ENCAVIS

Half-Year Interim Report

Q2/6M 2023

Foreword from the Management Board

Dear Shareholders,
Ladies and Gentlemen,

We remained firmly on our growth trajectory in the first half of 2023. In the first six months, our production volume exceeded that of the same period in 2022, even though the first half of this year was meteorologically weaker. The rise in production volume from 1,696 gigawatt-hours (GWh) to around 1,734 GWh in the first half of 2023 was mainly driven by the wind and solar parks acquired and connected to the grid for the first time in 2022.

We remain committed to our mission of contributing to the massive expansion of power generation capacity through renewable energies by realising profitable, low-risk projects. By continuously developing the operational management concept, we also aim to make our wind and solar parks so efficient that they can run profitably without requiring subsidisation. Our accelerated growth strategy through to 2027 focuses on the core markets of Denmark, Germany, The Netherlands, Italy and Spain.

In the first six months of the 2023 financial year, the Group generated revenue in the amount of EUR 226.3 million, essentially matching the previous year's figure of EUR 226.4 million. Both revenue figures allow for the levies on account of electricity price caps in certain countries. The wind and solar parks connected to the grid for the first time in 2022, along with the full consolidation of Stern Energy S.p.A., managed to make up for the weather-related decrease in revenue of around EUR 19 million on account of the weaker first half of this year in comparison to the meteorologically very strong first half of 2022. Electricity prices performed in line with the expectations, but fell short of the level seen in the first half of 2022. The roughly 11% decline in operating EBITDA in the first six months of the 2023 financial year to EUR 151.6 million (previous year: EUR 170.6 million) reduced the EBITDA margin by a good eight percentage points to 67%[1)]. The decrease was attributable to the inclusion of Stern Energy's service business in the Group's figures for the first time, since service business is associated with lower margins than electricity generation from renewable energy sources. In the PV Parks and Wind Parks segments, the operating EBITDA margin remained at its usual high level of 75%.

Operating earnings before interest and taxes (operating EBIT) decreased to EUR 93.5 million (previous year: EUR 109.8 million), primarily due to the shortfall in electricity volume caused by meteorological conditions. At EUR 0.31, operating earnings per share for the first half of 2023 were virtually unchanged year on year (previous year: EUR 0.33 per share) thanks to lower net interest expenses and significantly lower taxes on income compared to the unusually strong previous year despite growth. In these turbulent times, which are reflected in various expense and income items, the Encavis business model is proving to be very resilient, with both net revenue and operating earnings per share (operating EPS) performing on a par with the previous year.

The equity ratio as at 30 June 2023 rose to 32.9%. The Group succeeded in reducing the negative valuation effects recorded in the hedge reserves at the end of 2022 (equity ratio as at 31 December 2022: 28.1%) for derivative financial instruments held for interest rate and/or electricity price hedging. The fully retained net profit for 2022 also had a positive effect in this regard.

Despite the roughly EUR 26.0 million drop in earnings before taxes (EBT) and the approximately EUR 1.7 million decrease in depreciation and amortisation, additional tax payments of around EUR 13.1 million compared to the same period in the previous year were payable in the first half of 2023, resulting in reduced cash flow from operating activities after six months of EUR 113.5 million (previous year: EUR 160.2 million) and operating cash flow per share of EUR 0.70 (previous year: EUR 1.00).

Overall, the Group remains firmly on its growth trajectory and performed in line with our expectations in terms of its key financial performance figures for the first half of 2023. The Management Board confirms the guidance for 2023 as a whole.

We successfully placed a Green Schuldschein loan (SSD) in the amount of EUR 210 million on the capital market at the end of February this year with a view to realising the enormous potential of further acquisitions in the current year. An issue volume of EUR 50 million, with the option of a demand-induced increase, had been announced. The strong demand of all investor groups exceeded the offered issue volume within a few days, making it possible to place more than four times the issue volume with around 50 investors in three maturity tranches of 3, 5 and 7 years.

[1)] In terms of the Group's financially relevant revenue after allowing for the levies on account of electricity price caps in certain countries.

In particular, savings banks, cooperative banks and foreign banks, as well as pension funds and insurance companies, snapped up the opportunity of the first SSD issues in 2023.

Direct demand for green electricity among industrial customers is rising at a rapid pace. Commercial real estate owners and other investor groups are increasingly looking for green investments. In future, we will be paying greater attention to the needs of these market participants when expanding our portfolio, thereby making an even more targeted contribution to achieving the energy transition. On this basis, we are planning to accelerate our growth trajectory significantly by 2027, by which time we intend to expand generation capacity to 8 gigawatts (GW) – 5.8 GW of which already connected to the grid – and generate revenue of approximately EUR 800 million, as well as operating earnings (operating EBITDA) of EUR 520 million with an operating cash flow of EUR 450 million. This accelerated growth is to be made possible by cash flow, the utilisation of the Group's debt capacity and funds from financing partners.

By generating power from renewable energy, we are already making a crucial contribution to supplying environmentally friendly and sustainable energy. In fact, the roughly 2.1 GW in energy generated renewably from Encavis AG's own generation capacity in 2022 by using photovoltaics and wind power was enough to avoid the emission of more than 0.8 million tonnes of climate-damaging CO_2 per year. 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 format available on our website at https://www.encavis.com/en/sustainability/.

We would be very pleased if you, our shareholders, would continue to place your trust in us and accompany us on our path towards significantly stronger growth.

Hamburg, August 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)

Group operating KPIs*

In EUR million

	01.01.–30.06.2023	01.01.–30.06.2022
Electricity production in GWh	1,734	1,695
Revenue** / revenue after electricity price brake deduction	236.9 / 226.3	239.1 / 226.4
Operating* EBITDA	151.6	170.6
Operating* EBIT	93.5	109.8
Operating* EBT	63.7	76.2
Operating* EAT	52.6	56.4
Operating cash flow	113.5	160.2
Operating cash flow per share (in EUR)	0.70	1.00
Operating* earnings per share (undiluted/in EUR)	0.31	0.33

	30.06.2023	31.12.2022
Equity	1,155	957
Liabilities	2,357	2,449
Balance sheet total	3,512	3,406
Equity ratio in %	32.9	28.1

* The Group operating KPIs are based solely on the company's operating profitability and do not take any IFRS-related valuation effects into account. Revenue includes a levy of around TEUR 10,640 (first half of 2023) or TEUR 12,702 (first half of 2022) through the Europe-wide system to cap electricity prices, which is recognised as part of other expenses.
** The comparison figure for the previous year was adjusted due to the change in the recognition of the levy obtained in relation to the Europe-wide system to cap electricity prices.

Note on the interim financial report

The accounting policies applied are the same as those used for the most recent year-end consolidated financial statements.

Contents

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
Dividend 2022 per share	EUR 0.00
52-week high	EUR 24.78
52-week low	EUR 14.08
Share price (10 August 2023)	EUR 14.39
Market capitalisation (10 August 2023)	EUR 2,317 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	
14 August 2023	Publication of interim statement for Q2/6M 2023 (after close of trading)
15 August 2023	Analyst conference call on the interim statement for Q2/6M 2023 / 8.30 am CEST
24 August 2023	HAIB Hauck Aufhäuser IB Roadshow Stockholm, Sweden
24 August 2023	Montega 10th HIT Hamburg Investor Days, Hamburg, Germany
2 September 2023	Interest payment on 2023 Green Schuldschein loan (SSD)
5 to 6 September 2023	ODDO BHF Commerzbank Corporate Conference 2023, Frankfurt a. M., Germany
12 September 2023	Interest payment on 2018 Green Schuldschein loan (SSD)
13 September 2023	HAIB Hauck Aufhäuser IB Roadshow Paris, France
13 to 14 September 2023	World Hydrogen & Renewables Iberia 2023, Madrid, Spain
14 September 2023	Morgan Stanley's Utility and Energy Summit 2023, London, United Kingdom
19 September 2023	12th Berenberg/Goldman Sachs German Corp. Conference, Unterschleißheim-Munich, Germany
20 September 2023	12th BAADER Investment Conference, Munich, Germany
28 September 2023	Bernstein's 20th Pan European Annual Strategic Decisions Conference (SDC), London, United Kingdom
4 October 2023	Solarplaza Summit Agri-PV, Rome, Italy
5 October 2023	Solarplaza Summit Floating PV, Rome, Italy
9 to 10 October 2023	Quirin Small and Mid Cap Conference, Paris, France
10 October 2023	STIFEL Virtual Renewables Conference
17 to 18 October 2023	GO NET ZERO ENERGY Summit, Brussels, Belgium
18 to 19 October 2023	Structured Finance, Stuttgart, Germany
23 October 2023	CHARGE Europe 2023 / Energy Branding Conference, Berlin, Germany
25 to 26 October 2023	UTILITY SCALE SOLAR AND WIND EUROPE 2023, Madrid, Spain
13 November 2023	Publication of interim statement for Q3/9M 2023 (after close of trading)
14 November 2023	Analyst conference call on the interim statement for Q3/9M 2023 / 8.30 am CET
15 November 2023	BNP Paribas Exane MidCap CEO Conference, Paris, France
21 November 2023	DZ Bank Equity Conference, Frankfurt a. M., Germany
23 November 2023	Solarplaza Summit Energy Storage Germany, Cologne, Germany
24 November 2023	Interest payment on hybrid convertible bond 2021
27 to 29 November 2023	Deutsches Eigenkapitalforum EKF 2023, Frankfurt a. M., Germany
28 to 29 November 2023	Enlit Europe 2023, Paris, France
30 November 2023	CIC FORUM by Market Solutions, Paris, France
11 December 2023	Interest payment on 2015 Schuldschein loan (SSD)
2024	
11 to 12 January 2024	27th ODDO BHF Forum, Lyon, France
15 to 17 January 2024	UniCredit Kepler Cheuvreux 23rd German Corporate Conference (GCC), Frankfurt am Main, Germany
2 March 2024	Interest payment on 2023 Green Schuldschein loan (SSD)
12 March 2024	Interest payment on 2018 Green Schuldschein loan (SSD)
19 to 21 March 2024	Jefferies Pan-European Mid-Cap Conference 2024, London, United Kingdom
24 March 2024	Interest payment on 2021 green bearer bond
26 March 2024	Publication of consolidated financial statements 2023 (after close of trading)
27 March 2024	Analyst conference call on the consolidated financial statements 2023 / 8.30 am CET
8 to 10 April 2024	RBI Zürs Investment Conference 2024, Zürs, Austria
7 May 2024	Publication of sustainability reports 2023 (after close of trading)
8 May 2024	Analyst conference call on the sustainability reports for 2023 / 8.30 am CEST
14 May 2024	Publication of interim statement for Q1 2024 (after close of trading)
15 May 2024	Analyst conference call on the interim statement for Q1 2024 / 8.30 am CEST
24 May 2024	Interest payment on hybrid convertible bond 2021

Encavis AG financial calendar	
5 June 2024	Annual General Meeting, Hamburg, Germany
14 August 2024	Publication of interim statement for Q2/6M 2024 (after close of trading)
15 August 2024	Analyst conference call on the interim statement for Q2/6M 2024 / 8.30 am CEST
2 September 2024	Interest payment on 2023 Green Schuldschein loan (SSD)
12 September 2024	Interest payment on 2018 Green Schuldschein loan (SSD)
13 November 2024	Publication of interim statement for Q3/9M 2024 (after close of trading)
14 November 2024	Analyst conference call on the interim statement for Q3/9M 2024 / 8.30 am CET
24 November 2024	Interest payment on hybrid convertible bond 2021
11 December 2024	Interest payment on 2015 Schuldschein loan (SSD)

Interim Group management report

General information

The Encavis Group (hereinafter referred to as “the Group” or “Encavis”) prepares the consolidated financial statements in accordance with the accounting principles of the International Financial Reporting Standards (IFRS). The interim consolidated financial statements were prepared in accordance with the provisions under IAS 34. The parent company is Encavis AG, with its registered office in Hamburg. It is responsible for the corporate strategy, portfolio and risk management and financing. At present, the share capital comes 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 161,030,176 (previous year: 160,477,059).

