ENCAVIS

Annual Report
2017

We are one of the leading independent and listed power producers in the renewables sector in Europe

Group key figures *

(in TEUR)	2013	2014	2015	2016	**2017**	+/- (yoy)
Revenues	56,991	72,129	112,802	141,783	**222,432**	57%
EBITDA	35,764	55,384	86,826	106,064	**166,768**	57%
EBIT	21,698	34,576	55,397	61,589	**100,387**	63%
EBT	9,489	17,370	25,761	22,906	**46,739**	104%
EAT	8,425	15,784	23,395	20,486	**39,962**	95%
Balance sheet total	593,181	985,799	1,324,816	2,353,797	**2,519,698**	7%
Equity	207,401	243,479	256,994	608,556	**698,594**	15%
Cashflow from operating activities	36,018	55,906	74,501	103,755	**153,037**	47%

* The stated consolidated key-figures are based solely on the company's operating performance and do not include any IFRS-related valuation effects.

On a growth path throughout Europe

The portfolio of Encavis extends far beyond Germany's borders. Our portfolio consists of wind and solar parks throughout Europe, which generate valuable power from renewable energy sources.

Solar Parks				
	Encavis AG		Encavis Asset Management	
Country	**Parks**	**MW**	**Parks**	**MW**
Germany	46	255.5	4	12.2
France	25	201.9	1	12.1
Italy	70	153.8	3	6.7
Great Britain	19	127.4	-	-
Netherlands	3	91.5	-	-
Total	**163**	**830.1**	**8**	**31**

Wind Parks				
	Encavis AG		Encavis Asset Management	
Country	**Parks**	**MW**	**Parks**	**MW**
Germany	21	214.9	23	273.2
France	4	35.7	7	84.7
Italy	1	6	-	-
Denmark	2	24.9	-	-
Austria	3	36.2	-	-
Great Britain	-	-	2	17.5
Finland	-	-	1	13.2
Sweden	-	-	1	10
Total	**31**	**317.7**	**34**	**398.6**

Encavis Group	
Solar Parks	**171**
Wind Parks	**65**
Nominal Capacity	**1,577.5 MW**

As of March 2018

Denmark
Wind: 2
Nominal Capacity: 24.90 MW
CO_2 Savings: 38,750 T

France
Solar: 26, Wind: 11
Nominal Capacity: 334.38 MW
CO_2 Savings: 317,100 T

Netherlands
Solar: 3
Nominal Capacity: 51.50 MW
CO_2 Savings: 27,150 T

Germany
Solar: 50, Wind: 44
Nominal Capacity: 755.94 MW
CO_2 Savings: 815,700 T

Great Britain
Solar: 19, Wind: 2
Nominal Capacity: 144.91 MW
CO_2 Savings: 104,500 T

Austria
Wind: 3
Nominal Capacity: 36.20 MW
CO_2 Savings: 45,000 T

Finland
Wind: 1
Nominal Capacity: 13.20 MW
CO_2 Savings: 26,700 T

Italy
Solar: 73, Wind: 1
Nominal Capacity: 166.5 MW
CO_2 Savings: 122,600 T

Sweden
Wind: 1
Nominal Capacity: 10.00 MW
CO_2 Savings: 13,800 T

For a new energy world

EN

Energy
Energy forms the basis of our collective activity and work

CA

Capital
We invest our capital to acquire wind farms and solar parks and to generate attractive returns

VIS

Vision
We are working towards a future with de-centralised power generation from solar energy and wind power combined with the latest storage technology and make renewables profitable

We have been operating in the renewables market since 2006 and can build on our broad know-how and an excellent team of experts.

Our wind parks have an output of over 700 MWh and generate green power in Europe.

Our solar parks in Europe have an output in excess of 850 MWh, which equates to the capacity of a large coal-fired power station.

Our parks profit from long-term state-guar-
anteed feed-in tariffs or commercial power purchase agreements.

ENERGY

The market for renewables is one of the growth markets of our age. From the outset in this dynamic market, we have focused exclusively on investing in and operating solar and wind parks. Both technologies are regarded as the key technologies of the future that will provide the clean and safe energy supplies of tomorrow. We are also responsible for the technical management of many of our own solar parks and provide this service for third parties.

>1,500 MW

is the overall generating capacity of our solar and wind parks, which is distributed across nine countries.

>1,500,000 T

of harmful CO_2 emissions were avoided in 2017 by our solar and wind parks.

CAPITAL

As an operator of wind and solar parks, we benefit from a low-risk business model with long-term predictable revenues from the sale of green power, based either on state guaranteed feed-in tariffs or commercial power purchase agreements. Our investments are purposely focused on parks that are either in the advanced construction phase, shortly due to be connected to the grid or are already connected. This enables us to avoid project-planning risks of greenfield investments. We also attach a high priority to a stable investment environment in which legal certainty, appropriate investor protection and politically stable conditions play a central role. By offering an attractive dividend policy we allow our shareholders to participate in our business success.

>220m €

revenues generated in 2017 – a year-on-year increase of about 57 percent.

>150 MW

was the total generation capacity of our newly acquired solar and wind parks in 2017.

VISION

As a result of strict political targets regarding CO_2 reduction, conventional energy generation is being increasingly forced out of the market worldwide. At the same time, renewable energy is becoming increasingly competitive. New technologies open up the possibility of storing renewable energy and therefore controlling the achievable price independently of the time of generation. Consequently, the use of battery storage systems represents the decisive breakthrough for renewables on their way to becoming the dominant energy system of the future. We are already laying the foundations today to ensure that we will also play a leading role in this development. We will expand our portfolio and use economically attractive storage options to increase the flexibility of generating and distributing green power further. We can also offer companies long-term stable and accountable conditions for their electricity demand.

73 %

is the reduction in electricity generation costs in the photovoltaics sector between 2010 and 2017 (Source: IRENA - www.irena.org)

5.4 GW

was the total generating capacity of renewable energy plants for which commercial power purchase agreements (PPAs) were concluded in 2017 (2016: 4.3 GW, Source: BNEF)

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Foreword of the Executive Board

Dear shareholders,
Ladies and gentlemen,

We are delighted to be able to write to you for the first time as the Executive Board of Encavis AG and report on financial year 2017.

With our entry into the Commercial Register on 26 February 2018, we have successfully completed the name change to Encavis AG based on the decision by the general meeting of 18 May 2017.

This name change to Encavis AG successfully concludes the acquisition of CHORUS Clean Energy AG (CHORUS), which started in May 2016 and was completed as planned within 15 months after fully acquiring all shares in CHORUS Clean Energy AG in August 2017. Encavis now combines the extensive expertise and experience of two solar and wind park operators as well as an experienced service provider for investments in renewable energy systems.

The name Encavis stands for the company's future and represents the three pillars on which it is built. Encavis stands for 'energy', which is the basis for all of our activities; for 'capital', which is the means by which we acquire solar and wind parks and with which we generate attractive returns; and 'vision', which represents our goal of creating the energy system of the future and of rendering renewable energy profitable.

We look back on a very successful 2017, in which we not only reached our forecasts issued for 2017 as a whole (guidance) but even exceeded them. For example, the Encavis Group increased its revenue by nearly 57 % to 222.4 million Euro (guidance: 215 million Euro). Earnings before interest, taxes, depreciation and amortisation (EBITDA) was approximately 166.8 million Euro (guidance: 160 million Euro). Compared to the previous year's result of 106.1 million Euro, this represents an increase of around 57 %. We also increased our earnings before interest and taxes (EBIT) by 63 % from 61.6 million Euro in 2016 to 100.4 million Euro (guidance: 97 million Euro). Operating cash flow rose significantly compared to the previous year, too, reaching 153 million Euro at the end of the reporting period (guidance: 150 million Euro). In addition, the equity ratio further improved to 27.73 % (31 December 2016: 25.85 %).

These extremely good results were mainly due to the following factors: on the one hand, CHORUS was included in our consolidated financial statements for the full year for the first time in 2017; in 2016, CHORUS was only considered for the values of the fourth quarter. On the other hand, we also benefited from favourable meteorological conditions in 2017. Key to our success, however, is the fact that we have continued in particular to actively expand our portfolio of solar and wind parks to include attractive locations with compensation structures that are secured for the long term. With the Netherlands and Denmark, we have succeeded in adding two more very attractive and promising markets in Europe. Overall, we have expanded our solar portfolio in financial year 2017 to nearly 96 megawatts (MW) and our wind portfolio to nearly 57 MW. Our expertise in operating these installations was proven once again in the reporting period with the excellent availability of our facilities of more than 98 %. Encavis Technical Services GmbH, headquartered in Halle (Saale), Germany, again significantly supported our technical operational unit.

With our solar and wind parks, we have continued to contribute substantially over the past year to the energy revolution in Europe and ensure the supply of safe and clean energy in the future. The cumulative power generation of our current portfolio was more than 2 terawatt-hours, which is enough to provide around one million 2-person households with power for an entire year and also cut around 1.5 million tonnes of climate-damaging CO_2 emissions.

Our portfolio consisting of 171 solar parks and 65 wind parks is currently spread across nine countries and has a total production capacity of more than 1.5 gigawatts (GW). Therefore, Encavis AG is already one of the leading independent and publicly traded electricity suppliers in the field of renewable energies in Europe.

We want to consistently expand this position in the years to come. Our goal is to grow in our core markets and enter new markets. Along the way, we have already achieved significant milestones by concluding two strategic partnerships. For example, we were able to conclude and announce a long-term strategic partnership with the UK-based project developer Solarcentury in November 2017. This partnership secures exclusive access to selected solar parks in Europe and abroad with a total generation capacity of 1.1 GW over the next three years. All transactions are made on the condition of achieving our return expectations as well as the respective results of our own due diligence. In March 2018, we successfully completed an initial project in partnership with Solarcentury for a solar park in the Netherlands with a generation capacity of around 44 MW.

In addition, we entered into a strategic partnership with the Ireland Strategic Investment Fund in 2018 to jointly invest around 140 million Euro in the renewable energy systems of the Irish project developer Power Capital in Ireland. Power Capital brings a pipeline of more than 20 parks with a total capacity of 140 MW to the partnership. In the Irish renewable energy market, we see particularly attractive opportunities to conclude private-sector power purchase agreements with energy-intensive companies that seek to cover as much of their future electricity needs as possible through renewable energy. Our strategic partnership with a government co-investor and a leading local developer places us in a sound position to capitalise on the positive development of the market in Ireland.

Both strategic partnerships make our continued growth process much more transparent and, apart from the wide range of opportunities currently on the market, provide us with a strong pipeline of attractive assets for years to come. At the same time, we remain true to the proven principles of our current investment strategy and assume no project risk. The positioning through these strategic partnerships helps us to secure exclusive access to markets and projects at an early stage, while controlling our further growth to reach our goals.

In the future, we want to enhance the sale of our ‘green electricity’ through direct, long-term private-sector power purchase agreements and expand this area of business by using economically attractive storage options. Private-sector power purchase agreements allow us to offer companies long-term stable and safe economic conditions for their power supply and on competitive terms. Assuming that this market will continue to see high growth rates in the next few years, we want to position ourselves now as one of the leading providers in this segment.

Institutional investors can also benefit from our expertise and experience in the renewable energy market. We offer a range of services that include advice on building a customised portfolio of renewable energy plants or fund-based participation in solar and wind parks. Within the Encavis Group, business activities with institutional clients are carried out by Encavis Asset Management AG, based in Neubiberg near Munich.

The growth prospects in the renewable energy market in general and in our business area in particular continue to be strong. Based on the current portfolio as at March 2018, we expect revenue to increase to more than 240 million Euro for the current financial year 2018. Furthermore, we expect to be able to achieve EBITDA of about 175 million Euro. At Group level, we forecast a further increase in operating EBIT to over 105 million Euro. The operating cash flow is expected to reach a value of about 163 million Euro. In addition, we expect operating earnings per share of 0.30 Euro, which is a significant increase compared to the corresponding value in 2017. Given their excellent quality, the Executive Board assumes that the technical availability of the assets in the portfolio in financial year 2018 will continue to be over 95 %.

We will finance our continued growth in part through existing investment funds as well as the addition of new facilities. In addition to our ability to finance through equity, we also take advantage of the currently favourable financing environment. For example, in 2017 we were able to place a perpetual subordinated 97.3 million Euro bond with temporary conversion rights on the capital market within only one day. We will use these funds to finance further growth. Furthermore, we were able to record this as equity in the financial statements due to the special design of the bonds in accordance with International Financial Reporting Standards (IFRS), thereby preserving our equity ratio, which we were able to increase to around 28 % in the period under review. In the future, we will use these and similar financing alternatives along with classic loans to finance our growth.

Naturally, we want to have you, our esteemed shareholders, participate in the successful development of our company in the last year. We have therefore suggested a distribution of dividends for the financial year in the amount of 0.22 Euro per voting share, which as in the previous years are granted as optional dividends. In addition, we have further increased the transparency and predictability for our shareholders with our dividend policy in 2017. You can therefore expect an increase in dividends of 50 % (nominal) until 2021 compared to the base year of 2016 (based on the portfolio from March 2017). This corresponds to a dividend of 0.30 Euro in 2021. With the proposed dividend of 0.22 Euro we are in compliance with the dividend strategy announced in the previous year.

As you can see, we have had a very eventful and successful year. ‘Encavis’ not only stands for proven success, but is also an expression of the further development of our company and business model. This includes the development and expansion of strategic partnerships as much as the early entry into the growing market for long-term private-sector power purchase agreements.

With Encavis, we are writing the next chapter in the successful history of our company and would like to invite you to continue with us on this path.

