on single-axis trackers will deliver subsidy-free renewable energy directly to industrial clients or energy companies via long-term power purchase agreements.

Encavis and Solgrid aim to jointly realise an additional pipeline of solar projects in Sweden and Norway. For this purpose, the two companies will establish a jointly owned holding company, in which Solgrid will held a long-term 10 % stake. The holding company will take over responsibility for ready-to-build solar projects, project financing, construction and operation and maintenance services, as well as the structuring and conclusion of long-term power purchase agreements.

Encavis AG sells entire Austrian wind farm portfolio to Wien Energie

On 27 December 2021, Encavis AG announced that it had sold all of its 51 %, majority stake in its wind farm portfolio in Austria to Austria’s largest regional energy provider, Wien Energie GmbH The three wind farms, Pongratzer Kogel and Herrenstein in Styria and Zagersdorf in Burgenland, deliver a total generation capacity of 36.2 MW) and were already 49 % owned by Wien Energie. In a rare step, Encavis has disposed of a relatively small wind park portfolio in an energy market that offers comparatively small growth opportunities to the Group. Through this transaction, Encavis once again demonstrated the value of its existing portfolio and was able to create significant value through the technical and commercial optimisation of the parks.

Significant developments in Group financing

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

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

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

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

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

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

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

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

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

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

Encavis AG converts hybrid convertible bonds issued in 2017 and 2019

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

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

The newly issued shares following the conversion of the bonds increased the total number of issued shares to 160,469,282 and also increased the number of Encavis shares in free float on the stock market by the same amount, resulting in the free float share rising from 72.8 % to 74.9 %.

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

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

Encavis AG successfully issues subordinated convertible bond of EUR 250 million

On 17 November 2021, Encavis AG announced that it had successfully placed a perpetual subordinated bond in the amount of EUR 250 million with temporary rights of conversion into ordinary bearer shares of the company.

The proceeds of this successful placement will be used to finance investments in renewable energies and activities under the >> Fast Forward 2025 growth strategy to increase capacity to 3.4 GW by 2025 as well as for general corporate purposes and can be accounted for as equity in accordance with International Financial Reporting Standards.

Acquisitions at short-notice of wind and solar farms already connected to the grid are expected to add around a further 350 MW to the growth of the generation portfolio from strategic development partnerships.

The issuer of the bonds is Encavis Finance B.V., a wholly owned subsidiary of Encavis registered in the Netherlands (the “Issuer”). The bonds will be unconditionally and irrevocably guaranteed by Encavis on a subordinated basis.

The bonds have no fixed redemption date and are convertible into fully paid-in new and/or existing no-par-value ordinary bearer shares in the company (the “Ordinary Shares”) by the tenth business day prior to 24 November 2027 (the “First Redemption Date”). The initial conversion price is set at EUR 22.0643, a premium of 35 % on the volume-weighted average price (VWAP of EUR 16.3439) of the Ordinary Shares on XETRA between the offering date and the pricing date.

The bonds will bear interest at a fixed rate of 1.875 % per annum from the date the bonds are issued until the First Redemption Date. From the first reset date, the bonds will bear interest at a rate of the five-year euro interest swap rate plus 10 %, with interest reset every five years subsequently. Interest is payable semi-annually in arrears on 24 May and 24 November of each year, commencing on 24 May 2022. Encavis, subject to certain conditions, may elect to defer all or part of any interest payment scheduled to be paid on a cumulative basis. Any such non-payment of interest does not constitute an event of default or other breach of obligations.

The bonds will be issued at 100 % of their principal amount and may be optionally redeemed by Encavis at 100 % of their principal amount for the first time with effect as at the first reset date and subsequently with effect as at each interest payment date thereafter, together with any accrued and unpaid interest and any outstanding arrears of interest. Encavis has the option to effect the mandatory conversion of the bonds at any time on or after 14 December 2025 and before the First Redemption Date. The notice of early mandatory conversion may only be given if the share price is equal to or exceeds 130 % of the valid conversion rate on at least 20 out of 30 consecutive trading days for a certain period of time preceding the notice.

Significant developments in asset management

Encavis Infrastructure Fund III (EIF III) received additional EUR 150 million in equity

In January 2021 Konzern Versicherungskammer has significantly increased its engagament in a special fund managed by HANSAINVEST LUX by EUR 250 million. The fund, with a target volume in the mid three-figure millions, is currently invested in a balanced portfolio consisting of wind and solar parks in Germany, the Netherlands, France, Austria and Finland.

Encavis Asset Management AG and badenova generate a mutual renewable energies portfolio

At the and of July 2021 Encavis Asset Management AG and Freiburg energy and evironmental service provider badenova have announced the intention to extend their mutual renewable energies portfolio in Germany. For this purpose, badenovaWÄRMERPLUS, the subsidiary of badenova, with 49 % and Encavis Infrasructure Fund II (EIF II) with 51 % participate in two project companies. The total investment volume has a target volume in the mid two-figure millions. Encavis Asset Management AG will carry out a leading management role after the project completion, as well as technical control and commercial management. Savings banks und credit unions from various regions of Germany, which pay attention to planned cashflows for their investment stategies to meet strict risk management regulation requirements, invest in EIF II, which is a special fund sold exclusively for BayernLB and administered by Service-KVG HANSAINVEST LUX S.A.

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

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

The fund's objective is to compile a stable long-term investment portfolio through technological diversification (onshore wind and solar) within Europe. Because the investments will be made solely in euros, there are no currency risks. The total fund volume being targeted is EUR 500 million and can be increased up to EUR 600 million. Other key features of the new fund include rising annual distribution of an average of around 5 % over the 25 years of the fund's term, risk weighting/RWA ratio pursuant to CRR II at approximately 100 %, maximum transparency and an option to review the operating companies.

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

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

In the year 2021 Encavis Asset Management AG acquired renewable energies capacities of 313 MW in all funds and 19 transactions in Germany, France and Spain in total. EUR 489 million were invested in the year 2021, after additional equity of EUR 241 million could be raised.

Other developments

Encavis AG improves ISS 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 is bearing fruit. The ISS ESG rating assesses the sustainability performances of companies and, in doing so, pursues a best-in-class approach, with around one-third of the rating criteria being specific to the respective industry. Encavis is among the best 20 % of the 32 companies reviewed in the industry cluster for renewable energy operations. The level of transparency of Encavis' reporting activities is considered to be "very high" in all relevant areas. Encavis clearly fulfils the standards defined by ISS ESG.

Encavis AG increases dividend to EUR 0.28 per share

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

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

Dr Rolf Martin Schmitz new member of the Supervisory Board

Dr Rolf Martin Schmitz was appointed to the Supervisory Board at the Annual General Meeting on 27 May 2021. With his vast energy expertise and his strategic vision, which he has leveraged in positions such as Chairman of the Executive Board at RWE AG, he will provide Encavis with important impetus on its path towards becoming a green powerhouse. Ms Christine Scheel stood for re-election to the Supervisory Board. Having now been confirmed in her position, she will continue to enrich the committee with her experience and advice. The Management Board and Supervisory Board expressed their special gratitude to former Supervisory Board member Mr Peter Heidecker for his dedication to the company and his personal commitment as part of the Supervisory Board of Encavis AG in the past years since the takeover of CHORUS Clean Energy AG. Mr Heidecker will continue to contribute his expertise and dedication to the Group as a member of the Supervisory Board of Encavis Asset Management AG.

Encavis supports Sopowerful Foundation in charitable solar projects in Africa

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

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

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

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

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

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

Portfolio expansion is being bolstered by the internal financing capacity of the Group's operating cash flow. The conclusion of a new EUR 125 million ESG-classified, multi-year revolving credit facility is expected to accelerate expansion of the >> Fast Forward 2025 growth strategy to boost the company's energy generation portfolio from 1.8 GW (as at June 2021) to 3.4 GW in 2025. The company's reinvigorated financing capacity gives it the chance to execute opportunistic acquisitions of up-and-running renewable energy power plants or invest in ready-to-build power plants from the >3.0 GW project pipeline of Encavis numerous strategic development partners.

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

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

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

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

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

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

Comparison of the actual and forecast figures in 2021

The Management Board of Encavis assumed in the forecast issued in its 2020 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 2021 financial year.

In EUR million

	Forecast (AR 2020)	Actual 2021 (operating)	Actual 2020 (operating)	% change on the previous year
Revenue	>320	332.7	292.3	+13.8
Operating EBITDA	>240	256.4	224.8	+14.1
Operating EBIT	>138	149.1	132.2	+12.8
Operating cash flow	>210	251.9	212.9	+18.3
Operating earnings per share in EUR	0.46	0.48	0.43	+11.6
Technical installation availability in %	>95	98	99	-1.0

Compared to the previous year, revenue increased by EUR 40.4 million, or around 14 %, and exceeded the target figure from the forecast published in the 2020 annual report by EUR 12.7 million. The growth in revenue compared to the previous year is mainly due to the new solar parks in Spain that were connected to the grid in September 2020 and January 2021. All in all, weather conditions in the 2021 financial year were worse than the long-term average and significantly worse than in the previous year. In the Wind Parks segment, the first and fourth quarters of 2021 in particular saw very low wind levels, while in the PV Parks segment, the fourth quarter was characterised by sunshine levels that were significantly below the long-term average. However, the historically sharp rise in electricity prices in the fourth quarter had a positive effect on revenue across all technologies through variable-rate electricity, meaning that the effects of the poor weather conditions were more than compensated for in this quarter. Revenue in the PV Parks segment in the fourth quarter was around 10 % higher than the budgeted figure despite electricity production being 13 % lower than forecast; in the Wind Parks segment, the increase in revenue was around 19 %, although production was around 15 % lower than the forecast level. 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 2020 annual report on the basis of the existing portfolio as of 12 March 2021 was also exceeded with regard to operating EBITDA and operating EBIT by EUR 16.4 million and EUR 11.1 million, respectively.

Operating cash flow was increased from EUR 212.9 million in the previous year to EUR 251.9 million in the 2021 financial year. The forecast published in the 2020 annual report was therefore significantly exceeded.

At EUR 0.48, operating earnings per share came in above the figure forecast in the 2020 annual report (EUR 0.46).

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

Encavis' own solar park portfolio encompasses 169 solar parks with a total capacity of 1.4 GW as at 31 December 2021. These solar parks are distributed throughout Germany, Italy, France, the United Kingdom, the Netherlands, Spain and Denmark.

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.

The solar park portfolio exceeded the budget figure by around 3 % in 2021 despite the number of sunshine hours being below the long-term average due to the historically sharp rise in electricity prices in the fourth quarter. Revenue from solar parks was significantly higher than in the previous year, due, in particular, to the new solar parks in Spain that were connected to the grid in September 2020 and January 2021. The electricity supplied by the solar parks held by the Group in the 2021 financial year amounted to 1,815 GWh (previous year: 1,047.9 GWh). As a result, this figure increased by some 73.2 % over the previous year. Of the power fed into the grid, some 49 % (previous year: 6 %) is attributable to the solar parks in Spain, 14 % (previous year: 27 %) to the solar parks in Germany, 13 % (previous year: 23 %) to the solar parks in France, 12 % (previous year: 21 %) to the solar parks in Italy, 6 % (previous year: 12 %) to these solar parks in the United Kingdom and 6 % (previous year: 11 %) to the solar parks in the Netherlands.

In the 2021 financial year the following solar parks already in operation were acquired:

- Zonnepark Apeldoorn Bloemenkamp B.V., Netherlands, Group share 100 %
- Zonnepark Apeldoorn Ijsseldijk B.V., Netherlands, Group share 100 %
- Solar Park Svinningegården ApS, Denmark, Group share 100 %

In the first half of the 2021 financial year, the Genia Extremadura Solar S.L.U. solar park (Talayuela) was transferred from assets accounted for using the equity method to full consolidation following its commissioning. Company share were increased from 80 % to 100 %.

Wind Parks segment

Encavis' own wind park portfolio encompassed 40 wind parks with a total capacity of 412 MW as at 31 December 2021. The wind parks are distributed throughout Germany, Finland, Italy, France 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 wind levels which were noticeably below average, especially in the first and fourth quarters, the wind park portfolio came in around 14 % below budget in 2021. The electricity supplied by the wind parks held by the Group in the 2021 financial year was 940.1 MWh (previous year: 1,024.8 GWh). Therefore, this figure declined by around 8 % on the previous year. Of the power fed into the grid, some 48 % (previous year: 49 %) is attributable to the wind parks in Germany, 31 % (previous year: 34 %) to the wind parks in Denmark, 9 % (previous year: 9 %) to the wind parks in France, 7 % (previous year: 7 %) to the wind parks in Austria, 4 % (previous year: 0 %) to the wind park in Finland and 1 % (previous year: 1 %) to the wind park in Italy.

The following wind park was acquired in the 2021 financial year:

- Paltusmäen Tuulivoima Oy, Finland, Group share 100 %

In addition, the following wind parks were sold in full in the 2021 financial year:

- Windpark Herrenstein GmbH, Austria, Group share 51 %
- Windpark Pongratzer Kogel GmbH, Austria, Group share 51 %
- Windpark Zagersdorf GmbH, Austria, Group share 51 %

PV Service segment

The segment contains the wholly owned subsidiary Encavis Technical Services GmbH. The company has taken over the technical operation of numerous German and Italian solar parks belonging to the Encavis Group. The Group volume under management amounted to approximately 280 MWp as at 31 December 2021.

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 located in Thuringia and northern Italy. The non-Group volume under management amounts to approximately 9 MWp.

In the 2019 financial year, the company established Stern Energy GmbH and transferred all of its property, plant and equipment, as well as part of its agency agreements, as part of an asset deal. The shares in Stern Energy GmbH were sold to the associated entity Stern Energy S.p.A. in the first quarter of the 2020 financial year. This transaction ideally combines the expertise of both partners, Stern and Encavis, enabling a comprehensive range of technical operations services for the Group-owned and external parks in many countries throughout Europe. Strategically, Encavis plans to increase its current share ownership from 30 % to 50 % over the medium term before increasing it to 100 %.

Asset Management segment

The Asset Management field 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 at 31 December 2021, the managed portfolio comprises a total of 32 solar parks and 55 wind parks in Germany, Italy, France, Spain, the United Kingdom, Finland, Sweden, Austria and the Netherlands.

In the Asset Management segment, revenue exceeded the budget figure by EUR 2.9 million. The portfolio of wind and solar parks under management continued to be expanded significantly in the reporting year. For example, the installed output from renewable energies was successfully increased by 50 % to the current level of 1.2 GW. This outstanding success came as a result of the commissioning of wind and solar parks in France, Germany and the Netherlands with a combined capacity of 413 MW. Furthermore, additional wind and solar parks with a capacity of more than 100 MW were acquired in France, Germany and Spain for institutional investors in the reporting year. These renewable energy installations are currently being constructed and will also be connected to the grid over the course of 2022. All in all, Encavis Asset Management AG reviewed and acquired project volumes of around EUR 540 million for its institutional investors in 2021.

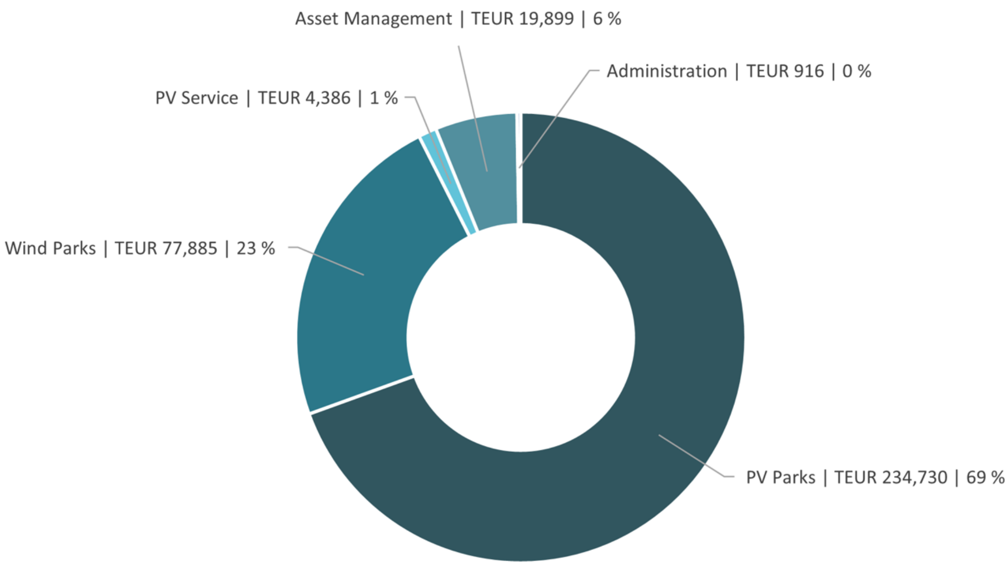
Financial performance, financial position and net assets of the Encavis Group

Financial performance

In the 2021 financial year, the Group generated revenue of TEUR 332,703 (previous year: TEUR 292,300). This corresponds to growth of TEUR 40,403 or approximately 14 %. While the solar park portfolio generated growth of TEUR 36,270, revenue generated by the wind park portfolio increased by a mere TEUR 361 year on year. The increase in revenue from the solar park portfolio is primarily due to the two Spanish solar parks that were connected to the grid in September 2020 and January 2021 respectively (+TEUR 36,229), although the Italian and British solar parks also contributed to the growth with a rise in revenue of TEUR 6,161 and TEUR 2,863 respectively. Lower levels of sunshine compared to the same period in the previous year saw the German solar parks record a TEUR 5,848 decline in revenue. The below-average amount of wind compared to the long-term average was slightly overcompensated for by the contribution to revenue by a Finnish wind farm acquired during the reporting year (TEUR 3,022). Revenue also includes income in the amount of TEUR 19,899 (previous year: TEUR 16,467) from the Asset Management segment.

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

Revenue is broken down by segment as follows:



The Group generated other income of TEUR 38,040 (previous year: TEUR 17,314). This figure includes TEUR 17,271 in non-recurring income relating to the initial consolidation of a Spanish solar park formerly recognised according to the equity method from the reconciliation statement, as well as TEUR 5,735 in non-recurring income relating to the deconsolidation of three Austrian wind parks, of which the majority stake of 51 % was sold in full in the fourth quarter of 2021. This item still includes income from the reversal of deferred income (government grants) in the amount of TEUR 1,941 (previous year: TEUR 2,311) and non-period income of TEUR 2,255 (previous year: TEUR 1,983). Of the non-period income, TEUR 173 (previous year: TEUR 848) is due to the reversal of provisions.

The cost of materials amounted to TEUR 4,312 in the reporting period (previous year: TEUR 3,008). This primarily includes the expenses for purchased power in the solar and wind parks in addition to expenses in connection with the direct marketing of the electricity produced.

Personnel expenses declined from TEUR 20,659 in the 2020 reporting year to TEUR 19,218 in the reporting year. This decrease was primarily attributable to lower expenses for the share option programmes (SOPs) in connection with the development of the share price.

The following amounts were recognised as personnel expenses in the 2021 financial year:

- TEUR 0 (previous year: TEUR 9) from the 2012 physical share option programme
- TEUR 0 (previous year: TEUR 1,124) from the 2017 virtual share option programme
- TEUR 870 (previous year: TEUR 2,695) from the 2018 virtual share option programme
- TEUR 1,645 (previous year: TEUR 1,444) from the 2019 virtual share option programme
- TEUR 488 (previous year: TEUR 85) from the 2020 virtual share option programme and
- TEUR 8 for the 2021 virtual share option programme newly created in the 2021 financial year

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.

The SOPs from 2017 to 2021 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 components was calculated based on the share option plans for 2017 to 2021, 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 144 people as at 31 December 2021 (previous year: 134).

Other operating expenses in the 2021 financial year amounted to TEUR 66,921 (previous year: TEUR 57,542). This comprises, in particular, the costs of operating solar and wind parks in the amount of TEUR 50,646 (previous year: TEUR 44,439), including expenses for repairs and maintenance, technical and commercial management, insurance, various other costs such as vehicle costs, costs for IT and telecommunications. Other expenses also include TEUR 16,274 in costs for current operations (previous year: TEUR 13,103). The increase in other expenses is due largely to the Spanish solar parks that were connected to the grid in 2020 and early 2021, and various project-related expenses.

Therefore, in the 2021 financial year, the Group generated earnings before interest, taxes, depreciation and amortisation (EBITDA) in the amount of TEUR 280,292 (previous year: TEUR 228,405). The EBITDA margin stood at around 84 % (previous year: 78 %).

Depreciation and amortisation of TEUR 151,445 (previous year: TEUR 136,580) chiefly comprises depreciation of the photovoltaic and wind power installations, as well as amortisation of intangible assets (electricity feed-in contracts and exclusive rights of use). The increase was primarily the result of the depreciation of the solar installations commissioned in Spain.

Earnings before interest and taxes (EBIT) rose from TEUR 91,825 in the previous year to TEUR 128,847 in the 2021 financial year. This corresponds to an EBIT margin of around 39 % (previous year: 31 %).

Financial income increased from TEUR 17,256 in the previous year to TEUR 21,711 in the reporting year. This includes interest income from the reversal of step-ups on bank loans and lease liabilities in the amount of TEUR 6,686 (previous year: TEUR 7,233) as well as income in connection with the changes in the market values of interest rate swaps in the amount of TEUR 7,852 (previous year: TEUR 1,555). In the previous year, this item still included interest income from loans to associated entities in the amount of TEUR 7,728 (reporting year: TEUR 38). Financial expenses of TEUR 67,525 were incurred (previous year: TEUR 72,120). This includes in particular the interest expenses for the non-recourse loans to finance installations at park companies, interest expenses in connection with the mezzanine capital of Gothaer Versicherungen and 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 an increase of TEUR 6,506 and within the financial expenses in a decrease of TEUR 4,437. The financial result also includes earnings from financial assets accounted for using the equity method in the amount of TEUR 86 (previous year: TEUR -9,622).

The resulting earnings before taxes (EBT) amounted to TEUR 83,119 (previous year: TEUR 27,339). The EBT margin is approximately 25 % (previous year: 9 %).

The tax expenses reported in the consolidated statement of comprehensive income in the 2021 financial year amounted to TEUR 849 (previous year: TEUR 8,965) and is attributable to non-cash deferred taxes and effective tax payments. The current tax expense amounts to TEUR 11,857 (previous year: TEUR 9,498). Deferred tax assets of TEUR 11,008 (previous year: TEUR 533) were recognised.

Altogether, Encavis generated consolidated earnings of TEUR 82,270 (previous year: TEUR 18,374).

Consolidated earnings are made up of earnings attributable to shareholders of the parent company totalling TEUR 75,323 (previous year: TEUR 10,142), earnings attributable to non-controlling shareholders totalling TEUR 687 (previous year: TEUR 327) and the share of earnings attributable to hybrid bondholders of TEUR 6,259 (previous year: TEUR 7,905). Consolidated comprehensive income of TEUR 107,665 (previous year: TEUR 62,573) is made up of consolidated earnings and changes in other reserves shown in equity. As part of the initial consolidation of the participating interest in Spanish company Genia Extremadura Solar S.L.U., earnings recognised directly in equity on a pro rata basis up to the point of initial consolidation (TEUR 17,820) were reclassified to consolidated earnings. In addition to the currency translation reserve in the amount of TEUR -668 (previous year: TEUR 597) other reserves also contain hedge reserves in the amount of TEUR 10,856 (previous year: TEUR -5,906), 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 6 (previous year: TEUR 15). Amounts recognised in equity will be reclassified in full to consolidated earnings once the corresponding hedged items have expired. In the 2021 financial year, TEUR -4 (previous year: TEUR 0) from the hedge reserve and TEUR 0 (previous year: TEUR 0) from the currency translation reserve were reclassified to consolidated earnings. There were corresponding deferred tax effects of TEUR -2,674 (previous year: TEUR 1,549). Undiluted earnings per share (after non-controlling interests) amounted to EUR 0.52 (previous year: EUR 0.07). The average number of shares in circulation in the reporting period amounted to 144,378,743 (previous year: 137,799,309). Diluted earnings per share were also EUR 0.52 (previous year: EUR 0.07).

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.–31.12.2021	01.01.–31.12.2020
Revenue	3.21; 5.1	332,703	292,300
Other income	5.2	38,040	17,314
Cost of materials	5.3	-4,312	-3,008
Personnel expenses, of which TEUR -3,010 (previous year: TEUR -5,357) in share-based remuneration	5.4	-19,218	-20,659
Other expenses	5.5	-66,921	-57,542
Adjusted for the following effects:			
Other non-operating income		-24,031	-4,111
Other non-operating expenses		137	516
Share-based remuneration (non-cash)		0	9
Adjusted operating EBITDA		**256,398**	**224,819**
Depreciation and amortisation	5.6	-151,445	-136,580
Adjusted for the following effects:			
Depreciation and amortisation of intangible assets (electricity feed-in contracts) and goodwill acquired as part of business combinations		47,052	50,690
Subsequent measurement of uncovered hidden reserves and liabilities on step-ups for property, plant and equipment acquired as part of business combinations		-2,955	-6,771
Adjusted operating EBIT		**149,050**	**132,158**
Financial result	5.7	-45,728	-64,486
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])		-15,977	8,816
Adjusted operating EBT		**87,345**	**76,488**
Tax expenses	5.8	-849	-8,965
Adjusted for the following effects:			
Deferred taxes (non-cash items) and other non-cash tax effects		-9,492	769
Adjusted operating EAT		**77,004**	**68,291**
of which attributable to Encavis AG shareholders		69,565	59,878
Average number of shares in circulation in the reporting period		144,378,743	137,799,309
Adjusted operating EAT per share (in EUR)		**0.48**	**0.43**

Financial position and cash flow

Changes in cash and cash equivalents amounted to TEUR 225,558 in the reporting year (previous year: TEUR 5,671) and consisted of the following:

Net cash flow from operating activities increased by approximately TEUR 38,994 from TEUR 212,947 in the previous year to TEUR 251,941 in the reporting year. This consisted largely of cash inflows from the operating business of the solar parks and wind parks. Also included here were changes in assets and liabilities not attributable to investing or financing activities.

Cash flow from investing activities amounted to TEUR -89,457 (previous year: TEUR -94,144) and was mainly the result of payments for the construction of two solar parks in Spain, the construction of a solar park in Germany and the acquisition of a wind park in Finland, a solar park in Denmark and two solar parks in the Netherlands. This was offset by a payment from the sale of the majority stake in three wind farms in Austria.

Cash flow from financing activities amounted to TEUR 62,564 (previous year: TEUR -112,714) and resulted chiefly from regular loan repayments and interest paid less newly paid-out loans. This item also includes the change in restricted cash and cash equivalents, the payment of the cash dividend to the shareholders of Encavis AG and the dividend payment to the hybrid bondholders. In the reporting period, cash flow from financing activities were increased by the proceeds from the issuance of a new perpetual subordinated convertible bond amounting to TEUR 250,000. This also includes the issuance of bearer bonds in the amount of TEUR 20,000

In the 2021 financial year, TEUR 237,957 (previous year: TEUR 186,765) was raised the form of loans. Of this, TEUR 149,729 (previous year: TEUR 126,525) results from long-term loans for financing solar and wind parks and TEUR 50,000 from the utilisation of a credit line from a consortium of banks. Total interest payments and repayments for the Group's loans resulted in a cash outflow of TEUR 371,228 in the 2021 financial year (previous year: TEUR 266,422).

During the virtual Encavis AG annual shareholders' meeting held on 27 May 2021, it was resolved that a dividend of EUR 0.28 per entitled share would be paid out. This corresponds to an increase of around 8 % on the previous year (EUR 0.26 per share). Pursuant to the resolution passed at the Encavis AG Annual General Meeting, a proportion of the company's net earnings for the 2020 financial year amounting to EUR 55,064,839.71 was to be used for the dividend payout, which occurred on 30 June 2021. With an acceptance rate of more than 40 %, the optional dividend was once again well received. In total, 814,031 new bearer shares were issued.

As at the balance sheet date, the Group had unused credit lines available in the amount of TEUR 159,680 (previous year: TEUR 39,393).

Net assets

As at 31 December 2021, equity amounted to TEUR 1,066,388 (31 December 2020: TEUR 751,561). The increase of TEUR 314,827, or 41.9 %, was the result of various value changes accounted for in equity through other comprehensive income and the positive consolidated earnings pursuant to IFRS. However, the majority of the equity increase came as the result of the successful placement of a further perpetual subordinate bond; the increase from this effect amounted to the nominal amount of the bond (TEUR 250,000), less directly attributable issue costs. The payment of the cash dividend offset this effect. Share capital increased by TEUR 814 through contributions in kind. Share capital increased by a further TEUR 21,218 as a result of an accounting exchange on the liabilities side in equity, after a number of investors exercised their conversion rights in relation to the 2017 and 2019 hybrid convertible bonds and Encavis Finance B. V. exercised its mandatory conversion right in October 2021. The equity ratio stood at 33.16 % (31 December 2020: 26.61 %).

Total assets rose from TEUR 2,823,844 in the previous year to TEUR 3,215,888 in the reporting year.

As at 31 December 2021, the Group reported intangible assets in the amount of TEUR 446,320 (31 December 2020: TEUR 493,885).

Goodwill amounted to TEUR 27,466 as at 31 December 2021 (31 December 2020: TEUR 27,560). This corresponds to a decrease in the amount of TEUR 94 compared with the previous year. Encavis had annual goodwill impairment testing conducted as at 30 September 2021. This testing took place at the level of a group of cash-generating units

(CGUs) which have, since the 2016 financial year, reflected the operative segments, which are divided by country. The impairment test did not give rise to an impairment loss. The change compared to the previous year is due to the disposal of goodwill in the amount of TEUR 231 as part of the complete sell-off of the majority stake in three wind farms in Austria and, offsetting this, currency effects.

The increase in property, plant and equipment to TEUR 2,174,952 (31 December 2020: TEUR 1,901,989) was chiefly due to the initial consolidation of a solar park in Spain, two solar parks in the Netherlands, a solar park in Denmark, and a wind park in Finland. This was offset by ongoing depreciation and amortisation.

Deferred tax assets prior to offsetting primarily resulted from differences in property, plant and equipment in the comparison between IFRS and tax balance sheets, from differences in lease liabilities recognised exclusively in accordance with IFRS 16 as well as from tax loss carry-forwards that are likely able to be utilised.

Current assets increased from TEUR 303,236 in the previous year to TEUR 532,860 as at 31 December 2021. These included liquid assets of TEUR 444,639 as at the balance sheet date (31 December 2020: TEUR 230,996).

Liquid assets include restricted funds in the amount of TEUR 50,410 (31 December 2020: TEUR 63,507). Of this, TEUR 40,613 (previous year: TEUR 56,021) is attributable to capital services and project reserves and TEUR 9,797 (previous year: TEUR 7,487) to other restricted credit balances.

The Group’s financial liabilities (primarily bank and lease liabilities) amounted to TEUR 1,838,828 as at 31 December 2021 (31 December 2020: TEUR 1,783,667). These comprised loans and lease agreements for the financing of solar parks and wind parks, as well as the mezzanine capital provided by Gothaer Versicherung in November 2014. They also contained liabilities from listed notes from the Grid Essence portfolio (United Kingdom) of TEUR 28,174, including accrued interest, and liabilities from debenture bonds and/or registered/bearer bonds, including accrued interest, in the amount of TEUR 152,910. Liabilities from lease obligations amounted to TEUR 186,696 (31 December 2020: TEUR 193,039). In almost all debt financing agreements, the liability risk relating to the parks is limited (non-recourse financing).

Deferred tax liabilities prior to offsetting primarily resulted 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 28,686 as at 31 December 2021 (31 December 2020: TEUR 16,043).

Segment reporting (operating)

Income and expenses within the segments were largely attributed to services relating to technical and commercial company management and to interest income from, and interest expenses for, intra-Group loans. These loans were predominantly granted as bridge financing for VAT and investments in solar park projects.

PV Parks

In the 2021 financial year, revenue from solar parks increased to TEUR 234,730 (previous year: TEUR 198,459). The increase in revenue from the solar park portfolio is primarily due to the two Spanish solar parks that were connected to the grid in September 2020 and January 2021 respectively (+TEUR 36,229), although the Italian and British solar parks also contributed to the growth with a rise in revenue of TEUR 6,161 and TEUR 2,863 respectively. In 2021, other income came to TEUR 6,913 (previous year: TEUR 2,915). This was offset by the costs for operation of the solar parks as well as other expenses totalling TEUR 49,404 (previous year: TEUR 40,405) and depreciation and amortisation on PV installations and other intangible assets in the amount of TEUR 77,790 (previous year: TEUR 65,052). The increase in depreciation and amortisation is mainly due to the solar parks in Spain, which were commissioned in September 2020 and in January 2021. In total, the PV Parks segment generated operating earnings before interest and taxes (operating EBIT) in the amount of TEUR 114,449 (previous year: TEUR 95,918) and operating EBITDA in the amount of TEUR 192,238 (previous year: TEUR 160,970).

Wind Parks

Due to the below-average wind levels as compared to the long-term average, the revenue generated by the Wind Parks segment was only on a par with the previous year at TEUR 77,885 (previous year: TEUR 77,525). A wind park in Finland acquired during the reporting year contributed TEUR 3,022 to this moderate increase. In 2021, other income came to

TEUR 7,653 (previous year: TEUR 6,145) and included TEUR 5,389 in non-recurring income from the initial consolidation of three wind parks in Austria, of which the majority stake of 51 % was sold in full in the fourth quarter of 2021 In the previous year, non-recurring income from the previous sale of the 49 % shareholding in this Austrian wind farm portfolio was recognised in this item. Expenses for operating and managing the parks and other expenses came to TEUR 22,130 (previous year: TEUR 21,337). Operating EBITDA amounted to TEUR 63,408 (previous year: TEUR 62,332). Depreciation and amortisation of wind installations and other intangible assets amounted to TEUR 27,987 (previous year: TEUR 26,283). Overall, the Wind Parks segment achieved operating earnings before interest and taxes (operating EBIT) of TEUR 35,421, which was below the previous year's level due to weather conditions (previous year: TEUR 36,049).

Asset Management

In the 2021 financial year, operating earnings before interest and taxes (operating EBIT) amounted to TEUR 7,969 (previous year: TEUR 6,132) and operating EBITDA amounted to TEUR 8,523 (previous year: TEUR 6,717). Revenue and other income of TEUR 20,146 (previous year: TEUR 16,931) was offset by cost of materials, personnel expenses, other expenses and depreciation and amortisation in the amount of TEUR 12,177 (previous year: TEUR 10,799). The significant increase in revenue and earnings is primarily attributable to the growth in the number of energy installations in the managed portfolio.

PV Service

In the PV Service segment, revenue and other income, less the cost of materials, of TEUR 4,373 (previous year: TEUR 7,367) was offset by personnel expenses and other expenses totalling TEUR 3,110 (previous year: TEUR 3,156). In the previous year, this included non-recurring 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) amounted to TEUR 1,263 (previous year: TEUR 4,206), while operating EBITDA also stood at TEUR 1,263 (previous year: TEUR 4,211).