Business activities

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 onshore wind and solar 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.

The rapidly growing business involving the technical operations and maintenance (O&M) of solar energy installations is run by the 80 % subsidiary Stern Energy S.p.A. The company, based in Parma, Italy, has already set up branches in Germany, The Netherlands, The UK and France, and is also looking to expand into Denmark and Spain going forward. This forms part of the company’s strategy to further strengthen the Group’s technical services and turn its O&M business into a leading platform for solar services for third-party customers in Europe.

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 210 solar parks and 90 wind parks with a capacity of more than 3.5 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.

Economic report

Economic framework conditions

Global economic growth declines slightly in a macroeconomic environment characterised by uncertainty

The numerous shocks that slowed the pace of global economic growth markedly in 2022 continue to have a dampening effect on global economic performance. The tightening of financing terms is further hindering an upturn, more than one year after Russia’s invasion of Ukraine and the rapid jump in inflation. According to the International Monetary Fund (IMF), global gross domestic product (GDP) should increase by a mere 3.0 % in 2023. In 2022, the rate of growth still stood at 3.5 %.

The turbulence in the financial sector, triggered by factors such as the US-based Silicon Valley Bank or Switzerland’s Credit Suisse, has played a particularly noticeable role in heightening uncertainty regarding future economic growth. In its July 2023 forecast, the IMF expects no additional major disruptions from the financial sector as the year goes on. It also believes that the continuation of central banks' tight monetary policy will lead to a reduction in inflation, despite the failure to achieve monetary targets as of mid-year. All in all, global inflation is expected to decrease by 1.9 percentage points to 6.8 % in 2023. The path back to price stability could be longer and rockier than originally anticipated by many market participants.

Advanced economies are significantly affected by the deceleration of economic growth. Their growth rates are forecast to fall from 2.7 % to 1.5 %. According to an IMF estimate, GDP in the European Union (EU) will grow by just 0.9 % throughout 2023, equating to a 2.6-percentage-point drop in the rate of growth.

The German economy made a weak start to 2023. With GDP having already slipped into negative territory towards the end of 2022, the growth rate – adjusted for price, seasonal and calendar effects – fell by 0.3 percentage points in the first quarter of 2023, according to calculations by the German Federal Statistical Office (Destatis). That would place the economy in a technical recession, having posted its second negative quarter in a row. In the second quarter of 2023, Destatis reported that German economic performance had stagnated, indicating no further decline in German GDP adjusted for price, seasonal and calendar effects. Consumer spending by private households, which stabilised in the second quarter of 2023 following its weak development between October and March, played a particularly important role in breaking the downward trend.

Industry-specific underlying conditions

Energy crisis accelerates expansion of renewable energies

The significance of renewable energies as part of a reliable and stable energy supply has continued to increase substantially. The global energy crisis has given the expansion and use of renewable energy sources a perceptible boost. Uncertainties about the availability of energy for electricity and heat generation, as well as a jump in energy prices, have fuelled the trend additionally. In 2022, renewable energies saw potentially record-setting growth. With a share of 30 %, global electricity generation from renewable energies is powering the energy transition.

Overall, renewable energy installations with a capacity of 348 GW were connected to the grid worldwide in 2022. As a result, generation capacity increased by 13 % year on year, according to the "Renewables 2023 Global Status Report" market report published by the respected think tank REN21 (Renewable Energy Policy 2021) in mid-June 2023. While that growth may be impressive, the experts point out that annual capacity expansion needs to be accelerated by a factor of at least 2.5 to achieve the net zero emissions scenario promulgated by the International Energy Agency (IEA) by 2030.

Record expansion of global renewable energy capacity expected

The IEA expects the growth trend to gain additional momentum over the next two years. Led by sustained strong development in the photovoltaic energy sector, global expansion of this renewable capacity should increase by 107 GW to more than 440 GW in 2023. That rise would be the largest in history and would exceed the total installed electricity capacity of Germany and Spain. Photovoltaic capacities, including large-scale power plants and small-scale decentralised systems, account for two-thirds of the forecast rise in global renewable capacities. The higher electricity prices caused by the global energy crisis and the desire to improve energy security have motivated many political decision-makers, especially in Europe, to actively look for alternatives to fossil fuels, which often have to be imported. This shift in focus has led to a favourable climate for photovoltaic systems that can generally be quickly installed to meet the growing demand for renewable energy. The IEA's experts expect these smaller, decentralised photovoltaic installations to account for more than half of the forecast capacity expansion in 2023.

Record-setting global capacity expansion is also expected for onshore wind energy this year. After two consecutive years of decreases, capacity should increase by 70 % to 107 GW as well by 2023 – itself a new record. One of the main factors in this turnaround is the commissioning of projects that have been postponed from previous years. Catch-up effects will boost growth following the lifting of Covid-19 restrictions in China and the efforts by Europe and the US to overcome supply chain problems. However, offshore wind energy growth will fall short of the record expansion seen two years ago.

Expansion is expected to continue at the same pace in 2024. In an optimal scenario, global renewable capacity expansion could reach 550 GW, mainly due to the accelerated use of photovoltaic installations for private households and businesses. However, doing so will require faster implementation of the most recent political measures and incentives. By contrast, the upward trend for utility-scale onshore wind power and photovoltaic projects depends mainly on the speed of the approval, construction and timely connection of the projects in development.

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, ever-growing demand for renewable energy sources and the need for a stable and secure energy supply. Industrial companies are acquiring shares in large renewable energy projects and signing PPAs to ensure a long-term supply of electricity to their sites. In the first quarter of 2023, 68 industrial enterprises and providers in Europe signed PPA contracts with a total capacity of 5.5 GW, corresponding to 60 % of the previous year's total capacity and 40 % of the PPA contracts concluded in 2022, according to a Pexapark study by the Profitable Investment Forum 2023. This development underscores the pronounced growth momentum in the first three months of 2023.

Developments in European core markets

The EU remains one of the most active drivers of energy policy change and has taken a variety of political measures to promote the expansion of renewable energy. On 16 June 2023, the member states of the European Union approved a major overhaul of the EU's Renewable Energy Directive (RED) that significantly raised the European target for renewable energies from 32 % to 45 % in 2030, roughly doubling the envisioned renewable energy expansion between now and then. To achieve the targets, more than 100 GW in new wind turbines and solar systems is to be installed every year. The higher EU targets that have now been approved also provide the framework for additional measures and detailed strategies for individual sectors. For example, the EU's solar strategy calls for photovoltaic capacity to almost triple to 600 GW by 2030.

Another positive aspect is the decision to retain the rules accelerating approval procedures for the expansion of renewable energies and grids that were originally adopted in the EU emergency regulation. The aim behind classifying renewable energy and grid expansion as a project of overriding public interest was to noticeably shorten the lengthy approval procedures and make it possible to complete projects faster, especially in "go-to" areas for renewables. By 2050, Europe intends to be the first continent in the world to be capable of full climate neutrality and plans to have implemented the "Green Deal".

In the first quarter of 2023, electricity generation from renewable energy in the European Union increased from 249 to around 265 terawatt-hours (TWh), exceeding the 253 TWh generated in the strong first quarter of 2022 by a substantial margin. In the wind segment, generation was up from around 129 TWh in the first quarter of 2022 to just over 135 TWh. Conventionally generated electricity was significantly lower, falling by 12 % to 387 TWh in the first three months of the year.

Germany

In Germany, renewable energy accounted for roughly 57.7 % of net electricity generation in the first half of 2023, according to data released by the Fraunhofer Institute for Solar Energy Systems (ISE) in early July. As a result, generation from renewable energy was up significantly from the previous year's figure of 51.8 %. The share of electricity consumption accounted for by renewable energy stood at 55.5 %. Grid load amounted to 234 TWh in the first half of the year, continuing the downward trend. One year earlier, grid load still stood at 250 TWh. At 225 TWh, electricity production was also lower, following 252 TWh in the first half of 2022.

Wind energy was by far the most important renewable energy source. Onshore and offshore wind installations produced around 67 TWh in the first half of 2023 and nearly matched the 68 TWh seen in the previous year, even though February was a weak wind month and had a negative influence on the overall result. A similar trend emerged with regard to photovoltaic installations, which produced around 30 TWh in the first half of the year – a decline of 1 TWh due to a lack of sun in March. Together with hydropower (9.3 TWh) and biomass (21.0 TWh), renewable energy sources produced a total of around 130 TWh in the first half of 2023, following 131 TWh in the previous year. Electricity production from nuclear and fossil plants declined significantly, with net production from lignite plants falling 21 % to 41.2 TWh, net production from black coal plants falling by 23 % to 20.1 TWh and net production from natural gas falling by 3.7 % to 24.3 TWh.

Right now, the increase in photovoltaic output is within the target range under Germany's climate protection goals. Between January and May, 5 GW was added. It should be possible to achieve the target for the year of 9 GW if the pace of expansion remains the same. The increase in wind output, on the other hand, fell considerably short of the envisioned target in terms of volume. By the end of May, new onshore wind turbines with 1 GW of output and new offshore wind turbines with 0.23 GW of output had been installed. The reason for this slower development often lies in the long time it takes to receive approval for planned installations.

Accelerating approval processes and establishing the expansion of renewable energy as being of overriding public interest are two of the main cornerstones of the German government’s “Easter package”. In addition, the amended German Renewable Energy Act (EEG) entered into force on 1 January 2023. For the first time, the new EEG is consistently and systematically aligned with the 1.5-degree path under the Paris Agreement. The aim is for 80 % of Germany’s gross electricity consumption to come from renewable energy sources in 2030. The photovoltaic strategy published by the German Federal Ministry for Economic Affairs and Climate Action (BMWK) in May 2023 includes a comprehensive series of measures for achieving this ambitious goal, such as easier planning and approval processes for new installations and more attractive and simpler conditions for new photovoltaic roof systems. The plans also call for making it less complicated to obtain new spaces for the expansion of solar and wind power and involving communities more closely.

The pace of expansion needs to increase fundamentally in order to actually double the share of renewable energy from 40 % to 80 % by 2030. In terms of solar energy, the EEG envisions an installed total output of 215 GW, meaning that the annual rate of photovoltaic expansion will have to triple from some 7 GW in 2022 to 22 GW. For onshore wind energy, the expansion targets stand at 115 GW in 2030 and 157 GW in 2035, equating to an increase in onshore wind energy of 10 GW a year. The expansion targets for offshore wind energy are to be increased to at least 30 GW by 2030 through a new site development plan for the expansion of offshore wind energy that was published by Germany’s Federal Maritime and Hydrographic Agency (BSH) in January 2023. As released, the plan takes things a step further and starts laying the groundwork for exceeding the expansion target of 40 GW by a substantial 10 GW in 2035.

Denmark

Denmark, a pioneer in the field of renewable energy, is on the best path to achieving independence from fossil fuels and decarbonising its economy. The Danish government’s climate plan calls for a 70 % reduction in CO_2 emissions by 2030. By 2050, Denmark aims to be completely independent of fossil fuels. In 2022, renewable energies accounted for roughly 76 % of the country’s total net energy generation, with around 34 TWh being fed into the Danish public grid. The ambitious expansion plans suffered a slight setback following the moratorium on the Thor offshore wind park, with an output of 1 GW. This and other offshore wind park projects, which were approved under the “open-door” procedure, could be in conflict with EU state-aid law. Overall, more than 15 GW in output could be affected by the moratorium.