Hamburg, March 2018

The Executive Board

Dr Dierk Paskert
CEO

Dr Christoph Husmann
CFO

Holger Götze
COO

Dr Dierk Paskert
Chief Executive Officer (CEO)

Dr Christoph Husmann
Chief Financial Officer (CFO)

Holger Götze
Chief Operating Officer (COO)

The Encavis share

The share's key figures	
Listed since	28.07.1998
Subscribed capital	128,252,214.00 EUR
Number of shares	128.25 million
Stock exchange segment	Prime Standard
Dividend per share in 2015	0.18 EUR
Dividend per share in 2016	0.20 EUR
Dividend per share in 2017	0.22 EUR
52W high	7.18 EUR
52W low	5.85 EUR
Share price (19 March 2018)	6.72 EUR
Market capitalisation (19 March 2018)	870.83 Mio. EUR
Indices	SDAX, HASPAX, PPVX, Solar Energy Stock Index
Trading centres	XETRA, Frankfurt am Main, Hamburg
ISIN	DE 0006095003
Designated sponsor	Oddo Seydler Bank AG

Stock market year 2017

The German stock market developed extremely positively in 2017 on the whole. Prices rose sharply again following record highs on stock indices in 2016. The DAX closed at 12,918 points on 29 December 2017, the last trading day. This equates to an increase of 12.5 % on the closing price in 2016. The SDAX – on which the Encavis share is listed – posted even stronger gains in the same period and recorded an increase of 24.9 % at the end of the year with 11,887 points.

According to various experts, this positive development was due to the robust, recovering global economy, the loose monetary policy continually pursued by the European Central Bank (ECB) and continued low levels of inflation. Political tension caused by the Brexit referendum, developments in North Korea and the uneasy situation in Catalonia had little effect on developments on the international capital markets. The elections in the Netherlands and Germany also had virtually no impact. German indices were also relatively immune to the political developments in the US.

The major capital markets in other countries performed very positively, too, like the German indices. The major American indices were striving for a record high and developed at a tremendous pace. For example, the Dow Jones in the US reached the thousand mark time after time and increased by 25.1 % throughout 2017. Emerging market shares developed even more positively. The corresponding MSCI Index (MSCI Emerging Markets Index) posted gains of 37.3 % in the course of the year. The British FTSE 100 Index developed comparatively poorly but also recorded a double-digit increase. The key Chinese index CSI 300 picked up on the whole – apart from a minor slump in May and a significant drop in November – and ended the stock market year with a price increase of 21.8 %.

The Encavis share in stock market year 2017

The Encavis share mostly moved laterally in 2017 and was able to hold its own in a difficult year for green shares. It began the year at 6.42 Euro then fell to 6.07 Euro by the end of January. The share recovered quickly in February and its value increased up to the annual high of 6.75 Euro was reached on 2 March 2017. The share price could not stay at this level and moved sideways throughout the year between 6.00 Euro and 6.50 Euro. The share price temporarily improved at the end of August to 6.64 Euro following a string of positive news that the capital market also subsequently acknowledged. The upward revision of the forecast for the current financial year was published on 24 August 2017, followed by the announcement of the successful complete takeover of CHORUS Clean Energy AG. Encavis AG's share price picked up in the fourth quarter of 2017 and reached 6.46 Euro by the close of trading on 29 December 2017. This was also due in part to the strategic partnership with Solarcentury, which was announced on 1 November 2017.

Market capitalisation and trading volume in stock exchange year 2017

Encavis' market capitalisation on 29 December 2017 was some 829 million Euro (30 December 2016: 803 million Euro). There were 128,252,214 shares at the end of the reporting period, which caused the liquidity of the Encavis share to increase substantially compared to the previous year. On average, significantly more securities were traded on each trading day on the electronic trading platform XETRA than in the previous year (2017: 192,227; previous year: 102,626 shares).

Coverage – all analysts give the Encavis share a 'Buy' rating

Encavis AG's share was actively covered by eight banks and analyst firms at the start of March 2018. These are Baader Bank, Bankhaus Lampe, Berenberg Equity Research, DZ Bank, Macquarie, M.M. Warburg & Co., Quirin Privatbank Equity Research and ODDO Seydler. All analysts issue a 'Buy' recommendation or the assessment 'Outperform' for the share. They estimate a target price of EUR 8.38 on average, with target price valuations ranging between 7.80 Euro and 9.00 Euro. Encavis is currently holding talks with other renowned institutions that are interested in covering the share.

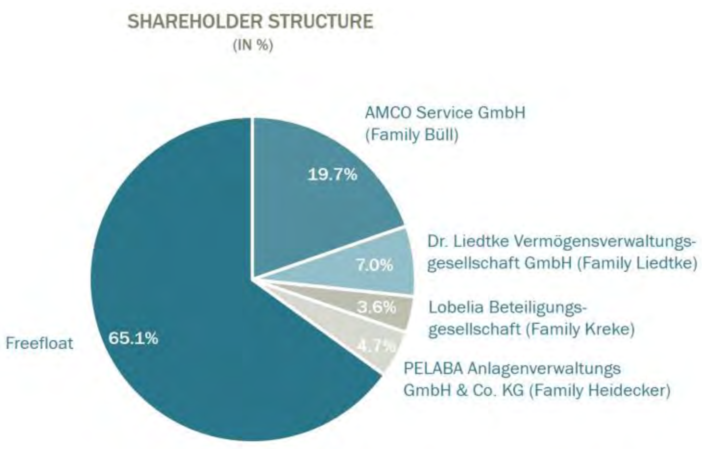
Encavis AG publishes a recent overview of analysts' target prices on its website under 'Investor Relations/Research'.

Shareholder structure

Encavis' shareholder structure essentially did not change in the reporting period. Major shareholders' investments in the company remained largely stable. AMCO Service GmbH, which belongs to the Büll family of entrepreneurs, increased its holding to almost 20 %. Almost two thirds of the shares are in free float.

The ownership structure of Encavis AG was as follows in March 2018:

- AMCO Service GmbH (Büll family) 19.72 %
- Dr. Liedtke Vermögensverwaltung GmbH 6.96 %
- PELABA Anlagenverwaltungs GmbH & Co. KG (Heidecker family) 4.68 %
- Lobelia Beteiligungsgesellschaft (Kreke family) 3.57 %
- Free float 65.07 %



Capital Markets Day

Encavis AG held the first Capital Markets Day on 6 April 2017. The Executive Board used this setting to inform investors and analysts about the extended group of companies, its business model and the future strategy. A number of interested participants enjoyed Encavis AG's Capital Markets Day, which gave institutional investors and coverage analysts a better understanding of the company's business model.

Annual general meeting

Encavis AG's annual general meeting took place on 18 May 2017. The shareholders and shareholder representatives in attendance represented around 54.21 % of the share capital. They approved all agenda items with a large majority, including the plan to trade as Encavis AG in future and not Capital Stage AG. The new name was entered in the Commercial Register on 26 February 2018.

A large majority of shareholders and shareholder representatives at the general meeting also approved the proposal put forward by the Executive Board and Supervisory Board to pay a dividend of 0.20 Euro per share from a portion of the net profit for financial year 2016. The dividend was offered as a stock dividend again, which allowed shareholders to choose between payment in cash or in the form of a dividend in kind of Encavis AG shares.

Information on Encavis AG's general meeting is available on the company's website under 'Investor Relations/General Meetings'.

Questions and information

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

Encavis AG has also been actively using social media such as Twitter (https://twitter.com/encavis) since June 2015 to share company news and information quickly and transparently.

The Investor Relations department is always at your disposal for questions and suggestions on the share and the company.

We look forward to hearing from you!

Encavis AG

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Encavis AG's financial calendar 2018	
Date	**Financial event**
20 April 2018	Bankhaus Lampe Germany Conference, Baden-Baden
8 May 2018	Annual general meeting, Hamburg
31 May 2018	Quarterly report for Q1 2018
30 August 2018	Interim financial report 2018
31 August 2018	Analyst earnings call H1 2018
30 November 2018	Quarterly report for Q3 2018

Report of the Supervisory Board

Dear shareholders,

The Supervisory Board, as composed throughout the year, exercised its rights and duties in accordance with the law, the articles of association and the rules of procedure without restriction in financial year 2017. It regularly advised the Executive Board in its management of the company and continuously oversaw material management measures for the Group. It also reviewed the risk management and compliance functions and believes that they satisfy the requirements in full. The Supervisory Board was directly involved in all decisions of particular note for the company. The Supervisory Board approved individual transactions insofar as this was required in accordance with the law, the articles of association or the rules of procedure.

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

The Supervisory Board held ten meetings in financial year 2017, four of which were regular, one inaugural and five extraordinary. All members of the Executive Board attended all the meetings, unless the chairman of the Supervisory Board determined otherwise. No member of the Supervisory Board attended less than half of the meetings held during their period of office in the past financial year. An overview of individual members' attendance can be found in the table below.

Supervisory Board members' attendance at meetings in financial year 2017*	Supervisory Board	Audit committee	Personnel committee
Dr Manfred Krüper, Chairman	10/10	2/2	2/2
Alexander Stuhlmann, Deputy Chairman	8/10	2/2	2/2
Christine Scheel	10/10	-	-
Albert Büll	9/10	-	2/2
Dr Cornelius Liedtke	8/10	-	-
Professor Fritz Vahrenholt	8/10	2/2	2/2
Peter Heidecker	9/10	-	-
Dr Jörn Kreke (until 17 May 2017)	1/2	-	-
Dr Henning Kreke (since 18 May 2017)	8/8	-	-
Professor Klaus-Dieter Maubach (since 31 May 2017)	7/7	-	-

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

The Executive Board sent detailed reports to the members of the Supervisory Board before all Supervisory Board meetings. If decisions requiring approval had to be made, the documents contained detailed submissions to facilitate the decision-making process. The Supervisory Board also passed eleven resolutions in circulation procedures. The resolutions passed by the Supervisory Board in circulation procedures included resolutions on the conclusion of loans, the acquisition of solar and wind parks in Germany, Denmark, the UK and the Netherlands as well as the conclusion of a strategic partnership.

Deliberation focus

The appointment of Dr Dierk Paskert as the new CEO of Encavis AG was a particular focal point for the Supervisory Board's deliberations and resolutions in financial year 2017.

At the meetings on 22 February 2017, 31 March 2017 and 27 June 2017, the Supervisory Board focused on the preparation and execution of the squeeze-out of the former CHORUS Clean Energy AG's minority shareholders, which was carried out in financial year 2017, and reporting to the Executive Board about the progress made in the merger of the two companies.

At the meetings on 6 and 26 September 2017, the Supervisory Board's deliberations and resolutions focused in particular on the further financing of Encavis AG's growth through the issue of a hybrid convertible bond in financial year 2017 – a very innovative form of financing never issued in Germany before in this form.

At the meetings on 27 June 2017 and 26 September 2017, the Supervisory Board focused on the establishment of a virtual stock option programme for the Executive Board and managers in order to increase employees' and Executive Board members' loyalty to the company.

At the meeting on 19 October 2017, the Supervisory Board focused on entering into a strategic partnership with the British project developer Solarcentury and in particular on the associated execution of potential projects in Mexico.

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

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

Meetings held by the personnel committee

The personnel committee is composed of Dr Manfred Krüper (Chairman), Alexander Stuhlmann, Albert Büll and Professor Fritz Vahrenholt. The committee held two meetings in the past financial year. Its deliberations focused on finding a suitable candidate for the position of CEO. The personnel committee extensively prepared the decisions on personnel matters that were made in plenary.

Meetings held by the audit committee

The audit committee is composed of Alexander Stuhlmann (Chairman), Dr Manfred Krüper and Professor Fritz Vahrenholt. The audit committee held two meetings in the past financial year. It dealt with the 2016 consolidated and annual financial statements and discussed these with the Executive Board prior to their publication. The auditors attended the meeting and reported on the findings of their audits. The audit committee also dealt with compliance issues relating to tax law, the current status of the audit and determined the focal points for the audit of the 2017 consolidated and annual financial statements together with the auditors. The audit committee also adopted guidelines on the collaboration with the auditors.

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

Corporate governance

In recognition of the fact that corporate governance significantly contributes to responsible, value-oriented management and control, the Supervisory Board also dealt with topics and issues relating to corporate governance in 2017. Together with the Executive Board, the Supervisory Board issued an annual declaration pursuant to Section 161 of the German Stock Corporation Act (AktG) on the recommendations contained in the German Corporate Governance Code. Further information on corporate governance can be found in the combined declaration on corporate governance in accordance with Section 315 (5) in conjunction with Section 289f of the German Commercial Code (HGB). The combined declaration on corporate governance also includes the corporate governance report prepared by the Executive Board and the Supervisory Board and the declaration on the recommendations contained in the German Corporate Governance Code. The combined declaration on corporate governance can be accessed permanently on Encavis AG's website at http://www.encavis.com/investor-relations/corporate-governance/.

The members of the Executive Board and the Supervisory Board disclose any conflicts of interest to the Supervisory Board without delay. The Supervisory Board did not have any indications of conflicts of interest on the part of the members of the Executive Board and the Supervisory Board in financial year 2017.

Audit of the annual and consolidated financial statements

The Hamburg branch of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Hamburg was the auditor of the annual financial statements and of the consolidated financial statements. The auditing firm issued an unqualified audit opinion on the annual financial statements of Encavis AG and the consolidated financial statements of the Encavis Group.