Other companies and Group functions

Operating earnings before interest and taxes (operating EBIT) for the Administration segment totalled TEUR -10,091 (previous year: TEUR -10,341). Revenue and other income rose from TEUR 2,143 in the previous year to TEUR 2,411 in the reporting year. Personnel expenses, other expenses and depreciation and amortisation were roughly on a par with the previous year at TEUR 12,501 (previous year: TEUR 12,486). Other expenses primarily comprised operating expenses but also included legal and consulting costs relating to the purchase of new park companies and other matters.

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

The annual financial statements of Encavis AG for the 2021 financial year were prepared pursuant to the provisions of the German Commercial Code (HGB) in accordance with the supplementary provisions of the German Stock Corporation Act (AktG).

Financial performance

Encavis AG generated revenue of TEUR 6,383 in the reporting year (previous year: TEUR 5,552). Most revenue was generated from the charging of expenses for insurance, administration and commercial management of the solar and wind parks to Encavis Group companies, as well as from the charging of expenses for tax returns, accounting and management of the solar and wind park companies. The increase in revenue was mainly due to the charging of additional insurance benefits to Encavis Group companies in the amount of TEUR 309 and to companies in the Asset Management segment of TEUR 557.

Other operating income amounted to TEUR 4,757 (previous year: TEUR 12,275). This resulted primarily from charging expenses in connection with the development of photovoltaic installations to Encavis Group companies in the amount TEUR 2,855 (previous year: TEUR 2,565). Furthermore, the positive exchange rate development resulted in write-ups of loans in British pounds in the amount of TEUR 1,224. The decrease in other operating income by TEUR 7,514 compared to the previous year due in particular to the fact that the previous year's item included a non-recurring effect from the sale of subsidiaries (TEUR 8,574).

Personnel expenses of TEUR 13,439 were TEUR 2,615 lower compared to the previous year (TEUR 16,054). This is primarily due to lower expenses from the share option programme in the amount of TEUR 2,252 (previous year: TEUR 4,660) and lower salaries and bonuses for the Management Board of TEUR 1,657 (previous year: TEUR 2,693). This effect was offset by an increase in personnel expenses due to the recruitment of four additional employees.

Other operating expenses of TEUR 19,970 were TEUR 8,896 higher compared to the previous year (TEUR 11,077). This increase was largely due to large-scale financing activities undertaken in 2021. Expenses of TEUR 4,306 were incurred in the issuing of the hybrid convertible bond in October 2021 and for the conversion of the hybrid convertible bonds from 2017 and 2019 into shares. Encavis AG also raised a sustainable, revolving syndicate loan in the amount of EUR 125 million, which led to consulting costs of TEUR 1,085. In addition, other operating expenses include legal fees as well as other consultancy fees in the amount of TEUR 5,430 (previous year: TEUR 4,138), insurance expenses totalling TEUR 2,460 (previous year: TEUR 2,033), costs for office space in the amount of TEUR 792 (previous year: TEUR 778), financial statement preparation and audit costs in the amount of TEUR 545 (previous year: TEUR 476), Supervisory Board remuneration in the amount of TEUR 489 (previous year: TEUR 476) and maintenance costs for hardware and software in the amount of TEUR 539 (previous year: TEUR 389).

Financial income and income from investments rose to TEUR 108,192 in the 2021 financial year (previous year: TEUR 66,475). In particular, this item includes distributions of profit from the operating activities of affiliates, especially Encavis GmbH, in the amount of TEUR 22,142 (previous year: TEUR 26,000), Capital Stage Solar IPP GmbH in the amount of TEUR 3,440 (previous year: TEUR 0), Encavis Nordbrise A/S in the amount of TEUR 2,690 (previous year: TEUR 6,180) and other affiliates totalling TEUR 3,875 (previous year: TEUR 3,089). This item also includes interest income resulting from loans issued to affiliates amounting to TEUR 28,940 (previous year: TEUR 20,789). The increase in interest income from affiliates was chiefly due to the reclassification of interest income from associated entities to affiliates.

Encavis AG collected income in the amount of TEUR 1,697 (previous year: TEUR 2,689) 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. In 2021, Encavis AG assumed profit in the amount of TEUR 6,277 due to the control and profit transfer agreement concluded on 12 March 2020 between Encavis AG and Capital Stage Solar IPP GmbH (previous year: assumption of loss in the amount of TEUR 1,639). In addition, a control and profit transfer agreement was concluded between Encavis GmbH and Encavis AG in December 2021, which resulted in additional income of TEUR 39,094.

Financial expenses of TEUR 13,162 were incurred (previous year: TEUR 13,911). These mainly include interest paid to affiliated companies of TEUR 6,582 (previous year: TEUR 7,616), interest paid to banks in the amount of TEUR 6,057 (previous year: TEUR 5,257) and depreciation and amortisation on financial investments and current securities in the amount of TEUR 4,640 (previous year: TEUR 0).

Taxes on income in the amount of TEUR -2,810 (previous year: TEUR 301) include expenses from the addition to provisions for corporation taxes in the amount of TEUR 460, the solidarity surcharge in the amount of TEUR 25 and trade taxes in the amount of TEUR 291 from the current taxable profit. This item also includes income from the addition of deferred tax assets of TEUR 3,587. Compared to the previous year, there is a surplus of deferred tax assets which was capitalised as at the balance sheet data in accordance with the option provided for in section 274 (1) Sentence 2 of the German Commercial Code (HGB).

Encavis AG reported a net profit for the year of TEUR 70,769 (previous year: TEUR 40,488).

Financial position

Shareholders' equity increased from TEUR 656,183 in the previous year to TEUR 854,150 as at 31 December 2021. The increase was primarily due to the conversion of the hybrid convertible bond, which was issued in 2017 in the amount of TEUR 97,300 and was subsequently increased to TEUR 150,300 in 2019, into Encavis AG shares. Subscribed capital and capital reserves increased by TEUR 21,218 and TEUR 133,858, respectively. The increase is shareholders' equity was also due to the higher net profit for the financial year as well as the capital increase associated with the share dividend in the middle of the year, whereby subscribed capital and capital reserves increased by TEUR 814 and TEUR 11,071, respectively. The recognition of dividends for 2020 (TEUR 38,762) had an offsetting effect. The equity ratio as at the reporting date was 59.5 % (previous year: 58.3 %).

The balance sheet total rose to TEUR 1,436,545 in the 2021 financial year (previous year: TEUR 1,124,910). With regard to assets, the increase primarily results from the expansion of financial assets through the issue of loans to affiliates and the acquisition of government bonds with a strong credit rating for short-term cash management purposes. With regard to liabilities, shareholders' equity and liabilities to affiliates increased by a particularly strong margin.

In 2021, cash flow from operating activities amounted to TEUR 28,660 (previous year: TEUR -11,305). A material cash outflow resulted from the payment of capital gains tax (after deduction of capital gains tax refunds from 2019) on profit distributions received in the amount of TEUR 5,477. Payments of TEUR 2,819 were made for the issuance of the hybrid convertible bond in 2021 and for the conversion of the hybrid convertible bonds from 2017 and 2019 into shares. Furthermore, Encavis AG made payments to employees and the members of the Management Board from the share option programme totalling TEUR 3,726.

Investment activity yielded a cash flow of TEUR -195,249 (previous year: TEUR -50,549). The change in comparison to prior year ist due to the fact that Encavis AG has invested liquid assets in the amount of EUR 195,000 in government bonds of the highest credit quality with short-term residual maturities (maximum of three months from acquisition) in December 2021. For the acquisition of subsidiaries, in particular, TEUR 27,781 was invested in a wind park in Finland and TEUR 10,233 in two solar parks in the Netherlands. Encavis AG received distributions of profit from the operating activities of affiliates, in particular TEUR 22,142 from Encavis GmbH, TEUR 10,500 from Capital Stage Solar IPP GmbH, TEUR 2,690 from Encavis Nordbrise A/S and TEUR 3,806 from other affiliates, which had an offsetting effect. Furthermore, Encavis AG received proceeds from profit transfers of TEUR 2,272.

Cash flow from financing activities came to TEUR 172,866 (previous year: TEUR 73,335). Cash flow was chiefly affected by the receipt of a loan from Encavis Finance B.V. in connection with the placement of a hybrid convertible bond in the amount of TEUR 250,000. Encavis AG received additional cash inflow from the sustainable revolving syndicated loan in the amount of TEUR 50,000 (tranche A) and from other bank loans and bonds totalling TEUR 45,000. Encavis AG repaid bank loans and interest as well as bonds in the amount of TEUR 88,357, which had an offsetting effect. Encavis AG reported further cash outflow via the cash payment of the dividend to shareholders including the base portion of the dividend ("Sockeldividendenanteil") in the amount of TEUR 26,878 (previous year: TEUR 20,468) in June 2021.

In the 2021 financial year, a dividend of EUR 0.28 per share was distributed to the shareholders of Encavis AG (previous year: EUR 0.26 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 43 %, the optional dividend was once again very well received.

Supplementary report

Between the balance sheet date of 31 December 2021 and the preparation of the annual and consolidated financial statements for 2021, the general situation regarding the Encavis Group's business activities did not change significantly.

Other

Personnel

In the 2021 financial year, there were an average of 142 employees at the Group (2020: 129 employees), of which 87 at Encavis AG, 39 at Encavis Asset Management AG and 16 at Encavis GmbH.

At the end of 2021, there were 144 employees in the Group. This change in the number of employees was due to the growth-induced expansion of the Encavis team. The number of employees per function at the end of 2021 was as follows:

Number of employees per function at the year end	Encavis AG	Encavis Asset Management AG	Encavis GmbH	Total
Finance	20			20
(Previous year)	(20)			(20)
Operations	23			23
(Previous year)	(28)			(28)
Staff	27			27
(Previous year)	(24)			(24)
Investments	11			11
(Previous year)	(9)			(9)
Corporate Finance/ Project Finance	6			6
(Previous year)	(6)			(6)
Asset Management		41	16	57
(Previous year)		(34)	(13)	(47)
Total	87	41	16	**144**
(Previous year)	(87)	(34)	(13)	(134)

As at 31 December 2021, Encavis AG and Encavis Asset Management AG each had Management Board members.

Supervisory Board

Peter Heidecker resigned from his previous position as a member of the Supervisory Board of Encavis AG effective as at the Annual General Meeting on 27 May 2021. Dr Rolf Martin Schmitz was simultaneously elected as a new member of the Supervisory Board.

Remuneration report

Specific information on the remuneration system as well as information on the individual remuneration of the members of the Management Board and the Supervisory Board will be disclosed for the first time for the 2021 financial year in a separately published remuneration report which will be presented at the latest at the 2022 Annual General Meeting. Information on the share option programmes and valuations are provided in the notes to the consolidated financial statements and in the information on remuneration pursuant to section 314 of the German Commercial Code (HGB).

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 2021, the subscribed capital of the company amounted to EUR 160,469,282.00 (one hundred and sixty million, four hundred and sixty-nine thousand, two hundred and eighty-two), divided into 160,469,282.00 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 a total of 10 % of voting rights as at the balance sheet date:

Pool of AMCO Service GmbH (Büll family), Hamburg, Germany; Dr. Liedtke Vermögensverwaltung GmbH, Hamburg, Germany; PELABA Vermögensverwaltungs GmbH & Co.KG, Neubiberg, Germany; Manfred Krüper GmbH, Essen, Germany; Dr Manfred Krüper and Sebastian Krüper.

- 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 2021 financial year regarding "data protection" and "IT and office equipment procurement" processes at Encavis 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 risks and opportunities 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 influence 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 (hereinafter also referred to as “Encavis”). It established rules and minimum standards and therefore decides on the framework of risk management and 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, ongoing development and coordination of the risk and opportunity management framework, with the help and assistance of the risk owners in the following areas: Accounting, Controlling, Corporate Finance/Treasury/Insurance, Energy Portfolio Management, Energy Risk Management, Group

Accounting, Investments, Investor Relations/Public Relations, IT, Operations, Project Finance, PPA Origination, HR, Legal, Sustainability & Communications and Tax. The risk owners are responsible for identifying any risks in their respective areas 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 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 quarterly. The risk situation is also monitored between the quarterly reporting dates, in relation to key projects and/or decisions for instance. Any material changes in risk exposure are reported to the Management Board immediately.

Risk assessment

Risks are presented in terms of their gross effect, and a period of 12 months is generally considered to be the period during which the risk arises. However, individual cases involving longer-term significant risks may extend beyond this general period. Identified risks are evaluated based on their probability of occurrence and effect and assigned to risk classes using the combination (multiplication) of both factors. Both probability of occurrence and effect are allocated a score on a scale of 1 (very low) to 10 (very high). The scores for probability and impact are then multiplied together, resulting in a risk index of between 1 and 100. In this regard, an effect is evaluated as 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". Moderate risks are those with a score of 20 to 50 points, and risks given scores of 51 to 100 are classified as high risks.

Risk class (1-10)	Thresholds for risk assessment (1-100)
Low	1-19
Medium	20-50
High	51-100
Fact	Risks have already occurred but do not necessarily have any major impact on the business.

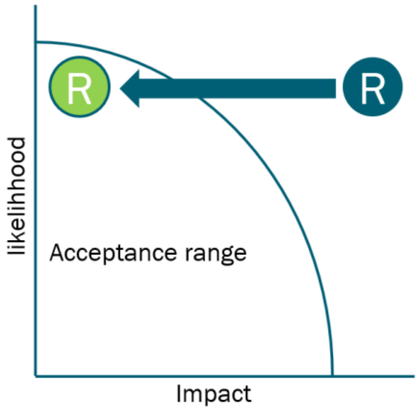
Particular attention is paid to risks classified as "fact", "high" or "moderate", with strategies focusing on managing the risk(s) so that risks are able to be reclassified to the low to moderate range in terms of the net effect. Additional classification of inventory and growth risks have been introduced 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

Both active and passive measures are available ("risk strategies") when it comes to managing risks using appropriate instruments. Significant risks are to be brought into acceptable ranges in as cost-optimised a way as possible. This is generally achieved through a mix of the measures and instruments described below.

Active measures have a direct effect on the probability of occurrence and/or the scope of impact of the risk. They include the following steps:

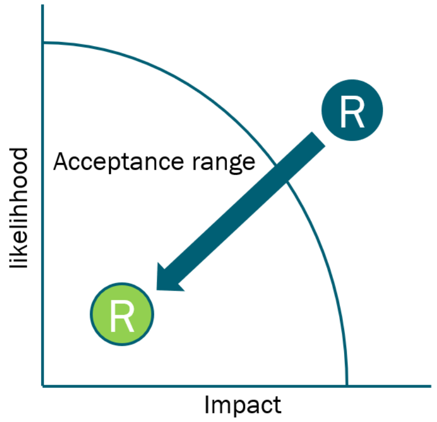
a) Avoidance: By avoiding activities in certain areas or projects, situations can be avoided whereby activities leading to risk are performed in the first place.



Possible ways to avoid risk include:

- ✓ Not investing in politically unstable countries
- ✓ Using only tried-and-tested technology

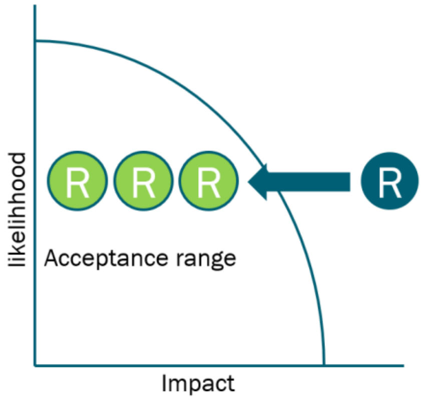
b) Mitigation: Risks are still taken, but are secured to a certain extent. This is reflected in a reduced probability and scope of impact.



Possible ways to mitigate risk include:

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

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



Possible ways to diversify risks include:

- ✓ Energy production spread around different countries
- ✓ Use of different generation and storage technologies (wind, solar, battery storage etc.)
- ✓ Acquisition of parks from different project companies

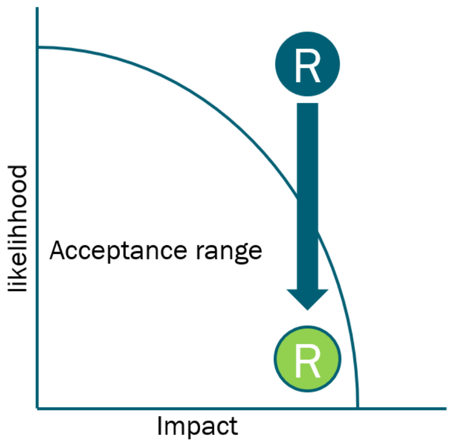
Unlike active measures, passive measures do not impact the risk structures.

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

Passive measures include primarily the following:

d) Risk-taking involves deliberately taking on and bearing risks. This can be done, for example, by taking precautionary measures or forming reserves.-

e) Risk transfer: Risk can be transferred to another party by concluding agreements/contracts. 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 involving appropriate measures. The following measures are listed as examples:

Even though the Group's focus is still primarily on existing installations and minimising the risks relating to project planning, it is also increasingly pursuing projects that stipulate involvement at an earlier phase of the project and are therefore associated with minimal development risk. This means that Encavis assumes project risks at an early stage and on an individual-case basis. One example is 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 or to sell its project rights to the third parties. The contracts are structured so that individual phases are subject to risks of the project possibly not being pursued, but to a limited extent. Manufacturer warranties are in place 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 are built up from ongoing cash flows from wind parks that can be drawn on to replace components. Real-time online monitoring minimises downtime. 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. As a result, the Group only utilises non-recourse financing as a rule, with the recoverable assets for the bank limited to the park 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' approach is holistic risk management, in other words applying risk management as 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 preparation for these quarterly meetings, all risk owners review the risk assessment of their area/risks and formulate and present any appropriate measures they would like to suggest.

The entire risk inventory is presented at the end of the year and discussions are held on any revision of individual risk assessments and classifications as well as any changes to the previous year.

Information regarding material risk changes

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.

In the 2021 financial year, Sustainability & Communications and the Energy Risk Policy were identified as additional risk categories as compared to the previous year.

The newly introduced Energy Risk Policy is divided into three new business units: Energy Risk Management, Energy Portfolio Management and PPA Origination.

Energy Risk Management is tasked with enforcing compliance with general risk management guidelines, both adhering to and monitoring the scope of energy risk limits, compiling all information of relevance for energy risk throughout the company and documenting and presenting a comprehensive risk overview. Energy Risk Management functions as an independent risk management unit within Encavis. It operates independently of all investment activities and business operations and maintains an objective view of risk exposures.

Rather, operational risk management is a key function performed by two additional units: Energy Portfolio Management, which is responsible for concluding power purchase agreements (PPAs) with a term of up to five years, and PPA Origination, which is in charge of PPA transactions with terms of over five years.

Sustainability & Communications has been designated as another risk area to identify and assess any future risks arising from climate change and environmental impacts. The particular focus is on potential financial risks that may arise due to climate change or environment-related disasters.

Opportunity management

The opportunities for securing long-term corporate success are also recorded and exploited as part of opportunity and risk management 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 on to seize these opportunities. A distinction is made between two types of opportunity in the context of opportunity management:

- External opportunities which have causes we are unable to influence, for instance the retraction of a tax.
- Internal opportunities which arise in our company, for example as a result of achieving synergies.

The opportunities identified within the Encavis Group are detailed in the report on opportunities.

Risk report

As part of risk management, the risks listed below to which the Encavis Group is exposed have been assessed and classified according to probability of occurrence and impact and broken down into risk classes.

Risk class – growth risk

Risks 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 – moderate

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 material individual risks within these classes.

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 with a moderate probability of occurrence

The construction and commissioning of solar parks and wind parks are associated with high investment costs. For the most part, these are financed by borrowing project-related loans which, depending on the geographic region and the level of guaranteed remuneration for the electricity purchase, can comprise as much as 80 % of the total investment. Due to falling component prices, the market has in recent years been increasingly moving away from state-subsidised projects and more towards subsidy-free projects run purely on the basis of market-based electricity prices. In its most recent publication, EU Market Outlook for Solar Power 2021–2025, European solar industry association Solar Power Europe wrote: “The pillar for the impressive development of last years have been PPAs. All large-scale solar capacity commissioned during 2020 (2.9 GW) and 2021 (1.9 GW up to Q3) has been developed without any type of public aid or regulatory scheme, that is, all by means of PPAs or merchant projects.” The two solar parks commissioned in Spain in 2020 (Cabrera, 200 MW) and 2021 (Talayuela, 300 MW) are also allocated to this category and do not receive any state subsidies. The private-sector PPAs currently available on the market to exclude electricity price risks generally have shorter terms than the previous state-guaranteed remuneration arrangements, and this also has a corresponding impact on debt financing structures. Restrictions on the provision of suitable loans and stricter covenant requirements imposed by the lending banks could make financing any future projects more difficult or even impossible moving forward. As a result, the Encavis Group would have fewer investment opportunities, which would slow down its potential growth.

The Encavis Group therefore maintains direct and ongoing contact with leading project-financing European financial institutions that have been in this business for many years. Splitting funding requirements for individual Group projects between different banks means that the company is not dependent on any particular institution, thereby avoiding cluster risks. At the same time, Encavis has a proven track record in arranging project finance for a total of 300 externally financed solar parks and wind farms.

Since the first subsidy-free solar parks and wind farms came onto the lending market in 2017/18, banks have become shown an increasing willingness when it comes to assessing and lending exposure to electricity price risks and are therefore also offering increasingly longer maturities, which increases the share of debt in overall financing accordingly. This “merchant tail”, i.e. the portion of the overall financing period that is not subject to a price hedge under a PPA, has since climbed from around three years to up to ten years and more in some cases. Banks are now also offering financing that no longer requires a PPA. We are working closely together with our financing partners to develop new financing solutions to seize the opportunities presented by the changing underlying conditions.

Interest rates in Europe, which rose slightly in 2021 but remain low compared with the long-term average; the lack of alternative investments with comparable risk–opportunity profiles; and corresponding competition for these projects among financial institutions currently offer the company a position from which to secure project funding at favourable conditions. Moreover, in spite of the spread of the Covid-19 pandemic, the Encavis Group managed to renegotiate existing project finance deals and secure better terms from banks. Thanks to in-house structured refinancing of existing project funding and consistently broad invitations to tender in the lending market for new project finance, Encavis has already started to target new international finance partners since 2020, which will optimally support the Encavis Group’s continued growth and internationalisation. One example of this was the refinancing through Apollo Solar S.r.l., which was completed successfully in 2021. Increasing of the number of financing banks also helps to reduce reliance on individual partners. The group of project-financing banks at Encavis has been enlarged over the past two years to include renowned lenders such as Société Générale, ABN Amro, Siemens Bank, BankInter and European Investment Bank.

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 constantly examines by available alternative financing options.

Risks associated with the Group’s capital procurement: growth risk with a low probability of occurrence

Investment in solar and wind installations for the portfolio of the Encavis Group are financed on a project-by-project basis through by drawing on external financing and utilising the equity from the Encavis 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.

Up to 2019, these investment resources were raised via smaller capital increases of Encavis AG. In 2014, they were supplemented with EUR 150 million from a strategic partnership with Gothaer Versicherungen from successfully placing multiple bonded loans (Schuldscheindarlehen), including the first-time placement of a green bonded loan in September 2018 with a volume of EUR 50 million. In 2019, Encavis AG successfully issued another bonded loan in the form of a registered bond with a total volume of EUR 60 million and issued its first green bearer bond with a volume of

EUR 20 million in 2021. The hybrid convertible bond issued in 2017 and increased to EUR 150.3 million in 2019, which is accounted for as equity in the Encavis Group, underwent mandatory conversion into shares by the issuer Encavis Finance B. V. on the first possible date after the end of five years in October 2021. A new hybrid convertible bond with a total volume of EUR 250 million was issued in mid-November 2021 – with significantly improved terms and conditions – which, like the preceding transaction, will be accounted for as equity. In August 2021, Encavis concluded its first syndicated loan agreement for a total amount of EUR 125 million. The five lenders are providing EUR 25 million for working capital and EUR 100 million for interim financing of investments in renewable energy parks for a period of three years with an option to extend for a further two years. The latter gives Encavis certainty and the capacity to act fast in realising projects to fulfil its growth strategy. Encavis no longer needs to maintain substantial credit balances or wait for funding or bank approval, and will have significant funds available for long-term refinancing at a later date, irrespective of the conditions on the financial markets at the time of the investment. 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 a long-term equity ratio of more than 24 %.

However, using borrowing purely for growth capital would lead to additional leverage at project level as a result of the corresponding rise in financial liabilities at Group level; without corresponding measures being taken, this would result in a decline in the Encavis Group's equity ratio. Safeguarding financial stability is a top priority for Encavis.

Encavis produces electricity from renewable sources of energy. As a leading independent electricity producer, it acquires and operates solar and wind parks throughout Europe. Due to the global climate debate, more and more investors are opting for sustainable investment opportunities. Encavis has a wider range of alternative financing options available for future growth, as can be seen in recently implemented transactions. They range from bilateral and syndicated bank loans to all common forms of bonds to the conversion of the existing bonds and the issuance of a new hybrid convertible bond. In addition, 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, increased balance sheet total, compliance with the target equity ratio, market capitalisation and trading volumes.

The conditions on the lending market are largely dependent on the how individual investors assess Encavis' creditworthiness. The issuer rating awarded by SCOPE, which was reaffirmed in October 2021 in the investment-grade range (BBB-), the Deutsche Bundesbank's certification of eligibility (4-) and several funding transactions concluded with institutional investors and banks in 2021, 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 – moderate

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.

Furthermore, care is taken at project companies level to ensure that the corresponding payment obligations and revenue of the companies are in the same currency and that no relevant currency risks exist in this respect. This is achieved, for example, by borrowing the project funding in the corresponding local currency.

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. As the holding company for the Encavis Group, Encavis has leveraged its operations by means of various financing agreements, under which, financial ratios are usually agreed. Generally, there is a risk of non-compliance with these covenants, which, in the case of some funding agreements, would give the respective lenders the right to terminate the financial liability in question. Non-compliance with covenants does always not trigger a right of termination for the lenders, especially in the case of financing vehicles with an initial term of ten years or more; instead, the interest rate is increased until it can be proven that the covenants are once again being complied with. Compliance with the covenants is monitored by the Corporate Finance/Treasury/Insurance department and proof is provided on an ongoing basis in accordance with the agreements with the lenders.

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 the Group's financial risk 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 Operations and Legal departments at Encavis monitor 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 %. Solar parks and wind farms are financed with loans at both fixed and variable interest rates with maturities of up to 19 years. In order to take adequate account of the corresponding interest rate risk, the company's calculations factor in substantial interest rises once fixed-interest periods expire – unless the interest rate risk is hedged in some other way, e.g. using interest rate swaps. 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. In principle, however, it should be noted that for projects with fixed-interest periods that have expired in the past, the factored-in interest rises did not materialise due to the lower interest rate level. 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. At the project company level, these interest rate swaps are usually concluded over the entire funding period.

Encavis AG's non-current financial liabilities either have a fixed interest rate or are hedged using interest rate swaps. Owing to fluctuating drawdowns, Encavis AG's credit lines are not interest-hedged and have an interest rate and maturity structure in line with the market. The ongoing low-interest environment contributes to an extremely moderate interest rate risk overall.

Risks arising from financial instruments: risk class "low"

In September 2017, Encavis issued its first 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. On 4 October 2021, Encavis exercised for the first time its right to convert the bond into shares and redeem it.

On 18 November 2021, Encavis issued a new subordinated bond of over EUR 250 million with time-limited conversion rights. No fixed deadline for repayment of the hybrid convertible bond is set. The hybrid convertible bond can be converted into fully paid-in new and/or existing ordinary bearer shares in the company up to ten trading days before 24 November 2027 (the "first redemption date"). The coupon for the hybrid convertible bond will be 1.875 % p.a. until the first redemption date. After the first redemption date, the interest rate for the hybrid convertible bond will be fixed at 1,000 basis points above the five-year euro swap rate. This rate will be reset every five years. Therefore, there is a risk that interest rates will change after the first redemption date for the portion of the hybrid convertible bond that has not already been converted by the company or creditors or repaid by the issuer by that time.

Risks arising from negative interest: risk class “fact”

As the holding company for the Group, Encavis raises external funding and manages liquidity within the Group. These activities are performed with the aim of ensuring that adequate liquidity is maintained at all times. In some cases, the company is charged custody fees for daily liquidity held by banks. The funds required to invest in wind farms and solar parks are raised as and when required and are not usually held as credit balances for any length of time. The syndicated loan signed in August 2021 also makes a significant contribution in this respect. As at the balance sheet date, most of the proceeds from the issuance of the new hybrid convertible bond in November 2021 had not yet been invested in new parks. These were deposited in euro-denominated government bonds, which mature at the latest by end-March 2022 and have a negative yield. This is a temporary effect, with the funds in question being put to their intended use – to expand capacity – in the early part of 2022.

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. There is therefore a 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 carries out 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. This model has been applied as a new standard in all new structured international financing (and refinancing) ever since. We are also successfully negotiating with the banks financing the projects with a view to implementing cash pooling in order to manage account balances efficiently within the Encavis Group and thereby reduce costs.

Tax risk: risk class “moderate”

The tax structure is to a certain extent very complex, due to the various entities subject to taxes (tax groups and service relationships within the Group) within the individual national markets as well as different legal forms within the Encavis Group. 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 has agreed target figures with experts in transfer pricing for the corresponding invoicing processes. The company audit conducted in 2019 and current audits have so far not resulted in any findings. However, there is a risk – at least for the years from 2016 – that German or foreign tax authorities do not recognise some of the transfer prices applied by the Encavis Group. However, given that this would in fact merely result in a shift between the individual national markets, the tax risk is limited.

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 tax 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 with a 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 to 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 twelve current strategic development partners.

Due to the relatively low entry barriers, it cannot be ruled out 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 afford it a strong competitive position from which it is able to identify and realise investments in accordance with the continued growth strategy, even in light of a potential increase in competition.

Moreover, the strategic partnership with the British project developer Solarcentury (now Statkraft AS), concluded in 2017 and now discontinued as planned, also led to further acquisitions (in the Netherlands) under the new ownership structure in 2021. The current partnerships with GreenGo Energy Group A/S and Sunovis GmbH have each led to the construction of the initial projects starting in Denmark and Germany in 2021. Furthermore, new partnerships were established in the 2021 financial year, including a development partnership with the Norwegian company Solgrid AS.

Overall, Encavis conservatively assumes a probability of success of approximately 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 reasons such as national budget deficits. In Spain, for example, subsidy rates for renewable energies were cut massively in 2014, with retroactive effect from 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 installations' operating lives. 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 in countries including Italy and Spain (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.

The French government also decided in October 2020 to retroactively reduce solar subsidies for feed-in contracts signed before 2011 for solar installations with outputs above 250 kW and to decree/order new tariffs to take effect from 1 December 2021. The reduction in feed-in tariffs will affect Encavis parks with a total volume of 50 MW spread across two SPVs. The remaining solar parks operated by Encavis AG in France are not affected by the latest cutbacks. Encavis has already taken action to mitigate the impact of the cuts by applying to the Commission de régulation de l'énergie (CRE) for a protection clause allowing for the suspension of the reduced feed-in tariff while maintaining the previous tariff for up to 16 months. Furthermore, Encavis has exercised its right to appeal against the notifications received by the SPVs affected at national level, together with renowned external financial advisors and a highly respected international law firm specialising in the energy sector, especially in France, and reserves the right – as has already been done in Italy – to initiate international arbitration proceedings in order to assert its rights. Encavis believes that there is a real probability of success in the individual proceedings if the criterion of maintaining the economic viability of the affected solar parks is implemented by the CRE in accordance with the statements in the decree/order and is also accepted by the courts. Encavis is awaiting the final assessment of the impact on the affected installations in France and is regularly reassessing the situation.

A regulation also entered into force in Spain on 16 September 2021, which contains provisions to mitigate the impact of rising natural gas prices on the gas and electricity market and on electricity consumers in the country. Measures include a mechanism to reduce the tariff temporarily by requiring electricity producers to make reimbursements for high electricity prices. The mechanism takes effect when the price of gas exceeds EUR 20/MWh; it is currently EUR 80/MWh. This regulation was intended to apply until 31 March 2022, by which time gas and electricity prices are expected to have returned to normal levels. However, due to the ongoing increase in gas and electricity prices at the beginning of March 2022, the measures were extended until 30 June 2022. Exceptions are also defined for a reduction in tariffs if PPAs were concluded prior to 16 September 2021 with full or partial hedging that does not contain a price adjustment provision and is not internal to the Group. This exception also applies for PPAs after 16 September 2021, if the term is a minimum of one year.

The impact on our Talayuela solar park completed by 31 December 2020 and on the La Cabrera solar park completed by 31 December 2020, can be regarded as relatively low in light of the exceptions mentioned above. Electricity prices at the La Cabrera solar park are fully hedged until 31 December 2020, and it will not be until Q1 2022 that 25 % of production will be unhedged and therefore affected by this regulation. In the case of the Talayuela project, 41 % of the electricity volume was unhedged in Q4 2021 and 48 % in Q1 2022. In both cases, the impact on revenue is therefore regarded as low. Due to the extension of the measures, Encavis will only be able to market the unhedged electricity from April to June 2022 within the scope of the regulation.

Geographic diversification of the current portfolio across several countries has generally minimised 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 adjustments. That being said, 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. Therefore, Encavis expects there to be a clear focus on the energy transition in the wake of the German federal elections in September 2021 and the resulting government coalition when compared to recent years. This expectation is clear from the agreed coalition agreement, which stipulates that the share contributed by renewable energies to electricity consumption will be increased to 80 % by 2030. This corresponds to a near doubling of share of electricity consumption attributable to renewable energies compared to 2021.

To achieve its desired goal, the German government plans to drastically accelerate the expansion of new onshore and offshore wind turbines. Moreover, all suitable roof surfaces are to be used for solar installations, among other things. The aim is to increase solar energy installed capacity to 200 GW. The target is to add up to 20 GW per year. To this end, the necessary laws and regulations are to be amended and measures initiated in 2022.

Legal risk: 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 internal 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 therefore 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 world’s rapidly growing sectors. For example, according to Solar Power Europe, annual growth in global solar capacity increased by

18 % to 138.2 MW in 2020 (increase in 2019: 13 %); according to the World Wind Energy Association, annual growth in global wind capacity rose by 52 % to 93 GW in 2020 (increase in 2019: 22 %). Operating solar parks and wind parks is only subject to minor economic fluctuations as a result of legally guaranteed feed-in tariffs (FITs), long-term power purchase agreements (PPAs) or renewable purchase obligations (RPOs) such as those set out in the German Renewable Energy Act (EEG). 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 for economic reasons or due to liquidity shortages. What is more, weak economic development is often accompanied by lower interest rates, which would result in financing costs falling at a Group and project level.

Nevertheless, the Group continuously monitors the relevant markets in order to respond quickly and appropriately to any arising economic and industry risks. 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.