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.

Finland

Finland is aiming to become the first carbon-neutral developed economy in the world by the year 2035 – 15 years ahead of the EU target. As a result, Finland has one of the most ambitious climate targets in the world. The country’s climate act, which entered into force on 1 July 2022, sets new targets for reducing emissions. The law calls for a 60 % reduction in emissions compared to 1990 by 2030, with targets of 80 % by 2040 and 90 % by 2050. Renewable energy plays an important role in Finland’s climate policy. 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.

In 2022, renewable energies accounted for roughly 46 % of total net energy generation in the country, according to a Statista study on gross electricity generation in Finland. The renewable energies came mainly from biomass, onshore wind and run-of-the-river power plants. At around 16 %, the burning of fossil fuels made up only a small share of the energy mix. Nuclear power remained the most important energy source, accounting for roughly 36 % of net electricity generation.

France

At the end of 2022, France had renewable energy installations with a total capacity of around 62.8 GW, as the DFBEW barometer on the energy transition in France in 2022 reports. Onshore wind turbines accounted for 20.6 GW of that total, with offshore wind turbines making up 0.5 GW, photovoltaic installations 15.7 GW and hydropower 25.8 GW. The expansion of renewable energy is to receive a significant boost between now and 2028 under the in-depth French energy strategy adopted in the Programmation pluriannuelle de l’énergie (PPE). According to the plans, onshore wind turbine output is to rise to between 33.2 and 34.7 GW, offshore wind turbine output to between 5.2 and 6.2 GW, photovoltaic output to between 35.1 and 44.0 GW and hydropower output to between 26.4 GW and 26.7 GW, bringing total renewable energy output up to between 101 and 113 GW.

In February 2022, the French president announced plans to raise installed photovoltaic capacity to 100 GW and installed offshore wind capacity to 40 GW by 2050, while also building at least six nuclear reactors by 2035. To create a legal basis for the new targets, draft legislation for the planning of energy and climate protection is to be presented by the end of July 2023, with a new supplementary PPE to be drawn up and published in 2024.

The addition of renewable energy installations set a new record in 2022, with photovoltaic output growth of 2.4 GW and an increase in onshore and offshore wind turbine output of just under 2 GW.

United Kingdom

The United Kingdom has set itself a central climate policy goal of net zero greenhouse gas emissions by 2050. The detailed climate policy measures and targets are defined in the Net Zero Strategy: Build Back Greener, which was updated in April 2022. Since the Ukraine war, there have been ongoing efforts to supplement the existing climate strategy with the British Energy Security Strategy, which is intended to ensure the country's energy security and gives onshore and offshore wind power a key role. Offshore wind power capacities are to be expanded to 50 GW by 2030, with plans to decarbonise the energy sector by 2035. The plans do not call for a complete rejection of nuclear power, however.

In the first quarter of 2023, wind turbines produced 32.4 % of the electricity mix in The United Kingdom. Biomass, photovoltaic installations and hydroelectric plants accounted for 9.5 %, with nuclear power stations contributing 12.5 % and gas 31.7 % to the energy mix. Coal-fired power plants made up only 1.3 % of the total. The installed output from renewable energy had increased to 46.6 GW by the end of the first quarter, equating to growth of 2.8 GW year on year. Of that amount, 2.3 GW was attributable to offshore wind turbines, and 0.5 GW to photovoltaic installations.

Ireland

In December 2022, the Irish government unveiled its Climate Action Plan 2023 (CAP23), the second annual update of the 2019 climate action plan. It specifies the necessary measures for cutting greenhouse gas emissions in half by 2030 and achieving net zero emissions by 2050. One cornerstone of the CAP23 involves expanding the share of renewable energy to 80 % by 2030. Specifically, installed capacities from onshore turbines are set to rise to 9 GW by that time, with installed capacities from offshore turbines and photovoltaic installations projected to increase to 5 GW and 8 GW, respectively. 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 %.

Italy

In an update of its National Energy and Climate Plan (NECP), the Italian government has once again pledged to step up its renewable energy expansion efforts. The plans reflect a heightened awareness of the dramatic consequences of climate change, as well as considerations regarding energy security for the nation's industrial sector and the Italian people. Imported natural gas was still the most important energy source in 2022, accounting for a share of 47.8 %. That dependency is set to decline. Renewable energy already accounted for 32.8 % of Italy's total net electricity generation, consisting of pumped-storage and run-of-the-river hydroelectricity, onshore and offshore wind power, solar energy, biomass and geothermal energy.

The NECP centres on a gradual exit from coal-fired power generation by 2025, as well as efforts to increase the share of energy consumption covered by renewable energy to 55 %. Under the plans, the country will be carbon neutral by 2050. Following the government's announcement that it will stop importing natural gas from Russia by 2025, increased efforts to expand renewable energy will be necessary in order to achieve the targets. Accordingly, Italy plans to significantly expand its installed photovoltaic and wind power capacity. Capacity from photovoltaic installations is set to rise from 35.9 GW in 2022 to 71 GW in 2030. Installed capacity from onshore and offshore wind turbines is expected to climb from 11.7 GW to 19 GW during the same period. Italy would need to add almost 4 GW a year on average to achieve the target under the NECP. Even faster growth of 5 GW a year on average would be needed if it wanted to achieve the more ambitious targets under the Fit for 55 package (FF55).

Lithuania

In 2022, Lithuania redoubled its efforts to reduce its own dependence on imported electricity from fossil fuels. The move came amid the Russian war of aggression. The country has already 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. That year, renewable energy already accounted for 78.9 % of net electricity generation. By contrast, the share attributable to natural gas declined sharply to just 14.2 %, following 31.8 % one year earlier.

Netherlands

After taking office in early 2022, the new Dutch cabinet introduced a range of climate targets that were in some cases significantly stricter than in the past. Under the new targets, greenhouse gas emissions are to be reduced by at least 55 % by 2030 compared to the reference year 1990. A further reduction of 95 % is envisioned for 2050. In April 2023, the government approved an additional package of measures designed to facilitate the achievement of this ambitious target.

In 2022, renewable energies accounted for roughly 16 % of the country's total net energy generation. Biomass and photovoltaic installations, as well as onshore and offshore wind turbines, were the most important sources of energy. The share of power from renewable energy is set to rise to 30.5 % by 2030, with the national energy strategy calling for a further increase to around 45 % by 2040.

Austria

Austria currently obtains over 80 % of its overall electricity from renewable energy sources – a figure it intends to increase to 100 % by 2030. Hydroelectric plants currently produce over 60 % of the country's electricity. The Renewable Expansion Act (Erneuerbare Ausbau Gesetz – EAG) calls for the further expansion of renewable energies. The act states the clearly defined aim of covering the remaining one-fifth currently produced by fossil energy sources while also taking into account the growing energy requirements due to increasing electrification and digitalisation.

In concrete terms, the EAG calls for raising electricity production from renewable energy by 27 TWh to 92 TWh in 2030, representing an increase of 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. Overall, the plans foresee adding an amount equating to roughly 50 % of the currently installed renewable energy capacities. The Austrian government intends to invest up to EUR 1 billion a year to help it achieve this goal.

Sweden

Sweden has been a leading player in the European energy transition for many years now. In 2022, renewable energy – with a focus on pumped-storage hydroelectricity and onshore wind energy – accounted for roughly 63.6 % of Sweden's total net electricity generation. The national energy strategy, which has been approved by the Swedish parliament, call for a 50 % increase in energy efficiency compared to 2005 by 2030. In June 2023, the government also decided that electricity generation should be fully independent of fossil energy sources by 2040.

Spain

The ambitious restructuring of the Spanish energy system remains on track. According to preliminary figures from the Spanish renewable energy association APPA Renovables, renewable energy systems with an approximate capacity of 8.3 GW were installed in 2022. The lion's share of that total was attributable to photovoltaic installations, with 4.3 GW going to utility-scale plants and 2.6 GW to smaller, decentralised systems. Newly installed wind turbines accounted for a further 1.4 GW. As a result, Spain is the second-largest photovoltaic market in Europe.

In 2022, renewable energies accounted for around 45 % of total net energy generation in Spain. The leading renewable sources were onshore wind (22.5 %), solar (11.9 %), pumped-storage and run-of-the-river hydroelectricity (8.3 %) and biomass (1.6 %). Around 261 TWh in total were fed into Spain's public grid in 2022.

Course of business

Significant events in the Group portfolio and in the project pipeline

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

On 25 January 2023, Encavis AG announced that it had concluded a framework agreement on a solar project pipeline of up to 300 megawatts (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 in 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 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. The two wind turbines are scheduled for commissioning in the second half 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 is granted ready-to-build status for a 105-MW solar park in Mecklenburg-West Pomerania

Encavis AG announced on 7 March 2023 that it 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 2023. 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.

Encavis acquires two ready-to-build solar parks (93 MW) in focus market Italy

On 25 April 2023, Encavis announced the acquisition of two ready-to-build solar park projects in the region of Lazio, Italy, around 100 km north-west of Rome. The Montalto di Castro solar park will have power generation capacity of 55 MW, while the capacity of the Montefiascone park will amount to 38 MW. Both solar park projects originate from the development pipeline of strategic development partner Psaier.Energies based in Brixen in the South Tyrol region. With their bifacial solar modules, the two solar parks should generate an average of approximately 154 GWh of power per year. For the first time, Encavis will be marketing the generated power on the Italian market under long-term power purchase agreements in a lower-risk marketing structure (e.g. pay-as-produced) over a period of ten years.

Significant developments in Group financing

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, making it possible to place more than four times the issue volume with around 50 investors in three maturity tranches of three, five and seven years at fixed and variable interest rates. In particular, savings banks, cooperative banks and foreign banks, as well as pension funds and insurance companies, snapped up the opportunity of the first SSD 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.

Significant developments in asset management

Encavis Asset Management expands its wind portfolio for Versicherungskammer

On 23 March 2023, Encavis Asset Management AG announced that it had advised the Versicherungskammer Group on the acquisition of a wind park in Germany with a total capacity of 23.6 MW. The acquisition took place through the Encavis Infrastructure Fund III (EIF III). The wind park, which consists of four wind turbines, was developed and realised by the UKA Group. Three Vestas V 150-6.0 turbines have been in operation in the district of Treplin since February 2022. A fourth Vestas turbine – a V 150-5.6 model – is situated in Gusow and has been producing green electricity since April 2022.

Encavis Asset Management AG connects two additional solar parks to the German power grid

On 14 June 2023, Encavis Asset Management AG announced that it had connected the Saturn and Dagon solar parks, with a total generation capacity of 45 MW, to the power grid in Germany. The Saturn solar park, with a total output of over 22 MW, was built around an existing wind power installation. The Dagon solar park has a nominal output of roughly 23 MW and was built at nine stand-alone locations along the A 60 motorway. The acquisitions were incorporated into the Encavis Infrastructure Fund II (EIF II) special fund for banks. Encavis Asset Management AG is responsible for structuring the projects and provides commercial management, energy management, accounting and controlling services for the two solar parks.

