ENCAVIS

Annual Report
2022

Group operating KPIs*

In TEUR

	2018	2019	2020	2021	2022	+/- compared to previous year
Revenue	248,785	273,822	292,300	332,703	487,342	46%
Operating* EBITDA	186,890	217,626	224,819	256,398	350,022	37%
Operating* EBIT	113,682	132,229	132,158	149,050	198,285	33%
Operating* EBT	56,753	76,627	76,488	87,345	137,079	57%
Group operating* earnings	47,036	63,446	68,291	77,004	101,242	31%
Operating* EPS (in EUR)	0.31	0.43	0.43	0.48	0.60	25%
Balance sheet total**	2,537,101	2,747,035	2,823,844	3,215,888	3,405,542	6%
Equity	687,057	722,713	751,561	1,066,388	956,817	-10%
Equity ratio	27.1%	26.3%	26.6%	33.2%	28.1%	-
Operating cash flow	174,282	189,315	212,947	251,941	327,235	30%

* The Group operating KPIs are based solely on the company's operating profitability and do not take any IFRS-related valuation effects into account. The revenue includes a levy of TEUR 24,856 million obtained through the Europe-wide system to cap electricity prices, which is recognised as part of other expenses.

** Some of the figures for 2018 and 2019 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 corresponding annual reports.

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Foreword from the Management Board

Dear Shareholders,
Ladies and Gentlemen,

Who would have thought that after three years of a pandemic that has had a severe impact on large parts of the global economy, an even greater tragedy would burden us with a war in Ukraine that has been going on for over a year now. In the meantime, we have learned to live with the pandemic, but we do not intend to get used to the war in Ukraine. The regional war in Ukraine has long since developed into a permanent global crisis, which reminds us every day that Europe's heavy reliance on gas and oil supplies from Russia is not sustainable. We are working on shaping the turnaround in energy policy and consequently reducing the reliance on fossil fuels. Our Encavis Group wind and solar park portfolio, which is focused on Western Europe, is not affected by the war in Ukraine. Indirect effects from potential countermeasures taken by Russia in response to the sanctions imposed on the country are not apparent at present.

Our aim is still 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 working hard on this every day, making every effort to achieve this aim and last year, we were able to acquire project rights in the order of around 500 megawatts (MW) of new generation capacity for Encavis AG, although one or the other contract could only be finally signed at the beginning of this year. We would like to thank all of those involved for their flexibility and personal concessions, which have strengthened cohesion in the company even further. Thanks to an IT landscape that was upgraded in good time, which made the division of labour between office and mobile work possible in the first place, as well as comprehensive communication at all times and another bit of luck, a majority of the Management Board and Supervisory Board meetings, management staff meetings, departmental and external workshops, webinars, negotiations with banks, brokers, development partners, applicants, clients and institutional investors as well as roadshows with analysts and investors, and even our Annual General Meeting were able to be held virtually, without losing any substance, speed or efficiency. However, gatherings that are increasingly being held in person again have also shown us the wonderful interpersonal communication that does not (yet) work in virtual space and that we have all been missing. Therefore, dear shareholders, we are pleased to be able to invite you for the first time this year to an in-person Annual General Meeting being held at the Hamburg Chamber of Commerce, on 1 June 2023, in order to engage in a personal exchange with you again.

To be prepared for the enormous potential of further acquisitions in the current year, we were able to successfully place a Green Schuldschein loan (SSD) in the amount of EUR 210 million on the capital market for additional growth projects as a first step at the end of February this year. An issue volume of EUR 50 million was announced with the option of a demand-induced increase. The strong demand of all investor groups exceeded the offered issue volume within a few days, so that with around 50 investors, more than four times the issue volume was able to be placed in three maturity tranches of 3, 5 and 7 years. In particular, savings banks, cooperative banks, foreign banks as well as pension funds and insurance companies snapped up the opportunity of the first SSD issues in 2023. With the funds that have now been raised and the credit lines that are still available, we intend to build the acquired projects in 2023 and again acquire more than 500 MW of generation capacities or additional projects without needing to issue shares.

By generating power from renewable energy, we are already making a crucial contribution to supplying environmentally friendly and sustainable energy. The renewable energy generated by the use of photovoltaics and wind power in 2022 from the total generation capacity of the Encavis Group of currently around 3.5 gigawatts (GW), more than 2.1 GW of which in Encavis AG's own portfolio, avoided the emission of more than 0.8 million tonnes of climate-damaging CO_2 per year by Encavis AG alone. 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 from 26 April 2023: https://www.encavis.com/en/sustainability/.

Business involving the technical operations and maintenance (O&M) of solar energy installations is another rapidly growing market. To further strengthen the technical services of our Group and transform O&M business into a leading platform for third-party solar services, we acquired an additional stake in our long-term partner, Stern Energy S.p.A., in October 2022, raising our investment in the company based in Parma, Italy, to 80 %. This reduces our costs, increases the margin distribution along our value chain and we benefit from the technical expertise in the ongoing optimisation of our existing portfolio, in the context of the technical analysis for purchasing upcoming parks and in supporting project developers in order to continue securing early access to new solar projects in attractive PPA markets. The proportional revenue contribution of Stern Energy S.p.A in the remainder of 2022 to our PV Service segment amounted to around EUR 6 million in the consolidated financial statements 2022.

Encavis AG increased electricity production from renewable energy in its own portfolio in the 2022 financial year by nearly 14 % to some 3,133 gigawatt hours (GWh) (previous year: 2,755 GWh). The reported revenue of Encavis AG for the 2022 financial year in the amount of EUR 487.3 million still includes revenues of EUR 24.9 million, which were skimmed off by the systems implemented Europe-wide for capping electricity prices, especially in Spain and Italy, but also in Germany. This levy resulting from electricity price brakes is deducted in full as part of other expenses. From an operational perspective, this results in economically generated revenue in the amount of EUR 462.5 million, which exceeds the already increased guidance for 2022 of over EUR 420 million by more than 10 %. This equates to a year-on-year increase of about 39 % to EUR 332.7 million. Therefore, the annual revenue 2022 now already exceeds the target of the growth strategy >>Fast Forward 2025 of over EUR 440 million by more than 5 %.

The significant revenue and earnings growth in 2022 financial year can primarily be attributed to the increased generation capacities by around 20 %, the generally more favourable weather conditions by around 24 % compared to the meteorologically very poor previous-year period of 2021 and around 48 % to higher electricity market prices, which were significantly higher than in the previous year. Another 5 % was contributed to the increase in revenue by Stern Energy, which was consolidated for the first time, and nearly 4 %, contributed by Encavis Asset Management.

At EUR 350.0 million, earnings before interest, taxes, depreciation and amortisation (operating EBITDA) in the 2022 financial year exceeded the increased guidance for 2022 (more than EUR 310 million) by around 13 % and the previous-year value of EUR 256.4 million by 37 %. Likewise, the operating EBITDA already exceeds the target of the growth strategy >>Fast Forward 2025 of over EUR 330 million by more than 5 %. At nearly 76 %, the EBITDA margin remains stable after the deduction of revenues from the electricity price brakes.

This resulted in an increase in the operating result from operating activities (operating EBIT) to EUR 198.3 million. Here too, Encavis has also exceeded the increased guidance for 2022 (more than EUR 185 million) by more than 7 % and the previous year's figure of EUR 149.1 million by around one third (+33 %) and is on the target of the growth strategy >>Fast Forward 2025 of more than EUR 198 million.

Overall, this results in significantly improved operating earnings per share (EPS) of EUR 0.60 for the 2022 financial year, exceeding the increased guidance for 2022 in the amount of EUR 0.55 by a good 9 % – an increase of one quarter (+25 %) compared to the previous year's figure of EUR 0.48 per share.

The enormously strong increase in operating cash flow to EUR 327.2 million, which exceeds the increased guidance for 2022 of more than EUR 280 million by around 17 % and exceeds the previous-year value of EUR 251.9 million by 75.3 million, or around 30 %.

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. Widespread capacity expansion in renewable energy generation is the only sustainable, environmentally friendly and low-cost way of providing energy. Far from being the cause of the current extremely high energy prices, renewable energies are actually the solution to the problem. The more renewable energy facilities are connected to the grid, the quicker existing demand for electricity from sustainable production can be covered and, as a result, costly legacy power stations taken offline. Together, wind and solar power will account for over 90 % of the renewable energy capacity added in the next five years. Solar energy installations and onshore wind parks remain the cheapest options for generating power in most countries. The energy crisis marks a historic turning point towards a cleaner and more secure energy supply. The European Commission's plan to rapidly reduce dependence on Russian fossil fuels and fast forward the green transition, REPowerEU, of 18 May 2022 includes a special EU solar strategy to double photovoltaic capacity by 2025 by installing new PV systems amounting to 320 GW by 2025 and a total of 600 GW by 2030. This means more than four times the volume of new installations per year compared to the average installed capacity per year over the last ten years. The objective of covering 45 % of total final energy consumption using renewable sources by 2030 was adopted by the European Parliament when it revised the Renewable Energy Directive (RED) in September 2022. The 45 % target set by MEPs exceeds the 40 % mark adopted by the member states in June 2022.

Dear shareholders, we are convinced that our Future Growth Strategy 2027, which we will present to you in a few days, will enable you to benefit much more from the enormous growth opportunities that arise for Encavis AG through growth investments in completely new dimensions and scales than from the distribution of a dividend, the cash outflow of which would reduce these investments. We will therefore make a proposal to the Annual General Meeting that the entire consolidated result for the period be retained for the 2022 financial year, i.e. carried forward to new account and for the first time, no dividend be paid per voting share. Given the historically unique growth that lies ahead of us, in which we intend to play a major role, we are convinced that this is the best decision in favour of our shareholders.

Against the backdrop of the Encavis Group's business strategy geared towards qualitative growth, we expect a slight overall decline in several key figures in the 2023 financial year, some of which will not be able to reach the previous year's level again. This decline in several key figures is due to the electricity price level expected for 2023, which will be below the one of the previous year, which was characterised by extreme developments. As a result, we expect a negative, price-related revenue effect of a about EUR 87 million in 2022 compared to the extremely high level of the previous year (of which effect from the electricity price brake of EUR 24.9 million). This effect will be compensated to a large extent. This will be made possible by the full consolidation of the Stern Energy revenues, the expanded wind capacities in Finland, Lithuania and Denmark, as well as further revenue growth of Encavis Asset Management in 2023. The majority of the additional acquisitions in the previous year will be connected to the grid over the year 2024, therefore not contributing to revenue yet in 2023. However, the operating earnings per share are also expected to exceed the previous-year value in 2023.

Based on the existing portfolio as at 13 March 2023, and in anticipation of standard weather conditions for the 2023 financial year, the Management Board therefore expects a slight decrease in revenue to over EUR 460 million, EUR 440 million after deduction of the electricity price brake (2022: EUR 487.3 million, EUR 462.5 million after deduction of electricity price brake). Operating EBITDA is expected to amount to more than EUR 310 million (2022: EUR 350.0 million). The Group anticipates operating EBIT of more than EUR 185 million (2022: EUR 198.3 million). The Group expects operating cash flow of over EUR 280 million (2022: EUR 327.2 million). By contrast, operating earnings per share are expected to amount to more than EUR 0.60 (2022: EUR 0.60). Overall, the Group remains fully on course for growth and continues to exceed the plan of the previous >> Fast Forward 2025 strategy package.

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 significantly stronger growth. Stay healthy during these difficult times, and stay tuned to see how we ambitiously seize the opportunities offered by these times – with dedication and good judgement – to create a successful future.

Hamburg, March 2023

The Management Board

Dr Christoph Husmann
Spokesman of the Management Board and
Chief Financial Officer (CFO)

Mario Schirru
Chief Investment Officer (CIO)/
Chief Operating Officer (COO)

The Encavis share

Share's key figures

Listed since	28.07.1998
Subscribed capital	EUR 161,030,176.00
Number of shares	161.03 million
Stock market segment	Prime Standard
Dividend 2016 per share	EUR 0.20
Dividend 2017 per share	EUR 0.22
Dividend 2018 per share	EUR 0.24
Dividend 2019 per share	EUR 0.26
Dividend 2020 per share	EUR 0.28
Dividend 2021 per share	EUR 0.30
52-week high	EUR 24.78
52-week low	EUR 11.82
Share price (20 March 2023)	EUR 16.56
Market capitalisation (20 March 2023)	EUR 2,667 million
Indexes	MDAX, STOXX Europe 600, MSCI World, MSCI Europe, MSCI Germany Small-Cap, S&P Clean Energy Index, Solar Energy Stock Index, PPVX, HASPAX
Trading centres	Regulated market in Frankfurt am Main (Prime Standard) and Hamburg; over-the-counter market in Berlin, Düsseldorf, Munich, Stuttgart, Tradegate Exchange
ISIN	DE 0006095003
Designated Sponsor	M.M. Warburg & CO Bank; Raiffeisen Bank International AG; Stifel Europe Bank AG
Payment office	DZ BANK

Encavis AG financial calendar

Date	Financial event
2023	
28 March 2023	Publication of consolidated financial statements/annual financial statements 2022
29 March 2023	Analyst conference call on the consolidated/annual financial statements 2022 / 8:30 am
30 March 2023	Jefferies Pan-European Mid-Cap Conference, London, United Kingdom
12 to 14 April 2023	RBI Zürs Investment Conference 2023, Zürs, Austria
18 to 21 April 2023	CIC Market Solutions Roadshow, US East Coast
20 April 2023	M.M. Warburg Conference “Meet the Future: Renewables”, Frankfurt am Main, Germany
26 April 2023	Publication of sustainability report 2022
15 May 2023	Publication of interim statement for Q1/3M 2023 incl. analyst conference call on the interim statement for Q1/3M 2023 / 8:30 am
16 May 2023	ODD BHF Sustainability Forum, Paris, France
16 to 17 May 2023	Berenberg Roadshow Paris, France; London, United Kingdom
23 to 24 May 2023	Jefferies Virtual Renewables & Clean Energy Conference
24 May 2023	Interest payment on hybrid convertible bond 2021
1 June 2023	Annual General Meeting of ENCAVIS AG, Hamburg, Germany
7 to 08 June 2023	HAIB Hauck Aufhäuser IB Roadshow London/Paris, United Kingdom/France
15 June 2023	NATIXIS 5th Convertible Bond Event, Paris, France
14 August 2023	Publication of interim statement for Q2/6M 2023
15 August 2023	Analyst conference call on the interim statement for Q2/6M 2023 / 8:30 am
23 to 24 August 2023	HAIB Hauck Aufhäuser Investment Banking Roadshow Paris, France; London, United Kingdom
5 to 6 September 2023	ODDO BHF Commerzbank Corporate Conference 2023, Frankfurt a. M., Germany
12 September 2023	Interest payment on Green Schuldschein (green bonded loan) 2018
18 to 20 September 2023	BAADER Investment Conference, Munich, Germany
18 to 20 September 2023	Berenberg/Goldman Sachs German Corporate Conference, Unterschleißheim-Munich, Germany
9 to 10 October 2023	Quirin Small and Mid Cap Conference, Paris, France
10 October 2023	STIFEL Virtual Renewables Conference
13 November 2023	Publication of interim statement for Q3/9M 2023
14 November 2023	Analyst conference call on the interim statement for Q3/9M 2023 / 8:30 am
15 November 2023	BNP Paribas Exane MidCap CEO Conference, Paris, France
21 November 2023	DZ Bank Equity Conference, Frankfurt a. M., Germany
24 November 2023	Interest payment on hybrid convertible bond 2021
27 to 29 November 2023	Deutsches Eigenkapitalforum EKF 2023, Frankfurt a. M., Germany
11 December 2023	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 2022 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 2022 financial year, one of which was held as a strategic meeting, as well as an extraordinary Supervisory Board 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 2022 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 2022 financial year*	Supervisory Board	Audit Committee	Personnel Committee
Dr Manfred Krüper, Chairman	6/6	2/2	5/5
Alexander Stuhlmann, Deputy Chairman (until the end of the Annual General Meeting on 19 May 2022)	1/6	1/2	2/5
Christine Scheel	6/6	-	-
Albert Büll (Member of the Personnel Committee until the end of the Annual General Meeting on 19 May 2022)	6/6	-	2/5
Dr Cornelius Liedtke (until the end of the Annual General Meeting on 19 May 2022)	1/6	-	-
Professor Dr Fritz Vahrenholt	6/6	2/2	5/5
Dr Rolf Martin Schmitz, Deputy Chairman	6/6	-	5/5
Dr Henning Kreke	6/6	-	-
Dr Marcus Schenck (Member of the Audit Committee since 19 May 2022)	6/6	1/2	-
Isabella Pfaller (since the Annual General Meeting on 19 May 2022)	5/6	1/2	-
Thorsten Testorp (since the Annual General Meeting on 19 May 2022)	5/6	-	3/5

* 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, among others, investment decisions on various investment proposals, such as at the beginning of the 2022 financial year, concerning the acquisition of an Italian solar park (55 MW) that is ready to be built and the acquisition of a Danish wind park (11.5 MW). In the further course of the financial year, the Supervisory Board focused on investment proposals on the acquisition of a ready-to-build solar park in The United Kingdom (26 MW), the acquisition of a solar portfolio in operation in The Netherlands (45 MW), the acquisition of an operating wind farm and thus simultaneously with the company's market entry in Lithuania (69.3 MW) and the acquisition of a solar park under construction in Spain (55 MW). The resolutions also focused on financing measures, such as the conclusion of a repayment loan under a KfW loan promotion programme with a volume of EUR 20 million and the approval of a revolving line of credit for guarantee facilities in the amount of EUR 15 million. In addition, the Supervisory Board also approved the Management Board's measure to increase the stake in Stern Energy S.p.A. to 80%, as a result of which the company will be fully consolidated.

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 2022 financial year. In particular, the Supervisory Board dealt with the latest developments in the market, especially in the PPA market, as well as the further digitisation strategy of business models and processes in the company.

In addition, the range of topics included the annual and consolidated financial statements as at 31 December 2021 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 29 March 2022. 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. New partnerships were formed in the 2022 financial year, including a development partnership with the Italian company ILOS New Energy S.r.l. The Supervisory Board also discussed the developments of national and European measures on the electricity market on a regular basis, particularly the planning concerning the expansion of renewable energies.

As part of the management report of the Encavis Group and its strategic development, discussions and consultations on the financing situation for new investments continued to play an important role. This is not only due to the change in interest rates within the financial year, but also due to the increased requirements in the area of ESG and sustainable investments by the investors. At the end of the 2022 financial year, the Management Board and Supervisory Board discussed the modalities of issuing a "Green" Schuldschein loan, which was then placed successfully at the beginning of 2023 with a total volume of EUR 210 million.

Another point of focus was the assessment of possible retroactive interventions into government subsidy programmes that could have 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. The order underlying the budget law has now been repealed by the French Supreme Court (Conseil d'Etat), so that the company has initiated the annulment of reduction notices for the affected solar parks. 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 then 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. The Management Board also reported to the Supervisory Board on the status of the company's pending ICSID arbitration proceedings against the country of Italy and the results of the oral hearing, which took place in London in October 2022.

In the December meeting of the 2022 financial year, the Supervisory Board dealt with the topics of electricity price regulation in Europe and the implementation of the electricity price brake in Germany as well as further regulatory measures in other markets of countries in which the company operates.

The Supervisory Board's deliberations also regularly focused on the presentation of investment resources, the development of the Solar 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), Dr Rolf Martin Schmitz, Thorsten Testorp and Professor Dr Fritz Vahrenholt. The committee held five meetings in the past financial year. In particular, the Personnel Committee dealt with the changes to the company's Management Board. As of 1 August 2022, following the proposal of the Personnel Committee, the Management Board was expanded to three Management Board members to include Management Board member Mario Schirru in his role as CIO/COO. In addition, an agreement was reached with Dr Dierk Paskert to terminate his employment contract by mutual agreement with effect from 31 December 2022. Finally, the Personnel Committee dealt with the appointment of Dr Christoph Husmann as Spokesman of the Management Board from 1 January 2023.

The Personnel Committee also dealt with its membership, also in view of the resignation of chairmanship already announced by the Chairman of the Personnel Committee, Dr Manfred Krüper, at the Annual General Meeting in May 2022 and the search for a suitable successor among the members of the Supervisory Board.

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 Ms Isabella Pfaller (Chairperson) and Dr Manfred Krüper, Professor Dr Fritz Vahrenholt and Dr Marcus Schenck. The Audit Committee held two meetings in the 2022 financial year. In March 2022, the Audit Committee dealt with the 2021 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 audits and determined the focal points for the audit of the 2022 consolidated and annual financial statements together with the auditors in its last meeting at the end of the year.

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 2022. 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, including its committees, underwent an efficiency review by an external consultant in the 2022 financial year. The results were discussed in the entire Board and did not result in any objections.

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 2022 financial year.

Audit of the annual and consolidated financial statements

The Hamburg branch of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft is the auditor of the annual financial statements and of the consolidated financial statements. The auditing firm issued an unqualified audit opinion on the annual financial statements of Encavis AG and the consolidated financial statements of the Encavis Group. In order to monitor the independence of the auditor, the Audit Committee – in addition to confirming the auditor's independence – also satisfied itself of the auditor's compliance with the prohibition of inadmissible non-audit services. Furthermore, the committee has obtained assurance that PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Hamburg branch, has implemented appropriate processes and measures for quality assurance, including for engagement acceptance and continuation as well as for independent engagement-related quality assurance. The auditing firm issued an unqualified audit opinion on the annual financial statements of Encavis AG and the consolidated financial statements of the Encavis Group. The Supervisory Board discussed the annual financial statements prepared pursuant to the German Commercial Code, the consolidated financial statements of Encavis AG and the combined management report in detail at its meeting on 28 March 2023, 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 annual and consolidated financial statements, the management report and Group management report, audit reports and the proposal on the appropriation of distributable profit at length in its meeting on 27 March 2023 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 28 March 2023. The annual financial statements were therefore adopted. The Supervisory Board endorses the Management Board's proposal to carry forward the company's net retained profits for the 2022 financial year in full to new account.

Changes in the composition of the Supervisory Board

There were changes in the composition of the Supervisory Board in the reporting year. Alexander Stuhlmann's term as member of the Supervisory Board ended at the end of the Annual General Meeting for the 2021 financial year. He was succeeded by Supervisory Board member Isabella Pfaller, who was elected to the company's Supervisory Board in the Annual General Meeting on 19 May 2022. Isabella Pfaller is also the Chairperson of the Audit Committee. Dr Cornelius Liedtke's term also ended at the end of the Annual General Meeting for the 2021 financial year. He was succeeded by Thorsten Testorp, who has also been a member of the Personnel Committee since the beginning of his term in office. Albert Büll stepped down as a member of the Personnel Committee with the election of Thorsten Testorp to the Personnel Committee.

Changes in the composition of the Management Board

With effect from 1 August 2022, Mario Schirru was appointed as a member of the Management Board of the company. Dr Dierk Paskert resigned from the Management Board as of 31 December 2022 and stepped down as Chairman of the Management Board at the end of the 2022 financial year. Dr Christoph Husmann was appointed by the Supervisory Board as Spokesman of the Management Board with effect from 1 January 2023.

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 2022, as well as for their dedication and personal contribution to the successful 2022 financial year.

Hamburg, 28 March 2023

For the Supervisory Board

Dr Manfred Krüper

Chairman

Dr Manfred Krüper

Chairman of the Supervisory Board

Dr Rolf Martin Schmitz (independent)

Deputy Chairman of the Supervisory Board

Albert Büll

Member of the Supervisory Board

Dr Henning Kreke (independent)

Member of the Supervisory Board

Isabella Pfaller (independent)

Member of the Supervisory Board

Christine Scheel (independent)

Member of the Supervisory Board

Dr Marcus Schenck (independent)

Member of the Supervisory Board

Thorsten Testorp

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 2022 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 161,030,176.00, divided into 161,030,176 no-par-value shares. The average number of (undiluted) shares in circulation during the reporting period amounted to 160,756,644 (previous year: 144,378,743).

All disclosures in this report relate to 31 December 2022 or the financial year from 1 January to 31 December 2022, unless stated otherwise.

Basic information about the Group

Business model

Encavis AG, which is listed on the MDAX of the German stock exchange, makes use of the various opportunities to generate power using renewable energy. As an independent operator of environmentally friendly and emission-free power plant capacities, Encavis has continued to expand its generation portfolio since 2009. The company’s core business is the acquisition and operation of solar parks and onshore wind parks. In the acquisition of new installations, the company focuses on a mix of projects in development, 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.

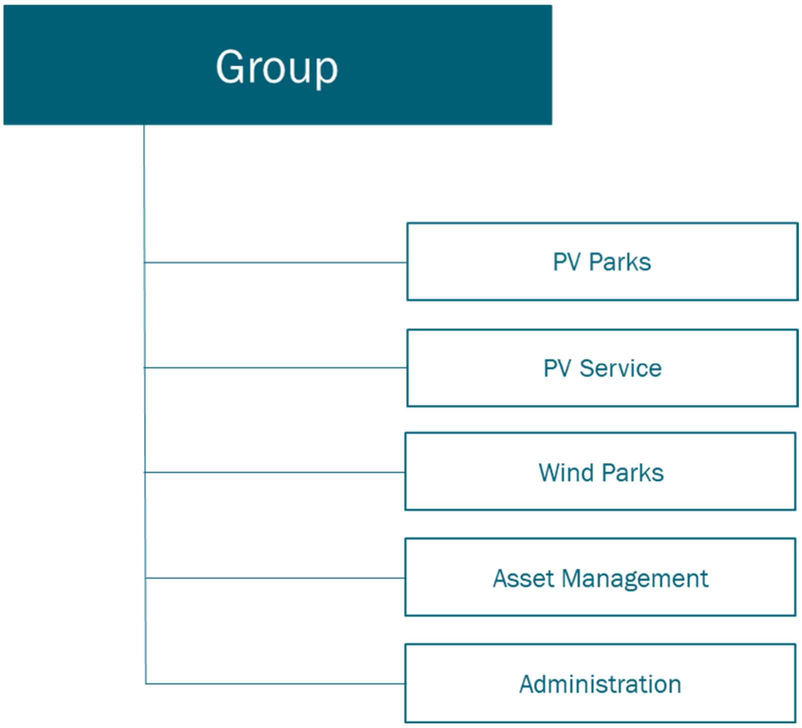
The Encavis portfolio currently comprises over 200 solar parks and 90 wind parks with a capacity of more than 3.4 GW in Germany, Italy, France, The United Kingdom, Austria, Finland, Sweden, Denmark, The Netherlands, Spain, Ireland and Lithuania. Of these, the Group operates more than 30 solar parks and over 50 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 5.19 terawatt-hours (TWh) in 2022. Of this figure, around 3.13 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 276 subsidiaries held directly or indirectly as at 31 December 2022 (previous year: 253).

The diagram illustrates the Group's segments as at 31 December 2022:



PV Parks	This segment comprises all of the company's solar parks in Germany, Italy, France, The United Kingdom, The Netherlands, Spain, Denmark and Sweden, as well as any holding companies.
PV Service	This segment consists of Encavis Technical Services GmbH and the Italian company Stern Energy S.p.A., which has been fully consolidated since the 2022 financial year, as well as its national service companies in Germany, The United Kingdom and The Netherlands. The transactions of Encavis AG assigned to this segment are also included.
Wind Parks	This includes all of the company's wind parks in Germany, Italy, France, Denmark, Finland and Lithuania, as well as the 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 2022 financial year in the “Future outlook” section 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 within 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
- depreciation, amortisation and impairment losses of intangible assets acquired as part of business combinations
- Impairment losses following impairment tests on assets resulting from purchase price allocations

- depreciation, amortisation and impairment losses 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

Economic framework conditions

Global economy grows slightly in a generally volatile macroeconomic environment

In 2022, the growth of the global economy slowed more sharply than expected in almost all major economic areas. At the same time, inflation rates soared to the highest levels seen in many years. According to the International Monetary Fund (IMF), global gross domestic product (GDP) increased by approximately 3.4 % year on year, compared to 6.0 % in 2021.

The deceleration of global economic growth was mainly due to the war in Ukraine, which broke out in February, and the lingering coronavirus pandemic. This situation heightened the uncertainty and challenges facing the global economy and led to a dramatic hike in energy and food prices. International supply chains were also affected, partly as a result of the zero-Covid policy pursued by the Chinese government long into 2022. Central banks worldwide responded to the rise in global inflation from 4.7 % to 8.8 % and the associated exorbitant price growth that exceeded their inflation targets by tightening monetary policy. The gradual raising of key interest rates saw borrowing costs leap up and the appetite for investment diminish significantly, which had an additional negative impact on GDP.

The European Economic Area was unable to escape the effects of this adverse environment in 2022. According to an IMF estimate, growth slowed considerably, with GDP in the European Union (EU) falling from 5.5 % in the previous year to 3.7 %.

The German economy also recorded only slight growth in 2022. Price-adjusted GDP was 1.8 % higher than in the previous year (2.6 %), according to calculations by the German Federal Statistical Office (Destatis). This economic output was achieved by an all-time record average workforce of 45.6 million people in Germany, 1.3 % higher than in the previous year. Economic development was dominated by the fallout from Russia’s attack on Ukraine and rocketing energy prices, to which the German government responded with comprehensive support measures. As a result, the public finances ended 2022 with a deficit of EUR 101.6 billion. On the demand side, consumer spending by private households was the leading growth driver in the German economy in 2022, rising by 4.6 % year on year in price-adjusted terms to almost return to the pre-crisis level from 2019.

Further slowdown in economic growth expected in 2023

The IMF expects a further slowdown in economic growth in 2023. Its predicted increase of only 2.9 % in global GDP shows that the negative factors from 2022 will continue to be felt this year. Although the reversal of China’s Covid-19 policy led to the rapid spread of the virus and high infection rates in the country in the short term, the recent reopening could be the catalyst for a quicker-than-expected recovery of the Chinese economy. Financing terms will become more restrictive around the world. It is expected that tighter central bank monetary policy will be able to stop any further rise in inflation, with peak rates having already been reached in 2022, but a return to much lower inflation is unlikely. At the same time, room for manoeuvre in national fiscal policy remains limited, since health and social spending have grown tremendously more important in the course of the Covid-19 pandemic. Nevertheless, the IMF takes the view that investment in climate policy remains essential to reduce the risk of far-reaching climate change.

Industry-specific conditions

Energy crisis accelerates expansion of renewable energies

The significance of renewable energies continues to increase considerably. Across the globe, conventional sources of energy and fossil fuels are being supplemented or replaced by the growth and use of regenerative energy sources. The worldwide energy crisis triggered by Russia’s invasion of Ukraine brought an end to the era of low energy and commodity prices in 2022. Inflation, currency fluctuations, higher financing costs and the risk of recession dominated the investment environment. Despite all these adverse effects, the energy transition accelerated markedly in 2022, due partly to the energy crisis. Likewise, the record figures for renewable energy installations are being driven by a change in people’s awareness of sustainability in large parts of society, which has spurred global sales of products such as electric vehicles.

According to forecasts by the International Energy Agency (IEA), total renewable energy capacity worldwide will almost double as a proportion of power generation in the next five years, replacing coal as the biggest source of electricity production. In the period from 2022 to 2027, the IEA predicts an increase in global power generation capacity of around 2,400 GW. The expected growth in renewable energies is 30 % higher than the forecast a year ago, according to the IEA. The energy crisis therefore marks a historic turning point towards a cleaner and more secure energy supply.

Together, wind and solar power will account for over 90 % of the renewable energy capacity added in the next five years. Solar energy installations and onshore wind parks remain the cheapest options for generating power in most countries. To continue driving forward the expansion of wind and solar energy, the IEA believes that shorter approval times in EU countries and better incentive systems for installing photovoltaic systems on roofs will be required.

Private-sector power purchase agreements continue to gain ground

The increasing economic efficiency of renewable energies compared to conventional energy carriers, as well as companies’ commitments to maintaining an eco-friendly energy balance (as outlined in the RE100 initiative, for example), is increasing the momentum on the private-sector power purchase agreements market. PPAs are gaining in significance on account of falling subsidies and ever growing demand for renewable energy sources. Industrial companies are acquiring shares in large renewable energy projects and signing PPAs to ensure a long-term supply of electricity to their sites. As before, technology firms continue to be the among the key electricity buyers for these kinds of contract. PPAs are therefore playing an increasingly important role in the energy transition.

Developments in European core markets

The expansion of renewable energies continues to gain ground in the EU. In December, the “regulation laying down a framework to accelerate the deployment of renewable energy” was adopted in order to support the implementation of the “Fit for 55” climate plan launched in summer 2021, which outlines how the EU aims to reduce carbon dioxide (CO_2) emissions by 55 % compared to the level emitted in 1990 by 2030. To put the plan into practice, the EU intends to tighten other existing laws and anchor additional requirements in legislation. This involves, for example, modifying the EU emissions trading system and expanding emissions trading to include the transportation and building sectors, as well as extending CO_2 limits and matters related to funding.

One of the key pillars of the programme is the development of renewable energies. The European Commission's plan to rapidly reduce dependence on Russian fossil fuels and fast forward the green transition, REPowerEU, of 18 May 2022 includes a special EU solar strategy to PV capacity by 2025 by installing new PV systems amounting to 320 GW by 2025 and a total of 600 GW by 2030. The objective of covering 45 % of total final energy consumption using renewable sources by 2030 was adopted by the European Parliament when it revised the Renewable Energy Directive (RED) in September 2022. The 45 % target set by MEPs exceeds the 40 % mark adopted by the member states in June 2022. In addition, the framework conditions for the use of green hydrogen are expected to improve in industry and transportation. The expansion of renewable energies has been categorised as an issue of overriding public European interest. By 2050, Europe intends to be the first continent in the world to be capable of complete climate neutrality and plans to have implemented the “Green Deal”. The development of renewable energies in Encavis AG’s core European markets is presented below.

Germany

In Germany, some 46 % of electricity comes from renewable sources – up by around 9 % year on year. According to preliminary figures from the German Federal Ministry for Economic Affairs and Climate Action (BMWK), total gross electricity generation from renewable amounts to 256 TWh, significantly higher than the previous years but well below the milestone of 269 TWh set in the German Renewable Energy Act (EEG 2021). The rate of expansion must be accelerated further so that Germany can achieve the defined consumption targets. The aim is for green power to cover 80 % of the country's gross electricity consumption in 2030. This corresponds to around 600 TWh of energy, which would require the volume of green electricity to be more than doubled in the next eight years.

Once again, wind and solar power were the main pillars of renewable energy generation in Germany in 2022. Electricity produced by solar installations increased sharply year on year by 23 % to 61 TWh, due primarily to additional capacity and very sunny weather. At 128 TWh, the amount of wind energy generated in 2022 was up around 12 % compared to the previous year. Of this figure, 103 TWh came from onshore wind parks and 25 TWh from offshore facilities. The development of wind power was held back by the continued low number of new installations.

A range of new regulations were put in place in order to stop Germany's reliance on the supply of fossil energy sources from Russia as quickly as possible and optimally ramp up climate protection. At the start of July 2022, the parliament voted on the "Easter package" to accelerate the expansion of renewable energies. In addition, the law on immediate measures to accelerate the expansion of renewable energies and other measures in the energy sector (Gesetz zu Sofortmaßnahmen für einen beschleunigten Ausbau der Erneuerbaren Energien und weiteren Maßnahmen im Stromsektor – EEGAusbGuEnFG) entered into force on 1 January 2023. The revised version of the German Renewable Energy Act (EEG) from summer 2021 contains numerous measures aimed at increasing the share of wind, solar and hydroelectric energy to around 80 % of all energy consumed in 2030.

The law classes the expansion of renewable energy as in the "overriding public interest" in order to simplify the planning and approval of new facilities. The plans call for making it less complicated to obtain new spaces for the expansion of wind and solar power and involving communities more closely. The framework conditions for the expansion of photovoltaic roof systems are also to become simpler and more attractive. The EEG levy paid by end consumers will be permanently abolished. In order to achieve the new expansion target for 2030, the trajectories and tender volumes will be increased significantly and will be based on the 1.5-degree target set by the Paris Agreement: Onshore wind energy is to increase by 10 GW each year, meaning that a total of around 115 GW in wind capacity should be installed in Germany by 2030; a further 22 GW in solar capacity expansion will be required each year in order to achieve the target of around 215 GW of installed solar capacity in Germany. The expansion targets for offshore wind energy are to be increased to at least 30 GW by 2030 and to at least 70 GW in the long term. In order to achieve the planned expansion of onshore wind energy, 2 % of land in Germany needs to be allocated to this, more than double the current amount. The law on wind energy land requirements (Windenergieflächenbedarfsgesetz – WindBG) sets out binding land-use targets for the German federal states according to a fixed distribution key.

Denmark

Denmark is on the best path to achieving independence from fossil fuels through the exclusive use of renewable energies by 2050. In 2022, renewable energies accounted for 76 % of net energy generation in the country, with around 34 TWh being fed into the public grid in Denmark. To achieve the goal of cutting CO_2 emissions by 70 % in comparison to 1990 by 2030, a range of measures were initiated with the aim of making renewable energies cheaper and fossil fuels more expensive.