The Supervisory Board discussed the annual financial statements prepared pursuant to the German Commercial Code, the consolidated financial statements of Encavis AG and the combined management report in detail at its meeting on 22 March 2018, which the auditor also attended. The Executive Board's proposal regarding the appropriation of net profit was also discussed at the meeting. The consolidated financial statements in accordance with IFRS, the combined management report for Encavis AG and the Group, the annual financial statements of Encavis AG and the relevant auditor's reports were made available to all members of the Supervisory Board in due time. The auditors presented the most important findings of their audit and were available for further questions. The Supervisory Board raised no objections following its own examination and adopted the auditors' report. The audit committee discussed the annual and consolidated financial statements, the management report, Group management report, audit reports and the proposal on the appropriation of net profit at length in its meeting on 21 March 2018 in the presence of the auditors. The key audit matters were also discussed with the auditor. Following the Supervisory Board's own examination, there are no objections to be raised against the financial statements. The Supervisory Board therefore approved the annual financial statements of Encavis AG and the consolidated financial statements of the Encavis Group on 22 March 2018. The annual financial statements were thus adopted. The Supervisory Board supports the Executive Board's proposal for the appropriation of net profit, which provides for a dividend of 0.22 Euro per entitled share to be distributed for financial year 2017. The dividend will either be paid in cash or in the form of Encavis AG shares. The details of the cash distribution and the opportunity available to shareholders to choose shares will be provided in a document made available to shareholders, along with the invitation to the general meeting, that contains in particular information on the number and type of the shares and explains the background and details of the offer.

The dividend amount and the residual amount to be carried forward to new account in the proposed resolution on the appropriation of net profit are based on the eligible share capital on 31 December 2017 of 128,252,214.00 Euro, divided into 128,252,214 shares.

The number of eligible shares may change by the time the resolution on the appropriation of net profit is passed. In such a case, the Executive Board and the Supervisory Board will submit a suitably amended proposed resolution to the general meeting on the appropriation of net profit.

Changes in the composition of the Supervisory Board

Dr Jörn Kreke retired from the Supervisory Board on 17 May 2017. Dr Manfred Krüper, Mr Alexander Stuhlmann, Mr Albert Büll, Dr Cornelius Liedtke and Professor Fritz Vahrenholt were re-elected to the Supervisory Board at the general meeting on 18 May 2017. The general meeting also elected Dr Henning Kreke to the Supervisory Board at the suggestion of the Supervisory Board. Dr Manfred Krüper was elected as the chairman of the Supervisory Board and Alexander Stuhlmann was elected as his deputy in the Supervisory Board's inaugural meeting on 18 May 2017. As the Supervisory Board expanded from eight to nine members, Professor Klaus-Dieter Maubach was elected to the body at the general meeting on 18 May 2017 with effect from 31 May 2017, also at the suggestion of the Supervisory Board and the shareholders represented therein. The Supervisory Board formed its committees and appointed their members at the meeting on 18 May 2017.

The Supervisory Board would like to thank Dr Jörn Kreke again for his dedicated, constructive work and for his commitment in the interests of the company.

Changes in the composition of the Executive Board

Dr Dierk Paskert was appointed to the Executive Board of Encavis AG with effect from 1 September 2017 and was appointed CEO at the same time. In Dr Dierk Paskert, Encavis AG has been able to attract an experienced manager who has in-depth knowledge of the energy sector. He will use his skills and strategic vision to continue the company's profitable growth trajectory with the entire Executive Board.

The Supervisory Board would like to thank the Executive Board and all employees of the Encavis Group's companies for their commitment and personal contribution to the successful financial year 2017.

Hamburg, 22 March 2018

For the Supervisory Board

Dr Manfred Krüper

Chairman

Dr Manfred Krüper
Chairman of the Supervisory Board

Alexander Stuhlmann
Deputy Chairman of the Supervisory Board

Albert Büll
Member of the Supervisory Board

Dr Cornelius Liedtke
Member of the Supervisory Board

Christine Scheel
Member of the Supervisory Board

Dr Henning Kreke
Member of the Supervisory Board

Professor Fritz Vahrenholt
Member of the Supervisory Board

Professor Klaus-Dieter Maubach
Member of the Supervisory Board

Peter Heidecker
Member of the Supervisory Board

Table of Contents of Combined management report and Group management report

Management report and Group management report for the financial year 2017

General information

Following the merger of Capital Stage AG and CHORUS Clean Energy AG in 2017, both companies will trade as Encavis in the future. The two solar and wind park operators and experienced service providers for investments in renewable energy plants are therefore now also visibly combining their expertise for a common future. The name change affects Encavis AG (previously Capital Stage AG), Encavis Asset Management AG (previously CHORUS Clean Energy AG) and Encavis Technical Services GmbH (previously Capital Stage Solar Service GmbH).

By renaming the legal entities, the business transactions of former CHORUS Clean Energy AG were reallocated to the segments of Administration, PV Parks, Wind Parks and Asset Management. This allocation is in line with the Group's management of the segments, taking into account the substantive separation between business and asset management, and thus reflects the responsibility of the management in each segment. When referring below to the acquisition of former CHORUS Clean Energy AG or its impact on the Group as a whole, the term 'CHORUS Clean Energy AG' is used. If a statement only refers to the Asset Management segment and thus the business activities with institutional investors, then reference is made to 'Asset Management'. For statements that relate to the legal unit of Encavis Asset Management AG and which cannot be allocated to any of the aforementioned areas, reference is made to this company name.

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

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

The share capital amounts to 128,252,214.00 Euro and is divided into 128,252,214 no-par-value shares. The average number of shares issued (basic) in the reporting period was 127,583,861 (previous year: 89,498,004).

All disclosures in this report relate to 31 December 2017 or the financial year from 1 January to 31 December 2017, unless stated otherwise.

Basic information about the Group

Business model

Encavis AG, which is listed on the SDAX of the German stock exchange, makes use of the various opportunities to generate power using renewable energy. As an independent operator of environmentally friendly, emission-free power plants, Encavis has continuously developed its generation portfolio since 2009 and is one of the largest independent power producers (IPP) in Europe for renewable energy. The company's core business is the acquisition and operation of solar parks and onshore wind parks. In the acquisition of new plants, the company generally focuses on turnkey projects or existing plants that have guaranteed feed-in tariffs or long-term power purchase agreements and are in geographic regions that offer a stable economic environment and reliable framework and investment conditions. The solar and wind parks can therefore generate reliable, attractive returns and predictable cash flows.

Encavis also offers attractive opportunities to institutional investors through its subsidiary Encavis Asset Management AG to invest in plants 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.

Through the wholly owned subsidiary Encavis Technical Services GmbH, the company also ensures the highest technical availability possible of solar and wind parks at all times. The experience and expertise of the technical unit are also used in investment processes to review the structural quality and technical capacity of the parks to be acquired.

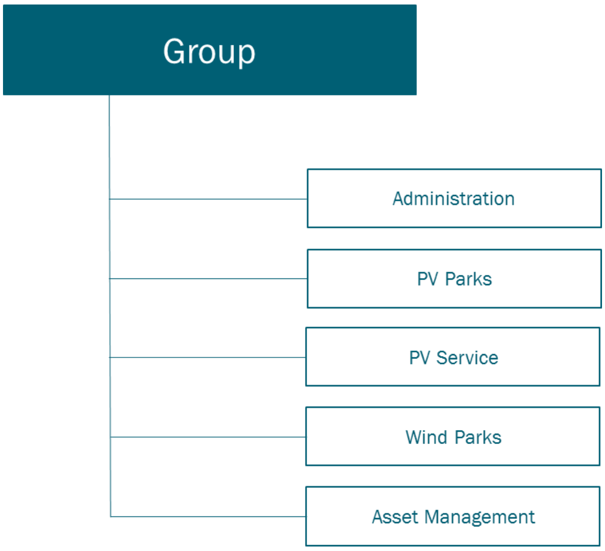
Encavis currently operates 171 solar parks and 65 wind parks with a capacity of more than 1.5 GW in Germany, Italy, France, the UK, Austria, Finland, Sweden, Denmark and the Netherlands. Of these, the Group operates eight solar parks and 34 wind parks for third parties in the Asset Management segment. By generating power from renewable energy, the Encavis Group makes a significant contribution to a sustainable, clean energy supply. Encavis generated more than 2 terawatt-hours (TWh) of power in 2017, which is enough to provide around one million 2-person households with green power for an entire year and also cut around 1.5 million tonnes of climate-damaging CO_2 emissions. The amount of power produced by the group of companies in 2017 that is reflected in revenue amounts to more than 1.3 TWh.

The Group will in future also pursue an acquisition strategy geared towards growth. In this respect, a solid, reliable regional site, experienced project developers and general contractors, the use of top-quality components, sound financing and not least attractive returns will continue to form the basis of the company's investment strategy.

Group structure

Encavis AG is the parent company of the Encavis Group. In addition to Encavis AG, the consolidated financial statements included 216 subsidiaries held directly or indirectly as at 31 December 2017 (previous year: 199).

The diagram illustrates the Group's segments as at 31 December 2017:



Administration	The segment comprises management-related transactions for the Group's parent company, Encavis AG, and transactions allocated to this segment from former CHORUS Clean Energy AG. Capital Stage Finance B.V. is also included in this segment.
PV Parks	The segment includes all solar parks in Germany, Italy, France, the UK and the Netherlands and any holding companies, as well as the transactions of Encavis AG and former CHORUS Clean Energy AG assigned to this segment.
PV Service	The segment comprises Encavis Technical Services GmbH as well as the transactions of Encavis AG assigned to this segment.
Wind Parks	This includes all wind parks in Germany, Italy, France, Austria and Denmark and the associated holding companies as well as the transactions of Encavis AG and former CHORUS Clean Energy AG assigned to this segment.
Asset Management	The segment includes those activities undertaken by Encavis Asset Management AG relating to the asset management field and other companies assigned to this field.

Encavis' internal control system

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

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

Encavis' EBITDA and EBIT take account of significant IFRS-related valuation effects, including, for example, the differences determined in the initial consolidation of new solar and wind parks in the context of purchase price allocations (PPA). These effects are nearly impossible to predict as they are related to future investments and are determined by various project-specific parameters.

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

The earnings forecast for financial year 2018 in the forecast report is also based on these adjusted financial figures.

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

- Operating cash flow
- Technical plant availability
- Revenue
- Adjusted operating EBITDA
- Adjusted operating EBIT

The achievement of key figures as regards technical plant availability, kilowatt hours produced and the resulting revenue is presented in the performance report each week and discussed with the Executive Board.

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

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

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

Operating EBITDA = IFRS EBITDA less the following effects:

- Income and expenses resulting from the disposal of financial assets and other non-operating cash income
- Other non-cash income, mainly gains from company mergers (badwill) and cancellation of the interest advantage from subsidised loans (government grants)
- Share-based remuneration and other non-operating expenses
- Select one-off expenses (e.g. resulting from the takeover of CHORUS Clean Energy AG)

Operating EBIT = IFRS EBIT less the following effects:

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

The financial control parameters for Encavis AG are essentially identical to the key figures used in the Group. EBITDA and EBIT adjustments at Encavis AG mainly relate to effects from disposals of financial assets, from currency translation and from other non-cash income. In contrast, revenue and technical plant availability are not considered control parameters as they are of no or only little importance to Encavis AG.

Framework conditions

Economic framework conditions

Global economic growth gains momentum

According to the International Monetary Fund (IMF), global economic output rose by 3.7 % in 2017 (2016: 3.2 %). This was laid down in the IMF's forecast report published in January 2018. The IMF's analysts were expecting an increase in global gross domestic product (GDP) of 3.6 % in October 2017. The upswing was announced in the second half of 2016 and gained momentum during the reporting period. This economic momentum resulted in growth of 2.3 % for industrial nations (2016: 1.7 %). In emerging countries, the rate of growth rose to 4.7 % (2016: 4.4 %) and thus recorded further increases.

Economic output in the eurozone grew by 2.4 % in the reporting period. The continuation of the zero-rate policy pursued by the European Central Bank (ECB), an improved labour market situation, the market environment developing very positively worldwide and increasing consumption by private households were conducive to this. Demand from non-EU countries rose, despite the strong euro, and brought about a rise in exports.

Spain recorded GDP growth for the third year in a row of 3.1 % and the Italian economy is also showing noticeable signs of recovery with growth of 1.6 % for the first time in three years. Although the risk of the eurozone collapsing seems remote for the time being, the debt crisis – which is still strongly felt in Greece – is still far from resolved.

The German economy once again proved to be a haven of stability within Europe and grew by 2.5 %. Adjusted for inflation, this corresponds to an increase in GDP of 2.2 % according to the Federal Ministry for Economic Affairs and Energy (BMWi). This also marks the highest level of economic growth since 2011. Private consumer spending rose significantly by 2.0 % in the past year, driven by strong employment and high wages. In addition to an increasing propensity to buy on the part of consumers, the improved global economic environment also gave rise to increased foreign trade.

The US economy recorded a strong first half of 2017, but development was somewhat poorer towards the end of the year. Nonetheless, it achieved robust growth of 2.3 % (2016: 1.5 %). The continuing fall in unemployment and increasing consumer spending in particular stimulated the economy. However, the IMF is no longer anticipating a special economic upswing as a result of Trump's 'America First' campaign.

For financial year 2018 and next year, the IMF expects further growth in the global economy. Global growth might then be 3.9 %, driven by the current upswing in Europe and Asia and the tax reform in the US. In their last forecast in autumn 2017, the economists were not as optimistic and predicted an increase of some 3.7 % per year.

Currency developments in 2017

The fears expressed in 2016 that the euro would depreciate further against the US dollar did not materialise. Instead, the euro appreciated significantly against the US dollar in the reporting period. While the US dollar cost 1.034 Euro on 3 January 2017, the euro reached its highest level of 1.209 per US dollar on 8 September 2017. The euro was strengthened in particular by the positive economic development and the stabilisation of political conditions in the European Monetary Union. The election of Emmanuel Macron as the French president and the resultant hope for a breath of fresh air in the European Union, the subsiding commotion about Brexit and an imminent rethink of the European

Central Bank's monetary policy contributed to this. The euro also gained ground against other important currencies. For example, it gained in value against the Swiss franc, the Japanese yen, the British pound, the Russian rouble and the Brazilian real.