Segment development

PV Parks segment

Encavis' own solar park portfolio encompassed over 180 solar parks with a total capacity of more than 1.6 GW as at 30 June 2023. 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 actual power fed into the grid in the first half of the 2023 financial year came to 1,115.0 GWh (previous year: 1,136.4 GWh). Of the power fed into the grid, some 45 % (previous year: 43 %) is attributable to the solar parks in Spain, 13 % (previous year: 15 %) to the solar parks in Germany, 10 % (previous year: 10 %) to the solar parks in Italy, 10 % (previous year: 9 %) to the solar parks in The Netherlands, 9 % (previous year: 11 %) to the solar parks in France, 6 % (previous year: 6 %) to the solar parks in The United Kingdom, 6 % (previous year: 5 %) to the solar parks in Denmark and roughly 1 % (previous year: 1 %) to the solar park in Sweden.

Wind Parks segment

Encavis' own wind park portfolio encompasses over 40 wind parks with a total capacity of more than 490 MW as at 30 June 2023. The wind parks are distributed throughout Germany, Italy, France, Denmark, Finland and Lithuania.

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

The actual power fed into the grid by the Wind Parks segment in the first half of the 2023 financial year came to 618.8 GWh (previous year: 559.2 GWh). Of this figure, some 43 % (previous year: 50 %) was attributable to the wind parks in Germany, 28 % (previous year: 36 %) to the wind parks in Denmark, 17 % (previous year: 0 %) to the wind park in Lithuania, 7 % (previous year: 6 %) to the wind parks in France, 4 % (previous year: 7 %) to the wind park in Finland and 1 % (previous year: 1 %) to the wind park in Italy.

Service segment (previously: PV Service)

Since October 2022, the segment has included Encavis's shares in Stern Energy S.p.A. and its subsidiaries. The companies offer various services for solar parks in Italy, Spain, Germany, The United Kingdom, The Netherlands and France. As at 30 June 2023, their Group volume under management amounted to around 648 MW, and their non-Group volume under management was approximately 891 MW.

The segment also 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 30 June 2023.

Furthermore, Encavis Technical Services GmbH has taken over contracts for the technical operation of parks that do not belong to the Encavis Group since 2012. The parks are located in Thuringia and northern Italy. The non-Group volume under management amounts to approximately 9 MW.

The definition of the former PV Service business segment was expanded following the establishment of Encavis Green Energy Supply GmbH and the acquisition of BESS Hettstedt Fünfte Energie GmbH. Consequently, the name of the segment was changed to Service. Going forward, Encavis Green Energy Supply GmbH will provide direct marketing services for selected German solar and wind parks within the Encavis Group. BESS Hettstedt Fünfte Energy GmbH is developing a battery storage solution in Germany that cannot be attributed to a specific solar or wind park of the Group.

The following companies were acquired or founded in the Service segment in the first half of the 2023 financial year:

- Stern Energy SAS, France, Group share 80 %
- BESS Hettstedt Fünfte Energie GmbH, Germany, Group share 100 %
- Encavis Green Energy Supply GmbH, Germany, Group share 100 %

Asset Management segment

The Asset Management field covers all services for third-party investors, such as the launching of funds, the individual design and structuring of other investments for professional investors in the field of renewable energy and the management of the investments held by these investors. As at 30 June 2023, the portfolio encompassed 30 solar parks and 50 wind parks in total in Germany, Italy, France, The United Kingdom, Finland, Sweden, Austria, The Netherlands and Ireland. In the Asset Management segment, revenue was on a par with the previous year at TEUR 7,476 (previous year: TEUR 6,651).

Segment reporting

The following table contains information regarding the operating KPIs for the Group’s business segments for the first half of 2023 and 2022:

In TEUR	Wind Parks	PV Parks	Service	Asset Management
Revenue*	49,151	163,258	25,753	7,476
(previous year)	(56,669)	(174,946)	(2,239)	(6,651)
Operating earnings before interest, taxes, depreciation and amortisation (operating EBITDA)	36,387	116,657	4,751	168
(previous year)	(46,595)	(127,585)	(621)	(906)
Operating EBITDA margin (%)*	74 %	71 %	18 %	2 %
(previous year)	(82 %)	(73 %)	(28 %)	(14 %)
Operating depreciation and amortisation	-14,942	-41,995	-481	-341
(previous year)	(-12,789)	(-47,232)	(0)	(-274)
Operating earnings (operating EBIT)	21,446	74,662	4,269	-173
(previous year)	(33,806)	(80,353)	(621)	(632)

In TEUR	Total of reportable operating segments	Reconciliation (administration)	Reconciliation (consolidation)	Total
Revenue*	245,638	0	-8,698	236,940
(previous year)	(240,504)	(744)	(-2,168)	(239,081)
Operating earnings before interest, taxes, depreciation and amortisation (operating EBITDA)	157,964	-5,972	-353	151,639
(previous year)	(175,708)	(-5,120)	(-10)	(170,578)
Operating EBITDA margin (%)*	64 %	-	-	64 %
(previous year)	(73 %)	-	-	(71 %)
Operating depreciation and amortisation	-57,760	-422	7	-58,174
(previous year)	(-60,296)	(-515)	(7)	(-60,803)
Operating earnings (operating EBIT)	100,204	-6,394	-345	93,464
(previous year)	(115,412)	(-5,635)	(-3)	(109,774)

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

* The comparison figure for the previous year was adjusted due to the change in the recognition of the levy obtained in relation to the Europe-wide system to cap electricity prices.

Financial performance, financial position and net assets

Explanation of the earnings position

Contrary to the original method used in the interim statement as at 30 June 2022, levies obtained in connection with the Europe-wide system to cap electricity prices are now recorded in other expenses rather than as part of revenue. All disclosures affected by this adjustment are marked 1) below.

Operating earnings (non-IFRS)

During the first six months of the 2023 financial year, the Group generated revenue of TEUR 236,940 (previous year: TEUR 239,081[1)]). This revenue contains levies in the amount of TEUR 10,640 (previous year: TEUR 12,702) that are deducted again in other expenses. The slight TEUR 2,141 drop in revenue results primarily from a weather-related decline in production in the amount of roughly EUR 19 million at the existing parks compared with the meteorologically very strong first half of 2022. The wind and solar parks newly acquired and/or connected to the grid since 30 June 2022, along with the full consolidation of the Stern subgroup, managed to almost completely make up for this effect. Electricity prices performed in line with the expectations, but remained below the high level seen in the first half of 2022. At TEUR 25,753, revenue in the Service segment was significantly higher year on year in the first half of 2023 due to the inclusion of the Stern subgroup (previous year: TEUR 2,239). In the Asset Management segment, revenue totalled TEUR 7,476 (previous year: TEUR 6,651).

Revenue is made up of revenue from feeding electricity into the grid, from the operation of parks and from technical services for third parties, as well as from additional revenue from Asset Management.

The Group generated other operating income of TEUR 4,560 (previous year: TEUR 5,433). This includes income from insurance compensation payments in the amount of TEUR 1,706 and non-period income of TEUR 1,597.

Other own work capitalised, which is being disclosed for the first time in the 2023 financial year, arises in connection with expansions provided by the Service segment for multiple proprietary solar installations.

Cost of materials amounted to TEUR 13,643 in the first quarter of 2023 (previous year: TEUR 3,576). This primarily includes material consumption in the service business, expenses in connection with the direct marketing of the electricity produced and expenses for purchased power at the wind and solar parks. The increase is chiefly attributable to higher direct marketing costs, as well as to the expansion of the service business through the full consolidation of the Stern subgroup.

Operating personnel expenses came to TEUR 17,958 (previous year: TEUR 10,812). The increase was mainly due to the acquisition of the Stern subgroup in October 2022 and the growth-induced expansion of the Encavis team.

Other operating expenses of TEUR 59,736 were incurred (previous year: TEUR 59,547[1)]). This comprises, in particular, the costs of operating wind and solar parks in the amount of TEUR 40,309 (previous year: TEUR 47,510[1)]). Other expenses also include TEUR 19,427 in costs for current operations and costs of service business (previous year: TEUR 9,037).

Operating earnings before interest, taxes, depreciation and amortisation (operating EBITDA) amounted to TEUR 151,639 in the first half of the 2023 financial year (previous year: TEUR 170,578). This equates to a decrease of TEUR 18,939 compared to the previous year. The decline in earnings was mainly due to the aforementioned weather-related effects. The operating EBITDA margin (in terms of revenue before deducting the electricity price brake) stood at around 64 % (previous year: 71 %[1)]). The significantly lower margin associated with Stern Energy's technical business than with electricity production involving renewable energy, as based on customary market conditions, contributed to the decline in the operating EBITDA margin.

Operating depreciation and amortisation of TEUR 58,174 (previous year: TEUR 60,803) chiefly comprises depreciation of the photovoltaic and wind power installations, as well as amortisation of rights of use from lease agreements capitalised in accordance with IFRS 16.

Operating earnings before interest and taxes (operating EBIT) stood at TEUR 93,464, a year-on-year decrease of roughly 15 % or TEUR 16,310 (previous year: TEUR 109,774). Here too, the decline in earnings mainly resulted from the aforementioned weather-related effects. The operating EBIT margin stood at around 39 % (previous year: 46 %[1)]).

Operating financial earnings in the amount of TEUR -29,756 (previous year: TEUR -33,531) resulted chiefly from interest rate expenses for the non-recourse loans for solar and wind parks, and other Group financing. The financial result also comprises in particular interest expenses on the lease liabilities recognised in accordance with IFRS 16 and earnings from financial assets accounted for using the equity method. Cash income from interest rate hedges had the opposite effect.

The resulting operating earnings before taxes (operating EBT) amounted to TEUR 63,708 (previous year: TEUR 76,244). The decline in earnings was mainly due to the aforementioned weather-related effects. The EBT margin stood at around 27 % (previous year: 32 %[1]).

The consolidated statement of comprehensive income shows operating tax expenses for the first half of the 2023 financial year of TEUR 11,113 (previous year: TEUR 19,870), mainly for effective tax payments in connection with solar and wind parks.

Altogether, Encavis generated consolidated operating earnings of TEUR 52,596 (previous year: TEUR 56,374). The decline in earnings was mainly due to the aforementioned price and weather-related effects. The operating consolidated earnings margin stood at around 22 % (previous year: 24 %[1]).

Calculating operating KPIs (adjusted for IFRS effects)

As outlined in the "Internal control system of Encavis" section of the 2022 annual report, Group IFRS accounting is influenced by non-cash measurement 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	01.01.–30.06.2023	01.01.–30.06.2022
Revenue[1]	236,940	239,081
Other income	8,311	6,615
Other own work capitalised	1,476	0
Cost of materials	-13,643	-3,576
Personnel expenses, of which TEUR -744 (previous year: TEUR -1,432) in share-based remuneration	-17,958	-10,812
Other expenses[1]	-61,629	-61,409
Adjusted for the following effects:		
Other non-operating income	-3,752	-1,182
Other non-operating expenses	1,893	1,862
Adjusted operating EBITDA	**151,639**	**170,578**
Depreciation and amortisation	-79,663	-81,397
Adjusted for the following effects:		
Depreciation and amortisation of intangible assets (electricity feed-in contracts) and goodwill acquired as part of business combinations	23,767	22,572
Subsequent measurement of uncovered hidden reserves and liabilities on step-ups for property, plant and equipment acquired as part of business combinations	-2,278	-1,978
Adjusted operating EBIT	**93,464**	**109,774**
Financial result	-28,964	-17,661
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])	-792	-15,870
Adjusted operating EBT	**63,708**	**76,244**
Tax expenses	-9,922	-21,243
Adjusted for the following effects:		
Deferred taxes (non-cash items) and other non-cash tax effects	-1,191	1,373
Adjusted operating consolidated earnings	**52,596**	**56,374**

The following IFRS KPIs deviate from the operating earnings position:

The Group generated other income of TEUR 8,311 (previous year: TEUR 6,615).

Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to TEUR 153,498 in the first half of the 2023 financial year (previous year: TEUR 169,898). The EBITDA margin stood at around 65 % (previous year: 71 %[1]).

Depreciation and amortisation of TEUR 79,663 (previous year: TEUR 81,397) 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).

Earnings before interest and taxes (EBIT) amounted to TEUR 73,834 (previous year TEUR 88,501). The EBIT margin stood at around 31 % (previous year: 37 %1)).

The financial result amounted to TEUR -28,964 (previous year: TEUR -17,661). Financial income totalled TEUR 16,039 (previous year: TEUR 21,318) and included non-cash income in connection with the changes in the market values of the interest rate swaps, as well as interest income from the reversal of step-ups on bank loans and lease liabilities. Financial expenses of TEUR 44,503 were incurred (previous year: TEUR 39,019). They include, 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 financial result also includes earnings from financial assets accounted for using the equity method of TEUR -500 (previous year: TEUR 41).

The resulting earnings before taxes (EBT) amounted to TEUR 44,870 (previous year: TEUR 70,840). The EBT margin stood at around 19 % (previous year: 30 %1)).

The tax expenses disclosed in the consolidated statement of comprehensive income stood at TEUR 9,922 in the first half of the 2023 financial year (previous year: TEUR 21,243) and consisted of current and deferred taxes. Quarterly taxes are calculated in accordance with IAS 34.

Altogether, Encavis generated consolidated earnings of TEUR 34,949 (previous year: TEUR 49,598). The margin for consolidated earnings stood at around 15 % (previous year: 21 %1)).

Consolidated earnings are made up of earnings attributable to the shareholders of the parent company of TEUR 32,243 (previous year: TEUR 46,972), earnings attributable to non-controlling interests of TEUR 381 (previous year: TEUR 302) and earnings attributable to hybrid bondholders of TEUR 2,324 (previous year: TEUR 2,324). Consolidated comprehensive income of TEUR 200,913 (previous year: TEUR -26,730) 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 -827 (previous year: TEUR 86), the change in other reserves still relates to the change in hedge reserves in the amount of TEUR 173,438 (previous year: TEUR -101,263), 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 76 (previous year: TEUR -30). Amounts recognised in equity will be reclassified in full to consolidated earnings once the corresponding hedged items have expired. In the first half of 2023, TEUR 0 (previous year: TEUR 17) was reclassified from the hedge reserve to consolidated earnings. There were corresponding deferred tax effects of TEUR -6,722 (previous year: TEUR 24,847).

Undiluted earnings per share (after non-controlling interests) amounted to EUR 0.20 (previous year: EUR 0.29). The average number of shares in circulation (undiluted) in the reporting period amounted to 161,030,176 (previous year: 160,477,059). Diluted earnings per share amounted to EUR 0.20 (previous year: EUR 0.27). The average number of shares in circulation (diluted) in the reporting period amounted to 161,030,176 (previous year: 171,807,580).

Financial position and cash flow

The change in cash and cash equivalents in the first half of 2023 came to TEUR 97,935 (previous year: TEUR -128,329) and broke down as follows:

Net cash flow from operating activities in the amount of TEUR 113,475 (previous year: TEUR 160,170) was primarily composed of the operating activities of the solar parks and wind parks and the resulting incoming payments. Changes in assets and liabilities not attributable to investing or financing activities were also included in this item. The decline was primarily related to the lower consolidated earnings and the roughly EUR 13.1 million year-on-year increase in tax payments.

Cash flow from investing activities amounted to TEUR -62,279 (previous year: TEUR -118,030) and primarily concerned payments for the construction of solar parks in The Netherlands, Denmark and Italy, as well as the acquisition of a German wind park currently under construction, which will be accounted for as an associated entity as planned until its commissioning.

Cash flow from financing activities totalled TEUR 46,739 (previous year: TEUR -170,469) 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 and the dividend payment to the hybrid bondholders. A Green Schuldschein loan of EUR 210 million was issued in the first quarter of 2023.

As at 30 June 2023, the Group had cash and cash equivalents of TEUR 384,478 (30 June 2022: TEUR 263,808) in consideration of current account liabilities of TEUR 241 (30 June 2022: TEUR 0).

Net assets

As at 30 June 2023, equity amounted to TEUR 1,154,856 (31 December 2022: TEUR 956,817). The increase in the amount of TEUR 198,039, or 20.7 %, was primarily due to various value changes, particularly from the subsequent measurement of PPAs, accounted for in equity with no effect on profit or loss. The consolidated earnings in accordance with IFRS also had an effect. The equity ratio was 32.9 % (31 December 2022: 28.1 %).

The balance sheet total increased from TEUR 3,405,542 as at 31 December 2022 to TEUR 3,511,949.

Goodwill amounted to TEUR 107,181 as at 30 June 2023 (31 December 2022: TEUR 107,129).

The Group's financial liabilities (primarily bank and lease liabilities) amounted to TEUR 2,010,086 as at 30 June 2023 (31 December 2022: TEUR 2,094,888). These comprised loans and lease agreements for the financing of solar and wind parks, as well as the mezzanine capital provided by Gothaer Versicherung in November 2014. They also contained liabilities from listed notes from the Grid Essence portfolio (United Kingdom) of TEUR 28,554 (31 December 2022: TEUR 27,662), including accrued interest, and liabilities from debenture bonds and/or registered/bearer bonds, including accrued interest, in the amount of TEUR 346,865 (previous year: TEUR 132,387). Liabilities from lease obligations in the amount of TEUR 204,447 (31 December 2022: TEUR 201,954) were recognised.

Events after the balance sheet date

Enacvis to work with badenova and other partners to create 500 MW of electricity generation capacity from renewable energy and invest roughly EUR 200 million by 2027

On 27 July 2023, Encavis announced that it would join forces with the Freiburg-based energy supply company badenova AG & Co. KG to promote the expansion of renewable energy in Germany. To this end, Encavis Energieversorger I GmbH (EEV) will be founded in Hamburg, with Encavis AG holding 51 % and Kommunale Energiewende GmbH & Co. KG (KEW) holding 49 %. In terms of renewable electricity generation, EEV, the company to be founded, plans to focus on the purchase and operation of wind and photovoltaic systems in Germany. At the same time, related technologies, such as battery storage and the marketing of electricity generated from renewable energy, are also to be part of the common approach. The alliance will also open to other partners through shares in the holding company KEW, which will be founded by badenova at the start of the venture, allowing them to participate in long-term investments in wind and PV.

SCOPE affirms Encavis AG's BBB- investment grade issuer rating and keeps outlook positive

Encavis AG and its financing subsidiary Encavis Finance B.V. have again been awarded a BBB- investment grade issuer rating by the European rating agency SCOPE Ratings (SCOPE). The outlook remains positive. SCOPE has also affirmed the ratings of BBB- for senior unsecured debt, BB for subordinated (hybrid) debt and S-2 for short-term debt. This reflects Encavis' sustained robust liquidity and its diversified use of external funding channels from banks and capital markets at project level, as well as from private sources (shareholder loans and Schuldschein debt) and public sources at Group level.

Encavis and Allego expand their 10-year PPA in Germany to supply electric vehicle drivers with 100 % renewable energy

On 8 August 2023, Encavis AG announced that it had expanded its 10-year power purchase agreement with Allego, a leading pan-European ultra-fast charging network for electric vehicles. Allego's most extensive clean energy agreement to date can now rely on 100 % renewable energy from Encavis' solar parks in Groß Behnitz (25 MW/Brandenburg) and Borrentin (105 MW/Mecklenburg-Western Pomerania). The new solar park in Borrentin will be Encavis' largest PV park in Germany. The two solar parks will supply Allego's charging network with more than 100 GWh of renewable energy and the associated certificates of origin. Together, both parks will enable more than 1.75 million electric vehicle (EV) charging sessions based on an assumed average battery size of 60 kWh per EV.

Opportunities and risks

The material opportunities and risks to which the Encavis Group is exposed were described in detail in the consolidated management report for the 2022 financial year. There were no significant changes in this regard during the reporting period.

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 and predicts an increase of only 3.0% in global GDP. The numerous shocks that slowed the pace of global economic growth markedly in 2022 continue to have a dampening effect on global economic performance. The tightening of financing terms is further hindering an upturn, more than one year after Russia’s invasion of Ukraine and the rapid jump in inflation. In its July 2023 forecast, the IMF expects no additional major disruptions from the financial sector as the year goes on. It also believes that the continuation of central banks’ tight monetary policy will lead to a reduction in inflation, despite the failure to achieve monetary targets as of mid-year. All in all, global inflation is expected to decrease by 1.9 percentage points to 6.8% in 2023. The path back to price stability could be longer and rockier than originally anticipated by many market participants.

War in Ukraine

The Encavis Group wind and solar park portfolio, which is generally focused on Western Europe, is not directly 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, a potential 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. As a result, the current crisis involving Russia is not expected to have any major effects.

Continued 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, 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. 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 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, ever-growing demand for renewable energy sources and the need for a stable and secure energy supply. Industrial companies are acquiring shares in large renewable energy projects and signing PPAs to ensure a long-term supply of electricity to their sites. PPAs are therefore playing an increasingly important role in the energy transition.

Encavis is accelerating its growth trajectory and pursuing ambitious goals by 2027

Today, Encavis is one of the largest independent power producers in the field of renewable energies in Europe. The positive framework conditions and the successful economic development of the company are the perfect prerequisites for further strengthening this position. Approaching solutions from the perspective of existing and potential clients gives Encavis the opportunity to evolve its successful business model, which will continue to be based on the realisation and operation of high-yield, low-risk wind and solar parks. The company's strategy is ultimately geared towards taking client requirements into account at an early stage, meaning when parks are developed or acquired, and realising precisely targeted projects. Clients may include industrial electricity buyers or real estate investors or co-investors. To systematically grasp emerging growth opportunities and further boost the efficiency of the company, the plan for the next five years until 2027 is focused on the following key 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 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. systematic utilisation of the Group's financial strength/rating for Group borrowing,
6. expansion of the Group-wide cash pool, including all single entities,

7. the use of intelligent investment models for external equity partners with stakes of up to 49 % for long-term marketing of electricity (PPAs) from renewables,
8. concentration of selected high-growth core markets in Western Europe – primarily Germany, The Netherlands, Denmark, Spain and Italy, in other words countries with a large energy market and high renewables targets, but also markets such as The United Kingdom, Sweden and Finland, and to a lesser extent France and Lithuania.

As part of its accelerated growth strategy for 2027, Encavis will focus on the following targets:

1. tripling the company's own contractually secured generation capacity from 2.6 GW to 8.0 GW,
2. significantly increasing generation capacities connected to the grid from 2.1 GW to 5.8 GW,
3. increasing revenue from EUR 440 million to EUR 800 million,
4. growing operating EBITDA from EUR 310 million to EUR 520 million,
5. achieving an operating EBITDA margin for wind and solar parks greater than or equal to 75 %,
6. increasing operating cash flow from EUR 280 million to EUR 450 million,
7. increasing operating cash flow per share (CFPS) from EUR 1.70 to EUR 2.60.

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 33 % annually by the year 2027. In the same period, revenue is to increase by approximately 16 % per annum, and an annual growth rate of operating EBITDA of 14 % is expected. Annual growth of the operating cash flow per share (CFPS) amounts to around 11 %.

These assumptions are a base case that does not take any additional growth opportunities into account which may arise inorganically from mergers and acquisition transactions and potential equity transactions.