Oil and gas heating in private households will be gradually 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. Since April 2022, however, the Danish government has temporarily increased the gas and oil production rates in the North Sea. This step, which is not in line with the original strategy, has only been initiated to reduce reliance on energy deliveries from Russia at a significantly quicker pace.

Finland

Finland is aiming to become the first carbon-neutral developed economy in the world by the year 2035, according to a new climate law rubber-stamped by the Finnish parliament at the end of May 2022 after an overwhelming majority of MPs voted in favour. 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 since the year before last. Another objective pursued by the country is to achieve net-zero emissions in 2035 – 15 years earlier than the EU's target date.

In response to the energy shortage following Russia's attack on Ukraine, Finland has further accelerated its transition to renewable energies. This is reflected in particular in the addition of wind energy capacities, which rose by 75 % year on year in 2022. In the past year, 427 new wind installations with a capacity of 2.4 GW went on stream in Finland. Wind power capacity is expected to increase by around 1 GW annually in the coming years. This energy source is forecast to cover at least 28 % of Finnish power consumption by 2025, compared with just under 10 % in 2021.

France

At the end of 2021, France had renewable energy installations with a total capacity of around 57.9 GW. Of that total, onshore wind installations accounted for 18.8 GW, photovoltaic facilities 13.1 GW and hydropower 25.7 GW. The share of renewable energies in total energy consumption is to rise from 27 % at present to around 40 % by 2030. In addition, the number of solar installations is set to be tripled by 2023. The plan is to achieve a comprehensive supply of solar power throughout the country. At the same time, though, the government also intends to continue pushing ahead with the expansion of nuclear energy, not least as a response to the electricity shortage in 2022, which was widely discussed in French media. However, the reorientation of France's energy policy began before the Russian invasion of Ukraine. In February 2022, President Emmanuel Macron announced a huge expansion in electricity production from nuclear power.

Despite pursuing a policy of expressly promoting more renewable energy, the authorities are shifting their expansion targets. This includes dramatically reducing plans to increase onshore wind capacity on account of public resistance. The aim is to fill the resulting gap primarily with offshore wind power and solar energy. In the Franco-German declaration issued on the anniversary of the Elysée Treaty, the French government stated its intention to significantly speed up the expansion of renewable energy capacities. With regard to national decisions on the energy mix, France aims to promote investment in renewable and low-carbon energies, energy efficiency and grid expansion, as well as environmentally friendly technologies and hydrogen.

The United Kingdom

Since its departure from the European Union, The United Kingdom has no longer been bound by European climate policy regulations or requirements. The United Kingdom had set its own targets for a low-carbon economy by 2050 in the 2008 "Climate Change Act". In recent years, the government has made a clear commitment to the expansion of renewable energies and announced its goal of turning the UK into a world leader in affordable and clean energy production. In October 2021, the British prime minister stated that The United Kingdom would switch fully to renewable energy in the year 2035. Onshore and offshore wind power play a key role here. Offshore wind power capacities are to be expanded to 40 GW by 2030.

In 2022, The United Kingdom achieved the milestone of being a net exporter of electricity for the first time in the past decade. Reportedly, wind energy accounted for a record-breaking 27 % of power generation, and biomass, solar and hydroelectric plants made up 11 %. Nuclear power stations contributed 16 % to the energy mix, while coal-fired power plants, which played a dominant role in recent years, accounted for only 1 %. The overall share of wind energy rose by 24 % year on year in 2022, and solar power shot up from almost nowhere in comparison with a decade ago.

Ireland

At the start of November 2021, the Irish government announced its Climate Action Plan 2021 (CAP21), which includes a roadmap for reducing greenhouse gas emissions by 51 % by 2030 and achieving net-zero emissions by 2050. In 2020, around 16.2 % of gross final energy consumption was covered by renewable energy sources. A year later, this share had fallen to around 12.5 %.

To keep its ambitious climate targets on track, Ireland plans primarily to drive the expansion of wind energy with support from national subsidy schemes and incentives for green energy producers. This will involve increasing wind capacities installed onshore to 8 GW by 2030 and to 5 GW for capacities installed offshore. The measures also aim to rapidly accelerate solar energy expansion and achieve solar generation capacity of 2.5 GW in total in 2030, 380 MW of which through roof-based PV installations. To support these efforts, the Irish government cut the amount of red tape involved in constructing solar energy installations in October 2022: Now, roof-based PV installations can be built without requiring a building permit.

Italy

Italy has continued to implement its 2030 climate and energy strategy. These plans include the end of coal energy in the country by the year 2025 and increasing the proportion of renewables in energy consumption to around 27 % by 2030. This would require the expansion of solar generation capacities to 50 GW and wind energy to 18.4 GW. As a result, solar power would make up more than 50 % of the total energy production capacity from renewable energy in Italy, followed by hydroelectric and wind energy.

Solar installations had a nominal capacity of 22 GW at the end of 2021. This ranks the Italians second highest in Europe – behind Germany but above France and The Netherlands. However, capacity expansion needs to gain further momentum. Existing regulations are to be simplified to accelerate approval processes. For example, a new law was passed in April 2022 to make it much simpler to construct solar installations. The Italian government expects capacity from renewable energies to increase by 5.1 GW in 2022, primarily thanks to accelerated approval processes for renewable energy projects.

Lithuania

In the past year, Lithuania redoubled its efforts to reduce its dependence on imported electricity from fossil fuels. The country has adopted ambitious plans to become an energy exporter by 2030 and to meet its electricity needs exclusively through locally generated green power. According to the objectives, the total installed capacity provided by renewables is to increase to 7 GW, of which 1.4 GW will come from offshore wind power, 3.6 GW from onshore wind power and 2 GW from solar power plants. These plans are underpinned by an accelerated implementation cycle involving less red tape for investment projects.

Key changes in the law resulting from the “breakthrough” package took effect on 2 July 2022 and had positive effects over the rest of the year, including the introduction of simplified environmental impact assessments and land use regulations. In addition, a package of legislation aimed at developing offshore wind energy in the Baltic Sea was adopted in early 2022. At least four offshore wind parks in total are planned on the Lithuanian coast. The various initiatives enabled Lithuania to generate more than half of its power from renewable sources in the first quarter of 2022. Until the end of 2022, Lithuanian residents had the opportunity to acquire 38 MW of capacity in solar parks and receive subsidies for purchasing a power plant in a solar park. The aim is that one in three households will generate its own electricity by 2030, thus contributing to energy independence.

The Netherlands

The Netherlands have entered into a commitment to greater climate action 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 %. As a result, total solar capacity increased to 13.1 GW, which equates to the highest capacity per capita in Europe (765 watts, followed by Germany at 715 and Belgium at 596 watts per capita). To further boost renewable energies, The Netherlands and Germany are to look into increasing the number of new hybrid offshore wind parks in the North Sea.

Austria

Austria currently obtains over 80 % of its overall electricity from regenerative energy sources – a figure it intends to increase to 100 % by 2030. Hydroelectric plants produce over 60 % of the country’s electricity. The Renewable Expansion Act (Erneuerbare Ausbau Gesetz – EAG) calls for the further expansion of renewable energies. It is not just the remaining one-fifth currently produced by fossil energy sources that needs to be covered; the growing energy requirements due to increasing electrification and digitalisation are also taken into account.

Austria therefore plans to expand renewable energy generation from the current level of approximately 65 billion kWh to 92 billion kWh by 2030, an increase of more than 40 %. The additional capacities amounting to a total of 27 billion kWh will be split as follows: solar 11 billion kWh, wind 10 billion kWh, water 5 billion kWh and biomass 1 billion kWh. The energy transition measures will cost the Austrian government up to EUR 1 billion per year, and will be partly funded by a new green electricity tax levied on all private households.

Sweden

Sweden has been a leading player in the European energy transition for many years now. At the end of 2021, the Swedes covered around 63 % of their gross final energy consumption using renewable energies, the most in Europe, meaning the country has already significantly exceeded the EU target of 45 % by 2030. Sweden looks set to retain its undisputed number one spot for the foreseeable future, too. For the past two years, every one in two new cars purchased has been an electric car. In addition, a new law banning the sale of new vehicles with combustion engines will come into force in 2030. 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.

In 2021, hydroelectric power made up the largest share of Sweden's renewable energies, at 43 %, followed by wind power, bioenergy and solar. 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 2021, Sweden had already installed nominal wind capacity of around 12.2 GW. Onshore wind capacity has seen particularly strong growth in recent years, rising by an annual average of 2 GW between 2019 and 2021. This puts Sweden among the frontrunners in Europe.

Spain

In 2022, renewable energies accounted for around 45 % of total net power generation in Spain. The leading regenerative sources were onshore - wind (22.5 %), solar (11.9 %), hydro storage and run-of-the-river (8.3 %) and biomass (1.6 %). Around 261 TWh in total were fed into Spain's public grid in the reporting year. The Spanish government has reaffirmed its commitment to phase out nuclear power as planned, despite the threat of the energy crisis. The reactors, which most recently produced around 21.5 % of Spanish electricity in 2022, will be decommissioned between 2027 and 2035.

The government will continue to rely on renewable energies instead and has become the second most important solar market in Europe in recent years. Solar installations with a nominal capacity of approximately 3.8 GW were installed in 2021, 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 in 2021 as part of two renewable energy auctions and should be installed for the most part by 2023.

Significant events

Course of business

Significant events in the Group portfolio and the project pipeline

Encavis AG connects a total of 268 MW of renewable energy capacity to the power grid in the 2022 financial year through the new acquisition and completion of power generation installations.

Encavis AG connected the two solar parks Hijken and Schaapsdijk with a combined generation capacity of 24 MW to the grid in The Netherlands. In addition, the solar parks in Groß Behnitz (25 MW) in Brandenburg and Rødby Fjord (71 MW) in Lolland in the southwest of Zealand (Denmark) came on stream as planned. In Groß Behnitz, state-of-the-art bifacial solar modules will deliver subsidy-free renewable energy that will be sold directly to a commercial/industrial customer under a long-term power purchase agreement. The electricity generated by the Rødby Fjord solar park in Denmark will also be sold to a tech company on the basis of a pay-as-produced structure under a ten-year power purchase agreement. Rødby Fjord will also benefit from a 20-year fixed feed-in tariff from the Danish Ministry of Climate, Energy and Utilities.

At the end of March 2022, Encavis also acquired the Svoldrup wind park in northern Jutland, which is already connected to the grid. The park has a generation capacity of 11.5 MW. Encavis has now acquired five of the total of six 126-metre-high Siemens SWT-2.3-93 wind turbines (2.3 MW each) of the wind park constructed back in 2010. They are in very good condition and have reliably produced green power since the acquisition. The sixth wind turbine has been owned by Encavis since 2019. The wind park's electricity production is secured until the end of 2023 by pay-as-produced power purchase agreements. For the period after 2024, Encavis will enter into a long-term power purchase agreement with a new party.

In August 2022, Encavis acquired three further solar parks with a total generation capacity of 48 MW in The Netherlands. The solar parks in Dokkum (generation capacity of 14 MW), Lemsterhoek (31 MW) and Hoogengraven (3 MW), which went on stream in the subsequent months, will benefit from The Netherlands' SDE+ feed-in scheme in their first 15 years of operation.

The acquisition of the majority of shares in Stern Energy S.p.A. in late October 2022 increased solar production capacity in Italy by a further 7 MW due to the solar installations held by the subgroup in the country. In Denmark, the Rinkøbing solar park (12 MW) in the north of Jutland was connected to the grid in the fourth quarter of 2022.

The end of December 2022 saw Encavis' first ever acquisition of an onshore wind park already connected to the grid in Lithuania, with a nominal capacity of 69.3 MW. The facility in the Telšiai region in the northwest of the country consists of 13 wind turbines from the new 5.3 MW Cypress generation manufactured by GE Renewable Energy. It was developed by the Lithuanian E energija Group and GE Energy Financial Services as co-sponsors. The electricity generated by this park substantially increases the amount of wind power produced in Lithuania compared to 2021 (by around 17 %). Until 31 December 2031, the electricity generated will be sold to the state energy provider Eesti Energia AS from Estonia, which has received an investment grade rating, through a long-term power purchase agreement based on a pay-as-produced structure. The wind park benefits from a long-term service agreement with General Electric Lithuania. E energija acts as the technical and commercial manager.

Encavis increases stake in Stern Energy S.p.A. to 80 %

On 3 November 2022, Encavis AG announced that it had increased its stake in the long-standing operations and maintenance (O&M) partner Stern Energy S.p.A., Parma, Italy, to 80 %.

This further investment in Stern Energy is an important strategic milestone for Encavis in cementing its already significant Europe-wide presence in technical solar services. Encavis can look back on an established and successful partnership with Stern Energy, which is already responsible for handling technical operations at a large majority of Encavis' European portfolio. Encavis and Stern Energy will work together to generate further efficiency increases by onboarding existing and new service agreements and by insourcing sub-contracting processes. Stern Energy's further growth is still firmly focused on its European business activities in the area of O&M solar services with external clients, which already make up around 70 % of the company's revenue.

The generation capacity under management from the combined O&M business and additional O&M service business from Stern Energy has grown in the past five years from approximately 250 MW in 2017 to some 1,300 MW in 2021, equivalent to an annual average growth rate of over 37 %. Stern Energy S.p.A. and its subsidiaries will be fully consolidated for the first time in the consolidated financial statements for 2022 on a pro rata basis from the time of acquisition of control.

Encavis AG acquires a second subsidy-free 14 MW solar park in Sweden

On 24 November 2022, Encavis AG announced that it had acquired a second solar park in Sweden as part of its partnership with the Norwegian solar park developer Solgrid AS. The park is located in Västervik on the east coast of Sweden, will have a generation capacity of around 14 MW and is scheduled to go on stream in the third quarter of 2023. The first joint solar park project was realised in Varberg on the west coast of Sweden in April 2022 and has a generation capacity of 5 MW. Encavis and Solgrid intend to jointly develop additional solar parks in the south of Sweden with a total generation capacity of more than 100 MW. The plan is to combine several projects in order to sign a long-term power purchase agreement. In the meantime, Encavis will sell power contracts that are secured in the short and medium term.

Encavis AG acquires a 55 MW construction-ready solar park in Spain

On 29 November 2022, Encavis AG announced that it had acquired a 55 MW solar park ready for construction in Spain from Hive Energy (UK). The solar park development is located in Andalusia, in the city of Guillena, near Seville. After completion, it will produce enough electricity to supply around 28,300 households per year. The land use and power grid for the project have already been secured, and Encavis intends to start construction shortly. Ethical Power, a Hive Group company, will build the park for Encavis. The project developer Hive will remain invested in the project until completion.

Encavis AG is ready to build its largest solar park in Denmark so far, with generation capacity of around 140 MW

On 20 December 2022, Encavis AG announced that its around 140 MW solar park in Brønderslev (northern Jutland) was ready for construction. This is the second successful project from the strategic development partnership with GreenGo Energy in Denmark, which comprises more than 500 MW of solar projects. Generating solar power in Denmark is a particularly attractive proposition, as providers can benefit from the higher prices for this form of energy during low-wind periods.

The solar park under construction to the northeast of Aalborg uses state-of-the-art bifacial solar modules mounted on single-axis trackers. Once completed, it will supply subsidy-free renewable energy that is to be sold directly to an industrial customer under a long-term power purchase agreement expected to last ten years.

Significant developments in Group financing

Encavis AG refinances solar park portfolio in The Netherlands

On 28 July 2022, Encavis announced that it has once again concluded a non-recourse project (re)financing agreement to refinance a portfolio, this time for five solar parks with a total production capacity of 74 MW in The Netherlands. All installations are already in operation and benefit from the Dutch subsidy scheme SDE+, which involves a fixed feed-in tariff for around 15 years. The project financing agreement concluded with Rabobank for EUR 47.7 million, which matures on 30 June 2039, is broken down into a floating rate facility amounting to EUR 24.7 million, which is fully interest-hedged through an interest swap for the loan period; a fixed rate facility amounting to EUR 19.0 million; and a debt service reserve facility amounting to EUR 4.0 million. With this transaction, Encavis has once again optimised existing costs and structures for project financing, while also benefiting from higher leverage ratios and leaner structures in operational portfolio management. All three refinancing transactions have been completely structured, arranged and managed by Encavis AG’s own in-house Project Finance team, established in 2019. In all of the transactions, Encavis benefited from the ongoing 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.

SCOPE confirms investment grade issuer rating BBB- of Encavis AG and raises outlook to “positive”

Encavis AG and its financing subsidiary Encavis Finance B.V. were re-evaluated by SCOPE Ratings, which confirmed its investment-grade issuer rating of BBB-. In an updated analysis, the outlook was upgraded from “stable” to “positive”.

The European ratings agency SCOPE also confirmed the long-term ratings for the senior unsecured debt (BBB-), subordinated (hybrid) debt (BB) and short-term debt (S-2). The significant strengthening of credit metrics, coupled with the gradual improvement in geographic diversification and granularity of the company’s portfolio, have resulted in the outlook changing from “stable” to “positive”. The BBB- rating primarily reflects the company’s largely secure position as an independent energy producer with its own energy portfolio comprising more than 2 GW of capacity spread across 200 wind and solar parks. SCOPE believes that Encavis will be in the position to maintain a strong margin, including an EBITDA margin upwards of 70 %, and generate solid cash flows.

It is also of the opinion that the Encavis business model is largely protected against the risk of low electricity prices thanks to the prioritised feed-in of generated electricity under availability-based remuneration schemes and long-term power purchase agreements with creditworthy customers. At the same time, it is also benefiting from extremely high electricity prices through subsidised projects in Germany and The Netherlands, where feed-in tariffs constitute a minimum price with potential for increases should market prices exceed the subsidised rates, as well as through freely tradeable energy volumes (maximum of 5 % of total capacity).

SCOPE believes that the current high rate of inflation in Europe is not having any material impact on Encavis’ business operations. With Encavis having avoided best-effort supply agreements, the disruption to global supply chains has yet to have an effect on its operations or the completion of wind and solar parks.

In spite of the recent interest rate hikes – and the potential for more in the future – market interest rates remain lower than the average for Encavis’ debt portfolio, which allows the company to refinance its existing debt at improved terms. Credit metrics were bolstered further by the conversion of the EUR 150 million hybrid convertible bond into equity in October 2021 and the subsequent issuing of the new EUR 250 million hybrid convertible bond in November 2021 (SCOPE considers 50 % of this exposure to be borrowed capital).

Liquidity ratios are expected to comfortably exceed 110 % in the near future, supported by a large and freely available liquidity buffer of EUR 264 million at the end of June 2022 and long-term credit line commitments of EUR 145 million. SCOPE believes that operating cash flow from project companies is sufficient to cover redeemable loans at project level (EUR 120 to 130 million per year). This assumption is also supported by the considerable volume of cash reserves held by the project SPVs.

SCOPE is standing by its neutral assessment of Encavis' financial policy, which the agency believes will help the company to expand while it maintains the quality of its financial risk profile – as shown by the company's refinancing measures, such as the use of equity-like financing instruments, the flexible future dividend policy, the widespread use of financial covenants and cash reserves at project level and a minimum equity ratio of 24 % (31.2 % as at 30 June 2022).

A rating upgrade may be justified if Encavis maintains its EBITDA coverage at more than 4.0x over the long term while making further improvements to the geographical diversification – focusing on jurisdictions with relatively stable regulatory environments – and the granularity of its portfolio.

Encavis refinances two solar parks in Denmark

Encavis has successfully concluded another non-recourse project financing agreement, this time for the Danish solar parks of Svinningegården in the northwestern part of Zealand, with a generation capacity of 34 MW, and Rødby Fjord on the island of Lolland in southwest Zealand (capacity of 71 MW).

Encavis acquired both solar parks at the end of 2021 from European Energy. They generate electricity on the basis of long-term power purchase agreements with renowned technology companies. Rødby Fjord also benefits from a 20-year fixed feed-in tariff from the Danish Ministry of Climate, Energy and Utilities.

The financing framework of around EUR 32 million was provided by Rabobank, marking the first time that the bank and Encavis AG have collaborated on a project in Denmark. The agreement expires on 30 June 2040 and was structured and arranged internally by Encavis AG. The primary component of the arrangement is a term facility that is fully secured via an interest swap and cross-currency swap for the entire maturity.

Significant developments in asset management

Encavis Asset Management AG continues its success story as a catalyst of the energy transition and extends contract with Management Board member Alexander Stütz

Encavis Asset Management AG remained on its successful growth course in 2022. The Supervisory Board appointed Alexander Stütz as a member of the Management Board for a further three years until December 2025.

Encavis Asset Management AG has successfully evolved into one of the leading providers of special funds for institutional investors in the renewable energies growth market over the past few years. Through investment of over EUR 2 billion in wind and solar parks throughout Europe, Encavis Assessment Management AG has built up a broadly diversified portfolio and an attractive range of investment solutions for banks, insurers and energy providers. Managing the operations of individual parks is just as much a part of the company's responsibilities as structuring and managing mandates.

In spite of the macroeconomic turbulence, Encavis Asset Management AG remains committed to the business model that is based on holistic, premium-quality services in the capital and energy markets. With high ESG standards already applied to special funds, Encavis Asset Management AG is now focusing on the opportunities offered by digitalisation and the intelligent management of energy.

Encavis Asset Management acquires world's largest solar carport in The Netherlands for special fund EIF II

On 9 November 2022, Encavis Asset Management AG announced that it had acquired the Biddinghuizen solar park in the Flevoland province, which has a total capacity of 37.6 MW over a total area of 250,000 m^2. The carport covers around 15,000 parking spaces that are used for major events and festivals. Sheep grazing on the land there reliably and sustainably maintain the green areas. Since September 2021, over 90,700 bifacial modules have been producing green electricity for some 13,700 households, saving around 14,600 tonnes of harmful CO_2 per year.

Encavis Asset Management AG and BayernLB join forces with BayernInvest to launch a special fund for renewable energies pursuant to the German Insurance Supervision Act (VAG)

On the back of a series of successful placements to date, Encavis Asset Management and BayernLB are offering a new investment opportunity in the growth market of renewable energies: the Encavis Infrastructure Fund V (EIF V). While the EIF IV product marketed in parallel is aimed exclusively at banks, the new fund focuses on insurance and utility companies, as well as pension funds. OMP Capital, a company belonging to the leading Nordic private equity group HitecVision, helped establish the fund and made a seed investment of EUR 50 million.

The fund acquires investments relating to the generation, conversion and storage of electricity from renewable energy. The portfolio's investments in wind and solar parks ensure a broad technological diversification. In addition, the EIF V will invest in related technologies throughout Europe, such as battery storage systems and, where appropriate, power-to-gas solutions. The goal is to build up a future-oriented investment portfolio in order to provide the European markets with green energy on a sustainable basis. The initial target fund volume of EUR 600 million can be increased to up to EUR 1.2 billion in invested equity. Based on stable long-term income from the independent supply of green energy, the fund is aiming for an extremely attractive annual return of 6% to 8% over a 25-year term.

Encavis Asset Management is responsible for selecting, inspecting and operating the wind and solar parks. As the AIFM, BayernInvest Luxembourg S.A. is responsible for fund management and pursues a strictly sustainable investment strategy with corresponding ESG classification in accordance with Article 9 of the EU Sustainable Finance Disclosure Regulation (SFDR). BayernLB is in charge of fund distribution and day-to-day investor relationship management.

Encavis Asset Management AG expands its wind portfolio for Versicherungskammer

On 6 December 2022, Encavis Asset Management AG announced that it was advising the Versicherungskammer Group on the acquisition of an Irish wind park with a total capacity of 27.6 MW. The acquisition took place through the Encavis Infrastructure Fund III (EIF III).

The wind park consists of eight turbines in total, the first five of which are ready for construction and currently scheduled to go online at the end of 2023. The remaining three are at an advanced stage of development and could be commissioned in 2026.

Once the first five turbines are completed, the wind park will supply 24,400 households with green electricity and save 25,900 tonnes of CO_2 per year. Furthermore, this investment contributes to Ireland's energy policy of generating 70% of the country's electricity requirements from renewable sources by 2030.

Encavis Asset Management AG is responsible for structuring the entire project, in particular the financing, and handles the operational management, energy management, accounting and controlling for the wind park.

Encavis Asset Management AG completes investment phase of Encavis Infrastructure Fund II (EIF II)

In 2022, Encavis Asset Management AG successfully completed the investment phase of the special bank fund EIF II, which is marketed exclusively by Bayern LB. Launched in late 2017, the fund comprises a broad pan-European portfolio of renewable energies and is now fully invested. A nominal capacity of almost 680 MW makes the EIF II one of the largest renewables funds in Germany.

The bank fund's most recent investment activities took place in Germany with the acquisition of two solar parks with a total capacity of 45 MW in the state of Rhineland-Palatinate. Overall, the EIF II now has an optimally diversified portfolio of 22 wind parks and 21 solar parks in Germany, France, The Netherlands, Spain and Finland.

Other developments

Isabella Pfaller and Thorsten Testorp newly elected to the Supervisory Board

At the Annual General Meeting on 19 May 2022, the two independent candidates Isabella Pfaller, graduate mathematician, tax consultant, German public auditor and Member of the Management Board (CFO) of Versicherungskammer Bayern, and Thorsten Testorp, graduate economist and managing partner of B&L Real Estate GmbH, were newly elected to the Supervisory Board. Those Supervisory Board members who stood for re-election have also been confirmed in their positions. At the constituent Supervisory Board meeting, Dr Manfred Krüper was also confirmed in his role as Chairman of the Supervisory Board. Dr Rolf Martin Schmitz was elected as Deputy Chairman of the Supervisory Board. Ms Isabella Pfaller also took over the position of Chair of the Audit Committee. The Management

Board and Supervisory Board expressed their particular thanks to previous Supervisory Board member Alexander Stuhlmann, Deputy Chair of the Supervisory Board and Chair of the Audit Committee, as well as Dr Cornelius Liedtke for their consistently reliable and constructive support in commitment to the company along with their personal and long-standing dedication to their roles on the Encavis AG Supervisory Board.

Encavis AG re-enters the MDAX and joins STOXX Europe 600 for the first time

Encavis AG once against entered MDAX on 20 June 2022. This stock index reflects the performance of the 50 largest listed companies which follow the 40 companies in the DAX in terms of market capitalisation in Germany. By including Encavis AG in this prestigious index, the stock market is honouring the impressive success story of Encavis AG. The introduction of the former Capital Stage AG to the Prime Standard of Deutsche Börse AG in 2013 was followed by its inclusion in the SDAX on 24 March 2014 – over eight years ago.

In addition, Encavis AG has also joined the STOXX Europe 600 index for the first time. The change in composition of the STOXX Europe 600 took effect from the start of trading on Monday, 19 September 2022.

Encavis AG restructures Management Board for european energy transition

At its meeting on 4 July 2022, the Supervisory Board of Encavis AG made the decision to restructure the Encavis AG Management Board. The previous Head of Operations and IT (COO), Mario Schirru, was appointed to the Management Board of Encavis AG on 1 August 2022. Mr Schirru is an acknowledged expert in the field of renewable energies and has worked for the Encavis Group for over eight years. As a former investment director, the Italian-born engineer acquired the necessary skills required to master the challenges ahead presented by the European energy transition and the associated exponential growth at an early stage. As part of the restructuring of the Management Board of Encavis AG, the Chief Executive Officer (CEO) of Encavis AG, Dr Dierk Paskert, plans to depart from his position on 31 December 2022 and leave the Group early by mutual agreement. Member of the Management Board and Chief Financial Officer (CFO) of Encavis AG Dr Christoph Husmann, who has played a key role in the strategic development of the company for the past eight years, has been appointed Spokesman of the Management Board with effect from 1 January 2023 and will continue to contribute to the fundamental business strategy.

Comparison of the actual and forecast figures in 2022

The Management Board of Encavis assumed in the forecast issued in its 2021 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 2022 financial year.

In EUR million

	2022e (AR 2021)	Actual 2022 (operating)	Actual 2021 (operating)	% change on the previous year
Revenue	>380	487.3	332.7	+46.5%
Operating EBITDA	>285	350.0	256.4	+36.5%
Operating EBIT	>166	198.3	149.1	+33.0%
Operating cash flow	>260	327.2	251.9	+29.9%
Operating earnings per share in EUR	0.51	0.60	0.48	+25.0%
Technical installation availability in %	>95	96	98	-2.0%

Compared to the previous year, revenue increased sharply by EUR 154.6 million, or around 46 %, and exceeded the target figure from the forecast published in the 2021 annual report by EUR 107.3 million. The reported revenue includes a levy of around EUR 25 million obtained through the Europe-wide system to cap electricity prices, which is recognised as part of other expenses. The main drivers of the year-on-year improvement were greater electricity generation due to more favourable weather compared to the meteorologically very poor previous year, as well as persistently high electricity prices, which made a significantly positive contribution to this development despite the large proportion of prices secured by long-term agreements. While the weather conditions in the first six months exceeded the assumptions made in the company’s forecasts overall, there was little wind in the second half of the year and extremely low levels of sunshine in the fourth quarter of 2022. As a result, the meteorological conditions in 2022 as a whole fell slightly short of forecasts across all technologies. However, the higher market prices for electricity more than compensated for this trend. 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 2021 annual report on the basis of the existing portfolio in March 2022 was also exceeded with regard to operating EBITDA and operating EBIT by EUR 65.0 million and EUR 32.3 million, respectively.

Operating cash flow was increased from EUR 251.9 million in the previous year to EUR 327.2 million in the 2022 financial year. The forecast published in the 2021 annual report was therefore significantly exceeded.

At EUR 0.60, operating earnings per share came in above the figure forecast in the 2021 annual report (EUR 0.51) by a considerable margin as well.

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 encompassed over 180 solar parks with a total capacity of more than 1.5 GW as at 31 December 2022. These solar parks are distributed throughout Germany, Italy, France, The United Kingdom, The Netherlands, Spain, Denmark and Sweden.

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 includes all solar parks in the company's own portfolio, the months from April to September generate more revenue than the autumn and winter months.

The electricity supplied by the solar parks held by the Group in the 2022 financial year amounted to 2,136.5 gigawatt-hours (GWh) (previous year: 1,815 GWh). As a result, this figure increased by 17.7 % over the previous year. Of the power fed into the grid, some 44 % (previous year: 49 %) is attributable to the solar parks in Spain, 15 % (previous year: 14 %) to the solar parks in Germany, 11 % (previous year: 13 %) to the solar parks in France, 10 % (previous year: 12 %) to the solar parks in Italy, 8 % (previous year: 6 %) to the solar parks in The Netherlands, 6 % (previous year: 6 %) to the solar parks in The United Kingdom, 5 % (previous year: 0 %) to the solar parks in Denmark and 1 % (previous year: 0 %) to the solar park in Sweden.

In the 2022 financial year, the following solar parks already in operation were acquired:

- Zonnepark Houten Oostrumsdijke B.V., Netherlands, Group share 100 %
- Zonnepark Hijken B.V., Netherlands, Group share 100 %
- Zonnepark Ermelo Schaapsdijk B.V., Netherlands, Group share 100 %
- Zonnepark PV12 B.V., Netherlands, Group share 100 %
- Zonnepark PV21 B.V., Netherlands, Group share 100 %
- Solar Park Rødby Fjord ApS, Denmark, Group share 100 %
- Varberg Norra 3 MW AB, Sweden, Group share 54 %

In the second half of the 2022 financial year, the following solar parks already in operation were transferred from assets accounted for using the equity method to full consolidation after the stake in Stern Energy S.p.A. was increased most recently to 80 % in December:

- De - Stern 8 S.R.L. Italy, Group share 80 %
- De - Stern 11 S.R.L. Italy, Group share 64 %
- De - Stern 14 S.R.L. Italy, Group share 64 %

Wind Parks segment

Encavis’ own wind park portfolio encompassed over 40 wind parks with a total capacity of more than 490 MW as at 31 December 2022. 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.

The electricity supplied by the wind parks held by the Group in the 2022 financial year was 996.6 MWh (previous year: 940.1 GWh). This figure therefore increased by some 6 % over the previous year. Of the power fed into the grid, 48 % (previous year: 48 %) is attributable to the wind parks in Germany, 37 % (previous year: 31 %) to the wind parks in Denmark, 8 % (previous year: 9 %) to the wind parks in France, 6 % (previous year: 4 %) to the wind park in Finland and 1 % (previous year: 1 %) to the wind park in Italy. In the previous year, 7 % of the fed-in power came from the wind parks in Austria, which were sold in December 2021.

In the first half of the 2022 financial year, five additional wind installations in Denmark (Svoldrup 1 to 5) were acquired by the Danish company Nordbrise A/S. Furthermore, UAB L-VĖJAS was acquired in Lithuania in December 2022 and initially consolidated as at 31 December 2022.

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 MW as at 31 December 2022.

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 MW.

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. After strategically increasing its stake to 51 % as planned in the first half of 2022, Encavis acquired further shares in Stern Energy S.p.A. in October 2022 to take its interest to 80%, gaining control over the entity and fully consolidating it as a result. As part of the transaction, the following companies are now included in the PV Service segment:

- Stern Energy S.p.A., Italy, Group share 80 %
- Stern Energy GmbH, Germany, Group share 80 %
- Stern Energy Ltd., United Kingdom, Group share 80 %
- Stern Energy B.V., Netherlands, Group share 80 %

The companies offer various services for solar parks in Italy, Spain, Germany, The United Kingdom and The Netherlands. As at 31 December 2022, their Group volume under management amounted to around 795 MW, and their non-Group volume under management was approximately 920 MW.

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 2022, the managed portfolio comprised a total of more than 30 solar parks and over 50 wind parks in Germany, Italy, France, Spain, The United Kingdom, Finland, Sweden, Austria, Ireland and The Netherlands.

The installed output from renewable energies was successfully increased by around 17 % to the current level of 1.4 GW. This outstanding success came as a result of the commissioning of wind and solar parks in France, Germany, Spain, Ireland and The Netherlands with a combined capacity of 179 MW in total. Furthermore, additional wind and solar parks with a capacity of more than 386 MW were acquired in France, Germany and Ireland 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 2023.

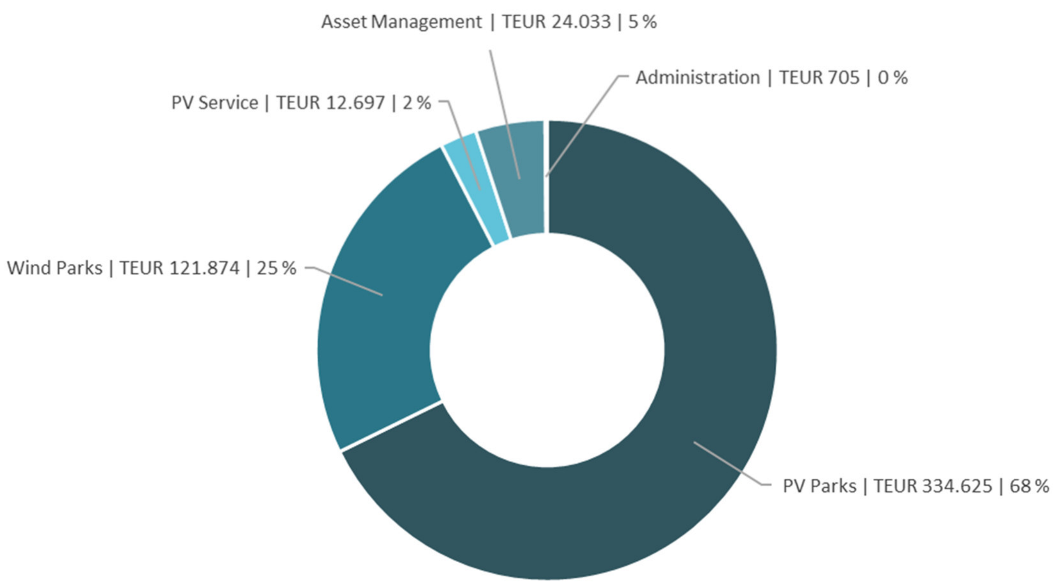
Financial performance, financial position and net assets of the Encavis Group

Financial performance

In the 2022 financial year, the Group generated revenue of TEUR 487,342 (previous year: TEUR 332,703). This corresponds to growth of TEUR 154,639 or approximately 46 %. Of this significant increase, TEUR 99,895 can be attributed to the solar park portfolio and TEUR 43,989 to the wind park portfolio. In the solar park portfolio, the Spanish, German, Italian and Dutch solar parks in particular contributed to the rise, while the growth recorded by the wind park portfolio was mainly due to the facilities in Germany and Denmark. It should be noted that reported revenue includes a levy of TEUR 24,856 obtained through the Europe-wide system to cap electricity prices, which is recognised as part of other expenses. The main drivers of the year-on-year improvement were greater electricity generation due to more favourable weather compared to the meteorologically very poor previous year, as well as persistently high electricity prices, which made a positive contribution to this development despite the large proportion of prices secured by long-term agreements. Moreover, the solar parks in Germany, The Netherlands, Denmark, Italy and Sweden that were initially consolidated or connected to the grid in the 2022 financial year contributed TEUR 17,545 to revenue. Revenue also includes income of TEUR 24,033 (previous year: TEUR 19,899) from the Asset Management segment and income of TEUR 12,697 (previous year: TEUR 4,386) from the service business.