The announcement by the new German federal government in its coalition agreement that it intends to finance the EEG levy from the Energy and Climate Fund (EKF) starting in 2023 and to discontinue subsidies for renewable energies at the latest when coal is completely phased out in 2038, remains to be seen and needs to be reviewed on a regular basis when assessing risks.

The violation of Ukrainian sovereignty following the incursion of Russian military personnel at the end of February 2022 had an enormous effect on the energy markets within a short space of time. Encavis does not maintain a presence in Ukraine or in neighbouring countries in central and eastern Europe. As a result, the risk to the Encavis business model is regarded as manageable.

Operational risks

Sales risks arising from expanding asset management activities: growth risk with a moderate 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, banks and other 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, and the European Capital Requirements Regulation (CRR), imposes new capital requirements on banks. These and other unforeseen amendments to the regulatory framework may reduce the willingness of institutional and professional investors to engage with renewable energies,

which 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. This is underpinned, among other things, by the new German federal government’s immediate climate protection programme presented in January 2022, which experts regard as a “booster” for the energy transition. 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. For example, in its latest report on the electricity production costs of renewable energies (June 2021), Fraunhofer ISE puts the current costs for German PV plants at EUR 0.312/kWh and EUR 0.394/kWh for wind power, while new conventional power plants in Germany, taking into account higher CO_2 costs, are unable to achieve electricity production costs of less than EUR 0.75/kWh. Moreover, it is clear that, not only since the UN Climate Change Conference in Paris in December 2015, but also with the new German federal government formed in autumn 2021, the worldwide growth of renewable energies will continue over the coming years. With growth rates in the double-digit percentage range, the renewable energy market therefore remains an important area of growth that is also largely unaffected by economic fluctuations. For example, a recent report

(12/2021) by Wood Mackenzie estimates that global wind energy capacity will grow at a cumulative annual growth rate (CAGR) of 9% between 2021 and 2030. 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.

The company also is also continuously optimising its sales activities and working towards broadening its appeal to a wider spectrum of potential investors, including differently regulated client segments such as insurance companies, pension funds, utility companies, foundations and religious organisations. Further geographical expansion of activities in this business segment is also planned and, in some cases, has already been achieved (e.g. solar parks in Spain and wind farms in Ireland).

Liability or reputation risks from activities in the Asset Management segment: risk class “low”
Non-compliance with investment criteria when purchasing, resulting in the funds managed by a Encavis Asset Management AG on behalf of institutional investors performing worse the planned, or poor decisions within the scope of the management of these parks, could lead to liability claims again Encavis Asset Management AG and therefore 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 acquisition decisions are ultimately not reviewed and made by the investment company appointed for this purpose rather than by Encavis Asset Management AG acting as an investment advisor. If there is a deviation of defined investment criteria, the relevant investor is also asked to make a decision prior to making the investment. In addition, Encavis Asset Management AG is appropriately insured for any liability arising from its activities.

Downtimes: risk class “moderate”
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 by experienced external partners. Online monitoring in real time ensures that technical issues are detected and investigated immediately. To this end, for example, in 2019 Encavis acquired a stake in the pan-European O&M service provider Stern Energy S.p.A., based in Italy, which provides technical management services for a large number of the Group’s own solar installations. In addition, the development of the plants’ performance is continuously monitored by the respective project managers and the Group’s internal Engineering & Construction department. Moreover, all installations are insured against the risk of business interruption due to external events.

Meteorological risks (solar): risk class “moderate”
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 “moderate”
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 Encavis Group’s core business remains focused 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 retrospectively when 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 decrees 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. Due to the pronounced diversification of its solar and wind park portfolio within Europe, the potential impact of negative electricity prices in Germany on the Encavis Group can be classified as very low.

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.

Risks arising from marketing electricity (energy risk management): risk class “moderate”
Encavis’ portfolio is exposed to two main risks: market risk and credit risk.

In terms of market risk, market price risk represents one of the most relevant risks. Market price risk is defined as fluctuations in market prices (both positive and negative) that can change the value of energy positions (energy position is defined as the amount of energy, expressed in MWh, generated by an asset or portfolio – from when it starts operation to end of life).

However, credit risk mainly concerns replacement risk. Replacement risk is the risk that arises if the counterparty defaults, resulting in all active contracts with that counterparty having to be concluded at current (unfavourable) prices instead of those stipulated in the original contracts.

In the majority of countries where Encavis operates, the energy sector is organised around free market pricing. Falling prices on the wholesale electricity markets can lead to a loss of profitability for production installations. This also applies to renewable energy installations that are not subsidised by fixed feed-in tariffs. PPAs are one way to reduce the market price risk for a project/portfolio over the long term as they contain a fixed electricity price agreed between the two contracting parties for the term of the respective PPA.

However, it can be seen that in some European markets it is becoming increasingly difficult to conclude PPAs on a “pay-as-produced” basis and base-load structures are often offered instead. It is precisely these changes in customer requirements that pose increasing challenges when structuring PPAs. Risks arising from the structure of the PPA can be addressed, for example, via the production volume sold through such an agreement. However, depending on how the PPA is structured, this kind of pricing and concurrent supply obligations to the customer can also give rise to further market price risks for a project/portfolio. The electricity markets can develop in the “wrong” direction over the long term, which can result in shortfalls in electricity volumes, which have to be purchased on the market in order to be able to fulfil the supply obligation under a PPA

To address the replacement risk, long-term PPAs include mutual guarantees or sureties to cover the potential loss in the event of early termination.

Technical risks and reduction in performance: risk class “low”

The technical risks of the solar parks are low and limited 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. The Encavis Group has set up an in-house Engineering & Construction department responsible for carrying out on-site inspections of the parks as part of the due diligence process as well as other duties. The Group relies on external service providers for wind parks.

As a rule, manufacturer or general contractor warranties cover reductions in performance or breakdowns 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 chains of information – in other words the cooperation between the park manager, the technical management, the maintenance company and Encavis as operator – had worked properly on the day of the accident. Nevertheless, among other things, 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 in line with the requirements set by the financing banks. These can be used to replace components, for example. Current cash flows from the parks are used for the project reserves.

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 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 is 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 eleven 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 permanent staff are required on site. Moreover, since power generation is part of the critical infrastructure sector, necessary repairs or troubleshooting can still be carried out even in the event of any lockdowns. 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 only had a minimal negative impact on earnings per share (EPS) for 2020 of just EUR 0.01. However, the effect did not materialise and both projects were completed on schedule.

Based on the macroeconomic impact of the coronavirus so far, the Encavis Group does not expect to see any other material adverse effects. 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 ruled out; however, these services could continue to be provided 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.

Environmental and climate risks

Stricter climate reporting obligations: risk class “low”
The EU’s push in recent years to make its economy more climate-neutral and sustainable has led to a number of new regulations. Many have already been adopted, and some are in the final rounds of voting. Statutory disclosure obligations and regulations are becoming increasingly strict. An interdisciplinary Sustainability Committee has been established within the Encavis Group in order to effectively integrate the topic of sustainability into the various business areas and processes. The Sustainability & Communications department is also working intensively on this topic, which means that Encavis is well positioned to meet climate reporting obligations that are set to become mandatory in the future.

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 so that it remains well-equipped to tackle future challenges.

Encavis therefore relies on comprehensive talent management, a range of different benefits and the continual development of a motivating and family-friendly work environment. For this purpose, a model for the future of the workplace at Encavis has been developed, which clearly supports work-life balance by offering employees the option of spending up to 50 % of their hours working remotely. In spite of the coronavirus pandemic and the contact restrictions, Encavis continued to hold regular meetings of executives both in person and, on two occasions, using videoconferencing software. Team spirit is fostered among employees working remotely using virtual formats such as Lunch & Learn and Café Solar.

We have set up a relocation scheme for new hires who are not from Hamburg or Munich that provides financial and organisational support for their move, help in finding accommodation and adjusting to a new city – ensuring that new employees can focus on getting started in their new job and finding their feet in a new environment. New employees also get to know their colleagues and the company during onboarding sessions and quickly meet new people. Every employee can take advantage of individual training opportunities with a firmly planned budget. Opportunities range from specialised courses to personal development and language courses. We also offer courses aimed at all employees, such as group language courses, project management or negotiation training. Encavis also supports part-time studies (either financially and/or by granting leave of absence), provided that they are related to the employee’s professional activity. This range of activities and services is supplemented with further training programmes for managers and selected employees (Leadership Programme and the Personnel Development Programme) as well as team workshops and individual coaching, which take place both virtually and in person.

Personnel department offers individual guidance to employees and managers in the area of further education and ensures that quality is delivered. At Encavis, annual target-setting meetings are used as a management tool. These meetings take place at the start of a financial year, after the definitive financial targets for the coming year have been set. The tasks and activities for the individual departments and employees are derived from the company's targets.

With a view to the high percentage of women in management positions (31 %) and technical careers, it is clear that Encavis takes the issue of developing the professional skills and careers of its female employees very seriously and offers equal career opportunities for both genders.

Encavis is also known for its receptiveness to a wide variety of internship initiatives and student work placements.

IT risks: risk class "moderate"

The business activities of the Encavis Group are characterised by the use and development of information technology. Measures introduced recently include a complete revamp of the server environment. 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 the increasing complexity and the dependence on the availability and reliability of IT systems.

There is a growing threat to cybersecurity around the world, as online criminality becomes increasingly professionalised. Risks relating to system and network security, as well as risks regarding the confidentiality, availability and integrity of data, are also a danger to Encavis. Encavis continuously optimises its IT systems to minimise risk. Cybersecurity covers all information technology of the entire Encavis Group, including office-based IT systems and applications, special networks and remote working. The Group also makes use of professional service providers so that utilisation of internal resources for ongoing maintenance of the IT system and implementation of new components is kept to an appropriate level. Data processing can be protected by taking comprehensive precautions such as firewalls, up-to-date anti-virus, contingency plans, data protection training and the use of multi-factor authentication exclusively. In addition to this Cyberattacks on on IT-Infrastructure of Encavis were simulated in order to detect potential weaknesses early. In addition, an external data protection officer independently monitors compliance with data protection standards for organisational purposes.

In May 2021, Encavis received certification from VdS Schadenverhütung GmbH, a member of the German Insurance Association (GDV), for its Group-wide data protection management system and for its Group-wide information security management system in accordance with VdS 10010 (VdS Guidelines for the Implementation of the General Data Protection Regulation (GDPR)) VdS 10000 (Information Security Management System for SMEs (small- and medium-sized enterprises)).

Overall risk

An overall assessment of the current risk situation as at 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. Overall, the risks to which the Encavis Group is exposed are regarded as low.

These risk exposures continuously identified, analysed and managed by means of a proactive risk management system during the reporting period. The Encavis Group has implemented appropriate risk management measures as and when required.

Opportunity report

Conservative investment strategy

Encavis was successful in its efforts to further expand its position as an exchange-listed independent power producer (IPP) following the merger of Capital Stage AG and CHORUS Clean Energy AG in 2016. The solar park portfolio owned by Encavis currently comprises 173 parks alone with a total generation capacity of around 1,456 MW and is one of the largest portfolios in Europe. Encavis also owns 40 wind parks with a generation capacity of around 412 MW.

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

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

This includes taking advantage of any opportunities that arise within the company and increase the Encavis Group's efficiency and profitability, for example. The foundations for identifying, analysing and successfully exploiting these opportunities are the Encavis Group's employees, whose personal qualifications are compared with the job descriptions.

The Encavis Group will continue to primarily concentrate on ground-mounted PV installations and onshore wind parks in the future and will also be active in the Asset Management segment as a service provider for investments in the renewable energy sector. Encavis' business model remains risk-averse with a focus on existing installations and turnkey or ready-to-build projects (and also involves working with selective project development partners in the PV sector, including on projects that are not yet ready to build). 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 mid-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.

Encavis also places great importance on the technical components of the parks, whose condition and construction are important for long-term operation.

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, an upturn in the economic environment could lead to greater demand for electricity and therefore higher electricity prices, which could have an impact on the profitability and implementation of future projects. In addition, there are opportunities for Encavis to participate in rising electricity market prices affecting both non-contracted electricity volumes and state-guaranteed feed-in rates if exchange prices for electricity exceed the state-guaranteed feed-in rate, for example. This issue has become increasingly important in 2021. The use of monitoring and reporting tools allows Encavis to determine the market value of its generation portfolio every trading day and to exploit positive trends on the electricity markets through hedging transactions.

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 market for renewable energies 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

Persistently low interest rates have reduced the cost of raising capital for the Encavis Group as well as borrowing costs at project level.

Encavis continues to actively take advantage of the low interest rate environment and is constantly assessing the possibility of securing more favourable long-term conditions by refinancing and rescheduling existing loans, including the conversion of the hybrid convertible bond from 2017/2019 and the issuance of a new hybrid convertible bond with a higher volume and around two-thirds lower coupon, as well as the renewed successful refinancing of a solar park portfolio in Italy in 2021. Additional 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 more 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 subsidy 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.

Aside from the utilisation of government subsidy programmes, there is a growing trend towards private power purchase agreements. 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 PPAs (power purchase agreements) concluded for green power purchased in the long term was still around 6.3 GW in 2017 (of which 1.1 GW in EMEA), PPAs with a volume of 31.1 GW (of which 8.7 GW in EMEA) were concluded in 2021, according to BloombergNEF from 31 January 2022.

The goals agreed by the German federal government in the coalition agreement and the “Fit for 55” package presented by the EU also provide Encavis with tremendous opportunities with regard to further growth. The intensive expansion of wind and solar parks on newly designated areas in Germany is expected to result in an increasing number of new projects being realised. This gives Encavis the opportunity to expand its portfolio and intensify its cooperation with project developers. At the same time, European efforts are creating further opportunities abroad.

Opportunities arising from geographical diversification

Encavis constantly monitors and reviews the development of renewable energies and relevant opportunities in other regions. The company focuses primarily on countries with developed economies in Europe, but also in the USA, Canada and Australia, which have stable economic policy and regulatory frameworks. Geographic diversification contributes to further reducing risk in the existing portfolio by decreasing dependence on 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. One example of this is the entry into the Swedish PV market.

Opportunities from large portfolio volumes in the core regions

Encavis is active in core European markets that have long been focused on renewable energy, among other things, and has a corresponding portfolio of solar and wind parks, which supports the future expansion and operation of the portfolio. In addition, Encavis’ own portfolio offers multiple opportunities for profitable investments that could enable the company to achieve long-term revenue and earnings growth in its existing projects. For example, in 2021 Encavis has been increasingly involved in both the development and implementation of concepts to expand and/or improve the existing portfolio in order to also benefit from technical progress in existing installations. Various opportunities will again arise to this effect in 2022.

Opportunities arising from innovation

The renewable energy sector is benefiting from 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 (for example, bifacial PV modules that follow the position of the sun on trackers). This has helped the renewable energy sector to achieve grid parity in many regions and it is already competing with conventional power stations. 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. Raw materials and transport shortages meant that the costs of PV installations in particular experienced significant volatility in 2021, which Encavis has been countering with long-term purchase agreements and flexible partnership models so that it can start building a new installation at the right time (if it is not already in operation when acquired). 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 300 solar parks and wind parks with a generation capacity of approximately 3.3 GW make the company one of the biggest independent power producers 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. Thanks to the expertise in long-term power purchase agreements that it has now built up, Encavis is increasingly being approached by project developers as a possible cooperation partner for 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, service providers, brokers, consultants and banks over the years. Strategic partners include the Danish project developer GreenGo, the Norwegian Solgrid AS and ten other developers. With its current strategic partnerships, Encavis currently has a pipeline with a capacity of over 3.5 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 growing renown and good reputation of the company are steadily expanding the circle of potential business partners and investors, including institutional clients in the Asset Management segment. More than fifty building societies and cooperative banks have subscribed to substantial investments in the Encavis Infrastructure Fund II special fund, with which significantly 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. On the back of this success, Encavis Asset Management and its distribution partner BayernLB launched another fund for building societies and cooperative banks in the fourth quarter of 2021, Encavis Infrastructure Fund IV, which closed its first transaction, worth EUR 41 million, in December.

To support its further growth strategy, Encavis most recently gained BayernInvest Kapitalverwaltungsgesellschaft mbH, Munich, as a strategic investor in December 2019. The new investor acquired a 4.21 % interest through an increase in Encavis’ share capital against cash contributions. No further cash capital measures have been carried out since then.

In 2021, Encavis continued to strategically collaborate with its commercial banks while adding new banks. For example, the refinancing arranged at the end of September 2021 via Apollo Solar S.r.l. allowed the existing bilateral financing for a total of 21 Italian solar parks (with a capacity of 41.7 MWp) to be replaced and a special distribution to Encavis to be additionally funded. This new financing with a volume of EUR 88 million was structured completely in-house and placed with well-known banks on highly favourable terms after a broad market sounding.

Opportunities arising from consolidation of the market

The takeover of CHORUS Clean Energy AG in October 2017 and the increase in company size achieved as a result has not only promoted awareness of the company on the acquisitions side, but is also creating new opportunities that each company would not have been able to seize 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. Despite the COVID-19 pandemic, Encavis was able to secure landmark financing arrangements in the 2021 financial year, including the EUR 125 million debut syndicated loan, the issuance of a new EUR 250 million hybrid convertible bond and the first issuance of a EUR 20 million twenty-year green bearer bond. The successful financing measures taken in the past allowed Encavis to adopt an opportunistic approach in the 2021 financial year, which was reflected in the successful bond issuances, which in turn provide a good basis for the following years.

Future outlook

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

Continuation of economic growth expected in 2022

The IMF expects global GDP to grow by 4.4 % in 2022. In addition, inflation is predicted to remain at a high level because further supply chain disruptions and rising energy prices are anticipated in 2022. The spread of new coronavirus variants could prolong the pandemic and again weigh on economic development. The expected tightening of monetary policy in some countries should curb inflationary pressure, although room for manoeuvre in national fiscal policy remains limited as health and social spending have risen sharply in the course of the coronavirus pandemic. Nevertheless, the IMF takes the view that investment in climate policy remains essential to reduce the risk of far-reaching climate change.

Viral epidemics that spread around the globe have only a limited economic impact on the operating activities of the Encavis Group. The wind and solar parks in eleven 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 coronavirus continues for an extended period or worsens in the coming months, problems regarding the availability of individual technicians to perform on-site maintenance of solar and wind parks cannot be ruled out; however, these technicians 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.

War in Ukraine

The Encavis Group's wind and solar park portfolio, which is generally focused on Western Europe, is not affected by Russia's military invasion of Ukraine. Indirect effects from potential countermeasures taken by Russia in response to the sanctions imposed on the country are not apparent at present. Encavis has a variety of up-to-date security systems to counter the general risk of cyber attacks on electricity networks in Western Europe, on power-generating installations or on the group IT systems. The company has completely overhauled its IT infrastructure in the past three years and mitigates cyber risks using measures such as regular external audits and security tests in order to ensure the maximum possible protection of its systems' data and integrity. The redesign included a strict separation between the IT systems at Encavis and those of the power-generating installations and the electricity networks. This means that an attack on the installations or electricity networks would not affect the company's IT systems. Likewise, an attack on Encavis' IT infrastructure would not impact the output of the wind and solar parks.

With regard to the debt financing of new projects, rising credit risks affecting banks with greater or accumulated exposure to Russia could indirectly result in reduced project financing business overall. Credit losses (and even mere uncertainty regarding them) could damage the credit rating of such banks and increase their refinancing costs. As these refinancing costs have to be met by bank margins from project financing, credit margins could rise as part of general competition among banks for such business. Combined with the current general increase in long-term interest rates, this could put further pressure on returns from planned projects. The fact that Encavis usually issues tenders for new project finance at least on a Europe-wide basis means that the Group always has a broad overview of financing structures and conditions and is not dependent on individual banks, whose future lending capabilities may be affected by credit losses in Russia. In addition, there is significant demand from banks for opportunities to finance renewable energy projects, and the target volumes for such investments have been continuously raised in recent years. The lending market therefore remains highly competitive and, as a result, the current crisis involving Russia is not expected to have any major effects.

Further tightening of monetary policy as inflation persists

The ECB has announced that it will gradually scale back its net asset purchases. In addition, in view of the high inflation rates, the ECB announced that it would maintain its key interest rate level until adequate progress was made in stabilising inflation at its medium-term target. Subsequently, the central bank will review its economic outlook on a regular basis and, in view of the economic environment, may come to the conclusion that it has so far underestimated inflation.

The global energy transition boosts demand for energy from renewable sources

The world is undergoing a profound energy transition that encompasses a broad spectrum including renewable energies, energy storage, electrified vehicles and the use of particularly sustainable materials. The expansion of renewable energies plays a key role in the global energy transition. The growth of renewables continued with sustained momentum in 2021.

More than USD 900 billion was invested in the global energy transition and related climate technologies last year. Investments in the energy transition alone reached USD 755 billion, up by a quarter compared to 2020 – double that of 2015 and more than twenty times the figure from 2004. Almost 50 % of this investment, amounting to around USD 366 billion, went into the expansion of renewable energies. Conventional energy sources and fossil fuels are increasingly being supplemented or replaced with the consistent expansion and use of renewable energy sources.

The enormous investments in the energy transition offer private-sector stakeholders great economic potential. The experts at the IEA put the market potential for manufacturers of wind turbines, solar cells, lithium-ion batteries and fuel cells at well over one trillion US dollars by 2050. This roughly corresponds to the size of the current global oil market and illustrates the extraordinarily high economic relevance of the transformation process. Global energy and economic policies are therefore becoming closely interlinked.

Private-sector power purchase agreements remain attractive

The further improved economic efficiency of renewable energies compared to conventional energy carriers, as well as companies' commitments to maintaining an eco-friendly energy balance (as outlined in the RE100 initiative, for example), have been creating increasing momentum in the market for private-sector power purchase agreements for years now. Another factor is that the price of electricity – and particularly green electricity – is rising consistently. Industrial companies therefore have a vested interest in securing carbon-neutral energy on dependable terms over a long period of time. "Environmentally friendly electricity at reliable prices" has become the most important criterion for them. According to BloombergNEF, companies purchased a record 31.1 GW of clean energy under private sector power purchase agreements, with technology companies again the largest buyers. PPAs are playing an increasingly important role in the energy transition.

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 >> Fast Forward 2025 strategy package on 8 January 2020. Planning for the years ahead is focused on five areas:

1. Further investments in ready-to-build wind and solar parks as well as securing projects in earlier phases of development in coordination with strategic development partners while maintaining a long-term equity ratio of more than 24 %

2. Disposal of minority interests in wind and individual selected solar parks of up to 49 % to free up liquidity for investments in additional wind and solar parks
3. Reduction and continued optimisation of costs related to the operation and maintenance of solar parks
4. Optimisation and refinancing of SPV project financing
5. Introduction of Group-wide cash pooling, including all single entities

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

1. Doubling the company’s own contractually secured generation capacity from 1.7 to 3.4 GW
2. Increasing weather-adjusted revenue from EUR 260 million to EUR 440 million
3. Growing weather-adjusted operating EBITDA from EUR 210 million to EUR 330 million
4. A margin of operating EBITDA of 75 %
5. Increasing the operating earnings per share (operating 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 by the year 2025. In the same period, revenue is to increase by approximately 9 % per annum, and an annual growth rate of operating EBITDA of 8 % is expected. Annual growth of the operating earnings per share (operating 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, we again expect significant growth in the 2022 financial year. The strategic transformation of the company, as well as the successful entry into the PPA business with the two Spanish solar parks “La Cabrera” and “Talayuela” – both of which are already connected to the grid – and the continued rise in electricity prices will significantly increase revenue and profit.

Based on the existing portfolio as at 14 March 2022 and in anticipation of standard weather conditions for the 2022 financial year, the Management Board therefore expects an increase in revenue to over EUR 380 million (2021: EUR 332.7 million). Operating EBITDA is expected to increase to more than EUR 285 million (2021: EUR 256.4 million). The Group anticipates growth in operating EBIT to more than EUR 166 million (2021: EUR 149.1 million). The Group expects operating cash flow to exceed EUR 260 million and therefore to be above the level with the very strong 2021 figure (251.9 million). In addition, operating earnings per share of EUR 0.51 are forecast (2021: EUR 0.48).

Technical availability of the installations is expected to remain at more than 95 % in the 2022 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 2022 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 -22.5 million for the 2022 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 parks. Earnings before interest and taxes (EBIT) are expected to amount to approximately EUR -23.6 million. The negative result is mainly influenced by growth-related costs in the areas of personnel and other projects. For the 2022 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 declaration on corporate governance contains the annual declaration of conformity, corporate governance report, disclosures on corporate governance practices and a description 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 HGB is a component of the combined management report.

Hamburg, 29 March 2022

The Management Board

Dr Dierk Paskert	Dr Christoph Husmann
CEO	CFO

Consolidated financial statements of Encavis AG

Consolidated statement of comprehensive income

In TEUR

	Notes	2021	2020
Revenue	3.21; 5.1	332,703	292,300
Other income	5.2	38,040	17,314
Of which income from the reversal of impairments for expected credit losses		*1,838*	*846*
Cost of materials	5.3	-4,312	-3,008
Personnel expenses	5.4	-19,218	-20,659
Of which in share-based remuneration		*-3,010*	*-5,357*
Other expenses	5.5	-66,921	-57,542
Of which impairment for expected credit losses	5.5	*-137*	*-99*
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**280,292**	**228,405**
Depreciation and amortisation	5.6	-151,445	-136,580
Earnings before interest and taxes (EBIT)		**128,847**	**91,825**
Financial income	5.7	21,711	17,256
Financial expenses	5.7	-67,525	-72,120
Earnings from financial assets accounted for using the equity method	6.4	86	-9,622
Earnings before taxes (EBT)		**83,119**	**27,339**
Income taxes	5.8	-849	-8,965
Consolidated earnings		**82,270**	**18,374**
Items that may be reclassified through profit or loss			
Currency translation differences	5.9	-668	597
Cash flow hedges – effective portion of changes in fair value	5.9	10,856	-5,906
Cost of hedging measures	5.9	6	15
Other comprehensive income from investments accounted for using the equity method	5.9	58	34,321
Income tax relating to items that may be reclassified through profit or loss	5.9	-2,674	1,549
Reclassifications	5.9	17,816	13,623
Other comprehensive income		**25,395**	**44,200**
Consolidated comprehensive income		**107,665**	**62,573**
Consolidated earnings for the period			
Attributable to Encavis AG shareholders		75,323	10,142
Attributable to non-controlling interests		687	327
Attributable to hybrid capital investors		6,259	7,905
Consolidated comprehensive income for the period			
Attributable to Encavis AG shareholders		100,717	54,473
Attributable to non-controlling interests		688	196
Attributable to hybrid capital investors		6,259	7,905
Earnings per share	3.25; 12		
Average number of shares in circulation in the reporting period			
Undiluted		144,378,743	137,799,309
Diluted		145,558,359	137,857,831
Undiluted/diluted earnings per share (in EUR)		0.52	0.07

Consolidated balance sheet

Assets in TEUR	Notes	31.12.2021	31.12.2020
Non-current assets			
Intangible assets	3.5; 3.8; 6.1	446,320	493,885
Goodwill	3.6; 6.2	27,466	27,560
Property, plant and equipment*	3.7; 3.8; 3.24; 6.3; 6.16	2,174,952	1,901,989
Financial assets accounted for using the equity method	3.9; 6.4	15,233	12,521
Financial assets	3.10; 6.5	4,875	73,111
Other receivables	3.10; 3.11; 6.6	8,059	8,261
Deferred tax assets	3.14; 6.7	6,123	3,280
Total non-current assets		**2,683,028**	**2,520,607**
Current assets			
Inventories	3.13; 6.8	751	334
Trade receivables	3.10; 3.15; 6.9	47,731	46,730
Non-financial assets	3.15; 6.10	6,046	4,710
Receivables from income taxes	3.14; 6.10	24,760	14,415
Other current receivables	3.10; 3.15; 6.10	8,934	6,051
Liquid assets	3.16; 6.11	444,639	230,996
Cash and cash equivalents	3.16; 6.11	394,228	167,489
Liquid assets with restrictions on disposition	3.16; 6.11	50,410	63,507
Total current assets		**532,860**	**303,236**
Balance sheet total		**3,215,888**	**2,823,844**

* Property, plant and equipment includes rights of use capitalised pursuant to IFRS 16. The right-of-use assets are recognised in the same balance sheet item as the underlying assets owned by Encavis.

Equity and liabilities in TEUR	Notes	31.12.2021	31.12.2020
Equity			
Subscribed capital	6.12	160,469	138,437
Capital reserves	6.12	616,363	479,561
Other reserves	6.12	-5,963	-31,357
Net retained profits	6.12	46,750	9,244
Equity attributable to Encavis AG shareholders		**817,619**	**595,885**
Equity attributable to non-controlling interests	6.12	2,464	7,085
Equity attributable to hybrid capital investors	6.12	246,305	148,591
Total equity		**1,066,388**	**751,561**
Non-current liabilities			
Non-current liabilities to non-controlling interests	3.20; 6.14	36,768	43,427
Non-current financial liabilities	3.18; 6.15	1,482,599	1,448,268
Non-current lease liabilities	3.24; 6.16	176,068	181,723
Other non-current liabilities	3.18; 6.19	5,845	6,540
Non-current provisions	3.19; 6.17	73,018	62,065
Deferred tax liabilities	3.14; 6.7	125,431	132,491
Total non-current liabilities		**1,899,729**	**1,874,515**
Current liabilities			
Current liabilities to non-controlling interests	3.20; 6.14	102	37
Liabilities from income taxes	3.14; 6.19	15,614	10,714
Current financial liabilities	3.18; 6.15	169,533	142,361
Current lease liabilities	3.24; 6.16	10,628	11,315
Trade payables	3.18; 6.18	28,686	16,043
Other current liabilities	3.18; 6.19	12,047	4,720
Current provisions	3.19; 6.17	13,162	12,579
Total current liabilities		**249,772**	**197,768**
Balance sheet total		**3,215,888**	**2,823,844**

Consolidated cash flow statement

In TEUR

	Notes	2021	2020
Consolidated earnings		82,270	18,374
Impairments or reversals of impairments on fixed assets	5.6	151,445	136,580
Profit/loss from the disposal of fixed assets		142	8
Other non-cash expenses		525	9,932
Other non-cash income		-23,695	-8,346
Financial income	5.7	-21,711	-17,256
Financial expenses	5.7	67,525	72,120
Income taxes (recognised in profit or loss)	5.8	849	8,965
Income taxes (paid)		-15,558	-3,861
Earnings from deconsolidation	5.2	-5,735	-2,967
Changes in other assets not attributable to investing or financing activities		2,274	4,804
Changes in other liabilities not attributable to investing or financing activities		13,610	-5,406
Cash flow from operating activities		**251,941**	**212,947**
Payments for the acquisition of consolidated entities, net of cash acquired	4.2	-56,604	-3,842
Proceeds from the sale of consolidated entities	4.3	13,045	3,609
Payments for investments in property, plant and equipment		-43,134	-34,957
Payments for investments in intangible assets		-47	-35
Payments for investments in financial assets		-3,333	-60,586
Proceeds from the sale of financial assets		581	1,642
Dividends received		35	26
Cash flow from investing activities		**-89,457**	**-94,144**
Loan proceeds		237,957	186,765
Loan repayments		-294,894	-198,154
Repayment of lease liabilities		-19,021	-9,575
Hybrid capital proceeds		250,000	0
Interest received		94	98
Interest paid		-57,313	-58,693
Proceeds from capital increases		0	43
Payments for issuance costs		-2,727	-117
Proceeds from the sale of shares in companies without change of control		0	12,183
Payments for the acquisition of shares without change of control		-28,127	-19,194
Dividends paid to Encavis AG shareholders		-26,878	-20,468
Dividends paid to hybrid capital investors		-8,142	-7,891
Payments to non-controlling interests		-1,045	-903
Change in cash with restrictions in disposition		12,659	3,192
Cash flow from financing activities		**62,564**	**-112,714**
Change in cash and cash equivalents		225,048	6,090
Changes in cash due to exchange rate changes		511	-419
Change in cash and cash equivalents		**225,558**	**5,671**
As at 01.01.2021 (01.01.2020)	6.11	166,867	161,196
As at 31.12.2021 (31.12.2020)	6.11	392,425	166,867

Consolidated statement of changes in equity

In TEUR			Other reserves			
	Subscribed capital	Capital reserves	Currency trans-lation reserve	Hedge reserve	Cost of hedging measures	Reserve from equity valuation
As at 01.01.2020	**137,039**	**468,873**	**961**	**-10,529**	**-22**	**-65,769**
Consolidated earnings						
Other comprehensive income*			590	-4,216	13	34,321
Reclassifications to profit/loss						13,623
Consolidated comprehensive income for the period			**590**	**-4,216**	**13**	**47,944**
Dividend						
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				
Exercise of the share option programme		-913				
Disposal of shares from non-controlling interests						
As at 31.12.2020	**138,437**	**479,561**	**1,551**	**-15,074**	**-9**	**-17,825**
As at 01.01.2021	**138,437**	**479,561**	**1,551**	**-15,074**	**-9**	**-17,825**
Consolidated earnings						
Other comprehensive income*			-669	8,183	5	58
Reclassifications to profit/loss				-4		17,820
Consolidated comprehensive income for the period			**-669**	**8,179**	**5**	**17,878**
Dividend						
Income and expenses recognised directly in equity		1,428				
Changes from capitalisation measures	814	11,071				
Transactions with shareholders recognised directly in equity		-425				
Issuance costs		-274				
Conversion of hybrid capital 2017/2019	21,218	125,002				
Raising of hybrid capital 2021						
Acquisition/disposal of shares from non-controlling interests						
As at 31.12.2021	**160,469**	**616,363**	**882**	**-6,895**	**-4**	**54**

* Excluding separately recognised effects from reclassifications.

In TEUR

	Reserve for equity-based employee remuner-ation	Net retained profit	Equity attributable to Encavis AG shareholders	Equity attributable to non-controlling interests	Equity attri-butable to hybrid capital investors	Total
As at 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
Dividend		-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
Exercise of the share option programme	-152		-1,065			-1,065
Disposal of shares from non-controlling interests				27		27
As at 31.12.2020		9,244	595,885	7,085	148,591	751,561
As at 01.01.2021		9,244	595,885	7,085	148,591	751,561
Consolidated earnings		75,323	75,323	687	6,259	82,270
Other comprehensive income*			7,577	1		7,578
Reclassifications to profit/loss			17,816			17,816
Consolidated comprehensive income for the period		75,323	100,717	688	6,259	107,665
Dividend		-38,762	-38,762	-295	-8,142	-47,199
Income and expenses recognised directly in equity		945	2,373			2,373
Changes from capitalisation measures			11,885			11,885
Transactions with shareholders recognised directly in equity			-425	-8,382		-8,807
Issuance costs			-274		-4,183	-4,457
Conversion of hybrid capital 2017/2019			146,220		-146,220	
Proceeds from hybrid capital 2021					250,000	250,000
Acquisition/disposal of shares from non-controlling interests				3,367		3,367
As at 31.12.2021	0	46,750	817,619	2,464	246,305	1,066,388

* Excluding separately recognised effects from reclassifications.