Overall assessment of future development

We confirm our guidance for the year and continue to 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 in 2022, will trigger a price-related revenue effect of a good EUR 87 million (EUR 24.9 million of which will be attributable to the effect of the electricity price brake). 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 31 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, or EUR 440 million after the deduction of the electricity price brake (2022: EUR 487.3 million; EUR 462.5 million after the deduction of the 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 exceed EUR 0.60 (2022: EUR 0.60). Overall, the Group remains firmly on its growth trajectory.

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.

In EUR million	2023e (AR 2022)	2022 (actual)
Electricity production in GWh	>3,400	3,133
Revenue / revenue after electricity price brake deduction	>460 / >440	487.3 / 462.5
Operating* EBITDA	>310	350.0
Operating* EBIT	>185	198.3
Operating cash flow	>280	327.2
Operating cash flow per share (in EUR)	>1.70	2.04
Operating* EPS (in EUR)	>0.60	0.60

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

Dividend policy

The market for renewable energy installations is growing at a very fast pace. Encavis plans to support this growth. In order to make best possible use of the emerging investment opportunities that result, we proposed to the Annual General Meeting that the entire consolidated earnings be retained for the 2022 financial year, i.e. carried forward to new account. The aim in doing so is to finance the Group's further growth from our own means. As a consequence, no dividend per voting share has been paid for the first time in many years. We firmly believe that this was the best decision in the interests of our shareholders considering the unprecedented growth of the Group. The proposal was approved by a clear majority of 99.27 % at the Annual General Meeting.

Hamburg, August 2023

Dr Christoph Husmann

Spokesman of the Management Board and CFO

Mario Schirru

CIO/COO

Condensed consolidated statement of comprehensive income (IFRS)

In TEUR	01.01.2023 to 30.06.2023	01.01.2022 to 30.06.2022	Q2/2023	Q2/2022
Revenue*	236,940	239,081	131,798	139,441
Other income	8,311	6,615	1,925	3,557
Of which income from the reversal of impairments for expected credit losses	*212*	*113*	*80*	*-6*
Other own work capitalised	1,476	0	1,476	0
Cost of materials	-13,643	-3,576	-7,972	-2,086
Personnel expenses	-17,958	-10,812	-9,910	-5,588
Of which in share-based remuneration	*-744*	*-1,432*	*-391*	*-631*
Other expenses*	-61,629	-61,409	-31,086	-28,864
Of which impairment for expected credit losses	*-362*	*-365*	*-98*	*-163*
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**153,498**	**169,898**	**86,232**	**106,461**
Depreciation and amortisation	-79,663	-81,397	-39,925	-41,403
Earnings before interest and taxes (EBIT)	**73,834**	**88,501**	**46,306**	**65,058**
Financial income	16,039	21,318	9,094	8,869
Financial expenses	-44,503	-39,019	-20,498	-18,544
Earnings from financial assets accounted for using the equity method	-500	41	-250	-39
Earnings before taxes (EBT)	**44,870**	**70,840**	**34,652**	**55,344**
Taxes on income	-9,922	-21,243	-6,249	-18,173
Consolidated earnings	**34,949**	**49,598**	**28,403**	**37,171**
Items that may be reclassified through profit or loss				
Currency translation differences	-827	86	-372	25
Cash flow hedges – effective portion of changes in fair value	173,438	-101,263	52,399	-5,094
Cost of hedging measures	76	-30	96	6
Other comprehensive income from investments accounted for using the equity method	0	16	0	16
Income tax relating to items that may be reclassified through profit or loss	-6,722	24,847	-8,422	1,044
Reclassifications	0	17	0	17
Other comprehensive income	**165,964**	**-76,327**	**43,701**	**-3,987**
Consolidated comprehensive income	**200,913**	**-26,730**	**72,105**	**33,184**
Consolidated earnings for the period				
Attributable to Encavis AG shareholders	32,243	46,972	27,058	35,774
Attributable to non-controlling interests	381	302	177	228
Attributable to hybrid capital investors	2,324	2,324	1,169	1,169
Consolidated comprehensive income for the period				
Attributable to Encavis AG shareholders	198,270	-29,341	70,780	31,801
Attributable to non-controlling interests	319	287	156	214
Attributable to hybrid capital investors	2,324	2,324	1,169	1,169
Earnings per share				
Average number of shares in circulation in the reporting period				
Undiluted	161,030,176	160,477,059	161,030,176	160,484,751
Diluted	161,030,176	171,807,580	161,030,176	171,815,271
Undiluted earnings per share (in EUR)	0.20	0.29	0.17	0.22
Diluted earnings per share (in EUR)	0.20	0.27	0.17	0.21

* The comparison figure for the previous year was adjusted due to the change in the recognition of the levy obtained in relation to the Europe-wide system to cap electricity prices.

Condensed consolidated cash flow statement (IFRS)

In TEUR

	01.01.–30.06.2023	01.01.–30.06.2022
Consolidated earnings	34,949	49,598
Impairments or reversals of impairments on fixed assets	79,663	81,397
Profit/loss from the disposal of fixed assets	85	0
Other non-cash expenses/income	1,493	318
Financial income/expenses	28,464	17,701
Taxes on income (recognised in income statement)	9,922	21,243
Taxes on income (paid)	-17,409	-4,309
Increase/decrease in other assets/liabilities not attributable to investing or financing activities	-23,692	-5,777
Cash flow from operating activities	**113,475**	**160,170**
Payments for the acquisition of consolidated entities, net of cash acquired	-7,475	-82,253
Proceeds from the sale of consolidated entities	0	1,520
Payments for investments in property, plant and equipment	-45,230	-24,843
Proceeds from disposals of property, plant and equipment	28	0
Payments for investments in intangible assets	-3,823	-41
Payments for investments in financial assets	-7,053	-13,219
Proceeds from the sale of financial assets	1,084	570
Dividends received	191	237
Cash flow from investing activities	**-62,279**	**-118,030**
Loan proceeds	243,189	0
Loan repayments	-155,645	-94,249
Repayment of lease liabilities	-6,366	-4,685
Interest received	6,435	164
Interest paid	-36,724	-27,608
Payments for issuance costs	-4	-1,843
Payments for the acquisition of shares without change of control	0	-668
Dividends paid to Encavis AG shareholders	0	-38,129
Dividends paid to hybrid capital investors	-2,344	-2,344
Payments to non-controlling interests	-1,593	-235
Change in cash with restrictions in disposition	-210	-872
Cash flow from financing activities	**46,739**	**-170,469**
Change in cash and cash equivalents	97,935	-128,329
Change in cash due to exchange rate changes	267	-289
Change in cash and cash equivalents	**98,202**	**-128,618**
Cash and cash equivalents		
As at 01.01.2023 (01.01.2022)	286,277	392,425
As at 30.06.2023 (30.06.2022)	384,478	263,808

Condensed consolidated balance sheet (IFRS)

Assets in TEUR	30.06.2023	31.12.2022
Intangible assets	429,305	446,887
Goodwill	107,181	107,129
Property, plant and equipment	2,299,514	2,304,994
Financial assets accounted for using the equity method	6,238	6,684
Financial assets	10,700	3,726
Other receivables	45,138	63,435
Deferred tax assets	22,021	22,686
Total non-current assets	**2,920,097**	**2,955,541**
Inventories	4,090	5,612
Trade receivables	90,222	69,815
Non-financial assets	11,097	8,502
Receivables from income taxes	12,687	11,144
Other current receivables	33,598	9,475
Liquid assets	440,158	344,403
Cash and cash equivalents	*384,720*	*289,483*
Liquid assets with restrictions on disposition	*55,438*	*54,920*
Assets held for sale	0	1,050
Total current assets	**591,852**	**450,001**
Balance sheet total	**3,511,949**	**3,405,542**

Equity and liabilities in TEUR	30.06.2023	31.12.2022
Subscribed capital	161,030	161,030
Capital reserves	625,636	625,640
Other reserves	6,865	-159,162
Net retained profit	110,552	78,309
Equity attributable to Encavis AG shareholders	**904,083**	**705,817**
Equity attributable to non-controlling interests	4,582	4,789
Equity attributable to hybrid capital investors	246,191	246,210
Total equity	**1,154,856**	**956,817**
Non-current liabilities to non-controlling interests	38,986	40,512
Non-current financial liabilities	1,550,641	1,465,333
Non-current lease liabilities	190,497	187,684
Other non-current liabilities	5,121	5,817
Non-current provisions	52,875	51,246
Deferred tax liabilities	147,713	143,051
Total non-current liabilities	**1,985,833**	**1,893,643**
Current liabilities to non-controlling interests	1,477	1,644
Liabilities from income taxes	23,384	26,286
Current financial liabilities	254,998	427,600
Current lease liabilities	13,950	14,271
Trade payables	32,189	37,218
Other current liabilities	25,140	28,528
Current provisions	20,122	19,535
Total current liabilities	**371,260**	**555,082**
Balance sheet total	**3,511,949**	**3,405,542**

Condensed consolidated statement of changes in equity (IFRS)

In TEUR

	Subscribed capital	Capital reserves	Other reserves			
			Currency translation reserve	Hedge reserve	Cost of hedging measures	Reserve from equity valuation
As at 01.01.2022	160,469	616,363	882	-6,895	-4	54
Consolidated earnings						
Other comprehensive income*			100	-76,424	-23	16
Reclassifications to profit/loss				17		
Consolidated comprehensive income for the period			100	-76,407	-23	16
Dividend						
Changes from capitalisation measures	561	9,451				
Issuance costs		-105				
Acquisition of shares from non-controlling interests						
As at 30.06.2022	161,030	625,709	982	-83,302	-27	70
As at 01.01.2023	161,030	625,640	1,127	-160,248	-41	
Consolidated earnings						
Other comprehensive income			-765	166,735	57	
Consolidated comprehensive income for the period			-765	166,735	57	
Dividend						
Issuance costs		-4				
As at 30.06.2023	161,030	625,636	362	6,486	16	

* Excluding separately recognised effects from reclassifications.

In TEUR

	Net retained profits	Equity attributable to Encavis AG shareholders	Equity attributable to non-controlling interests	Equity attributable to hybrid capital investors	Total
As at 01.01.2022	46,750	817,619	2,464	246,305	1,066,388
Consolidated earnings	46,972	46,972	302	2,324	49,598
Other comprehensive income*		-76,331	-14		-76,344
Reclassifications to profit/loss		17			17
Consolidated comprehensive income for the period	46,972	-29,341	287	2,324	-26,730
Dividend	-48,141	-48,141	-135	-2,344	-50,620
Changes from capitalisation measures		10,012			10,012
Issuance costs		-105		-7	-112
Acquisition of shares from non-controlling interests			168		168
As at 30.06.2022	45,581	750,044	2,783	246,278	999,106
As at 01.01.2023	78,309	705,817	4,789	246,210	956,817
Consolidated earnings	32,243	32,243	381	2,324	34,949
Other comprehensive income		166,027	-62		165,964
Consolidated comprehensive income for the period	32,243	198,270	319	2,324	200,913
Dividend		0	-526	-2,344	-2,870
Issuance costs		-4			-4
As at 30.06.2023	110,552	904,083	4,582	246,191	1,154,856

* Excluding separately recognised effects from reclassifications.

Notes to the condensed interim consolidated financial statements

General information

These condensed and unaudited interim consolidated financial statements have been prepared in accordance with section 37w, paragraph 3, of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) and with IAS 34 "Interim Financial Reporting". They do not include all the information that is required under IFRS for the consolidated financial statements as at the end of a financial year and should therefore only be read in conjunction with the consolidated financial statements as at 31 December 2022.

The interim financial statements and the interim management report have not been audited in accordance with section 317 of the German Commercial Code (Handelsgesetzbuch – HGB) or reviewed by an auditor.