Group revenue is 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 43,276 (previous year: TEUR 38,040). This figure includes TEUR 29,906 in non-recurring income relating to the initial consolidation of an Italian company formerly accounted for using the equity method from the reconciliation statement. Other income also comprises income from insurance compensation payments of TEUR 3,540 (previous year: TEUR 1,228), non-period income of TEUR 2,003 (previous year: TEUR 2,255) and income from the reversal of deferred income (government grants) of TEUR 1,628 (previous year: TEUR 1,941). Of the non-period income, TEUR 640 (previous year: TEUR 173) is due to the reversal of provisions.

The cost of materials amounted to TEUR 9,949 in the reporting period (previous year: TEUR 4,312). This primarily includes the expenses for purchased power in the solar and wind parks, expenses in connection with the direct marketing of the electricity produced as well as material consumption in the service business. The increase is primarily attributable to higher direct marketing costs, as well as to the expansion of the service business through the full consolidation of the Stern subgroup.

Personnel expenses increased from TEUR 19,218 in the 2021 financial year to TEUR 27,030 in the reporting year, mainly due to the acquisition of the Stern subgroup and the growth-induced expansion of the Encavis team.

The following amounts were recognised as personnel expenses in the 2022 financial year:

- TEUR 0 (previous year: TEUR 870) from the 2018 virtual share option programme
- TEUR 651 (previous year: TEUR 1,645) from the 2019 virtual share option programme
- TEUR 1,122 (previous year: TEUR 488) from the 2020 virtual share option programme
- TEUR 542 (previous year: TEUR 8) from the 2021 virtual share option programme and
- TEUR 17 for the 2022 virtual share option programme newly created in the 2022 financial year.

recorded as personal expenses.

The SOPs from 2018 to 2022 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 2018 to 2022, which entered into force on 1 July 2018, 1 July 2019, 1 July 2020, 1 July 2021 and 1 July 2022, respectively.

Besides the Management Board, the Encavis Group employed 303 people as at 31 December 2022 (previous year: 144). The increase in the number of employees was due specifically to the acquisition of the Stern subgroup and the growth-induced expansion of the Encavis team.

Other operating expenses in the 2022 financial year amounted to TEUR 117,134 (previous year: TEUR 66,921). This comprises, in particular, the costs of operating solar and wind parks in the amount of TEUR 93,564 (previous year: TEUR 50,646), including expenses for technical and commercial management, repairs and maintenance, insurance, various other costs such as vehicle costs, costs for IT and telecommunications. In addition, the costs of operating solar and wind parks contain a levy of TEUR 24,856 in connection with the Europe-wide system to cap electricity prices. Other expenses also include TEUR 23,570 in costs for current operations (previous year: TEUR 16,274). The increase in these costs is also related to the expansion of the existing portfolio and various expenses to improve the capacities and efficiency of selected solar and wind parks.

In the 2022 financial year, the Group therefore generated earnings before interest, taxes, depreciation and amortisation (EBITDA) in the amount of TEUR 376,504 (previous year: TEUR 280,292). The EBITDA margin stood at around 77 % (previous year: 84 %). The decrease in the EBITDA margin is attributable in particular to the recognition of levies recorded in other expenses and in connection with the Europe-wide system to cap electricity prices. Without factoring the levies into the revenue and other expenses, the EBITDA margin would have been 81 %.

Depreciation and amortisation of TEUR 152,619 (previous year: TEUR 151,445) 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) In addition, Encavis tested the Group’s assets for impairment as at 31 December 2022, as an analysis of the indicators that are specific to Encavis’ business model pointed to the existence of a triggering event. In view of the increase in the market interest rate level, and therefore in the costs of capital (WACC), the impairment test revealed an impairment loss of TEUR 62,017, as a result of which impairment losses on property, plant and equipment and intangible assets amounting to TEUR 41,079 and TEUR 20,938 respectively were recognised.

Earnings before interest and taxes (EBIT) rose from TEUR 128,847 in the previous year to TEUR 161,867 in the 2022 financial year. This corresponds to an EBIT margin of around 33 % (previous year: 39 %). Without factoring the levies into the revenue and other expenses, the EBIT margin would have been 35 %.

Financial income increased from TEUR 21,711 in the previous year to TEUR 40,654 in the reporting year. This item includes income relating to changes in the market values of interest rate swaps of TEUR 33,160 (previous year: TEUR 7,852) and interest income from the reversal of step-ups on bank loans and lease liabilities of TEUR 3,793 (previous year: TEUR 6,686). Financial expenses of TEUR 85,489 were incurred (previous year: TEUR 67,525) 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 also influenced by income and expenses from currency translation. Within financial income, this results in a decrease of TEUR 6,151 and within the financial expenses in an increase of TEUR 5,402. The financial result also includes earnings from financial assets accounted for using the equity method in the amount of TEUR -561 (previous year: TEUR 86).

The resulting earnings before taxes (EBT) amounted to TEUR 116,471 (previous year: TEUR 83,119). The EBT margin is approximately 24 % (previous year: 25 %). Without factoring the levies into the revenue and other expenses, the EBT margin would have been 25 %.

The tax expenses reported in the consolidated statement of comprehensive income in the 2022 financial year total TEUR 32,876 (previous year: TEUR 849) and are attributable to non-cash deferred taxes and effective tax payments. The current tax expense amounts to TEUR 37,071 (previous year: TEUR 11,857). Deferred tax assets of TEUR 4,195 (previous year: TEUR 11,008) were recognised.

Altogether, Encavis generated consolidated earnings of TEUR 83,595 (previous year: TEUR 82,270).

Consolidated earnings are made up of earnings attributable to shareholders of the parent company totalling TEUR 78,490 (previous year: TEUR 75,323), earnings attributable to non-controlling shareholders totalling TEUR 417 (previous year: TEUR 687) and the share of earnings attributable to hybrid bondholders of TEUR 4,688 (previous year: TEUR 6,259). Consolidated comprehensive income of TEUR -69,627 (previous year: TEUR 107,665) is made up of consolidated earnings and changes in other reserves shown in equity. In addition to changes in the currency translation reserve in the amount of TEUR 222 (previous year: TEUR -668), the change in other reserves still relates to the change in hedge reserves in the amount of TEUR -156,393 (previous year: TEUR 10,856), 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 costs of hedging in the amount of TEUR -49 (previous year: TEUR 6). Amounts recognised in equity will be reclassified in full to consolidated earnings once the corresponding hedged items have expired. In the 2022 financial year, TEUR 1,328 (previous year: TEUR -4) was reclassified from the hedge reserve to consolidated earnings. There were corresponding deferred tax effects of TEUR 1,724 (previous year: TEUR -2,674). Undiluted earnings per share (after non-controlling interests) amounted to EUR 0.49 (previous year: EUR 0.52). The average number of shares in circulation in the reporting period amounted to 160,756,644 (previous year: 144,378,743). Diluted earnings per share amounted to EUR 0.48 (previous year: EUR 0.52).

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.-31.12.2022	01.01.-31.12.2021
Revenue	3.21; 5.1	487,342	332,703
Other income	5.2	43,276	38,040
Cost of materials	5.3	-9,949	-4,312
Personnel expenses, of which TEUR -2,331 (previous year: TEUR -3,010) in share-based remuneration	5.4	-27,030	-19,218
Other expenses	5.5	-117,134	-66,921
Adjusted for the following effects:			
Other non-operating income		-30,894	-24,031
Other non-operating expenses		4,412	137
Adjusted operating EBITDA		**350,022**	**256,398**
Depreciation, amortisation and impairment losses	5.6	-214,637	-151,445
Adjusted for the following effects:			
Depreciation, amortisation and impairment of intangible assets (electricity feed-in contracts) and goodwill acquired in the course of business combinations		67,005	47,052
Subsequent measurement of uncovered hidden reserves and liabilities on step-ups for property, plant and equipment acquired as part of business combinations		-4,105	-2,955
Adjusted operating EBIT		**198,285**	**149,050**
Financial result	5.7	-45,396	-45,728
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 expense from subsidised loans [government grants])		-15,810	-15,977
Adjusted operating EBT		**137,079**	**87,345**
Tax expenses	5.8	-32,876	-849
Adjusted for the following effects:			
Deferred taxes (non-cash items) and other non-cash tax effects		-2,961	-9,492
Adjusted consolidated operating earnings		**101,242**	**77,004**
of which attributable to Encavis AG shareholders		95,965	69,565
Average number of shares in circulation in the reporting period		160,756,644	144,378,743
Adjusted operating EAT per share (in EUR)		**0.60**	**0.48**

Financial position and cash flow

Changes in cash and cash equivalents amounted to TEUR -106,149 in the reporting year (previous year: TEUR 225,558) and consisted of the following:

Net cash flow from operating activities increased by approximately TEUR 75,294 from TEUR 251,941 in the previous year to TEUR 327,235 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 totalled TEUR -297,605 (previous year: TEUR -89,457) and primarily concerns the payments for the acquisition of six solar parks in The Netherlands and one solar park in Denmark and The United Kingdom respectively, as well as payments for the acquisition of five wind energy installations and the construction of two solar parks in Denmark. This item also includes payments to increase the stake in Stern Energy S.p.A. to 51 % during the year. In the fourth quarter of 2022, it contained payments to further increase the shareholding to 80 %, as a result of which the company and the subsidiaries controlled by it are now fully consolidated.

Cash flow from financing activities amounted to TEUR -134,960 (previous year: TEUR 62,564) 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. Two credit lines of TEUR 25,000 and TEUR 10,000 were taken out in the reporting period, as well as a subsidised loan of TEUR 20,000. In the previous year, cash flow from financing activities was increased by the proceeds from the issuance of a new perpetual subordinated convertible bond amounting to TEUR 250,000.

In the 2022 financial year, TEUR 198,463 (previous year: TEUR 237,957) was raised in the form of loans. Of this, TEUR 103,463 (previous year: TEUR 149,729) results from long-term loans for financing solar and wind parks and TEUR 95,000 from the utilisation of three different credit lines. Total interest payments and repayments for the Group’s loans resulted in a cash outflow of TEUR 281,791 in the 2022 financial year (previous year: TEUR 371,228).

Encavis AG’s Annual General Meeting on 19 May 2022 resolved to distribute a dividend of EUR 0.30 per no-par-value share carrying dividend rights. This corresponds to an increase of around 7 % on the previous year (EUR 0.28 per share). Pursuant to the resolution passed at Encavis AG’s Annual General Meeting, a proportion of the company’s net earnings for the 2021 financial year amounting to EUR 87,070,815.33 was to be used for the dividend payout, which occurred on 23 June 2022. With an acceptance rate of around 30 %, the optional dividend was once again well received. In total, 560,894 new bearer shares were issued.

As at the balance sheet date, the Group had unused credit lines available in the amount of TEUR 76,669 (previous year: TEUR 159,680).

Net assets

As at 31 December 2022, equity amounted to TEUR 956,817 (31 December 2021: TEUR 1,066,388). The decrease of TEUR 109,571, or 10.3 %, is primarily the result of valuation effects for the Group’s derivative financial instruments recognised in the hedge reserve. These valuation effects are non-cash items and reverse during the period of the underlying transactions, which will result in an increase in equity in future periods. As a result, the decline during the reporting period should only be viewed as temporary. The dividend payment for the previous financial year, as well as the payment to hybrid capital investors, had a similar lowering effect. The positive consolidated earnings for the reporting period had an offsetting effect. The equity ratio was 28.1 % (31 December 2021: 33.2 %).

Total assets rose from TEUR 3,215,888 in the previous year to TEUR 3,405,542 in the reporting year.

As at 31 December 2022, the Group reported intangible assets in the amount of TEUR 446,887 (31 December 2021: TEUR 446,320).

Goodwill amounted to TEUR 107,129 as at 31 December 2022 (31 December 2021: TEUR 27,466). This corresponds to an increase of TEUR 79,663 compared with the previous year, which results from the initial consolidation of Stern Energy S.p.A. and its subsidiaries in October 2022 (TEUR 79,769). Encavis had annual goodwill impairment testing conducted as at 30 September 2022. 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. One other change as against the previous year relates to currency effects (TEUR -106).

The increase in property, plant and equipment to TEUR 2,304,994 (31 December 2021: TEUR 2,174,952) is mainly attributable to the acquisition of a Danish and a Lithuanian wind park, as well as the purchase of six Dutch, two Danish and one Swedish solar park(s) and the construction of a Danish solar park. This was offset by ongoing depreciation as well as impairment losses from the asset impairment test.

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 carryforwards that are likely able to be utilised.

Current assets decreased from TEUR 532,860 in the previous year to TEUR 450,001 as at 31 December 2022. These included liquid assets of TEUR 344,403 as at the balance sheet date (31 December 2021: TEUR 444,639).

Liquid assets include restricted funds in the amount of TEUR 54,920 (31 December 2021: TEUR 50,410). Of this, TEUR 48,484 (previous year: TEUR 40,613) is attributable to capital services and project reserves, and TEUR 6,436 (previous year: TEUR 9,797) to other restricted credit balances.

The Group's financial liabilities (primarily bank and lease liabilities) amounted to TEUR 2,094,888 as at 31 December 2022 (31 December 2021: TEUR 1,838,828). 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 (UK) of TEUR 27,662 (previous year: TEUR 28,174), including accrued interest, and liabilities from debenture bonds and/or registered/bearer bonds, including accrued interest, in the amount of TEUR 132,387 (previous year: TEUR 152,910). Liabilities from lease obligations amounted to TEUR 201,954 (31 December 2021: TEUR 186,696).

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 37,218 as at 31 December 2022 (31 December 2021: TEUR 28,686).

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 2022 financial year, revenue from solar parks increased to TEUR 334,625 (previous year: TEUR 234,730). The rise in revenue from the solar park portfolio was driven primarily by Spanish (+TEUR 26,794), German (+TEUR 23,050), Italian (+TEUR 21,621) and Dutch solar parks (+TEUR 21,034). Other income came to TEUR 7,586 in 2022 (previous year: TEUR 6,913). This was offset by the costs for operation of the solar parks as well as other expenses totalling TEUR 92,046 (previous year: TEUR 49,404) and depreciation, amortisation and impairment losses on PV installations and other intangible assets in the amount of TEUR 124,246 (previous year: TEUR 77,790). A total of TEUR 23,583 of the increase in other expenses relates to the levy in connection with the Europe-wide system to cap electricity prices. Of the increase in depreciation, amortisation and impairment losses, TEUR 41,150 is attributable to impairment losses resulting from the asset impairment test conducted as at 31 December 2022. In total, the PV Parks segment generated operating earnings before interest and taxes (operating EBIT) in the amount of TEUR 125,920 (previous year: TEUR 114,449) and operating EBITDA in the amount of TEUR 250,166 (previous year: TEUR 192,238).

Wind Parks

In the 2022 financial year, revenue from wind parks increased to TEUR 121,874 (previous year: TEUR 77,885). The main contributors to this growth were the German (+TEUR 32,739) and Danish (+TEUR 17,323) wind parks. Other income came to TEUR 4,066 in 2022 (previous year: TEUR 7,653). In 2021, this item included TEUR 5,389 in non-recurring income from the deconsolidation of three wind parks in Austria, the majority stake in which (51%) was sold in full in the fourth quarter of that year. Expenses for operating and managing the parks and other expenses totalled TEUR 25,993 (previous year: TEUR 22,130). The levies recognised in other expenses in this segment, which are related to the Europe-wide system to cap electricity prices, only amounted to TEUR 1,272. Operating EBITDA amounted to TEUR 99,947 (previous year: TEUR 63,408). Depreciation and amortisation of wind installations and other intangible assets came to TEUR 25,608 (previous year: TEUR 27,987). Overall, the Wind Parks segment generated operating earnings before interest and taxes (operating EBIT) of TEUR 74,338 (previous year: TEUR 35,421).

Asset Management

In the 2022 financial year, operating earnings before interest and taxes (operating EBIT) were TEUR 9,927 (previous year: TEUR 7,969) and operating EBITDA amounted to TEUR 10,645 (previous year: TEUR 8,523). Revenue and other income of TEUR 24,319 (previous year: TEUR 20,146) was offset by cost of materials, personnel expenses, other expenses and depreciation and amortisation totalling TEUR 14,391 (previous year: TEUR 12,177). The significant increase in revenue and earnings is primarily attributable to the growth of the number of energy installations in the managed portfolio.

PV Service

In the PV Service segment, revenue and other income, less cost of materials, of TEUR 11,142 (previous year: TEUR 4,373) were offset by personnel expenses, other expenses and depreciation and amortisation totalling TEUR 8,669 (previous year: TEUR 3,110). Operating earnings before interest and taxes (operating EBIT) amounted to TEUR 2,474 (previous year: TEUR 1,263), and operating EBITDA stood at TEUR 2,685 (previous year: TEUR 1,263). The change in these KPIs compared to the previous year is attributable to the increase in the stake in Stern Energy S.p.A. to 80 % in October 2022, as a result of which the company and all the entities controlled by it and allocated to the PV Service segment are fully consolidated. The performance indicators of the Stern subgroup are therefore included in the consolidated financial statements on a pro rata basis for around two months. The earnings of Encavis for the period before full consolidation were recorded as a change in the carrying amount using the equity method in the financial result.

Administration

Operating earnings before interest and taxes (operating EBIT) for the Administration segment totalled TEUR -14,297 (previous year: TEUR -10,091). Revenue and other income rose from TEUR 2,411 in the previous year to TEUR 2,906 in the reporting year. Personnel expenses, other expenses and depreciation and amortisation amounted to TEUR 17,203 (previous year: TEUR 12,501). 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 2022 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 6,549 in the reporting year (previous year: TEUR 6,383). 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.

Other operating income amounted to TEUR 4,242 (previous year: TEUR 4,757). This resulted primarily from charging expenses in connection with the development of photovoltaic installations to Encavis Group companies in the amount TEUR 3,129 (previous year: TEUR 2,855), as well as positive exchange rate developments and the reversal of other provisions.

Personnel expenses of TEUR 17,820 were TEUR 4,381 higher compared to the previous year (TEUR 13,439). This was due in particular to the restructuring of the Management Board. The previous Head of Operations and IT (COO), Mario

Schirru, was appointed to the Management Board of Encavis AG on 1 August 2022. As part of the restructuring of the Management Board, the Chief Executive Officer (CEO) of Encavis AG, Dr Dierk Paskert, stepped down on 31 December 2022. Personnel expenses also rose due to the recruitment of twelve additional employees.

Other operating expenses of TEUR 19,331 were TEUR 807 lower compared to the previous year (TEUR 19,970). Other operating expenses primarily include legal fees as well as other consultancy fees in the amount of TEUR 6,595 (previous year: TEUR 5,430), insurance expenses totalling TEUR 2,657 (previous year: TEUR 2,460), costs for office space in the amount of TEUR 898 (previous year: TEUR 792), financial statement preparation and audit costs in the amount of TEUR 895 (previous year: TEUR 545), Supervisory Board remuneration in the amount of TEUR 511 (previous year: TEUR 489) and maintenance costs for hardware and software in the amount of TEUR 350 (previous year: TEUR 593).

Financial income and income from investments declined to TEUR 89,425 in the 2022 financial year (previous year: TEUR 108,192).

This includes income from investments in the amount of TEUR 15,357 (previous year: TEUR 32,146), which relates mainly to distributions of profit from the operating activities of affiliates, in particular the Danish company Encavis Nordbrise A/S in the amount of TEUR 12,233 (previous year: TEUR 2,690) and other affiliates totalling TEUR 3,124 (previous year: TEUR 3,874). The year-on-year decrease is mainly due to the fact that in 2021 Encavis AG received 2020 annual earnings from Encavis GmbH amounting to TEUR 22,142 as a profit distribution and collected the 2021 annual earnings via the profit and loss transfer agreement.

In addition, Encavis AG received profits totalling TEUR 38,428 from profit transfer agreements in 2022 (previous year: TEUR 47,067). Encavis AG collected income in the amount of TEUR 2,096 in total (previous year: TEUR 1,260) from the control and profit transfer agreement concluded in the 2012 financial year between Encavis AG and Encavis Technical Services GmbH. Encavis AG collected income in the amount of TEUR 1,125 in total (previous year: TEUR 437) due to the control and profit transfer agreement concluded on 12 March 2020 between Encavis AG and Solarpark Neuhausen GmbH. In addition, a control and profit transfer agreement was concluded between Encavis GmbH and Encavis AG in December 2021, which resulted in income of TEUR 35,207 (previous year: TEUR 39,094). In 2022, Encavis AG assumed a loss of TEUR 169 (previous year: profit 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. The year-on-year decrease is mainly due to the fact that in 2021 Capital Stage Solar IPP GmbH sold shares in three Italian park companies within the Group, and the resulting income of TEUR 7,760 increased the profit of Capital Stage Solar IPP GmbH to be transferred accordingly.

This item also includes interest income from loans issued to affiliates of TEUR 35,256 (previous year: TEUR 28,940). The increase in interest income from affiliates relates in particular to additional loans issued to affiliates.

Financial expenses of TEUR 12,515 were incurred (previous year: TEUR 13,162). These mainly include interest paid to affiliates amounting to TEUR 6,681 (previous year: TEUR 6,582) as well as interest paid to banks amounting to TEUR 5,665 (previous year: TEUR 6,057).

Write-downs of financial assets of TEUR 6,617 (previous year: TEUR 4,640) were incurred. This results primarily from unscheduled write-downs of TEUR 5,713 (previous year: TEUR 4,347) to the lower fair values in accordance with section 253 (3) sentence 5 of the German Commercial Code (HGB). The fair values were determined by applying the discounted cash flow method. In addition, a depreciation was carried out from currency translation in the amount of TEUR 904 (previous year: TEUR 0).

Taxes on income in the amount of TEUR 7,973 (previous year: TEUR -2,810) include expenses from additions to provisions for corporation taxes in the amount of TEUR 833, the solidarity surcharge in the amount of TEUR 46 and trade taxes in the amount of TEUR 246 from the current taxable profit. This item also contains expenses from additions to deferred tax liabilities in the amount of TEUR 1,853 and the reversal of deferred tax assets from 2021 in the amount of TEUR 3,587, which had an offsetting effect.

Encavis AG reported a net profit for the year of TEUR 35,489 (previous year: TEUR 70,769).

Financial position

Shareholders' equity decreased slightly from TEUR 854,150 in the previous year to TEUR 851,510 as at 31 December 2022. The change in shareholders' equity is due to the net profit for the year of TEUR 35,489 (previous year: TEUR 70,769) and the capital increase associated with the share dividend in the middle of the year, whereby subscribed capital and capital reserves increased by TEUR 561 and TEUR 9,451, respectively. The recognition of dividends of TEUR 48,141 for 2021 had an offsetting effect. The equity ratio was 57.27 % as at the reporting date (previous year: 59.5 %).

The balance sheet total rose to TEUR 1,492,496 in the 2022 financial year (previous year: TEUR 1,436,321). With regard to assets, the increase primarily results from the expansion of financial assets through the acquisition of additional shares in affiliates and the issue of loans to affiliates. On the other hand, the sale of government bonds with a strong credit rating for short-term cash management purposes led to a year-on-year reduction in total assets. With regard to liabilities, there was a particular increase in liabilities to banks.

In 2022, cash flow from operating activities amounted to TEUR -25,581 (previous year: TEUR -28,660). A material cash inflow resulted from the refund of capital gains tax (after deduction of the payment of capital gains tax on profit distributions received from 2020 to 2022) on profit distributions received in the amount of TEUR 6,127. This stood in contrast to payments made by Encavis AG to employees and the members of the Management Board from the share option programme totalling TEUR 3,119.

Investment activity yielded a cash flow of TEUR 66,757 (previous year: TEUR -195,249). The change in comparison to the previous year is due in particular to the fact that, in December 2021, Encavis AG invested liquid assets amounting to TEUR 195,000 in government bonds with a strong credit rating for short-term cash management purposes (maximum remaining term of three months when acquired) beyond the balance sheet date and repaid them in full in the period from January to March 2022. The following notable amounts were invested for the acquisition of subsidiaries: TEUR 78,202 for the wind park company UAB L-VĖJAS in Lithuania, TEUR 8,330 for the Spanish solar park company Fundici Hive S.L., TEUR 5,238 for the solar park company Chiltern Renewables Hockliffe Ltd. in The United Kingdom and TEUR 4,176 for three solar park companies in The Netherlands (Zonnepark PV12 B.V., Zonnepark PV16 B.V. and Zonnepark PV21 B.V.). Furthermore, Encavis AG paid TEUR 51,200 to increase its stake in Stern Energy S.p.A. to 80 %. By contrast, Encavis AG received distributions of profit from the operating activities of affiliates, in particular TEUR 12,234 (previous year: TEUR 2,690) from Encavis Nordbrise A/S, TEUR 3,440 (previous year: TEUR 10,500) from Capital Stage Solar IPP GmbH and TEUR 2,898 (previous year: TEUR 3,806) in total from other affiliates. Encavis AG also received payments from profit transfers, in particular from Encavis GmbH (TEUR 39,094; previous year: TEUR 22,142), and from other controlled companies (TEUR 7,974; previous year: TEUR 2,272).

Cash flow from financing activities came to TEUR -1,099 (previous year: TEUR 172,866). In the previous year, 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. In 2022, Encavis AG received cash inflows from the sustainable revolving syndicated loan in the amount of TEUR 50,000 (Synloan) (previous year: TEUR 50,000 (Tranche A)) and from other bank loans totalling TEUR 65,000 (previous year: TEUR 45,000). Encavis AG repaid bank loans and interest as well as bonds in the amount of TEUR 60,624 (previous year: 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 38,129 (previous year: TEUR 26,878) in June 2022.

In the 2022 financial year, a dividend of EUR 0.30 per share was distributed to the shareholders of Encavis AG (previous year: EUR 0.28 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 30 %, the optional dividend was once again very well received.

Supplementary report

Encavis AG and ILOS sign a framework agreement on a 300 MW pipeline of solar projects in Italy

Encavis AG has concluded a framework agreement on a solar project pipeline of up to 300 MW with ILOS New Energy Italy S.r.l. (a wholly owned subsidiary of the German company ILOS Projects GmbH).

This new partnership provides Encavis with exclusive access to ten solar park projects in Italy that are already at a very advanced stage of development. The individual projects, which have generation capacities of between 20 MW and 55 MW, are located in central and southern Italy, as well as on Sardinia and Sicily.

All the documents for the respective approval processes either have been or are about to be filed in the case of all projects. The pipeline projects are expected to reach ready-to-build (RtB) status in the short to medium term. The plan is to combine several of these Italian projects after completion in order to conclude long-term power purchase agreements based on a pay-as-produced structure.

Encavis AG acquires its first post-repowering wind park in Germany with a generation capacity of 11.2 MW from Energiekontor

On 8 February 2023, Encavis AG announced that it had acquired the Bergheim wind park in the state of North Rhine-Westphalia, Germany. This repowering project offers particularly reliable income because it draws on long-term, historical data on the wind volume in the region. The two wind turbines have an aggregate nominal capacity of around 11.2 MW. From their first full year of operation, they will generate approximately 28.1 GWh of electricity per year – enough to cover the average annual electricity requirements of some 10,000 households and save roughly 20,000 tonnes of CO_2 each year. The two wind turbines are scheduled for commissioning at the end of the fourth quarter of 2023.

The Bergheim wind park repowering project developed by Energiekontor, which involves replacing old wind turbines with new ones, is located in the cities of Bergheim and Pulheim in the Rhein-Erft district of North Rhine-Westphalia. The wind park benefits from a state-guaranteed feed-in tariff in accordance with the German Renewable Energy Act (EEG) for a total duration of 20 years from (re-)commissioning. The renewable energy will be provided by two Vestas V 150-5.6 turbines with a rotor diameter of 150 meters and a nacelle height of 166 metres.

Encavis AG successfully places a Green Schuldschein loan (SSD) in the amount of EUR 210 million for additional growth projects

On 28 February 2023, Encavis AG announced that it had placed a market-wide syndicated Green Schuldschein loan (SSD) in the amount of EUR 210 million for the first time since 2018. An issue volume of EUR 50 million was announced with the option of a demand-induced increase. The strong demand of all investor groups exceeded the offered issue volume within a few days, so that with around 50 investors, more than four times the issue volume was able to be placed in three maturity trances of 3, 5 and 7 years at fixed and variable interest rates. In particular, savings banks, cooperative banks, foreign banks as well as pension funds and insurance companies snapped up the opportunity of the first SSD loan issues in 2023. Encavis will use the acquired funding to invest in growth projects of new wind and solar parks in accordance with the Group's Green Finance Framework.

Encavis AG is granted ready-to-build status for a 105-MW solar park in Mecklenburg-West Pomerania

Encavis AG announced on 7 March 2023 they had obtained official approval for the development plan of their solar park with a total capacity of 105 MW in the local council meeting of 28 February. This means the preparatory construction measures can be initiated in spring 2023 as planned. It is one of the first solar projects in Mecklenburg-West Pomerania which has successfully passed through a planning permission variation process, and at the same time the first project from the development pipeline with the strategic development partner PVPEG (formerly Greifensolar), with whom a second project is also being carried out in parallel.

Other

Personnel

In the 2022 financial year, there were an average of 193 employees at the Group (2021: 142 employees), of which 94 were at Encavis AG, 51 at Encavis Asset Management AG and 15 at Encavis GmbH. Following the acquisition of Stern Energy S.p.A., the Group added 21 employees from Stern Energy S.p.A., 4 employees from Stern Energy GmbH, 7 employees from Stern Energy Ltd. and 1 employee from Stern Energy B.V. in the financial year.

At the end of 2022, there were 303 staff within the Group. Under a transfer of operations with effect from 1 October 2022, all employees of Encavis GmbH moved to Encavis Asset Management AG, which meant that Encavis GmbH did not have any staff as at the balance sheet date. This change in the number of employees was specifically due to the acquisition of the Stern subgroup, which increased the size of the PV Service segment in particular, and the growth-induced expansion of the Encavis team. The number of employees per function at the end of 2022 was as follows:

Number of employees per function at year-end	Encavis AG	Encavis Asset Management AG	Encavis GmbH	Stern Energy S.p.A.	Stern Energy GmbH	Stern Energy Ltd.	Stern Energy B.V.	Total
Finance	22							22
(previous year)	(20)							(20)
Operations	26							26
(previous year)	(23)							(23)
Staff	30							30
(previous year)	(27)							(27)
Investments	14							14
(previous year)	(11)							(11)
Corporate Finance/ Project Finance	7							7
(previous year)	(6)							(6)
Asset Management		71	0					71
(previous year)		(41)	(16)					(57)
Technology/ Administration				86	16	28	3	133
(previous year)				(0)	(0)	(0)	(0)	(0)
Total	99	71	0	86	16	28	3	303
(previous year)	(87)	(41)	(16)	(0)	(0)	(0)	(0)	(144)

As at 31 December 2022, Encavis AG had three Management Board members (Dr Dierk Paskert until 31 December 2022), and Encavis Asset Management AG had two Management Board members.

Supervisory Board

Mr Alexander Stuhlmann and Dr Cornelius Liedtke stepped down as members of the Supervisory Board of Encavis AG at the Annual General Meeting on 19 May 2022. Ms Isabella Pfaller and Mr Thorsten Testorp were appointed as new members of the Supervisory Board.

Remuneration report

As in the previous year, 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 2022 financial year in a separately published remuneration report which will be presented at the latest at the 2023 Annual General Meeting. Information on share-based payment 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 at the reporting date of 31 December 2022, the subscribed capital of the company amounted to EUR 161,030,176.00 (in words: one hundred and sixty-one million, thirty thousand, one hundred and seventy-six), divided into 161,030,176.00 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; ALOPIAS Anlagenverwaltungs GmbH & Co. KG, Neubiberg, Germany; 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 at 31 December 2022 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.

Internal control system

The disclosures in this section are information not included in the management report, which are not based on the recommendations of the German Corporate Governance Code in its version dated 27 June 2022. The disclosures are not included in the audit report of the management report by the auditor.

Encavis AG has implemented an internal control system (ICS) to combine all principles, guidelines, measures and processes as a whole. The internal control system is therefore an essential component in the management of the Group. The Management Board of Encavis AG controls the scope and structure of the ICS and incorporates the managers into the organisational implementation of decisions. This ensures that all essential operational processes are recorded by the ICS. This applies in particular to operational risks and compliance as well as risk and risk and opportunity management. The Management Board will be regularly advised and supervised by the Supervisory Board and the Audit Committee in matters of appropriateness and effectiveness of the ICS, the risk management system and the internal revision system.

The specific structure of the internal control system includes all essential transactions at Encavis AG in their entirety and goes beyond the controls in the accounting process.

With regard to the onboarding of new business partners of Encavis AG, there are various checking mechanisms which provide a standardised customer onboarding process. To meet internal compliance requirements, all business partners also commit to the Business Partner Code of Conduct and its recognition during the business relationship under the contractual arrangements. All business relationship contracts are signed using the four eyes principle and are subject to a signature guideline, which regulates the powers of representation and is implemented in the company and adapted where required.

In the area of IT, Encavis AG has implemented a modern security concept. System saves are performed regularly to avoid data losses and system failures, Battery systems have been installed in the event of a blackout, in order to protect the existing server environment from a power outage. Encavis AG also diversifies the service providers to avoid dependencies in the security backup concept.

Encavis AG will also continue to develop the requirements of the internal control system in the future and thus ensure its ongoing improvement. To safeguard this, Encavis AG can conduct an internal audit every year, which is outsourced to a service provider, thus an auditing firm. The audit issues are determined by the Audit Committee in the last Audit Committee's meeting of a financial year for the next year. The findings of the audit will be used for continuous further development of the general business management as well as the preventive and detective controls, and implemented according to the recommendations.

The Management Board of Encavis AG has considered the recommendations of the DCGK in 2022 at length with the appropriateness and effectiveness of the risk management system and the internal control system. There were no circumstances to argue against the appropriateness and effectiveness of the internal control system.

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 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 2022 financial year regarding “processing of insurance claims” and “labour law provisions” 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 within 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 impair the achievement of the Group's commercial goals,
- to create added value by taking appropriate account not only of return but also of risks in relevant decisions and processes, including investment decisions, risk capital allocations and corporate planning.

Organisation of the risk and opportunity management system

Overall responsibility for monitoring and controlling the total risk of the Group is borne by the Management Board of Encavis (hereinafter also referred to as "Encavis"). The Management Board establishes 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 can be forwarded both to the Management Board (decision maker) as well as the risk manager and/or the risk owner.

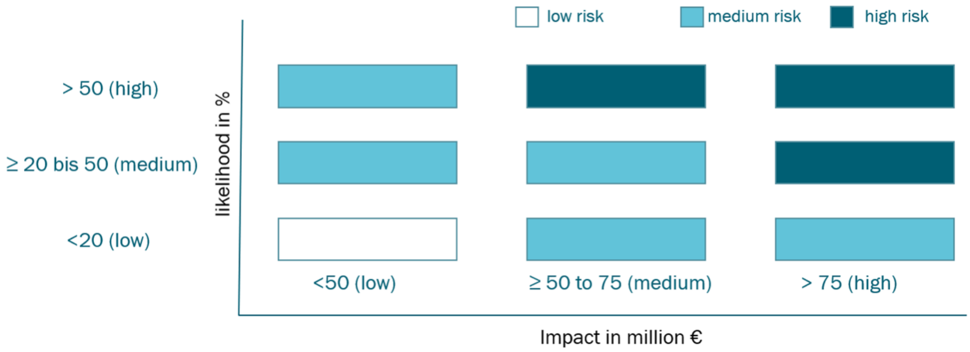
Risk management at Encavis is to be understood as an iterative process. This can be illustrated as follows:

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 is integrated into our 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

Uniform guidelines are in place to evaluate the risks inherent in the risk classes. Where risks cannot be evaluated quantitatively, they are evaluated at a qualitative level.



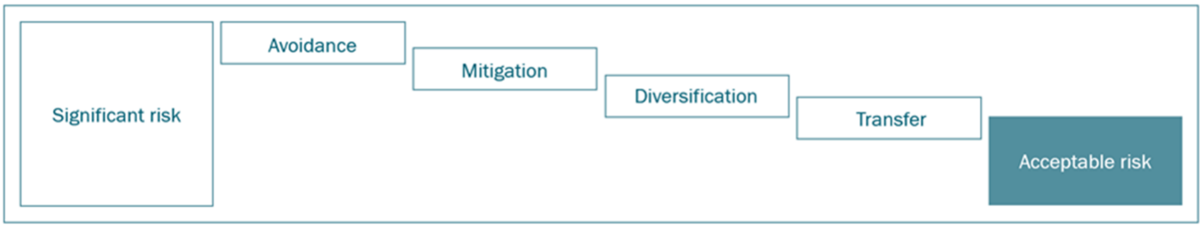
Risks are presented in terms of their gross effect, and a period of 12 months is generally considered to be the period during which the risk arises. However, individual cases involving longer-term significant risks may extend beyond this general period. Identified risks are evaluated based on their probability 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. 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.