Table of contents for the 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 investees may differ from that of Encavis AG if they appear suitable for furthering 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. Rounding differences may occur in percentages and figures in this report.

As a rule, the consolidated financial statements are prepared using the 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)

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 2021 financial year:

New and amended standards and interpretations – mandatory as of 31.12.2021

		Required to be applied for financial years beginning on or after the specified date	EU endorsement status (as at 31.12.2021)	Status of application at Encavis
IFRS 9, IAS 39, IFRS 7 and IFRS 16	Amendment – Phase 2 of Interest Rate Benchmark Reform	01.01.2021	Adopted	Applied
IFRS 4	Amendment – Extension of the Temporary Exemption from Applying IFRS 9 for Certain Insurance Companies	01.01.2021	Adopted	Applied
IFRS 16	Amendment – COVID-19-Related Rent Concessions beyond 30 June 2021	01.04.2021	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.

The amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2" are generally relevant to Encavis but do not have any material effect on this annual report. The change of the reference interest rate GBP LIBOR to GBP SONIA in the loan and swap agreements is implemented by means of an adjustment agreement of the lending bank with effect from 1 January 2022. The amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9 for Certain Insurance Companies" are not relevant to Encavis.

At Encavis, no concessions – such as rent forbearance or rent price discounts – were granted in direct connection with the coronavirus, which is why the temporary application extension in relation to 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 mandatory as of 31.12.2021

		Required to be applied for financial years beginning on or after the specified date	EU endorsement status (as at 31.12.2021)	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 3	Amendment – References to the Framework Concept in IFRS 3	01.01.2022	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	Adopted	Not applied
IAS 37	Amendment – Definition of Costs of Fulfilling a Contract	01.01.2022	Adopted	Not applied
AIP	Annual Improvements to IFRSs: 2018 – 2020 Cycle	01.01.2022	Adopted	Not applied
IAS 1	Amendment – Classification of Liabilities as Current or Non-Current; including Deferral of Mandatory Effective Date	01.01.2023	Not yet adopted	Not applied
IFRS 17	New standard – Insurance Contracts; including Deferral of Mandatory Effective Date	01.01.2023	Adopted	Not applied
IFRS 17	Amendment – Initial Application of IFRS 17 and IFRS 9: Comparative information[1]	01.01.2023	Not yet adopted	Not applied
IAS 1, IFRS Practice Statement 2	Amendment – Disclosure of Accounting Policies	01.01.2023	Not yet adopted	Not applied
IAS 8	Amendment – Definition of Accounting Estimates	01.01.2023	Not yet adopted	Not applied
IAS 12	Amendment – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	01.01.2023	Not yet adopted	Not applied

[1] If the decision is made to apply the amendment to IFRS 17, this must be done when IFRS 17 is applied for the first time.

The change in the classification of liabilities as current or non-current pursuant to IAS 1 is relevant to Encavis in principle. Based on current knowledge, however, it will not have a material impact on the Group’s net assets.

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.

3 Significant 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 (associated entities) 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 measurement principles underlying the preparation of the consolidated financial statements:

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

Balance sheet item	Measurement principle
Liabilities	
Reserve for equity-settled employee remuneration	Detailed description in section 3.23 (IFRS 2)
Liabilities to non-controlling interests	Detailed description in section 3.20 (IFRS 9)
Financial liabilities	Amortised cost using 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 cost (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 net assets acquired being allocated proportionately to the assets. No recognition of goodwill takes place, nor does any negative goodwill arise.

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	
	31.12.2021	31.12.2020	2021	2020
British pound (GBP)	0.8403	0.8990	0.8600	0.8892
US dollar (USD)	1.1326	1.2271	1.1835	1.1413
Danish krone (DKK)	7.4364	7.4409	7.4370	7.4544

3.4 Significant accounting decisions and key sources of estimation uncertainties

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 estimation 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 operate 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, Encavis did not have control over the companies prior to the commissioning, which meant that the investments were measured as financial assets accounted for using the equity method in accordance with IAS 28 due to the significant influence. This accounting method stipulates that investments be initially recognised at cost and then amortised via the share of profits or losses attributable to the investor.

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 valuation model jointly prepared with Solarcentury, and thus in line with 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 has been recognised in the hedge accounting in the consolidated financial statements. All the effects from the equity-method 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-method accounting, the derivative with a negative market value recognised in Talayuela's balance sheet meant that, following the complete write-down of the amount carried under the equity method (based on the share of profits or losses attributable to the investor), the related loans are also partially written down with no effect on income, as required by IFRS. The recognition of the derivative in the balance sheet is separate from the determination of the amount of the investment, in which the effects of the PPA were already included via the purchase price. This consolidation technique does not in any way lead to the intrinsic value of the investment being impaired. When the project company was fully consolidated at the beginning of 2021, the equity method ceased to be applied, as was also the case with La Cabrera, and all the effects recognised in other comprehensive income up to the acquisition were reclassified to consolidated earnings. As at the balance sheet date, these circumstances no longer exist in the Encavis Group.

Useful life of property, plant and equipment and intangible assets

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

Lease terms

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

Recognition of receivables under "Tremonti Ambiente"

The determination of tax receivables from "Tremonti Ambiente" is based on the calculated tax expenses that can probably be claimed for these circumstances. However, the actual tax credits from the claiming of these expenses cannot be precisely quantified, as these depend on the outcome of corresponding proceedings with the Italian tax authorities and courts. Accordingly, tax assets are determined based on an assessment of the likelihood of success of the respective proceedings. Further explanations can be found in Note 5.8.

Impairment of goodwill

In order to determine whether goodwill is impaired, it is necessary to calculate the value in use of the group of cash-generating units to which the goodwill is allocated. Calculating the value in use requires an estimate of future cash flows from the group of 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 at 30 September 2021. In the period from 30 September 2021 to

31 December 2021, there were no fundamental changes that would have required an adjustment of the calculated values.

The carrying amount of goodwill as at 31 December 2021 was TEUR 27,466 (previous year: TEUR 27,560). The decrease amounts to TEUR 95. Due to the deconsolidation of the three Austrian wind parks following the sale of the 51 % interest in them, the goodwill of TEUR 231 attributable to the Wind Austria segment was derecognised in full. This was offset by the effects of the translation at closing rates in accordance with IAS 21 of the goodwill of British companies, whose functional currency is the British pound, in the amount of TEUR 132 and the goodwill of Danish companies, whose functional currency is the Danish krone, in the amount of TEUR 4.

Business combinations

The IASB has added further details to IFRS 3 with regard to the definition of a business. These additions apply to financial years beginning on 1 January 2020. The amendments in IFRS 3, Appendix D, and in the application guidance 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 recognised fair values are subject to estimation 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 and their fair values are recognised in the relevant 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 of over 50 %), and BOREAS Energie GmbH, Dresden (with a contribution of 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 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, according to the partnership agreement, the main decisions mentioned above require a simple majority of the voting rights at the shareholders’ meeting. 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 require 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, all intangible assets have a finite useful life and are measured at cost less straight-line amortisation in accordance with their useful lives. Currently, only acquired intangible assets exist within the Encavis Group.

If the recoverable amount is below the carrying amount as at the balance sheet date, the lesser value is allocated. If the reasons for impairment losses previously charged no longer apply, the impairment losses are reversed and the resulting amounts are recognised in profit or loss.

Electricity feed-in contracts are usually amortised over the term of the statutory subsidy period for the respective wind parks or solar parks. The expected useful lives of the individual intangible assets are as follows:

Useful life in years	
Electricity feed-in contracts – solar 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 the term of the bonus remuneration depending on the number of kWh subsidised (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 cost less impairment losses, if necessary, and is reported separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill is allocated to each of the Group’s cash-generating units (or groups thereof) that are expected to be able to take advantage of the synergy effects resulting from the combination.

Cash-generating units to which part of goodwill has been allocated must be tested annually for impairment. If there are indications that a unit is impaired, it is tested 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 any goodwill attributed to the unit and then proportionately to the remaining assets based on the carrying amount of each asset within the unit. Any goodwill impairment is recognised directly in the statement of comprehensive income. Impairment losses recognised on goodwill cannot be reversed in future periods.

If a cash-generating unit is sold, the amount of goodwill attributable to the unit is taken into account in the calculation of the gain or loss on deconsolidation.

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.

Items of property, plant and equipment are depreciated pro rata temporis over their expected useful lives. The expected useful lives of the individual items of 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

Impairment tests are 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 of the fair value less costs to sell and the value in use of an asset or a cash-generating unit. To determine the value in use, the estimated future cash flows from the continued use of the asset and from its ultimate disposal are discounted using a pre-tax rate. This pre-tax rate reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the recoverable amount of the individual asset cannot be estimated, the estimated value is 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 is reduced to the recoverable amount. An impairment loss charged on a cash-generating unit first reduces the carrying amount of any goodwill that is allocated to the cash-generating unit and then reduces the value of the other assets of the unit on a pro rata basis according to the carrying amounts of each individual asset. The impairment loss is recognised immediately in profit or loss.

If the reasons for impairment losses previously charged no longer apply, the carrying amount of the asset or the cash-generating unit is increased to the most recent estimate of the recoverable amount, and the resulting amount is recognised in profit or loss. The increase in the carrying amount must not exceed the value that would have been determined if no impairment loss had been recognised in previous years. A reversal of an impairment loss for a cash-generating unit is allocated pro rata to the carrying amount of the assets of the unit, except for goodwill.

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 share of profits or losses, the distributions and all other changes in equity. Other changes in equity include, in particular, items recognised directly in equity (reserve from equity-method accounting) via other comprehensive income. Any goodwill is not reported separately but is included in the carrying amount of the investment. 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 is governed by IFRS 9 “Financial Instruments”.

3.10.1 Financial assets

IFRS 9 sets out a uniform method for classifying financial assets, dividing 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’ business model. Financial assets held within a business model that provides for holding 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 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 aforementioned business models 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 resulting cash flows do not exclusively constitute interest and principal payments.

Financial liabilities 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 recognised either under other reserves in other comprehensive income (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 usually 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' 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 usually 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 divided according to the aforementioned aspects as at the balance sheet date;

d) the expected default loss rate; and

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.

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 default risks. In particular, there was a separation between public 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 area of electricity buyers.

Loans to associated entities and other loans as well as other current receivables

As the Group deems that loans issued and other current receivables have a generally low default risk, it has recognised a loss allowance for these items in the amount of the expected 12-month losses on receivables.

Material estimation uncertainties and 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 a certain degree of judgement when 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. Current financial liabilities

The Group's financial liabilities include trade payables, 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 recognised 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 far as possible using other observable input factors. If no observable input factors are available, the fair value is determined using valuation techniques, such as 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 quoted prices other than those used for level 1, which can either be observed for the asset or liability directly or 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, for example, 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 valuation techniques, such as discounted cash flow models or option pricing 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 measures) 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 undesignated derivatives 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 recognised (note 6.11), or constitutes 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 (restricted liquid assets)
- Assignment of the right to payment of the electricity feed-in tariff from the respective grid company and assignment of payment and remuneration claims against third parties from any direct marketing contracts (revenue)
- Assignment of goods stored in a specific place (property, plant and equipment)

3.13 Inventories

Inventories mainly comprise replacement parts for power generation installations and merchandise. They are recognised at the lower of cost or net realisable value. 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 convertible 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 at the balance sheet date.

Changes in legal precedent and other circumstances could lead to a change in the interpretation of tax provisions by the tax authorities. Differences between the interpretation of tax provisions by Encavis and the tax authorities therefore cannot be ruled out. To reflect this uncertainty, tax refund claims and tax liabilities are regularly reviewed and, if necessary, adjusted accordingly.

Deferred taxes

Deferred taxes are calculated in relation to temporary recognition and measurement 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 initial recognition of goodwill. Equally, deferred taxes are not recognised if they arise from the initial recognition of an asset or liability in a transaction that is not part of a business combination and, at the time of the transaction, do not affect accounting or tax profit (so-called initial recognition exemption). Since the 2020 financial year, this relates in particular to the acquisitions of new solar parks and wind parks that 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 taxable profits in future that can be used for the deductible temporary differences. Deferred tax assets from unused loss carryforwards are recognised to the extent that it is likely within a planning period of five years that they can be offset against available taxable income in the future. In addition, further requirements of IAS 12 must be taken into account if there is an excess of deferred tax liabilities and if the existing loss carryforwards cannot be used within the planning period of five years.

Deferred tax assets and liabilities are generally calculated using the respective individual corporate and country-specific tax rate of the company that is expected to be valid at the time the liability is settled or the asset is realised. For the German companies, a weighted tax rate that takes into account the various trade tax rates in Germany was used.

Encavis generally assumes that the reversal of taxable or deductible temporary differences at the individual taxable entities or tax groups will take place during the same tax period. As a result, deferred tax assets and liabilities are presented net.

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 initial recognition of assets outside of a business combination and, at the time of the transaction, do not affect accounting or tax profit. 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 note 5.8.

3.15 Trade receivables and other assets

Trade receivables are initially carried at their fair value, which generally corresponds to the principal amount less the expected credit losses. As a result, they are measured at amortised cost. Impairment losses are charged on the basis of the expected credit loss model in accordance with IFRS 9. Impairment losses 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. This item also includes government bonds of the highest credit quality with short-term residual maturities. The debt service and project reserve accounts are an exception. They serve as collateral for the lending banks involved in the solar parks and wind parks and can only be used in agreement with the lending banks. To a lesser extent, another exception is restricted liquid assets 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 it is highly likely 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 lower of carrying amount and fair value less any remaining costs to sell. If the fair value is less than the carrying amount, an impairment loss is recognised.

Gains and losses on the measurement of components held for sale at fair value less any remaining costs to sell, as well as gains and losses on the disposal of discontinued operations, are reported separately in the statement of comprehensive income under gain/loss from discontinued operations, together with the gain or loss from the ordinary operating activities of these components. However, gains and losses on the measurement of individual assets held for sale and disposal groups are recognised in the impairment losses.

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 carried in the balance sheet. They are subsequently measured 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 the time value of money is negligible given their short maturity (less than one year).

3.19 Provisions

Other current provisions are recognised at the expected settlement amount without a discount and take into account all liabilities identifiable at the balance sheet date that 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 recognised if there is an underlying legal or constructive obligation towards third parties and the probability of occurrence is greater than 50 %. Recognising provisions presupposes that the settlement 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 partnerships are reported as non-current or current liabilities. Upon initial recognition, they are measured either at fair value or according to the share of the identifiable net assets recognised in the balance sheet. The liabilities are subsequently measured in line with the valuation of the share of net assets. They 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 excess performance or of performance 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 performance obligations or performance obligation bundles.

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

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 using 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). The options issued are measured using a binomial option pricing model. Currently, there are no such stock options remaining in the Encavis Group.

Cash-settled share-based payments (share appreciation rights – SARs) are measured using a Monte Carlo simulation. The SARs are measured at each reporting date and settlement date. The calculated value of the SARs that are expected to become exercisable is recognised pro rata temporis in profit or loss as personnel expenses according to the services rendered as consideration during the vesting period. Provisions are recognised to the same extent. When SARs expire, the provisions already recognised are released to other income.

3.24 Leases

Because Encavis does not act as a lessor, the following statements are limited to the accounting methods used by a lessee.

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

If a lease has been identified, a right-of-use asset must be recognised in an amount equal to the cost at the commencement date (i.e. the date on which asset is available for use by Encavis). The cost includes:

- The amount of the initial measurement of the lease liability
- Any initial direct costs incurred
- Any lease payments already made at or before the commencement date, less any lease incentives received
- All estimated asset retirement and comparable obligations

Right-of-use assets are subsequently measured at cost less any straight-line depreciation and impairment losses, adjusted for any 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.

At the commencement date, a lease liability must be recognised in the amount of the present value of the outstanding lease payments over the term of the lease. Encavis uses the incremental 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 uses the incremental borrowing rate in most cases. The incremental borrowing rate is defined as the interest rate that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. The estimate of Encavis' incremental borrowing rate is 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 that are linked to the revenue or other earnings figures of the respective energy installation, for example.

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.

Interest is added to the lease liability over the term, and the lease liability is 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 regarding the exercise of extension and termination options or adjustments to the amount of the lease payments.

When a purchase option for leased power generation installations is exercised, the carrying amount of the leased power generation installation is transferred from the right-of-use asset for power generation installations as defined in IFRS 16 to the power generation installations owned by Encavis. The lease liability is repaid via a redemption payment, resulting in a corresponding cash outflow for leases. Any valuation effects from the balance sheet are recognised in profit or loss under other income or other expenses and offset against the purchase price for the leased power generation installations and other costs incurred for this purpose.

Encavis makes use of the option granted by the standard not to recognise short-term leases 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 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 (basic) earnings per share are calculated by dividing the earnings attributable to the holders of no-par-value shares by the weighted average number of shares issued for the period. Diluted earnings per share are calculated by dividing the earnings attributable to the holders of no-par-value shares plus the earnings of the hybrid capital investors by the weighted average number of shares issued for the period plus the number of potential ordinary shares from the hybrid convertible bond issued in the financial year.

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. No capitalisation took place in the current financial year. TEUR 568 was capitalised in the previous year. The underlying financing cost rate was 2.30 %. Other borrowing costs are recognised as current expenses.

3.27 Government grants

The interest rate advantage of a government loan (e.g. a subsidised loan from the KfW Group) issued 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 reversed to profit or loss over the term of the subsidised fixed-interest rate for the loan.

3.28 Segment reporting

Segment reporting is carried out in accordance with the accounting standard IFRS 8 “Operating Segments” and uses 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. The management also monitors the following operating result indicators of the segments: EBITDA margin and operating result (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 risk report within the management report.

4 Subsidiaries

4.1 Disclosures on subsidiaries

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

Segment	Country	Number of wholly owned subsidiaries	
		31.12.2021	31.12.2020
PV Parks	Germany	52	50
	Italy	68	65
	France	15	15
	United Kingdom	23	23
	Netherlands	6	3
	Ireland	1	1
	Spain	9	8
	Denmark	9	6
Wind Parks	Germany	17	17
	France	4	4
	Austria	2	0
	Denmark	1	2
PV Service	Germany	1	1
Asset Management	Germany	20	20
Administration	Germany	6	6
	Netherlands	1	1
Total		**235**	**222**

Segment	Country	Number of non-wholly owned subsidiaries	
		31.12.2021	31.12.2020
PV Parks	Germany	2	2
	Ireland	1	1
	Netherlands	1	1
Wind Parks	Germany	11	11
	Denmark	1	1
	Austria	1	3
	Italy	1	1
Total		**18**	**20**

The following changes in the subsidiaries included in the consolidated financial statements occurred in the 2021 financial year:

Changes in subsidiaries included in the consolidated financial statements	Domestic	Abroad	Total
Included as at 31 December 2020	107	135	242
Acquisition/establishment	2	11	13
Transition from equity-method accounting	0	1	1
Disposal	0	-3	-3
Included as at 31 December 2021	**109**	**144**	**253**

The Italian holding company APOLLO SOLAR SRL was established in June 2021. It acts as the sole borrower of a holding company loan issued in the course of the refinancing of previous loans of 16 Italian project companies (41.7 MWp output). This holding company loan was used to replace the previous individual project financing arrangements at the level of these project companies, thus simplifying the corresponding organisational and financing structure.

Encavis also established Encavis – Wien Energie Komplementär GmbH in Austria in June 2021 to act as the general partner for the Austrian wind park portfolio after the conversion of the latter into partnerships. However, this portfolio was sold to the minority shareholder at the end of the year. The general partner is therefore expected to be liquidated in 2022.

In addition, Encavis established several holding companies during the financial year to act as intermediate holding companies for the purpose of acquiring projects from development partnerships, or individual projects or project portfolios, and subsequently holding them. They may also be used for group financing of the project companies held. These are the German holding company Encavis Solar Projects GmbH for project companies of Sunovis; the Danish holding company Encavis Solar Denmark ApS for project companies of European Energy; and the Dutch holding company Encavis Solar Netherlands B.V. for a Dutch solar park portfolio of Statkraft.

Details on the other transactions 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 eliminated from the specified amounts.

Subsidiaries	Equity interest and share of voting rights of non-controlling interests in %		Profit or loss for the year attributable to non-controlling interests in TEUR		Cumulative non-controlling interests in TEUR	
	31.12.2021	31.12.2020	2021	2020	31.12.2021	31.12.2020
Zonnepark Zierikzee B.V.	10.00	10.00	5	1	432	469
Parco Eolico Monte Vitalba S.r.l.	15.00	15.00	-16	-26	418	441
Nørhede-Hjortmose Vindkraft I/S	18.50	18.50	103	62	1,602	1,744
Windpark Herrenstein GmbH	0.00	49.00	383	0	0	638
Windpark Pongratzer Kogel GmbH	0.00	49.00	173	0	0	2,130
Windpark Zagersdorf GmbH	0.00	49.00	124	0	0	1,659
Genia Extremadura Solar S.L.U.	0.00	0.00	-140	0	0	0
Zonnepark Budel B.V.	0.00	0.00	0	292	0	0
Other immaterial subsidiaries			54	-1	11	3
Total amount of non-controlling interests			687	327	2,464	7,085

Encavis – Wien Energie Komplementär GmbH, which was established in June and has a non-controlling interest of 49 %, is included in other immaterial subsidiaries.

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.

Genia Extremadura Solar S.L.U. was fully consolidated for the first time in January 2021 and the shareholding was increased from 80 % to 100 % in December 2021. Therefore, no items are reported in the balance sheet, the statement of comprehensive income or the cash flow statement for the 2021 financial year. In 2021, TEUR -140 of the earnings for the year and TEUR 30 of the total comprehensive income of the Genia Extremadura Solar S.L.U. solar park were attributable non-controlling interests.

Equally, no items are reported in the balance sheet, the statement of comprehensive income or the cash flow statement for the 2021 financial year for the wind parks in Austria that were sold in the 2021 financial year. Profits or losses or total comprehensive income for the 2021 financial year attributable to non-controlling interests are shown separately below the table in each case.

Zonnepark Zierikzee B.V., Netherlands	31.12.2021 in TEUR	31.12.2020 in TEUR
Current assets	1,167	1,033
Non-current assets	15,195	15,822
Current liabilities	1,030	650
Non-current liabilities	11,009	11,520
Net assets	4,322	4,685
Carrying amount of non-controlling interests	432	469
	2021	**2020**
Revenue	1,444	1,579
Profit or loss for the year	54	5
Total comprehensive income	54	5
Profit or loss attributable to non-controlling interests	5	1
	2021	**2020**
Dividends paid to non-controlling shareholders	42	0
Cash flow from operating activities	1,861	939
Cash flow from financing activities	-1,457	-1,118
Net change in cash and cash equivalents	**404**	**-179**

Parco Eolico Monte Vitalba S.r.l., Italy	31.12.2021 in TEUR	31.12.2020 in TEUR
Current assets	679	437
Non-current assets	3,362	3,697
Current liabilities	153	86
Non-current liabilities	1,121	1,127
Net assets	2,767	2,921
Carrying amount of non-controlling interests	418	441
	2021	**2020**
Revenue	625	436
Profit or loss for the year	-107	-172
Total comprehensive income	-107	-172
Profit or loss attributable to non-controlling interests	-16	-26
	2021	**2020**
Dividends paid to non-controlling shareholders	7	0
Cash flow from operating activities	393	-23
Cash flow from investing activities	0	-5
Cash flow from financing activities	-49	-16
Net change in cash and cash equivalents	**345**	**-44**

Nørhede-Hjortmose Vindkraft I/S, Denmark	31.12.2021 in TEUR	31.12.2020 in TEUR
Current assets	262	404
Non-current assets	9,669	10,364
Current liabilities	102	214
Non-current liabilities	1,213	1,172
Net assets	8,615	9,383
Carrying amount of non-controlling interests	1,602	1,744
	2021	**2020**
Revenue	1,521	1,781
Profit or loss for the year	557	333
Total comprehensive income	563	374
Profit or loss attributable to non-controlling interests	103	62
Total comprehensive income attributable to non-controlling interests	104	69
	2021	**2020**
Dividends paid to non-controlling shareholders	266	294
Cash flow from operating activities	1,308	1,685
Cash flow from investing activities	30	-24
Cash flow from financing activities	-1,447	-1,596
Net change in cash and cash equivalents	**-108**	**64**

Windpark Herrenstein GmbH, Austria	31.12.2020 in TEUR
Current assets	2,764
Non-current assets	34,256
Current liabilities	3,508
Non-current liabilities	33,286
Net assets	226
Carrying amount of non-controlling interests	638
	2020
Revenue	3,444
Profit or loss for the year	275
Total comprehensive income	275
	2020
Cash flow from operating activities	2,936
Cash flow from investing activities	-84
Cash flow from financing activities	-2,704
Net change in cash and cash equivalents	**149**

In 2021, TEUR 383 of Windpark Herrenstein GmbH's profit for the year was attributable to the non-controlling shareholders.

Windpark Pongratzer Kogel GmbH, Austria	31.12.2020 in TEUR
Current assets	941
Non-current assets	10,185
Current liabilities	938
Non-current liabilities	7,853
Net assets	2,335
Carrying amount of non-controlling interests	2,130
	2020
Revenue	1,553
Profit or loss for the year	204
Total comprehensive income	209
	2020
Cash flow from operating activities	1,305
Cash flow from financing activities	-2,582
Net change in cash and cash equivalents	**-1,277**

In 2021, TEUR 173 of Windpark Pongratzer Kogel GmbH's profit for the year was attributable to the non-controlling shareholders.

Windpark Zagersdorf GmbH, Austria	31.12.2020 in TEUR
Current assets	618
Non-current assets	13,194
Current liabilities	925
Non-current liabilities	10,643
Net assets	2,245
Carrying amount of non-controlling interests	1,659
	2020
Revenue	1,493
Profit or loss for the year	195
Total comprehensive income	168
	2020
Cash flow from operating activities	1,287
Cash flow from investing activities	-290
Cash flow from financing activities	-1,491
Net change in cash and cash equivalents	**-494**

In 2021, TEUR 124 of the profit for the year and TEUR 180 of the total comprehensive income of Windpark Zagersdorf GmbH was attributable to the non-controlling shareholders.

Reference is made to the list of shareholdings in note 18.

4.2 Business combinations

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

In the 2021 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 previous year, none of the following transactions matches the definition of a business acquisition. All acquisitions were therefore presented as acquisitions of assets in the consolidated financial statements, regardless of when the installation was commissioned.

Genia Extremadura Solar S.L.U. (**Talayuela**)

Encavis acquired full control of Genia Extremadura Solar S.L.U. at the beginning of commercial operations on 4 January 2021 due to contractual agreements. Genia Extremadura Solar S.L. operates a solar park with an output of around 300 MW near the town of Talayuela in Spain. Up to 3 January 2021, the company – in which Encavis held at the time and continues to hold 80 % of shares – was treated as an associated entity due to lack of control and was therefore recognised using the equity method.- The purchase price paid in 2018 and 2019 for 80 % of the shares was TEUR 24,200. Due to the period of time between the purchase price payment and acquisition of control, the acquisition cost as at 4 January 2021 was revalued using a multiple based on comparable transactions in Spain. The notional acquisition cost for 80 % of the shares calculated in this manner and applied to the initial consolidation of the company amounted to TEUR 34,088, or TEUR 42,611 for 100 % of shares.

The acquisition of Genia Extremadura Solar S.L.U. is recognised as an asset acquisition and not as a business combination as defined in IFRS 3. In order to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Even though, once the plant is commissioned, an output is created in the form of electricity, there is no substantive process, as the commercial and technical management of the plant is of secondary importance to that of the electricity generation. Given that this transaction constitutes the acquisition of assets and not the acquisition of a business, the difference between the re-calculated acquisition cost and the revalued assets was allocated to acquired net assets and capitalised rather than being recognised as goodwill. Financial assets and liabilities were recognised at their fair values. Non-recurring income of TEUR 17,271 was recognised as part of the initial consolidation from the reconciliation accounting. Of this amount, TEUR 9,889 was attributable to the increase in the value of the shares due to the revaluation of acquisition cost.

In TEUR	Purchase price allocation
Power generation installations	274,719
Right-of-use asset IFRS 16	20,931
Financial assets	1,277
Current assets	4,738
Cash and cash equivalents	445
Liabilities and provisions	221,243
Negative market value of power purchase agreement	29,701
Lease liability IFRS 16	8,555
Identified acquired net assets	**42,611**

Paltusmäen Tuulivoima Oy (**Paltusmäki**)

On 12 May 2021, Encavis acquired 100 % of shares in the Paltusmäen Tuulivoima Oy wind park located near the Baltic coast in the North Ostrobothnia region of northern Finland. The purchase price for the shares was TEUR 84. The company operates five wind installations with a total generation capacity of 21.5 MW. The five installations were commissioned between August 2020 and March 2021.

The acquisition of Paltusmäen Tuulivoima Oy is recognised as an asset acquisition and not as a business combination as defined in IFRS 3. Following a review into whether an input or substantive process exists to allow an output to be created, it was found that no business exists as there is no organised workforce and the process of electricity generation is not unique. Given that this transaction constitutes the acquisition of assets and not the acquisition of a business, the difference between the purchase price and the revalued assets was allocated to acquired net assets through the recognition of a reduction in shareholding rather than being recognised as negative goodwill. Financial assets and liabilities were recognised at their fair values.

In TEUR	Purchase price allocation
Power generation installations	27,123
Right-of-use asset IFRS 16	2,668
Current assets	6,891
Cash and cash equivalents	476
Liabilities and provisions	35,463
Lease liability IFRS 16	1,610
Identified acquired net assets	**84**

Zonnepark Apeldoorn Bloemenkamp B.V.

On 9 December 2021, Encavis acquired 100 % of shares in the Zonnepark Apeldoorn Bloemenkamp B.V. solar park, located in the Netherlands, for a purchase price of TEUR 4,696. The company has a generation capacity of 29.8 MW and was commissioned in February 2021. The installation will benefit from the Dutch subsidy scheme, SDE+, for the first 15 years. A total of five solar installations were acquired from Statkraft as part of this transaction; the acquisitions of three of the installations were not completed until the end of January 2022.

The acquisition of Zonnepark Apeldoorn Bloemenkamp B.V. is recognised as an asset acquisition and not as a business combination as defined in IFRS 3. Following a review into whether an input or substantive process exists to allow an output to be created, it was found that no business exists as there is no organised workforce and the process of electricity generation is not unique. Given that this transaction constitutes the acquisition of assets and not the acquisition of a business, the difference between the purchase price and the revalued assets was allocated to acquired net assets and capitalised rather than being recognised as goodwill. Financial assets and liabilities were recognised at their fair values.

In TEUR	Purchase price allocation
Intangible assets	2,488
Power generation installations	23,001
Right-of-use asset IFRS 16	5,079
Deferred tax assets	2
Current assets	3,430
Cash and cash equivalents	2,317
Liquid assets with restrictions on disposition	1
Liabilities and provisions	27,868
Lease liability IFRS 16	3,754
Identified acquired net assets	**4,696**

Zonnepark Apeldoorn Ijsseldijk B.V.

On 9 December 2021, Encavis also acquired 100 % of shares in the Zonnepark Apeldoorn Ijsseldijk B.V. solar park, located in the Netherlands, for a purchase price of TEUR 336. The company has a generation capacity of 4.5 MW and was commissioned in March 2021. The installation will benefit from the Dutch subsidy scheme, SDE+, for the first 15 years.

The acquisition of Zonnepark Apeldoorn Ijsseldijk B.V. is recognised as an asset acquisition and not as a business combination as defined in IFRS 3. Following a review into whether an input or substantive process exists to allow an output to be created, it was found that no business exists as there is no organised workforce and the process of electricity generation is not unique. Given that this transaction constitutes the acquisition of assets and not the acquisition of a business, the difference between the purchase price and the revalued assets was allocated to acquired net assets and capitalised rather than being recognised as goodwill. Financial assets and liabilities were recognised at their fair values.

In TEUR	Purchase price allocation
Power generation installations	3,676
Right-of-use asset IFRS 16	581
Deferred tax assets	4
Current assets	199
Cash and cash equivalents	260
Liabilities and provisions	3,989
Lease liability IFRS 16	395
Identified acquired net assets	**336**

Solar Park Svinningegården ApS

On 23 December 2021, Encavis acquired 100 % of shares in the subsidy-free Svinningegården solar park in the north-western part of Zealand in Denmark, which is already connected to the grid and has a generation capacity of 34 MWp. The purchase price for the shares was TEUR 3,790.

The acquisition of the Svinningegården solar park is recognised as an asset acquisition and not as a business combination as defined in IFRS 3. Following a review into whether an input or substantive process exists to allow an output to be created, it was found that no business exists as there is no organised workforce and the process of electricity generation is not unique. Given that this transaction constitutes the acquisition of assets and not the acquisition of a business, the difference between the purchase price and the revalued assets was allocated to acquired net assets and capitalised rather than being recognised as goodwill. Financial assets and liabilities were recognised at their fair values.

In TEUR	Purchase price allocation
Power generation installations	18,827
Right-of-use asset IFRS 16	1,278
Current assets	526
Cash and cash equivalents	5
Liabilities and provisions	15,756
Lease liability IFRS 16	1,090
Identified acquired net assets	**3,790**

Other acquisitions

Encavis has also acquired the following projects through its various development partnerships:

Acquisition in the financial year	Segment
Aton 19 S.r.l.	PV Italy
Green Energy 034 GmbH & Co. KG	PV Germany
GreenGo Energy M34 K/S	PV Denmark
Solar Park Canaro Solar 1 S.R.L.	PV Italy

At the time of acquisition, the companies generally constitute energy installations at extremely early or early stages of development and do not yet have a material effect on the consolidated financial statements. Only Green Energy 034 GmbH & Co. KG already had an energy installation under construction at the time of acquisition.

Increase in shareholding in solar parks

Encavis increased its shareholding in the Spanish solar park Genia Extremadura Solar S.L.U. (previously 80 %) to 100 % in the fourth quarter of 2021 as planned. Within the Group, the capital consolidation of the 20 % 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

The transaction for Statkraft’s remaining three Dutch solar parks was closed on 28 January 2022. The Houten project with a generation capacity of 16.1 MWp was already connected to the grid in 2021. The Hijken and Schaapsdijk projects have a generation capacity of 15.9 and 7.9 MWp respectively and were commissioned at the end of January 2022. Like the two Apeldoorn installations acquired in 2021, the three parks will benefit from the Dutch subsidy scheme SDE+ for the first 15 years.

On 14 February 2022, Encavis acquired a 100 % stake in the Danish solar park Rødby Fjord, which had been commissioned only a few days earlier. The solar park is located on Lolland, in the south-westernmost part of Zealand, and has a generation capacity of 71 MW.