The market for renewable energy

The global energy revolution

The growth of renewable energy continued in 2017. Energy markets worldwide are in the midst of transformation as conventional sources of energy and fossil fuels are increasingly being supplemented or replaced by the growth and use of regenerative energy sources.

The global energy revolution will primarily be defined by the following factors in particular:

- The negative effects of climate change and resulting new, stronger international agreements on climate protection and fighting global warming, like the global Paris Agreement that entered into force in 2016. There are also numerous other national and supranational initiatives and measures to achieve climate targets, to stop using nuclear power and to create a carbon-free economy.
- Private initiatives such as 'RE100' show that businesses are also increasingly interested in covering a large part of their energy needs with renewable energy, even in the absence of government regulations and legislative initiatives. There are numerous reasons for this. In addition to sustainability aspects and a boosted image and reputation, the increasing efficiency of renewable energy and the ability to plan energy costs in the long term as a result of long-term power purchase agreements play a major role.
- The significant decline in power generation costs, especially for photovoltaics and wind energy, has led to a drastic increase in competitiveness and in the efficiency of power generation from renewable sources.
- This greater efficiency is also due to the rapid technical development and significant price decline of modern storage capacities. Battery storage will in future allow for energy to be supplied more independently of weather conditions based on the use of renewable energy sources. The future linking of renewable energy and battery storage offers high security of supply and has the potential to become the superior energy system of the future.
- Energy requirements are also increasing worldwide. The digitisation of the economy, the progressing urbanisation of society and electromobility will only increase global energy requirements. For example, by 2040, an increase of some 30 % is expected in global energy requirements compared to 2015.

According to the German Solar Association, photovoltaic systems with a generation capacity of almost 100 GW were installed worldwide in 2017. The generation capacity installed thus reached almost 400 GW. According to the Global Wind Energy Council, around 53 GW of new wind capacities were also installed worldwide in 2017. The generation capacity installed worldwide for wind energy thus amounted to some 540 GW at the end of 2017 (2016: 487 GW).

Political framework conditions

International UN Paris Agreement

The UN Climate Change Conference in Paris in December 2015 was a historic date as almost 200 countries concluded a global climate change agreement for the first time. The main objective of the agreement is to limit any further increase in global warming to significantly below 2 degrees, and preferably to 1.5 degrees.

Climate researchers believe the main reason for global warming is the emission of greenhouse gases such as CO_2. Therefore, the volume of emitted greenhouse gases should be reduced to a level that the environment can absorb in the second half of the century at the latest.

Climate policy within the European Union

The European Union ratified the Paris Agreement and is committed to the climate targets defined in the agreement. The European Union also set its own climate targets prior to the Paris Agreement within the scope of its climate and energy policy applicable up to 2030. These primarily include:

- The reduction of greenhouse gas emissions by at least 40 % (compared to 1990 levels)

- An increase in the proportion of renewable energy sources to at least 27 %
- An increase in energy efficiency by at least 27 %.

The European Union's Energy Roadmap also provides for a transition to a competitive, low-carbon economy by 2050. These targets are to be achieved by means of national and joint measures at European level. To create comparable framework conditions within the European Community, the EU has adopted environmental and energy aid guidelines that national aid programmes for renewable energy must observe. It was determined in April 2014 that renewable energy will predominantly be subsidised in the EU on the basis of tenders from 2017.

The European Union's climate and energy policy therefore predominantly focuses on further expanding renewable energy in order to achieve its targets. The European market for renewable energy will thus continue to be a growth market in the future. As at March 2018, Encavis AG only operates in European countries.

Political framework conditions in core regions

Germany – implementation of the EEG 2017

The Renewable Energy Sources Act 2017 entered into force in Germany on 1 January 2017. Its aim is to increase the amount of renewable energy used to 30 to 45 % of gross power consumption by 2025. The act takes account of the EU requirement that Member States must ensure the subsidies for renewable energy are competitive and oriented to the market. The new EEG therefore focuses on more competition. For example, in future, the amount of subsidies for all major technologies in the field of renewable energy will be determined by tenders. An award in a tendering procedure will therefore in future determine the amount of the subsidy, which in turn will be granted for a period of 20 years.

Following the introduction of the tendering procedure for photovoltaics, the average award value of 6.58 Eurocent per kilowatt-hour (kWh) in the first tender round fell to 4.91 Eurocent per kWh in the last tender round in October 2017. In February 2018, the average award value fell again to 4.33 Eurocent per kWh.

The tendering procedure has been used for onshore wind turbines since 2017. The first three tender rounds for onshore wind were carried out in May, August and November 2017. The Federal Network Agency calculated a volume-weighted award value of 5.71 Eurocent per kWh in May 2017 and 3.82 Eurocent per kWh in November 2017 across all offers put forward. In February 2018, the average award value for onshore wind turbines rose again to a level of 4.60 Eurocent per kWh.

The EEG 2017 also establishes specific growth targets for different technologies. For example, 2,800 MW should be put out to tender for onshore wind every year for three years and 600 MW should be put out to tender for photovoltaic systems from 750 kW each year.

The expansion of renewable energy continued in Germany in the reporting period. New plants with a generation capacity of some 1.8 GW were built in the photovoltaic sector, while the (onshore) wind sector saw the addition of new plants with a capacity of 5.3 GW, which corresponds to an increase of around 15 % on the previous year.

France – capacity to be doubled by 2023

In France, the subsidisation of renewable energy plants moved from fixed feed-in remuneration to direct marketing with a moving market premium in 2016. Plant operators are therefore obliged to sell their power on the market. Tenders for onshore wind turbines are also planned for the future.

The French Ministry for an Ecological and Inclusive Transition announced in May 2017 that operators of small onshore wind power plants with fewer than six turbines (with a maximum capacity each of 3 MW) will receive a premium on the market price for a period of 20 years.

Tenders will also be introduced in future for onshore wind power plants. A total volume of 3 GW is to be put out to tender over the next three years. Two tender rounds will take place each year, apart from in 2017. The lowest offer will be awarded the subsidy in each case. The moving market premium is applicable for a period of 20 years.

The French Ministry of Environment also announced that the annual tender volume will gradually be increased to 2.45 GW from 2018. A tender system has already been in use in France for years for photovoltaic systems. For successful bids, the remuneration is granted for a period of 20 years. The average award value for ground-mounted systems was most recently some 5.4 Eurocent per kWh.

The UK plans to phase out coal

The UK's declared aim is to move towards a low-carbon economy. The country is focusing on a combination of renewable energy, new nuclear power plants and natural gas. In 2008, the UK defined target figures in the Climate Change Act that it wishes to achieve by 2050. These targets include a 34 % reduction in the emission of greenhouse gases by 2020 compared to 1990 levels, and an 80 % reduction by 2050. Three coal-fired plants were disconnected from the grid in 2016, with a further seven set to follow by 2022. Only one plant will remain in use after this date, which will be closed down in October 2025 due to new air pollution standards.

The framework conditions for British energy policy also changed in June 2016 as the electorate voted to leave the European Union. Although EU regulations on climate and energy policy have been transposed into UK law and will therefore continue to apply after the country leaves the EU, uncertainty surrounding investments is nevertheless expected to increase.

As part of an energy policy geared towards reducing the emission of carbon dioxide, the UK has used 'contracts for difference' (CfD) since 2013 in particular as a primary means to subsidise low-CO_2 power generation technologies. CfDs are awarded in auctions in the UK. When successful, bidders essentially receive the difference between the auction price and the market price for a period of 15 years.

However, PV ground-mounted systems up to 5 MW continue to benefit from fixed feed-in remuneration guaranteed by the government for a period of 20 years. Onshore wind power plants have not been subsidised since April 2016, although existing plants are still eligible.

Denmark wants independence from fossil fuels by 2050

Denmark implemented its first feed-in law as early as 1981. The Danish government is pursuing a long-term strategic goal of eliminating Denmark's dependence on fossil fuels by 2050. Around 50 % of power should stem from renewable sources by 2020, and this figure should increase to more than 80 % by 2035.

Similarly to the German EEG, the Danes pay a fixed feed-in tariff for onshore wind power plants of around 3.35 cents per kWh (0.25 Danish krone). All revenue above this tariff from power sold on the market also constitutes additional income. The feed-in remuneration is not paid for a fixed period, unlike the German EEG, but for the first 22,000 full load hours per MW. The expansion of renewable energy will also be subsidised in future in accordance with the Danish government's climate targets.

Italy – high proportion of renewable energy in the power mix

Government subsidies for renewable energy have largely been phased out in recent years in Italy. The feed-in remuneration for solar power was also changed retroactively in 2014, with effect from 1 January 2015. Among other things, this was related to the development of costs resulting from the high subsidies in the early years as well as political strategy reasons.

Beyond a number of tax incentives, renewable energy plants in Italy will be self-supporting in future and will no longer receive any significant government funding. Nevertheless, Italy is a leader among EU countries for its proportion of renewable energy as a result of its very early, attractive subsidies for renewable energy.

Austria – 100 % of power generated by renewable energy by 2030

In Austria, a government programme aims for 100 % of power to be generated from renewable energy sources by 2030. Wind power plants with a total generation capacity of around 2,844 MW were connected to the grid in Austria at the end of 2017. A new funding model for wind power plants is currently being discussed in Austria, even though the expansion of wind power has declined further in the country. 143 new wind turbines were constructed in 2014, compared to only 63 in 2017.

Significant events

Additional capital commitment from an institutional client

CHORUS Clean Energy AG announced on 20 April 2017 that it can invest another 50 million Euro, including debt capital, through one of its Luxembourg SICAV special funds. A bank based in Germany, which had previously invested in the sub-fund CHORUS Infrastructure Fund S.A. SICAV-SIF Renewables Europe I ('CHORUS Renewables Europe I'), significantly increased its commitment. The increase in funds should allow the portfolio of renewable energy plants in European countries to be expanded further.

Encavis acquires its first wind park in Denmark

Encavis announced its purchase of a wind park in Denmark on 23 May 2017. The park has a total generation capacity of 15 MW and guaranteed government feed-in remuneration for a fixed number of full load hours per MW. The acquisition of the first two of five wind turbines was contractually agreed on 18 May 2017. The wind turbines are already in operation and have been connected to the power grid since early 2016. The total investment volume, including the external financing for the project, will amount to some 19 million Euro. The wind park is in a windy region close to the North Sea, some five kilometres north west of Ringkøbing. There are a total of five V90 wind turbines, manufactured by the Danish company Vestas, which each have a capacity of around 3 MW. The wind park benefits from government feed-in remuneration of around 33.5 Euro per MWh, which is paid for the first 22,000 full load hours per MW in Denmark. Encavis assumes that the wind park will generate revenue contributions of more than 2 million Euro in the first full year of operation.

Successfully completed acquisition of CHORUS Clean Energy AG

Encavis AG acquired a further 54,999 shares in CHORUS Clean Energy AG from an institutional investor in February 2017 and therefore increased the participation rate required for a squeeze-out to 95.0037 % of CHORUS Clean Energy AG's share capital. At CHORUS Clean Energy AG's annual general meeting on 22 June 2017, the company's shareholders approved CHORUS Clean Energy AG's squeeze-out request with more than 99 % of the share capital represented. The minority shareholders received appropriate cash compensation in the amount of 11.92 Euro per entitled share for the transfer of their shares to Encavis AG. Following the entry of the transfer resolution passed by the annual general meeting of CHORUS Clean Energy AG in Neubiberg in the Commercial Register on 24 August 2017, Encavis AG now holds all shares in CHORUS Clean Energy AG (ISIN DE000A12UL56/ISIN DE000A2BPKL6). Encavis AG has therefore successfully completed the acquisition of CHORUS Clean Energy AG as planned. CHORUS Clean Energy AG's shares were officially delisted from the General Standard of the German stock exchange.

Placing a perpetual, subordinated 97.3 million Euro bond

On 6 September 2017, Encavis AG successfully placed a perpetual, subordinated 97.3 million Euro bond with temporary conversion rights on the company's ordinary bearer shares.

The hybrid convertible bond was issued by Capital Stage Finance B.V., a wholly owned subsidiary of Encavis AG based in the Netherlands. The hybrid convertible bond is guaranteed by Encavis on a subordinated basis. There is no fixed deadline for repayment of the hybrid convertible bond. The hybrid convertible bond can be converted into fully paid-in new and/or existing ordinary bearer shares in the company (the 'ordinary shares') by the tenth trading day before 13 September 2023 (the 'first redemption date'). The initial conversion price was set at 7.5943 Euro, which corresponds to a premium of 25.0 % on the volume-weighted average price of the ordinary shares on XETRA between the beginning and end of the placement.

The coupon for the hybrid convertible bond will be 5.25 % p.a. from the settlement date until the first redemption date. After the first redemption date and subsequently on a five-year cycle – provided the hybrid convertible bond is not redeemed or has been converted - the interest rate for the hybrid convertible bond will be fixed at 1,100 basis points above the 5-year EUR swap rate at the respective due date. The interest is payable every six months in arrears. Subject to certain requirements, Encavis may decide to defer any scheduled partial or total payment of the interest. Such non-payment of interest does not constitute default or a breach of any other obligation.