Risk class & Thresholds for risk assessment (1-100)	Description of risk class
Low 1-19	The risks have a low probability of occurrence combined with a low impact.
Medium 20-50	The risks have a high probability of occurrence combined with a low impact or a low probability combined with a high impact.
High 51-100	The risks have a high probability of occurrence combined with a major impact.
Fact	Risks have already occurred but do not necessarily have any major impact on the business.
Growth	Risks of this class may influence the future growth of the Encavis Group.

Particular attention is paid to risks classified as “growth”, “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. Inventory risks alone are assessed in terms of probability of occurrence and impact. Growth risks are only assessed in terms of probability of occurrence, as 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 the loss associated with the risk, thereby reducing the gross risk.

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.

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

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

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: This involves deliberately taking on and bearing risks, for example by taking precautionary measures-/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.

Risk management

The Encavis Group has developed a variety of risk mitigation and risk avoidance strategies involving appropriate measures, a large number of which are covered by the internal organisation. Additionally, Encavis works with highly respected business partners, law firms and consultants. In this context, care is taken to ensure that potential risks are not borne solely by Encavis. This can be seen in particular in the section of the report on business risks.

Risk control

The objective of Encavis' approach is holistic risk management, in other words applying risk management 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.

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.

Nevertheless, the effects were tangible in the reporting year. The period of low interest rates that had prevailed for many years came to an end and was replaced by inflation in mid-2022. The rise in interest rates also means that the risk associated with low interest rates, which was previously reported and classified as “fact”, now no longer applies. Rising interest rates have an effect on business planning and the financing of new projects. The trend in electricity prices widely discussed at both European and national level has led to a great deal of uncertainty in the markets. The new German government has unsettled the market by repeatedly discussing measures such as a levy on windfall profits and a retrospective cap on electricity prices. A course of action that could also be planned for Encavis was not established until the end of the reporting year. The recently adopted German Electricity Price Brake Act (Strompreisbremsegesetz) may have an impact on the current reporting year.

In addition to changes in market risks and financial risks, there is an increasing focus on the topics of cyber risk and cybersecurity. In response to the growing threats, Encavis has taken a number of additional measures to minimise these risks as well.

Opportunity management

The purpose of opportunity management is to secure the long-term success of the company. Opportunities are discussed and recorded at the same time as risks and, following their assessment, specific measures are decided on to take advantage of 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 within 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. For the purpose of the explanations in this risk report, we have limited ourselves to the risk categories that were material in the reporting year as well as to individual risks that were classified as moderate and high. Material risks not classified as moderate and high are those that, despite being classified as low, have an impact on Encavis’ growth or are generally known, such as regulatory measures that cannot be anticipated or the growing shortage of skilled workers in Germany.

Overview of material risks in the reporting year

Strategic risks	Risk class	Change year on year
Political and regulatory risks	low	→
Risks arising from the short- and long-term marketing of electricity	moderate	→
Market risks	growth	low
Operational risks		
Business risks	moderate	→
Meteorological risks from sun and wind	moderate	→
Financial risks		
Project financing risk	moderate	→
Risks associated with the Group's capital procurement	growth	→
Currency risk	low	↘
Interest rate risks	moderate	↗
Risks in the Asset Management segment		
Capital procurement and investment risks	growth	moderate
Liability or reputation risks	low	→
Compliance risks		
Tax compliance risks	moderate	→
Corporate compliance risks	low	→
Stricter climate reporting obligations	low	→
Organisational risks		
Personnel and organisational risks	low	→
IT risks (cyber risk)	moderate	→

Brief explanation of risk changes in the reporting year

- The classification of market risks was changed from “low” to “growth” in the reporting year. Encavis continues to derive benefit from the transition from fossil fuels to renewables. The market is underpinned by political and regulatory framework conditions.
- Currency risks were downgraded from “moderate” to “low”. Encavis plans several years in advance and concludes currency hedging transactions. In addition to other measures mentioned in the report, Encavis therefore reclassifies the risk as low.
- Interest rate risks have been upgraded from “low” to “moderate”. This change reflects decisions by central banks, the majority of which raised interest rates several times during the reporting year. Rising interest rates make investments by Encavis an expensive undertaking.
- Capital procurement and investment risks have been changed from “moderate” risk to “growth”. Changing interest rate risks have made it more difficult to procure loans for investments on the market.

Disclosure of material risks

Strategic risks

Political and regulatory risks

In the reporting year, Encavis found itself increasingly confronted with political and regulatory risks. The energy market has been faced with numerous challenges as a result of Russia's war of aggression against Ukraine. The impact on Encavis was discussed regularly, and discussions on implementing measures to soften the impact on electricity prices were actively monitored.

For instance, German legislators passed the Electricity Price Brake Act on 20 December 2022, within the scope of its energy price measures, and this came into force on 24 December 2022. The above-mentioned legislation took effect in January 2023. Among other things, it regulates a levy on windfall gains or excessive profits earned on the energy markets. The levy on excessive profits became valid from 1 December 2022 until 30 June 2023, although the statutory order may be extended until 30 April 2024. Excess revenue is generally calculated based on the prices on the spot market or the monthly market values for wind energy and solar plants that are specific for each energy source, with earnings from hedging transactions (on the futures market) and installation-related marketing (in particular PPAs) being taken into account. Excess revenue is levied on the basis of revenue caps for specific technologies, with safety margins in place to protect operators from undue hardship. Of the excess, 90 % is subject to the levy; producers may keep the remaining 10 % as an incentive for efficient market behaviour. This means that 90 % of the difference between the maximum revenue amount and excess revenue is ultimately levied. From a legal point of view, the formulation of the Electricity Price Brake Act runs the risk of violating EU law and German constitutional law, especially due to the mechanism for levying excess revenue. In this context, different scenarios can be identified that give rise to questions concerning EU law and constitutional law. As from 1 November 2022, “excess revenue” is calculated for existing plants using a fictitious spot benchmark revenue determined on the basis of the average spot benchmark price and an upper limit, especially in the case of new contracts. Consequently, revenue is siphoned off from operators of PPAs in particular – revenue that they have never actually generated and that rises when prices on the spot market rise. With this in mind, new investments or new PPAs in particular need to be reviewed carefully before any re-investments are made. Given the levy on revenue described above, the impact on Encavis therefore needs to be evaluated in each individual case prior to any investment.

We are also currently taking legal action against the cap on profits from electricity revenue adopted in Italy as a result of the implementation of the EU regulation on a levy on windfall profits generated on the energy market and its effects on parks operated using state subsidies, especially because the price cap set there is significantly lower than the EU requirements.

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. Encavis has taken legal action against the individual reduction notices in the local administrative courts in France for each of the SPVs concerned. In a decision dated 27 January 2023, the French Supreme Court (Conseil d’Etat) overturned the orders on which the reduction notices were based, meaning that the legal basis for the reduction has ceased to exist. The SPVs concerned have already had the reduction notices overturned by the administrative courts, subject to the proviso that the old tariffs prior to the reduction will apply again once the reversal takes effect. In view of this, the risk that exists until a possible new order is adopted is mitigated accordingly, given that the decree is still in place, and assessed as low. As a result, the protection clause proceedings before the Commission de régulation de l’énergie (CRE) to suspend the reduced feed-in tariff while maintaining the previous tariff until 31 March 2023 has also been resolved.

In Spain, a regulation 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 entered into force on 16 September 2021. 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, but was extended until 31 December 2022. Exceptions are also defined for a reduction in tariffs if a PPA was 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.

Geographic diversification of the current portfolio has 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.

Risks arising from the short- and long-term marketing of electricity
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 significant risks. Market price risk is defined as both positive and negative fluctuations in market prices that can change the value of energy positions (energy position is defined as the amount of energy, expressed in MWh, which is generated by an asset or portfolio from when it starts operation to end of life).

Credit risk, by contrast, relates mainly to “replacement risk”, which is the risk that arises if the counterparty defaults, resulting in all active contracts with that counterparty having to be concluded at current (less favourable) prices instead of those stipulated in the original contracts.

In the countries in which 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, depending on how the PPA is structured, this kind of pricing and concurrent supply obligations to the customer can also give rise to market price risks for a project/portfolio. Rising prices on the wholesale electricity markets may mean, for example, that shortfalls in electricity volumes have to be purchased on the market at higher prices than originally planned in order to be able to fulfil the supply obligation under a PPA.

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

Market risks

The transition from a fossil fuel-based energy supply to more sustainable sources of energy, such as renewables like wind and solar power, means that renewables continue to be one of the world’s fastest growing industries. Operating solar parks and wind parks is only subject to minor economic fluctuations as a result of legally guaranteed feed-in tariffs, long-term power purchase agreements (PPAs) or renewable purchase obligations (RPOs) such as those set out in the German Renewable Energy Act (EEG).

In order to respond quickly and appropriately to market risks, Encavis continuously monitors the relevant markets by studying various trade publications; attending conferences, symposiums and trade shows; and maintaining memberships of industry associations, such as the German Solar Association. In addition, the company cultivates direct contacts and participates in regular discussions on relevant issues as part of a network of partners, experts and industry representatives.

Operational risks

Business risks

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 mitigates 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. In 2022, Encavis increased its stake in the pan-European O&M service provider Stern Energy S.p.A., based in Italy, to 80 %. This company provides technical management services for a large number of the Group’s own solar installations, as well as for many external customers. Consequently, Encavis has secured access to the relevant services required to mitigate risk and rectify damage. In addition, the development of the plants’ performance is continuously monitored by the respective project managers and the Group’s internal Engineering & Construction department. All installations are insured against the economic consequences of business interruption due to external events. By way of example, two French solar parks suffered damage caused by fires during the reporting year. Insurance covers both the material damage to the solar power plants caused by the fires and the losses due to business interruption for a downtime of up to twelve months.

Meteorological risks from sun and wind

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 trend has been observed in recent years and is not factored into the evaluation of the parks.

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.

Financial risks

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

Project financing risk

The construction and commissioning of solar parks and wind parks are associated with high investment costs. For the most part, these are financed by the project company’s borrowing of 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. Restrictions on the provision of suitable loans and stricter covenant requirements imposed by the lending banks could make financing any future projects much more difficult or even impossible moving forward. Moreover, a deterioration in the economic situation could result in a significant increase in the cost of financing by banks (and consequently in interest costs for projects) and, in the event of a significant jump in the number of insolvencies, a substantial reduction in the overall willingness to lend, as was seen most recently during the financial and banking crisis. As a result, the Encavis Group would have fewer investment opportunities, which would significantly slow down its potential growth. However, this would not have a direct impact on the project portfolio.

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 (while also inviting new banks for new financing matters) 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 around 300 externally financed solar parks and wind farms.

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 alternative financing options.

Risks associated with the Group’s capital procurement

In terms of the shareholder contribution, investment in solar and wind installations for the Encavis Group’s own portfolio is financed on a project-by-project basis by drawing on Encavis AG’s investment resources, which are supplied by operating cash flow, borrowing and equity capital measures. Any inability of the Encavis Group to make sufficient financial resources available as equity for projects in the future would have a negative impact on the further growth of the company.

Encavis AG’s current borrowing requires sufficient funds to repay it upon reaching the respective maturity date, which constitutes a refinancing risk. The repayments can made from operating cash flow, partial or full refinancing by means of new financial instruments, equity capital measures or a combination of all of these options.

Unlike the financing of Encavis AG itself there are no refinancing risks at project level, as project financing is committed over the longer term and repaid over the long term of the loan, with no further final maturities. In this respect, no “mini-perm” financing structures are applied.

Both growth risk and refinancing risk are classified as low. Encavis AG has very good access to the debt and lending markets and, as a listed company, also has access to the equity capital market. The Encavis Group has an investment grade rating of BBB- with a positive outlook from SCOPE and central bank eligibility certified by the Deutsche Bundesbank. In 2022, Encavis AG’s maturities were easily serviced from operating cash flow and refinancing. In addition, Encavis AG could also sell projects or minority interests in projects in its portfolio at any time in the event of an emergency; the high demand on the market makes these projects highly fungible assets.

Currency risk
Encavis is also active outside of the eurozone and operates ground-mounted photovoltaic installations and wind power installations in countries such as The United Kingdom, Denmark and Sweden. Investments and revenue denominated in foreign currencies are subject to exchange rate fluctuations as soon as one currency is exchanged for another.

The Encavis Group takes care at the level of project companies 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 or by means of derivative hedges, such as cross-currency swaps.

Encavis proactively minimises the risk by continuously monitoring the performance of foreign currencies and entering into hedging arrangements as and when required.

Interest rate risks
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. 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, for example via 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. That is why Encavis AG has consistently used interest-rate hedges at the project level for the entire term of the loan in the case of its larger project funding in recent years. In some cases, it has also used interest-rate hedges retrospectively for existing project funding where the fixed interest rate period expired before the term of the loan. 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. In this respect, any changes in the interest rate level will primarily only have an impact on our growth, and not on the existing portfolio.

Encavis AG’s non-current financial liabilities either have a fixed interest rate or are hedged using interest rate swaps. Most of Encavis AG’s credit lines are not hedged against interest rate risk due to their fluctuating drawdowns or because they are utilised in the form of guarantees. Appropriate interest rate hedges, such as forward swaps, are concluded whenever drawdowns are expected with a high degree of predictability and in the case of planned debt issuances that are highly likely to be implemented. The portions of the credit lines that are not interest-hedged have an interest rate and maturity structure that is in line with the market. Given the higher market interest rate level in 2022, the interest rate risk for drawdowns of the portions of the credit lines that are not interest-hedged is assessed as moderate.

Risks in the Asset Management segment

Capital procurement and investment risks
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.

Under these circumstances, it may be 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 from current asset management fees in this business segment. Inflation in particular has made institutional investors more cautious about investing.

The company is therefore 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 (such as solar parks in Spain and wind farms in Ireland). Against this backdrop, sales risks are to be regarded as a moderate risk at present. However, Encavis is confident that it will be able to further expand the Asset Management segment as a sustainable third source of income.

Liability or reputation risks

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 than 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 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.

Compliance risks

Tax compliance risks

The tax structures in Encavis' national markets can be complex due to the application of rules for tax groups formed for income tax purposes or group taxation rules, along with different legal forms and the existence of holding structures for non-tax reasons. The risks of tax compliance violations resulting from this are mitigated by local tax consultants. They provide the companies with continuous support and coordinate with Encavis on issues relevant to the Group. Tax risks for Encavis' German national market are managed by its own in-house tax department together with external tax consultants. 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 through the provision of loans and, to a much smaller financial extent, in the form of services. Encavis has agreed target figures with experts in transfer pricing for the corresponding invoicing processes.

Even though the company is of the opinion that tax risks have been taken into account comprehensively with the tax provisions, it is not possible to rule out that taxes may become payable as a result of future tax audits in Germany and abroad. The Group ensures that all relevant tax-related issues and developments are regularly discussed with the tax advisers.

Corporate compliance risks

Business operations necessitate the assumption of legal risk. In addition to the possibility of court or arbitration proceedings, the Encavis Group is subject to other regulations and principles.

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. Encavis has a compliance management system in place to assess risks in the compliance topics defined by the Management Board and to implement the necessary measures accordingly. The strict compliance requirements designed to protect all stakeholders prevent risks, especially those in the areas of anti-corruption, anti-money laundering, data protection and IT security, since these can have an enormous impact in terms of both financial losses and reputational damage. The Encavis Group has a training concept in place to provide employees with solutions and possible courses of action, so that the risks inherent in day-to-day business can be monitored, addressed promptly and mitigated in a timely manner.

With the introduction of the anonymous whistle-blower system, 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.

Stricter sustainability reporting obligations
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. Furthermore, Encavis places great value on social responsibility and ethical conduct and requires the same of its business partners. Encavis complies with regulations such as the German Act on Corporate Due Diligence in Supply Chains (Gesetz über die unternehmerischen Sorgfaltspflichten in Lieferketten), although Encavis itself is not governed by the Act. 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
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. There is a risk that it may not be possible to fill vacancies with adequately qualified professionals and managers. To fill vacancies and enable Encavis to continue to expand, it is also looking within the Group. Encavis offers individual guidance for employees and managers with regard to further training, thus ensuring quality assurance and the creation new potential in day-to-day business life.

IT risks (cyber risk)
The business activities of the Encavis Group are characterised by the use and development of information technology. All essential operational processes are supported by IT and modelled 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. To minimise the risks, Encavis continuously optimises its IT systems. 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 the implementation of new components is kept to an appropriate level. The system environment and data processing are protected by taking comprehensive precautions such as firewalls, up-to-date anti-virus programs, contingency plans, IT security training and the end-to-end use of multi-factor authentication. The high level of effort required to protect IT is also reflected in the VdS certification obtained in the reporting year. This certification is, among other things, the basis for the cyber risk insurance policy that has been in place since 2021, which provides Encavis with further protection against any claims it may make itself as well as potential third-party claims.

Overall risk

During the reporting period, these risk exposures were continuously identified, analysed and managed by means of a proactive risk management system. The Encavis Group has implemented appropriate risk management measures as and when required. The risk assessment is underpinned by Encavis' overall risk-bearing capacity. At present, no risks have been identified that, either individually or in aggregate, could jeopardise the continued existence of Encavis.

Opportunity report

Conservative investment strategy

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, Lithuania, The United Kingdom, Denmark, Sweden, Finland, Italy and Spain – all countries with an investment-grade rating.

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

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.

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.

As a result of the developments in Eastern Europe in the first quarter of 2022, Encavis sees opportunities to accelerate the transition to renewables in Europe. A faster transition will reduce dependence on fossil fuels, strengthen the growth of innovation in the area of renewable energies and boost their expansion within Europe directly. Scaling up expansion will give rise to new projects and enable Encavis to continue to play a direct role in the energy transition.

To achieve its desired goal, the German government plans in its coalition agreement 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.

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 and the Lithuanian wind 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.

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 and use the reflection from the ground below it to generate energy). In many regions, the renewable energy sector has already achieved grid parity and is 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. 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.

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 business relationships and collaborations

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, Norway's Solgrid AS, ILOS New Energy Italy S.r.l. (a wholly owned subsidiary of Germany's ILOS Projects GmbH) in addition to various developers.

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.

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.

Further slowdown in economic growth expected in 2023

The IMF expects a further slowdown in economic growth in 2023. Its predicted increase of only 2.9 % in global GDP shows that the negative factors from 2022 will continue to be felt this year. Although the reversal of China's Covid-19 policy led to the rapid spread of the virus and high infection rates in the country in the short term, the recent reopening could be the catalyst for a quicker-than-expected recovery of the Chinese economy. Financing terms will become more restrictive around the world. It is expected that tighter central bank monetary policy will be able to stop any further rise in inflation, with peak rates having already been reached in 2022, but a return to much lower inflation is unlikely. At the same time, room for manoeuvre in national fiscal policy remains limited, since health and social spending have grown tremendously more important in the course of the Covid-19 pandemic. Nevertheless, the IMF takes the view that investment in climate policy remains essential to reduce the risk of far-reaching climate change.

War in Ukraine

The Encavis Group wind and solar park portfolio, which is generally focused on Western Europe, is not affected by the war in 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 cyberattacks on electricity networks in Western Europe, on power-generating installations or on the Encavis Group's IT systems. The company has completely overhauled its IT infrastructure in the past four 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 European Central Bank (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, will presumably come to the obvious conclusion that it has significantly underestimated inflation so far.

Energy crisis accelerates expansion of renewable energies

The significance of renewable energies continues to increase considerably. Across the globe, conventional sources of energy and fossil fuels are being supplemented or replaced by the growth and use of regenerative energy sources. The worldwide energy crisis triggered by Russia's invasion of Ukraine brought an end to the era of low energy and commodity prices in 2022. Inflation, currency fluctuations, higher financing costs and the risk of recession dominated the investment environment. Despite all these adverse effects, the energy transition accelerated markedly in 2022. Likewise, the record figures for renewable energy installations are being driven by a change in people's awareness of sustainability in large parts of society, which has spurred global sales of products such as electric vehicles.

According to forecasts by the International Energy Agency (IEA), total renewable energy capacity worldwide will almost double as a proportion of power generation in the next five years, replacing coal as the biggest source of electricity production. In the period from 2022 to 2027, the IEA predicts an increase in global power generation capacity of around 2,400 GW. The expected growth in renewable energies is 30 % higher than the forecast a year ago, according to the IEA. The energy crisis therefore marks a historic turning point towards a cleaner and more secure energy supply.

Together, wind and solar power will account for over 90 % of the renewable energy capacity added in the next five years. Solar energy installations and onshore wind parks remain the cheapest options for generating power in most countries. To continue driving forward the expansion of wind and solar energy, the IEA believes that shorter approval times in EU countries and better incentive systems for installing photovoltaic systems on roofs will be required. In December 2021, the "regulation laying down a framework to accelerate the deployment of renewable energy" was adopted in order to support the implementation of the "Fit for 55" climate plan launched in summer 2021, which outlines how the EU aims to reduce carbon dioxide (CO_2) emissions by 55 % compared to the level emitted in 1990 by 2030. To put the plan into practice, the EU intends to tighten other existing laws and anchor additional requirements in legislation. This involves, for example, modifying the EU emissions trading system and expanding emissions trading to include the transportation and building sectors, as well as extending CO_2 limits and matters related to funding.

One of the key pillars of the programme is the development of renewable energies. The European Commission's plan to rapidly reduce dependence on Russian fossil fuels and fast forward the green transition, REPowerEU, of 18 May 2022 includes a special EU solar strategy to double photovoltaic capacity by 2025 by installing new PV systems amounting to 320 GW by 2025 and a total of 600 GW by 2030. The objective of covering 45 % of total final energy consumption using renewable sources by 2030 was adopted by the European Parliament when it revised the Renewable Energy Directive (RED) in September 2022. The 45 % target set by MEPs exceeds the 40 % mark adopted by the member states in June 2022. In addition, the framework conditions for the use of green hydrogen are expected to improve in industry and transportation. The expansion of renewable energies has been categorised as an issue of overriding public European interest. By 2050, Europe intends to be the first continent in the world to be capable of complete climate neutrality and plans to have implemented the "Green Deal".

Private-sector power purchase agreements continue to gain ground

The increasing economic efficiency of renewable energies compared to conventional energy carriers, as well as companies' commitments to maintaining an eco-friendly energy balance (as outlined in the RE100 initiative, for example), is increasing the momentum on the private-sector power purchase agreements market. PPAs are gaining in significance on account of falling subsidies and ever growing demand for renewable energy sources. Industrial companies are acquiring shares in large renewable energy projects and signing PPAs to ensure a long-term supply of electricity to their sites. As before, technology firms continue to be the among the key electricity buyers for these kinds of contract. PPAs are therefore 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. The plan for the next five years is focused on five areas:

1. further investments in ready-to-build wind and solar parks as well as securing projects in earlier phases of development in coordination with strategic development partners while maintaining a long-term equity ratio of more than 24 %,
2. disposal of minority interests in wind and individual selected solar parks of up to 49 % to free up liquidity for investments in additional wind and solar parks,
3. reduction and continued optimisation of costs related to the operation and maintenance of solar parks,

4. optimisation and refinancing of SPV project financing,
5. introduction of Group-wide cash pooling, including all single entities.

In the 2022 financial year, three of the five targets below, which were set as part of >>Fast Forward 2025, were exceeded on the basis of the annual values of 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, (2022: 462.5 million after deduction of the electricity price brakes of EUR 24.9 million),
3. growing weather-adjusted operating EBITDA from EUR 210 million to EUR 330 million (2022: EUR 350.0 million),
4. a margin of operating EBITDA of 75 % (2022: 75.7 %),
5. increasing the operating earnings per share (EPS) from EUR 0.40 to EUR 0.70.

The expected dynamic growth of Encavis can be seen not least in consideration of the corresponding annual growth rates (CAGR): the generation capacity is to increase by some 12 % annually to the year 2025. Annual growth of the operating earnings per share (EPS) amounts to around 10 %.

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

Overall assessment of future development

Against the backdrop of the Encavis Group’s business strategy geared towards qualitative growth, we expect a slight overall decline in several key figures in the 2023 financial year, some of which will not be able to reach the previous year’s level again, as the expected electricity price level will decline in 2023. To a large extent, we intend to compensate for the now significantly lower electricity prices, which, after the extremely high level of the previous year, will trigger a price-related revenue effect of a good EUR 87 million in 2022 (of which, the effect of the electricity price brake of EUR 24.9 million). This will be made possible by the full consolidation of the Stern Energy revenues, the expanded wind capacities in Finland, Lithuania and Denmark, as well as further revenue growth of Encavis Asset Management in 2023. The additional acquisitions in the previous year will be built by year-end 2023, therefore not contributing significantly to revenue yet in 2023. However, the operating earnings per share are also expected to exceed the previous-year value in 2023.

Based on the existing portfolio as at 13 March 2023, and in anticipation of standard weather conditions for the 2023 financial year, the Management Board therefore expects a slight decrease in revenue to over EUR 460 million, EUR 440 million after deduction of the electricity price brake (2022: EUR 487.3 million; EUR 462,5 million after deduction of electricity price brake). Operating EBITDA is expected to amount to more than EUR 310 million (2022: EUR 350.0 million). The Group anticipates operating EBIT of more than EUR 185 million (2022: EUR 198.3 million). The Group expects operating cash flow of over EUR 280 million (2022: EUR 327.2 million). By contrast, operating earnings per share are expected to amount to more than EUR 0.60 (2022: EUR 0.60). Overall, the Group remains fully on course for growth and continues to exceed the plan of the previous >> Fast Forward 2025 strategy package.

Technical availability of the installations is expected to remain at more than 95 % in the 2023 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 2023 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 -24.6 million for the 2023 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 -25.1 million.

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, 28 March 2023

The Management Board

Dr Christoph Husmann

Spokesman of the Management Board and CFO

Mario Schirru

CIO/COO

Consolidated financial statements of Encavis AG

Consolidated statement of comprehensive income

In TEUR

	Notes	2022	2021
Revenue	3.21; 5.1	487,342	332,703
Other income	5.2	43,276	38,040
Of which income from the reversal of impairments for expected credit losses		*83*	*1,838*
Cost of materials	5.3	-9,949	-4,312
Personnel expenses	5.4	-27,030	-19,218
Of which in share-based remuneration		*-2,331*	*-3,010*
Other expenses	5.5	-117,134	-66,921
Of which impairment for expected credit losses	5.5	*-317*	*-137*
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**376,504**	**280,292**
Depreciation and amortisation	5.6	-152,619	-151,445
Impairment losses	5.6	-62,018	0
Earnings before interest and taxes (EBIT)		**161,867**	**128,847**
Financial income	5.7	40,654	21,711
Financial expenses	5.7	-85,489	-67,525
Earnings from financial assets accounted for using the equity method	6.4	-561	86
Earnings before taxes (EBT)		**116,471**	**83,119**
Income taxes	5.8	-32,876	-849
Consolidated earnings		**83,595**	**82,270**
Items that may be reclassified through profit or loss			
Currency translation differences	5.9	222	-668
Cash flow hedges – effective portion of changes in fair value	5.9	-156,393	10,856
Cost of hedging measures	5.9	-49	6
Other comprehensive income from investments accounted for using the equity method	5.9	46	58
Income tax relating to items that may be reclassified through profit or loss	5.9	1,724	-2,674
Reclassifications	5.9	1,228	17,816
Other comprehensive income		**-153,222**	**25,395**
Consolidated comprehensive income		**-69,627**	**107,665**
Consolidated earnings for the period			
Attributable to Encavis AG shareholders		78,490	75,323
Attributable to non-controlling interests		417	687
Attributable to hybrid capital investors		4,688	6,259
Consolidated comprehensive income for the period			
Attributable to Encavis AG shareholders		-74,709	100,717
Attributable to non-controlling interests		394	688
Attributable to hybrid capital investors		4,688	6,259
Earnings per share	3.25; 12		
Average number of shares in circulation in the reporting period			
Undiluted		160,756,644	144,378,743
Diluted		172,087,164	145,558,359
Undiluted earnings per share (in EUR)		0.49	0.52
Diluted earnings per share (in EUR)		0.48	0.52

Consolidated balance sheet

Assets in TEUR	Notes	31.12.2022	31.12.2021
Non-current assets			
Intangible assets	3.5; 3.8; 6.1	446,887	446,320
Goodwill	3.6; 6.2	107,129	27,466
Property, plant and equipment*	3.7; 3.8; 3.24; 6.3; 6.16	2,304,994	2,174,952
Financial assets accounted for using the equity method	3.9; 6.4	6,684	15,233
Financial assets	3.10; 6.5	3,726	4,875
Other receivables	3.10; 3.11; 6.6	63,435	8,059
Deferred tax assets	3.14; 6.7	22,686	6,123
Total non-current assets		**2,955,541**	**2,683,028**
Current assets			
Inventories	3.13; 6.8	5,612	751
Trade receivables	3.10; 3.15; 6.9	69,815	47,731
Non-financial assets	3.15; 6.10	8,502	6,046
Receivables from income taxes	3.14; 6.10	11,144	24,760
Other current receivables	3.10; 3.15; 6.10	9,475	8,934
Liquid assets	3.16; 6.11	344,403	444,639
Cash and cash equivalents	3.16; 6.11	289,483	394,228
Liquid assets with restrictions on disposition	3.16; 6.11	54,920	50,410
Assets held for sale	3.17; 6.12	1,050	0
Total current assets		**450,001**	**532,860**
Balance sheet total		**3,405,542**	**3,215,888**

* 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	31.12.2022	31.12.2021
Equity			
Subscribed capital	6.13	161,030	160,469
Capital reserves	6.13	625,640	616,363
Other reserves	6.13	-159,162	-5,963
Net retained profit	6.13	78,309	46,750
Equity attributable to Encavis AG shareholders		**705,817**	**817,619**
Equity attributable to non-controlling interests	6.13	4,789	2,464
Equity attributable to hybrid capital investors	6.13	246,210	246,305
Total equity		**956,817**	**1,066,388**
Non-current liabilities			
Non-current liabilities to non-controlling interests	3.20; 6.15	40,512	36,768
Non-current financial liabilities	3.18; 6.16	1,465,333	1,482,599
Non-current lease liabilities	3.24; 6.17	187,684	176,068
Other non-current liabilities	3.18; 6.20	5,817	5,845
Non-current provisions	3.19; 6.18	51,246	73,018
Deferred tax liabilities	3.14; 6.7	143,051	125,431
Total non-current liabilities		**1,893,643**	**1,899,729**
Current liabilities			
Current liabilities to non-controlling interests	3.20; 6.15	1,644	102
Liabilities from income taxes	3.14; 6.20	26,286	15,614
Current financial liabilities	3.18; 6.16	427,600	169,533
Current lease liabilities	3.24; 6.17	14,271	10,628
Trade payables	3.18; 6.19	37,218	28,686
Other current liabilities	3.18; 6.20	28,528	12,047
Current provisions	3.19; 6.18	19,535	13,162
Total current liabilities		**555,082**	**249,772**
Balance sheet total		**3,405,542**	**3,215,888**

Consolidated cash flow statement

In TEUR

	Notes	2022	2021
Consolidated earnings		83,595	82,270
Impairments or reversals of impairments on fixed assets	5.6	214,637	151,445
Profit/loss from the disposal of fixed assets		151	142
Other non-cash expenses		5,145	525
Other non-cash income		-32,439	-23,695
Financial income	5.7	-40,654	-21,711
Financial expenses	5.7	85,489	67,525
Income taxes (recognised in profit or loss)	5.8	32,876	849
Income taxes (paid)		-9,589	-15,558
Earnings from deconsolidation	5.2	0	-5,735
Changes in other assets not attributable to investing or financing activities		-21,983	2,274
Changes in other liabilities not attributable to investing or financing activities		10,006	13,610
Cash flow from operating activities		**327,235**	**251,941**
Payments for the acquisition of consolidated entities, net of cash acquired	4.2	-243,762	-56,604
Proceeds from the sale of consolidated entities	4.3	1,520	13,045
Payments for investments in property, plant and equipment		-42,150	-43,134
Proceeds from disposals of property, plant and equipment		60	0
Payments for investments in intangible assets		-459	-47
Payments for investments in financial assets		-13,671	-3,333
Proceeds from the sale of financial assets		581	581
Dividends received		275	35
Cash flow from investing activities		**-297,605**	**-89,457**
Loan proceeds		198,463	237,957
Loan repayments		-218,361	-294,894
Repayment of lease liabilities		-9,458	-19,021
Hybrid capital proceeds		0	250,000
Interest received		1,045	94
Interest paid		-53,972	-57,313
Proceeds from capital increases		296	0
Payments for issuance costs		-1,945	-2,727
Payments for the acquisition of shares without change of control		-668	-28,127
Dividends paid to Encavis AG shareholders		-38,129	-26,878
Dividends paid to hybrid capital investors		-4,688	-8,142
Payments to non-controlling interests		-2,939	-1,045
Change in cash with restrictions in disposition		-4,604	12,659
Cash flow from financing activities		**-134,960**	**62,564**
Change in cash and cash equivalents		-105,330	225,048
Change in cash due to exchange rate changes		-819	511
Change in cash and cash equivalents		**-106,149**	**225,558**
As at 01.01.2022 (01.01.2021)	6.11	392,425	166,867
As at 31.12.2022 (31.12.2021)	6.11	286,277	392,425

Consolidated statement of changes in equity

In TEUR	Subscribed capital	Capital reserves	Other reserves: Currency translation reserve	Other reserves: Hedge reserve	Other reserves: Cost of hedging measures	Other reserves: Reserve from equity valuation
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
As at 01.01.2022	160,469	616,363	882	-6,895	-4	54
Consolidated earnings						
Other comprehensive income*			245	-154,681	-37	46
Reclassifications to profit/loss				1,328		-100
Consolidated comprehensive income for the period			245	-153,353	-37	-54
Dividend						
Income and expenses recognised directly in equity		66				
Changes resulting from capital measures	561	9,451				
Transactions with shareholders recognised directly in equity		-120				
Issuance costs		-120				
Acquisition/disposal of shares from non-controlling interests						
As at 31.12.2022	161,030	625,640	1,127	-160,248	-41	

* Excluding separately recognised effects from reclassifications.

In TEUR

	Reserve for equity-based employee remuneration	Net retained profit	Equity attributable to Encavis AG shareholders	Equity attributable to non-controlling interests	Equity attributable to hybrid capital investors	Total
As at 01.01.2021		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	
Raising of hybrid capital 2021					250,000	250,000
Acquisition/disposal of shares from non-controlling interests				3,367		3,367
As at 31.12.2021		46,750	817,619	2,464	246,305	1,066,388
As at 01.01.2022		46,750	817,619	2,464	246,305	1,066,388
Consolidated earnings		78,490	78,490	417	4,688	83,595
Other comprehensive income*			-154,427	-23		-154,450
Reclassifications to profit/loss			1,228			1,228
Consolidated comprehensive income for the period		78,490	-74,709	394	4,688	-69,627
Dividend		-48,141	-48,141	-360	-4,688	-53,189
Income and expenses recognised directly in equity		1,209	1,276			1,276
Changes resulting from capital measures			10,012	296		10,308
Transactions with shareholders recognised directly in equity			-120	120		
Issuance costs			-120		-95	-215
Acquisition/disposal of shares from non-controlling interests				1,875		1,875
As at 31.12.2022		78,309	705,817	4,789	246,210	956,817

* 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 those 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 2022 financial year:

New and amended standards and interpretations – mandatory as of 31.12.2022		Required to be applied for financial years beginning on or after the specified date	EU endorsement status (as at 31.12.2022)	Status of application at Encavis
IFRS 3	Amendment – References to the Framework Concept in IFRS 3	01.01.2022	Adopted	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	Applied
IAS 37	Amendment – Definition of Costs of Fulfilling a Contract	01.01.2022	Adopted	Applied
AIP	Annual Improvements to IFRSs: 2018 – 2020 Cycle	01.01.2022	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 Annual Improvements to IFRSs: 2018 – 2020 Cycle include changes to IFRS 1 (First-time Adoption of International Financial Reporting Standards for subsidiaries), IFRS 9 (clarification of Fees in the '10 per cent' Test for Derecognition of Financial Liabilities), IFRS 16 (Lease Incentives) and IAS 41 (Taxation in Fair Value Measurements). The clarification regarding IFRS 9 is generally relevant to Encavis, but does not have any material effect on this annual report.

Based on the agenda decision made by the IFRS Interpretations Committee in respect of IAS 7 on the subject of "demand deposits with contractual restrictions on use", the restricted liquid assets at CSG IPP have been recognised as cash and cash equivalents since the 2022 financial year, since they can be accessed under specific conditions on the basis of the provisions set out in the mezzanine capital contract entered into with Gothaer.