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

4.3 Disposals of subsidiaries and investments

Sale of three Austrian operating companies (Wind Parks segment)

On 16 December 2021, Encavis disposed of its shares in the three Austrian operating companies Windpark Pongratzer Kogel GmbH, Windpark Herrenstein GmbH and Windpark Zagersdorf GmbH in full to Wien Energie GmbH. The cash inflows from the sale are reported in cash flow from investing activities and total TEUR 13,045. The Group was able to generate income of TEUR 5,735 from 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 at the balance sheet date is TEUR 231,944 (previous year: TEUR 221,908) and the carrying amount of the liabilities is TEUR 208,725 (previous year: TEUR 204,906). The carrying amount of the assets of CSG IPP GmbH in the consolidated financial statements as at the balance sheet date is TEUR 28,597 (previous year: TEUR 22,000) and the carrying amount of the liabilities is TEUR 157,361 (previous year: TEUR 155,882).

5 Notes to the consolidated statement of comprehensive income

5.1 Revenue

TEUR 332,703

Previous year: TEUR 292,300

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, timing and uncertainty of revenue and cash flows:

In TEUR	PV Parks	Wind Parks	PV Service	Asset Management	Total
Main geographical markets					
Germany	64,341	44,580	139	19,033	128,093
(previous year)	(69,429)	(42,489)	(350)	(15,964)	(128,232)
Italy	65,340	625			65,965
(previous year)	(59,179)	(436)			(59,615)
France	37,219	7,345			44,564
(previous year)	(38,016)	(8,078)			(46,094)
Spain	38,573				38,573
(previous year)	(2,343)				(2,343)
United Kingdom	20,096				20,096
(previous year)	(17,233)				(17,233)
Denmark		15,420			15,420
(previous year)		(20,032)			(20,032)
Netherlands	10,077				10,077
(previous year)	(12,257)				(12,257)
Austria		6,892			6,892
(previous year)		(6,490)			(6,490)
Finland		3,022			3,022
(previous year)		(0)			(0)
Ireland	0				0
(previous year)	(4)				(4)
Total	**235,646**	**77,885**	**139**	**19,033**	**332,703**
(previous year)	(198,461)	(77,525)	(350)	(15,964)	(292,300)
Time of revenue recognition					
Services rendered over a certain period of time	**235,646**	**77,885**	**139**	**19,033**	**332,703**
(previous year)	(198,461)	(77,525)	(350)	(15,964)	(292,300)

TEUR 4,355 (previous year: TEUR 5,395) of revenue stems from compensation for throttling. These are payments made to compensate for the shutting down of power generation installations by the grid operator (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 38,040

Previous year: TEUR 17,314

This item comprises:

Type of income in TEUR	2021	2020
Non-period income	2,255	1,983
- of which from the reversal of provisions	*173*	*848*
Income from the reversal of deferred income (government grant)	1,941	2,311
Miscellaneous other income	33,844	13,021
Total	38,040	17,314

Miscellaneous other income includes income of TEUR 17,271 from the transition from equity-method accounting to full consolidation in the case of Genia Extremadura Solar S.L.U., of which TEUR 9,889 is attributable to the appreciation of the shares in the course of the revaluation of the acquisition costs. This item also includes income of TEUR 5,735 from the sale of shares in the three Austrian operating companies Windpark Pongratzer Kogel GmbH, Windpark Herrenstein GmbH and Windpark Zagersdorf GmbH, and of TEUR 1,940 from the exercise of purchase options for previously leased energy installations as part of a comprehensive refinancing in the PV Italy segment.

5.3 Cost of materials

TEUR -4,312

Previous year: TEUR -3,008

This largely comprises the purchase of externally supplied electricity for the operation of the solar parks and wind parks in the amount of TEUR 2,155 (previous year: TEUR 1,927). 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 -19,218

Previous year: TEUR -20,659

Personnel expenses changed as follows:

In TEUR	2021	2020
Salaries	14,227	13,520
Social security contributions	1,797	1,593
Other personnel expenses	183	189
Personnel expenses from share-based payment	3,010	5,357
Total	19,218	20,659

In the 2021 financial year, there were an average of 142 employees in the Group (2020: 129 employees). The average number of employees is shown below broken down by company:

Average number of employees	2021	2020
Encavis AG	87	83
Encavis Asset Management AG	39	33
Encavis GmbH	16	13
Total	142	129

Salaries also include expenses for employee bonuses and other payments. A breakdown of Management Board remuneration for the 2021 financial year will be published for the first time in a separate remuneration report no later than the 2022 Annual General Meeting.

Personnel expenses from the share option programmes (see note 6.13) of TEUR 3,010 (previous year: TEUR 5,357) were recognised in consolidated earnings in the 2021 financial year.

In the 2021 financial year, payments of the employer's shares of statutory German pension insurance contributions amounted to TEUR 864 (previous year: TEUR 751).

5.5 Other expenses

TEUR -66,921

Previous year: TEUR -57,542

This item comprises:

Type of expense in TEUR	2021	2020
Costs for solar and wind parks	50,646	44,439
Legal and consulting costs, third-party services	8,718	7,305
Operating expenses	3,921	2,657
Costs for the preparation and audit of the annual financial statements	624	532
Supervisory Board remuneration	489	476
Due diligence and transaction costs	483	532
Publications and Annual General Meeting	333	191
Rent and cost of premises	256	240
Investor relations and designated sponsoring	113	106
Impairment for expected credit losses	3	28
Other	1,333	1,038
Total	66,921	57,542

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 provides a more detailed overview of the item "Costs for solar and wind parks". Expenses from the addition of the imputed loss allowance (ECL) in accordance with IFRS 9 for receivables, loans and other assets are reported under "Impairment for expected credit losses".

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

Costs for solar and wind parks in TEUR	2021	2020
Technical and commercial management	18,129	14,619
Repairs, maintenance and servicing	15,440	15,703
Other tax expenses for parks	4,662	3,018
Legal and consulting costs, third-party services	3,912	2,731
Insurance	2,653	2,316
Commercial lease	898	572
Alarm and security costs	756	890
Fees, incidental costs and expenses	752	755
Miscellaneous	3,445	3,835
Total	50,646	44,439

5.6 Depreciation and amortisation

TEUR -151,445

Previous year: TEUR -136,580

This item comprises:

Depreciation and amortisation in TEUR	2021	2020
Amortisation of intangible assets	48,302	51,999
- of which on electricity feed-in contracts/project rights	*47,271*	*50,773*
Depreciation of property, plant and equipment	103,142	84,581
- of which on power generation installations	*101,442*	*82,977*
Total	**151,445**	136,580

5.7 Financial result

TEUR -45,728

Previous year: TEUR -64,486

This item comprises:

In TEUR	2021	2020
Interest and similar income	21,662	17,207
Income from investments	35	49
Income from the disposal of financial assets	14	0
Financial income	**21,711**	**17,256**
Interest and similar expenses	-65,917	-70,906
Write-downs of financial assets and securities classified as current assets	-340	-12
Equity attributable to non-controlling interests	-1,268	-1,202
Financial expenses	**-67,525**	**-72,120**
Earnings from financial assets accounted for using the equity method	**86**	**-9,622**
Total	**-45,728**	-64,486

The item “Interest and similar income” includes income from the valuation of derivative financial instruments of TEUR 7,876 (previous year: TEUR 1,801), income from the continuous valuation of financial liabilities within the scope of business combinations in the amount of TEUR 6,686 (previous year: TEUR 7,233) and interest income from loans to associated entities of TEUR 38 (previous year: TEUR 7,728). The item “Interest and similar expenses” also includes the effects of interest added to recognised lease liabilities in the amount of TEUR 6,941 (previous year: TEUR 6,650). The financial result includes net income from foreign currency translation of TEUR 6,583 (previous year: net expenses of TEUR 4,361). The measurement of non-current financial assets at fair value through profit or loss resulted in net income of TEUR 140 in the 2021 financial year (previous year: net expense of TEUR 1,226). The net income from financial assets accounted for using the equity method is used to adjust the originally recognised carrying amounts in profit or loss. The transfer to the corresponding loans to associated entities recognised in profit or loss was also shown here in the previous year. Please refer to note 6.4 for more details.

5.8 Income taxes

TEUR -849

Previous year: TEUR -8,965

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

In TEUR	2021	2020
Earnings before taxes (EBT)	83,118	27,339
Expected income taxes (28.92 %; previous year: 32.28 %)	**-24,037**	**-8,824**
Differences due to different local tax rates and tax rate changes as well as changes in the law	281	334
Taxes relating to other periods	15,000	4,989
Effects from tax-exempt income	6,131	839
Effects from non-tax-deductible operating expenses	-1,136	-1,952
Effects due to the utilisation or value adjustment of loss carryforwards	2,381	-622
Effects from financial assets accounted for using the equity method	0	-1,624
Effects from company acquisitions (initial recognition exemption)	569	-62
Effects from trade tax additions and deductions	-176	-1,596
Other	138	-447
Income taxes	**-849**	**-8,965**

With an actual tax liability of TEUR 11,857 (previous year: TEUR 9,498) and deferred tax income of TEUR 11,008 (previous year: TEUR 533), total tax expense for 2021 recognised in consolidated earnings amounts to TEUR 849 (previous year: TEUR 8,965).

The lower tax burden compared to the previous year is the result of various effects. On the one hand, Encavis AG's tax group was expanded, which reduced the actual tax burden due to loss utilisation within the tax group. The expansion of the tax group also justified the recoverability of further loss carryforwards, meaning that the actual tax saving was attributable to deferred tax income from the recognition of additional deferred tax assets on the loss carryforwards. On the other hand, various companies from the Italian portfolio were able to utilise a special rule allowing them to increase the carrying amounts and tax bases with no effect on profit or loss (regulation 104/2020). This results firstly in higher depreciation for tax purposes, leading to a lower actual tax burden (which will, however, reverse in the long term due to the tax deferral effect). Secondly, the increase in the tax bases meant that in 2021 deferred tax liabilities were lower and deferred tax assets were higher, which led to corresponding non-period deferred tax income of TEUR 13,754.

The sharp year-on-year rise in tax-free income relates primarily to a one-off effect from the transfer of an investee from assets accounted for using the equity method to full consolidation (TEUR 4,815).

Deferred taxes recognised in other comprehensive income amount to TEUR -2,674 (previous year: TEUR 1,549). They relate to the effective portion of the change in fair value of derivative financial instruments used in cash flow hedges.

For the hybrid capital raised via Encavis Finance B.V. (equity according to IFRS), calculated income taxes on the interest expense claimed for tax purposes amounting to TEUR 945 (previous year: TEUR 1,302) were recognised directly in equity.

For the costs of capital increase incurred in 2021, calculated taxes of TEUR 1,428 have also been recognized directly in equity.

As no significant audit findings were made for the audits of individual subsidiaries conducted in 2021, no provisions for income taxes were recognised in this regard. Nor were any provisions for income taxes recognised for the new audits commenced in 2021 due to the lack of significant audit findings. Instead, the provision of TEUR 1,000 recognised in 2020 for corresponding risks was retained unchanged.

In addition, the provisions recognised in 2020 for tax risks totalling TEUR 3,400 were reversed in 2021 in the amount of TEUR 870, which led to additional non-period tax income. It is assumed that the appeal proceedings, which began in 2020 and are still ongoing, will be successfully concluded in this amount, meaning that the reason for the recognition of the provision in this amount will no longer apply.

Additional receivables totalling TEUR 2,231 (previous year: TEUR 3,973) were recognised in profit or loss, predominantly via non-period tax income, in the consolidated financial statements for benefits in Italy due to the possible tax credit as part of the “Tremonti Ambiente” tax incentive. Corresponding applications with respect to these tax credits have been or will be filed. Decisions by the Italian tax authorities and Italian courts are expected in 2022 and/or 2023. As similar cases have resulted in positive decisions and the prospects of success are deemed to be good, the company decided to recognise these claims as at 31 December 2021. No deferred tax assets were recognised for the potential future benefits from available tax loss carryforwards as a result of this tax subsidy. It is expected that additional tax expenses of TEUR 51,283 (previous year: TEUR 29,478) can be asserted in the future as part of the “Tremonti Ambiente” environmental tax incentive, which would lead to further tax credits eligible for offsetting in the amount of TEUR 12,307 at Italian Group companies.

5.9 Other comprehensive income

TEUR 25,395

Previous year: TEUR 44,200

Other comprehensive income mainly comprises the hedge reserve of TEUR 10,856 (previous year: TEUR -5,906), changes in value from the equity method, which are recognised directly in equity (TEUR 58; previous year: TEUR 34,321) and currency differences in the amount of TEUR -668 (previous year: TEUR 597) from the translation of subsidiaries managed in foreign currencies. The changes in value from the equity method resulted in the previous year primarily from power purchase agreements of associated entities, the changes in value of which are recognised directly in the equity of the associated entities 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 2021 financial year, TEUR 17,820 from the equity reserve was reclassified to consolidated earnings following the full consolidation of the former associated entity Genia Extremadura Solar S.L.U. Moreover, following the sale of Zagersdorf GmbH, the interest rate swap previously included in the hedge reserve, including the associated tax items totalling EUR 54,000, was reclassified to consolidated earnings. The items previously included here for several solar installations in Italy (TEUR -58) were also reclassified to consolidated earnings after the associated interest rate swaps were replaced in a comprehensive refinancing arrangement.

The corresponding deferred tax effects amount to TEUR -2,674 (previous year: TEUR 1,549). 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 may be reclassified through profit or loss			
Currency translation differences	-668	0	-668
(previous year)	(597)	(0)	(597)
Cash flow hedges – effective portion of changes in fair value	10,856	-2,673	8,183
(previous year)	(-5,906)	(1,551)	(-4,355)
Cost of hedging measures	6	-1	5
(previous year)	(15)	(-2)	(13)
Changes in value from the equity method recognised directly in equity	58	0	58
(previous year)	(34,321)	(0)	(34,321)
Reclassifications	17,816	0	17,816
(previous year)	(13,623)	(0)	(13,623)
Total change	**28,068**	**-2,674**	**25,395**
(previous year)	**(42,650)**	**(1,549)**	**(44,200)**

6 Notes to the consolidated balance sheet

6.1 Intangible assets

TEUR 446,320

Previous year: TEUR 493,885

Changes in intangible assets were as follows:

In TEUR	Other intangible assets	Electricity feed-in contracts/project rights	Total
Cost			
As at 01.01.2020	14,952	725,305	740,257
Additions	2,899	0	2,899
Change in the scope of consolidation	-2,864	-292	-3,156
Disposals	-2	0	-2
Currency translation	0	-1,456	-1,456
As at 31.12.2020	**14,984**	**723,557**	**738,542**
Depreciation and amortisation			
As at 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 at 31.12.2020	**5,287**	**239,370**	**244,657**
Carrying amount as at 31.12.2020	**9,697**	**484,187**	**493,885**
Cost			
As at 01.01.2021	14,984	723,557	738,542
Additions	48	279	327
Change in the scope of consolidation	0	-3,681	-3,681
Currency translation	0	1,868	1,868
As at 31.12.2021	**15,032**	**722,023**	**737,055**
Depreciation and amortisation			
As at 01.01.2021	5,287	239,370	244,657
Additions	1,031	47,271	48,302
Change in the scope of consolidation	0	-2,919	-2,919
Currency translation	1	694	695
As at 31.12.2021	**6,319**	**284,417**	**290,735**
Carrying amount as at 31.12.2020	9,697	484,187	493,885
Carrying amount as at 31.12.2021	**8,714**	**437,606**	**446,320**

The collateral provided is described in note 3.12. There are no contractual obligations to acquire intangible assets.

6.2 Goodwill

TEUR 27,466

Previous year: TEUR 27,560

The goodwill as at 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 Services GmbH and several solar park portfolios in England and wind parks in Denmark.

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

	31.12.2021	30.09.2021	
	Goodwill in TEUR *(previous year)*	Pre-tax-WACC in % *(previous year)*	After-tax-WACC in % *(previous year)*
PV Germany	1,674 *(1,674)*	3.24 *(4.74)*	2.84 *(3.40)*
PV Italy	1,073 *(1,073)*	4.20 *(5.88)*	3.34 *(4.11)*
PV United Kingdom	2,998 *(2,865)*	6.65 *(5.60)*	5.28 *(4.67)*
Wind Germany	570 *(570)*	3.82 *(4.70)*	2.84 *(3.40)*
Wind Denmark	7,585 *(7,581)*	4.36 *(4.30)*	3.64 *(3.57)*
Wind France	2,445 *(2,445)*	3.59 *(4.59)*	2.97 *(3.57)*
Wind Austria	0 *(231)*	- *(4.34)*	- *(3.43)*
PV Service	1,481 *(1,481)*	3.73 *(4.29)*	2.82 *(3.40)*
Asset Management	9,640 *(9,640)*	3.51 *(4.34)*	2.87 *(3.40)*
Total	27,466 *(27,560)*		

The goodwill figures for the Wind Denmark and PV United Kingdom groups of cash-generating units (CGUs) are subject to currency fluctuations.

The 51 % interests in all three wind park companies allocated to the Wind Austria group of cash-generating units were sold in December 2021. As a result, these companies were deconsolidated and the goodwill of TEUR 231 attributable to this group of cash-generating units was derecognised in full.

Goodwill is tested for impairment once a year in accordance with IAS 36. This takes place at the level of a group of cash-generating units. With regard to goodwill, these groups are the operating segments broken down by country.

The impairment test involves comparing the sum of the carrying amounts of the group of cash-generating units with the recoverable amount. The recoverable amount is the value in use, which is calculated from discounted future cash flows. The cash flows are reduced by income taxes and discounted using a capitalisation interest rate after taxes. The capitalisation interest rate is the weighted average cost of capital (WACC), which is determined individually for each group of cash-generating units using the capital asset pricing model.

The detailed planning period covers the period in which individual forecasts can be made for each park company within a group of cash-generating units. A detailed planning period of three, four or eight years was used in previous years. Following the detailed planning period, the forecast individual performance and the price expectation is used as a basis for modelling the term until the beginning of perpetuity (terminal value) for each park company within a group of cash-generating units. In previous years, following the detailed planning period, the cash flows of the groups of cash-generating units were adjusted by a growth rate of 1.0 % until the beginning of perpetuity. Perpetuity begins when the weighted average term of all the park companies that comprise the group of cash-generating units has expired. As in the previous year, a growth rate of 1.0 % is assumed.

The cash flow forecasts are most sensitive to the assumed long-term growth rate and the cost of capital.

The impairment test was performed on 30 September 2021 and confirmed the recoverability of all recognised goodwill at the level of the groups of cash-generating units. In the period from 30 September 2021 to 31 December 2021, 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. During the first sensitivity analysis, a scenario without a growth rate was assumed for each group of cash-generating units. The capitalisation interest rate was increased by 0.5 percentage points for the second sensitivity analysis. This did not have any effect on the recoverability.

6.3 Property, plant and equipment

TEUR 2,174,952

Previous year: TEUR 1,901,989

Changes in property, plant and equipment were as follows:

In TEUR

	Installations under construction	Power generation installations	Other property, plant and equipment	Total
Cost				
As at 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 in 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 at 31.12.2020	**10,066**	**2,290,574**	**23,212**	**2,323,852**
Depreciation and amortisation				
As at 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 at 31.12.2020	**0**	**416,956**	**4,907**	**421,863**
Carrying amount as at 31.12.2020	**10,066**	**1,873,617**	**18,305**	**1,901,989**

In TEUR

	Installations under construction	Power generation installations	Other property, plant and equipment	Total
Cost				
As at 01.01.2021	10,066	2,290,574	23,212	2,323,852
Additions	15,201	19,831	785	35,817
Changes in the scope of consolidation	3,381	314,881	0	318,262
Disposals	0	-621	-296	-917
Changes in fair value measurement	0	-2,423	0	-2,423
Transfers	-6,221	5,822	398	0
Change from revaluation/modification under IFRS 16	0	1,502	3,302	4,804
Currency translation	1	10,676	1	10,679
As at 31.12.2021	**22,428**	**2,640,242**	**27,403**	**2,690,074**
Depreciation and amortisation				
As at 01.01.2021	0	416,956	4,907	421,863
Additions	0	101,442	1,700	103,142
Changes in the scope of consolidation	0	-11,755	0	-11,755
Disposals	0	-76	-16	-92
Currency translation	0	1,964	0	1,964
As at 31.12.2021	**0**	**508,530**	**6,592**	**515,122**
Carrying amount as at 31.12.2020	10,066	1,873,617	18,305	1,901,989
Carrying amount as at 31.12.2021	**22,428**	**2,131,712**	**20,812**	**2,174,952**

Land and right-of-use assets for leases are reported in one item together with the power generation installations. Right-of-use assets for buildings and cars are included in the item “Other property, plant and equipment”. Further details on right-of-use assets can be found in section 6.16. Changes in fair value measurement include the adjusted value of capitalised asset retirement costs. Change from revaluation/modification under IFRS 16 comprises revaluations and modifications of recognised right-of-use assets, in particular the indexation and other adjustments of leases.

Property, plant and equipment includes power generation installations, installations under construction and other property, plant and equipment amounting to TEUR 1,934,695 (previous year: TEUR 1,691,573) as collateral for existing financing. There are no contractual obligations to purchase property, plant and equipment and no material non-current items of property, plant and equipment have been disposed of.

6.4 Financial assets accounted for using the equity method

TEUR 15,233

Previous year: TEUR 12,521

The associated entities developed as follows in the financial year. The shares in these companies are generally accounted for using the equity method.

In TEUR	CHORUS IPP Europe GmbH	Gnannenweiler Windnetz GmbH & Co. KG	Pexapark AG	Genia Extremadura Solar S.L.U	Sistema Electrico de Conexion Nudo Don Rodrigo 220 KV S.L.
As at 01.01.2021	153	101	4,139	0	1,253
Addition/acquisition	0	0	2,417	0	0
Attributable net profit or loss for the period	0	-11	-431	0	0
Attributable other comprehensive income	0	0	0	0	0
As at 31.12.2021	**153**	**90**	**6,125**	**0**	**1,253**

In TEUR	Stern Energy S.p.A.	Stern PV 2 Srl	Stern PV 3 Srl	Stern PV 4 Srl	Total
As at 01.01.2021	6,855	20	0	0	12,521
Addition/acquisition	0	25	75	51	2,568
Attributable net profit or loss for the period	528	0	0	0	86
Attributable other comprehensive income	58	0	0	0	58
As at 31.12.2021	**7,441**	**45**	**75**	**51**	**15,233**

As at the balance sheet date, Encavis held all the shares in CHORUS IPP Europe GmbH, Neubiberg, Germany. Despite the majority interest, this company is classified as an associated entity and not fully consolidated but 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 the company and provides services for it. Overall, 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 in the previous year, Encavis held 20 % of the shares in Gnannenweiler Windnetz GmbH & Co. KG at the balance sheet date. 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 Swiss company Pexapark. After a further capital increase of TEUR 2,417, the shareholding has amounted to 19.85 % since the end of 2021. Significant influence is assumed on the basis of the number of shares held and the co-determination rights conferred by a seat on the company’s board of directors.

The 80 % interest in the Spanish solar project Genia Extremadura Solar S.L.U. was initially reported under shares in associated entities using the equity method. There was no control prior to commissioning due to the contractual arrangements. As all the company’s shares were used up in the previous year due to earnings allocations, in particular due to the valuation of the PPA, they are measured at zero at the beginning of the 2021 financial year. When the solar park was commissioned at the beginning of January 2021, it was fully consolidated and thus derecognised from associated entities.

As a result of a 40.3 % shareholding, significant influence is assumed in the case of the Spanish company Sistema Electrico de Conexion Nudo Don Rodrigo 220 KV S.L. The company serves various solar energy installations as a substation and is used jointly by them.

The shareholding (30 %) in the Italian company Stern Energy S.p.A. is reported as an associated entity in accordance with the equity method due to the significant influence exerted 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 collaboration between the two groups in the field of technical management. This was also supported by the sale of Stern Energy GmbH at the beginning of the 2020 financial year.

Encavis acquired 95 % of the shares in each of the Italian development projects Stern PV 3 Srl and Stern PV 4 Srl in October and December 2021 respectively. Due to the contractual arrangement, there is no control over the companies until they reach ready-to-build status. Therefore, these projects are initially reported as associated entities. The same applies to Stern PV 2 Srl, which was acquired in 2020. At year-end 2021, all three companies are therefore reported as associated entities because none of them has yet achieved ready-to-build status.

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

6.5 Financial assets

TEUR 4,875

Previous year: TEUR 73,111

Changes to financial assets are as follows:

In TEUR	Investments	Securities	Loans to associated entities	Other loans	Total
Cost					
As at 01.01.2020	4,048	1,208	100,212	265	105,734
Additions/acquisitions	442	0	66,194	0	66,636
Disposals/payments	-1,122	0	-120	-279	-1,521
Transfers	-1	1	0	0	0
Reconciliation to full consolidation	0	0	-121,386	0	-121,386
Amounts attributable under the equity method	0	0	25,019	0	25,019
Changes in fair value measurement/ECL	-720	-507	757	14	-456
As at 31.12.2020	**2,648**	**702**	**70,677**	**0**	**74,027**
Depreciation and amortisation					
As at 01.01.2020	904	0	0	0	904
Additions	12	0	0	0	12
As at 31.12.2020	**916**	**0**	**0**	**0**	**916**
Carrying amount as at 31.12.2020	**1,732**	**702**	**70,677**	**0**	**73,111**
Cost					
As at 01.01.2021	2,648	702	70,677	0	74,027
Additions/acquisitions	264	1,228	538	0	2,030
Disposals/payments	-88	0	-505	0	-593
Reconciliation to full consolidation	0	0	-71,255	0	-71,255
Changes in fair value measurement/ECL	-258	398	1,781	0	1,921
As at 31.12.2021	**2,566**	**2,328**	**1,236**	**0**	**6,130**
Depreciation and amortisation					
As at 01.01.2021	916	0	0	0	916
Additions	340	0	0	0	340
As at 31.12.2021	**1,256**	**0**	**0**	**0**	**1,256**
Carrying amount as at 31.12.2020	1,732	702	70,677	0	73,111
Carrying amount as at 31.12.2021	**1,311**	**2,328**	**1,236**	**0**	**4,875**

The non-current financial assets of the Encavis Group are divided into investments and securities. Investments also include shares in the investment fund CleanTech Europe II L.P., London, United Kingdom, (“Zouk II”) with a balance of

TEUR 251. All other investments formerly held in investment funds in the renewable energy sector were derecognised in full as at the balance sheet date due to capital repayments received as well as recognised valuation effects. In addition, miscellaneous other equity investments totalling TEUR 124 as at 31 December 2021 (previous year: TEUR 187) are reported here. They include investments in non-listed shares that 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 524 (previous year: TEUR 489). The shares in CHORUS Infrastructure Fund S.A. SICAV-SIF in the amount of TEUR 412 (previous year: TEUR 440) 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 1,099 (previous year: TEUR 702). The increase is attributable to unrealised valuation effects. In addition, these securities include a money market fund of the Spanish company Genia Extremadura Solar S.L.U. (TEUR 1,228), which serves as a guarantee for all obligations arising from the company's leasing contract.

As at the balance sheet date, Encavis does not intend to dispose of any of these financial investments.

Mezzanine capital held, fund shares 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 resulting cash flows do not exclusively constitute interest and principal payments. In the 2021 financial year, net gains from changes in the fair value of these investments amounting to TEUR 140 (previous year: losses of TEUR 1,227) were recognised in consolidated earnings. Of this amount, TEUR 398 (previous year: TEUR 282) is reported under financial income and TEUR -258 (previous year: TEUR -1,509) under financial expenses. In addition, the investments were impaired by TEUR 340 in the financial year.

Financial assets also include loans to associated entities in the amount of TEUR 1,236 (previous year: TEUR 70,677). Additional loans were granted to Stern PV 2 Srl (TEUR 70) and Stern PV 3 Srl (TEUR 430) in the financial year. Stern Energy SpA has repaid part of the loans (TEUR 480). This item also includes related deferred interest. As Genia Extremadura Solar S.L.U. was commissioned at the beginning of 2021 and therefore fully consolidated, the loans are no longer reported as loans to associated entities, but are eliminated within the Group as part of the consolidation of intercompany balances. This explains the significant decline in the line item during the financial year.

As the Group has consistently deemed that loans issued have had a generally low default risk since initial recognition, it has recognised a loss allowance for these items in the amount of the expected 12-month losses on receivables (TEUR 32; previous year: TEUR 1,812). The significant decrease is due to the decline in the related loans.

6.6 Other receivables (non-current)

TEUR 8,059

Previous year: TEUR 8,261

This item comprises:

In TEUR	2021	2020
Derivatives with positive fair values	1,853	2,785
Other non-current receivables	6,206	5,476
Total	**8,059**	8,261

Sureties in the amount of TEUR 3,930 are recognised in other non-current receivables (previous year: TEUR 2,900).

6.7 Deferred taxes

TEUR 6,123/TEUR 125,431

Previous year: TEUR 3,280/TEUR 132,491

Deferred taxes are generally recognised for the foreign companies in the Group at the respective company's individual tax rate. The deferred taxes for the British, Italian and Dutch Group companies were calculated using different tax rates compared to the previous year due to changes in tax rates. The corporation tax rate in the United Kingdom will be raised from 19 % to 25 % with effect from April 2023. In Italy, the local income tax applicable to Group companies (IRAP) was increased from 2.68 % to 3.90 %, and the standard corporation tax rate in the Netherlands was raised from 25.0 % to 25.8 % with effect from 2022. To reflect the different trade tax rates in Germany, weighted tax rates were used to calculate the deferred taxes of the German companies. The expected Group tax rate is 28.92 % (previous year: 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 13.09 % (previous year: 16.45 %). The adjustment of Encavis AG's tax rate and the Group's tax rate is due to the expansion of Encavis AG's tax group.

As at 31 December 2021, the Group had provisional loss carryforwards of TEUR 119,998 in corporation tax (previous year: TEUR 120,058) and TEUR 58,918 in German trade tax (previous year: TEUR 58,756). Of this, amounts of TEUR 16,779 in corporation tax (previous year: TEUR 25,770) and TEUR 16,174 in German trade tax (previous year: TEUR 19,248) are not expected to be utilised within a reasonable period. Therefore, no deferred tax assets have been recognised for these amounts. Interest carryforwards totalled TEUR 35,139 as at 31 December 2021 (previous year: TEUR 27,958). As utilisation is uncertain at the present time both in terms of amount and reason, no deferred taxes were recognised on the interest carryforwards existing as at 31 December 2021.

Furthermore, surpluses from deferred tax assets amounting to TEUR 3,325 (previous year: TEUR 3,023) on temporary differences at some Group companies were not recognised as these deferred tax assets are not expected to be recoverable within a reasonable period.

Deferred tax assets and liabilities arise due to measurement differences concerning the following balance sheet items:

Deferred taxes

	31.12.2021		31.12.2020		
	Assets in TEUR	Liabilities in TEUR	Assets in TEUR	Liabilities in TEUR	Change
Non-current assets*	61,959	265,868	52,585	273,662	17.168 (previous year: 11.748)
Current assets*	400	850	407	861	4 (previous year: -10.192)
Liabilities	63,589	6,481	72,202	5,136	-9.958 (previous year: -5.744)
Tax loss carryforwards	27,943	0	25,254	0	2.689 (previous year: 6.582)
Subtotal	**153,891**	**273,199**	**150,448**	**279,659**	
Offsett	-147,768	-147,768	-147,168	-147,168	
Total	**6,123**	**125,431**	**3,280**	**132,491**	**9.903 (previous year: 2.395)**
of which recognised directly in equity (other comprehensive income)					2.674 (previous year: -1.549)
of which from currency translation not recognised in profit or loss					358 (previous year: -189)
of which deferred tax expense in connection with capital increase costs					-857 (previous year: 0)
of which changes in scope of consolidation					-1.070 (previous year: -124)
Change recognised in profit or loss in 2021					**11.008 (previous year: 533)**

* Prior-year figures have been adjusted due to reclassifications between non-current and current assets.

Deferred tax assets mainly relate to deferred tax assets on wind power and photovoltaic installations (TEUR 43,738; previous year: TEUR 35,991) and liabilities (TEUR 62,920; previous year: TEUR 72,202).

Deferred tax liabilities mainly relate to deferred tax liabilities on electricity feed-in contracts (TEUR 118,645; previous year: TEUR 127,463) and on wind power and photovoltaic installations (TEUR 93,282; previous year: TEUR 90,044).

Deferred tax liabilities of TEUR 30,127 (previous year: TEUR 31,350) relate to rights of use under leases and deferred tax assets of TEUR 40,321 (previous year: TEUR 44,591) relate to lease liabilities.

Of the deferred tax assets, TEUR 4,341 (previous year: TEUR 2,168) relate to companies that recorded tax losses either in 2020 or in 2021. Despite past losses, these deferred tax assets are regarded as recoverable and therefore recognised because the earnings prospects of the respective companies are considered positive.

Deferred tax assets of TEUR 119,969 (previous year: TEUR 118,071) and deferred tax liabilities of TEUR 271,549 (previous year: TEUR 278,087) are attributable to the non-current assets and liabilities. Deferred tax assets of TEUR 5,979 (previous year: TEUR 7,124) and deferred tax liabilities of TEUR 1,650 (previous year: TEUR 1,572) are attributable to the current assets and liabilities.

Tax loss carryforwards decreased compared to 2020, while deferred tax assets on tax loss carryforwards increased as in the previous year (from TEUR 25,254 to TEUR 27,942). The main reason for the rise in deferred tax assets is, on the one hand, the further expansion of the income tax group of Encavis AG in 2021, which led to the justification of the recoverability of loss carryforwards within the tax group that previously did not qualify as recoverable. On the other hand, the loss carryforwards of the British Group companies, which must be regarded as recoverable, increased in 2021 and, in addition, a deferred tax rate of 25 % instead of the previous 19 % was applied in 2021.

No deferred taxes are recognised on taxable temporary differences of TEUR 7,911 (previous year: TEUR 7,596) in connection with shares in Group companies, as the reversal can be controlled by the Group and no sufficiently concrete disposals are foreseeable as at the balance sheet date.

6.8 Inventories

TEUR 751

Previous year: TEUR 334

Inventories are primarily commodities and spare parts.

6.9 Trade receivables

TEUR 47,731

Previous year: TEUR 46,730

In TEUR	2021	2020
Trade receivables (gross)	48,203	46,956
Impairments	-472	-226
Net carrying amount	**47,731**	**46,730**

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 thirty to sixty 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 disclosed in the section on credit risks in note 8. Impairment losses on trade receivables increased over the course of the year from TEUR 226 to TEUR 472, mainly due 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 48,203 (previous year: TEUR 46,956) were provided as collateral. This consists of the assignment of the right to payment of the electricity feed-in tariff from the respective grid company and the assignment of payment and remuneration claims against third parties from any direct marketing contracts.

6.10 Other current assets

TEUR 39,740

Previous year: TEUR 25,176

Other current assets break down as follows:

In TEUR	2021	2020
Non-financial assets	6,046	4,710
Receivables from income taxes	24,760	14,415
Other current receivables	8,934	6,051
Total	39,740	25,176

Non-financial assets comprise primarily VAT receivables.