The hybrid convertible bond will be issued at 100 % of its par value and may be redeemed by Encavis at 100 % of its par value together with all accrued and outstanding interest and all outstanding retroactive interest. This option will be available to Encavis for the first time on the first redemption date and then on every subsequent interest payment date. Encavis will be able to mandatorily convert the hybrid convertible bond at any time from 4 October 2021 (not from 13 September 2021, as previously reported). Notice can only be given of the premature mandatory conversion if the share price corresponds to 130 % of the conversion price, or exceeds this amount, for a certain period of time.

Encavis AG enters into long-term strategic partnership with project developer Solarcentury

On 2 November 2017, Encavis AG announced that it had entered into a strategic partnership with Solarcentury, a leading global developer and operator of solar parks. As part of this partnership, Encavis will secure access to selected solar parks in Europe and Mexico with a total generation capacity of 1.1 GW over the next three years. Encavis thus has the potential to increase its generation capacity from around 1.5 GW to up to 2.6 GW. All transactions are subject to due diligence by Encavis AG.

As a first step, Encavis will have exclusive access to solar park projects in Europe with more than 360 MW. The investment volume of these solar parks, including the external financing for the project, will amount to some 330 million Euro.

First acquisition of solar parks in the Netherlands

Encavis has acquired its first two solar parks in the Netherlands. The photovoltaic plants will have a total generation capacity of 47.6 MW and are expected to be connected to the grid in October 2018. The total investment volume, including the external financing for the project, will amount to 44.5 million Euro. The solar parks in Melissant and Ooltgensplaat are both in the province of South Holland (Zuid-Holland). They have a capacity of 10.0 MW and 37.6 MW, respectively. The projects will receive feed-in remuneration of 10.7 Eurocent per kilowatt-hour in the first 15 years. The photovoltaic plants are being sold by the Dutch project developer Sunstroom Engineering B.V. Encavis AG anticipates that the photovoltaic plants will generate revenue of around 5 million Euro from the first full year of operation. The seller will be responsible for the technical management for the first five years after the solar parks are commissioned. Encavis will be responsible for commercial management.

Comparison of the actual and forecast figures in 2017

Encavis' Executive Board assumed in the forecast issued in the management report 2016 in relation to the operating figures adjusted for non-cash IFRS effects that the positive development of revenue and earnings will continue in financial year 2017.

Group	Forecast in AR 2016	Forecast in August 2017	Actual in 2017 (operating)	Actual in 2016 (operating)	% change on the previous year
In Mio. EUR					
Revenue	>200	>215	222.4	141.8	+56.8
EBITDA	>150	>160	166.8	106.1	+57.2
EBIT	>90	>97	100.4	61.6	+63.0
Operating cash flow	>140	>150	153.0	103.8	+47.4
Technical plant availability in %	>95	>95	98	98	0

The forecast revenue was once again exceeded in financial year 2017, in part due to the higher levels of sunshine at overall portfolio level compared to the same period in the previous year. As in the previous year, both the solar park portfolio and the wind park portfolio recorded significant growth. In the reporting year, earnings generated by the solar parks and wind parks assumed as part of the acquisition of CHORUS Clean Energy AG in October 2016 affected Group figures on a full-year basis for the first time and therefore made a significant contribution to the increase in revenue and other earnings figures. Only earnings from the fourth quarter of 2016 were included in the previous year. Generally speaking, there is more planning uncertainty in the wind segment than in the photovoltaic segment. The amount of wind is subject to greater annual fluctuations than sunshine. While the wind park portfolio was below expectations for the overall year due to weather conditions, the cross-border solar park portfolio exceeded forecasts. Despite the lower levels of wind in the course of the year, forecasts made in August 2017 were exceeded. This was, in particular, due to lower levels of wind in the first half of 2017, which was already reflected in the forecast given in August 2017, while the volume of wind in the second half of 2017 again exceeded expectations.

Fortunately, the forecast issued in August 2017 based on the existing portfolio as at 24 August 2017 was also exceeded in respect of EBITDA and EBIT. This mainly reflects the higher level of sunshine as well as levels of wind in the second half of the year which were above expectations.

The operating financial result is shaped by the acquisition of the new solar parks and wind parks, which were financed to a large extent using debt capital. Following the acquisition of CHORUS Clean Energy AG in October 2016, it was included in the Group's consolidated companies on a full-year basis for the first time in financial year 2017. The operating financial result therefore decreased from TEUR -38,683 in the previous year to TEUR -53,648 in financial year 2017.

The operating cash flow increased from 103.8 million Euro in the previous year (adjusted for one-off expenses in 2016 resulting from the acquisition of CHORUS Clean Energy AG in the amount of 8.5 million Euro) to 153.0 million Euro in financial year 2017.

Segment development

PV Parks segment

In terms of the kWh generated, Encavis' solar park portfolio was cumulatively around 3 % above target. The Italian solar park portfolio contributed to this by cumulatively exceeding its target by 9 %, while the French portfolio cumulatively exceeded its target by 4 % and the German portfolio cumulatively exceeded its target by around 2 %. Only the British solar park portfolio did not meet its target.

The power supplied by the solar parks held by the Group in financial year 2017 was 737,101 MWh (previous year: 555,813 MWh). The power generated thus increased some 33 % on the previous year. The acquisition of the former CHORUS companies in the fourth quarter of 2016 made a significant contribution to the increase. Of the power supplied, 34 % (previous year: 29 %) was attributable to the solar parks in Germany, 30 % (previous year: 25 %) was attributable to the solar parks in Italy, 25 % (previous year: 32 %) was attributable to the solar parks in France, and 11 % (previous year: 14 %) was attributable to the solar parks in the UK.

The following solar parks were acquired in financial year 2017:

- Piemonte Eguzki 2 S.r.l., Italy, Group share of 100 %
- Piemonte Eguzki 6 S.r.l., Italy, Group share of 100 %
- De-Stern 1 S.r.l., Italy, Group share of 100 %
- De-Stern 4 S.r.l., Italy, Group share of 100 %
- De-Stern 15 S.r.l., Italy, Group share of 100 %
- Todderstaffe Solar Ltd., UK, Group share of 100 %
- Enerstroom 1 B.V., Netherlands, Group share of 100 %
- Enerstroom 2 B.V., Netherlands, Group share of 100 %
- Cmore Energy Ltd., UK, Group share of 100 %
- Emerald Electron Ltd., UK, Group share of 100 %
- Push Energy (Gosfield Airfield) Ltd., UK, Group share of 100 %
- Push Energy (Wisbridge) Ltd., UK, Group share of 100 %
- Green Energy 018 GmbH & Co. KG, Germany, Group share of 100 %

Wind Parks segment

Encavis' wind park portfolio as at 31 December 2017 included 31 wind parks with a total capacity of 318 MW. The wind parks are located in Germany, Italy, France, Austria and, as of this year, also Denmark. The level of wind power generated in terms of kWh was lower than the long-term average, making the wind park portfolio cumulatively below target at 31 December 2017.

The following wind parks were acquired in financial year 2017:

- Energiepark Passow WP Briest III GmbH & Co. KG, Germany, Group share of 100 %
- UGE Malterhausen GmbH & Co. KG Umweltgerechte Energie, Germany, Group share of 100 %
- UGE Markendorf Eins GmbH & Co. KG Umweltgerechte Energie, Germany, Group share of 100 %
- Windenergieanlagen Norhede, Denmark, Group share of 100 %
- Energiepark Odisheim GmbH & Co. WP ODI KG, Germany, Group share of 49 %
- Energiepark Hürth-Barbarahof WP HB GmbH & Co. KG, Germany, Group share of 49 %
- Energiepark Debstedt 2 RE WP DE GmbH & Co. KG, Germany, Group share of 49 %

The acquisition of the remaining 51 % of the shares in the ‚Odisheim' and ‚Hürth-Barbarahof' energy parks was concluded with the beginning of operation of the parks in January and February 2018, respectively. The acquisition of the remaining 51 % of the shares in the ‚Debstedt 2' energy park has not been completed yet, but is contractually agreed following the fulfullment of certain requirements.

PV Service segment

Encavis Technical Services GmbH, Group share of 100%

Earnings of Encavis Technical Services GmbH after tax in financial year 2017 were TEUR 1,243 and therefore TEUR 276 higher than in the previous year (TEUR 967). While revenue and other income recorded an increase of TEUR 98, depreciation and amortisation and the cost of materials, personnel expenses and other expenses fell by TEUR 176. The financial result was at a similar level as in the previous year (TEUR -19) at TEUR -17. The company assumes technical management for many German and Italian solar parks in the Encavis Group. The volume managed within the Group was 209 MWp as at 31 December 2017.

Encavis Technical Services GmbH also took over contracts in 2012 for the technical management of parks that are not part of the Encavis Group. The parks are in Saxony-Anhalt, Thuringia, Brandenburg and northern Italy. The volume managed outside the Group was around 13 MWp.

Asset Management segment

Following Encavis AG's successful merger with CHORUS Clean Energy AG in October 2016, whose business activities included solar and wind parks as well as asset management for institutional investors, the Group gained the new asset management segment. The asset management field covers all services for third-party investors, such as the launching of funds, the individual design and structuring of other investments for professional investors in the field of renewable energy and the management of the investments held by these investors. As at 31 December 2017, the portfolio comprised eight solar parks and 34 wind parks in Germany, Italy, France, the UK, Finland and Sweden.

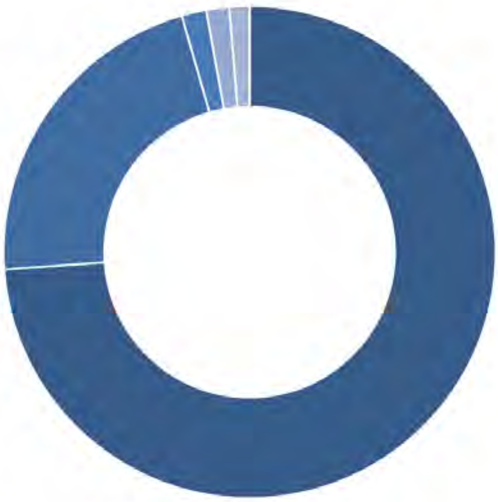
Earnings after tax in financial year 2017 were TEUR -1,424 (Q4 2016: TEUR 4,387). Revenue and other income in the amount of TEUR 4,241 (Q4 2016: TEUR 2,071) was offset by cost of materials, personnel expenses, other expenses, depreciation and amortisation, a financial result and taxes in the amount of TEUR -5,665 (Q4 2016: TEUR 2,316).

Results of operations, financial position and net assets of the Encavis Group

Results of operations

The Group generated revenue in the amount of TEUR 222,432 in financial year 2017 (previous year: TEUR 141,783). The growth of around 57 % was driven by the expansion of the solar park portfolio and the wind park portfolio. The solar and wind parks assumed as part of the acquisition of CHORUS Clean Energy AG in October 2016, and included in the Group earnings on a full-year basis for the first time in financial year 2017, contributed to the increase in particular. The Italian and German solar parks generated higher income compared to the previous year in the amount of 30.9 million Euro and 19.3 million Euro, respectively. The French and British solar parks also contributed to the growth with revenue increases of 2.1 million Euro and 1.1 million Euro, respectively. The wind park portfolio recorded an increase in revenue of 25.8 million Euro, including in particular the German wind parks which contributed growth of 17.7 million Euro. The revenue also included income in the amount of 3.7 million Euro (previous year: 2.2 million Euro) from the Asset Management segment. The revenue comprises the delivery of power to the power grid, the management of parks for third parties and proceeds from asset management.

Revenue is broken down by segment as follows:



TEUR 3,127 (previous year: TEUR 2,873) of the revenue in the PV Service segment was revenue from subsidiaries and has been eliminated in the consolidated financial statements. This revenue was for technical management services that Encavis Technical Services GmbH renders for solar and wind parks within the Group. The Wind Parks segment includes TEUR 2 (previous year: TEUR 0) of internal Group revenue that is to be eliminated. TEUR 3,024 (previous year: TEUR 319) and TEUR 31 (previous year: TEUR 4) of the revenue in the Administration segment and the Asset Management segment, respectively, stemmed from intra-Group charges which were eliminated in the consolidated financial statements.

The Group generated other income in the amount of TEUR 31,245 (previous year: TEUR 29,399). In accordance with IFRS 3, the Encavis Group provisionally allocated purchase prices at the time of acquisition of the solar and wind parks in financial year 2017 in order to include the acquired assets and liabilities in the consolidated financial statements. All acquired assets and liabilities – of which the Group was aware at that time – were identified and valued at their fair value as part of the purchase price allocations. This resulted in a negative difference of TEUR 21,341 (previous year: TEUR 21,093) that was credited to income in financial year 2017. This included changes to two provisional purchase price allocations within the assessment period in accordance with IFRS 3.45 for solar parks acquired in the course of 2016 in the amount of TEUR 286. In addition, long-term assets increased to TEUR 245 compared to the preliminary purchase price allocation of the Todderstaffe solar park and the presentation published in the 2017 half-yearly report. After taking into account corresponding deferred tax effects, badwill increased to TEUR 235. The purchase price allocation was adjusted due to corrections in the valuation of intangible assets and property, plant and equipment.

Furthermore, the temporary nature of the ten purchase price allocations in financial year 2017 is due to the fact that the technical assessments and the corresponding final version of the planning calculations that form the basis for the valuation of intangible assets are not yet complete.

This item also includes income from the release of deferred income (government grants) of TEUR 2,180 (previous year: TEUR 2,191) and non-period income of TEUR 2,998 (previous year: TEUR 1,253). TEUR 645 of the non-period income is accounted for by the reversal of provisions.

The cost of materials amounted to TEUR 1,514 in the reporting period (previous year: TEUR 1,326). The increase is predominantly due to higher expenses for purchased power on account of the expansion of the solar park and wind park portfolio.