New and amended IFRS and interpretations not yet required to be applied

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 31.12.2022

		Required to be applied for financial years beginning on or after the specified date	EU endorsement status (as at 31.12.2022)	Status of application at Encavis
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	Adopted	Not applied
IAS 1, IFRS Practice Statement 2	Amendment – Disclosure of Accounting Policies	01.01.2023	Adopted	Not applied
IAS 8	Amendment – Definition of Accounting Estimates	01.01.2023	Adopted	Not applied
IAS 12	Amendment – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	01.01.2023	Adopted	Adopted early
IAS 1	Amendment – Classification of Liabilities as Current or Non-Current; including Deferral of Mandatory Effective Date Non-Current Liabilities with Covenants	01.01.2024	Not yet adopted	Not applied
IFRS 16	Amendment – Lease Liability in a Sale and Leaseback	01.01.2024	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 amendments to the IAS 12 set the Initial Recognition Exception (IRE). Previously, deferred taxes which resulted 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, were subject to the prohibition of recognition. Due to an amendment in IAS 12.15 and 24, such transactions were not included in the adoption of the IRE, which lead to taxable or deductible temporary differences that are equal in amount. The amendment specifically relates to temporary differences from the initial recognition of rights of use and lease liabilities as well as asset retirement obligations, which are recognised as liabilities and at the same time capitalised in the acquisition costs of property, plant and equipment or rights of use.

Temporary differences from the leases and asset retirement obligations, which were not received under the business combination, have been treated as subject to the IRE and as all other temporary differences from such acquisitions are not recognised with deferred taxes. With the amendment, Encavis will treat positive and negative differences from leases and asset retirement matters as exempt from the IRE, provided these are equal in amount, as part of the acquisition of subsidiaries that do not qualify as business combinations.

The amendment was adopted retrospectively in modified form as at 1 January 2021 in accordance with the transitional provisions of this amendment to IAS 12 and had the following effect:

In TEUR

	31.12.2021	2021	01.01.2021
Deferred tax assets prior to offsetting	11,109	0	3,610
Deferred tax liabilities prior to offsetting	11,408	0	3,703
Deferred tax liabilities reported in the consolidated balance sheet	299	0	93
Net retained profit	-299	0	-93
Deferred tax expenses	0	206	0

Due to the low impact on the consolidated balance sheet, both as of 1 January 2021 and as of 31 December 2021, as well as on the consolidated earnings, Encavis waived the preparation of a third balance sheet and the adjustment of the previous-year figures. The previous-year figure in the notes on the summary of deferred tax assets and liabilities in section 6.7 were presented as adjusted, however.

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.

The amendment to IAS 1 and IFRS Practice Statement 2 specifies that accounting policies of a material rather than significant nature need to be disclosed in the notes. Encavis is still evaluating the extent to which this amendment will impact the presentation of the notes.

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 the 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 specific 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	
	31.12.2022	31.12.2021	2022	2021
British pound (GBP)	0.8869	0.8403	0.8526	0.8600
US dollar (USD)	1.0666	1.1326	1.0539	1.1835
Danish krone (DKK)	7.4365	7.4364	7.4396	7.4370
Norwegian krone (NOK)	10.5138	-	10.1015	-
Swedish krona (SEK)	11.1218	-	10.6274	-

3.4 Significant accounting decisions and key sources of estimation uncertainties

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

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

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 6.17.

Recognition of receivables within the scope of “Tremonti Ambiente”

The determination of tax receivables from “Tremonti Ambiente” is based on the calculated tax expenses that can probably be claimed in this case. However, the actual tax credits from claiming these expenses cannot be precisely quantified, as they depend on the outcome of the corresponding proceedings with the tax authorities and courts in Italy. Accordingly, the 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 2022. In the period from 30 September 2022 to 31 December 2022, fundamental changes that required an adjustment of the calculated values occurred due to increased capital market parameters. Therefore, the determination of whether goodwill is impaired was carried out as at 31 December 2022.

The carrying amount of goodwill as at 31 December 2022 was TEUR 107,129 (previous year: TEUR 27,466). The increase amounts to TEUR 81,951. The initial consolidation of the Stern subgroup resulted in goodwill of TEUR 82,057 for the Group. The translation of goodwill of British companies whose functional currency is the British pound at the closing exchange rate in accordance with IAS 21 reduced this amount by TEUR 106.

Impairment of property, plant and equipment and intangible assets

The impairment test carried out following the identification of a triggering event is used to estimate the recoverable amount of the asset in order to determine the extent of any impairment loss. When calculating the value in use, several input factors are subject to substantial estimation uncertainties and scope for discretion, in particular the estimated future cash flows of the assets, their estimated useful life and the capital market parameters used for discounting the cash flows. In the financial year, the impairment test resulted in an impairment loss of TEUR 37,227 on property, plant and equipment and TEUR 18,544 on intangible assets, which was recognised as a reduction on profit. For more details, please refer to section 5.6 on depreciation and amortisation.

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 or after 1 January 2020. The amendments in IFRS 3 and Appendix B – 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.

In particular, the determination of the fair value of contingent consideration is also subject to estimation uncertainties, as it depends on future events that are sometimes difficult to predict. The amount of contingent consideration recognised at the acquisition date can have a significant effect on the total purchase price, and consequently also on the difference calculated.

Measurement of put options

As part of the acquisition of Stern Energy S.p.A., a put option for the remaining minority interest of 20 % was recognised as a non-current financial liability. The amount of the repayment liability was determined in accordance with IAS 32. The fair value of the put option is subject to estimation uncertainties, as the amount disbursed depends on events that are difficult to predict.

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. In each case, the general partner, and thus the personally liable partner, is BOREAS Management GmbH, Reichenbach. The general partner has no share in the company’s assets or profit and loss and has not made a financial contribution. The limited partners are Capital Stage Wind IPP GmbH, Hamburg (with a contribution over 50 %), and BOREAS Energie GmbH, Dresden (with a contribution under 50 %). Encavis does not hold interests in the general partner.

In accordance with IFRS 10, a control situation is assumed if the parent company bears the risk exposure due to fluctuating yields from the 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 exercises control over 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 if there 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 has been 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

The Group principally deems the default risk for loans issued and other current receivables to be low, which is why a risk provision in the amount of the expected 12-month losses on receivables has been formed for these items.

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.

Derecognition of financial assets

The derecognition of financial assets occurs when the contractual rights to cash flows from the asset expire or the financial asset is transferred, which is the case when all material opportunities and risks associated with ownership of the asset are transferred or the authority to dispose of the asset is ceded.

3.10.2 Current financial liabilities

The Group's financial liabilities include trade payables, financial liabilities, liabilities to non-controlling interests, liabilities from put options and other financial liabilities. These are carried at amortised cost (AC). The liability for the put option constitutes the repayment liability for the remaining minority interest in Stern Energy S.p.A. This item is initially measured according to IAS 32, with Encavis electing to apply the anticipated acquisition method, under which it does not recognize non-controlling interests prior to the actual acquisition. As a result, Encavis no longer accounts for non-controlling interests before the actual acquisition. The subsequent measurement of the repayment liability is performed in accordance with IFRS 9. Interest is added to the liabilities for the put option through profit or loss. The forecast cash flows are also updated according to IFRS 9.B5.4.6. 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 at which 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) are discounted to the net carrying amount from the initial recognition over the expected lifetime of the financial instrument or a shorter period, if applicable.

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.

Both the designated effective portion of the hedging instrument and the undesignated portion of the hedging instrument based on changes in forward components and foreign currency basis spreads are to be recognised in other comprehensive income. The forward component exempted from designation and the foreign currency basis spreads are recognised in other comprehensive income in the costs of hedging measures item 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, such as 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. Consequently, the current amount of the collateral furnished 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.

Actual tax claims and liabilities are presented if an enforceable right to compensation exists and there is an intention to settle on a net basis.

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. Deferred taxes are also 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 (initial recognition exemption, or IRE). Since the 2020 financial year, this has related to temporary differences arising within the scope of the acquisition of new solar parks and wind parks that do not meet the definition of a business and are accounted for like acquisitions of assets. With the early adoption of the amendment to IAS 12 “Deferred tax related to assets and liabilities arising from a single transaction” in the financial year 2022, deferred taxes related to leases and asset retirement obligations are also recognised if the corresponding temporary differences arise within the scope of acquisitions of solar parks and wind parks that do not meet the definition of a business combination. Further details on the early adoption of the amendment to IAS 12 can be found in note 2.

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 that is appropriate to the business model 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.

Deferred tax assets and liabilities are presented net, provided there is an enforceable right to offset the actual tax refund claims against tax liabilities and the deferred tax liabilities pertain to the same tax authority.

Individual Group companies are entitled to tax breaks for investments in qualified assets (such as 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

In accordance with IFRS 15, trade receivables are initially recognised at their transaction price. As a result, they are measured at amortised cost. Impairment losses are charged as at every reporting date 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 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.

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 on a pro rata basis in accordance with the discounted projected distributions over the minimum term of the company plus the expected claims. The liabilities are continuously valued through the interest effect and by way of adjustments in line with the distribution projection (if applicable). 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-based remuneration

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 the 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 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 2021.

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. No capitalisation took place in the current financial year. Other borrowing costs are recognised as current expenses.

3.27 Government grants

The interest rate advantage of a government loan (such as 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 performance 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 in the consolidated financial statements as of 31 December 2022 are listed below:

Segment	Country	Number of wholly owned subsidiaries	
		31.12.2022	31.12.2021
PV Parks	Germany	53	52
	Italy	68	68
	France	15	15
	United Kingdom	24	23
	Netherlands	12	6
	Ireland	1	1
	Spain	10	9
	Denmark	11	9
Wind Parks	Germany	17	17
	France	4	4
	Denmark	2	2
	Finland	1	1
	Lithuania	1	0
PV Service	Germany	1	1
Asset Management	Germany	20	20
Administration	Germany	6	6
	Netherlands	1	1
Total		247	235

Segment	Country	Number of non-wholly owned subsidiaries	
		31.12.2022	31.12.2021
PV Parks	Germany	2	2
	Ireland	0	1
	Netherlands	1	1
	Italy	6	0
	Sweden	3	0
Wind Parks	Germany	11	11
	Denmark	1	1
	Austria	0	1
	Italy	1	1
PV Service	Germany	1	0
	Italy	1	0
	United Kingdom	1	0
	Netherlands	1	0
Total		29	18

The following changes in the subsidiaries included in the consolidated financial statements occurred in the 2022 financial year:

Changes in the subsidiaries included in the consolidated financial statements	Domestic	Abroad	Total
Included as at 31 December 2021	109	144	253
Acquisition/establishment	1	15	16
Transition from equity-method accounting	1	9	10
Disposal/liquidation	0	-3	-3
Included as at 31 December 2022	111	165	276

Encavis liquidated Austria's Encavis - Wien Energie Komplementär GmbH in the 2022 financial year. The entity was originally supposed to act as the general partner for the Austrian wind park portfolio after the conversion of the latter into partnerships, but was no longer needed following the disposal of the portfolio at the end of 2021. Capital Stage Ireland GP, which previously acted as a general partner, was likewise liquidated, as it was no longer needed. Finally, the Italian development project Solar Park Canaro Solar 1 S.R.L., which was acquired in 2021, was also liquidated, since the plans to build the solar park in Italy were shelved. The effects on the consolidated financial statements, both individually and as a whole, are immaterial.

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	
	31.12.2022	31.12.2021	2022	2021	31.12.2022	31.12.2021
Zonnepark Zierikzee B.V.	10.00	10.00	-66	5	309	432
Parco Eolico Monte Vitalba S.r.l.	15.00	15.00	-3	-16	408	418
Nørhede-Hjortmose Vindkraft I/S	18.50	18.50	254	103	1,561	1,602
DE Stern 11 Srl	36.00	0.00	0	0	1,011	0
DE Stern 14 Srl	36.00	0.00	0	0	705	0
Varberg Norra 3 MW AB	46.00	0.00	231	0	215	0
EnSol Nordic AS	10.00	0.00	2	0	459	0
UK Sol SPV 2 AB	10.00	0.00	-1	0	-1	0
Windpark Herrenstein GmbH	0.00	0.00	0	383	0	0
Windpark Pongratzer Kogel GmbH	0.00	0.00	0	173	0	0
Windpark Zagersdorf GmbH	0.00	0.00	0	124	0	0
Genia Extremadura Solar S.L.U.	0.00	0.00	0	-140	0	0
Other immaterial subsidiaries			0	54	123	11
Total amount of non-controlling interests			**417**	687	**4,789**	2,464

In the previous year, Encavis - Wien Energie Komplementär GmbH, which was established in June 2021 and had a non-controlling interest of 49 %, was included in other immaterial subsidiaries. The entity was liquidated in the 2022 financial year.

The three Austrian companies Windpark Herrenstein GmbH, Windpark Pongratzer Kogel GmbH and Windpark Zagersdorf GmbH were disposed of in December 2021.

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 were reported in the balance sheet, the statement of comprehensive income or the cash flow statement for either financial year.

Equally, no items were reported in the balance sheet, the statement of comprehensive income or the cash flow statement for either financial year for the wind parks in Austria that were sold in the 2021 financial year.

Income and earnings for the entities to be reported for the first time (DE Stern 11 Srl, DE Stern 14 Srl, Varberg Norra 3 MW AB, EnSol Nordic AS and UK Sol SPV 2 AB) are reported on a pro rata basis for the 2022 financial year, in line with their status as Group companies.

Zonnepark Zierikzee B.V., Netherlands	31.12.2022 in TEUR	31.12.2021 in TEUR
Current assets	2,193	1,167
Non-current assets	12,236	15,195
Current liabilities	1,716	1,030
Non-current liabilities	9,622	11,009
Net assets	3,091	4,322
Carrying amount of non-controlling interests	309	432
	2022	2021
Revenue	2,303	1,444
Profit or loss for the year	-657	54
Total comprehensive income	-657	54
Profit or loss attributable to non-controlling interests	-66	5
	2022	2021
Dividends paid to non-controlling shareholders	57	42
Cash flow from operating activities	2,435	1,861
Cash flow from financing activities	-1,443	-1,457
Net change in cash and cash equivalents	992	404

Parco Eolico Monte Vitalba S.r.l., Italy	31.12.2022 in TEUR	31.12.2021 in TEUR
Current assets	898	679
Non-current assets	2,968	3,362
Current liabilities	196	153
Non-current liabilities	971	1,121
Net assets	2,700	2,767
Carrying amount of non-controlling interests	408	418
	2022	2021
Revenue	716	625
Profit or loss for the year	-20	-107
Total comprehensive income	-20	-107
Profit or loss attributable to non-controlling interests	-3	-16
	2022	2021
Dividends paid to non-controlling shareholders	7	7
Cash flow from operating activities	301	393
Cash flow from financing activities	-51	-49
Net change in cash and cash equivalents	251	344

Nørhede-Hjortmose Vindkraft I/S, Denmark	31.12.2022 in TEUR	31.12.2021 in TEUR
Current assets	483	262
Non-current assets	9,086	9,669
Current liabilities	12	102
Non-current liabilities	1,164	1,213
Net assets	8,393	8,615
Carrying amount of non-controlling interests	1,561	1,602
	2022	2021
Revenue	2,118	1,521
Profit or loss for the year	1,374	557
Total comprehensive income	1,374	563
Profit or loss attributable to non-controlling interests	254	103
Total comprehensive income attributable to non-controlling interests	254	104
	2022	2021
Dividends paid to non-controlling shareholders	312	266
Cash flow from operating activities	1,603	1,308
Cash flow from investing activities	10	30
Cash flow from financing activities	-1,704	-1,447
Net change in cash and cash equivalents	-90	-108

DE Stern 11 Srl, Italy

	31.12.2022 in TEUR
Current assets	1,150
Non-current assets	8,724
Current liabilities	807
Non-current liabilities	4,249
Net assets	4,819
Carrying amount of non-controlling interests	1,011
	2022
Revenue	220
Profit or loss for the year	-235
Total comprehensive income	-235
	2022
Cash flow from operating activities	160
Cash flow from investing activities	796
Cash flow from financing activities	-402
Net change in cash and cash equivalents	**554**

DE Stern Srl 14, Italy

	31.12.2022 in TEUR
Current assets	863
Non-current assets	5,293
Current liabilities	523
Non-current liabilities	2,267
Net assets	3,366
Carrying amount of non-controlling interests	705
	2022
Revenue	157
Profit or loss for the year	-159
Total comprehensive income	-159
	2022
Cash flow from operating activities	91
Cash flow from investing activities	575
Cash flow from financing activities	-245
Net change in cash and cash equivalents	**421**

Varberg Norra 3 MW AB, Sweden	31.12.2022 in TEUR
Current assets	609
Non-current assets	2,699
Current liabilities	271
Non-current liabilities	2,437
Net assets	601
Carrying amount of non-controlling interests	215
	2022
Revenue	747
Profit or loss for the year	509
Other comprehensive income	-32
Total comprehensive income	447
Profit or loss attributable to non-controlling interests	234
Total comprehensive income attributable to non-controlling interests	219
	2022
Cash flow from operating activities	718
Cash flow from investing activities	-310
Cash flow from financing activities	204
Net change in cash and cash equivalents	**612**

EnSol Nordic AS, Norway	31.12.2022 in TEUR
Current assets	518
Non-current assets	4,269
Current liabilities	173
Net assets	4,615
Carrying amount of non-controlling interests	459
	2022
Profit or loss for the year	25
Other comprehensive income	-145
Total comprehensive income	-120
Profit or loss attributable to non-controlling interests	2
Total comprehensive income attributable to non-controlling interests	-13
	2022
Cash flow from operating activities	3
Cash flow from investing activities	464
Cash flow from financing activities	163
Net change in cash and cash equivalents	**630**

UK Sol SPV 2 AB, Sweden	31.12.2022 in TEUR
Current assets	1,435
Non-current assets	1,401
Current liabilities	56
Non-current liabilities	1,891
Net assets	888
Carrying amount of non-controlling interests	-1
	2022
Profit or loss for the year	-15
Other comprehensive income	-20
Total comprehensive income	-35
Profit or loss attributable to non-controlling interests	-1
Total comprehensive income attributable to non-controlling interests	-3
	2022
Cash flow from operating activities	-7
Cash flow from investing activities	2
Cash flow from financing activities	1,435
Net change in cash and cash equivalents	1,430

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

4.2 Company acquisitions

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

In the 2022 financial year, thanks to a number of purchases, Encavis was able to significantly expand its international portfolio of solar and wind installations. Under the amendments to IFRS 3, which entered into force at the beginning of 2020, the following transactions do not meet the definition of a business acquisition. These acquisitions were therefore presented as acquisitions of assets in the consolidated financial statements, regardless of when the installation was commissioned. 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. Following the early adoption of the amendment to IAS 12 concerning the IRE, Encavis recognises deferred taxes at the acquisition date, and they cancel each other out. The following tables do not contain non-netted figures.

Zonnepark Houten Oostrumsdijkje B.V.

On 28 January 2022, Encavis acquired 100 % of shares in the Zonnepark Houten Oostrumsdijkje B.V. solar park, located in The Netherlands, for a purchase price of TEUR 8,323. The company has a generation capacity of 16.1 MW and was commissioned in July 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 two of the installations were already completed at the end of December 2021.

In TEUR	Purchase price allocation
Intangible assets	3,833
Power generation installations	11,539
Right-of-use asset IFRS 16	2,861
Current assets	75
Cash and cash equivalents	4,451
Liabilities and provisions	12,188
Lease liability IFRS 16	2,247
Identified acquired net assets	**8,323**

Zonnepark Hijken B.V.

Also on 28 January 2022, Encavis acquired 100 % of shares in the Zonnepark Hijken B.V. solar park, located in The Netherlands for a purchase price of TEUR 18,084. The company has a generation capacity of 15.9 MW and was commissioned at the start of 2022. 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 two of the installations were already completed at the end of December 2021.

In TEUR	Purchase price allocation
Intangible assets	3,169
Power generation installations	12,567
Right-of-use asset IFRS 16	2,499
Current assets	1,364
Cash and cash equivalents	1,246
Liabilities and provisions	815
Lease liability IFRS 16	1,946
Identified acquired net assets	**18,084**

Zonnepark Ermelo Schaapsdijk B.V.

On 28 January 2022, Encavis also acquired 100 % of shares in the Zonnepark Ermelo Schaapsdijk B.V. solar park, located in The Netherlands, for a purchase price of TEUR 6,803. The company has a generation capacity of 7.9 MW and was commissioned at the start of 2022. 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 two of the installations were already completed at the end of December 2021.

In TEUR	Purchase price allocation
Intangible assets	502
Power generation installations	4,666
Right-of-use asset IFRS 16	1,101
Current assets	876
Cash and cash equivalents	1,077
Liabilities and provisions	623
Lease liability IFRS 16	797
Identified acquired net assets	**6,803**

Solar Park Rødby Fjord ApS

On 28 December 2021, Encavis AG announced that it had signed the purchase agreement for 100 % of the shares in Solar Park Rødby Fjord ApS on Lolland in the southwestern part of Zealand (Denmark). The solar park offers a generation capacity of 71 MW and was connected to the grid in the first quarter of 2022. Initial consolidation took place on 14 February 2022. The purchase price was TEUR 9,961. European Energy developed, constructed and sold the solar park 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. Rødby Fjord will also benefit from a 20-year fixed feed-in tariff from the Danish Ministry of Climate, Energy and Utilities.

In TEUR	Purchase price allocation
Intangible assets	14,759
Power generation installations	29,395
Right-of-use asset IFRS 16	5,885
Financial assets	642
Non-current assets	60
Current assets	1,189
Cash and cash equivalents	44
Liabilities and provisions	38,497
Lease liability IFRS 16	3,516
Identified acquired net assets	**9,961**

Varberg Norra 3 MW AB and intermediate holding company EnSol Nordic AS

On 1 April 2022, Encavis acquired 90 % of the shares in the Norwegian intermediate holding company EnSol Nordic AS, which in turn holds 60 % of the shares in Solarpark Varberg Norra 3 MW AB, located on the west coast of Sweden. The purchase price for the shares was TEUR 1,599. Of the identified net assets amounting to TEUR 1,767, TEUR 168 is attributed to minority shareholdings. The company has a generation capacity of 5 MW and was connected to the grid back in autumn 2021. As a result of the development partnership established with Norway’s Solgrid AS at the end of 2021, additional Swedish solar projects with a total generation capacity of around 100 MW will follow.

In TEUR	Purchase price allocation
Power generation installations	2,392
Right-of-use asset IFRS 16	201
Current assets	87
Cash and cash equivalents	1,744
Liabilities and provisions	2,584
Lease liability IFRS 16	73
Identified acquired net assets	**1,767**

Zonnepark PV12 B.V.

On 19 August 2022, Encavis acquired 100 % of shares in the Zonnepark PV12 B.V. solar park, located in The Netherlands, for a purchase price of TEUR 557. The company has a generation capacity of 3.1 MW and was commissioned in June 2020. The installation will benefit from the Dutch subsidy scheme, SDE+, for the first 15 years.

In TEUR	Purchase price allocation
Power generation installations	2,155
Right-of-use asset IFRS 16	425
Current assets	67
Cash and cash equivalents	95
Liabilities and provisions	1,847
Lease liability IFRS 16	338
Identified acquired net assets	**557**

Zonnepark PV16 B.V.

Also on 19 August 2022, Encavis acquired 100 % of shares in the Zonnepark PV16 B.V. solar park, located in The Netherlands for a purchase price of TEUR 2,215. The company has a generation capacity of 31.4 MW and was commissioned at the start of 2023. The installation will benefit from the Dutch subsidy scheme, SDE+, for the first 15 years.

In TEUR	Purchase price allocation
Land	650
Power generation installations	28,813
Right-of-use asset IFRS 16	2,577
Current assets	22
Cash and cash equivalents	76
Liabilities and provisions	28,290
Lease liability IFRS 16	1,632
Identified acquired net assets	**2,215**

Zonnepark PV21 B.V.

Also on 19 August 2022, Encavis acquired 100 % of shares in the Zonnepark PV21 B.V. solar park, located in The Netherlands for a purchase price of TEUR 1,381. The company has a generation capacity of 13.9 MW and was commissioned in June 2022. The installation will benefit from the Dutch subsidy scheme, SDE+, for the first 15 years.

In TEUR	Purchase price allocation
Intangible assets	5
Power generation installations	15,839
Right-of-use asset IFRS 16	2,286
Current assets	1,080
Cash and cash equivalents	1
Liabilities and provisions	15,960
Lease liability IFRS 16	1,869
Identified acquired net assets	**1,381**

UAB L-VĖJAS

On 15 December 2022, Encavis acquired 100 % of the UAB L-VĖJAS wind park in Lithuania. The purchase price was TEUR 78,202. The company has a generation capacity of 69 MW and was commissioned at the end of November 2022. Until 31 December 2031, the electricity generated will be sold to the state energy provider Eesti Energia AS from Estonia, which has received an investment grade rating, through a long-term power purchase agreement based on a pay-as-produced structure.

In TEUR	Purchase price allocation
Intangible assets	2
Power generation installations	114,252
Right-of-use asset IFRS 16	3,308
Long-term advance payments	2,516
Deferred tax assets	159
Current assets	1,049
Cash and cash equivalents	427
Liabilities and provisions	42,268
Lease liability IFRS 16	1,242
Identified acquired net assets	**78,202**

Acquisition of subsidiaries that meet the definition of a business

Stern Energy S.p.A. (Stern subgroup)

On 21 October 2022, Encavis increased its stake in Italy's Stern Energy S.p.A. from 51 % to 80 %. The acquisition constitutes a business combination in accordance with IFRS 3, as it concerns both input factors and substantive processes for generating output. The processes can be considered unique, and there is an organised workforce at multiple locations. Due to the purchase and the associated obtaining of control on account of a change in contractual assignment rights, the previous presentation as an associated entity using the equity method has been changed to full consolidation. The purchase is intended to further strengthen the PV Service segment. As a result, the parent company Stern Energy S.p.A. and all subsidiaries that it controls – the national companies Stern Energy GmbH (service business in Germany), Stern Energy Ltd. (service business in The United Kingdom) and Stern Energy B.V. (service business in The Netherlands), which belong to the PV Service segment, as well as the three operational Italian solar parks De - Stern 8, 11 and 14 – are included in the consolidated financial statements of Encavis from now on. In addition, the Italian solar parks in development (Stern PV 2, 3 and 4), which were previously reported as associated entities owing to a lack of control, have also been fully consolidated as a result of this transaction.

In consideration of the ongoing development of the shares previously accounted for using the equity method, the carrying amount of the shares before full consolidation was between TEUR 1,375 and TEUR 20,773. The shares were subsequently revalued by TEUR 31,281 in the course of the transitional consolidation, whereby a control premium of 10 % was also deducted. A purchase price of TEUR 31,900 was paid for the further increase of 29 %. Transaction costs of TEUR 91 were recognised as expenses in relation to this. Variable purchase price components that are dependent on future events were also agreed. The variable purchase price components will fall due depending on whether various Italian development projects are ready to build (TEUR 1,351, projected payment date in 2023) and upon achievement of defined average EBITDA thresholds for 2023 and 2024 (fair value of TEUR 3,866, projected payment date in 2025). The range of potential future earn-out payments depending on the defined average EBITDA thresholds varies from zero to TEUR 11,600. The conditional consideration is recognised at the present value of the payments expected under the various scenarios, which are weighted by estimated probability of occurrence. A weighted average cost of capital (WACC) that was appropriate for the term was used for discounting purposes. The long-term contingent purchase price obligation was compounded by TEUR 42 at the end of the year and therefore stands at TEUR 3,908. The earn-out liabilities total TEUR 5,218. The conditional considerations are purchase price components and should not be considered to be compensation for future performance, for example. As part of the acquisition of Stern Energy S.p.A., the earn-out receivable recognised from the sale of Stern Energy GmbH in 2020 (TEUR 331) was included in the remeasured equity during the purchase price allocation.

As part of the acquisition of the stake, an agreement was reached with the managing minority shareholders that hold the remaining 20 % of the shares in Stern Energy S.p.A. regarding options for the sale of these shares (put options). The options authorise the minority shareholders to offer their shares to Encavis AG at contractually defined conditions under certain circumstances. For this reason, the shares of the minority shareholders are not reported as such in the consolidated financial statements. Instead, put options are accounted for in non-current financial liabilities as repurchase obligations. These liabilities had a fair value of TEUR 21,752 at the time of acquisition. Due to compounding, the carrying amount of the repurchase obligation increased by TEUR 241 to TEUR 21,993 as at the end of the year. In relation to the acquired operating companies, shares attributable to minority shareholders of TEUR 1,716 were recognised in equity. The value is based on the net assets of the respective companies revalued on a pro rata basis at the acquisition date.

No contingent liabilities were taken over as part of the acquisition. Assets are generally recognised at fair value; irrecoverable receivables are not recognised. The market value of trade receivables that were taken over is TEUR 6,356.

Within the scope of the transitional consolidation, the shares previously accounted for using the equity method were remeasured, which led to a non-recurring, non-operating effect on profit or loss of TEUR 31,281 in total as a result of the increase in value. The effect on profit or loss was recognised in other income and constitutes non-operating income.

Goodwill was created in particular as a result of expected synergies and the significant expansion of the PV Service segment associated with the acquisition.

Had the companies been included in the Group since the start of 2022, revenue would have been TEUR 13,889 higher, and consolidated earnings would have been TEUR 2,126 higher. Since the inclusion of the company in October 2022, revenue of TEUR 6,402 and Group operating earnings of TEUR -1,302 have been recognised.

The purchase price allocation presented for the initial consolidation should be considered provisional, as findings may arise that result in belated restatements within a period of one year after the acquisition. In particular, restatements can arise from the measurement of intangible assets (such as when defining specific measurement parameters referring to the measurement of acquired customer relations), property, plant and equipment, and put options. The provisional nature of these presentations is also justified by the fact that, due to the short period of time between the acquisition and the reporting date, not all information that would allow conclusive evaluation and measurement was available.

In TEUR	Carrying amount before purchase price allocation	Fair value under provisional PPA
Intangible assets	2,962	30,441
Property, plant and equipment	12,976	9,088
Right-of-use asset IFRS 16	-	2,412
Other non-current assets	772	727
Current assets	9,832	9,829
Cash and cash equivalents	5,382	5,382
Liabilities and provisions	17,799	16,904
Lease liability IFRS 16	-	2,381
Deferred tax liabilities	45	6,768
Identified acquired net assets	**14,079**	**31,826**
Calculation of difference		
Carrying amount of existing shares (51 %)		20,773
Fair value of step-up existing shares		29,906
Purchase price of new shares (29 %)		31,900
Earn-out liabilities		5,218
Other purchase price components		331
Value of the put option		21,752
Total purchase price		**109,880**
Identified remeasured net assets (100 %)		31,826
Carrying amount of non-controlling interests		1,716
Goodwill		**79,770**
Net cash outflow to obtain control		31,900

The “Carrying amount before purchase price allocation” column includes values recognised according to local accounting laws, not IFRS.

Other acquisitions

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

Acquisition in the financial year	Segment
Chiltern Renewables Hockliffe Limited	PV United Kingdom
Fundici Hive S.L.	PV Spain
GreenGo Energy M111 K/S	PV Denmark
LT04 S.R.L.	PV Italy
Solarpark Glendelin GmbH	PV Germany
Stern PV2 Srl	PV Italy
Stern PV3 Srl	PV Italy
Stern PV4 Srl	PV Italy
UK Sol SPV 2 AB	PV Sweden

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. The three Italian development projects Stern PV2, Stern PV3 and Stern PV4 have also been fully consolidated as part of the full consolidation of Stern Energy S.p.A.

Business combinations and other acquisitions after the balance sheet date

On 8 February 2023, Encavis announced the acquisition of 49 % of the shares in the Bergheim wind park project in North Rhine-Westphalia, Germany. The purchase price amounted to TEUR 6,001, including the takeover of shareholder loans. The park is a repowering project that is being built by Bremen-based Energiekontor AG. Together, the two Vestas V 150-5.6 wind turbines that are under construction have nominal output of 11.2 MW. The park is scheduled for commissioning in the fourth quarter of 2023 and will subsequently benefit for 20 years from a state-guaranteed feed-in tariff. The takeover of remaining shares in the park company and full consolidation are both planned following commissioning.

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

4.3 Disposals of subsidiaries and investments

No subsidiaries or material investments were disposed of in the financial year. At the end of 2021, Encavis disposed of its shares in three Austrian operating companies.

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. As at the balance sheet date, the carrying amount of the assets of CSG IPP GmbH was TEUR 238,992 (previous year: TEUR 231,944), and the carrying amount of the liabilities was TEUR 213,068 (previous year: TEUR 208,725). In the consolidated financial statements, the carrying amount of the assets of CSG IPP GmbH was TEUR 34,303 as at the balance sheet date (previous year: TEUR 28,597), and the carrying amount of the liabilities was TEUR 159,363 (previous year: TEUR 157,361).

5 Notes to the consolidated statement of comprehensive income

5.1 Revenue

TEUR 487,342

Previous year: TEUR 332,703

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	87,200	77,319	485	24,033	189,037
(previous year)	(64,341)	(44,580)	(139)	(19,033)	(128,093)
Italy	86,961	716	4,864		92,541
(previous year)	(65,340)	(625)	(0)		(65,965)
Spain	65,367				65,367
(previous year)	(38,573)				(38,573)
France	36,722	7,096			43,818
(previous year)	(37,219)	(7,345)			(44,564)
Denmark	4,446	32,744			37,190
(previous year)	(0)	(15,420)			(15,420)
Netherlands	31,111		158		31,269
(previous year)	(10,077)		(0)		(10,077)
United Kingdom	22,775		597		23,372
(previous year)	(20,096)		(0)		(20,096)
Finland		3,999			3,999
(previous year)		(3,022)			(3,022)
Sweden	747				747
(previous year)	(0)				(0)
Ireland	2				2
(previous year)	(0)				(0)
Austria		0			0
(previous year)		(6,892)			(6,892)
Total	335,331	121,874	6,104	24,033	487,342
(previous year)	(235,646)	(77,885)	(139)	(19,033)	(332,703)
Time of revenue recognition					
Services rendered over a certain period of time	335,331	121,874	6,104	24,033	487,342
(previous year)	(235,646)	(77,885)	(139)	(19,033)	(332,703)

Of the revenue, TEUR 5,193 (previous year: TEUR 4,355) stems from compensation for throttling. These are payments made to compensate for the shutting down of energy 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).

Of the sales generated by the segments PV Parks and Wind Parks, 13.5 % were generated via government subsidy programs.

5.2 Other income

TEUR 43,276

Previous year: TEUR 38,040

This item comprises:

Type of income in TEUR	2022	2021
Non-period income	2,003	2,255
- of which from the reversal of provisions	*640*	*173*
Income from the reversal of deferred income (government grant)	1,628	1,941
Miscellaneous other income	39,645	33,844
Total	43,276	38,040

Miscellaneous other income includes income of TEUR 29,906 from the transition from equity-method accounting to full consolidation in the case of Stern Energy S.p.A. In the previous year, this item specifically contained income from the same matter in relation to Genia Extremadura Solar S.L.U. (TEUR 17,271) and proceeds from the deconsolidation of the Austrian wind park portfolio in the amount of TEUR 5,735.

5.3 Cost of materials

TEUR -9,949

Previous year: TEUR -4,312

This largely comprises the purchase of externally supplied electricity for the operation of the solar parks and wind parks in the amount of TEUR 2,923 (previous year: TEUR 2,155) and trade or direct marketing costs in the amount of TEUR 4,377 (previous year: TEUR 1,018). Additionally, to a lesser extent, this includes grid costs and costs for infrastructure companies. The increase in the cost of materials year on year is primarily attributable to higher direct marketing costs, as well as to the expansion of the service business through the full consolidation of the Stern subgroup.

5.4 Personnel expenses

TEUR -27,030

Previous year: TEUR -19,218

Personnel expenses changed as follows:

In TEUR	2022	2021
Salaries	21,941	14,227
Social security contributions	2,369	1,797
Other personnel expenses	390	183
Personnel expenses from share options	2,331	3,010
Total	27,030	19,218

In the 2022 financial year, there were an average of 193 employees in the Group (2021: 142 employees). This change in the number of employees was due specifically to the acquisition of the Stern subgroup and the growth-induced expansion of the Encavis team. The average number of employees is shown below broken down by company:

Average number of employees

	2022	2021
Encavis AG	94	87
Encavis Asset Management AG	51	39
Encavis GmbH	15	16
Stern Energy S.p.A.	21	0
Stern Energy GmbH	4	0
Stern Energy Ltd.	7	0
Stern Energy B.V.	1	0
Total	193	142

Salaries also include expenses for employee bonuses and other payments. A breakdown of Management Board remuneration will be published in a separate remuneration report no later than the 2023 Annual General Meeting.