The condensed consolidated statement of comprehensive income and the condensed consolidated cash flow statement contain comparative figures for the first half of the previous year. The condensed consolidated balance sheet includes comparative figures as at the end of the previous financial year.

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

The accounting policies applied are the same as those used for the most recent year-end consolidated financial statements. We published a detailed description of the methods applied in the notes to the consolidated financial statements for 2022. If there are any amendments to accounting policies, they will be explained in the individual notes.

The reporting company

Encavis AG (hereafter known as "company" or together with its subsidiaries as "Group") is a German joint stock company based in Hamburg. The Group's main areas of activity are described in chapter 1 of the notes to the consolidated financial statements for the financial year ended 31 December 2022.

The interim consolidated financial statements cover Encavis AG and its affiliates. For the group of consolidated companies, the reader is referred to section 18 of the notes to the consolidated financial statements as at 31 December 2022 and, with regard to the amendments in the first half of 2023, to the notes in the following section. The parent company of the Group, Encavis AG, was entered in the commercial register of Hamburg district court on 18 January 2002 under HRB 63197 and has its place of business at Grosse Elbstrasse 59, 22767 Hamburg.

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

Significant accounting policies and consolidation principles

Seasonal influences

The business activities of the Group are subject to seasonal influences, leading to fluctuations in revenue and results throughout the course of the year. Due to seasonal 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.

New standards and amendments to standards and interpretations

In the first half of 2023, the Group applied the following new and/or revised IFRS standards and interpretations:

New and amended standards and interpretations

		Required to be applied for financial years beginning on or after the specified date	EU endorsement status (as at 30.06.2023)	Status of application at Encavis
IFRS 17	New standard – Insurance Contracts; including Deferral of Mandatory Effective Date	01.01.2023	Adopted	Applied
IFRS 17	Amendment – Initial Application of IFRS 17 and IFRS 9: Comparative information	01.01.2023	Adopted	Applied
IAS 1, IFRS Practice Statement 2	Amendment – Disclosure of Accounting Policies	01.01.2023	Adopted	Applied
IAS 8	Amendment – Definition of Accounting Estimates	01.01.2023	Adopted	Applied
IAS 12	Amendment – International Tax Reform – Pillar Two Model Rules	01.01.2023	Not yet adopted	Applied

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

The new IFRS 17 standard (including amendments) and the amendment to IAS 8 are fundamentally relevant to Encavis but do not have any major impact on this half-year report.

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.

As explained in the 2022 annual report, the amendment to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" was applied retroactively in modified form ahead of schedule as at 1 January 2021.

The amendment to IAS 12 "International Tax Reform – Pillar Two Model Rules" is not relevant to Encavis at the present time.

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

In addition to the information contained in the consolidated financial statements as of 31 December 2022, the IASB or IFRS IC has also published the following amendments to standards that will not be applicable until a later date and have not yet been endorsed by the European Commission:

New and amended standards and interpretations

		Required to be applied for financial years beginning on or after the specified date	EU endorsement status (as at 30.06.2023)	Status of application at Encavis
IAS 7, IFRS 7	Amendment – reverse factoring transactions	01.01.2024	Not yet adopted	Not applied

Encavis AG does not expect the newly published amendment to the standards, which are not yet mandatory and were not applied early within the Group, to have a significant impact on the Group either.

Group of consolidated companies

In the first six months of 2023, the following companies were included in the consolidated financial statements in addition to those mentioned in note 18 to the consolidated financial statements as at 31 December 2022.

Companies additionally included in the group of consolidated companies in the first half of 2023	Registered office	Interest in %
Fully consolidated Group companies		
Aton 21 S.r.l.	Bolzano, Italy	99.00
BESS Hettstedt Fünfte Energie GmbH	Hamburg, Germany	100.00
Encavis Bridge Financing GmbH	Hamburg, Germany	100.00
Encavis Ecklak PV GmbH	Hamburg, Germany	100.00
Encavis Green Energy Supply GmbH	Hamburg, Germany	100.00

The shareholdings in the fully consolidated Group companies correspond to the proportion of voting rights.

In addition, the following companies were established in the first six months of 2023:

Establishments

Establishments in the first half of 2023	Segment
Asset Ocean GmbH, Hamburg, Germany	Administration
BESS M01a K/S, Roskilde, Denmark	PV Denmark
Encavis Solar Fincken GmbH & Co. KG, Hamburg, Germany	PV Germany
Mermaid Solar Net K/S, Roskilde, Denmark	PV Denmark
Stern Energy SAS, Paris, France	Service

All of the companies acquired and established in the first half of 2023 constitute development projects or other companies that had no material influence on the financial performance, financial position and net assets of the Encavis Group at the time of their initial consolidation.

The former intermediate holding company Encavis Grundstück Beteiligungs GmbH (Administration segment), with its registered office in Hamburg, Germany, has been renamed Encavis Grundstück Solar Beteiligungs GmbH and is to continue acting as an intermediate holding company. From this point in time on, it is attributed to the Solar Parks segment.

In addition, 49.9 % of the shares in Energiepark Bergheim-Repowering RE WP BE GmbH & Co. KG, with its registered office in Bremerhaven, Germany, were acquired in February 2023. The interest in the repowering project will initially be reported as an associated entity. The wind park will be fully consolidated upon commissioning and the associated acquisition of the remaining shares, which is expected to take place in the second half of 2023.

Acquisitions that do not meet the definition of a business

There were no further acquisitions in the first half of 2023.

Critical accounting judgements 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. Further disclosures can be found in the notes to the consolidated financial statements as at 31 December 2022.

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.

Business combinations

All identifiable assets and liabilities are recognised at their fair values at the time of initial consolidation within the scope of business combinations. 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.

The reader is referred to the discussion in note 8 of the notes to the consolidated financial statements as at 31 December 2022 for details of the assumptions made when determining the fair value of financial assets. The measurement methods and input factors applied have not changed since 31 December 2022.

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	Measurement category under IFRS 9*	Carrying amount as at 30.06.2023 (31.12.2022)	Carrying amount under IFRS 9: Amortised cost	Carrying amount under IFRS 9: Fair value through other comprehensive income	Carrying amount under IFRS 9: Fair value through profit or loss	Carrying amount under IAS 28	Fair value as at 30.06.2023 (31.12.2022)
Financial assets							
Non-current financial assets	FVPL	3,169			3,169		3,169
(31.12.2022)		(3,188)			(3,188)		(3,188)
Financial assets accounted for using the equity method	n/a	6,238				6,238	6,238
(31.12.2022)		(6,684)				(6,684)	(6,684)
Trade receivables	AC	90,222	90,222				90,222
(31.12.2022)		(69,815)	(69,815)				(69,815)
Other non-current receivables	AC	4,439	4,439				4,439
(31.12.2022)		(3,672)	(3,672)				(3,672)
Other current receivables	AC	2,869	2,869				2,869
(31.12.2022)		(3,810)	(3,810)				(3,810)
Loans to associated entities and other loans	AC	7,532	7,532				7,532
(31.12.2022)		(538)	(538)				(538)
Liquid assets	AC	440,158	440,158				440,158
(31.12.2022)		(344,403)	(344,403)				(344,403)
Derivative financial assets							
Derivatives in a hedging relationship (swap)	FVOCI	29,111		29,111			29,111
(31.12.2022)		(30,229)		(30,229)			(30,229)
Derivatives not in a hedging relationship (swap)	FVPL	20,769			20,769		20,769
(31.12.2022)		(23,169)			(23,169)		(23,169)
Derivatives not in a hedging relationship (PPA)	FVPL	2,099			2,099		2,099
(31.12.2022)		(661)			(661)		(661)

* 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 30.06.2023 (31.12.2022)	Carrying amount under IFRS 9: Amortised cost	Carrying amount under IFRS 9: Fair value through other comprehensive income	Carrying amount under IFRS 9: Fair value through profit or loss	Carrying amount under IFRS 16	Fair value as at 30.06.2023 (31.12.2022)
Financial liabilities							
Trade payables	AC	32,189	32,189				32,189
(31.12.2022)		(37,218)	(37,218)				(37,218)
Financial liabilities	AC	1,695,602	1,695,602				1,694,870
(31.12.2022)		(1,607,433)	(1,607,433)				(1,549,314)
Lease liabilities**	n/a	204,447				204,447	-
(31.12.2022)		(201,954)				(201,954)	(-)
Liabilities to non-controlling interests	AC	40,462	40,462				40,462
(31.12.2022)		(42,156)	(42,156)				(42,156)
Liabilities from put option	AC	22,624	22,624				22,624
(31.12.2022)		(21,993)	(21,993)				(21,993)
Non-current liabilities from contingent consideration	FVPL	4,018			4,018		4,018
(31.12.2022)		(3,908)			(3,908)		(3,908)
Current liabilities from contingent consideration	FVPL	1,352			1,352		1,352
(31.12.2022)		(1,352)			(1,352)		(1,352)
Derivative financial liabilities							
Derivatives in a hedging relationship (swap)	FVOCI	815		815			815
(31.12.2022)		(206)		(206)			(206)
Derivatives not in a hedging relationship (swap)	FVPL	4,599			4,599		4,599
(31.12.2022)		(4,772)			(4,772)		(4,772)
Derivatives in a hedging relationship (PPA)	FVOCI	75,277		75,277			75,277
(31.12.2022)		(251,983)		(251,983)			(251,983)
Derivatives not in a hedging relationship (PPA)	FVPL	1,353			1,353		1,353
(31.12.2022)		(1,287)			(1,287)		(1,287)

** 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	Measurement category under IFRS 9*	Carrying amount as at 30.06.2023 (31.12.2022)	Carrying amount under IFRS 9: Amortised cost	Carrying amount under IFRS 9: Fair value through other comprehensive income	Carrying amount under IFRS 9: Fair value through profit or loss	Carrying amount under IFRS 16	Fair value as at 30.06.2023 (31.12.2022)
Of which aggregated by measurement categories pursuant to IFRS 9							
Financial assets measured at amortised cost	AC	545,218	545,218				545,218
(31.12.2022)		(422,238)	(422,238)				(422,238)
Financial assets measured at fair value through profit or loss	FVPL	26,037			26,037		26,037
(31.12.2022)		(27,018)			(27,018)		(27,018)
Financial liabilities measured at amortised cost	AC	1,790,877	1,790,877				1,790,146
(31.12.2022)		(1,708,800)	(1,708,800)				(1,650,680)
Financial liabilities measured at fair value through profit or loss	FVPL	11,322			11,322		11,322
(31.12.2022)		(11,319)			(11,319)		(11,319)

Fair value hierarchy

Fair value hierarchy in TEUR as at 30.06.2023 (31.12.2022)	Level		
	1	2	3
Assets			
Non-current financial assets			3,169
(31.12.2022)			(3,188)
Derivative financial assets:			
Derivatives in a hedging relationship (swap)		29,111	
(31.12.2022)		(30,229)	
Derivatives not in a hedging relationship (swap)		20,769	
(31.12.2022)		(23,169)	
Derivatives not in a hedging relationship (PPA)		2,099	
(31.12.2022)		(661)	
Liabilities			
Non-current liabilities from contingent consideration			4,018
(31.12.2022)			(3,908)
Current liabilities from contingent consideration			1,352
(31.12.2022)			(1,352)
Derivative financial liabilities:			
Derivatives in a hedging relationship (swap)		815	
(31.12.2022)		(206)	
Derivatives not in a hedging relationship (swap)		4,599	
(31.12.2022)		(4,772)	
Derivatives in a hedging relationship (PPA)		75,277	
(31.12.2022)		(251,983)	
Derivatives not in a hedging relationship (PPA)		1,353	
(31.12.2022)		(1,287)	

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 in TEUR as at 30.06.2023 (31.12.2022)	Level		
	1	2	3
Liabilities			
Financial liabilities measured at amortised cost			
Financial liabilities		1,694,870	
(31.12.2022)		(1,549,314)	
Liabilities to non-controlling interests			40,462
(31.12.2022)			(42,156)
Liabilities from put option			22,624
(31.12.2022)			(21,993)

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

Financial instruments measured at fair value

Type	Valuation technique	Significant, unobservable input factors
Non-current financial assets: mezzanine capital	Discounted cash flows: the fair values are determined on the basis of the future expected cash flows discounted using the standard observable market data of the corresponding yield curves	**Expected distributions** The estimated fair value of the mezzanine capital would increase (decrease) if the distributions were higher (lower) and/or were made at an earlier (later) date
Interest rate swaps	Discounted cash flows: the fair values are determined on the basis of the future expected cash flows discounted using the standard observable market data of the corresponding yield curves	Not applicable
Receivables from contingent consideration	Discounted cash flows on the basis of contractually fixed mechanisms	**Date of the addition of the other wind installations** The estimated fair value of the receivables from contingent consideration would increase (decrease) if the additional wind installations were added at an earlier (later) date **Tax benefit** The estimated fair value of the receivables from contingent consideration would increase (decrease) if the tax benefit were higher (lower) **Generation of additional revenue** The estimated fair value of the receivables 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 on the basis of the future expected cash flows discounted with equivalent terms using standard observable market interest rates and taking an appropriate risk premium into account	Not applicable
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 on the fair values of lease liabilities. As a result, the fair value was not determined.