Personnel expenses rose from TEUR 8,541 in financial year 2016 to TEUR 10,972 in the reporting year. The increase is due to a small extent to the expansion of the team at Encavis AG and to a larger extent to the increase in staff resulting from the acquisition of CHORUS Clean Energy AG in October 2016. In financial year 2017, TEUR 133 (previous year: TEUR 162) from the stock option programme (SOP 2012) and TEUR 36 from the stock option programme relaunched for financial year 2017 (SOP 2017) were recorded as personnel expenses. The expenses for the SOP 2012 resulted from the valuation of options at their fair value on the relevant issue dates and have been recorded for the second to fourth and the sixth tranche of the programme. The SOP 2017 is an annually recurring, long-term remuneration component related to the overall performance of the Encavis share. An allotment amount defined by the Supervisory Board is converted into virtual stock options known as share appreciation rights (SARs). The amount of the variable component was calculated based on the SOP 2017 plan, which entered into force on 1 July 2017.

Besides the Executive Board, the Encavis Group employed 108 employees as at 31 December 2017 (previous year: 93). The increase mainly results from the acquisition of the TREUCON Group and the growth-related expansion of the teams at Encavis AG and Encavis Asset Management AG.

Other expenses in financial year 2017 amounted to TEUR 50,773 (previous year: TEUR 37,562). This includes in particular the costs of operating solar and wind parks in the amount of TEUR 37,003 (previous year: TEUR 27,741). The increase is primarily due to the portfolio expansion as well as the solar parks and wind parks that were included only on a pro rata basis in financial year 2016. Expenses for technical and commercial management, leases, repairs, maintenance, insurance and ongoing business were incurred, including vehicle costs, costs for IT and telecommunications and remuneration for the Supervisory Board. Other expenses also include costs for transactions, due diligence and (legal) consulting in the amount of TEUR 5,027 (previous year: TEUR 6,297) .

Thus, in financial year 2017, the Group generated earnings before interest, taxes, depreciation and amortisation (EBITDA) in the amount of TEUR 190,417 (previous year: TEUR 123,752). The EBITDA margin amounts to approximately 86 % (previous year: 87 %).

The depreciation and amortisation in the amount of TEUR 102,493 (previous year: TEUR 64,028) mainly relates to the scheduled depreciation of photovoltaic and wind power plants and the amortisation of intangible assets. The increase mainly resulted from the newly acquired solar parks and wind parks that were only included in the previous year on a pro rata basis.

The company had carried out impairment tests for goodwill at the reporting date. The impairment tests were carried out on the basis of the future discounted cash flows and gave rise to an impairment loss of TEUR 0 (previous year: TEUR 517).

Earnings before interest and taxes (EBIT) rose from TEUR 59,724 in the previous year to EUR 87,924 in financial year 2017. This corresponds to an EBIT margin of around 40 % (previous year: 42 %).

Financial income rose from TEUR 5,654 in the previous year to TEUR 13,701 in the reporting year. Income in the amount of TEUR 9,813 (previous year: TEUR 1,341) includes interest income from the cancellation of step-ups for bank loans and leasing liabilities. Income in connection with changes in the market values of interest rate swaps amounted to TEUR 3,287 (previous year: TEUR 2,921). Financial expenses were incurred in the amount of TEUR 60,844 (previous year: TEUR 54,407). These mainly include interest expenses for non-recourse loans to finance investments in park companies and interest expenses in connection with the profit participation right of Gothaer Versicherungen.

The resulting earnings before taxes (EBT) amounted to TEUR 40,763 (previous year: TEUR 10,950). The EBT margin is some 18 % (previous year: 8 %).

The tax expense reported in the consolidated statement of comprehensive amounted to TEUR 13,059 in financial year 2017 (previous year: income in the amount of TEUR 857) and is attributable to non-cash deferred taxes and primary taxes. The current tax expense amounted to TEUR 6,777 (previous year: TEUR 2,420). A deferred tax expense was recorded in the amount of TEUR 6,281 (previous year: income in the amount of TEUR 3,277). The deferred tax expense largely results from the depreciation of property, plant and equipment and the use of loss carryforwards and the corresponding change in deferred taxes.

Overall, this gives rise to Group earnings in the amount of TEUR 27,704 (previous year: TEUR 11,807).

The Group earnings comprise earnings of the parent company's shareholders in the amount of TEUR 25,682 (previous year: TEUR 11,399), earnings from non-controlling shareholders in the amount of TEUR 483 (previous year: TEUR 408) and the earnings share of the hybrid bondholders in the amount of TEUR 1,539 (previous year: TEUR 0).

Total Group earnings in the amount of TEUR 28,919 (previous year: TEUR 10,033) are composed of the Group earnings and the change in other reserves reported in equity. Apart from the currency reserve in the amount of TEUR 150 (previous year: TEUR 991), the other reserves include a hedge reserve in the amount of TEUR 2,231 (previous year: TEUR -3,991) that also includes the amounts of interest rate swaps that were previously included in a hedging relationship and which are to be unwound in future over the remaining term of the respective underlying transaction with an effect on profit or loss, and the effects of the measurement of available-for-sale financial assets not recognised in profit or loss in the amount of TEUR -210 (previous year: TEUR -191). On the other hand, there were corresponding deferred tax effects in the amount of TEUR -920 (previous year: TEUR 1,418). Undiluted earnings per share (after non-controlling interests) amounted to 0.20 Euro (previous year: 0.13 Euro). The number of shares issued on average in the reporting period amounted to 127,583,861 (previous year: 89,498,004). Diluted earnings per share were 0.20 Euro (previous year: 0.13 Euro).

Calculating operating figures (adjusted for IFRS effects)

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

In TEUR	Notes	2017	2016
Revenue	3.18; 5.1	222,432	141,783
Other income	5.2	31,245	29,399
Cost of materials	5.3	-1,514	-1,326
Personnel expenses of which TEUR -169 (previous year: TEUR -162) in share-based remuneration	5.4	-10,972	-8,541
Other costs	5.5	-50,773	-37,562
Adjusted for the following effects:			
Income resulting from the disposal of financial assets and other non-operating income		0	-713
Other non-cash income (mainly gains from company mergers [badwill], cancellation of the interest advantage from subsidised loans [government grants] and non-cash income from other periods)		-24,502	-25,133
Other non-operating expenses		719	7,997
Share-based remuneration (non-cash)		133	162
Adjusted operating EBITDA		**166,768**	**106,064**
Depreciation or amortization	5.6	-102,493	-64,028
Adjusted for the following effects:			
Amortisation on intangible assets acquired in mergers (feed-in contracts)		43,214	19,841
Subsequent valuation of disclosed hidden reserves/charges resulting from step-ups for property, plant and equipment acquired in mergers		-7,102	-288
Adjusted operating EBIT		**100,387**	**61,589**
Financial result	5.7	-47,161	-48,774
Adjusted for the following effects:			
Other non-cash interest and similar expenses and income (mainly resulting from effects from currency translation, calculation of the effective rate, swap valuation and interest expenses from subsidised loans [government grants])		-6,487	10,091
Adjusted operating EBT		**46,739**	**22,906**
Tax expense/income	5.8	-13,059	857
Adjusted for the following effects:			
Deferred taxes (non-cash)		6,281	-3,277
Adjusted operating EAT		**39,962**	**20,486**

Financial position and cash flow

Changes in cash and cash equivalents amounted to TEUR -5,714 in the reporting year (previous year: TEUR 74,069) and resulted from the following:

The net cash inflow from current business operations increased by around 61 %, from TEUR 95,263 in the previous year to TEUR 153,037 in the reporting year. It derived primarily from solar park and wind park operations and from the associated proceeds. The aforementioned changes also included changes in assets and liabilities not counted as investment or financing activities.

Cash flow from investment activities amounted to TEUR –168,339 (previous year: TEUR –19,252). This resulted, on the one hand, from payments for the purchase of solar parks in Great Britain, Italy and Germany, and for the purchase of wind parks in Germany and Denmark. On the other, it resulted from expenditure in property, plant and equipment for the construction of solar parks and wind parks in Austria and France. Offsetting such expenditure was the receipt of TEUR 7,750 in outstanding payments for a French wind farm sold in December 2016 to a utility company. Cash flow from investment activities was lower in the previous year due to the company's focus on the acquisition of CHORUS Clean Energy AG which, as a share-swap acquisition, was not shown in the cash flow statement.

Cash flow from financing activities amounted to TEUR 10,085 in the reporting year (previous year: TEUR -101). This included the cash compensation amounts paid out to minority shareholders for their shares in CHORUS Clean Energy AG as part of the corresponding squeeze-out.

In financial year 2017, finance loans amounting to TEUR 109,074 (previous year: TEUR 70,167) were availed of, of which TEUR 85,646 (previous year 25,737) were taken out in order to finance solar parks and wind parks and TEUR 20,000 (previous year TEUR 20,000) was due to an operating loan. Cash flow from financing activities also included the cash inflow from the placement of a perpetual subordinated loan of TEUR 97,300 in September 2017.

In financial year 2017, interest and amortisation expenses for the Group's existing loans resulted in cash outflow of TEUR -154,607 (previous year: TEUR -100,601).

At the Encavis AG annual general meeting held on 18 May 2017 it was resolved that a dividend of EUR 0.20 per entitled share would be paid out. This constituted an increase of around 11 % on the previous year (EUR 0.18 per share). Pursuant to the resolution passed at the Encavis AG general meeting, a proportion of the company's net earnings for financial year 2016 amounting to EUR 25,286,399.00 was to be used for the dividend payout, which occurred on 27 June 2017. With an acceptance rate of over 50 %, the optional dividend once again proved very popular. In total, 1,728,554 new bearer shares were issued.

As at the balance sheet date, the Group had unused credit lines available in the amount of TEUR 35,753.

Net assets

As at 31 December 2017, equity amounted to TEUR 689,594 (31 December 2016: TEUR 608,556). The increase of TEUR 90,038, which equates to 15 %, resulted on the one hand from capital increases in connection with the stock dividend and from the results for the period. To a greater degree, however, it resulted from the successful placement of perpetual subordinated bonds, which increased equity by the nominal amount of such bonds less the corresponding issuing costs. Offsetting this increase was the payment of the dividends. Share capital increased by TEUR 1,820 as a result of the capital increase for the stock dividends and due to a capital contribution implemented to purchase further shares in CHORUS Clean Energy AG from an institutional investor. The equity ratio amounted to 27.73 % (previous year: 25,85 %).

The balance sheet total rose from TEUR 2,353,797 in the previous year to TEUR 2,519,698 in the reporting year.

As at 31 December 2017, the Group reported intangible assets in the amount of TEUR 609,482 (31 December 2016: TEUR 593,270). As part of the (to some extent still preliminary) purchase price allocations for the solar parks and wind parks acquired or first consolidated in financial year 2017, the feed-in contracts between the parks and farms and the utility companies, as well as the exclusive rights of use, were evaluated. This resulted in the capitalisation of intangible assets in the amount of TEUR 60,200 (31 December 2016: TEUR 447,695). In the previous year, a sum of TEUR 384,787 was attributable to intangible assets capitalised as a result of the purchase price allocation conducted by CHORUS Clean

Energy AG. The capitalised asset value is amortised over the term of the feed-in tariff guaranteed by the state (generally 20 years).

As at 31 December 2017, the company's goodwill amounted to TEUR 32,405 (31 December 2016: TEUR 22,292). The increase on TEUR 10,113 is the result of the acquisition of two British Solar Park portfolios in southern England in the financial year 2017 including corresponding currency effects. In addition, company goodwill of TEUR 15,448 results from the acquisition of CHORUS Clean Energy AG and its subsidiaries, of 100 % of the stock in Grid Essence UK Ltd. and its subsidiaries, and of Encavis Technical Services GmbH. Encavis had annual goodwill impairment testing conducted as at the balance sheet date. This testing took place at the level of a group of cash-generating units (CGUs) which, since financial year 2016, represent the operating segments by country. The impairment test confirmed the recoverability of all capitalised goodwill. The impairment test last conducted in 2016 at the level of the acquired company groups and based on the forecast discounted free cash flows led to an impairment in the amount of TEUR 517 in the previous year. This was attributable to the Grid Essence solar park portfolio.

The increase in property, plant and equipment to TEUR 1,455,168 (31 December 2016: TEUR 1,331,845) was based primarily on the photovoltaic and wind power plants acquired or constructed in financial year 2017.

Active deferred taxes were recognised on tax loss carryforwards. The parks also claimed special write-offs as per Section 7g of the German Income Tax Act (EStG) in Germany, and special write-offs or declining balance depreciation as per the tax laws of the respective countries. The loss carryforwards can in part be used for tax purposes.

Short-term assets increased from TEUR 265,560 in the previous year to TEUR 277,428 as at 31 December 2017. These included liquid assets of TEUR 195,577 as at the balance sheet date (31 December 2016: TEUR 188,979).

The liquid assets also contained debt-servicing and project reserves amounting to TEUR 71,188 (31 December 2016: TEUR 63,177) in the solar parks and wind parks, which the company can only avail of with the consent of the financing bank and other restricted credit to in smaller amounts.

The Group's bank and leasing liabilities amounted to TEUR 1,487,365 as at 31 December 2017 (31 December 2016: TEUR 1,429,362). These comprised loans and lease agreements for the financing of solar parks and wind parks, and the profit participation capital provided by Gothaer Versicherungen in November 2014. They also contained liabilities from listed notes from the Grid Essence portfolio, including accrued interest in the amount of TEUR 41,159, as well as liabilities from a borrowers' note loan in the amount of TEUR 23,000. They did not include the sums recognised under other liabilities amounting to TEUR 10,678 (previous year: TEUR 12,505), which represent interest rate advantages from low-interest loans from government-owned organisations such as the German Reconstruction Credit Institute (Kreditanstalt für Wiederaufbau, KfW) and which, pursuant to IAS 20, are to be shown in the balance sheet and recognised separately. The long-term liabilities arising from profit participation rights amounted to TEUR 150,000 as at 31 December 2017, as in the previous year. In almost all debt financing, the liability risk relating to the parks and farms is limited (non-recourse financing).