Personnel expenses from the share option programmes (see note 6.14) of TEUR 2,331 (previous year: TEUR 3,010) were recognised in consolidated earnings in the 2022 financial year.

In the 2022 financial year, payments of the employer's shares of statutory German pension insurance contributions amounted to TEUR 934 (previous year: TEUR 864); payments to foreign statutory pension insurance schemes stood at TEUR 269 (previous year: TEUR 0).

5.5 Other expenses

TEUR -117,134

Previous year: TEUR -66,921

This item comprises:

Type of expense in TEUR

	2022	2021
Costs for solar and wind parks	93,564	50,646
Legal and consulting costs, third-party services	12,271	8,718
Operating expenses	6,110	3,921
Costs for the preparation and audit of the annual financial statements	1,091	624
Due diligence and transaction costs	762	483
Supervisory Board remuneration	511	489
Publications and Annual General Meeting	459	333
Rent and cost of premises	352	256
Impairment for expected credit losses	86	3
Investor relations and designated sponsoring	63	113
Other	1,865	1,333
Total	117,134	66,921

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	2022	2021
Expenses from the electricity price cap	24,856	0
Technical and commercial management	23,785	18,129
Repairs, maintenance and servicing	21,336	15,440
Legal and consulting costs, third-party services	5,241	3,912
Other tax expenses for parks	3,340	4,662
Insurance	2,933	2,653
Commercial lease	2,175	898
Alarm and security costs	865	756
Fees, incidental costs and expenses	671	752
Other	8,364	3,445
Total	93,564	50,646

"Expenses from the electricity price cap" relate to the levy recognised in connection with the Europe-wide system to cap electricity prices.

5.6 Depreciation, amortisation and impairment losses

TEUR -214,637

Previous year: TEUR -151,445

This item comprises:

Depreciation and amortisation in TEUR	2022	2021
Amortisation of intangible assets	47,221	48,302
- of which on electricity feed-in contracts/project rights	*45,429*	*47,271*
Impairment losses on intangible assets	20,938	0
- of which on electricity feed-in contracts/project rights	*20,938*	*0*
Depreciation of property, plant and equipment	105,399	103,142
- of which on power generation installations	*103,335*	*101,442*
Impairment losses on property, plant and equipment	41,079	0
- of which on power generation installations	*41,079*	*0*
Total	214,637	151,445

The impairment losses on property, plant and equipment were recognised as a consequence of the asset impairment test, which demonstrated a shortfall below the value in use for certain individual installations. As a result, the power generation installations accounted for were written down to the lower fair value as at the reporting date. This was mainly due to the rise in market interest rates and the resulting increase in the weighted average cost of capital (WACC). The impairment losses on intangible assets were recorded at the same time and primarily relate to electricity feed-in contracts. These impairment losses are solely attributable to the PV Parks segment.

The value-in-use concept is utilised as part of the asset impairment test to calculate the recoverable amount. The after-tax discount rate is between 4.87 and 5.26 % for the PV Germany unit, between 5.18 and 6.37 % for the PV France unit, between 6.54 and 7.06 % for the PV United Kingdom unit, between 5.34 and 5.98 % for the PV Italy unit, between 4.99 and 5.31 % for the PV Netherlands unit and between 5.60 and 6.28 % for the PV Denmark unit.

The value in use of the assets in question stands at TEUR 428,375 in total, of which TEUR 191,831 related to the PV Germany unit, TEUR 70,412 to the PV Italy unit, TEUR 68,023 to the PV France unit, TEUR 54,040 to the PV Denmark unit, TEUR 39,435 to the PV Netherlands unit and TEUR 4,633 to the PV United Kingdom unit. The carrying amount of the assets before impairment totaled TEUR 490,392. Of this amount, TEUR 218,624 relates to the PV Germany unit, TEUR 76,762 to the PV Italy unit, TEUR 74,305 to the PV France unit, TEUR 66,675 to the PV Denmark unit, TEUR 48,191 to the PV Netherlands unit, and TEUR 5,835 to the PV United Kingdom unit.

A sensitivity analysis was also carried out in addition to the asset impairment test. In the first scenario, the after-tax discount rate was increased by 75 basis points. In this scenario involving a increased after-tax discount rate, the hypothetical impairment loss is TEUR 36,041 higher. Of this amount, TEUR 8,608 relates to the PV Germany unit, TEUR 8,581 to the PV Spain unit, TEUR 4,834 to the PV France unit, TEUR 4,471 to the PV Denmark unit, TEUR 3,190 to the PV Netherlands unit, TEUR 2,979 to the PV Italy unit, TEUR 2,566 to the Wind France unit, TEUR 587 to the PV United Kingdom unit, and TEUR 224 to the Wind Germany unit.

In the second scenario, the after-tax discount rate was lowered by 75 basis points. In this scenario of the reduced after-tax discount rate, the hypothetical impairment loss is TEUR 21,645 lower. Of this amount, TEUR 7,998 relates to the PV Germany unit, TEUR 5,044 to the PV Denmark unit, TEUR 3,089 to the PV France unit, TEUR 2,659 to the PV Netherlands unit, TEUR 2,604 to the PV Italy unit and TEUR 251 to the PV United Kingdom unit.

Details on the procedure for the annual impairment test are presented in Note 3.8. Reversals of impairments on items of property, plant and equipment were not performed in the financial year.

5.7 Financial result

TEUR -45,396

Previous year: TEUR -45,728

This item comprises:

In TEUR	2022	2021
Interest and similar income	38,357	21,662
Income from investments	275	35
Income from the disposal of financial assets	0	14
Income from the continuous valuation of liabilities to non-controlling interests	2,022	0
Financial income	40,654	21,711
Interest and similar expenses	-73,713	-65,917
Write-downs of financial assets and securities classified as current assets	0	-340
Expenses from the disposal of investments	-19	0
Expenses from the continuous valuation of liabilities to non-controlling interests	-11,757	-1,268
Financial expenses	-85,489	-67,525
Earnings from financial assets accounted for using the equity method	-561	86
Total	-45,396	-45,728

The item “Interest and similar income” includes income from the valuation of derivative financial instruments of TEUR 33,205 (previous year: TEUR 7,876), income from the continuous valuation of financial liabilities within the scope of business combinations in the amount of TEUR 3,793 (previous year: TEUR 6,686) and interest income from loans to associated entities of TEUR 45 (previous year: TEUR 38). The item “Income from the continuous valuation of liabilities to non-controlling interests” (TEUR 2,022) includes reductions in the liabilities attributable to non-controlling interests in partnerships. The item “Interest and similar expenses” also includes the effects of interest added to recognised lease liabilities in the amount of TEUR 7,953 (previous year: TEUR 6,941). The financial result includes net expenses from foreign currency translation of TEUR 4,971 (previous year: net income of TEUR 6,583). The measurement of non-current financial assets at fair value through profit or loss resulted in net income of TEUR 126 in the 2022 financial year (previous year: TEUR 140). 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. The item “Expenses from the continuous valuation of liabilities to non-controlling interests” (TEUR 11,757) includes increases in the liabilities attributable to non-controlling interests in partnerships.

5.8 Income taxes

TEUR -32,876

Previous year: TEUR -849

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

In TEUR	2022	2021
Earnings before taxes (EBT)	116,471	83,118
Expected income taxes (29.04 %; previous year: 28.92 %)	-33,823	-24,037
Differences due to different local tax rates and tax rate changes as well as changes in the law	2,830	281
Taxes relating to other periods	-7,137	15,000
Effects from tax-exempt income	10,199	6,131
Effects from non-tax-deductible operating expenses	-4,673	-1,136
Effects due to the utilisation or value adjustment of loss carryforwards	771	2,381
Effects from the initial recognition exemption	-2,549	569
Effects from financial assets accounted for using the equity method	-160	25
Effects from trade tax additions and deductions	1,842	-176
Other	-176	113
Income taxes	-32,876	-849

With an actual tax liability of TEUR 37,071 (previous year: TEUR 11,857) and deferred tax income of TEUR 4,195 (previous year: TEUR 11,008), total tax expense for 2022 recognised in consolidated earnings amounts to TEUR 32,876 (previous year: TEUR 849).

The high level of tax-free income, as in the previous year, again results primarily from a one-off effect from the transfer of an interest in Stern Energy S.p.A. accounted for using the equity method to full consolidation (TEUR 9,084).

Non-period tax expenses mainly resulted from two aspects. Firstly, tax assets had to be written off in 2022 (see below). Secondly, new information resulted in one set of circumstances relation to British subsidiaries being considered relevant to the calculation of deferred taxes, which resulted in the recognition of non-period deferred tax liabilities.

Deferred tax assets recognised in other comprehensive income amount to TEUR 1,724 (previous year: deferred tax liabilities of TEUR 2,674). 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 1,209 (previous year: TEUR 945) were recognised directly in equity.

For the costs of capital increase incurred in 2022, calculated taxes of TEUR 66 (previous year: TEUR 1,428) have also been recognised directly in equity.

Numerous tax audits were commenced in 2021, some of which were concluded in the year 2022, and some of which are still ongoing. The completed tax audits resulted in immaterial subsequent tax payments, for which corresponding provisions were formed as at 31 December 2022 (TEUR 44). Due to the lack of significant audit findings, no provisions for income taxes have been formed for the tax audits still under way. Instead, the provision of TEUR 1,000 recognised in 2020 for corresponding risks was retained unchanged.

As at 31 December 2022, the consolidated financial statements included receivables totalling TEUR 4,049 (previous year: TEUR 7,228) for benefits in Italy due to the possible tax credit as part of the “Tremonti Ambiente” tax incentive. In 2022, decisions were made to the detriment of Encavis in various legal proceedings. These proceedings are now pending in the second instance. Due to the developments in the year 2022, the prospects of success, the circumstances surrounding the proceedings and the relevant legal requirements were all reviewed. Following this review, a ruling in Encavis’ favour continues to be the most likely scenario. Due to the latest developments and the relevant legal issues that have been raised – in response to which rulings to the detriment of Encavis cannot be ruled out entirely – the probability of a positive outcome to the proceedings was still considered high as at

31 December 2022, but was significantly lower than on 31 December 2021. As a result, receivables totalling TEUR 3,179 were written off as at 31 December 2022. No deferred tax assets were recognised for the potential future benefits from available tax loss carryforwards as a result of this tax subsidy. For the future, it is assumed that it will be possible to claim further tax credits in the amount of TEUR 5,099 (previous year: TEUR 12,307) if the assessment of the prospects for success remains the same as at 31 December 2022.

5.9 Other comprehensive income

TEUR -153,222

Previous year: TEUR 25,395

Other comprehensive income mainly comprises the change to the hedge reserve of TEUR -156,393 (previous year: TEUR 10,856), changes in value from the equity method which are recognised directly in equity (TEUR 46; previous year: TEUR 58) and currency differences in the amount of TEUR 222 (previous year: TEUR -668) from the translation of subsidiaries managed in foreign currencies. The high changes in value in the hedge reserve result specifically from the PPAs reflected in the hedging relationships.

Amounts recognised in equity will be reclassified in full to consolidated earnings once the corresponding hedged items have expired. In the 2022 financial year, TEUR -100 from the equity reserve was reclassified to consolidated earnings following the full consolidation of the former associated entity Stern Energy S.p.A. Furthermore, the effective portion of the changes in value of the interest rate swap previously in a hedging relationship in the amount of TEUR 1,328 in total was reclassified from the hedge reserve to consolidated earnings for two French project financing agreements.

The corresponding deferred tax effects amount to TEUR 1,724 (previous year: TEUR -2,674). 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	222	0	222
(previous year)	(-668)	(0)	(-668)
Cash flow hedges – effective portion of changes in fair value	-156,393	1,712	-154,682
(previous year)	(10,856)	(-2,673)	(8,183)
Cost of hedging measures	-49	12	-37
(previous year)	(6)	(-1)	(5)
Changes in value from the equity method recognised directly in equity	46	0	46
(previous year)	(58)	(0)	(58)
Reclassifications	1,228	0	1,228
(previous year)	(17,816)	(0)	(17,816)
Total change	**-154,946**	**1,724**	**-153,222**
(previous year)	(28,068)	(-2,674)	(25,395)

6 Notes to the consolidated balance sheet

6.1 Intangible assets

TEUR 446,887

Previous year: TEUR 446,320

Changes in intangible assets were as follows:

In TEUR	Other intangible assets	Electricity feed-in contracts/project rights	Total
Cost			
As at 01.01.2021	14,984	723,557	738,542
Additions	48	279	327
Changes 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, amortisation and impairment losses			
As at 01.01.2021	5,287	239,370	244,657
Additions to depreciation and amortisation	1,031	47,271	48,302
Changes 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 31.12.2021	**8,714**	**437,606**	**446,320**
Cost			
As at 01.01.2022	15,032	722,023	737,055
Additions	99	343	442
Changes in the scope of consolidation	18,907	50,497	69,404
Disposals	-4	0	-4
Currency translation	-22	-1,779	-1,801
As at 31.12.2022	**34,013**	**771,084**	**805,097**
Depreciation, amortisation and impairment losses			
As at 01.01.2022	6,319	284,417	290,735
Additions to depreciation and amortisation	1,792	45,266	47,058
Additions to impairment losses	0	20,938	20,938
Changes in the scope of consolidation	162	0	162
Currency translation	-1	-683	-684
As at 31.12.2022	**8,272**	**349,938**	**358,209**
Carrying amount as at 31.12.2021	8,714	437,606	446,320
Carrying amount as at 31.12.2022	**25,741**	**421,147**	**446,887**

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

Other intangible assets include an agency agreement for the CHORUS IPP portfolio of renewable energy plants. Specific sales negotiations were held with regard to this agreement during the preparation period. Given that there was no sufficient level of assurance regarding the sale as at the reporting date, this item was not reported separately as assets held for sale. The transaction is expected to be closed in the second quarter of 2023 if it is possible to successfully complete the sales process. The agency agreement is part of the Asset Management segment.

6.2 Goodwill

TEUR 107,129

Previous year: TEUR 27,466

The goodwill for the previous year was mainly derived from the acquisition of CHORUS Clean Energy AG and its subsidiaries, as well as the acquisition of Encavis Technical Services GmbH and multiple solar park portfolios in England and wind parks in Denmark. In the 2022 financial year, the Group obtained goodwill in the amount of TEUR 79,770 from the acquisition of the Stern subgroup. The goodwill resulting from the provisional purchase price allocation (see section 4.2 “Company acquisitions”) is allocated to the PV Service cash-generating unit (CGU), as in the case of the parent company, Stern Energy S.p.A. Due to the short period of time between the acquisition and the reporting date, there were no indications of impairment as at 31 December 2022, which is why this goodwill was not tested for impairment. The information below pertaining to the weighted cost of capital for the PV Service CGU does not include the aforementioned transaction.

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

	30.09.2022 / 31.12.2022 *(30.09.2021)*	30.09.2022 / 31.12.2022 *(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 *(1,674)*	6.88 / 7.28 *(3.24)*	5.71 / 5.80 *(2.84)*
PV Italy	1,073 / 1,073 *(1,073)*	9.47 / 9.59 *(4.20)*	6.45 / 6.54 *(3.34)*
PV United Kingdom	2,899 / 2,892 *(2,998)*	9.09 / 8.45 *(6.65)*	6.69 / 6.17 *(5.28)*
Wind Germany	570 / 570 *(570)*	7.89 / 8.02 *(3.82)*	5.71 / 5.80 *(2.84)*
Wind Denmark	7,585 / 7,585 *(7,585)*	6.96 / 6.45 *(4.36)*	5.57 / 5.16 *(3.64)*
Wind France	2,445 / 2,445 *(2,445)*	7.17 / 7.27 *(3.59)*	5.96 / 6.05 *(2.97)*
PV Service	1,481 / 81,250 *(1,481)*	7.93 / 8.07 *(3.73)*	5.71 / 5.80 *(2.82)*
Asset Management	9,640 / 9,640 *(9,640)*	7.64 / 7.77 *(3.51)*	5.71 / 5.80 *(2.87)*
Total	**27,368 / 107,129 *(27,466)***		

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

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 approved by Encavis AG’s Management Board forms the basis for these cash flow forecasts, which take internal historical data into account.

As in the previous year, 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 it was in the previous year – 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 to this end.

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

The review is performed as at 30 September of each financial year. All goodwill was recoverable as at 30 September 2022.

Additionally, a review is performed as at 31 December to ascertain whether changes in significant parameters have had or will have an influence on the recoverability of goodwill. Significant changes in the capital market parameters occurred specifically in the period between 30 September 2022 and 31 December 2022. The goodwill recoverability test was therefore repeated as at 31 December 2022 with the adjusted capital market parameters.

As at 31 December 2022, the net assets (TEUR 429,063) and goodwill (TEUR 1,674) of the PV Germany CGU exceeded the CGU's value in use (TEUR 419,431) by TEUR 11,306. As part of the intangible asset recoverability test (see the statements on the asset impairment test in section 5.6), the intangible assets of the companies belonging to the PV Germany CGU were reduced by a total of TEUR 26,793 as at 31 December 2022. Because this value exceeds the shortfall, the goodwill impairment test resulted in no impairment.

Three sensitivity analyses were carried out for each CGU in addition to this test. During the first sensitivity analysis, a scenario without a growth rate was assumed for each CGU. The capitalisation interest rate was increased by 75 basis points for the second sensitivity analysis. For the third sensitivity analysis, sales in the detailed planning period were reduced by 500 basis points.

In the scenario of the increased capitalization interest rate, instead of an excess of TEUR 1,232, a hypothetical impairment of TEUR 28,458 results for the CGU PV Germany as of September 30, 2022. A hypothetical need for impairment arises if the capitalization interest rate increases by more than 3 basis points.

In the scenario of reduced sales during the detailed planning period, the CGU PV Germany would, have instead of an excess of TEUR 1,232, a hypothetical impairment loss of TEUR 1,557 as of September 30, 2022. A hypothetical impairment loss would be recognized if the sales during the detailed planning period were to decrease by more than 221 basis points.

In the scenario of the increased capitalization rate, the CGU PV Germany has, instead of an excess of EUR 15,487, a hypothetical impairment loss of TEUR 14,691 as of December 31, 2022, after the impairment losses on non-current assets. A hypothetical impairment loss is recognized if the capitalization rate increases by more than 36 basis points.

6.3 Property, plant and equipment

TEUR 2,304,994

Previous year: TEUR 2,174,952

Changes in property, plant and equipment were as follows:

In TEUR

	Installations under construction	Land, land rights and buildings including buildings on third party land	Power generation installations	Other property, plant and equipment	Total
Cost					
As at 01.01.2021	10,066	217,910	2,072,664	23,212	2,323,852
Additions	15,201	15	19,861	785	35,862
Changes in the scope of consolidation	3,381	24,082	290,799	0	318,262
Disposals	0	-499	-167	-296	-962
Change in valuation of provisions	0	-2,423	0	0	-2,423
Transfers	-6,221	451	5,372	398	0
Change from revaluation/ modification under IFRS 16	0	1,502	0	3,302	4,804
Currency translation	1	1,281	9,396	1	10,679
As at 31.12.2021	**22,428**	**242,317**	**2,397,925**	**27,403**	**2,690,074**
Depreciation, amortisation and impairment losses					
As at 01.01.2021	0	19,411	397,546	4,907	421,863
Additions to depreciation and amortisation	0	10,073	91,369	1,700	103,142
Changes in the scope of consolidation	0	-805	-10,951	0	-11,755
Disposals	0	-51	-25	-16	-92
Transfers	0	147	-147	0	0
Currency translation	0	127	1,837	0	1,964
As at 31.12.2021	**0**	**28,902**	**479,629**	**6,592**	**515,122**
Carrying amount as at 31.12.2021	**22,428**	**213,415**	**1,918,296**	**20,812**	**2,174,952**

In TEUR

	Installations under construction	Land, land rights and buildings including buildings on third party land	Power generation installations	Other property, plant and equipment	Total
Cost					
As at 01.01.2022	22,428	242,317	2,397,925	27,403	2,690,074
Additions	18,189	6,183	24,131	1,503	50,006
Changes in the scope of consolidation	30,910	25,159	213,020	4,426	273,515
Disposals	-151	-396	0	-139	-686
Change in valuation of provisions	0	-32,216	0	0	-32,216
Transfers	-22,920	0	22,920	0	0
Change from revaluation/ modification under IFRS 16	0	8,121	0	554	8,675
Currency translation	1	-1,658	-7,662	-40	-9,360
As at 31.12.2022	**48,457**	**247,509**	**2,650,334**	**33,708**	**2,980,010**
Depreciation, amortisation and impairment losses					
As at 01.01.2022	0	28,902	479,629	6,592	515,122
Additions to depreciation and amortisation	0	9,854	93,481	2,064	105,399
Additions to impairment losses	0	0	41,079	0	41,079
Changes in the scope of consolidation	0	206	14,316	1,130	15,652
Disposals	0	-110	0	-85	-195
Currency translation	0	-160	-1,877	-6	-2,043
As at 31.12.2022	**0**	**38,693**	**626,627**	**9,694**	**675,016**
Carrying amount as at 31.12.2021	22,428	213,415	1,918,296	20,812	2,174,952
Carrying amount as at 31.12.2022	**48,457**	**208,817**	**2,023,706**	**24,013**	**2,304,994**

Given the differences in the subsequent measurement of land and right-of-use assets for leases and power generation installations, the management has decided to report these classes of assets in two separate items from the 2022 financial year onwards. 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 6.17. The category “Change in valuation of provisions“ includes 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 2,041,966 (previous year: TEUR 1,934,695) 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 6,684

Previous year: TEUR 15,233

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	Sistema Electrico de Conexion Nudo Don Rodrigo 220 KV S.L.
As at 01.01.2022	153	90	6,125	1,253
Addition/acquisition	0	0	0	58
Transition to full consolidation	0	0	0	0
Reclassification from equity reserve	0	0	0	0
Derecognition of ancillary transaction costs	0	0	0	0
Attributable net profit or loss for the period	0	-11	-984	0
Attributable other comprehensive income	0	0	0	0
As at 31.12.2022	**153**	**79**	**5,141**	**1,311**

In TEUR

	Stern Energy S.p.A.	Stern PV2 Srl	Stern PV3 Srl	Stern PV4 Srl	Total
As at 01.01.2022	7,441	45	75	51	15,233
Addition/acquisition	12,779	0	0	18	12,855
Transition to full consolidation	-20,584	-45	-75	-69	-20,773
Reclassification from equity reserve	-100	0	0	0	-100
Derecognition of ancillary transaction costs	-16	0	0	0	-16
Attributable net profit or loss for the period	434	0	0	0	-561
Attributable other comprehensive income	46	0	0	0	46
As at 31.12.2022	**0**	**0**	**0**	**0**	**6,684**

In the previous year, the associated entities developed as follows:

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 PV2 Srl	Stern PV3 Srl	Stern PV4 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, the company is not fully consolidated, but is instead classified as an associated entity, as 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. Specific sales negotiations were held with regard to the CHORUS IPP portfolio of renewable energy plants in the preparation period. Given that there was no sufficient level of assurance regarding the sale as at the reporting date, this interest was not reported separately as assets held for sale. The transaction is expected to be closed in the second quarter of 2023 if it is possible to successfully complete the sales process. This interest is part of the Asset Management segment.

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 and dilution effects, the shareholding has amounted to 22.63 % since the end of 2022. 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.

As a result of a 38.64 % shareholding (previously 40.3 %), significant influence is assumed in the case of the Spanish company Sistema Electrico de Conexion Nudo Don Rodrigo 220 KV S.L. In the financial year, further shares in the company were acquired. However, dilution effects led to a decrease in the shareholding. The company serves various solar energy installations as a substation and is used jointly by them.

The shareholding in the Italian company Stern Energy S.p.A. was initially 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 stake was initially increased from 30 % to 51 % in the 2022 financial year in order to transition to full consolidation in the fourth quarter following a further increase in the shareholding to 80 %. Please see section 4.2 of this annual report for further statements regarding the business combination.

Due to the contractual arrangement, there was no control over the development projects Stern PV2, PV3 and PV4 until they reached ready-to-build status, despite a majority shareholding of 95 % in each case. Therefore, these projects were initially reported as associated entities. Upon the full consolidation of Stern Energy S.p.A. at the end of 2022, these projects were also fully consolidated, as the former is the contractual partner. Please see section 4.2 of this annual report for further statements regarding the business combination.

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

6.5 Financial assets

TEUR 3,726

Previous year: TEUR 4,875

Changes to financial assets are as follows:

In TEUR	Investments	Securities	Loans to associated entities	Other loans	Total
Cost					
As at 01.01.2021	1,732	702	70,677	0	73,112
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	-598	398	1,781	0	1,581
As at 31.12.2021	**1,311**	**2,328**	**1,236**	**0**	**4,875**
Depreciation and amortisation					
As at 01.01.2021	0	0	0	0	0
As at 31.12.2021	**0**	**0**	**0**	**0**	**0**
Carrying amount as at 31.12.2021	**1,311**	**2,328**	**1,236**	**0**	**4,875**
Cost					
As at 01.01.2022	1,311	2,328	1,236	0	4,875
Additions/acquisitions	585	0	275	4	864
Changes in the scope of consolidation	188	0	0	540	728
Disposals/payments	-281	0	-302	0	-583
Reconciliation to full consolidation	0	0	-1,240	0	-1,240
Reclassifications under IFRS 5	-1,050	0	0	0	-1,050
Changes in fair value measurement/ECL	201	-94	31	-5	133
As at 31.12.2022	**954**	**2,234**	**0**	**538**	**3,726**
Depreciation and amortisation					
As at 01.01.2022	0	0	0	0	0
As at 31.12.2022	**0**	**0**	**0**	**0**	**0**
Carrying amount as at 31.12.2021	1,311	2,328	1,236	0	4,875
Carrying amount as at 31.12.2022	**954**	**2,234**	**0**	**538**	**3,726**

The non-current financial assets of the Encavis Group are divided into investments and securities. All shares in the investment fund CleanTech Europe II L.P., London, United Kingdom, ("Zouk II") were derecognised at the end of the year upon disbursement of the remaining shares in this investment fund with a balance of TEUR 251. In addition, miscellaneous other equity investments totalling TEUR 263 as at 31 December 2022 (previous year: TEUR 124) are reported here. They include investments in non-listed shares that are not traded on an active market. The shares in an Irish development fund to support the development of the market segment in the amount of TEUR 1,050 (previous year: TEUR 524) were reclassified to the item "Assets held for sale" in accordance with IFRS 5 as at the end of the year. These shares are to be sold and are therefore recognised at their estimated proceeds from disposal, which is the same as their fair value. The shares in CHORUS Infrastructure Fund S.A. SICAV-SIF in the amount of TEUR 691 (previous year: TEUR 412) are also included in the investments. Other investments from the initial consolidation of Stern Energy S.p.A. in the amount of TEUR 188 were added in the financial year.

The securities recognised in non-current assets contain mezzanine capital of CHORUS IPP Europe GmbH, Neubiberg, in the amount of TEUR 1,020 (previous year: TEUR 1,099). Specific sales negotiations were held with regard to the CHORUS IPP portfolio of renewable energy plants in the preparation period. Given that there was no sufficient level of assurance regarding the sale as at the reporting date, this mezzanine capital was not reported separately as assets held for sale. The transaction is expected to be closed in the second quarter of 2023 if it is possible to successfully complete the sales process. This mezzanine capital is part of the Asset Management segment. In addition, these securities include a money market fund of the Spanish company Genia Extremadura Solar S.L.U. (TEUR 1,212), which serves as a guarantee for all obligations arising from the company's leasing contract.

As at the balance sheet date, Encavis did not intend to dispose any of these financial investments, with the exception of the aforementioned CHORUS IPP portfolio.

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 2022 financial year, net gains from changes in the fair value of these investments amounting to TEUR 107 (previous year: TEUR 140) were recognised in consolidated earnings. Of this amount, TEUR 201 (previous year: TEUR 398) is reported under financial income and TEUR -94 (previous year: TEUR -258) under financial expenses.

Following their repayment or the transition to full consolidation, the financial assets no longer include any loans to associated entities (previous year: TEUR 1,236). The item also covers other loans in the amount of TEUR 540 (previous year: TEUR 0), primarily in connection with the initial consolidation of Stern Energy S.p.A. In addition, these items include related deferred interest.

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 5; previous year: TEUR 32).

6.6 Other receivables (non-current)

TEUR 63,435

Previous year: TEUR 8,059

This item comprises:

In TEUR	2022	2021
Derivatives with positive fair values	53,398	1,853
Other non-current receivables	10,037	6,206
Total	63,435	8,059

The increase in the carrying amounts of the derivatives with positive fair values is primarily due to the development of the underlying yield curves.

Sureties in the amount of TEUR 3,672 are recognised in other non-current receivables (previous year: TEUR 3,930).

6.7 Deferred taxes

<u>TEUR 22,686/TEUR 143,051</u>

Previous year: TEUR 6,123/TEUR 125,431

Deferred taxes are generally recognised for the foreign companies in the Group at the respective company's individual tax rate. 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 29.04 % (previous year: 28.92 %) 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 13.21 % (previous year: 13.09 %). The change in the tax rate for Encavis AG (i.e. the Group tax rate) is based on a minimal change in the breakdown criterion and/or a change in the trade tax rate in one of the local or regional communities of the tax group that is entitled to levy trade tax.

As at 31 December 2022, the Group had provisional loss carryforwards of TEUR 100,873 in corporation tax (previous year: TEUR 119,998) and TEUR 43,012 in German trade tax (previous year: TEUR 58,918). Of this, amounts of TEUR 15,401 in corporation tax (previous year: TEUR 16,779) and TEUR 17,064 in German trade tax (previous year: TEUR 16,174) are not expected to be utilised within a reasonable period. Therefore, no deferred tax assets have been recognised for these amounts. The comparatively high decrease in loss carryforwards was based on high loss utilisation in the financial year on account of sufficiently high earnings.

Interest carryforwards totalled TEUR 41,648 as at 31 December 2022 (previous year: TEUR 35,139). 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 2022.

Furthermore, surpluses from deferred tax assets amounting to TEUR 2,294 (previous year: TEUR 3,325) 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 items:

Deferred taxes					
	31.12.2022		31.12.2021		
	Assets in TEUR	Liabilities in TEUR	Assets in TEUR	Liabilities in TEUR	Change
Intangible assets*	3,942	7,224	3,862	3,262	-3,881 (previous year: -183)
Electricity feed-in contracts	812	104,223	4	118,645	15,231 (previous year: 8,822)
Power generation installations	40,049	92,842	40,439	93,297	64 (previous year: 4,563)
Capitalised asset retirement obligations*	516	7,928	1,006	9,968	1,550 (previous year: 458)
Right-of-use asset IFRS 16*	0	46,842	0	42,374	-4,468 (previous year: -11,024)
Derivatives with positive fair values	92	8,001	34	369	-7,574 (previous year: -116)
Other assets	8,255	3,798	6,289	1,610	-222 (previous year: 2,240)
Asset retirement obligations recognised as a liability*	10,197	516	16,530	157	-6,692 (previous year: 5,996)
Financial liabilities	15,868	3,277	8,626	4,011	7,977 (previous year: -4,640)
Lease liability IFRS 16*	49,560	0	47,194	0	2,367 (previous year: 2,599)
Other liabilities	2,011	267	2,392	232	-416 (previous year: -1,423)
Tax loss carryforwards	23,251	0	28,241	0	-4,991 (previous year: 2,610)
Subtotal*	**154,553**	**274,918**	**154,617**	**273,925**	
Offset*	-131,867	-131,867	-148,494	-148,494	
Total	**22,686**	**143,051**	**6,123**	**125,431**	**-1,057 (previous year: 9,903)**
	of which recognised directly in equity (other comprehensive income)				-1,284 (previous year: 2,674)
	of which from currency translation not recognised in profit or loss				-199 (previous year: 358)
	of which deferred tax expense in connection with capital increase costs				-42 (previous year: -857)
	of which from business combinations				6,778 (previous year: 0)
	of which other changes in the group of consolidated companies				0 (previous year: -1,070)
	Change recognised in profit or loss in 2022				**4,195 (previous year: 11,008)**

*Differences compared to the 2021 annual report due to retroactive non-application of the IRE as defined by IAS 12.

Of the deferred tax assets, TEUR 3,773 (previous year: TEUR 4,341) relates to companies that recorded tax losses either in 2021 or in 2022. 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 134,310 (previous year: TEUR 119,969) and deferred tax liabilities of TEUR 284,121 (previous year: TEUR 271,549) are attributable to the non-current assets and liabilities. Deferred tax assets of TEUR 7,538 (previous year: TEUR 5,979) and deferred tax liabilities of TEUR 3,173 (previous year: TEUR 1,650) are attributable to the current assets and liabilities.

No deferred taxes are recognised on taxable temporary differences of TEUR 11,959 (previous year: TEUR 7,911) 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.

In 2022, use was made of the right to exercise the initial recognition exception (IRE) in accordance with IAS 12 retroactively for 2020 and 2021 with regard to leases and asset retirement obligations. Please refer to the statements in section 2 “Application of new and revised International Financial Reporting Standards (IFRS)” for further details.

6.8 Inventories

TEUR 5,612

Previous year: TEUR 751

Inventories are primarily commodities and spare parts. The increase in inventories year on year is primarily attributable to the transition of Stern Energy S.p.A., as well as all of the subsidiaries it controls, from equity-method accounting to full consolidation.

6.9 Trade receivables

TEUR 69,815

Previous year: TEUR 47,731

In TEUR	2022	2021
Trade receivables (gross)	70,537	48,203
Impairments	-722	-472
Net carrying amount	**69,815**	47,731

Trade receivables are amounts owed by government or private purchasers or other customers for goods sold or services rendered in the ordinary course of business. They are generally due within 30 to 60 days, depending on the country, and are therefore classified as current. Trade receivables are initially recognised at the amount of the unconditional consideration. No significant financing components are included for Encavis. The Group holds trade receivables in order to collect the contractual cash flows and subsequently measures them at amortised cost using the effective interest method. Details of the Group’s impairment methods and the calculation of the impairments and other risks to which the Group is exposed are disclosed in the section on credit risks in note 8. Impairment losses on trade receivables increased over the course of the year from TEUR 472 to TEUR 722, mainly due to the increase in receivables. Encavis has not currently entered into any agreements on the transfer of receivables (factoring).

Of the trade receivables, TEUR 70,537 (previous year: TEUR 48,203) 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 29,120

Previous year: TEUR 39,740

Other current assets break down as follows:

In TEUR	2022	2021
Non-financial assets	8,502	6,046
Receivables from income taxes	11,144	24,760
Other current receivables	9,475	8,934
of which short-term PPAs	*661*	*0*
Total	29,120	39,740

Non-financial assets comprise primarily VAT receivables.

Income tax receivables include TEUR 9,557 (previous year: TEUR 15,909) in corporation tax receivables, TEUR 938 (previous year: TEUR 1,219) in trade tax receivables and TEUR 649 (previous year: TEUR 7,631) in capital gains tax receivables.

Other current receivables mainly comprise sureties of TEUR 1,324 (previous year: TEUR 1,261) and various other assets and receivables. The financial assets included here, which are measured at amortised cost, were written down accordingly in the amount of TEUR 55 (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 344,403

Previous year: TEUR 444,639

The liquid assets item comprises the following:

In TEUR	2022	2021
Cash and cash equivalents	289,483	394,228
of which overdraft facilities	*3,206*	*1,803*
of which cash and cash equivalents in the cash flow statement	*286,277*	*392,425*
Liquid assets with restrictions on disposition	54,920	50,410
Total	344,403	444,639

Liquid assets are composed exclusively of cash on hand and bank balances. They include 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 48,484; previous year: TEUR 40,613) and, to a lesser extent, restricted liquid assets (TEUR 6,436; previous year: TEUR 9,797). The government bonds of the highest credit quality with short-term residual maturities included in the item in the previous year as at the balance sheet date were disposed of in the 2022 financial year.

6.12 Assets held for sale

TEUR 1,050

Previous year: TEUR 0

The assets held for sale concern an interest in an Irish development fund which was previously held to support the development of the market segment. As at the reporting date, the shares were recognised at market value, or at the expected proceeds from disposal. The transaction was closed in March 2023.

6.13 Equity

TEUR 956,817

Previous year: TEUR 1,066,388

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

As at 31 December 2022, the fully paid-up share capital of Encavis AG amounting to TEUR 161,030 (previous year: TEUR 160,469) was divided into 161,030,176 (previous year: 160,469,282) no-par-value bearer shares with a notional interest in the share capital of EUR 1.00 per share.

Authorised Capital 2021

By resolution of the ordinary 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 amounted to EUR 25,758,163.00 as at 31 December 2021.