Income tax receivables include TEUR 15,909 (previous year: TEUR 11,900) in corporation tax receivables, TEUR 1,219 (previous year: TEUR 1,202) in trade tax receivables and TEUR 7,631 (previous year: TEUR 1,313) in capital gains tax receivables.

Other current receivables mainly comprise deferred receivables of TEUR 2,422 (previous year: TEUR 2,778), sureties of TEUR 1,261 (previous year: TEUR 555), a contingent purchase price receivable of TEUR 1,520 in connection with the sale of the shares in the three Austrian wind parks and other assets and receivables. The financial assets included here, which are measured at amortised cost, were written down accordingly in the amount of TEUR 17 (previous year: TEUR 17). As the Group has consistently deemed that these items have had a low default risk since initial recognition, it has recognised a loss allowance in the amount of the expected 12-month losses on receivables.

6.11 Liquid assets

TEUR 444,639

Previous year: TEUR 230,996

The liquid assets item comprises the following:

In TEUR	2021	2020
Cash and cash equivalents	394,228	167,489
of which overdraft facilities	*1,803*	*622*
of which cash and cash equivalents in the cash flow statement	*392,425*	*166,867*
Liquid assets with restrictions on disposition	50,410	63,507
Total	444,639	230,996

Liquid assets are composed exclusively of cash on hand and bank balances. This includes debt service and project reserves that serve as collateral for the lending banks involved in the solar parks and wind parks and can only be used in agreement with the lending banks (TEUR 40,613; previous year: TEUR 56,021) and, to a lesser extent, restricted liquid assets at Encavis AG, CSG IPP GmbH and other subsidiaries (TEUR 9,797; previous year: TEUR 7,487). As at the balance sheet date, the item also includes government bonds of the highest credit quality with short-term residual maturities (maximum of three months from acquisition) for the Group's short-term cash management (TEUR 195,189). The government bonds are highly fungible and can also be sold at any time before their repayment date. In accordance with IAS 7, cash funds are composed of non-restricted cash and cash equivalents.

6.12 Equity

TEUR 1,066,388

Previous year: TEUR 751,561

Changes in equity are presented in the consolidated statement of changes in equity.

The fully paid-up share capital of Encavis AG amounting to TEUR 160,469 (previous year: TEUR 138,437) as at 31 December 2021 is divided into 160,469,282 (previous year: 138,437,234) no-par-value bearer shares with a notional interest in the share capital of EUR 1.00 per share.

Authorised Capital 2017

By resolution of the Annual General Meeting on 18 May 2017, the Management Board was authorised, with the approval of the Supervisory Board, to increase the share capital by up to EUR 63,261,830.00 by issuing a total of 63,261,830 new no-par-value registered shares against cash and non-cash contributions on one or more occasions in the period up to 17 May 2022 (“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. The Authorised Capital 2017 amounted to EUR 63,261,830.00 as at 31 December 2017. In order to issue new shares to settle dividend entitlements, Encavis AG’s Management Board, with the approval of the Supervisory Board, resolved to increase the company’s share capital by EUR 1,185,126.00 by issuing 1,185,126 new no-par-value bearer shares carrying dividend rights from 1 January 2018 by partially utilising the Authorised Capital 2017. Implementation of the capital increase was entered in the commercial register of the Hamburg district court on 14 June 2018 (HRB 63197). The Authorised Capital 2017 amounted to EUR 62,076,704.00 as at 31 December 2018.

In order to issue new shares to settle dividend entitlements, Encavis AG’s Management Board, with the approval of the Supervisory Board, also resolved in 2019 to increase the company’s share capital by EUR 2,010,807.00 by issuing 2,010,807 new no-par-value bearer shares carrying dividend rights from 1 January 2019 by partially utilising 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). The Authorised Capital 2017 then amounted to EUR 60,065,897.00.

On 11 December 2019, Encavis AG’s Management Board, with the approval of the Supervisory Board, resolved to further utilise the Authorised Capital 2017 by increasing the company’s share capital against cash contributions by up to 4.21 %. Encavis AG’s share capital was therefore increased from EUR 131,498,147.00 to EUR 137,039,147.00 by issuing 5,541,000 new no-par-value bearer shares with a notional interest in the share capital of EUR 1.00 per share by partially utilising the existing Authorised Capital 2017. The Authorised Capital 2017 therefore amounted to EUR 54,524,897.00 as at 31 December 2019.

In order to issue new shares to settle dividend entitlements, Encavis AG’s Management Board, with the approval of the Supervisory Board, resolved in 2020 to increase the company’s share capital by EUR 1,398,087.00 by issuing 1,398,087 new no-par-value bearer shares carrying dividend rights from 1 January 2020 by partially utilising the Authorised Capital 2017. Implementation of the capital increase was entered in the commercial register of the Hamburg district court on 19 June 2020 (HRB 63197). The Authorised Capital 2017 amounted to EUR 53,126,810.00 as at 31 December 2020.

By resolution of the Annual General Meeting of the company dated 27 May 2021, the Authorised Capital 2017 was cancelled in full and a new Authorised Capital 2021 was created. Thus, by way of an amendment to the Articles of Association (cf. Article 6 of the Articles of Association), which was entered in the commercial register on 4 June 2021, the Management Board was authorised, with the approval of the Supervisory Board, to increase the company’s share capital by up to EUR 27,687,446.00 by issuing new no-par-value bearer shares against cash and/or non-cash contributions on one or more occasions until 26 May 2026 (inclusive) (the “Authorised Capital 2021”).

In order to issue new shares to settle dividend entitlements, the company’s Management Board resolved on 29 June 2021, on the basis of the aforementioned authorisation and with the approval of the Supervisory Board on the same day, to increase the company’s share capital from EUR 138,437,234.00, which is divided into 138,437,234 no-par-value bearer shares, by EUR 814,031.00 to EUR 139,251,265.00 by issuing 814,031.00 no-par-value bearer shares with a notional interest in the share capital of EUR 1.00 per share and carrying full dividend rights from 1 January 2021 against non-cash contributions.

Implementation of the capital increase was entered in the commercial register of the Hamburg district court on 2 July 2021 (HRB 63197). The Authorised Capital 2021 then amounted to EUR 26,873,415.00.

As at 1 October 2021, Encavis AG’s Management Board resolved, with the approval of the Supervisory Board, to further utilise the Authorised Capital 2021 by increasing the company’s share capital by EUR 1,115,252.00 against non-cash contributions to EUR 148,977,950.00. Encavis AG’s share capital was thus increased by the issue of 1,115,252 new no-par-value bearer shares with a notional interest in the share capital of EUR 1.00 per share by partially utilising the existing Authorised Capital 2021. The Authorised Capital 2021 therefore amounts to EUR 25,758,163.00 as at 31 December 2021.

Contingent capital

By virtue of the authorising resolution of the Annual General Meeting dated 18 May 2017, Encavis AG's share capital was contingently increased by up to EUR 25,304,730.00 by the issue of up to 25,304,730 new no-par-value bearer shares with a notional interest in the share capital of EUR 1.00 per share ("Contingent Capital 2017").

The contingent capital increase will only be implemented if the holders of bonds that are issued by the company or by a wholly owned direct or indirect investee of the company, on the basis of the authorising resolution of the Annual General Meeting dated 18 May 2017, or guaranteed by the company up to 17 May 2022 exercise their option or conversion rights or, if they are obliged to convert the bonds, fulfil their obligation to convert or, if the company exercises its option to grant shares of the company as full or partial payment instead of payment of the cash amount due, unless a cash settlement is granted in each case or own shares are used as a means of service. With the approval of the Supervisory Board, the Management Board may, as far as permitted by law, determine that new shares carry dividend rights in a different proportion from that defined in section 60 (2) of the German Stock Corporation Act (AktG).

By resolution of the Annual General Meeting dated 13 May 2020, the Contingent Capital 2017 was reduced to EUR 12,825,220.00. The Contingent Capital 2017 thus amounted to EUR 12,825,220.00 as at 31 December 2020.

After partial utilisation of the Contingent Capital 2017 in 2021 due to the issue of 8,611,433 no-par-value shares, which was entered in the commercial register on 4 October 2021, the Contingent Capital 2017 amounted to EUR 4,213,787.00, which led to an increased share capital of EUR 147,862,698.00.

In fulfilment of the purpose set out in the resolution on the Contingent Capital 2017 and with the approval of the Supervisory Board, the company's Management Board issued 4,213,787 new shares, which were entered in the commercial register on 22 November 2021, to service the conversion rights of the bondholders in accordance with the mandatory conversion rights under the hybrid convertible bond issued on 6 September 2017 via the Dutch financing subsidiary Encavis Finance B.V. (formerly Capital Stage Finance B.V.) and increased on 5 September 2019.

The Contingent Capital 2017 is thus utilised in full as at 31 December 2021.

By resolution of Encavis AG's Annual General Meeting dated 20 June 2012, the company's share capital was contingently increased by up to EUR 2,320,000.00 by the issue of up to 2,320,000 no-par-value bearer shares ("Contingent Capital III"). By resolution of the company's Annual General Meeting dated 18 May 2017, the Contingent Capital III was reduced to EUR 640,000.00. The Contingent Capital III is used to service subscription rights from share options. With the approval of the Supervisory Board, the Management Board was authorised by the company's Annual General Meeting on 20 June 2012, pursuant to the further details of the option terms and conditions laid down in the 2012 share option programme (SOP 2012), to issue up to 2,320,000 share options with subscription rights on shares of the company by 19 June 2017 (inclusive) to selected executives and other key employees of the company, subject to the condition that each share option confers the right to acquire one share. 50,000 option rights from the 2012 share option programme were exercised pursuant to the option terms and conditions and converted into a total of 50,000 no-par-value shares of the company, with a total par value of EUR 50,000.00, from the Contingent Capital III resolved 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 issued by the Management Board 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. At its meeting on 23 September 2020, the Supervisory Board also 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 in the 2020 financial year.

The Contingent Capital III was thus utilised in full as at 31 December 2020.

In accordance with the resolution proposed by the Management Board and the Supervisory Board, the Annual General Meeting on 27 May 2021 therefore cancelled the existing authorisation of the Annual General Meeting dated 20 June 2012 granted under Article 4 (4) of the Articles of Association and deleted it without replacement.

Furthermore, the share capital is contingently increased by up to EUR 19,000,000.00 by 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 option rights attached to bonds with warrants, convertible bonds, mezzanine capital and/or profit-linked bonds (or a combination of these instruments) issued up to 7 May 2023 by the company or its direct or indirect wholly owned investees on the basis of the authorising resolution of the Annual General Meeting dated 8 May 2018 (collectively the “bonds”) exercise their conversion rights or option rights, or the holders or creditors of the bonds to be issued up to 7 May 2023 by the company or its indirect or direct wholly owned investees on the basis of the authorising resolution of the Annual General Meeting dated 8 May 2018 meet their obligation to convert their bonds or exercise their options.

By resolution of the Annual General Meeting dated 13 May 2020, the Contingent Capital 2018 was reduced to EUR 7,282,200.00. The Contingent Capital 2018 thus amounted to EUR 7,282,200.00 as at 31 December 2020.

In fulfilment of the purpose set out in the resolution on the Contingent Capital 2018 and with the approval of the Supervisory Board, the company’s Management Board issued 7,277,545 new shares, which were entered in the commercial register on 22 November 2021, to service the conversion rights of the bondholders in accordance with the mandatory conversion rights under the hybrid convertible bond issued on 6 September 2017 via the Dutch financing subsidiary Encavis Finance B.V. (formerly Capital Stage Finance B.V.) and increased on 5 September 2019.

The Contingent Capital 2018 thus amounts to EUR 4,655.00 as at 31 December 2021.

The share capital is further contingently increased by up to EUR 14,000,000.00 by 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 option rights attached to bonds with warrants, convertible bonds, mezzanine capital and/or profit-linked bonds (or a combination of these instruments) issued up to 12 May 2025 by the company or its direct or indirect wholly owned investees on the basis of the authorising resolution of the Annual General Meeting dated 13 May 2020 (collectively the “bonds”) exercise their conversion rights or option rights, or the holders or creditors of the bonds to be issued up to 12 May 2025 by the company or its indirect or direct wholly owned investees on the basis of the authorising resolution of the Annual General Meeting dated 13 May 2020 meet their obligation to convert their bonds or exercise their options. The Contingent Capital 2020 was entered in the commercial register at the Hamburg district court (HRB 63197) on 19 June 2020 and was not utilised as at 31 December 2021.

Capital reserve

The change in capital reserves of TEUR 136,802 is mainly due to the conversion in 2021 of the hybrid convertible bond issued in 2017 and 2019 (TEUR 125,002) and the capital increase to settle dividend entitlements (TEUR 11,071). In contrast, costs attributable to the additional settlement payment to existing shareholders of the former CHORUS Clean Energy AG that was decided by the court in December 2019 (TEUR 27) and additional issuing costs (TEUR 274) were offset against capital reserves. In order to compensate for tax effects in connection with capital increase costs recognised in capital reserves and in equity attributable to hybrid capital investors, TEUR 1,428 was also offset against the capital reserves with no effect on profit or loss. Similarly, TEUR -398 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 882 (previous year: TEUR 1,551) relates primarily to the translation of British pounds sterling and Danish kroner from the respective subsidiaries into euros as at the balance sheet date.

In addition to the currency translation reserve, other reserves also include the hedge reserve (including corresponding deferred tax effects) in the amount of TEUR -6,895 (previous year: TEUR -15,074) as well as the cost of hedging measures in the amount of TEUR -4(previous year: TEUR -9). TEUR -4 was reclassified from the hedge reserve to consolidated earnings in the financial year.

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 54; previous year: TEUR -17,825). Of these reserves, TEUR 17,820 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 hedges, which was recognised in the hedge reserve, is only transferred to consolidated earnings if the underlying hedged item affects consolidated earnings. A cumulative gain or loss from changes in the fair value of hedging instruments in the amount of TEUR 2,772 (previous year: TEUR 3,601) was transferred to consolidated earnings in the reporting period.

Net retained profits

Consolidated net retained profits comprise the following:

In TEUR	31.12.2021	31.12.2020
Consolidated earnings after non-controlling interests	75,323	10,142
Profit carried forward	9,244	33,430
Other items recognised directly in equity	945	1,302
Dividend distribution	-38,762	-35,630
Consolidated net earnings	**46,750**	**9,244**

Encavis AG’s Annual General Meeting on 27 May 2021 resolved to distribute a dividend of EUR 0.28 per no-par-value share carrying dividend rights.

Equity attributable to non-controlling interests

Equity attributable to non-controlling interests of TEUR 2,464 (previous year: TEUR 7,085) mainly relates to the following companies: Nørhede-Hjortmose Vindkraft I/S and Solarpark Zierikzee. As the shares in the three Austrian wind parks Herrenstein, Pongratzer Kogel and Zagersdorf were sold in full at the end of 2021, the non-controlling interests previously reported here are also no longer included as at the balance sheet date.

Equity attributable to hybrid capital investors

On 6 September 2017, Encavis AG successfully placed a perpetual subordinated bond. After being increased in 2019, the bond had a nominal value of TEUR 150,300 with time-limited conversion rights into ordinary bearer shares of the company (the “ordinary shares”).

The hybrid convertible bond issued exclusively to institutional investors was guaranteed by Encavis AG on a subordinated basis. The issuer was the wholly owned Dutch financing subsidiary Encavis Finance B.V., Rotterdam, Netherlands. The issue and value date of the hybrid convertible bond was 13 September 2017. It was listed on the Frankfurt Open Market with a denomination of TEUR 100 each within one month of the settlement date.

No fixed deadline for repayment of the hybrid convertible bond was set. The hybrid convertible bond carried the option of being converted by the investors into ordinary shares at any time (with a few exceptions) up to the tenth trading day before 13 September 2023 as the “first interest adjustment date”. The initial conversion price was set at EUR 7.5943, a premium of 25.0 % on the volume weighted average price of the ordinary shares on Xetra between the start and completion of the placement of the first tranche in 2017. The conversion price was subsequently adjusted upon the occurrence of certain events such as payment of a dividend by Encavis AG or a capital increase.

Encavis Finance B.V. had the right to convert the outstanding amount of the hybrid convertible bond into ordinary shares of the company for the first time on the “first redemption date”, 4 October 2021, and thereafter with effect from each subsequent interest payment date until the one on 13 September 2023. This early mandatory conversion right held by Encavis Finance B.V. was subject to the condition that the share price equals or exceeds 130 % of the conversion price for a certain period.

From July 2021, individual institutional investors exercised their conversion rights for the first time. Following the announcement of the mandatory conversion by Encavis Finance B.V. on 28 August 2021 with effect from 4 October 2021, further investors exercised their conversion rights early. In the course of these voluntary conversions, a total nominal amount of TEUR 61,000 was converted into new ordinary shares of Encavis AG. On 4 October 2021, the mandatory conversion of the outstanding nominal amount of TEUR 89,300 was completed, the nominal of the hybrid convertible bond was thus reduced to zero, the accrued interest was paid by Encavis Finance B.V. and Encavis AG issued new ordinary shares to the investors. The contractually applicable conversion price for all conversions was EUR 7.0836. In total, 21,218 new ordinary shares were issued under all conversions with cash settlement of fractional shares.

The new shares to be issued due to the conversion of the bonds increased the total number of outstanding shares to 160,469,282 no-par-value shares. The accounting effect of the conversion in the consolidated financial statements is a simple swap on the liabilities side (within equity) from equity attributable to hybrid capital investors to capital reserves and subscribed capital. Total equity, the balance sheet total and the equity ratio remain unchanged.

The conversion of the hybrid convertible bond increased subscribed capital by TEUR 21,218 and capital reserves by TEUR 129,082. Conversely, the hybrid capital was reduced by the nominal amount of TEUR 150,300. The costs of the issuance incurred in 2017 and 2019, which were originally offset directly against the equity of the hybrid capital investors, were reclassified to equity of the shareholders in the course of the conversion (TEUR 4,080). The costs directly related to the conversion in the amount of TEUR 155 were recognised directly in equity.

On 24 November 2021, Encavis AG successfully placed a new perpetual subordinated bond at 100 % of its nominal value.

The hybrid convertible bond issued exclusively to institutional investors is guaranteed by Encavis AG on a subordinated basis. The issuer is the wholly owned Dutch financing subsidiary Encavis Finance B.V., Rotterdam, Netherlands. The issue and value date of the hybrid convertible bond was 24 November 2021. It was listed on the Frankfurt Open Market with a denomination of TEUR 100 each within one month of the settlement date.

No fixed deadline for repayment of the hybrid convertible bond is set. The hybrid convertible bond carries the option of being converted by the investors into ordinary shares at any time (with a few exceptions) up to the tenth trading day before 24 November 2027 as the “first interest adjustment date”. The initial conversion price was set at EUR 22.0643, a premium of 35.0 % on the volume-weighted average price of the ordinary shares on Xetra between the start and completion of the placement. The conversion price will be subsequently adjusted upon the occurrence of certain events such as payment of a dividend by Encavis AG or a capital increase.

Encavis Finance B.V. will have the right to convert the outstanding amount of the hybrid convertible bond into ordinary shares of the company for the first time with effect from 14 December 2025 and thereafter with effect from each subsequent interest payment date until the one on 24 November 2027. This early mandatory conversion by Encavis Finance B.V. was subject to the condition that the share price equals or exceeds 130 % of the conversion price for a certain period.

From the settlement date and until the first interest adjustment date, 24 November 2027, the coupon of the hybrid convertible bond amounts to 1.875 % per year. After this date, the interest coupon of the hybrid convertible bond will be set at 10.0 % above the 5-year EUR swap rate. This rate will be reset every five years. 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.

Encavis Finance B.V. has the right, for the first time with effect from the first interest adjustment date and thereafter with effect from each subsequent interest payment date, to repurchase the hybrid convertible bond in its entirety from investors at a nominal amount of 100 %, subject to payment of all accrued and outstanding interest and all outstanding subsequent interest.

As Encavis AG is not contractually obliged to repay the nominal value or to pay the interest to the investors of the hybrid convertible bond, as was the case with the previous 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 the financial year, the costs associated with the bond issue of TEUR 4,183 were offset against equity with no effect on profit or loss. Of this amount, TEUR 2,453 was paid out in the 2021 financial year.

In the financial year, TEUR 6,259 (previous year: TEUR 7,905) was recognised as an earnings contribution for the hybrid capital investors and TEUR 8,142 (previous year: TEUR 7,891) 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 in consideration of general economic conditions. In order to maintain or to adjust its capital structure, the Group can, for example, opt to adjust dividend payments to shareholders, pay back capital to shareholders or issue new shares. As at the balance sheet date, the equity ratio of the Group was 33.16 % (previous year: 26.61 %).

The table below discloses equity, the equity ratio and liquid assets.

	31.12.2021	31.12.2020
Equity in TEUR	1,066,388	751,561
Equity ratio in %	33.16	26.61
Liquid assets in TEUR	444,639	230,996

In 2021, certain conditions of the underlying loan agreement for the Spanish project companies (in particular deadlines for the completion of the projects) could not be met due to Covid 19-related delays in the construction of the installations. In order to avoid the exercise of the resulting grounds for termination under the loan agreement, discussions were held in advance with the financing banks, which for their part formally waived the exercise of the grounds for termination by signing declarations of consent before the balance sheet date. The projects were solvent at all times and therefore never threatened with insolvency. The carrying amount of the liabilities concerned is TEUR 185,001 as at the reporting date. As at 31 December 2021 and as at the publication date of the consolidated financial statements, the conditions of the banks are fulfilled, taking into account these declarations of consent. In addition, the covenants for a project company in the UK could not be met during 2021. Encavis obtained a waiver letter in this regard from the lending bank prior to the reporting date. The requirements of the waiver letter are met as at 31 December 2021 and as at the publication date of the consolidated financial statements. The carrying amount of the respective liability is the equivalent of TEUR 4,067 as at the reporting date. There are currently no indications that additional covenants for the 2021 financial year might not be met in the Encavis Group. A covenant breach for 2022 was determined for two Dutch solar parks after the balance sheet date and is merely due to the postponement of electricity feed-in payments between 2021 and 2022. The financing bank has confirmed in each case that it is waiving its right of termination. The projects were solvent at all times and therefore never threatened with insolvency. Therefore, no adjustment was made to the liabilities as at the balance sheet date.

6.13 Share option plan

All share options from the SOP 2007 and SOP 2012 (equity-settled) share option programmes in the 2007 and 2012 financial year had already been exercised or had already expired in 2020. As a result, they had no further effects on the consolidated financial statements in 2021.

In the previous year, personnel expenses of TEUR 9 were recognised in the statement of comprehensive income from the 2012 share option programme.

Share option programmes 2017 and its successor programmes (SOP 2017 to SOP 2021)

SOP 2017 is a programme that, in terms of its framework and objective, is designed as an annually recurring, long-term remuneration component based on the overall performance of the Encavis share. The programmes of the following years were modelled on SOP 2017 and contain similar conditions. In contrast to the predecessor programmes SOP 2007 and 2012, SOP 2017 and its successor programmes are cash-settled. An allotment amount defined by the Supervisory Board is converted into virtual share options known as share appreciation rights (SARs). The group of beneficiaries comprises the Management Board members, selected executives and other key employees in the Encavis Group.

The aim of SOP 2017 and its successor programmes is to ensure the long-term commitment of the Management Board members and executives to Encavis AG. The SARs can be exercised for the first time after a vesting period of three years from 1 July of the respective year of issue, after which they can be exercised as at half-yearly exercise dates within two years of the end of the three-year vesting period. A prerequisite for exercising a SAR is the achievement of the performance target. To achieve the performance target, the overall performance of the Encavis share in Xetra trading (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 price rise and the dividends paid since the issue of the SARs. The basic price is the arithmetic average of the daily closing prices of the Encavis share performance index in Xetra trading on the Frankfurt Stock Exchange (or in a comparable successor system) during the six months before the effective date of the plan. Each SAR granted confers a claim to payment of the difference between the exercise price and the basic price. The maximum payment is three times the difference between the strike price and the basic price. If a Management Board member or an employee leaves the company of their own accord, or if their employment is terminated for good cause, the programme rules stipulate that any SARs granted are forfeited in whole or in part.

The liability relating to the SARs is measured at fair value as at the grant date and all subsequent balance sheet dates until the SARs have been exercised or expire. The SARs issued from the 2017 to 2021 financial years were measured on the basis of a Monte Carlo simulation.

The table below contains details of the individual SOPs from 2017 onwards:

Share option programme	SOP 2017	SOP 2018	SOP 2019
Effective date	01.07.2017	01.07.2018	01.07.2019
Grant date for employees	06.11.2017	14.12.2018	08.10.2019
Grant date for Board of Management	13.12.2017	12.12.2018	25.09.2019
Number of SARs issued	837,500	912,000	740,235
of which to the Management Board	*437,500*	*375,000*	*224,140*
of which to employees	*400,000*	*537,000*	*516,095*
Number of SARs as at 1.1.2021	0	740,500	700,005
of which attributable to the Management Board	*0*	*375,000*	*224,140*
Number of SARs issued in the financial year	0	0	0
Number of SARs exercised in the financial year	0	-721,000	0
Number of SARs expired in the financial year	0	-19,500	-29,311
Number of SARs as at 31.12.2021	0	0	670,694
of which attributable to the Management Board	*0*	*0*	*224,140*
Personnel expenses recognised in 2021 (in TEUR)	0	870	1,645
(previous year)	1,124	2,695	1,444
Carrying amount of the liability as at 31.12.2021 (in TEUR)	0	0	3,181
(previous year)	0	3,724	1,632

Share option programme

	SOP 2020	SOP 2021	Total
Effective date	01.07.2020	01.07.2021	
Grant date for employees	07.12.2020	09.12.2021	
Grant date for Board of Management	23.09.2020	-	
Number of SARs issued	281,249	151,879	2,922,863
of which to the Management Board	*136,362*	*0*	*1,173,002*
of which to employees	*144,887*	*151,879*	*1,749,861*
Number of SARs as at 1.1.2021	281,249	0	1,721,754
of which attributable to the Management Board	*136,362*	*0*	*735,502*
Number of SARs issued in the financial year	0	151,879	151,879
Number of SARs exercised in the financial year	0	0	-721,000
Number of SARs expired in the financial year	-4,972	0	-53,783
Number of SARs as at 31.12.2021	276,277	151,879	1,098,850
of which attributable to the Management Board	*136,362*	*0*	*360,502*
Personnel expenses recognised in 2021 (in TEUR)	487	8	3,010
(previous year)	85	0	5,348
Carrying amount of the liability as at 31.12.2021 (in TEUR)	568	8	3,757
(previous year)	85	0	5,441

For procedural reasons, the share options from the 2021 share option programme were not granted to the Management Board until a resolution was adopted by the Supervisory Board on 29 March 2022. As a result, the table for the 2021 financial year does not show any SARs issued from this tranche for the members of the Management Board, nor were any expenses recognised for them in the 2021 financial year.

All SARs from SOP 2017 were exercised during the 2020 financial year (payment of TEUR 2,850). All SARs from SOP 2018 were exercised during the 2021 financial year. A total of TEUR 4,485 was paid out for this purpose.

6.14 Liabilities to non-controlling interests

TEUR 36,870

Previous year: TEUR 43,464

Liabilities to non-controlling interests are composed of the following:

Liabilities to non-controlling interests in TEUR

	31.12.2021		31.12.2020	
	Non-current	Current	Non-current	Current
Share of earnings attributable to non-controlling interests	17,564	17	17,026	37
Loans (incl. interest) from non-controlling shareholders	19,204	85	26,400	0
Total	**36,768**	**102**	**43,427**	**37**

Loans and interest from non-controlling interests decreased mainly due to the sale of the majority interest of 51 % in the three Austrian wind park companies. As a result of the sale, the companies were deconsolidated.

6.15 Financial liabilities

TEUR 1,652,132

Previous year: TEUR 1,590,629

Financial liabilities are comprised of the following items:

Financial liabilities in TEUR

	31.12.2021		31.12.2020	
	Non-current	Current	Non-current	Current
Liabilities to banks and other loans	1,081,247	159,428	1,071,732	131,533
Liabilities from mezzanine capital	150,000	6,000	150,000	6,800
Derivatives with negative fair value	74,521	0	62,320	0
Liabilities from debenture bonds	71,341	349	72,769	321
Liabilities from registered bonds	59,589	613	59,552	613
Liabilities from listed notes	26,088	2,086	31,895	2,485
Liabilities from bearer bond	19,813	448	0	0
Liabilities from contingent consideration	0	609	0	609
Total	1,482,599	169,533	1,448,268	142,361

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, including exercised options, is three years for company cars, company bicycles and coffee machines, four years for photocopiers, between 10 and 35 years for land, between 6 and 29 years for buildings and between 18 and 22 years for power generation installations.

A number of the leases 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 sufficiently probable by considering all relevant factors that provide an economic incentive to exercise the option. Changes in lease terms as a result of extension or termination options are only taken into account if it is sufficiently certain that they will be exercised. In the case 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. They 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 leased 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. These purchase options were partially exercised in the 2021 financial year. As the exercise of the other existing purchase options is not sufficiently certain, they were not included in lease liabilities.

Many lease agreements contain variable lease payments. On the one hand, these are payments linked to indices (such as the consumer price index). These are taken into account in the lease liability in the amount of the currently payable indexed amount (i.e. excluding estimates of 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 conditions are used primarily to minimise fixed costs. Fully revenue-dependent payments are not included in the lease liability, but are recognised in the statement of comprehensive income in the period in which they are incurred.

The leased assets themselves serve as collateral for the lessor. In some cases, collateral has also been agreed as part of the lease agreements. Apart from this, the agreement 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 right-of-use assets recognised for each asset class as at 31 December 2021:

Right-of-use assets in TEUR	31.12.2021	31.12.2020
Land	204,355	189,509
Buildings	7,467	4,894
Power generation installations	29,444	35,269
Vehicles	147	178
Total	**241,413**	**229,850**

The additions to right-of-use assets in the 2021 financial year amounted to TEUR 30,589 (previous year: TEUR 23,766) and mainly resulted from company acquisitions. In addition, there were disposals of right-of-use assets totalling TEUR 9,563 in the 2021 financial year. These are mainly due to the deconsolidation of the wind parks in Austria (TEUR 5,650) and the exercise of purchase options for leased power generation installations at four Italian solar parks (TEUR 3,509). As a result, the previously leased power generation installations were reclassified as power generation installations owned by Encavis.

Lease liabilities as at 31 December 2021 are as follows:

Lease liabilities in TEUR	31.12.2021	31.12.2020
Non-current	176,068	181,723
Current	10,628	11,315
Total	**186,696**	**193,039**

In the 2021 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. – 31.12.2021	01.01. – 31.12.2020
Depreciation of right-of-use assets	12,881	9,430
of which for land	*9,961*	*6,496*
of which for buildings	*714*	*700*
of which for power generation installations	*2,108*	*2,129*
of which for vehicles	*98*	*106*
Interest expense from interest added to lease liabilities	6,941	6,650
Expenses in connection with short-term leases	29	0
Expenses in connection with low-value leased assets	31	18
Variable lease payments	592	484
Total	**20,473**	**16,582**

In addition, other income includes TEUR 1,940 from the exercise of purchase options for leased power generation installations.

Cash outflows resulting from leases (including variable lease payments and payments for low-value and short-term leases) totalled TEUR 26,270 in the 2021 financial year (previous year: TEUR 16,543). The increase compared to the previous year is essentially due to the cash outflows associated with the exercise of purchase options for leased power generation installations.

6.17 Provisions

TEUR 86,180

Previous year: TEUR 74,644

Provisions are comprised as follows:

Provisions in TEUR	31.12.2021		31.12.2020	
	Non-current	Current	Non-current	Current
Provisions for asset retirement obligations	72,146	0	60,234	0
Provisions for personnel expenses	844	7,052	1,803	7,696
Other provisions	29	6,110	29	4,884
Total	73,018	13,162	62,065	12,579

Provisions for asset retirement obligations include the estimated cost for the demolition and clearing of an asset and restoration of 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 leases, which ranges from 8.25 to 30 years. In determining the actual asset retirement costs, an average inflation rate of 2 % was assumed (previous year: 2 %). The discount on the provisions is unwound each year to reflect present value. Expenses from the unwinding of the discount in the 2021 financial year were TEUR 130 (previous year: TEUR 62).

The provisions for personnel expenses largely comprise employee bonuses and bonuses for the Management Board, as well as share options. Other provisions contain a large number of minor items. The corresponding outflows are predominantly expected within one year.

Changes in provisions were as follows:

Statement of changes in provisions in TEUR	As at 01.01.2021	Consumption	Additions	Reversals	Changes in the scope of consolidation, currency adjustments, unwinding of discounts, reclassifications	As at 31.12.2021
Provisions for asset retirement obligations	60,234	0	0	0	11,912	72,146
Provisions for personnel expenses	9,498	-8,423	7,039	-218	0	7,896
Other provisions	4,912	-3,999	5,520	-173	-122	6,138
Total	74,644	-12,422	12,559	-391	11,790	86,180

6.18 Trade payables

TEUR 28,686

Previous year: TEUR 16,043

Trade payables are comprised as follows:

Trade payables in TEUR	31.12.2021	31.12.2020
Supplier invoices received	25,293	13,468
Deferred supplier invoices	3,393	2,575
Total	28,686	16,043

The increase is primarily attributable to the expansion of the existing portfolio of solar and wind parks.

6.19 Other liabilities

TEUR 33,506

Previous year: TEUR 21,974

Other liabilities are attributable to the following items:

Other liabilities in TEUR

	31.12.2021		31.12.2020	
	Non-current	Current	Non-current	Current
Income tax liabilities	0	15,614	0	10,714
Other tax liabilities	0	5,053	0	1,677
Deferred income (interest rate advantage)	3,460	1,606	4,538	1,949
Liabilities relating to personnel and welfare	0	1	0	3
Other	2,384	5,386	2,003	1,091
Total	5,845	27,661	6,540	15,433

Deferred income largely relates to the interest rate advantage from the subsidised loans from the KfW Group granted 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 of the existing solar parks and wind parks and the expansion of the portfolio. The Group's reportable segments are PV Parks, PV Service, Wind Parks and Asset Management, as well as the non-reportable segment Administration. The latter 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 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 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 activity of this segment is the technical management of solar parks owned by the Group and by third parties. The revenue generated by this segment mainly comes from plant operation charges.

Wind Parks
The Wind Parks segment includes all wind parks in Germany, Italy, France, Austria, Denmark and Finland as well as 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 comprises the business activities of Encavis GmbH in the area of asset management as well as other companies that are active in this area, in particular Encavis Asset Management AG.

This segment's main business activity is the provision of commercial services for the managed third-party portfolio as well as consulting services such as setting up funds for professional investors and offering tailored and structured renewable energy investments for these groups of investors. After structuring these portfolios, Encavis provides asset management services for institutional funds and other investment vehicles used by professional investors and the operating companies owned by them.

Administration
The Group-wide activities of Encavis AG and Encavis GmbH are presented separately 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. The Administration segment is included in the section on other companies and Group functions.

Segment reporting generally uses the same recognition and measurement methods as in the consolidated financial statements, adjusted for purely measurement-related, non-cash effects. Segment reporting is based on internal reporting by operating KPIs.