The increase in deferred tax liabilities was related to the capitalised intangible assets and to the recognition of property, plant and equipment at fair value within the purchase price allocations performed over the course of the financial year.

Trade payables amounted to TEUR 20,261 on 31 December 2017 (31 December 2016: TEUR 23,693).

Segment reporting

Expenses and income within the segments were largely attributed to services relating to technical and commercial company management, and to interest income from, and interest expenses for, internal loans. Such loans were issued primarily as prefinancing for VAT and investments in relation to the solar park projects.

Administration

The result of segment Administration was TEUR -17,228 (previous year: TEUR 11,898). Offsetting revenue and other income, which rose from TEUR 943 in the previous year to TEUR 3,270 in the reporting year, were personnel expenses, other expenses, depreciation and amortisation, and the financial result. Other expenses comprised, in particular, operating expenses as well as legal and consulting costs relating to the purchase of new park and farm companies.

PV Parks

Revenue in the solar parks increased by around 46 % in financial year 2017 to TEUR 168,892 (previous year: TEUR 115,486). Primarily responsible for this increase were the Italian and German solar park portfolios, which achieved sales increases of TEUR 30,870 and TEUR 19,300, respectively, compared with the previous year. The French and British solar parks, too, contributed positively to sales development, achieving sales increases of TEUR 2,104 and TEUR 1,134, respectively. The solar parks acquired as a result of the CHORUS Clean Energy AG takeover, which were first consolidated in the fourth quarter of 2016, contributed to the overall increase with sales of TEUR 47,583 in financial year 2017. This marked their first full-year contribution. The OPDE solar park portfolio, which was also acquired in 2016 and therefore only factored into 2016 on a pro rata basis, contributed additional sales of TEUR 7,087 in 2017. Other income amounting to TEUR 19,271 (previous year: TEUR 19,502) related primarily to the negative differences arising from business combinations as per IFRS 3. Counterbalancing such income were the costs of operating the solar parks and other expenses totalling TEUR 34,082 (previous year: TEUR 24,267), depreciation and amortisation on PV systems and feed-in contracts amounting to TEUR 76,824 (previous year: TEUR 50,874), as well as financial expenses of TEUR 59,269 relating primarily to the financing of parks, including the corresponding currency effects (previous year: TEUR 55,721). In the previous year, goodwill amortisations in the amount of TEUR 517 were recorded. The increase in expenses resulted primarily from the solar parks acquired in financial year 2017 and from the solar parks recognised only on a pro rata basis in the previous year, as well as from the higher write-downs associated with these. The increase in financial income from TEUR 53,350 in the previous year to TEUR 65,837 in 2017 was based mainly on the distribution of dividends from the companies allocated to this segment. In total, the PV parks segment achieved an annual net profit of TEUR 71,635 (previous year: TEUR 56,118).

PV Service

In the PV service segment, revenue and other income, less material costs, amounting to TEUR 3,595 (previous year: TEUR 3,173) were counteracted by personnel expenses and other expenses totalling TEUR 2,287 (previous year: TEUR 2,103). After accounting for depreciation and amortisation, the financial result and taxes, the annual net profit amounted to TEUR 2,497 (previous year: TEUR 1,983).

Wind Parks

In the reporting year, revenue and other income amounting to TEUR 60,780 (previous year: TEUR 33,077) were reported. This increase was mainly due to the German wind farm portfolio, which achieved revenue growth of TEUR 17,718. Of this amount, TEUR 7,929 were attributable to farms acquired in 2017. The wind parks in Austria and France, too, contributed significantly to the positive development in revenue, recording increases of TEUR 3,898 and TEUR 3,796, respectively. The wind parks acquired with the takeover of CHORUS Clean Energy AG which were initially consolidated in the fourth quarter of 2016 have contributed to the overall rise with the initial full-year inflow of their turnover amounting to TEUR 20,601 in the financial year 2017. Other income related primarily to the negative differences arising from the business combinations as per IFRS 3. Expenses incurred through farm operation and management totalled TEUR 13,541 (previous year: TEUR 7,792). Depreciation and amortisation on the wind power plants and feed-in contracts amounting to TEUR 24,178 (previous year: TEUR 12,271) were performed. Financial expenses amounted to TEUR 13,460 (previous year: TEUR 7,836). These resulted primarily from long-term loans. In total, the wind parks segment achieved an annual net profit of TEUR 19,323 (previous year: TEUR 11,312).

Asset Management

Earnings after tax in financial year 2017 were TEUR –1,424 (Q4 2016: TEUR 4,387). Revenue and other income in the amount of TEUR 4,241 (Q4 2016: 2,071) was offset by personnel expenses, other expenses, depreciation and amortisation, a financial result and taxes in the amount of TEUR -5,665 (Q4 2016: TEUR 2,316).

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

The annual financial statements of Encavis AG for financial year 2017 were prepared pursuant to the provisions of the German Commercial Code (HGB) and taking into account the supplementary provisions of the German Stock Corporation Act (AktG).

Results of operations

Encavis AG achieved revenue of TEUR 1,216 in the reporting year (previous year: TEUR 1,083). This resulted primarily from charging expenses for the accounting, management of the solar parks and wind parks, as well as the costs of their administration and running, to Encavis Group companies.

Other operating income amounted to TEUR 739 (previous year: TEUR 551).

Personnel expenses amounted to TEUR 6,497 (previous year: TEUR 5,819). As in the past, the increase on the previous year's figure is mainly due to the growth-induced expansion of the Encavis AG team.

Other operating expenses amounting to TEUR 10,499 were incurred in the reporting year (previous year: TEUR 8,371). A key element are the costs associated with raising capital, which amounted to TEUR 3,423 (previous year: TEUR 4,809). Other operating expenses also include costs for legal advice and for other consultancy services of TEUR 2,031 (previous year: TEUR 814), expenses for auditing affiliated companies of TEUR 1,108 (previous year: TEUR 108), expenses for office space of TEUR 550 (previous year TEUR 363), the costs of stock market listing (year-end report, general meeting, investor relations, publications prescribed by company law) of TEUR 466 (previous year TEUR 206) and supervisory board remuneration of TEUR 332 (previous year: TEUR 278).

Financial income rose to TEUR 50,504 in financial year 2017 (previous year: TEUR 35,938). This included distributions of dividends from subsidiary companies, in particular from Capital Stage Solar IPP GmbH, amounting to TEUR 34,176 (previous year: TEUR 24,410) and from nine further Italian companies amounting to TEUR 2,895 (previous year: TEUR 843). Financial income also included interest income resulting from loans issued to associated companies amounting to TEUR 12,190 (previous year: TEUR 9,707). Encavis AG collected earnings of TEUR 1,243 from the control and profit transfer agreement concluded in the 2012 financial year between Encavis AG and Encavis Technical Services GmbH (previous year: TEUR 967).

Financial expenses were incurred in the amount of TEUR 3,839 (previous year: TEUR 5,293). These mainly include interest paid to affiliated companies of TEUR 1,650 (previous year: TEUR 0), interest paid to credit institutes of TEUR 1,127 (previous year: 595) and value adjustments on foreign-currency receivables in the amount of TEUR 893 (previous year: TEUR 4,593).

Income tax included an expense from the reversal of deferred tax assets amounting to TEUR -2,529 (previous year: income from the addition of deferred tax assets in the amount of TEUR 729).

The annual net profit of Encavis AG amounted to TEUR 28,513 (previous year: TEUR 18,694). This corresponds to earnings per share of EUR 0.22 (previous year: EUR 0.21).

Net assets and financial position

Equity increased from TEUR 538,415 in the previous year to TEUR 552,498 as at 31 December 2017. This rise was primarily attributable to the capital increases performed in financial year 2017 as a result the share dividend paid out in the middle of the year, to the share swap associated with the takeover offer made to the shareholders of CHORUS Clean Energy AG, and to the annual net profit. The equity ratio as at the reporting date was 76.5 % (previous year: 92.1 %).

The balance sheet total increased from TEUR 584,340 to TEUR 722,039 in financial year 2017. On the assets side, the rise was primarily due to the acquisition of further financial assets and to the granting of loans to subsidiaries for the purchase of further solar parks and wind parks. Increases on the liabilities side were primarily attributable to liabilities to banks and to liabilities to associated companies in relation to a hybrid convertible bond issued by Capital Stage Finance B.V.

In 2017, cash flow from operating activities amounted to TEUR –22,715 (previous year: TEUR -10,118). This decline was due mainly to the payment of income tax in the amount of TEUR 11,622 in connection with the inflow of distributions paid out by Capital Stage Solar IPP GmbH.

Cash flow from investment activities amounted to TEUR -29,957 (previous year: TEUR 2,798). This amount mainly comprised payments for the acquisition of further shares and payments for loans to associated companies, as well as inflowing dividends.

Cash flow from financing activities amounted to TEUR 42,003 (previous year: TEUR 5,619). The receipt of a loan from an associated company in relation to the placement of a hybrid convertible bond, as well as the granting of loans to and repayment of loans by associated companies resulted in cash inflow in the amount of TEUR 41,965 (previous year: cash outflow in the amount of TEUR –48,507). In the previous year, capital increases in the amount of TEUR 48,896 had a positive effect on cash flow from financing activities; these had no effect on cash flow in 2017.

In financial year 2017, a dividend of EUR 0.20 per share was distributed to Encavis AG shareholders (previous year: EUR 0.18 per share). The shareholders could select whether to have the dividend paid out in cash or in the form of Encavis AG shares. Shareholders representing more than 50 % of the share capital outstanding opted for share subscriptions. A cash dividend in the amount of TEUR 15,174 was paid out to shareholders in June 2017 (previous year: TEUR 14,232).

Supplementary report

Between the balance sheet date of 31 December 2017 and the preparation of the annual and consolidated financial statements for 2017, the general situation regarding the Encavis Group's business activities did not change significantly from the circumstances described in the following.

Encavis and the Irish national fund ISIF enter into a partnership with a view to jointly investing around 140 million Euro in the Irish renewable energies market via projects implemented by the Irish project development company Power Capital

On 18 January 2018, Encavis AG announced its partnership with the Ireland Strategic Investment Fund (ISIF) with a view to jointly investing in a solar park portfolio of the Irish project development company Power Capital. The portfolio comprises more than 20 parks with a total generation capacity of 140 MW. The partnership marks the first time that the Irish national fund has participated in investments in the field of solar energy in Ireland and thus entered the market for solar energy together with Encavis.

The solar parks are to be constructed on the eastern and south-western coast of Ireland, from County Louth down to West Cork. The individual parks will have capacities of between 5 MW and 25 MW. All the necessary licences for parks with a total generation capacity of 110 MW were obtained at the end of 2017.

The Irish government's goal is to cover around 40 % of Irish electricity consumption through renewable energy by 2020. It is predicted that, to achieve this goal, Ireland will be introducing a new government funding system for renewable energy. In a study, the consulting company KPMG estimated that, based on the requirements and the potential of the Irish solar market, over 3,750 MW of generation capacity will need to be installed by 2030.

Change of name to Encavis

On 27 February 2018, the company announced that it had changed its name to Encavis AG. Since their 2016 merger, the companies formerly called Capital Stage AG and CHORUS Clean Energy AG have been pooling their strength and expertise in the field of renewable energy under one common name. The name Encavis stands for the company's future and represents the three pillars on which it is built. These are 'energy', which is the basis for all the company's activities; 'capital', which is the means by which solar parks and wind parks are acquired and with which attractive returns are achieved; and 'vision', which represents Encavis' goal of creating the energy system of the future and of rendering renewable energy profitable. The change of name also affects the companies of Encavis Asset Management AG (previously CHORUS Clean Energy AG) and Encavis Technical Services GmbH (previously Capital Stage Solar Service GmbH)

Encavis AG acquire solar park with 43.9 MW capacity in the Netherlands and implement initial project with Solarcentury

On 12 March 2018, Encavis announced the acquisition of a solar park ready for development with a total generation capacity of 43.9 MW. The park is located in the Netherlands not far from the city of Eindhoven in the province of

Nordbrabant. The project developer of the park is the British company Solarcentury with whom Encavis agreed a strategic partnership in December 2017 regarding access to solar parks with a total generation capacity of around 1.1 GW over the coming three years. The grid connection is scheduled for the fourth quarter of 2018. Including project-related third party financing, the overall investment volume is around 44 million Euro. Solarcentury itself will be involved with an equity capital share of almost 20 %. As part of an auction process, it was possible to secure a government-guaranteed feed-in tariff of 10.4 Eurocent per kilowatt hour for 15 years following mains connection. The company assumes that the photovoltaic system will generate earnings of almost 4.5 million Euro from the first full year of operation. Solarcentury will take responsibility for commercial and technical operation of the business.

There were no further important events after the end of the financial year.

Personnel

In financial year 2017, the Group employed an average of 101.25 employees (2016: 85 employees). Of these, 51.75 were employed at Encavis AG, 10.5 at Encavis Technical Services GmbH, 36.5 at Encavis Asset Management AG and 2.5 at TC Asset Management GmbH.