On the basis of the authorisation of the Annual General Meeting dated 27 May 2021 and entered on 4 June 2021 ("Authorised Capital 2021"), the company's Management Board resolved in 2022 on 19 May 2022 and 21 June 2022, with the approval of the Supervisory Board as issued on 19 May 2022 and 21 June 2022, to increase the share capital by EUR 560,894.00 against non-cash contributions to EUR 161,030,176.00 through the partial utilisation of the Authorised Capital 2021 in order to issue new shares to settle dividend entitlements. Implementation of the capital increase was entered in the commercial register of the Hamburg district court on 27 June 2022 (HRB 63197). The Authorised Capital 2021 amounted to EUR 25,197,269.00 as at 31 December 2022.

Contingent capital 2020

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 2022.

Capital reserves

The change in capital reserves of TEUR 9,277 is primarily attributable to the capital increase to settle dividend entitlements (TEUR 9,451). By contrast, issuance costs of TEUR 120 were offset against the capital reserve. In order to compensate for tax effects in connection with capital increase costs recognised in the capital reserve and directly in equity of the hybrid capital investors, TEUR 66 was also offset against the capital reserve with no effect on profit or loss. Similarly, TEUR -120 was offset in the financial year as part of the majority-preserving increases in shareholdings.

Other reserves

The currency translation adjustment item of TEUR TEUR 1,127 (previous year: TEUR TEUR 882) relates primarily to the translation of British pounds sterling, Danish and Norwegian kroner and Swedish kronor 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 -160,248 (previous year: TEUR -6,895) as well as the cost of hedging measures in the amount of TEUR -41 (previous year: TEUR -4); TEUR 1,328 was reclassified from the hedge reserve to consolidated earnings in the financial year.

Reserves in connection with the equity method are also contained (TEUR 0; previous year: TEUR 54), TEUR -100 of which were reclassified to consolidated earnings in the financial year as part of the full consolidation of Stern Energy S.p.A.

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 loss from changes in the fair value of hedging instruments in the amount of TEUR 82,199 (previous year: TEUR 2,772) was transferred to consolidated earnings in the reporting period.

Net retained profit

Consolidated net retained profits comprise the following:

In TEUR	31.12.2022	31.12.2021
Consolidated earnings after non-controlling interests	78,490	75,323
Profit carried forward	46,750	9,244
Other items recognised directly in equity	1,209	945
Dividend distribution	-48,141	-38,762
Consolidated net earnings	78,309	46,750

Encavis AG's Annual General Meeting on 19 May 2022 resolved to distribute a dividend of EUR 0.30 per no-par-value share carrying dividend rights.

Equity attributable to non-controlling interests

The equity attributable to non-controlling interests of TEUR 4,789 (previous year: TEUR 2,464) mainly relates to the following companies: Nørhede-Hjortmose Vindkraft I/S and Solarpark Zierikzee. In the financial year, the Italian solar parks DE Stern 11 and DE Stern 14, in each of which the Group holds an arithmetical stake of 64 %, were added, as were the Swedish solar park Varberg Norra and the Norwegian intermediate holding EnSol Nordic.

Equity attributable to hybrid capital investors

On 24 November 2021, Encavis AG successfully placed a 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 95 were offset against equity with no effect on profit or loss.

In the financial year, TEUR 4,688 (previous year: TEUR 6,259) was recognised as an earnings contribution for the hybrid capital investors and TEUR 4,688 (previous year: TEUR 8,142) 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 28.10 % (previous year: 33.16 %).

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

	31.12.2022	31.12.2021
Equity in TEUR	956,817	1,066,388
Equity ratio in %	28.10	33.16
Liquid assets in TEUR	344,403	444,639

In the financial year, it was not possible to meet the project financing covenants under the loan agreement for the financing of two French project companies that incurred fire damage midway through the financial year. Because the agreement concerned group financing, all loans pooled in the arrangement are in default. The loans are consequently reported in full under current financial liabilities in the consolidated financial statements as at 31 December 2022, as the bank had a formal right of termination as at said time. In this context, TEUR 25,432 was reclassified. Encavis is currently in coordination with the financing bank regarding a waiver. Based on the present project plans for the reconstruction of the parks, Encavis expects full recommissioning by summer 2023 at the latest.

A covenant breach for a project in The United Kingdom was also identified in the financial year, as the park was able to operate to only a limited extent from September 2021 onwards following incidents of theft. The problem has since been rectified, and the lender has waived its right to terminate the loan. Because the waiver was not issued until after the reporting date, the corresponding loans are reported in full under current financial liabilities in the consolidated financial statements for 2022. As a result, the equivalent of TEUR 3,437 was reclassified.

Payments of feed-in tariffs for a solar project in Italy were suspended by the GSE in mid-2022. The matter is currently in resolution and is also being heard in court. As a result, the loan and the associated loans in the financing portfolio are in default. However, because the lender issued a waiver of its right to terminate the loan in good time after the balance sheet date, the loan could technically have been terminated at the end of the year. Consequently, a total of TEUR 9,827 was reclassified from non-current financial liabilities to current financial liabilities. The matter solely concerns form-related breaches of the loan agreement. The projects were still fully solvent at all times.

As at the end of 2022, a covenant breach for 2023 was determined for three Dutch solar parks after the balance sheet date, which was merely due to the postponement of electricity feed-in payments between 2021, 2022 and 2023. The matter relates to the Dutch system of how tariff-related subsidy payments are posted and is no indication of any payment problems on the part of the projects. In 2022 and 2023, the financing bank confirmed in each case that it would waive its rights of termination. The projects were solvent at all times and therefore never faced insolvency. No adjustment was made to the liabilities as at the balance sheet date.

6.14 Share-based remuneration

Virtual share option programme 2017 and its successor programmes (SOP 2017 to SOP 2022)

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. An allotment amount defined by the Supervisory Board is converted into virtual share options known as share appreciation rights (SARs), meaning that the programme is considered to be cash-settled. 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 2022 financial years were measured on the basis of a Monte Carlo simulation.

With the exception of SOP 2017, which already had no effect on the Group’s figures in the previous year, the table below contains details of the individual SOPs:

Share option programme

	SOP 2018	SOP 2019	SOP 2020
Effective date	01.07.2018	01.07.2019	01.07.2020
Grant date for employees	14.12.2018	08.10.2019	07.12.2020
Grant date for Board of Management	12.12.2018	25.09.2019	23.09.2020
Number of original SAR commitments	912,000	740,235	281,249
of which to the Management Board	*375,000*	*224,140*	*136,362*
of which to employees	*537,000*	*516,095*	*144,887*
Number of SARs as at 01.01.2022	0	670,694	276,277
of which attributable to the Management Board	*0*	*224,140*	*136,362*
Number of SARs issued in the financial year	0	0	0
Number of SARs exercised in the financial year	0	670,694	0
Number of SARs expired in the financial year	0	0	0
Number of SARs settled in the financial year	0	0	-68,181
Number of SARs as at 31.12.2022	0	0	208,096
of which attributable to the Management Board	*0*	*0*	*82,386*
Personnel expenses recognised in 2022 (in TEUR)	0	651	1,122
(previous year)	870	1,645	487
Carrying amount of the liability as at 31.12.2022 (in TEUR)	0	0	1,340
(previous year)	0	3,181	568

Share option programme

	SOP 2021	SOP 2022	Total
Effective date	01.07.2021	01.07.2022	
Grant date for employees	09.12.2021	07.12.2022	
Grant date for Board of Management	29.03.2022	16.12.2022	
Number of original SAR commitments	280,911	219,130	2,433,525
of which to the Management Board	*129,032*	*86,000*	*950,534*
of which to employees	*151,879*	*133,130*	*1,482,991*
Number of SARs as at 01.01.2022	151,879	219,130	1,317,980
of which attributable to the Management Board	*0*	*0*	*360,502*
Number of SARs issued in the financial year	129,032	0	129,032
Number of SARs exercised in the financial year	0	0	670,694
Number of SARs expired in the financial year	0	0	0
Number of SARs settled in the financial year	-64,516	0	-132,697
Number of SARs as at 31.12.2022	216,395	219,130	643,621
of which attributable to the Management Board	*77,957*	*86,000*	*246,343*
Personnel expenses recognised in 2022 (in TEUR)	542	17	2,331
(previous year)	8	0	3,010
Carrying amount of the liability as at 31.12.2022 (in TEUR)	379	17	1,736
(previous year)	8	0	3,758

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. Following Mario Schirru's appointment to the Management Board, his share options (SOP 2022 from issue, previous tranches in final portfolio) are reported from now on among those attributable to the Management Board. The settlement of share options related to the departure of Dr Dierk Paskert from the Encavis AG Management Board.

All SARs from SOP 2018 were exercised during the 2021 financial year (payment of TEUR 4,485). All SARs from SOP 2019 were exercised during the 2022 financial year. A total of TEUR 3,871 was paid out for this purpose.

6.15 Liabilities to non-controlling interests

TEUR 42,156

Previous year: TEUR 36,870

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

Liabilities to non-controlling interests in TEUR

	31.12.2022		31.12.2021	
	Non-current	Current	Non-current	Current
Compensation obligation	23,093	1,644	17,564	17
Loans (incl. interest) from non-controlling shareholders	17,418	0	19,204	85
Total	40,512	1,644	36,768	102

The compensation obligation increased primarily as a result of the adjustment of the long-term distribution projections of the corresponding park companies due to the rise in expected energy prices.

6.16 Financial liabilities

TEUR 1,892,933

Previous year: TEUR 1,652,132

Financial liabilities are comprised of the following items:

Financial liabilities in TEUR

	31.12.2022		31.12.2021	
	Non-current	Current	Non-current	Current
Liabilities to banks and other loans	1,027,068	264,954	1,081,247	159,428
Liabilities from PPAs	140,867	112,403	50,238	0
Liabilities from mezzanine capital	150,000	6,000	150,000	6,000
Liabilities from registered bonds	59,626	613	59,589	613
Liabilities from listed notes	25,658	2,004	26,088	2,086
Liabilities from put option	21,993	0	0	0
Liabilities from bearer bond	19,820	448	19,813	448
Liabilities from debenture bonds	11,416	39,826	71,341	349
Derivatives with negative fair value	4,977	0	24,283	0
Liabilities from contingent consideration	3,908	1,352	0	609
Total	1,465,333	427,600	1,482,599	169,533

In addition to the non-derivative financial liability, each item also contains the associated interest liabilities, if applicable. The mezzanine capital provided by Gothaer Versicherung in November 2014 in the amount of TEUR 150,000 has a fixed term to 31 December 2039 and bears 4 % interest p.a. until 31 December 2034. Due to the contractual provisions, Gothaer Versicherung is also entitled to variable remuneration depending on the distributable liquidity at CSG IPP GmbH, in addition to the fixed remuneration. The liabilities from the put option arose in relation to the initial consolidation of Stern Energy S.p.A. The derivatives mainly include the negative fair values of the PPAs.

6.17 Leases

Encavis’ leases include leases of both movable assets (such as company cars and other vehicles, company bicycles, coffee machines) and immovable property (such as office space, land, power generation installations). The fixed basic terms of the contracts, including exercised options, are three years for company bicycles and coffee machines, three to five years for company cars and other vehicles, between 11 and 35 years for land, between one year and 29 years for buildings and between 18 years 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 again not included in lease liabilities in the 2022 financial year.

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 agreements 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 2022:

Right-of-use assets in TEUR	31.12.2022	31.12.2021
Land	196,515	204,355
Buildings	8,807	7,467
Power generation installations	27,571	29,444
Cars and other vehicles	513	147
Total	**233,406**	**241,413**

The additions to right-of-use assets in the 2022 financial year amounted to TEUR 29,760 (previous year: TEUR 30,589) and mainly resulted from company acquisitions (TEUR 23,716), the commissioning of installations (TEUR 5,646) and a lease liability that was settled as a result of the purchase of land (TEUR 398). In addition, there were disposals of right-of-use assets totalling TEUR 280 in the 2022 financial year, which mainly related to the leases that were terminated due to the purchase of land (TEUR 285).

Lease liabilities as at 31 December 2022 are as follows:

Lease liabilities in TEUR	31.12.2022	31.12.2021
Non-current	187,684	176,068
Current	14,271	10,628
Total	201,954	186,696

In the 2022 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. – 31.12.2022	01.01. – 31.12.2021
Depreciation of right-of-use assets	12,553	12,881
of which for land	*9,735*	*9,961*
of which for buildings	*803*	*714*
of which for power generation installations	*1,874*	*2,108*
of which for cars and other vehicles	*141*	*98*
Interest expense from interest added to lease liabilities	7,953	6,941
Expenses in connection with short-term leases	27	29
Expenses in connection with low-value leased assets	122	31
Variable lease expenses	2,374	592
Total	23,029	20,473

Cash outflows resulting from leases (including variable lease payments and payments for low-value and short-term leases) totalled TEUR 17,979 in the 2022 financial year (previous year: TEUR 26,270). The year-on-year decline was primarily due to the fact that the figures in 2021 included a one-off effect for the cash outflows relating to the exercising of purchased options for leased power generation installations.

6.18 Provisions

TEUR 70,781

Previous year: TEUR 86,180

Provisions are comprised as follows:

Provisions in TEUR	31.12.2022		31.12.2021	
	Non-current	Current	Non-current	Current
Provisions for asset retirement obligations	50,513	0	72,146	0
Provisions for personnel expenses	704	7,179	844	7,052
Other provisions	29	12,356	29	6,110
Total	51,246	19,535	73,018	13,162

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 range 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 2022 financial year were TEUR 679 (previous year: TEUR 130).

The provisions for personnel expenses largely comprise employee bonuses and bonuses for the Management Board, as well as share options. Other provisions include provisions for levies recognised in connection with the Europe-wide system to cap electricity prices (TEUR 1,318), as well as a large number of minor items. Most of the corresponding outflows are expected within one year.

Changes in provisions were as follows:

Statement of changes in provisions in TEUR	As at 01.01.2022	Consumption	Additions	Changes in the scope of consolidation	Unwinding of discount
Provisions for asset retirement obligations	72,146	0	2,485	7,595	679
Provisions for personnel expenses	7,896	-7,914	7,344	897	0
Other provisions	6,138	-4,629	11,412	166	0
Total	86,180	-12,543	21,241	8,658	679

Statement of changes in provisions in TEUR	Reversals	Measurement effect with no impact on profit or loss	Currency adjustments, reclassifications	As at 31.12.2022
Provisions for asset retirement obligations	-14	-32,216	-162	50,513
Provisions for personnel expenses	-340	0	0	7,883
Other provisions	-626	0	-76	12,385
Total	-980	-32,216	-238	70,781

6.19 Trade payables

TEUR 37,218

Previous year: TEUR 28,686

Trade payables are comprised as follows:

Trade payables in TEUR	31.12.2022	31.12.2021
Supplier invoices received	33,366	25,293
Deferred supplier invoices	3,852	3,393
Total	37,218	28,686

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

6.20 Other liabilities

TEUR 60,631

Previous year: TEUR 33,506

Other liabilities are attributable to the following items:

Other liabilities in TEUR

	31.12.2022		31.12.2021	
	Non-current	Current	Non-current	Current
Income tax liabilities	0	26,286	0	15,614
Other tax liabilities	0	8,201	0	5,053
Liabilities from energy price cap	0	4,187	0	0
Deferred income (interest rate advantage)	2,061	1,364	3,460	1,606
Liabilities relating to personnel and welfare	0	395	0	1
Other	3,756	14,381	2,384	5,386
Total	5,817	54,814	5,845	27,661

Deferred income largely relates to the advantage from the subsidised loans from the KfW Group granted at an interest rate below the market rate. Liabilities from energy price cap result from levies recognised in connection with the Europe-wide system to cap electricity prices. The item “Other” includes deferred income from the Dutch subsidy scheme, as the inherent design of the scheme resulted in the overpayment of remuneration for energy generation in the financial year.

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 Administration unit. 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 he United Kingdom, Germany, France, Italy, The Netherlands, Spain, Denmark and Sweden 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 and Stern Energy S.p.A., as well as its other controlled service companies, which expanded the PV Service segment as a result of the acquisition of the Stern subgroup. The transactions of Encavis AG assigned to this segment are also included. 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 and various services such as servicing, maintenance and improvements to solar parks.

Wind Parks

The Wind Parks segment includes all wind parks in Germany, Italy, France, Denmark, Finland and Lithuania 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 (other companies and Group functions)
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, REGIS Treuhand & Verwaltung GmbH für Beteiligungen and Pexapark AG. 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 2022 and 2021 financial years:

In TEUR	Wind Parks	PV Parks	PV Service	Asset Management
Revenue	121,874	334,625	12,697	24,033
(previous year)	(77,885)	(234,730)	(4,386)	(19,899)
Operating earnings before interest, taxes, depreciation and amortisation (operating EBITDA)	99,947	250,166	2,685	10,645
(previous year)	(63,408)	(192,238)	(1,263)	(8,523)
Operating EBITDA margin (%)	82%	75%	21%	44%
(previous year)	(81%)	(82%)	(29%)	(43%)
Operating depreciation and amortisation	-25,608	-83,096	-211	-718
(previous year)	(-27,987)	(-77,790)	(0)	(-554)
Operating impairment loss	0	-41,150	0	0
(previous year)	(0)	(0)	(0)	(0)
Operating earnings (operating EBIT)	74,338	125,920	2,474	9,927
(previous year)	(35,421)	(114,449)	(1,263)	(7,969)

In TEUR	Total of reportable operating segments	Reconciliation (administration)	Reconciliation (consolidation)	Total
Revenue	493,229	705	-6,593	487,342
(previous year)	(336,899)	(916)	(-5,112)	(332,703)
Operating earnings before interest, taxes, depreciation and amortisation (operating EBITDA)	363,442	-13,328	-92	350,022
(previous year)	(265,433)	(-9,060)	(25)	(256,398)
Operating EBITDA margin (%)	74%	-	1%	72%
(previous year)	(79%)	-	(-1%)	(77%)
Operating depreciation and amortisation	-109,633	-969	15	-110,587
(previous year)	(-106,331)	(-1,031)	(15)	(-107,347)
Operating impairment loss	-41,150	0	0	-41,150
(previous year)	(0)	(0)	(0)	(0)
Operating earnings (operating EBIT)	212,659	-14,297	-77	198,285
(previous year)	(159,101)	(-10,091)	(40)	(149,050)

The consolidation of revenue (TEUR -6,593) is attributable in full to the PV Service segment.

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

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

Revenue by segment	In TEUR	Share in %
PV Parks		
2022	334,625	68.7
(previous year)	(234,730)	(70.6)
Wind Parks		
2022	121,874	25.0
(previous year)	(77,885)	(23.4)
Asset Management		
2022	24,033	4.9
(previous year)	(19,033)	(5.7)
PV Service		
2022	6,104	1.3
(previous year)	(139)	(0.0)
Administration		
2022	705	0.1
(previous year)	(916)	(0.3)
Total		
2022	**487,342**	**100.0**
(previous year)	(332,703)	(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 %
Denmark				
2022	37,189	7.6	228,444	8.3
(previous year)	(15,420)	(4.6)	(167,715)	(6.4)
Germany				
2022	189,037	38.8	828,852	30.1
(previous year)	(128,094)	(38.5)	(912,072)	(34.8)
Finland				
2022	4,000	0.8	27,297	1.0
(previous year)	(3,022)	(0.9)	(28,737)	(1.1)
France				
2022	43,818	9.0	328,134	11.9
(previous year)	(44,564)	(13.4)	(356,243)	(13.6)
United Kingdom				
2022	23,372	4.8	134,982	4.9
(previous year)	(20,096)	(6.0)	(143,845)	(5.5)
Ireland				
2022	2	0.0	0	0.0
(previous year)	(0)	(0.0)	(0)	(0.0)
Italy				
2022	92,542	19.0	388,746	14.1
(previous year)	(65,966)	(19.8)	(385,415)	(14.7)
Lithuania				
2022	0	0.0	117,559	4.3
(previous year)	(0)	(0.0)	(0)	(0.0)
Netherlands				
2022	31,268	6.4	212,926	7.7
(previous year)	(10,077)	(3.0)	(135,120)	(5.2)
Austria				
2022	0	0.0	0	0.0
(previous year)	(6,892)	(2.1)	(0)	(0.0)
Sweden				
2022	747	0.2	4,100	0.1
(previous year)	(0)	(0.0)	(0)	(0.0)
Spain				
2022	65,367	13.4	480,838	17.4
(previous year)	(38,573)	(11.6)	(492,125)	(18.8)
Total				
2022	**487,342**	**100.0**	**2,751,880**	**100.0**
(previous year)	**(332,703)**	**(100.0)**	**(2,621,272)**	**(100.0)**

Revenue from external customers is allocated on the basis of the revenue-generating company’s registered office.

Reconciliation of adjusted operating EBITDA

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

In TEUR	Notes	2022	2021
Adjusted operating EBITDA		**350,022**	**256,398**
Other non-operating income		30,894	24,031
Other non-operating expenses		-4,412	-137
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**376,504**	**280,292**
Depreciation and amortisation	5.6	-152,619	-151,445
Impairment losses	5.6	-62,018	0
Financial result	5.7	-45,396	-45,728
Earnings before taxes (EBT)		**116,471**	**83,119**

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 67,005 (previous year: TEUR 47,052) 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 -4,105 (previous year: TEUR -2,955) 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 -15,810 (previous year: TEUR -15,977) must be taken into account in addition to the adjustments mentioned in the reconciliation and the aforementioned adjustments. In order to reconcile other non-operating income to other income, income from the reversal of deferred income and other non-operating income (primarily from the effects of deconsolidation, reconciliation to full consolidation, the IFRS 9 impairment model and the continuous valuation of PPAs) of TEUR 30,894 (previous year: TEUR 24,031) must be taken into account. In order to reconcile other non-operating expenses to other expenses, non-operating expenses (primarily from the termination of swaps, the IFRS 9 impairment model and the continuous valuation of PPAs) of TEUR -4,412 (previous year: TEUR -137) must be taken into account.

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 31.12.2022 (31.12.2021)	Amortised cost	Fair value through other comprehensive income	Fair value through profit or loss	Carrying amount under IAS 28	Fair value as at 31.12.2022 (31.12.2021)
Financial assets							
Non-current financial assets	FVPL	3,188			3,188		3,188
(31.12.2021)		(3,639)			(3,639)		(3,639)
Financial assets accounted for using the equity method	n/a	6,684				6,684	6,684
(31.12.2021)		(15,233)				(15,233)	(15,233)
Non-current receivables from contingent consideration	FVPL	0			0		0
(31.12.2021)		(325)			(325)		(325)
Current receivables from contingent consideration	FVPL	0			0		0
(31.12.2021)		(1,655)			(1,655)		(1,655)
Trade receivables	AC	69,815	69,815				69,815
(31.12.2021)		(47,731)	(47,731)				(47,731)
Other non-current receivables	AC	3,672	3,672				3,672
(31.12.2021)		(3,930)	(3,930)				(3,930)
Other current receivables	AC	3,810	3,810				3,810
(31.12.2021)		(4,235)	(4,235)				(4,235)
Loans to associated entities and other loans	AC	538	538				538
(31.12.2021)		(1,236)	(1,236)				(1,236)
Liquid assets	AC	344,403	344,403				344,403
(31.12.2021)		(444,639)	(444,639)				(444,639)
Derivative financial assets							
Derivatives in a hedging relationship (swap)	FVOCI	30,229		30,229			30,229
(31.12.2021)		(1,047)		(1,047)			(1,047)
Derivatives not in a hedging relationship (swap)	FVPL	23,169			23,169		23,169
(31.12.2021)		(798)			(798)		(798)
Derivatives not in a hedging relationship (PPA)	FVPL	661			661		661
(31.12.2021)		(0)			(0)		(0)

* FVPL: fair value through profit or loss; AC: amortised cost (financial assets/liabilities recognised at amortised cost); FVOCI: derivative financial instruments measured as part of hedging relationships (presented in other non-current receivables and/or non-current financial liabilities). Non-current 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. In comparison to the balance sheet, financial liabilities are shown separately in the following categories: financial liabilities, liabilities from contingent consideration, other financial liabilities, other financial liabilities, liabilities from the put option, derivatives with a hedging relationship and derivatives without a hedging relationship.

Classes of financial instruments in TEUR	Measurement category under IFRS 9*	Carrying amount as at 31.12.2022 (31.12.2021)	Carrying amount under IFRS 9			Carrying amount under IFRS 16	Fair value as at 31.12.2022 (31.12.2021)
			Amortised cost	Fair value through other comprehensive income	Fair value through profit or loss		
Financial liabilities							
Trade payables	AC	37,218	37,218				37,218
(31.12.2021)		(28,686)	(28,686)				(28,686)
Financial liabilities	AC	1,607,433	1,607,433				1,549,314
(31.12.2021)		(1,576,959)	(1,576,959)				(1,703,341)
Lease liabilities**	n/a	201,954				201,954	-
(31.12.2021)		(186,696)				(186,696)	(-)
Liabilities to non-controlling interests	AC	42,156	42,156				42,156
(31.12.2021)		(36,871)	(36,871)				(36,871)
Liabilities from put option	AC	21,993	21,993				21,993
(31.12.2021)		(0)	(0)				(0)
Non-current liabilities from contingent consideration	FVPL	3,908			3,908		3,908
(31.12.2021)		(0)			(0)		(0)
Current liabilities from contingent consideration	FVPL	1,352			1,352		1,352
(31.12.2021)		(609)			(609)		(609)
Other financial liabilities	AC	0	0				0
(31.12.2021)		(43)	(43)				(43)
Derivative financial liabilities							
Derivatives in a hedging relationship (swap)	FVOCI	206		206			206
(31.12.2021)		(20,960)		(20,960)			(20,960)
Derivatives not in a hedging relationship (swap, forward exchange contract)	FVPL	4,772			4,772		4,772
(31.12.2021)		(3,316)			(3,316)		(3,316)
Derivatives in a hedging relationship (PPA)	FVOCI	251,983		251,983			251,983
(31.12.2021)		(50,238)		(50,238)			(50,238)
Derivatives not in a hedging relationship (PPA)	FVPL	1,287			1,287		1,287
(31.12.2021)		(0)			(0)		(0)

** The relief provision of IFRS 7.29 was applied to the disclosures on the fair values of lease liabilities.

Classes of financial instruments in TEUR Of which aggregated by valuation categories as per IFRS 9	Measurement category under IFRS 9*	Carrying amount as at 31.12.2022 (31.12.2021)	Carrying amount under IFRS 9			Carrying amount under IFRS 16	Fair value as at 31.12.2022 (31.12.2021)
			Amortised cost	Fair value through other comprehensive income	Fair value through profit or loss		
Financial assets measured at amortised cost	AC	422,238	422,238				422,238
(31.12.2021)		(501,770)	(501,770)				(501,770)
Financial assets measured at fair value through profit or loss	FVPL	27,018			27,018		27,018
(31.12.2021)		(6,417)			(6,417)		(6,417)
Financial liabilities measured at amortised cost	AC	1,708,800	1,708,800				1,650,680
(31.12.2021)		(1,642,559)	(1,642,559)				(1,768,941)
Financial liabilities measured at fair value through profit or loss	FVPL	11,319			11,319		11,319
(31.12.2021)		(3,925)			(3,925)		(3,925)

Fair value hierarchy

Fair value hierarchy 31.12.2022 (31.12.2021) in TEUR	Level 1	Level 2	Level 3
Assets			
Non-current financial assets			3,188
(previous year)			(3,639)
Non-current receivables from contingent consideration			0
(previous year)			(325)
Current receivables from contingent consideration			0
(previous year)			(1,655)
Derivative financial assets:			
Derivatives in a hedging relationship (swap)		30,229	
(previous year)		(1,047)	
Derivatives not in a hedging relationship (swap)		23,169	
(previous year)		(798)	
Derivatives not in a hedging relationship (PPA)		661	
(previous year)		(0)	
Liabilities			
Non-current liabilities from contingent consideration			3,908
(previous year)			(0)
Current liabilities from contingent consideration			1,352
(previous year)			(609)
Derivative financial liabilities:			
Derivatives in a hedging relationship (swap)		206	
(previous year)		(20,960)	
Derivatives not in a hedging relationship (swap, forward exchange contract)		4,772	
(previous year)		(3,316)	
Derivatives in a hedging relationship (PPA)		251,983	
(previous year)		(50,238)	
Derivatives not in a hedging relationship (PPA)		1,287	
(previous year)		(0)	

Interest rate and currency hedges are measured using market-yield and foreign exchange (FX) forward curves on the basis of recognised mathematical models (present value calculations). The market values recognised in the balance sheet thus correspond to Level 2 of the IFRS 13 fair value hierarchy.

The receivables from contingent 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 31.12.2022 (31.12.2021) in TEUR	Level 1	Level 2	Level 3
Liabilities			
Financial liabilities measured at amortised cost			
Financial liabilities		1,549,314	
(previous year)		(1,703,341)	
Liabilities to non-controlling interests			42,156
(previous year)			(36,871)
Liabilities from put option			21,993
(previous year)			(0)

Due to the short time between the initial recognition of liabilities from the put option (revaluation) and the balance sheet date, the fair value as of 31 December 2022 corresponds to the carrying amount.

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 using the future expected cash flows discounted using the standard observable market data of the corresponding interest structure curves	**Expected distributions** The estimated fair value of the mezzanine capital would increase (decrease) if the distributions would be higher (lower) and/or would be made at an earlier (later) date.
Interest rate swaps	Discounted cash flows: The fair values are determined using the future expected cash flows discounted using the standard observable market data of the corresponding interest structure curves	Not applicable
Receivables from contingent 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) **Average EBITDA** The estimated fair value of the liabilities from contingent consideration would increase (decrease) if the average EBITDA for the financial years 2023 and 2024 were higher (lower) **Costs in connection with development stages** The estimated fair value of the liabilities from contingent consideration would increase (decrease) if the costs of individual projects were higher (lower) than planned

Financial instruments not measured at fair value

Type	Valuation technique	Significant, unobservable input factors
Financial liabilities	Discounted cash flows: The fair values are determined using the future expected cash flows discounted with equivalent terms using the standard observable market interest rates and taking an appropriate risk premium into account	Not applicable
Liabilities to non-controlling interests	Discounted expected distributions: The fair values are determined on the basis of the future expected distributions discounted with equivalent terms using standard observable market interest rates and taking an appropriate risk premium into account	Expected distributions The estimated fair value of the liabilities to non-controlling interests would increase (decrease) if the forecast distributions were higher (lower) and/or were made at an earlier (later) date
Liabilities from put option	Multiple approach: Fair value is discounted on the basis of expected EBITDA applying a multiple approach with equivalent terms using standard observable market interest rates	EBITDA The estimated fair value of liabilities from the put option would increase (decrease) if EBITDA were higher (lower) in 2025

For financial instruments with short-term maturities, including cash and cash equivalents, trade receivables, trade payables and other current receivables and current liabilities, it is assumed that their fair values approximate their carrying amounts. The relief provision of IFRS 7.29 was applied to the disclosures relating to the fair values of lease liabilities, on the basis of which the fair value was not determined.

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

In TEUR	2022	2021
Non-current financial assets		
As at 01.01.	3,639	2,434
Additions	773	1,492
Reclassifications under IFRS 5	-1,050	0
Disposals	-281	-88
Unrealised profit (+)/loss (-) in consolidated earnings	126	-200
Realised profit (+)/loss (-) in consolidated earnings	-19	0
As at 31.12.	**3,188**	**3,639**
Non-current liabilities from contingent consideration		
As at 01.01.	0	0
Additions	3,866	0
Unrealised profit (-)/loss (+) in consolidated earnings	42	0
As at 31.12.	**3,908**	**0**
Current liabilities from contingent consideration		
As at 01.01.	609	609
Additions	1,352	0
Disposals	-525	0
Realised profit (+)/loss (-) in consolidated earnings	-84	0
As at 31.12.	**1,352**	**609**
Non-current receivables from contingent consideration		
As at 01.01.	325	453
Maturity of reclassifications	0	-135
Disposals	-331	0
Unrealised profit (+)/loss (-) in consolidated earnings	6	7
As at 31.12.	**0**	**325**
Current receivables from contingent consideration		
As at 01.01.	1,655	0
Additions	0	1,520
Maturity of reclassifications	0	135
Disposals	-1,520	0
Realised profit (+)/loss (-) in consolidated earnings	-135	0
As at 31.12.	**0**	**1,655**

The current earn-out liability from previous years is related to the acquisition of the solar park in Boizenburg during the 2018 financial year. The payment is mainly associated with the performance of the park after planned repairs. In the second half of the 2022 financial year, Encavis paid TEUR 525 to settle the current earn-out liability and recognised TEUR 84 in profit or loss.

This current earn-out liability of TEUR 1,352 was recognised in relation to the full consolidation of Stern Energy S.p.A. in October 2022. Additional payments must be made by Encavis to the seller as soon as development projects reach ready-to-build status or the remaining shares in the development projects are sold by the seller.

A non-current earn-out liability of TEUR 3,866 was also accounted for as part of the full consolidation of Stern Energy S.p.A. in October 2022. The amount of the earn-out liability and therefore the additional payment to be made by Encavis to the seller is calculated on a sliding scale according to average EBITDA in the 2023 and 2024 financial years.

Payment is expected midway through the 2025 financial year. Interest of TEUR 42 was added in the 2022 financial year.

The non-current earn-out receivable 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. The earn-out receivable with a carrying amount of TEUR 331 was included in the remeasured equity during the purchase price allocation as part of the full consolidation of Stern Energy S.p.A.

The current earn-out receivable from the acquisition of the wind park UGE Markendorf Eins GmbH & Co. KG Umweltgerechte Energie from the 2017 financial year of TEUR 135 was recognised in full as an expense in the financial year 2022. This was due to the fact that no other wind installations were added by the latest possible deadline and, as a result, no further payments were expected from the seller to Encavis.

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 receivable was settled in full at the beginning of 2022.

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)	Net result
Financial assets				
Measured at amortised cost (previous year)	AC	391 (59)		391 (59)
Financial instruments measured at fair value through profit or loss	FVPL		132 (-193)	132 (-193)
Ineffective portion of derivatives in a hedging relationship (swap) (previous year)	FVPL		450 (-491)	450 (-491)
Derivatives not in a hedging relationship (swap) (previous year)	FVPL		24,944 (2,671)	24,944 (2,671)
Derivatives not in a hedging relationship (PPA) (previous year)	FVPL		661 (0)	661 (0)
Financial liabilities				
Measured at amortised cost (previous year)	AC	-58,682 (-51,530)		-58,682 (-51,530)
Financial instruments measured at fair value through profit or loss	FVPL		-42 (0)	-42 (0)
Ineffective portion of derivatives in a hedging relationship (swap) (previous year)	FVPL		3,896 (1,617)	3,896 (1,617)
Ineffective portion of derivatives in a hedge relationship (PPA) (previous year)	FVPL		-1,491 (1,630)	-1,491 (1,630)
Derivatives not in a hedging relationship (swap) (previous year)	FVPL		-2,439 (2,521)	-2,439 (2,521)
Derivatives not in a hedging relationship (PPA) (previous year)	FVPL		-1,287 (0)	-1,287 (0)
2022 (previous year)		-58,291 (-51,471)	24,824 (7,755)	-33,467 (-43,716)

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 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	2022	2021
Interest income	4,274	6,745
Interest expenses	-57,958	-59,587
Total	**-53,684**	-52,842

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 100 (31 December 2021: 93) 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	31.12.2022	31.12.2021
Nominal volume	**829,038**	677,438
Of which in a hedging relationship	*428,596*	*423,427*
Of which not in a hedging relationship	*400,442*	*254,011*
Average interest rate in %	1.91	1.44
Average remaining term in years	7.51	8.16
Fair value	**48,421**	-22,418
Of which in a hedging relationship	*30,024*	*-19,913*
Of which not in a hedging relationship	*18,397*	*-2,505*

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	31.12.2022	31.12.2021	31.12.2022
Hedging interest rate and currency risk						
Interest rate and currency swaps (GBP)	0	0	21,887	21,887	24,101	4.90%
Hedging interest rate risk						
Interest rate swaps	0	56,510	350,200	406,710	399,326	1.54%
Hedging currency risk						
Forward exchange contracts (GBP)	0	0	0	0	1,515	
Hedging price risk						
PPA	27,019	106,992	78,331	212,342	239,469	

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
	31.12.2022	31.12.2022	31.12.2022	31.12.2022
Hedging interest rate and currency risk				
Interest rate and currency swaps				
Derivative assets	1,369	Other receivables	964	16,792
Derivative liabilities	-15	Non-current financial liabilities	122	5,094
Hedging interest rate risk				
Interest rate swaps				
Derivative assets	28,861	Other receivables	38,838	392,435
Derivative liabilities	-190	Non-current financial liabilities	2,504	14,274
Hedging price risk				
PPA				
Derivative liabilities	-251,983	Current and non-current financial liabilities	-199,578	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**
	31.12.2022	**31.12.2022**	**31.12.2022**	**31.12.2022**	**31.12.2022**	**31.12.2022**
Hedging interest rate and currency risk	1,169	45	Financial expenses/ financial income	0	0	Financial expenses/ financial income
Hedging interest rate risk	42,718	4,114	Financial expenses/ financial income	-397	-2,377	Financial expenses/ financial income
Hedging price risk	-200,254	-1,491	Revenue	0	-79,821	Revenue

The change in the market value of swaps that are not in a hedging relationship was recognised as income of TEUR 22,505 through profit or loss (previous year: TEUR 5,191). The change in the market value of PPAs that are not in a hedging relationship was recognised as expenses of TEUR 626 through profit or loss (previous year: TEUR 0).