Intersegment transactions are conducted on arm's-length terms.

The following table contains information on the business segments of the Group for the 2021 and 2020 financial years:

In TEUR	Wind Parks	PV Parks	PV Service	Asset Management
Revenue	77,885	234,730	4,386	19,899
(previous year)	(77,525)	(198,459)	(4,609)	(16,467)
Operating earnings before interest, taxes, depreciation and amortisation (operating EBITDA)	63,408	192,238	1,263	8,523
(previous year)	(62,332)	(160,970)	(4,211)	(6,717)
Operating EBITDA margin (%)	81%	82%	29%	43%
(previous year)	(80%)	(81%)	(91%)	(41%)
Operating depreciation and amortisation	-27,987	-77,790	0	-554
(previous year)	(-26,283)	(-65,052)	(-5)	(-585)
Operating earnings (operating EBIT)	35,421	114,449	1,263	7,969
(previous year)	(36,049)	(95,918)	(4,206)	(6,132)

In TEUR	Total of reportable operating segments	Other companies and Group functions	Reconciliation	Total
Revenue	336,899	916	-5,112	332,703
(previous year)	(297,060)	(3)	(-4,763)	(292,300)
Operating earnings before interest, taxes, depreciation and amortisation (operating EBITDA)	265,433	-9,060	25	256,398
(previous year)	(234,231)	(-9,590)	(179)	(224,819)
Operating EBITDA margin (%)	79%	-	-1%	77%
(previous year)	(79%)	-	(-4%)	(77%)
Operating depreciation and amortisation	-106,331	-1,031	15	-107,347
(previous year)	(-91,925)	(-750)	(15)	(-92,661)
Operating earnings (operating EBIT)	159,101	-10,091	40	149,050
(previous year)	(142,305)	(-10,341)	(193)	(132,158)

The timing of revenue recognition in the segment reporting is based on the relevant period.

Revenue with third parties is attributed to the individual operating segments and Administration as follows:

Revenue by segment

	In TEUR	Share in %
PV Parks		
2021	234,730	70.6
(previous year)	(198,459)	(67.9)
Wind Parks		
2021	77,885	23.4
(previous year)	(77,525)	(26.5)
Asset Management		
2021	19,033	5.7
(previous year)	(15,964)	(5.5)
PV Service		
2021	139	0.0
(previous year)	(350)	(0.1)
Administration		
2021	916	0.3
(previous year)	(3)	(0.0)
Total		
2021	**332,703**	**100.0**
(previous year)	**(292,300)**	**(100.0)**

The Encavis Group is not reliant on major customers as defined in IFRS 8.34.

The primary assets (intangible assets and property, plant and equipment) are distributed across the individual regions as follows:

Revenue and non-current assets by region

	Revenue in TEUR	Share in %	Non-current assets in TEUR	Share in %
Germany				
2021	128,094	38.5	912,072	34.8
(previous year)	(128,232)	(43.9)	(951,591)	(39.7)
Italy				
2021	65,966	19.8	385,415	14.7
(previous year)	(59,615)	(20.4)	(414,038)	(17.3)
France				
2021	44,564	13.4	356,243	13.6
(previous year)	(46,095)	(15.8)	(374,431)	(15.6)
Spain				
2021	38,573	11.6	492,125	18.8
(previous year)	(2,343)	(0.8)	(198,000)	(8.3)
United Kingdom				
2021	20,096	6.0	143,845	5.5
(previous year)	(17,233)	(5.9)	(142,458)	(5.9)
Denmark				
2021	15,420	4.6	167,715	6.4
(previous year)	(20,032)	(6.9)	(154,110)	(6.4)
Netherlands				
2021	10,077	3.0	135,120	5.2
(previous year)	(12,257)	(4.2)	(103,644)	(4.3)
Austria				
2021	6,892	2.1	0	0.0
(previous year)	(6,489)	(2.2)	(57,601)	(2.4)
Finland				
2021	3,022	0.9	28,737	1.1
(previous year)	(0)	(0.0)	(0)	(0.0)
Ireland				
2021	0	0.0	0	0.0
(previous year)	(4)	(0.0)	(0)	(0.0)
Total				
2021	**332,703**	**100.0**	**2,621,272**	**100.0**
(previous year)	**(292,300)**	**(100.0)**	**(2,395,874)**	**(100.0)**

Reconciliation of adjusted operating EBITDA

Adjusted operating EBITDA is reconciled to earnings before taxes (EBT) as follows:

In TEUR	Notes	2021	2020
Adjusted operating EBITDA		**256,398**	**224,819**
Other non-operating income		24,031	4,111
Other non-operating expenses		-137	-516
Share-based remuneration (non-cash)		0	-9
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**280,292**	**228,405**
Depreciation and amortisation	5.6	-151,445	-136,580
Financial result	5.7	-45,728	-64,486
Earnings before taxes (EBT)		**83,119**	**27,339**

In order to reconcile adjusted operating EBIT to earnings before taxes (EBT), the amortisation and impairment of intangible assets (electricity feed-in contracts) and goodwill acquired in the course of business combinations amounting to TEUR 47,052 (previous year: TEUR 50,690) and the subsequent measurement of the identified hidden reserves/charges from step-ups for property, plant and equipment acquired in the course of business combinations amounting to TEUR -2,955 (previous year: TEUR -6,771) must be taken into account in addition to the adjustments mentioned in the reconciliation. In order to reconcile adjusted operating EBT to earnings before taxes (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 -15,977 (previous year: TEUR 8,816) must be taken into account in addition to the adjustments mentioned in the reconciliation and the aforementioned adjustments.

8 Additional disclosures related to financial assets and liabilities

Carrying amounts, recognised amounts and fair value according to classes and measurement categories under IFRS 9

Classes of financial instruments in TEUR		Carrying amount under IFRS 9					
	Measurement category under IFRS 9*	Carrying amount as at 31.12.2021 (31.12.2020)	Amortised cost	Fair value through other comprehensive income	Fair value through profit or loss	Carrying amount under IAS 28	Fair value as at 31.12.2021 (31.12.2020)
Financial assets							
Non-current financial assets	FVPL	3,639			3,639		3,639
(31.12.2020)		(2,434)			(2,434)		(2,434)
Financial assets accounted for using the equity method	n/a	15,233				15,233	15,233
(31.12.2020)		(12,521)				(12,521)	(12,521)
Non-current receivables from contingent consideration	FVPL	325			325		325
(31.12.2020)		(453)			(453)		(453)
Current receivables from contingent consideration	FVPL	1,655			1,655		1,655
(31.12.2020)		(0)			(0)		(0)
Trade receivables	AC	47,731	47,731				47,731
(31.12.2020)		(46,730)	(46,730)				(46,730)
Other non-current receivables	AC	3,930	3,930				3,930
(31.12.2020)		(2,900)	(2,900)				(2,900)
Other current receivables	AC	4,235	4,235				4,235
(31.12.2020)		(3,024)	(3,024)				(3,024)
Loans to associated entities and other loans	AC	1,236	1,236				1,236
(31.12.2020)		(70,677)	(70,677)				(70,677)
Liquid assets	AC	444,639	444,639				444,639
(31.12.2020)		(230,997)	(230,997)				(230,997)
Derivative financial assets							
Derivatives in a hedging relationship (swap)	FVOCI	1,047		1,047			1,047
(31.12.2020)		(1,094)		(1,094)			(1,094)
Derivatives not in a hedging relationship (swap, forward exchange contract)	FVPL	798			798		798
(31.12.2020)		(1,691)			(1,691)		(1,691)

* 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 financial assets, loans to associated entities and other loans have been aggregated and presented under the line item for financial assets in the balance sheet. The financial liabilities were presented here separately in the following categories compared to the balance sheet: financial liabilities, liabilities from contingent consideration, other financial liabilities, derivatives in a hedging relationship and derivatives not in a hedging relationship.

Classes of financial instruments in TEUR			Carrying amount under IFRS 9				
	Measurement category under IFRS 9*	Carrying amount as at 31.12.2021 (31.12.2020)	Amortised cost	Fair value through other comprehensive income	Fair value through profit or loss	Carrying amount under IFRS 16	Fair value as at 31.12.2021 (31.12.2020)
Financial liabilities							
Trade payables	AC	28,686	28,686				28,686
(31.12.2020)		(16,043)	(16,043)				(16,043)
Financial liabilities	AC	1,576,959	1,576,959				1,703,341
(31.12.2020)		(1,527,232)	(1,527,232)				(1,738,163)
Lease liabilities**	n/a	186,696				186,696	-
(31.12.2020)		(193,039)				(193,039)	(-)
Liabilities to non-controlling interests	AC	36,871	36,871				36,871
(31.12.2020)		(43,463)	(43,463)				(43,463)
Current liabilities from contingent consideration	FVPL	609			609		609
(31.12.2020)		(609)			(609)		(609)
Other financial liabilities	AC	43	43				43
(31.12.2020)		(469)	(469)				(469)
Derivative financial liabilities							
Derivatives in a hedging relationship (swap)	FVOCI	20,960		20,960			20,960
(31.12.2020)		(31,998)		(31,998)			(31,998)
Derivatives not in a hedging relationship (swap, forward exchange contract)	FVPL	3,316			3,316		3,316
(31.12.2020)		(6,517)			(6,517)		(6,517)
Derivatives in a hedging relationship (PPA)	FVOCI	50,238		50,238			50,238
(31.12.2020)		(23,805)		(23,805)			(23,805)
Of which aggregated by measurement categories pursuant to IFRS 9							
Financial assets measured at amortised cost	AC	501,770	501,770				501,770
(31.12.2020)		(354,328)	(354,328)				(354,328)
Financial assets measured at fair value through profit or loss	FVPL	6,417			6,417		6,417
(31.12.2020)		(4,578)			(4,578)		(4,578)
Financial liabilities measured at amortised cost	AC	1,642,559	1,642,559				1,768,941
(31.12.2020)		(1,587,207)	(1,587,207)				(1,798,138)
Financial liabilities measured at fair value through profit or loss	FVPL	3,925			3,925		3,925
(31.12.2020)		(7,126)			(7,126)		(7,126)

** 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 31.12.2021 (31.12.2020) in TEUR	Level 1	Level 2	Level 3
Assets			
Non-current financial assets			3,639
(previous year)			(2,434)
Non-current receivables from contingent consideration			325
(previous year)			(453)
Current receivables from contingent consideration			1,655
(previous year)			(0)
Derivative financial assets:			
Derivatives in a hedging relationship (swap)		1,047	
(previous year)		(1,094)	
Derivatives not in a hedging relationship (swap, forward exchange contract)		798	
(previous year)		(1,691)	
Liabilities			
Current liabilities from contingent consideratio			609
(previous year)			(609)
Derivative financial liabilities:			
Derivatives in a hedging relationship (swap)		20,960	
(previous year)		(31,998)	
Derivatives not in a hedging relationship (swap, forward exchange contract)		3,316	
(previous year)		(6,517)	
Derivatives in a hedging relationship (PPA)		50,238	
(previous year)		(23,805)	

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 consideration carried at fair value in the consolidated balance sheet as well as the liabilities from contingent consideration 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 31.12.2021 (31.12.2020) in TEUR	Level 1	Level 2	Level 3
Liabilities			
Financial liabilities measured at amortised cost			
Financial liabilities		1,703,341	
(previous year)		(1,738,163)	

The following tables show the valuation techniques used to determine fair values.

Financial instruments measured at fair value

Type	Valuation technique	Significant, unobservable input factors
Non-current financial assets: mezzanine capital	Discounted cash flows: The fair values are determined on the basis of the future expected cash flows discounted using the standard observable market data of the corresponding yield curves	**Expected distributions** The estimated fair value of the mezzanine capital would increase (decrease) if the distributions were higher (lower) and/or were made at an earlier (later) date.
Interest rate swaps	Discounted cash flows: The fair values are determined on the basis of the future expected cash flows discounted using standard observable market data of the corresponding yield curves	Not applicable
Receivables from contingent consideration	Discounted cash flows on the basis of contractually fixed mechanisms	**Date of the addition of the other wind installations** The estimated fair value of the receivables from contingent consideration would increase (decrease) if the additional wind installations were added at an earlier (later) date **Tax benefit** The estimated fair value of the receivable from contingent consideration would increase (decrease) if the tax benefit were higher (lower) **Generation of additional revenue** The estimated fair value of the receivable from contingent consideration would increase (decrease) if the additional revenue of the wind installations from electricity production were higher (lower)
Liabilities from contingent consideration	Discounted cash flows on the basis of contractually fixed mechanisms	**Performance of the installations** The estimated fair value of the 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 technique	Significant, unobservable input factors
Financial liabilities	Discounted cash flows: The fair values are determined on the basis of the future expected cash flows discounted with equivalent terms using 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 Level 3 assets and liabilities regularly measured at fair value.

In TEUR	2021	2020
Non-current financial assets		
As at 01.01	2,434	4,353
Additions	1,492	442
Disposals	-88	-1,123
Unrealised profit (+)/loss (-) in consolidated earnings	-200	-1,470
Realised profit (+)/loss (-) in consolidated earnings	0	233
As at 31.12	**3,639**	**2,434**
Non-current liabilities from contingent consideration		
As at 01.01	0	604
Unrealised profit (-)/loss (+) in consolidated earnings	0	3
Maturity of reclassifications	0	-607
As at 31.12	**0**	**0**
Current liabilities from contingent consideration		
As at 01.01	609	0
Maturity of reclassifications	0	607
Unrealised profit (-)/loss (+) in consolidated earnings	0	2
As at 31.12	**609**	**609**
Non-current receivables from contingent consideration		
As at 01.01	453	135
Additions	0	311
Maturity of reclassifications	-135	0
Unrealised profit (+)/loss (-) in consolidated earnings	7	7
As at 31.12	**325**	**453**
Current receivables from contingent consideration		
As at 01.01	0	0
Additions	1,520	0
Maturity of reclassifications	135	0
As at 31.12	**1,655**	**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. Interest of TEUR 3 was added to the liability during the 2020 financial year and the liability was subsequently reclassified as current because payment was expected to be made within the next 12 months. This resulted in additional interest of TEUR 2 being added. The earn-out liability was once again classified as current in the 2021 financial year. The Group expects payment to be made within the current financial year.

The long-term earn-out receivable of TEUR 311 was recognised in connection with the sale of Stern Energy GmbH in the 2020 financial year, since the purchase price may increase depending on the usability of tax losses for the acquirer of the company. Interest of TEUR 7 was added to the receivable in the course of both the 2020 and 2021 financial years.

In the 2021 financial year, the earn-out receivable from the acquisition of the wind park UGE Markendorf Eins GmbH & Co. KG Umweltgerechte Energie from the 2017 financial year was reclassified from non-current earn-out receivables to current earn-out receivables with a value of TEUR 135, as payment is expected to be made within the current financial year.

In the course of the sale of the Austrian wind park portfolio in December 2021, a contingent purchase price receivable of TEUR 1,520 was recognised as a current earn-out receivable. The amount of the additional payment depends on the additional revenue generated by the wind installations in the first quarter of 2022 compared to the subsidy rates. The Group expects the payment to be made within the first half of the current financial year.

The following table shows the net gains and losses from financial instruments taken into account in the statement of comprehensive income, pursuant to IFRS 9 and broken down by measurement category:

In TEUR	Measurement category	From interest, dividends (through profit or loss)	From subsequent measurement at fair value (through profit or loss)	From subsequent measurement (other) (through profit or loss)	From the allocation of other comprehensive income (through other comprehensive income)	Net result
Financial assets						
Measured at amortised cost	AC	59		0	0	59
(previous year)		(7,743)		(-3,736)	(28,755)	(32,762)
Financial instruments measured at fair value through profit or loss	FVPL		-193			-193
(previous year)			(-1,465)			(-1,465)
Ineffective portion of derivatives in a hedging relationship (swap)	FVPL		-491			-491
(previous year)			(204)			(204)
Derivatives not in a hedging relationship (swap)	FVPL		2,671			2,671
(previous year)			(30)			(30)
Financial liabilities						
Measured at amortised cost	AC	-51,530				-51,530
(previous year)		(-46,391)				(-46,391)
Financial instruments measured at fair value through profit or loss	FVPL		0			0
(previous year)			(-5)			(-5)
Ineffective portion of derivatives in a hedging relationship (swap)	FVPL		1,617			1,617
(previous year)			(451)			(451)
Ineffective portion of derivatives in a hedge relationship (PPA)	FVPL		1,630			1,630
(previous year)			(-140)			(-140)
Derivatives not in a hedging relationship (swap)	FVPL		2,521			2,521
(previous year)			(-1,708)			(-1,708)
2021		-51,471	7,755	0	0	-43,716
(previous year)		(-38,648)	(-2,633)	(-3,736)	(28,755)	(-16,262)

The net gains and losses from financial instruments pursuant to IFRS 9 comprise measurement gains and losses, the recognition and reversal of impairment losses as well as interest and all other effects on profit or loss from financial instruments. Components of net income from financial instruments recognised in profit or loss are usually included in the financial result. The effects recognised in the category “Financial assets measured at amortised cost” as “from the allocation of other comprehensive income (through other comprehensive income)” represent the remaining earnings allocations transferred to the loans in accordance with equity-method accounting, which increased these earnings allocations by TEUR 28,755 through other comprehensive income. In addition, a reduction of TEUR 3,736 was recognised in profit or loss in the 2020 financial year via net income from financial assets accounted for using the equity method. In the first half of the 2021 financial year, the Genia Extremadura Solar S.L.U. solar park (Talayuela) was transferred from assets accounted for using the equity method to full consolidation following its commissioning. This did not have any effect on the items recognised in profit or loss or in other comprehensive income. The item “Derivatives not in a hedging relationship” contains gains and losses from instruments which are not designated as hedging instruments as part of a hedging relationship in accordance with IFRS 9. The item “Ineffective portion of derivatives in a hedging relationship (swap)” includes the effects on profit or loss from the ineffective portion of the financial instruments designated as hedging instruments pursuant to IFRS 9, the measurement of forward exchange contracts and the effects on profit or loss – which were recycled from the hedge reserve to other reserves – for financial instruments that are no longer effective. The ineffective portion from the PPA is reported separately in the item “Ineffective portion of derivatives in a hedging relationship (PPA)”. Net gains or losses for this item do 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	2021	2020
Interest income	6,745	14,976
Interest expenses	-59,587	-57,377
Total	**-52,842**	**-42,401**

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 at the balance sheet date, the Group held a total of 93 (31 December 2020: 100) interest rate 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 at the reporting date, the average (volume-weighted) fixed interest rate and the fair value. The Group differentiates between interest rate swaps that are part of an effective hedging relationship pursuant to IFRS 9 and those that are not.

In TEUR	31.12.2021	31.12.2020
Nominal volume	677,438	531,670
Of which in a hedging relationship	*423,427*	*394,479*
Of which not in a hedging relationship	*254,011*	*137,191*
Average interest rate in %	1.44	1.78
Average remaining term in years	8.16	8.49
Fair value	-22,418	-35,888
Of which in a hedging relationship	*-19,913*	*-30,904*
Of which not in a hedging relationship	*-2,505*	*-4,984*

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	31.12.2021	31.12.2020	31.12.2021
Hedging interest rate and currency risk						
Interest rate and currency swaps (GBP)	0	0	24,101	24,101	23,645	4.90%
Hedging interest risk						
Interest rate swaps	1,860	0	397,466	399,326	370,835	1.46%
Hedging currency risk						
Forward exchange contracts (GBP)	1,515	0	0	1,515	2,748	
Hedging price risk						
PPA	27,128	107,425	104,917	239,469	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
	31.12.2021	31.12.2021	31.12.2021	31.12.2021
Hedging interest rate and currency risk				
Interest and currency swaps				
Derivative assets	414	Other receivables	268	5,979
Derivative liabilities	-357	Non-current financial liabilities	-614	18,122
Hedging interest rate risk				
Interest rate swaps				
Derivative assets	633	Other receivables	1,469	133,071
Derivative liabilities	-20,603	Non-current financial liabilities	-8,494	266,255
Hedging price risk				
PPA				
Derivative liabilities	-50,238	Non-current financial liabilities	2,167	239,469

The following table contains information on profit and loss from cash flow hedges:

In TEUR				Reclassifications from the hedge reserve to the income statement		
	Gains or losses from CFH recognised in equity	Ineffectiveness recognised in the income statement	Item in the statement of comprehensive income in which the ineffectiveness recognised is included	Due to premature termination of 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
	31.12.2021	31.12.2021	31.12.2021	31.12.2021	31.12.2021	31.12.2021
Hedging interest rate and currency risk	-902	20	Financial expenses/ financial income	0	0	Financial expenses/ financial income
Hedging interest rate risk	10,143	1,300	Financial expenses/ financial income	-34	2,772	Financial expenses/ financial income
Hedging price risk	1,637	1,630	Other expenses/ other income	0	859	Other expenses/ other income

The change in the market value of swaps that are not in a hedging relationship was recognised as income of TEUR 5,191 through profit or loss (previous year: expenses of TEUR 1,678).

The following table shows the hedged items for cash flow hedges:

In TEUR	Change in value during the period of the hedged item to determine ineffectiveness	Balance of hedge reserve and currency reserve for active cash flow hedges	Balance of hedge reserve and currency reserve for terminated cash flow hedges
	2021	31.12.2021	31.12.2021
Hedging interest rate and currency risk			
Designated components	365	-345	
Non-designated components		-5	
Hedging interest rate risk			
Designated components	13,170	-9,815	205
Non-designated components			
Hedging price risk			
Designated components	430	676	
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 the acquisition financing, the risk of fluctuations results primarily from the financing of 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 at 31 December 2021, earnings before taxes would have been TEUR 166 (previous year: TEUR 216) lower. If the market interest rate level had been 100 basis points lower as at 31 December 2021, earnings before taxes would have been TEUR 17 (previous year: TEUR 53) higher.

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 current consolidated earnings. However, a change in market expectations regarding interest rates causes a change in the measurement 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 hedge 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 the market interest rate level as at 31 December 2021 had been 100 basis points higher, earnings before taxes would have been TEUR 11,627 (previous year: TEUR 7,611) higher and the hedge reserve in equity before taxes would have been TEUR 15,554 (previous year: TEUR 15,830) higher. If the market interest rate level as at 31 December 2021 had been 100 basis points lower, earnings before taxes would have been TEUR 12,104 (previous year: TEUR 7,598) lower and the hedge reserve in equity before taxes would have been TEUR 17,432 (previous year: TEUR 18,156) lower. This is due to the fact that an increase (decrease) in the market interest rate level as at 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.

For hedging relationships involving interest rate swaps, the Encavis Group is exposed to uncertainties resulting from the IBOR reform, which may affect the timing and amount of the IBOR-based cash flows or the hedged risk of the hedged item or hedging instrument.

The Group applies the practical expedients allowed in connection with the amendments to the standard – irrespective of the remaining term of the hedged items and hedging instruments included in the hedging relationships – to all hedging relationships affected by the aforementioned uncertainties arising from the IBOR reform.

The uncertainties relate to the GBP LIBOR reference rate. In cash flow hedges used to hedge against risks arising from changes in future cash flows, the uncertainty relates to the highly probable requirement for hedged future variable cash flows.

The change from the GBP LIBOR reference interest rate to GBP SONIA in the loan and swap agreements will take place by means of an adjustment agreement entered into with the lending bank with effect from 1 January 2022. In the Encavis Group, eleven GBP loans as well as the eleven hedging instruments corresponding to the loans, each with a nominal volume of TEUR 34,475, are affected by the change in the reference interest rate as at 31 December 2021.

No material adverse effects are expected for the Encavis Group as a result of the change in the reference interest rate.

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 equity would decrease by TEUR 7,070 (previous year: TEUR 6,628). This is due to the fact that, from a Group perspective, the existing receivables must be adjusted by the currency translation loss. If the euro were to fall by 10 % against the British pound, annual earnings and equity would increase by TEUR 8,641 (previous year: TEUR: 8,101).

The exchange rate risk associated with interest and principal payments made by British subsidiaries in the Group's functional currency (euro) is hedged by 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 currently exist in the Encavis Group.

Creditworthiness risk

Creditworthiness risk is reduced to a large extent by strict requirements regarding the financial strength of issuers. This principle is reflected by the fact that fixed-income securities are restricted to investment-grade instruments. As at the balance sheet date, Encavis only holds fixed-income securities in the form of government bonds issued by the European Union and by Germany, France, Belgium and the Netherlands with short remaining terms and at least an AA rating. Default risk as a form of creditworthiness risk is considered by Encavis to be low due to the high creditworthiness of the issuers.

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 Spanish solar parks and a Danish solar park. In order to minimise the risk profile, the company has therefore concluded long-term power purchase agreements (PPAs) with reputable private sector customers that provide for fixed prices for a large proportion 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 that 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. If there are objective indications of impairment, impairment losses are also recognised on a case-by-case basis. Such indications exist if the invoices for the kilowatt-hours produced, which are generally issued by the purchased, are not issued or not paid within the agreed periods. In addition, other objective indications such as insolvency are continuously monitored. If trade receivables become past due, the corresponding items are examined again in detail and, if necessary, an additional impairment loss is recognised. In the reporting period, the default rate for trade receivables was 0 % (previous year: 0 %).

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 default risks. In particular, there was a separation between public 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 area of electricity buyers.

In the 2021 financial year, impairments of trade receivables increased by TEUR 246 to TEUR 472.

Loans to associated entities and other loans as well as other current receivables

As the Group deems that loans issued and other current receivables have a generally low default risk, it has recognised a loss allowance for these items in the amount of the expected 12-month losses on receivables. The loss allowance amounted to TEUR 49 as at the reporting date (previous year: TEUR 1,829). The significant year-on-year decrease is mainly due to the decline in the balance sheet item “Loans to associated entities” in connection with the now fully consolidated Spanish company Genia Extremadura Solar S.L.U.

Material estimation uncertainties and judgements

Impairment losses on financial assets are based on estimates of loan defaults and expected default rates. The Group exercises judgement when 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

The closing balance of the impairment losses on trade receivables, as well as on loans and other current receivables, is reconciled to the opening balance of the impairment losses as follows and adjusted up to the end of the financial year:

In TEUR	Trade receivables		Other loans and short-term receivables	
	2021	2020	2021	2020
1 January	226	167	1,829	2,585
Change in impairments for credit losses recognised in profit or loss for the financial year	246	59	-1,781	-756
31 December	472	226	49	1,829

No amounts were written off as unrecoverable and no impairments recognised were utilised in the financial year. The changes in the impairments recognised relate exclusively to the fluctuation in the amount of receivables between the beginning of the year and the end of the year as well as to the development of the underlying interest rate parameters for the individual country portfolios.

The maximum default 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 default risk. As these financial assets are recognised at market value, they are measured using other market parameters rather than on the basis of the impairment model. The Encavis Group does not currently hold any collateral that would mitigate the aforementioned default 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 default risk would be adjusted. This was not necessary as at 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 credit commitments or financial guarantees.

In TEUR	Stage 1	Stage 2	Stage 3	Simplified approach	Stage 4
	12-month ECL	Total-term ECL (not impaired)	Total-term ECL (impaired)	Total-term ECL	Impaired assets purchased/held
Credit risk rating grade 1: receivables not at risk of default	2,133			48,203	
Credit risk rating grade 2: receivables at risk of default					
Credit risk rating grade 3: defaulted receivables					
Total	2,133			48,203	
(previous year)	(73,349)			(46,956)	

Liquidity risk

Liquidity risk describes the risk that the Group is unable to meet its obligations as they fall due. Financial liabilities did not pose any liquidity risk as the Group held cash and cash equivalents of TEUR 394,228 as at the balance sheet date (previous year: TEUR 167,489). The Group also receives cash flows from the solar parks and wind parks in operation; there is a high degree of certainty that these cash flows can be expected to comfortably service the interest payments, principal repayments and the related financial liabilities on the basis of equivalent terms. Ultimately, the Management Board is responsible for liquidity risk management and has established an appropriate concept for managing short-, medium- and long-term financing and liquidity requirements. The Group manages liquidity risks by holding suitable reserves and constantly monitoring forecast and actual cash flows, as well as by 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 at 31 December 2021 (31 December 2020) influence the Group's future liquidity situation.

Type of liabilities in TEUR	Carrying amount as at 31.12.2021 (31.12.2020)	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	28,686	28,686	0	0
(previous year)	(16,043)	(16,043)	(0)	(0)
Financial liabilities	1,576,959	221,307	701,585	856,535
(previous year)	(1,527,232)	(221,457)	(729,995)	(876,300)
Lease liabilities	186,696	16,636	66,877	175,953
(previous year)	(193,039)	(17,258)	(68,957)	(174,635)
Liabilities to non-controlling interests	36,870	102	0	36,768
(previous year)	(43,463)	(37)	(0)	(43,427)
Liabilities from contingent consideration	609	609	0	0
(previous year)	(609)	(609)	(0)	(0)
Other financial liabilities	43	43	43	0
(previous year)	(469)	(469)	(0)	(0)
Derivative financial liabilities				
Interest rate derivatives in a hedging relationship	20,960	4,027	13,320	6,823
(previous year)	(31,998)	(3,856)	(18,202)	(13,772)
Interest rate derivatives not in a hedging relationship	3,303	2,704	4,306	1,352
(previous year)	(6,517)	(1,623)	(5,632)	(3,470)
Forward exchange contracts	13	13	0	0
(previous year)	(0)	(0)	(0)	(0)
Other derivatives in a hedging relationship (PPA)	50,238	8,094	25,833	32,124
(previous year)	(23,805)	(640)	(8,545)	(25,656)

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. Parts of the liabilities to non-controlling interests may become due at any time as a result of a termination right with a 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. Cash flow from operating activities is presented using the indirect method.

Liquid assets consist exclusively of cash and bank balances as well as government bonds with high credit ratings and short remaining maturities. This includes debt service and project reserves of TEUR 50,410 (previous year: TEUR 63,507) that serve as collateral for the lending banks involved in 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 assets at Encavis AG, CSG IPP GmbH and other Group companies.

Reconciliation of the movement of liabilities to cash flows from financing activities

The development of liabilities from financing activities is measured in terms of cash and non-cash changes; classification as a component of cash flow from financing activities determines whether a change affects cash. 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 as at 01.01.2021	1,448,268	141,739	193,039	2,627	43,463	1,829,136
(Balance as at 01.01.2020)	(1,366,789)	(191,632)	(188,952)	(1,035)	(43,093)	(1,791,501)
Loan proceeds	166,863	70,940			153	237,957
(previous year)	(182,398)	(4,311)			(55)	(186,765)
Loan repayments	-232,694	-62,048			-151	-294,894
(previous year)	(-164,839)	(-32,945)			(-370)	(-198,154)
Repayment of lease liabilities			-19,021			-19,021
(previous year)			(-9,575)			(-9,575)
Interest paid	-1,929	-48,631	-6,573		-180	-57,313
(previous year)	(-4,895)	(-46,276)	(-6,530)		(-992)	(-58,693)
Payments to non-controlling interests					-730	-730
(previous year)					(-561)	(-561)
Proceeds from the sale of shares without change of control					0	0
(previous year)					(7,757)	(7,757)
Payments for the acquisition of shares without change of control					(-19,320)	-19,320
(previous year)					(-7,409)	(-7,409)
Cash-effective changes in cash flows	**-67,760**	**-39,739**	**-25,594**		**-20,229**	**-153,322**
(previous year)	**(12,664)**	**(-74,910)**	**(-16,104)**		**(-1,521)**	**(-79,871)**
Acquisition	153,014	9,761	15,405		18,109	196,289
(previous year)	(43,171)	(1,249)	(13,809)		(0)	(58,230)
Deconsolidation	-24,230	-3,520	-5,099		-7,882	-40,732
(previous year)	(0)	(0)	(0)		(-344)	(-344)
Exchange rate change	4,236	418	710	65		5,429
(previous year)	(-3,848)	(-253)	(-581)	(-57)		(-4,739)
Changes in fair value	-19,915			-826		-20,741
(previous year)	(11,222)			(1,649)		(12,870)
Reclassifications	-11,317	11,317				0
(previous year)	(22,892)	(-22,892)				(0)
Interest expenses		48,132	6,941		2,160	57,233
(previous year)		(46,802)	(6,650)		(1,021)	(54,473)
Additions of lease liabilities			52			52
(previous year)			(187)			(187)
Disposals of lease liabilities			-426			-426
(previous year)			(-158)			(-158)
Modifications and revaluations of lease liabilities			4,767			4,767
(previous year)			(1,744)			(1,744)
Valuation and other effects	303	-378	-3,098		1,249	-1,924
(previous year)	(-4,621)	(109)	(-1,460)		(1,213)	(-4,758)
Non-cash change	**102,091**	**65,730**	**19,251**	**-761**	**13,636**	**199,947**
(previous year)	**(68,816)**	**(25,017)**	**(20,191)**	**(1,592)**	**(1,891)**	**(117,507)**
Balance as at 31.12.2021	1,482,599	167,730	186,696	1,866	36,871	1,875,761
(31.12.2020)	(1,448,268)	(141,739)	(193,039)	(2,627)	(43,463)	(1,829,136)

The sum of the cash flows (loan proceeds, loan repayments, repayment of lease liabilities, interest paid, payments to non-controlling interests, proceeds from the sale of shares without change of control, payments for the acquisition of shares without change of control) reflects the corresponding components of cash flow from financing activities in the consolidated cash flow statement. In the 2021 financial year, TEUR 315 (previous year: TEUR 342) was allocated as a distribution to non-controlling interests in equity, which is why the payments to non-controlling interests differ from cash flow from financing activities by this amount. Proceeds from the sale of shares without change of control and payments for the acquisition of shares without change of control only reflect payments for the acquisition or sale of existing liabilities (shareholder loans and associated interest) from or to non-controlling interests. The additional amounts recognised in cash flow from financing activities comprise other payments, in particular for the acquisition of shares themselves or incidental purchase costs. The non-cash changes in liabilities were broken down into changes from acquisitions, deconsolidations, exchange rate changes, changes in fair value, reclassifications, interest expenses and other valuation effects not subsumed in other categories. Additions, disposals, modifications and revaluations of lease liabilities are also shown under non-cash changes in order to illustrate the effects of IFRS 16. Unlike the balance sheet item, current financial liabilities do not contain any current accounts held at banks because they are not for financing purposes. The current accounts held at banks are therefore included as a component of liquid assets in the opening and closing cash flows.

10 Contingent liabilities and other obligations

No right-of-use assets or lease liabilities are recognised in the balance sheet for short-term leases, leases with low-value underlying assets or variable, revenue-dependent lease payments. Further details can be found in chapters 3.24 and 6.16.

As at the balance sheet date, the Group therefore had the following off-balance-sheet obligations in connection with leases, excluding variable, revenue-dependent lease payments:

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	56	24	0
(previous year)	(28)	(37)	(0)

As at 31 December 2021, there are contingent liabilities of TEUR 218 (previous year: 218) resulting from rental guarantees.