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

In TEUR	2023	2022
Non-current financial assets		
As at 01.01.	3,188	3,639
Acquisitions (incl. additions)	0	208
Sales (incl. disposals)	-34	-269
Unrealised profit (+)/loss (-) in consolidated earnings	15	0
As at 30.06.	**3,169**	**3,578**
Non-current receivables from contingent consideration		
As at 01.01.	0	325
Unrealised profit (+)/loss (-) in consolidated earnings	0	4
As at 30.06.	**0**	**329**
Current receivables from contingent consideration		
As at 01.01.	0	1,655
Sales (incl. disposals)	0	-1,520
As at 30.06.	**0**	**135**
Non-current liabilities from contingent consideration		
As at 01.01.	3,908	0
Unrealised profit (-)/loss (+) in consolidated earnings	110	0
As at 30.06.	**4,018**	**0**
Current liabilities from contingent consideration		
As at 01.01.	1,352	609
As at 30.06.	**1,352**	**609**

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 2022 financial year. 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 in the first half of 2022.

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.

The 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 and subsequently compounded by TEUR 42. 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 110 was added in the first half of 2023.

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

In TEUR	01.01.–30.06.2023	01.01.–30.06.2022
Interest income	9,996	2,090
Interest expenses	-39,500	-31,817
Total	**-29,504**	-29,727

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.

Interest rate swaps

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 98 (31 December 2022: 100) interest rate swaps, under which the Group receives interest at a variable rate and pays interest at a fixed rate. As a general rule, these are amortising interest rate swaps, whose nominal volume is reduced at regular, defined intervals. The following table shows the nominal volumes as at the reporting date, the average (volume-weighted) fixed interest rate and the fair value. The Group differentiates between interest rate swaps that are part of an effective hedging relationship pursuant to IFRS 9 and those that are not.

In TEUR	30.06.2023	31.12.2022
Nominal volume in TEUR	829,599	829,038
Of which in a hedging relationship	*487,810*	*428,596*
Of which not in a hedging relationship	*341,789*	*400,442*
Average interest rate in %	1.98	1.91
Average remaining term in years	7.11	7.51
Fair value in TEUR	44,466	48,421
Of which in a hedging relationship	*28,296*	*30,024*
Of which not in a hedging relationship	*16,170*	*18,397*

The ineffective portion of the swaps in a hedging relationship was recognised as income of TEUR 240 through profit or loss (previous year: TEUR 3,399). The market value of swaps that are not in a hedging relationship was recognised as expenses of TEUR 1,496 through profit or loss (previous year: TEUR 13,510). The effective share in the current financial year of TEUR -3,116 (previous year: TEUR 26,634) was adjusted for deferred tax effects in the amount of TEUR 865 (previous year: TEUR -7,136) and recognised in equity. For the interest rate swaps for which no more evidence of their effectiveness pursuant to IAS 39 could be provided prior to 1 January 2018 (applicable period of IAS 39), the changes in value formerly recognised in the hedge accounting reserves with no effect on profit or loss in the amount of TEUR 34 (previous year: TEUR 12), taking into account the deferred tax liabilities in the amount of TEUR -9 (previous year: TEUR -4), were amortised through profit or loss.

Power purchase agreements

The ineffective portion resulting from the measurement of the PPAs stood at TEUR 0 in the reporting period (previous year: expenses of TEUR 1,351). The change in the market value of PPAs that are not in a hedging relationship was recognised as income of TEUR 1,371 through profit or loss (previous year: TEUR 0). The effective portion in the current financial year of TEUR 176,706 (previous year: TEUR -127,884) was adjusted for deferred tax effects in the amount of TEUR -7,611 (previous year: TEUR 31,971) and recognised in equity.

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.

The risks facing the Encavis Group, as well as the extent of these risks, have either not changed or not changed significantly compared with the 2022 consolidated financial statements.

Equity

As at 30 June 2023, equity amounted to TEUR 1,154,856 (31 December 2022: TEUR 956,817). The increase of TEUR 198,039, or 20.7 %, is primarily the result of valuation effects for the Group’s derivative financial instruments recognised in the hedge reserve, representing a reversal of the valuation effects with a negative effect on equity that were recognised at the end of 2022 in particular. In addition, the recognition of the positive consolidated earnings for the reporting period led to an increase. The equity ratio was 32.9 % (31 December 2022: 28.1 %).

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).

Associated entities

Transactions with associated entities are carried out under the same conditions as those with independent business partners. Outstanding items as at the reporting date 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
CHORUS IPP Europe GmbH	272		149	
Gnannenweiler Windnetz GmbH & Co. KG		13		
Pexapark AG		849		60
Total	**272**	**862**	**149**	**60**
(01.01.2022–30.06.2022)*	(654)	(1,904)		
(31.12.2022)*			(165)	(27)

* 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, the business relationships up to this date are reported in the disclosures for the previous year.

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.

Joint arrangements

The participating interest in Richelbach Solar GbR in the amount of TEUR 120 as at 30 June 2023 (31 December 2022: TEUR 120) is classified as a joint operation pursuant to IFRS 11. 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 related to Supervisory Board member Albert Büll, for office space for Encavis AG. In the first half of 2023, the sum of the transactions with B&L Holzhafen West GmbH & Co. KG amounted to TEUR 380 (previous year: TEUR 476). 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 Asset Management AG, there is a rental agreement regarding the Asset Management segment's office space in Neubiberg in place with PELABA Immobilienverwaltungs GmbH & Co. KG, a company related to Encavis Asset Management AG Supervisory Board member Peter Heidecker. The rental agreement has a fixed term until the end of 2024 and will be renewed automatically by one year annually after that, unless either of the parties terminates it with a notice period of six months. The monthly rent is based on customary market conditions. In the first half of 2023, the sum of the transactions with PELABA Immobilienverwaltungs GmbH & Co. KG amounted to TEUR 118. In the previous year, this contract was between Encavis GmbH and PELABA Vermögensverwaltungs GmbH & Co. KG, a company related to Encavis Asset Management AG Supervisory Board member Peter Heidecker. The sum of the transactions with PELABA Vermögensverwaltungs GmbH & Co. KG in the first half of 2022 amounted to TEUR 96. As at the balance sheet date, there were no outstanding balances from transactions with PELABA Immobilienverwaltungs GmbH & Co. KG.

Other disclosures

Employees

In the first half of 2023, the Group had 348 employees on average (previous year: 153), apart from the Management Board members, determined on the basis of the figures on the respective reporting dates. The average number of employees is shown below broken down by function:

Average number of employees per function	Encavis AG	Encavis Asset Management AG	Encavis GmbH	Asset Ocean GmbH	Encavis Portfolio Management GmbH	Stern Energy S.p.A.	Stern Energy GmbH	Stern Energy Ltd.	Stern Energy B.V.	UAB L-VĖJAS	Total
Finance	22										22
(previous year)	(20)										(20)
Operations	31										31
(previous year)	(23)										(23)
Staff	35			4						1	40
(previous year)	(30)			(0)						(0)	(30)
Investment	16										16
(previous year)	(13)										(13)
Corporate Finance/Project Finance	7										7
(previous year)	(6)										(6)
Technology/ Administration						103	18	33	3		157
(previous year)						(0)	(0)	(0)	(0)		(0)
Asset Management		73	0		2						75
(previous year)		(42)	(19)		(0)						(61)
Total	111	73	0	4	2	103	18	33	3	1	**348**
(previous year)	(92)	(42)	(19)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(153)

Under a transfer of operations with effect from 1 October 2022, 19 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 of 30 June 2023. This change in the number of employees was mainly due to the acquisition of the Stern subgroup, which increased the size of the Service segment in particular, and the growth-induced expansion of the Encavis team.

Leases

The following table provides an overview of the capitalised rights of use per asset class recognised under property, plant and equipment as at 30 June 2023:

Right-of-use assets in TEUR	30.06.2023	31.12.2022
Land	207,802	196,515
Buildings	9,115	8,807
Power generation installations	26,634	27,571
Vehicles	551	513
Total	244,101	233,406

Lease liabilities as at 30 June 2023 are as follows:

Lease liabilities in TEUR	30.06.2023	31.12.2022
Non-current	190,497	187,684
Current	13,950	14,271
Total	204,447	201,954

The increase in right-of-use assets and lease liabilities is primarily attributable to new contracts, particularly for land for parks under construction and for valuation effects. The right-of-use assets for new contracts related to land for parks under construction also encompass long-term advance payments on commercial leases that are not included in lease liabilities and therefore lead to a more pronounced increase in right-of-use assets compared to lease liabilities.

Events after the balance sheet date

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

Notification requirements

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

Forward-looking statements and forecasts

This report includes forward-looking statements based on current expectations, assumptions and forecasts by the Management Board and the information available to it at the time. Known or unknown risks, uncertainties and influences may mean that the actual results, the financial position or the company’s development differ from the estimates provided here. We assume no obligation to update the forward-looking statements made in this report.

Rounding differences may occur in percentages and figures in this report.

Contact

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

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

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

We look forward to hearing from you!

Encavis AG
Investor Relations
Große Elbstraße 59
22767 Hamburg, Germany

Tel.: +49 (0)40 37 85 62 242
E-mail: ir@encavis.com

Assurance of the legal representatives

We declare that, to the best of our knowledge and according to the applicable accounting standards, the half-yearly financial reporting as at 30 June 2023, in connection with the annual report for 2022, gives a true and fair view of the financial performance, financial position and net assets of the Group, and that the situation of the Group is presented in a true and fair way as to suitably describe the principal opportunities and risks associated with the expected development of the Group.

Hamburg, August 2023

Encavis AG

Management Board

Dr Christoph Husmann	Mario Schirru
Spokesman of the Management Board and CFO	CIO/COO

Encavis AG
Große Elbstraße 59
22767 Hamburg, Germany
T +49 (40) 3785 620
F +49 (40) 3785 62 129
info@encavis.com

Encavis Asset Management AG
Professor-Messerschmitt-Straße 3
85579 Neubiberg, Germany
T +49 (89) 44230 600
F +49 (89) 44230 6011
assetmanagement@encavis-am.com