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 2022	Balance of hedge reserve and currency reserve for active cash flow hedges 31.12.2022	Balance of hedge reserve and currency reserve for terminated cash flow hedges 31.12.2022
Hedging interest rate and currency risk			
Designated components	-1,056	824	
Non-designated components		-54	
Hedging interest rate risk			
Designated components	-34,158	32,903	1,950
Non-designated components			
Hedging price risk			
Designated components	218,655	-199,578	
Non-designated components			

The following table shows the reconciliation and breakdown of the hedge reserve:

In TEUR	Carrying amount as at 01.01.2022 (01.01.2021)	Hedging gains/losses recognised in equity	Reclassifications from the CFH reserve to the income statement: Due to premature termination of CFH	Reclassifications from the CFH reserve to the income statement: Due to the realisation of the hedged item in the income statement	Carrying amount as at 31.12.2022 (31.12.2021)
Hedge accounting reserve	-6,899	-70,794	-397	-82,199	-160,289
(previous year)	(-15,083)	(10,990)	(-34)	(-2,772)	(-6,899)

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 2022, earnings before taxes would have been TEUR 137 (previous year: TEUR 166) lower. If the market interest rate level had been 100 basis points lower as at 31 December 2022, earnings before taxes would have been TEUR 26 (previous year: TEUR 17) 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 2022 had been 100 basis points higher, earnings before taxes would have been TEUR 7,876 (previous year: TEUR 11,627) higher and the hedge reserve in equity before taxes would have been TEUR 12,595 (previous year: TEUR 15,554) higher. If the market interest rate level as at 31 December 2022 had been 100 basis points lower, earnings before taxes would have been TEUR 8,396 (previous year: TEUR 12,104) lower and the hedge reserve in equity before taxes would have been TEUR 13,887 (previous year: TEUR 17,432) 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.

As part of the IBOR reform, which came into effect on 1 January 2022, seven GBP loans, as well as the seven hedging instruments corresponding to the loans, each with a nominal volume of TEUR 30,352, were affected at the Encavis Group as at 31 December 2022 by the change to the new reference interest rate, GBP SONIA.

The change in the reference interest rate has not had any material adverse effect on the Encavis Group.

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 7,157 (previous year: TEUR 7,070). 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 8,747 (previous year: TEUR: 8,641).

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.

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. In order to minimise the risk profile, the company has therefore concluded power purchase agreements 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 has been 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 2022 financial year, impairments of trade receivables increased by TEUR 250 to TEUR 722, primarily due to the general rise in the gross item, which in turn was largely the result of the Group's growth.

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

The Group principally deems the default risk for loans issued and other current receivables to be low, which is why a risk provision in the amount of the expected 12-month losses on receivables has been formed for these items. The loss allowance amounted to TEUR 60 as at the reporting date (previous year: TEUR 49).

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	
	2022	2021	2022	2021
1 January	472	226	49	1,829
Change in impairments for credit losses recognised in profit or loss for the financial year	250	246	11	-1,781
31 December	722	472	60	49

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/exte nded
Credit risk rating grade 1: receivables not at risk of default	2,553			70,537	
Credit risk rating grade 2: receivables at risk of default					
Credit risk rating grade 3: defaulted receivables					
Total	2,553			70,537	
(previous year)	(2,133)			(48,203)	

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 289,483 as at the balance sheet date (previous year: TEUR 394,228). 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 2022 (31 December 2021) influence the Group’s future liquidity situation.

Type of liabilities in TEUR	Carrying amount as at 31.12.2022 (31.12.2021)	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	37,218	37,218	0	0
(previous year)	(28,686)	(28,686)	(0)	(0)
Financial liabilities	1,607,433	301,297	811,923	883,801
(previous year)	(1,576,959)	(221,307)	(701,585)	(856,535)
Lease liabilities	201,955	18,182	71,836	187,563
(previous year)	(186,696)	(16,636)	(66,877)	(175,953)
Liabilities to non-controlling interests	42,156	1,644	4,111	40,512
(previous year)	(36,870)	(102)	(2,378)	(36,768)
Liabilities from put option	(21,993)	(0)	(21,993)	(0)
(previous year)	(0)	(0)	(0)	(0)
Liabilities from contingent consideration	5,260	1,352	3,908	0
(previous year)	(609)	(609)	(0)	(0)
Other financial liabilities	0	0	0	0
(previous year)	(43)	(43)	(0)	(0)
Derivative financial liabilities				
Interest rate derivatives in a hedging relationship	206	22	315	116
(previous year)	(20,960)	(4,027)	(13,320)	(6,823)
Interest rate derivatives not in a hedging relationship	4,772	2,013	3,958	2,243
(previous year)	(3,303)	(2,704)	(4,306)	(1,352)
Forward exchange contracts	0	0	0	0
(previous year)	(13)	(13)	(0)	(0)
Other derivatives in a hedging relationship (PPA)	251,983	117,761	140,945	35,305
(previous year)	(50,238)	(8,094)	(25,833)	(32,124)
Other derivatives not in a hedging relationship (PPA)	1,287	1,287	0	0
(previous year)	(0)	(0)	(0)	(0)

The approach when calculating the amounts was generally as follows:

If the contractual partner can demand a payment at various dates, the liability is recognised at the earliest due date. Interest payments made on financial instruments with floating interest rates are calculated on the basis of forward interest rates. The cash flows of the lease liabilities comprise their non-discounted interest payments and principal repayments. 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, in the previous year, government bonds with high credit ratings and short remaining maturities. This includes debt service and project reserves of TEUR 54,920 (previous year: TEUR 50,410) 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, other restricted liquid assets. The restricted liquid assets at CSG IPP have been reported as cash and cash equivalents since the 2022 financial year on the basis of the clarification of the IFRS Interpretations Committee regarding IAS 7, as these assets can be accessed in certain circumstances due to the contractual conditions regarding the mezzanine capital provided by Gothaer.

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 01.01.2022	1,482,599	167,730	186,696	1,866	36,871	1,875,761
(Balance as at 01.01.2021)	(1,448,268)	(141,739)	(193,039)	(2,627)	(43,463)	(1,829,136)
Loan proceeds	128,801	69,662			0	198,463
(previous year)	(166,863)	(70,940)			(153)	(237,957)
Loan repayments	-174,118	-41,354			-2,889	-218,361
(previous year)	(-232,694)	(-62,048)			(-151)	(-294,894)
Repayment of lease liabilities			-9,458			-9,458
(previous year)			(-19,021)			(-19,021)
Interest paid	-1,278	-43,097	-7,425		-2,172	-53,972
(previous year)	(-1,929)	(-48,631)	(-6,573)		(-180)	(-57,313)
Payments to non-controlling interests					-2,562	-2,562
(previous year)					(-730)	(-730)
Payments for the acquisition of shares without change of control					-668	-668
(previous year)					(-19,320)	(-19,320)
Cash-effective changes in cash flows	**-46,595**	**-14,789**	**-16,883**		**-8,291**	**-86,559**
(previous year)	**(-67,760)**	**(-39,739)**	**(-25,594)**		**(-20,229)**	**(-153,322)**
Acquisition	65,894	6,499	16,027		2,982	91,402
(previous year)	(153,014)	(9,761)	(15,405)		(18,109)	(196,289)
Deconsolidation	0	0	0		0	0
(previous year)	(-24,230)	(-3,520)	(-5,099)		(-7,882)	(-40,732)
Exchange rate change	-2,931	-403	-1,264	-117	-27	-4,742
(previous year)	(4,236)	(418)	(710)	(65)	(0)	(5,429)
Changes in fair value	71,509	112,403		51,649		235,561
(previous year)	(-19,915)	(0)		(-826)		(-20,741)
Reclassifications	-108,664	108,664				0
(previous year)	(-11,317)	(11,317)				(0)
Interest expenses		44,329	7,953		903	53,185
(previous year)		(48,132)	(6,941)		(2,160)	(57,233)
Additions of lease liabilities			2,501			2,501
(previous year)			(52)			(52)
Disposals of lease liabilities			-323			-323
(previous year)			(-426)			(-426)
Modifications and revaluations of lease liabilities			8,112			8,112
(previous year)			(4,767)			(4,767)
Valuation and other effects	3,521	-39	-864		9,718	12,336
(previous year)	(303)	(-378)	(-3,098)		(1,249)	(-1,924)
Non-cash change	**29,329**	**271,453**	**32,141**	**51,532**	**13,577**	**398,032**
(previous year)	**(102,091)**	**(65,730)**	**(19,251)**	**(-761)**	**(13,636)**	**(199,947)**
Balance as at 31.12.2022	1,465,333	424,394	201,954	53,398	42,156	2,187,235
(31.12.2021)	(1,482,599)	(167,730)	(186,696)	(1,866)	(36,871)	(1,875,761)

The sum of the cash flows (loan proceeds, loan repayments, repayment of lease liabilities, interest paid, payments to non-controlling interests, 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 2022 financial year, TEUR 376 (previous year: TEUR 315) 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. 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 6.17.

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	Other obligations of one to five years	Other obligations of more than five years
	In TEUR	In TEUR	In TEUR
Leases	35	18	0
(previous year)	(56)	(24)	(0)

As at 31 December 2022, there are contingent liabilities of TEUR 218 (previous year: TEUR 218) resulting from rental guarantees.

11 Related-party 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 (largely travel expenses and company cars), 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 6.14). Short-term variable remuneration is measured according to the level of target achievement for strategic goals (growth targets, such as kilowatts of new acquisitions and grid connections, or earnings targets such as achieving a defined EPS) and individual personal goals (usually specific projects like the (partial) sale of portfolios, closing of complex financing transactions or the conclusion of project partnerships). The level of target achievement can be between 0% and 200% and is determined by the Supervisory Board after the end of the financial year. 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 members of the Management Board and Supervisory Board were remunerated in accordance with IAS 24.17 as follows:

Remuneration in TEUR	2022	2021
Short-term benefits	2,560	2,200
Share-based remuneration	1,041	1,208
Post-employment benefits and expenses	2,235	0
Total remuneration	**5,836**	**3,408**

The total remuneration of the active members of the Management Board for the 2022 financial year pursuant to section 314 (1) no. 6a of the German Commercial Code (HGB) amounts to TEUR 3,090 (previous year: TEUR 2,919). In addition, post-employment expenses of TEUR 2,235 were incurred during the financial year (previous year: TEUR 0). Share options from the 2021 tranche were allocated to the Management Board in the Supervisory Board meeting on 29 March 2022. As a result, share options with a total value of TEUR 577 were issued, which were measured at their fair value at the grant date. A total of 86,000 SARs were granted to members of the Management Board in the financial year. These share options with a total value of TEUR 449 were issued and 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 2022 financial year.

The disclosure of share-based payment in the previous year also includes expenses for the share option programme 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 664 (previous year: TEUR 1,408). This amount also includes expenses for the settlement of the SOP 2020 and 2021 tranches for Dr Dierk Paskert, which were settled with a lump-sum payment. The payment of the agreed amounts at the end of the year settles all claims. Provisions of TEUR 778 were recognised for short-term variable remuneration (previous year: TEUR 605). No provisions relating to the termination of employment relationships were formed in the financial year or in the previous year.

Total remuneration recorded for the Supervisory Board amounts to TEUR 511 (previous year: 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	1,053		165		
Gnannenweiler Windnetz GmbH & Co. KG		48			
Pexapark AG		650		27	
Stern Energy S.p.A.*	8	2,196		0	0
Stern PV2 Srl*	19				0
Stern PV3 Srl*	16				0
Stern PV4 Srl*	8				
Total	**1,103**	**2,894**	**165**	**27**	**0**
(previous year)	(582)	(3,982)	(73)	(553)	(1,267)

* Given that Stern Energy S.p.A., Stern PV2 Srl, Stern PV3 Srl and Stern PV4 Srl have been fully consolidated since 21 October 2022, only the business relationships up to this date are reported.

Services performed for CHORUS IPP Europe GmbH relate to the commercial operation of parks managed by third parties.

We procure from Pexapark AG software solutions to calculate the actual and projected revenue of our park portfolio in order to carry out risk simulations and assessments of the effects of market prices on our assets and to evaluate and validate PPA prices. All price components of our assets are therefore reported.

Loans issued to Stern Energy S.p.A., Stern PV2 Srl and Stern PV3 Srl that were reported in the previous year are no longer reported due to the fact that the Stern companies were fully consolidated in the financial year. The services previously procured from Stern Energy S.p.A. concerned a variety of technical services for solar installations. On 21 October 2022, Encavis gained control of Stern Energy S.p.A., which was previously reported as an associated entity, as well as its national service companies, three solar parks and the development projects Stern PV2 Srl, Stern PV3 Srl and Stern PV4 Srl. Since this date, the company and its subsidiaries have been included in the consolidated financial statements by way of full consolidation.

Joint arrangements

The interest in Richelbach Solar GbR of TEUR 120 as at 31 December 2022 (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 2022 financial year, the sum of the transactions with B&L Holzhafen West GmbH & Co. KG amounts to TEUR 820 (previous year: TEUR 792). 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 2023. The monthly rent is based on customary market conditions. In the 2022 financial year, the sum of the transactions with PELABA Vermögensverwaltung GmbH & Co. KG amounts to TEUR 143 (previous year: TEUR 153). As at the balance sheet date, there were no outstanding balances from transactions with PELABA Vermögensverwaltungs GmbH & Co. KG.

AMCO Service GmbH, Dr. Liedtke Vermögensverwaltung GmbH, PELABA Vermögensverwaltungs GmbH & Co. KG, ALOPIAS Anlagenverwaltungs GmbH & Co.KG, Krüper GmbH, Sebastian Krüper and Dr Manfred Krüper have entered into a pool agreement to hold a joint share of voting rights over 25 %. No other reportable business relationships except those reported above exist.

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 previous year have a dilutive effect on earnings per ordinary share. They lead to a weighted increase in the average number of issued shares by 11,330,520 ordinary shares. Profit for the period is increased by the share of the profit attributable to the hybrid capital investors in 2021 (TEUR 4,688) and corresponds to a total of TEUR 83,178.

	31.12.2022	31.12.2021
Consolidated earnings (TEUR)	83,595	82,270
of which attributable to shareholders of Encavis AG (TEUR)	78,490	75,323
Weighted average number of ordinary shares used in the calculation of basic earnings per share	160,756,644	144,378,743
Earnings per share from continuing operations, basic (EUR)	**0.49**	**0.52**
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	11,330,520	1,179,615
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	172,087,164	145,558,359
Proportion of consolidated earnings attributable to hybrid capital investors in 2021 (TEUR)	4,688	488
Earnings per share from continuing operations, diluted (EUR)	**0.48**	**0.52**

13 Management Board

The total remuneration granted to members of the Management Board in the financial year amounted to TEUR 4,284 (previous year: TEUR 1,711).

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

Mario Schirru was appointed as a member of the Management Board effective as at 1 August 2022. Dr Dierk Paskert stepped down from the Management Board of Encavis AG effective as at 31 December 2022.

Information on other memberships of supervisory boards/advisory boards		
Dr Christoph Husmann	Encavis Asset Management AG, Neubiberg	Chairman of the Supervisory Board
Mario Schirru	Encavis Asset Management AG, Neubiberg (since December 2022)	Member of the Supervisory Board
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 (until December 2022)	Member of the Supervisory Board
	INTILION Aktiengesellschaft, Paderborn (since April 2022)	Member of the Supervisory Board
	East Energy GmbH, Rostock (since October 2022)	Member of the Advisory Board

For details on the remuneration system as well as information on the individual remuneration of the members of the Management Board and the Supervisory Board, please refer to the extensive disclosures concerning transactions with individuals in key positions in management (note 11) and the separately published remuneration report for the 2022 financial year, which will be made available by the 2023 Annual General Meeting at the latest.

14 Supervisory Board

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

Effective as at 19 May 2022, Alexander Stuhlmann and Dr Cornelius Liedtke resigned as members of the Encavis AG Supervisory Board, and Isabella Pfaller and Thorsten Testorp were elected as their successors.

Members of the Supervisory Board of Encavis AG		
Chairman	Dr Manfred Krüper	Independent management consultant
Deputy Chairman	Dr Rolf Martin Schmitz	Former Chairman of RWE AG’s Management Board
Other members	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	Head of German-speaking countries, Member of the Global Management Committee Financial Advisory Lazard
	Thorsten Testorp	Managing Director of B & L Real Estate GmbH
	Isabella Pfaller	Former member of the Management Board (CFO) of Versicherungskammer Bayern

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
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
Albert Büll	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	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
	AXXUM Holding GmbH, Wuppertal	Member of the Advisory Board
	noventic GmbH, Hamburg	Member of the Advisory Board
	Slyrs Destillerie GmbH & Co. KG, Schliersee	Member of the Advisory Board
Dr Marcus Schenck	EQT Infrastructure, Stockholm, Sweden	Member of the Independent Advisory Board
	Uniper SE, Düsseldorf (since December 2022)	Member of the Supervisory Board
Thorsten Testorp	Power Plus Communication AG, Mannheim	Member of the Supervisory Board
	noventic GmbH, Hamburg	Member of the Advisory Board
Isabella Pfaller	Deutsche Bundesbank Head Office Bavaria, Munich (until September 2022)	Member of the Advisory Board
	INDUS Holding AG, Bergisch Gladbach (until May 2022)	Member of the Supervisory Board
	International Center of Insurance Regulation, Frankfurt am Main	Member of the Supervisory Board
	Goethe University Frankfurt, Frankfurt am Main	Member of the Supervisory 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 Christian Eden. The above-mentioned auditing firm has signed the financial statements for the seventh consecutive year.

The total fees for the auditor recognised as an expense in the 2022 financial year can be broken down as follows:

In TEUR	2022	2021
Audit services	755	581
of which for the previous year	*10*	*22*
Other services	23	30
Total	778	611

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 advisory services relating to regulatory questions.

17 Events after the balance sheet date

Encavis AG and ILOS sign a framework agreement on a 300 MW pipeline of solar projects in Italy
Encavis AG has concluded a framework agreement on a solar project pipeline of up to 300 MW with ILOS New Energy Italy S.r.l. (a wholly owned subsidiary of the German company ILOS Projects GmbH).

This new partnership provides Encavis with exclusive access to ten solar park projects in Italy that are already at a very advanced stage of development. The individual projects, which have generation capacities of between 20 MW and 55 MW, are located in central and southern Italy, as well as on Sardinia and Sicily.

All the documents for the respective approval processes either have been or are about to be filed in the case of all projects. The pipeline projects are expected to reach ready-to-build (RtB) status in the short to medium term. The plan is to combine several of these Italian projects after completion in order to conclude long-term power purchase agreements based on a pay-as-produced structure.

Encavis AG acquires its first post-repowering wind park in Germany with a generation capacity of 11.2 MW from Energiekontor
On 8 February 2023, Encavis AG announced that it had acquired the Bergheim wind park in the state of North Rhine-Westphalia, Germany. This repowering project offers particularly reliable income because it draws on long-term, historical data on the wind volume in the region. The two wind turbines have an aggregate nominal capacity of around 11.2 MW. From their first full year of operation, they will generate approximately 28.1 GWh of electricity per year – enough to cover the average annual electricity requirements of some 10,000 households and save roughly 20,000 tonnes of CO_2 each year. The two wind turbines are scheduled for commissioning at the end of the fourth quarter of 2023.

The Bergheim wind park repowering project developed by Energiekontor, which involves replacing old wind turbines with new ones, is located in the cities of Bergheim and Pulheim in the Rhein-Erft district of North Rhine-Westphalia. The wind park benefits from a state-guaranteed feed-in tariff in accordance with the German Renewable Energy Act for a total duration of 20 years from (re-)commissioning. The renewable energy will be provided by two Vestas V 150-5.6 turbines with a rotor diameter of 150 meters and a nacelle height of 166 metres.

Refer to Note 4.2 for further details on the transaction.

Encavis AG successfully places a Green Schuldschein loan (SSD) in the amount of EUR 210 million for additional growth projects

On 28 February 2023, Encavis AG announced that it had placed a market-wide syndicated Green Schuldschein loan (SSD) in the amount of EUR 210 million for the first time since 2018. An issue volume of EUR 50 million was announced with the option of a demand-induced increase. The strong demand of all investor groups exceeded the offered issue volume within a few days, so that with around 50 investors, more than four times the issue volume was able to be placed in three maturity trances of 3, 5 and 7 years at fixed and variable interest rates. In particular, savings banks, cooperative banks, foreign banks as well as pension funds and insurance companies snapped up the opportunity of the first SSD loan issues in 2023. Encavis will use the acquired funding to invest in growth projects of new wind and solar parks in accordance with the Group's Green Finance Framework.

Encavis AG is granted ready-to-build status for a 105-MW solar park in Mecklenburg-West Pomerania

Encavis AG announced on 7 March 2023 they had obtained official approval for the development plan of their solar park with a total capacity of 105 MW in the local council meeting of 28 February. This means the preparatory construction measures can be initiated in spring 2023 as planned. It is one of the first solar projects in Mecklenburg-West Pomerania which has successfully passed through a planning permission variation process, and at the same time the first project from the development pipeline with the strategic development partner PVPEG (formerly Greifensolar), with whom a second project is also being carried out in parallel.

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 2022:

Company	Registered office	Interest in %
Fully consolidated Group companies		
Alameda S.R.L.	Bruneck, Italy	100.00
APOLLO SOLAR SRL	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.	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.[2)]	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
Chiltern Renewables Hockliffe Limited[1)]	London, United Kingdom	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	Interest 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	Interest 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
DE - Stern 11 S.R.L.[1)]	Parma, Italy	64.00
DE - Stern 14 S.R.L.[1)]	Parma, Italy	64.00
DE - Stern 8 S.R.L.[1)]	Parma, Italy	80.00
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 AM Advisor GmbH	Neubiberg, Germany	100.00
ENCAVIS AM Capital 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.[3)]	Munsbach, Luxembourg	100.00
Encavis Nordbrise A/S	Roskilde, Denmark	100.00
Encavis Portfolio Management GmbH (formerly Encavis AM Invest GmbH)	Neubiberg, Germany	100.00
Encavis Real Estate GmbH	Hamburg, Germany	100.00
Encavis Renewables Beteiligungs GmbH	Hamburg, Germany	100.00
Encavis Solar Denmark ApS	Roskilde, Denmark	100.00
Encavis Solar Netherlands B.V.	Rotterdam, Netherlands	100.00
Encavis Solar Projects Holding GmbH	Hamburg, Germany	100.00
Encavis Technical Services GmbH	Halle (Saale), Germany	100.00
Encavis Wind Danmark ApS	Roskilde, Denmark	100.00
Encavis Windinvest GmbH	Neubiberg, Germany	100.00
Energia & Sviluppo S.R.L.	Bruneck, Italy	100.00
Energie Solaire Biscaya SAS	Paris, France	100.00
Energiekontor Windstrom GmbH & Co. UW Lunestedt KG	Neubiberg, Germany	51.00
Energiepark Breitendeich RE WP BD GmbH & Co. KG	Neubiberg, Germany	51.00
Energiepark Debstedt GmbH & Co. RE WP 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

Company	Registered office	Interest in %
Energiepark Lunestedt GmbH & Co. WP HEE KG	Neubiberg, Germany	51.00
Energiepark Lunestedt GmbH & Co. WP LUN KG	Neubiberg, Germany	51.00
Energiepark Odisheim GmbH & Co. WP ODI KG	Bremerhaven, Germany	100.00
Energiepark Passow WP Briest III GmbH & Co. KG	Neubiberg, Germany	51.00
Enerstroom 1 B.V.	Rotterdam, Netherlands	100.00
Enerstroom 2 B.V.	Rotterdam, Netherlands	100.00
EnSol Nordic AS[1)]	Lillestrøm, Norway	90.00
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
Fundici Hive S.L.[1)]	Alicante, Spain	100.00
GE.FIN. Energy Oria Division S.R.L.	Bruneck, Italy	100.00
Genia Extremadura Solar S.L.U.	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[3)]	Hamburg, 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	Roskilde, Denmark	100.00
GreenGo Energy M111 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	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
LT04 S.R.L.[1)]	Bruneck, Italy	100.00
Lux Energy S.R.L.	Bruneck, Italy	100.00
Mermaid Solar Holding ApS	Roskilde, Denmark	100.00
Mermaid Solar Komplementar ApS	Roskilde, Denmark	100.00

Company	Registered office	Interest in %
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
Notaresco Solar S.R.L.	Bolzano, Italy	100.00
Oetzi S.R.L.	Bruneck, Italy	100.00
Paltusmäen Tuulivoima Oy	Helsinki, 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	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 Rødby Fjord ApS[1)]	Søborg, Denmark	100.00
Solar Park Svinningegården ApS	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 Glendelin GmbH[1)]	Rostock, 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

Company	Registered office	Interest in %
Solarpark Staig GmbH & Co. KG	Reußenköge, Germany	75.70
Sowerby Lodge Ltd.	London, United Kingdom	100.00
SP 07 S.R.L.	Bolzano, Italy	100.00
SP 09 S.R.L.	Bolzano, Italy	100.00
SP 10 S.R.L.	Bolzano, Italy	100.00
SP 11 S.R.L.	Bolzano, Italy	100.00
SP 13 S.R.L.	Bolzano, Italy	100.00
SP 14 S.R.L.	Bolzano, Italy	100.00
Stern Energy B.V.[1)]	Rotterdam, Netherlands	80.00
Stern Energy GmbH [1)]	Halle (Saale), Germany	80.00
Stern Energy Ltd.[1)]	London, United Kingdom	80.00
Stern Energy S.p.A.[1)]	Parma, Italy	80.00
Stern PV2 Srl[1)]	Bolzano, Italy	99.00
Stern PV3 Srl[1)]	Bolzano, Italy	99.00
Stern PV4 Srl[1)]	Bolzano, Italy	99.00
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
UAB L-VĖJAS[1)]	Vilnius, Lithuania	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
UK Sol SPV 2 AB[1)]	Västervik, Sweden	90.00
UVG Umspannwerk Verwaltungsgesellschaft mbH	Neubiberg, Germany	100.00
Vallone S.R.L.	Bruneck, Italy	100.00
Varberg Norra 3 MW AB[1)]	Varberg, Sweden	54.00
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.	Rotterdam, Netherlands	100.00
Zonnepark Apeldoorn IJsseldijk B.V.	Rotterdam, Netherlands	100.00
Zonnepark Budel B.V.	’s-Hertogenbosch, Netherlands	100.00
Zonnepark Ermelo Schaapsdijk B.V.[1)]	Rotterdam, Netherlands	100.00

Company	Registered office	Interest in %
Zonnepark Hijken B.V.[1)]	Rotterdam, Netherlands	100.00
Zonnepark Houten Oostrumsdijkje B.V.[1)]	Rotterdam, Netherlands	100.00
Zonnepark PV12 B.V.[1)]	Rotterdam, Netherlands	100.00
Zonnepark PV16 B.V.[1)]	Rotterdam, Netherlands	100.00
Zonnepark PV21 B.V.[1)]	Rotterdam, 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	22.63
Sistema Electrico de Conexion Nudo Don Rodrigo 220 KV S.L.[2)]	Seville, Spain	38.64

1) Initial consolidation or acquisition of shares/establishment in the 2022 financial year.

2) Change in the ownership interest in the 2022 financial year.

3) Relocation of registered office in the 2022 financial year

The equity interests are equal to the share of voting rights. CHORUS IPP Europe GmbH is not consolidated despite the majority interest; please refer to note 6.4 for more details.

19 Notification requirements

Encavis AG Hamburg, Germany, received the following notifications pursuant to section 40 (1) of the German Securities Trading Act (WpHG) up to 15 March 2023: 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 2022 (161,030,176 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 6 February 2023 pursuant to section 33 (1) WpHG that the share of voting rights of BlackRock Inc., USA, had fell below the threshold of 5 % of voting rights on 1 February 2023 and, as of that date, amounted to 3.76 % (6,053,241 voting rights) via indirect voting rights and 1.24 % (1,993,064 voting rights) via other instruments, in total 4.997 % (8,046,305 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 Directors' Dealings notification dated 19 September 2022 that Lobelia Beteiligungs GmbH, Germany, had exceeded the threshold of 3 % of voting rights on 15 September 2022, and as from that date has 3.001 % (4,832,899 voting rights) 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 22 April 2022 pursuant to section 33 (1) WpHG that the share of voting rights of BayernInvest Kapitalverwaltungsgesellschaft mbH, Germany, had exceeded the threshold of 3 % of voting rights on 14 April 2022 and, as from that date, amounted to 3.52 % (5,651,184 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 29 March 2022 pursuant to section 33 (1) WpHG that the share of voting rights of the pool of AMCO Service GmbH, Dr. Liedtke Vermögensverwaltung GmbH and ALOPIAS Anlagenverwaltungs GmbH & Co. KG had exceeded the threshold of 25 % of voting rights on 29 March 2022 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 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 1.08 % (1,745,552 voting rights) via indirect voting rights and 3.60 % (5,803,954 voting rights) via other instruments, in total 4.69 % (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 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 3.24 % (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 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 1.98 % (3,194,682 voting rights) via direct voting rights and 1.64 % (2,637,028 voting rights) via other instruments, in total 3.62 % (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 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 4.25 % (6,851,359 voting rights) via other instruments, in total 4.26 % (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.

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, ALOPIAS Anlagenverwaltungs GmbH & Co.KG, Krüper GmbH, Sebastian Krüper and Dr Manfred Krüper held more than 25 %, BlackRock, Inc. held more than 5 % and Bank of America Corporation, Morgan Stanley, 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 20 March 2023.

20 Date of approval for publication

These consolidated financial statements were approved for publication by resolution of the Management Board of Encavis AG dated 28 March 2023.

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 2023

Encavis AG

Management Board

Dr Christoph Husmann

Spokesman of the Management Board and CFO

Mario Schirru

CIO/COO

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) 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, 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2022, 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, 2022. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the 'Other Information' section of our auditor's report.

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, 2022, and of its financial performance for the financial year from January 1to December 31, 2022, 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 those parts of the group management report listed in the 'Other Information' section of our auditor's report.

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, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

❶ Recoverability of power generation installations and electricity feed-in contracts

❷ Accounting treatment of deferred taxes

❸ 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 **Recoverability of power generation installations and electricity feed-in contracts**

① In the consolidated financial statements of the Company property, plant and equipment and intangible assets are reported in the total amount of EUR 2.8 billion (81% of total assets). The amount of property, plant and equipment and intangible assets is attributable primarily to power generation installations and electricity feed-in contracts. The power generation installations and electricity feed-in contracts are tested for impairment by the Company whenever there are indications of impairment to determine any possible need for write-downs. One particular event triggering impairment testing in the current financial year was the increase in the discount rate. The impairment test is performed at the level of the cash-generating unit in accordance with IAS 36. The carrying amount of the relevant cash-generating unit is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is generally determined based on the value in use. The measurements are based on the present values of the expected future cash flows resulting from the planning projections prepared by the executive directors. Expectations relating to future market developments and country-specific assumptions about changes in macroeconomic factors are also taken into account. The present values are calculated using discounted cash flow models. The discount rate used is the weighted average cost of capital for the respective cash-generating unit. The impairment test determined that, even after taking into account the fair value less costs of disposal, it was necessary to recognize write-downs amounting to a total of EUR 41.1 million in relation to power generation installations and a write-down of EUR 20.9 million in relation to electricity feed-in contracts. The outcome of these measurements is dependent to a large extent on the estimates made by the executive directors with respect to the future cash flows and on the respective discount rates used. The valuation is therefore subject to material uncertainties. Against this background and due to the highly complex nature of the valuation and its material significance for the Company's assets, liabilities and financial position, this matter was of particular significance in the context of our audit.

② As part of our audit of the recoverability of power generation installations and electricity feed-in contracts, we assessed the methodology used for the purposes of performing the impairment test, among other things, with the assistance of our internal specialists from Valuation, Modeling & Analytics. In particular, we assessed whether the fair values of the material power generation installations and electricity feed-in contracts had been appropriately determined using discounted cash flow models in compliance with the relevant measurement standards. We based our assessment, among other things, on a comparison with general and sector-specific market expectations as well as on the executive directors' detailed explanations regarding the key value drivers underlying the expected cash flows. In the knowledge that even relatively small changes in the discount rate applied can have material effects on the asset value calculated in this way, we evaluated and assessed the determination of the discount rate applied. In our view, taking into consideration the information available, the valuation parameters and underlying assumptions used by the executive directors are appropriate overall for the purpose of appropriately testing power generation installations and electricity feed-in contracts for impairment.

③ The Company's disclosures on property, plant and equipment, intangible assets, and impairment testing are contained in sections 3.5, 3.7 and 3.8 of the notes to the consolidated financial statements.

❷ Accounting treatment of deferred taxes

① After netting, deferred tax assets amounting to EUR 22.7 million and deferred tax liabilities of EUR 143.1 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 17.1 million for trade tax and EUR 15.4 million for corporate income tax or interest carryforwards amounting to EUR 41.7 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 reporting year 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. 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.

❸ Financial instruments – accounting treatment of hedging transactions

① The companies of the Encavis Group enter into 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, short- and 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 30.2 million as of the balance sheet date, and the negative fair values amount to EUR 252.2 million. The changes in fair value 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 -160.2 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, in our view these matters were of particular significance in the context of our audit.

② As a part of our audit and with the assistance of our internal specialists from Corporate Treasury Solutions, among other things we assessed the contractual and financial bases and the accounting treatment of the effects on equity and profit or loss arising from the various hedging transactions. Together with these specialists, we assessed, among other things, the established internal control system with regard to derivative financial instruments, 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 assessed the calculation methods on the basis of market data and the underlying data used. With respect to the hedging of expected cash flows, we mainly assessed the prospective effectiveness test, the estimate of expected future hedge effectiveness, and the determination of hedge ineffectiveness. We obtained bank confirmations as of the balance sheet date for the purpose of assessing the completeness of the hedging instruments and the correctness of the fair values of currency and interest rate derivatives. Based on our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors are substantiated and sufficiently documented.

③ The Company's disclosures relating to hedging transactions are contained in section 8 of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in the section ‘Corporate governance declaration in accordance with sections 289f and 315d of the German Commercial Code (HGB)’ of the group management report
- the section ‘Internal control system’ of the group management report.

The other information comprises further all remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor’s report.

Our audit opinions on the consolidated financial statements and on the group management 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 (i.e., fraudulent financial reporting and misappropriation of assets) 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, actions taken to eliminate threats or safeguards applied.

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-2022-12-31.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, 2022 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 (06.2022)) 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 assurance work. 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 19, 2022. We were engaged by the supervisory board on December 14, 2022. 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 filed in the company register – 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, 28 March 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Christoph Fehling	ppa. Christian Eden
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Glossary

Abbreviations and terms from the energy sector	
BMWK	Bundesministerium für Wirtschaft und Klimaschutz – German Federal Ministry for Economic Affairs and Climate Action
CRE	Commission de Régulation de l'Energie – French Energy Regulatory Commission
DGEG	Direção Geral de Energia e Geologia – Portuguese General Directorate for Energy and Geology
EAG	Erneuerbare-Ausbau-Gesetz – Austrian Renewable Energies Expansion Act
EEG	Erneuerbare-Energien-Gesetz – German Renewable Energies Act
EKF	Energie- und Klimafonds – Energy and Climate Fund
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
IEA	International Energy Agency
IPP	Independent power producer
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
Offshore	Wind parks built at sea for the generation of electricity
O&M	Operations and Maintenance
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
RED	Renewable Energy Directive
ROC	Renewable Obligation Certificates
TW	Terawatt – unit of power
TWh	Terawatt hour – unit for measuring electricity and amount of energy

Abbreviations and terms relating to business and finance	
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
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
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
Conseil d'Etat	French Supreme Court
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
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
HRB	Handelsregister Abteilung B – German Commercial Register Department B
IAS	International Accounting Standards – international accounting standards that must be applied by publicly traded companies in the European Union
IASB	International Accounting Standards Board – independent private-sector body that develops and adopts the IFRS
IBOR	Interbank Offered Rate
ICSID	International Centre for Settlement of Investment Disputes
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

ICS	Internal control system
IRE	Initial recognition exemption
IRR	Internal rate of return – indicator for measuring the return on an investment
IMF	International Monetary Fund
Lifetime expected loss	Estimate of expected losses over the entire term of a transaction
MDAX	Mid-cap DAX
MSCI	US financial services provider
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
RPO	Renewable purchase obligations
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)
SSD	Schuldscheindarlehen – debenture bond governed by German law
TEUR	Thousands of euros
TOM	Target operating model
WACC	Weighted average cost of capital
WpHG	Wertpapierhandelsgesetz – German Securities Trading Act

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