Furthermore, Encavis AG has provided guarantees for affiliates and associated entities totalling TEUR 462 (previous year: TEUR 10,390). As at 31 December 2021, one guarantee was issued to a French subsidiary and one guarantee to a Finnish company. Cash collateral of TEUR 102 was deposited for these guarantees as at the balance sheet date. In addition, Encavis AG has issued a 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 8,500). Due to the financial situation of the companies, no claims under these guarantees and letters of comfort are expected to be made.

As part of the issue of the hybrid convertible bond, subordinated payment guarantees totalling TEUR 250,000 (previous year: TEUR 150,300) to the creditors of the bonds issued by Encavis Finance B.V., Rotterdam, Netherlands, existed as at the balance sheet date. In our opinion, Encavis Finance B.V. is likely to be able to settle the underlying liabilities. In light of this, no claims under these guarantees are 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 approximately TEUR 33,266 as at 31 December 2021 (previous year: TEUR 26,839). These obligations are reduced accordingly as further milestones are reached. No further obligations arise without the achievement of further milestones. No claims under these obligations are therefore expected.

11 Related parties disclosures

In the course of normal business, the parent company Encavis AG maintains relationships with subsidiaries and with other related companies (associated entities 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 to be disclosed in accordance with IAS 24 for management in key positions within the Group comprises the remuneration for active members of the Management Board and Supervisory Board. In addition to fixed remuneration and other fringe benefits, the members of the Management Board receive short-term variable remuneration in the form of an annual bonus as well as long-term variable remuneration in the form of share-based payment (details can be found in note 6.12). In return for their services, the members of the Supervisory Board receive fixed remuneration based on their membership of the individual committees, as well as attendance fees.

The active members of the Management Board and Supervisory Board were remunerated as follows:

Remuneration in TEUR	2021	2020
Short-term benefits	2,200	2,160
Long-term benefits (share-based payment)	1,208	2,649
Total remuneration	**3,408**	**4,809**

The total remuneration of the active members of the Management Board for the 2021 financial year pursuant to section 314 (1) No. 6a of the German Commercial Code (HGB) amounts to TEUR 2,919. The amount does not include any expenses for share options granted in the financial year, which are recognised at fair value at the grant date (in accordance with IFRS 2). As the share options from the 2021 tranche will be allocated to the Management Board at the Supervisory Board meeting on 29 March 2022, no expenses were recognised in this regard in the 2021 financial year. In the previous year, share options with a total value of TEUR 590 were issued, which were measured at their fair value at the grant date. As in the previous year, the members of the Management Board did not receive any loans or advances in the 2021 financial year.

At the meeting of the Supervisory Board on 29 March 2022, the Audit Committee proposed to the Supervisory Board that 64,516 SARs be allocated to each Management Board member from the SOP 2021.

The disclosure of share-based payment in the previous year also includes expenses for the share option programmes SOP 2012 and SOP 2017 as well as its successor programmes. The amount of the provision for cash-settled share-based payment for the members of the Management Board is TEUR 1,408 (previous year: TEUR 2,532)

Total remuneration recorded for the Supervisory Board amounts to TEUR 489 for the financial year. This figure includes the total remuneration for the Personnel Committee and the Audit Committee.

Associated entities

Transactions with associated entities 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 incl. interest	Services received	Receivables	Liabilities	Loans issued incl. interest
CHORUS IPP Europe GmbH	544		73		
Gnannenweiler Windnetz GmbH & Co. KG		40			
Pexapark AG		899		84	
Stern Energy S.p.A.	11	3,044		469	300
Stern PV 2 Srl	23				534
Stern PV 3 Srl*	4				434
Total	**582**	**3,982**	**73**	**553**	**1,267**
(previous year)	(8,243)	(2,165)	(41)	(127)	(73,492)

* Because the interest in Stern PV 3 Srl was acquired on 7 October 2021, only the business relationships will be reported from this date.

On 4 January 2021, Encavis gained control of Genia Extremadura Solar S.L.U. on the basis of contractual agreements. The company had previously been reported as an associated entity and has been included in the consolidated financial statements since this date as a result of full consolidation. There were no business transactions to report in the period from 1 January to the change of control on 4 January.

In October and December 2021, Encavis also acquired 95 % of the shares in each of the Italian development projects Stern PV 3 Srl and Stern PV 4 Srl, which, due to lack of control, are accounted for as associated entities until they reach ready-to-build status. There were no business transactions to report for Stern PV 4 Srl between the acquisition and 31 December 2021.

In December 2021, the shares in Pexapark AG were increased by TEUR 2,417 in the course of a capital increase. The shareholding now amounts to 19.85 % as at 31 December 2021.

Joint arrangements

The interest in Richelbach Solar GbR of TEUR 120 as at 31 December 2021 (previous year: TEUR 120) is classified as a joint operation in accordance with IFRS 11 due to the contractually agreed co-determination rights of the two solar parks involved. All decisions must be made unanimously. The shareholders only have joint power 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 at the reporting date, rental agreements 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 2021 financial year, the sum of the transactions with B&L Holzhafen West GmbH & Co. KG amounts to TEUR 792 (previous year: TEUR 768). As at 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 in place with PELABA Vermögensverwaltungs GmbH & Co. KG, a company related to Encavis Asset Management AG Supervisory Board member Peter Heidecker. The rental agreement had a fixed term until the end of 2019 and has been renewed automatically by one year each year since then, unless either of the parties terminates it with a notice period of six months. The agreement therefore runs until at least the end of 2022. The monthly rent is based on customary market conditions. In the 2021 financial year, the sum of the transactions with PELABA Vermögensverwaltung GmbH & Co. KG amounts to TEUR 153 (previous year: TEUR 147). As at the balance sheet date, there were no outstanding balances from transactions with PELABA Vermögensverwaltungs GmbH & Co. KG.

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 in the financial year have a dilutive effect on earnings per ordinary share. They lead to a weighted increase in the average number of issued shares by 1,179,615 ordinary shares. Profit for the period is increased by the share of the profit attributable to the hybrid capital investors in 2021 (TEUR 488) and corresponds to a total of TEUR 75,811.

	31.12.2021	31.12.2020
Consolidated earnings in (TEUR)	82,270	18,374
of which attributable to shareholders of Encavis AG (TEUR)	75,323	10,142
Weighted average number of ordinary shares used in the calculation of basic earnings per share	144,378,743	137,799,309
Earnings per share from continuing operations, basic (EUR)	**0.52**	**0.07**
Weighted average number of shares assumed to be issued for no consideration:		
Number of employee options	0	58,522
Weighted average number of shares that may arise from the conversion of equity instruments:		
Number of shares from the conversion of the hybrid convertible bond 2021	1,179,615	0
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	145,558,359	137,857,831
Proportion of consolidated earnings attributable to hybrid capital investors in 2021 (TEUR)	488	0
Earnings per share from continuing operations, diluted (EUR)	**0.52**	**0.07**

13 Management Board

The total remuneration granted to members of the Management Board in the financial year amounted to TEUR 1,711 (previous year: TEUR 2,275).

Information on other memberships of supervisory boards/advisory boards

Dr Dierk Paskert	The Mobility House AG, Zurich	Member of the Board of Directors
	Pexapark AG, Zurich	Member of the Board of Directors
	Encavis Asset Management AG, Neubiberg	Member of the Supervisory Board
Dr Christoph Husmann	Encavis Asset Management AG, Neubiberg	Chairman of the Supervisory Board

Specific information on the remuneration system as well as information on the individual remuneration of the members of the Management Board and the Supervisory Board will be disclosed for the first time for the 2021 financial year in a separately published remuneration report which will be presented at the latest at the 2022 Annual General Meeting.

14 Supervisory Board

The following changes in the composition of the Supervisory Board occurred in the financial year:

Mr Peter Heidecker resigned as a member of Encavis AG's Supervisory Board with effect from 27 May 2021. Dr Rolf Martin Schmitz was elected as his successor.

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 Dr Fritz Vahrenholt	Independent management consultant
	Christine Scheel	Independent management consultant
	Dr Henning Kreke	Entrepreneur
	Dr Marcus Schenck	Partner at Perella Weinberg Partners
	Dr Rolf Martin Schmitz	Former Chairman of RWE AG's Management Board

Information on other memberships of supervisory boards/advisory boards		
Dr Manfred Krüper	Power Plus Communication AG, Mannheim	Chairman of the Supervisory Board
	EQT Partners Beteiligungsberatung GmbH, Munich	Senior Advisor
	EEW Energy from Waste GmbH, Helmstedt	Member of the Supervisory Board
Alexander Stuhlmann	Euro-Aviation Versicherungs-AG, Hamburg (until August 2021)	Chairman of the Supervisory Board
	Ernst Russ AG, Hamburg	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 Technologies AG, Frankfurt	Member of the Supervisory Board
Albert Büll	BRUSS Sealing Systems GmbH, Hoisdorf (until June 2021)	Member of the Advisory Board
	noventic GmbH, Hamburg	Chairman of the Advisory Board
Professor Dr Fritz Vahrenholt	Aurubis AG, Hamburg	Chairman of the Supervisory Board
Christine Scheel	Barmenia Versicherungsgruppe, Wuppertal	Member of the Advisory Board
	Evangelische Bank eG, Kassel (since June 2021)	Member of the Sustainability Advisory 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
	Slyrs Destillerie GmbH & Co. KG, Schliersee (since May 2021)	Member of the Advisory Board
Dr Marcus Schenck	EQT Infrastructure, Stockholm, Sweden	Member of the Independent Advisory Board
Dr Rolf Martin Schmitz	E.ON SE, Essen	Member of the Supervisory Board
	TÜV Rheinland AG, Cologne	Member of the Supervisory Board
	KELAG-Kärntner Elektrizitäts-AG, Klagenfurt	Member of the Advisory Board
	Kärntner Energieholding Beteiligungs GmbH, Klagenfurt	Member of the 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 issued and is permanently available to shareholders on the company's website.

16 Auditor's fees and services

PricewaterhouseCoopers Gesellschaft mit beschränkter Haftung, Wirtschaftsprüfungsgesellschaft (PwC), a member of the German Chamber of Public Accountants (Wirtschaftsprüferkammer – WPK) in Berlin, has been the company's auditor since the 2016 financial year. The undersigned auditors are Mr Christoph Fehling and Mr Martin Zucker. The above-mentioned auditing firm has signed the financial statements for the sixth consecutive year.

The total fees for the auditor recognised as an expense in the 2021 financial year can be broken down as follows:

In TEUR	2021	2020
Audit services	581	594
of which for the previous year	*22*	*26*
Tax advice	0	26
Other services	30	25
Total	611	645

Audit services relate in particular to the annual and consolidated financial statements of Encavis AG and a subsidiary.

Other services primarily concern agreed examinations of financial information as well as services in connection with the documentation of transfer prices.

17 Events after the balance sheet date

The general situation regarding the Encavis Group's business activities did not change significantly between the balance sheet date of 31 December 2021 and the preparation of the annual and consolidated financial statements for 2021.

18 List of shareholdings pursuant to section 313 (2) HGB

In addition to Encavis AG, the following Group companies were included in the consolidated financial statements as at 31 December 2021:

Company	Registered office	Share in %
Fully consolidated Group companies		
Alameda S.R.L.	Bruneck, Italy	100.00
APOLLO SOLAR SRL[1)]	Bruneck, 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
Aton 19 S.r.l.[1)]	Bolzano, 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.	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.[3)]	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.	Bruneck, Italy	100.00
Centrale Eolienne de Bihy SARL	Vern-sur-Seiche, France	100.00
Centrale Fotovoltaica Camporota S.R.L.	Bruneck, Italy	100.00
Centrale Fotovoltaica Santa Maria in Piana S.R.L.	Bruneck, Italy	100.00
Centrale Fotovoltaica Treia 1 S.A.S. di Progetto Marche S.R.L.	Bruneck, Italy	100.00
Centrale Photovoltaique d’Avon – les – Roches SAS	Paris, France	100.00
Centrale Photovoltaique S-au-S06 SARL	Castelnau-le-Lez, 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	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Bockelwitz KG	Neubiberg, Germany	100.00

Company	Registered office	Share in %
CHORUS CleanTech GmbH & Co. Solarpark Burgheim KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Denkendorf KG	Neubiberg, Germany	100.00
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 Nardò 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

Company	Registered office	Share in %
CPV Bach SARL	Castelnau-le-Lez, France	100.00
CPV Entoublanc SARL	Castelnau-le-Lez, France	100.00
CPV Sun 20 SARL	Castelnau-le-Lez, France	100.00
CPV Sun 21 SARL	Castelnau-le-Lez, France	100.00
CPV Sun 24 SARL	Castelnau-le-Lez, 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.	Valencia, Spain	100.00
DE-Stern 10 S.R.L.	Bolzano, Italy	100.00
DMH Treuhand Vermögensverwaltung GmbH	Neubiberg, Germany	100.00
Encavis – Wien Energie Komplementär GmbH[1)]	Vienna, Austria	51.00
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	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.U.	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 Solar Denmark ApS[1)]	Roskilde, Denmark	100.00
Encavis Solar Netherlands B.V.[1)]	Rotterdam, Netherlands	100.00
Encavis Solar Projects Holding GmbH[1)]	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 DE 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

Company	Registered office	Share in %
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
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.	Bruneck, Italy	100.00
Genia Extremadura Solar S.L.U.[1)2)]	Valencia, Spain	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
Green Energy 034 GmbH & Co. KG[1)]	Singen Hohentwiel, Germany	100.00
GreenGo Energy M01a K/S	Roskilde, Denmark	100.00
GreenGo Energy M01b K/S	Roskilde, Denmark	100.00
GreenGo Energy M23 K/S	Roskilde, Denmark	100.00
GreenGo Energy M30 K/S	Roskilde, Denmark	100.00
GreenGo Energy M34 K/S[1)]	Roskilde, Denmark	100.00
Grid Essence UK Ltd.	London, United Kingdom	100.00
Griffin Develops, S.L.	Valencia, Spain	100.00
H&J Energieportfolio Verwaltungs GmbH i.L.[3)]	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.	Bolzano, Italy	100.00
LT02 S.R.L.	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	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.	Valencia, Spain	100.00
Navid Enterprise, S.L.U.	Valencia, Spain	100.00
Neftis Business, S.L.U.	Valencia, Spain	100.00
Nørhede-Hjortmose Vindkraft I/S	Fårup, Denmark	81.50

Company	Registered office	Share in %
Notaresco Solar S.R.L.	Bolzano, Italy	100.00
Oetzi S.R.L.	Bruneck, Italy	100.00
Paltusmäen Tuulivoima Oy[1)]	Pyhäjoki, Finland	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
REGIS Treuhand & Verwaltung GmbH für Beteiligungen i.L.[3)]	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	Castelnau-le-Lez, France	100.00
Solar Energy S.R.L.	Bruneck, Italy	100.00
Solar Farm FC1 S.R.L.	Bolzano, Italy	100.00
Solar Farm FC3 S.R.L.	Bolzano, Italy	100.00
Solar Park Canaro Solar 1 S.R.L[1)]	Bologna, Italy	100.00
Solar Park Svinningegården ApS[1)]	Søborg, Denmark	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	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	56.80
Solarpark Golpa GmbH & Co. KG	Reußenköge, Germany	100.00
Solarpark Lettewitz GmbH	Halle (Saale), Germany	100.00
Solarpark Lindenhof GmbH	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

Company	Registered office	Share in %
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.	Bruneck, 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
Vallone S.R.L.	Bruneck, 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	Reußenköge, Germany	100.00
Windpark Gauaschach GmbH	Hamburg, Germany	100.00
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 Viertkamp GmbH & Co. KG	Hamburg, Germany	100.00
Wisbridge Solar Ltd.	London, United Kingdom	100.00
Witches Solar Ltd.	London, United Kingdom	100.00
Zonnepark Apeldoorn Bloemenkamp B.V.[1)]	Rotterdam, Netherlands	100.00
Zonnepark Apeldoorn IJsseldijk B.V.[1)]	Rotterdam, Netherlands	100.00
Zonnepark Budel B.V.	’s-Hertogenbosch, Netherlands	100.00
Zonnepark Zierikzee B.V.	Rotterdam, Netherlands	90.00
Joint arrangements		
Richelbach Solar GbR	Neubiberg, Germany	60.00
Associated entities		
CHORUS IPP Europe GmbH	Neubiberg, Germany	100.00
Gnannenweiler Windnetz GmbH & Co. KG	Bopfingen, Germany	20.00
Pexapark AG[2)]	Schlieren, Switzerland	19.85
Sistema Electrico de Conexion Nudo Don Rodrigo 220 KV S.L.	Seville, Spain	40.30
Stern Energy S.p.A.	Parma, Italy	30.00
Stern PV 2 Srl	Bolzano, Italy	95.00
Stern PV 3 Srl[1)]	Bolzano, Italy	95.00
Stern PV 4 Srl[1)]	Bolzano, Italy	95.00

1) Initial consolidation or acquisition of shares/establishment in the 2021 financial year.

2) Change in the ownership interest in the 2021 financial year.

3) Company is in liquidation as at 31 December 2021.

Other disclosures pursuant to section 313 (2) No. 4 HGB

Company	Equity in 2020 in EUR	Share in %	2020 profit or loss in EUR
CHORUS IPP Europe Verwaltungs GmbH, Neubiberg, Germany	18,770.78	100.00	-807.68
DE Stern 11 Srl, Parma, Italy	1,456,417.00	24.00	437,095.00
DE Stern 14 Srl, Parma, Italy	1,718,023.00	24.00	347,583.00
DE Stern 8 Srl, Parma, Italy	941,140.00	30.00	36,969.00
Enne Pi Studio FV. 9 S.r.l., Bruneck, Italy	2,554,099.00	100.00	70,272.00
GER - ENERGIES GLOBALES RENOUVELABLES S.A.R.L., Paris, France	116,182.00	100.00	-57,495.00
IREI S.r.l. Italian Renewable Energy Investments, Parma, Italy	1,723,114.00	6.00	134,370.00
Parc Eolien de Fresnes-en-Saulnois S.A.S., Paris, France	-6,150,178.00	100.00	976,154.00
Pexapark (UK) LTD, London, United Kingdom	-289,384.49	19.85	-131,635.88
Sun Premier France S.A.S., Paris, France	-6,102,052.00	100.00	-226,888.00
SEFEOSC S.A.S., Paris, France	-1,139,596.00	100.00	853,687.00
Société d’Exploitation du Parc Eolien de Talizat Rezentières S.A.S., Paris, France	2,325,938.00	100.00	434,931.00
Société d’Exploitation du Parc Eolien Fond Gerome S.A.R.L., Paris, France	-1,219,331.00	100.00	880,917.00
Société d’Exploitation du Parc Eolien le mont d’Hezecques S.A.R.L., Paris, France	-1,415,096.00	100.00	873,787.00
Stern Energy B.V., Rotterdam, Netherlands	84,918.00	30.00	56,769.00
Stern Energy GmbH, Halle (Saale), Germany	403,248.98	30.00	234,005.87
Stern Energy Ltd., London, United Kingdom	713,039.70	30.00	118,147.27
UW Schäcksdorf GmbH & Co. KG, Breklum, Germany	35,715.53	37.50	-0.25
Wind Hacksta AB, Stockholm, Sweden	1,023,244.00	100.00	-3,449,742.00
Wind POL 1 Holding Ltd., Bramhall, United Kingdom	-4,261,698.48	100.00	-735,069.26
Wind POL 2 Holding Ltd., Bramhall, United Kingdom	-157,141.67	100.00	-48,172.04
Wind Port of Liverpool Limited, Bramhall, United Kingdom	1,649,334.75	100.00	-66,828.91
Windpark Baar GmbH & Co. KG, Neubiberg, Germany	368,385.59	100.00	112,034.89
Windpark Kaseldorf GmbH & Co. KG, Neubiberg, Germany	-1,247,266.68	100.00	176,375.06

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

19 Notification requirements

In the period from 1 January 2021 to 14 March 2022, Encavis AG Hamburg, Germany, received the following notifications pursuant to section 40 (1) of the German Securities Trading Act (WpHG). The percentages in the individual notifications reported here are calculated on the basis of the number of outstanding shares of Encavis AG as at 31 December 2021 (160,469,282 no-par-value shares) and could therefore differ from the percentages in the originally calculated voting rights notifications.

Encavis AG was notified in a letter dated 22 April 2021 pursuant to section 33 (1) WpHG that the share of voting rights of iShares II plc, Ireland, had fallen below the threshold of 3 % of voting rights on 16 April 2021 and, as from that date, amounted to 0.003 % (5,011 voting rights) via direct voting rights and 0.81 % (1,295,191 voting rights) via other instruments, in total 0.81 % (1,300,202 voting rights). The party subject to the notification requirement is not controlled, nor does the party subject to the notification requirement control, other companies that hold voting rights in Encavis AG or to which voting rights in Encavis AG are attributed.

Encavis AG was further notified in a letter dated 22 April 2021 pursuant to section 33 (1) WpHG that the share of voting rights of iShares Trust, USA, had fallen below the threshold of 3 % of voting rights on 16 April 2021 and, as from that date, amounted to 0.24 % (379,659 voting rights) via direct voting rights and 1.27 % (2,042,283 voting rights) via other instruments, in total 1.51 % (2,421,942 voting rights). The party subject to the notification requirement is not controlled, nor does the party subject to the notification requirement 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 13 May 2021 pursuant to section 33 (1) WpHG that the share of voting rights of Morgan Stanley, USA, had exceeded the threshold of 3 % of voting rights on 10 May 2021 and, as from that date, amounted to 0.01 % (13,421 voting rights) via indirect voting rights and 4.27 % (6,851,359 voting rights) via other instruments, in total 4.28 % (6,864,780 voting rights). The party subject to the notification requirement is not controlled, nor does the party subject to the notification requirement 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 1 October 2021 pursuant to section 33 (1) WpHG that the share of voting rights of Invesco Ltd, Bermuda, had fallen below the threshold of 3 % of voting rights on 24 September 2021 and, as from that date, amounted to 2.63 % (4,215,785 voting rights) via indirect voting rights. The party subject to the notification requirement is not controlled, nor does the party subject to the notification requirement 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 October 2021 pursuant to section 33 (1) WpHG that the share of voting rights of UBS Group AG, Switzerland, had exceeded the threshold of 3 % of voting rights on 29 September 2021 and, as from that date, amounted to 1.99 % (3,194,682 voting rights) via direct voting rights and 1.64 % (2,637,028 voting rights) via other instruments, in total 3.63 % (5,831,710 voting rights). The party subject to the notification requirement is not controlled, nor does the party subject to the notification requirement 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 October 2021 pursuant to section 33 (1) WpHG that the share of voting rights of The Goldman Sachs Group, Inc., USA, had exceeded the threshold of 3 % of voting rights on 6 October 2021 and, as from that date, amounted to 1.26 % (2,027,728 voting rights) via indirect voting rights and 1.98 % (3,182,288 voting rights) via other instruments, in total 3.25 % (5,210,016 voting rights). The party subject to the notification requirement is not controlled, nor does the party subject to the notification requirement 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 25 November 2021 pursuant to section 33 (1) WpHG that the share of voting rights of Bank of America Corporation, USA, had exceeded the threshold of 3 % of voting rights on 23 November 2021 and, as from that date, amounted to 1.09 % (1,745,552 voting rights) via indirect voting rights and 3.62 % (5,803,954 voting rights) via other instruments, in total 4.70 % (7,549,506 voting rights). The party subject to the notification requirement is not controlled, nor does the party subject to the notification requirement 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 20 December 2021 pursuant to section 33 (1) WpHG that the share of voting rights of the pool of AMCO Service GmbH, Dr. Liedtke Vermögensverwaltung GmbH, PELABA Vermögensverwaltungs GmbH & Co. KG, Krüper GmbH, Dr Manfred Krüper and Sebastian Krüper had exceeded the threshold of 25 % of voting rights on 15 December 2021 and, as from that date, amounted to 25.07 % (40,236,517 voting rights) via direct voting rights. The party subject to the notification requirement is not controlled, nor does the party subject to the notification requirement 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 23 December 2021 pursuant to section 33 (1) WpHG that the share of voting rights of Caroline Kaufmann had exceeded the threshold of 25 % of voting rights on 23 December 2021 due to the acquisition of all the shares in Krüper GmbH, which in turn is part of the pool of AMCO Service GmbH, Dr. Liedtke Vermögensverwaltung GmbH, PELABA Vermögensverwaltungs GmbH & Co. KG, Krüper GmbH, Dr Manfred Krüper and Sebastian Krüper, and, as from that date, amounted to 25.09 % (40,260,607 voting rights) via direct voting rights. The party subject to the notification requirement is not controlled, nor does the party subject to the notification requirement 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 10 February 2022, pursuant to section 33 (1) WpHG that the share of voting rights of BlackRock Inc., USA, had exceeded the threshold of 3 % of voting rights on 7 February 2022 and, as of that date, amounted to 3.01 % (4,824,052 voting rights) via indirect voting rights and 1.14 % (1,825,389 voting rights) via other instruments, in total 4.14 % (6,649,441 voting rights). The party subject to the notification requirement is not controlled, nor does the party subject to the notification requirement control, other companies that hold voting rights in Encavis AG or to which voting rights in Encavis AG are attributed.

With reference to the reporting thresholds for shares of voting rights pursuant to section 33 et seq. WpHG (3, 5, 10, 15, 20, 25, 30, 50 and 75 %), the pool of AMCO Service GmbH, Dr. Liedtke Vermögensverwaltung GmbH, PELABA Vermögensverwaltungs GmbH & Co. KG, Krüper GmbH, Dr Manfred Krüper and Sebastian Krüper held more than 25 % and Bank of America Corporation, Morgan Stanley, BlackRock Inc., UBS Group AG, BayernInvest Kapitalverwaltungsgesellschaft mbH, The Goldman Sachs Group, Inc. and Lobelia Beteiligungsgesellschaft/Kreke Immobilien KG each held more than 3 % of the voting rights in Encavis AG as at 14 March 2022.

20 Date of approval for publication

These consolidated financial statements were approved for publication by resolution of the Management Board of Encavis AG dated 29 March 2022.

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 subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of comprehensive income, consolidate statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 through December 31, 2021 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, 2021. In accordance with the German legal requirements, we have not audited the content of the group statement on corporate governance pursuant to § [Article] 289f and §3 15d HGB [Handelsgesetzbuch: 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 [§ [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code]] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2021, and of its financial performance for the financial year from January 1 through December 31, 2021, 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 appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the group statement on corporate governance referred to above.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations 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 Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles 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 services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence 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, 2021. 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 matter of most significance in our audit was 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 6.1 million and deferred tax liabilities of EUR 125.4 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 recognized in respect of unused tax losses amounting in total to EUR 16.1 million for trade tax and EUR 16.7 million for corporate income tax or interest carryforwards amounting to EUR 35.1 million, 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 year under review led to temporary differences arising from acquisition accounting. The recognition of the corresponding deferred taxes requires in particular an assessment 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 recoverability 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' future earnings situation and evaluated the appropriateness of the underlying estimates and assumptions. With regard to the deferred taxes of foreign subsidiaries, we increasingly involved 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 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 use a number of different derivative financial instruments 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. Interest rate hedges are entered into for the purpose of avoiding exposure to variable interest rates. In addition, long-term electricity purchase agreements are in place to hedge against price fluctuations on the electricity spot market. Derivative financial instruments are recognized at fair value as of the balance sheet date. The positive fair values of all derivative financial instruments used for hedging purposes and included in a hedging relationship in accordance with IFRS 9 amount to EUR 1.0 million as of the balance sheet date, and the negative fair values amount to EUR 71.2 million. The fair value changes are recognized in other comprehensive 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). The cash flow hedge reserve amounted to EUR -6.9 million as of the balance sheet date. Given the highly complex nature and large number of hedging transactions as well as the potential impact on earnings resulting from the accounting treatment and measurement, we believe that 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 internal control system with regard to derivative financial instruments, including 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 reviewed 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 comprises the statement on corporate governance pursuant to § 289f HGB and § 315d HGB as an unaudited part of the group management report.

The other information comprises further remaining parts of the annual report – excluding further 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 report 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 mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report disclosures audited in terms of content or with 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 Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements 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 consolidated 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 misstatement, 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 management 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 development. 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 appropriately presents the opportunities and risks of future development, as well as to issue an auditor'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 financial 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 continue 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 financial 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 obtained 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 statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, 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 directors 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 information from these assumptions. We do not express a separate audit opinion on the prospective 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 matters 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 auditor’s report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB

Assurance Opinion

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the group management report (hereinafter the “ESEF documents”) contained in the electronic file Encavis_AG_KA+KLB_ESEF-2021-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format (“ESEF format”). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from January 1 to December 31, 2021 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (10.2021)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management 1: 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 documents including the electronic renderings of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 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 supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Work 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 audit. 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 opinion.
- Obtain an understanding of internal control relevant to the assurance work 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 opinion 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 in force at the date of the consolidated financial statements on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering 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) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on May 27, 2021. We were engaged by the supervisory board on December 2, 2021. We have been the group auditor of 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 additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

REFERENCE TO AN OTHER MATTER– USE OF THE AUDITOR’S REPORT

Our auditor’s report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the “Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB” and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Christoph Fehling.”

Hamburg, 29 March 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Christoph Fehling	ppa. Martin Zucker
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(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 net assets and financial and earnings positions of the company and the Group, and that the combined management report and the Group management report include a fair review of the development and performance of the business and the position of the company and the Group, together with a description of the material opportunities and risks associated with the expected development of the company and the Group.

Hamburg, March 2022

Encavis AG

Management Board

Dr Dierk Paskert

CEO

Dr Christoph Husmann

CFO

Glossary

Abbreviations and terms from the energy sector	
Agora	Agora Energiewende – independent laboratory of the mind with the aim of developing strategies for achieving climate neutrality
CRE	Commission de régulation de l'energie – French Energy Regulatory Commission
EDF	Électricité de France – state-owned energy group in France
EEG	Erneuerbare-Energien-Gesetz – German Renewable Energies Act
EKF	Energie- und Klimafonds – Energy and Climate Fund
Energy Charter Treaty	Multilateral treaty with the aim of creating a legal framework to promote cross-border cooperation in the energy sector
EPC agreement	Engineering, procurement and construction agreement – form of project in which the contractor hands over a turnkey installation to the customer within an often predefined time frame and budget.
FiT	Feed-in tariff
Fit for 55	Package of measures adopted by the EU in order to implement climate targets
GW	Gigawatt – unit of power
GWEC	Global Wind Energy Council
IEA	International Energy Agency
IPP	Independent power producer
ISE	Fraunhofer Institute for Solar Energy Systems
kW	Kilowatt – unit of power
kWh	Kilowatt-hour – unit for measuring electricity and amount of energy
MW	Megawatt – unit of power
MWh	Megawatt-hour – unit for measuring electricity and amount of energy
NEA	Chinese National Energy Administration
Offshore	Wind parks built at sea for the generation of electricity
Onshore	Wind parks build on land for the generation of electricity
PPA	Power purchase agreement – private purchase contract for electricity
PV	Photovoltaics – energy generation from the sun
RE100	Global initiative of companies with the goal of meeting 100 % of the energy needs of member companies with electricity from renewable sources
SDGs	Sustainable Development Goals of the United Nations
SPE	Solar Power Europe – association 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
AIP	IFRS Annual Improvements Project

AktG	Aktiengesetz – German Stock Corporation Act
ATAD	EU Anti-Tax Avoidance Directive
Badwill	Negative goodwill – if the purchase price of an acquired company is less than the value of the assets after deduction of liabilities, the difference must be recognised as income
BEPS	Base erosion and profit shifting – profit reduction and cross-border shifting of profits by multi-national corporations with the aim of minimising their tax burden
CAGR	Compound annual growth rate
Cash flow	Economic indicator representing the net inflow of liquid funds during a given period
CDS	Country default spread – premium paid as compensation for taking country risks
CFH	Cash flow hedges
CGU	Cash-generating unit – smallest identifiable group of assets that generates cash inflows that are largely independent of other assets
COVID-19	Coronavirus Disease 2019 – notifiable infectious disease
CRR	Capital Requirements Regulation – EU regulation on the adequate capitalisation of credit institutions
DAX	Deutscher Aktienindex – German share index
DCGK	Deutscher Corporate Governance Kodex – German Corporate Governance Code
Destatis	German Federal Statistical Office
DSRF	Debt service reserve facility
Due diligence	Careful examination of a company as part of an acquisition
EAT	Earnings after taxes
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortisation 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
ECB	European Central Bank
ECL model	Expected credit loss model – impairment model based on expected credit losses
EPC	Engineering, procurement and construction
EPS	Earnings per share
Equity method	Accounting method under which shares in joint ventures and associated entities are initially recognised at cost and subsequently measured in accordance with the investor's share of the changing net assets of the investee.
ESG	Environmental, social, governance
Factoring	Agreement on the transfer of receivables
FVOCI	Fair value through other comprehensive income – measurement category under IFRS 9
FVPL	Fair value through profit or loss – measurement category under IFRS 9
FX	Foreign exchange
GAS	German Accounting Standards
GDP	Gross domestic product – economic output of a country
Goodwill	If the purchase price of an acquired company exceeds the value of the assets after deduction of liabilities, the positive difference must be recognised as goodwill

Hedge accounting	Method of accounting for contracts that are in a hedging relationship
HGB	Handelsgesetzbuch – German Commercial Code
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 that must be applied by publicly traded companies in the European Union
IFRS IC	IFRS Interpretations Committee – entity that develops and publishes interpretations of the IFRS
i.L.	in Liquidation
IRR	Internal rate of return – indicator for measuring the return on an investment
ISS	Institutional Shareholder Services – provider of corporate governance and responsible investment (RI) solutions
IMF	International Monetary Fund
LIBOR	London Interbank Offered Rate
Lifetime expected loss	Estimate of expected losses over the entire term of a transaction
MDAX	Mid-cap DAX
Merchant tail	Part of the total financing term that is not subject to the fixed price under a power purchase agreement
MiSE	Ministry for Economic Development in Italy
MSCI	US financial services provider
OCI	Other comprehensive income – a component of equity in which certain expenses/income are recognised with no effect on profit or loss
Operating	In the Encavis Group, “operating” refers to all key figures that do not contain any IFRS-related valuation effects
PPA	Purchase price allocation – allocation of the purchase price to the individual assets and liabilities as part of the initial inclusion of a newly acquired company in the consolidated financial statements
Ready-to-build project	Project ready for construction
ROE	Return on equity – indicator for measuring the operating return on equity of an investment
RWA	Risk-weighted-assets – total assets of a bank multiplied by the respective risk weights
SARs	Share appreciation rights – virtual share options
SCOPE	SCOPE Ratings – a ratings agency
SDAX	Small-cap DAX
SFDR	European Union Sustainable Finance Disclosure Regulation – EU disclosure regulation on sustainability-related disclosure requirements in the financial services sector
SOP	Share option programme (share-based payment scheme)
Strike price	Exercise price of an option
TEUR	Thousands of euros
VWAP	Volume-weighted average price
WACC	Weighted average cost of capital
WpHG	Wertpapierhandelsgesetz – German Securities Trading Act

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