At the end of 2017, 108 employees were employed by the Group. This increase in employees was due to the growth-induced expansion of the Encavis team. On 31 December 2017, Encavis AG had a total of 55 employees and 3 Board members, while Encavis Asset Management AG had 38 employees and 2 Board members. Of these, 8 employees worked in the area of Investments, 21 in Finance & Controlling, 19 in Operations, 2 in Corporate Finance and 12 in Administration. All the aforementioned employees work for Encavis-owned parks and farms. An additional 36 people are employed in Asset Management, an area dedicated to the acquisition and operation of parks and farms for institutional investors. The process of strategically restructuring Encavis led to some of its employees being reassigned to other areas over the course of the financial year. For example, all employees of Encavis Asset Management AG and of TC Asset Management GmbH who performed third-party administration tasks were also assigned to the area of asset management, irrespective of their role. The Encavis Technical Services GmbH team was made up of one technical director and ten further employees working in technology and administration for the company. The team at TC Asset Management GmbH, which was acquired in the financial year, was made up of one managing director and four employees, who are assigned to asset management.

Supervisory Board

Based on the amendment to the articles of association resolved upon at the general meeting of 8 July 2016 and entered into the Commercial Register on 20 October 2016, the Supervisory Board, which since the end of the general meeting of 20 June 2012 had comprised Dr Manfred Krüper (Chairman), Alexander Stuhlmann (Deputy Chairman), Albert Büll, Dr Cornelius Liedtke, Dr Jörn Kreke and Professor Fritz Vahrenholt, was extended by two members to a total of eight members. The new Supervisory Board positions were filled with immediate effect by Christine Scheel (born in 1956) and Peter Heidecker (born in 1958). Ms Scheel and Mr Heidecker were elected with large majorities to these positions at the extraordinary general meeting held by Encavis on 8 July 2016.

Upon expiry of his term, Dr Jörn Kreke retired from the Supervisory Board on 18 May 2017. At the general meeting held on 18 May 2017, Dr Henning Kreke was elected to take over from Dr Jörn Kreke. At the same general meeting, the former Chairman of the Board at Encavis AG, Professor Klaus-Dieter Maubach, was elected as a further member of the Supervisory Board.

Remuneration report

Structure of Executive Board remuneration

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

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

Basic remuneration and fringe benefits

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

Variable remuneration

The annual bonus is a success- and performance-dependent variable remuneration and is paid out for the previous financial year, taking into account the company's result and financial position, as well as the individual performance of the Supervisory Board members. The annual bonus is due and payable upon conclusion of the Supervisory Board meeting in which the respective annual financial statements were approved and the bonus defined. With regard to goal achievement, an upper limit of 200 % of the respective target value is applicable. The Supervisory Board is also entitled, if faced with extraordinary, unforeseeable events, to adjust the payment amount upwards or downwards in the interest of the company.

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

In financial years 2013 to 2016, the Board was granted stock options within the 2012 stock option programme. The subscription rights deriving from these stock options can be exercised at the earliest after a waiting period of four years from the respective assignment date. If a Board member leaves the company of his/her own volition or has his/her contract terminated for good cause, the assigned stock options will expire in whole or in part, pursuant to the pertinent programme rules.

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

No contractually agreed, significantly diverging compensation arrangements for withdrawing Board members have been made.

Remuneration for 2017

The following table lists the individual remuneration for the Board members in financial year 2017 pursuant to Section 314 (1) No. 6a of the German Commercial Code (HGB).

In EUR	Fixed salary	Fringe benefits	One-year variable remuneration	Multi-year variable remuneration	**Total for 2017**	Total for 2016
Dr Dierk Paskert*	133,333.33	17,507.61	119,416.67	247,000.00	**517,257.61**	0.00
Dr Christoph Husmann	325,000.00	14,435.78	340,000.00	247,000.00	**926,435.78**	947,981.21
Holger Götze	300,000.00	46,615.35	150,000.00	171,000.00	**667,615.35**	132,455.50
Total	**758,333.33**	**78,558.74**	**609,416.67**	**665,000.00**	**2,111,308.74**	1,080,436.71
Previous year**	1,201,666.67	65,030.74	484,375.00	215,107.89	1,966,180.30	

* Pro rata representation of all remuneration components from 1 September 2017.

** The previous year's values contain the remuneration for Professor Klaus-Dieter Maubach (exit at 31 December 2016).

The amount for the multi-year variable remuneration listed in the table above represents the fair value at the time of granting (in accordance with IFRS 2). As in the previous year, Board members did not receive any loans or advances in financial year 2017.

In the same year, Dr Dierk Paskert and Dr Christoph Husmann were granted 162,500 SARs each from the SOP 2017 with a fair value of EUR 247,000 at the time the option was granted. Also in the same year, Holger Götze was granted 112,500 SARs from the SOP 2017 with a fair value of EUR 171,000 at the time the option was granted. The expense for stock option programmes recorded in the financial year 2017 amounts to TEUR 3 for Dr Dierk Paskert, TEUR 68 for Dr Christoph Husmann and TEUR 2 for Mr Holger Götze.

Executive Board remuneration in accordance with the German Corporate Governance Code

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

Benefits granted (all amounts in EUR)	Dr Dierk Paskert Chairman of the Executive Board Joining date: 01.09.2017			
	2016	2017	2017 (min.)	2017 (max.)
Fixed salary	-	133,333.33	133,333.33	133,333.33
Fringe benefits	-	17,507.61	17,507.61	17,507.61
Total	**0.00**	**150,840.94**	**150,840.94**	**150,840.94**
One-year variable remuneration	-	83,333.33	0.00	166,666.67
Multi-year variable remuneration				
SOP 2017	-	247,000.00	0.00	926,250.00
Total	**0.00**	**330,333.33**	**0.00**	**1,092,916.67**
Contributions	-	-	-	-
Total remuneration	**0.00**	**481,174.27**	**150,840.94**	**1,243,757.61**

Benefits granted (all amounts in EUR)	Dr Christoph Husmann Executive director Joining date: 01.10.2014			
	2016	2017	2017 (min.)	2017 (max.)
Fixed salary	300,000.00	325,000.00	325,000.00	325,000.00
Fringe benefits	7,873.32	14,435.78	14,435.78	14,435.78
Total	**307,873.32**	**339,435.78**	**339,435.78**	**339,435.78**
One-year variable remuneration	300,000.00	212,500.00	0.00	425,000.00
Multi-year variable remuneration				
SOP 2012*	215,107.89	-	-	-
SOP 2017	-	247,000.00	0.00	926,250.00
Total	**515,107.89**	**459,500.00**	**0.00**	**1,351,250.00**
Contributions	-	-	-	-
Total remuneration	**822,981.21**	**798,935.78**	**339,435.78**	**1,690,685.78**

* No maximum amount for SOP 2012 has been agreed.

Benefits granted (all amounts in EUR)	Holger Götze Executive director Joining date: 18.10.2016			
	2016	2017	2017 (min.)	2017 (max.)
Fixed salary	61,666.67	300,000.00	300,000.00	300,000.00
Fringe benefits	11,413.83	46,615.35	46,615.35	46,615.35
Total	**73,080.50**	**346,615.35**	**346,615.35**	**346,615.35**
One-year variable remuneration	31,250.00	150,000.00	0.00	300,000.00
Multi-year variable remuneration				
SOP 2017	-	171,000.00	0.00	641,250.00
Total	**31,250.00**	**321,000.00**	**0.00**	**941,250.00**
Contributions	-	-	-	-
Total remuneration	**104,330.50**	**667,615.35**	**346,615.35**	**1,287,865.35**

Benefits received (all amounts in EUR)	Dr Dierk Paskert Chairman of the Executive Board Joining date: 01.09.2017		Dr. Christoph Husmann Joining date: 01.10.2014		Holger Götze Joining date: 18.10.2016	
	2017	2016	2017	2016	2017	2016
Fixed salary	133,333.33	0.00	325,000.00	300,000.00	300,000.00	61,666.67
Fringe benefits	17,507.61	0.00	14,435.78	7,873.32	46,615.35	11,413.83
Total	**150,840.94**	**0.00**	**339,435.78**	**307,873.32**	**346,615.35**	**73,080.50**
One-year variable remuneration	119,416.67	-	340,000.00	425,000.00	150,000.00	59,375.00
Multi-year variable remuneration	-	-	-	-	-	-
SOP 2012	-	-	-	-	-	-
SOP 2017	-	-	-	-	-	-
Total	**119,416.67**	**0.00**	**340,000.00**	**425,000.00**	**150,000.00**	**59,375.00**
Contributions	-	-	-	-	-	-
Total remuneration	**270,257.61**	**0.00**	**679,435.78**	**732,873.32**	**496,615.35**	**132,455.50**

Supervisory Board remuneration

The chairman of the Supervisory Board receives a fixed salary of EUR 50,000, the deputy chairman EUR 37,500. All other Supervisory Board members are entitled to a fixed salary in the amount of EUR 25,000. Committee chairpersons receive additional remuneration amounting to EUR 15,000, committee members EUR 10,000.

Total provisions for Supervisory Board remuneration amounts to TEUR 332 for the financial year. According to Section 15(1) of the Articles of Association, remuneration for members of the Supervisory Board is determined by the general meeting and must not be less than TEUR 15 for each member, TEUR 30 for the chairperson and TEUR 22.5 for the deputy chairperson. The provisions recognised are based on the remuneration determined by the general meeting in 2017 for financial year 2016. Total remuneration of TEUR 45 for the personnel committee and TEUR 35 for the audit committee is included in the total provisions for Supervisory Board remuneration.

In EUR	Supervisory Board remuneration		Remuneration for commitee participation		Total	
	2017	2016	2017	2016	2017	2016
Dr Manfred Krüper	50,000	50,000	25,000	25,000	75,000	75,000
Alexander Stuhlmann	37,500	37,500	25,000	25,000	62,500	62,500
Dr Cornelius Liedtke	25,000	25,000	-	-	25,000	25,000
Albert Büll	25,000	25,000	10,000	10,000	35,000	35,000
Dr Dr hc Jörn Kreke*	9,476	25,000	-	-	9,476	25,000
Professor Dr Fritz Vahrenholt	25,000	25,000	20,000	17,500	45,000	42,500
Christine Scheel	25,000	6,250	-	-	25,000	6,250
Peter Heidecker	25,000	6,250	-	-	25,000	6,250
Dr Henning Kreke*	15,524	-	-	-	15,524	-
Professor Dr Klaus-Dieter Maubach*	14,583	-	-	-	14,583	-
Total	252,083	200,000	80,000	77,500	332,083	277,500

* Remuneration presented pro rata.

Other disclosures

Disclosure on restriction of transferability in accordance with Sections 298(4) and 315(4) HGB

- As at the reporting date of 31 December 2017, the subscribed capital of the company amounted to EUR 128,252,214.00 (one hundred and twenty-eight million two hundred and fifty-two thousand two hundred and fourteen), divided into 128,252,214 no-par-value shares. The shares are issued in bearer form.
- There are no restrictions on voting rights or transferability.
- The following shareholders held equity carrying more than 10 % of voting rights at the reporting date:

  Albert Büll GmbH, Hamburg, Germany

- In the event of a person who was not an Encavis AG shareholder subject to notification in accordance with Section 21 of the German Securities Trading Act (WpHG) on 14 November 2014 acquiring more than 50 % of the voting rights in Encavis AG, Gothaer Lebensversicherung Aktiengesellschaft has the extraordinary right to terminate the participation right contract concluded on 14 November 2014. This right of termination entitles Gothaer to claim repayment from Encavis AG. The profit participation rights capital called up as of 31 December 2017 amounted to TEUR 150,000.
- There are no special rights shares.
- There are no limits of voting rights.
- Executive Board members are appointed and dismissed in accordance with the provisions of Section 84 *et seq.* of the German Stock Corporation Act (AktG).

- Any amendments to the articles of association require a resolution by the general meeting. The power to make editorial changes has been granted to the extent specified in the articles of association.
- Authority granted to the Executive Board by the general meeting in relation to increasing the share capital and issuing shares is set out in Sections 4 and 6 of the Articles of Association. Please refer to the detailed information on shareholders' equity provided in the notes for further information.

Key features of the internal control system for the accounting process

The Encavis AG Executive Board is responsible for preparing the annual financial statements and management report for Encavis AG in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). In addition, the consolidated financial statements are prepared according to International Financial Reporting Standards (IFRS). The German Accounting Standard (Deutscher Rechnungslegungs Standard – DRS) No. 20 is applied to the consolidated management report.

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

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

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

All staff involved in accounting processes receive regular training.

The Supervisory Board of Encavis AG is responsible for regularly reviewing the effectiveness of the internal control and monitoring systems and receives regular reports from the Executive Board. With this in mind, an audit firm was appointed to review the internal control and monitoring systems for 'commissioning service providers' and 'input tax deduction' during financial year 2017. A report detailing the outcome of the audit was submitted to the Executive and Supervisory Board. The report showed no significant objections with regard to the approved processes.

Opportunities and risk management system

Opportunities and risk management plays a key part in all planning, controlling and reporting systems within the individual companies as well as within the Encavis Group as a whole. It includes the systematic identification, assessment, management, documentation and monitoring of risks. The risk management system extends across all areas and is a central element of the reporting system. This enables the Group's management to act rapidly and effectively. A corporate risk manager is responsible for the entire Group and a risk owner is assigned to each division. Together, they ensure all risks are reported to the Executive Board.

The aim of opportunities and risk management is to identify and monitor risks at an early stage and to manage them in accordance with the desired risk profile. Following the identification of opportunities and risks, ongoing analysis and evaluation takes place as part of which the impacts of opportunities and risks are not offset against one another. A decision is then made regarding specific action, for example in order to minimise risks for exploit opportunities.

Organisation of the opportunities and risk management system

The company's proactive and efficient management of opportunities and risks is based on transparent, intelligible nomenclature as well as timely and targeted communication. Standardised communication across all divisions has been set out to ensure that pertinent information is forwarded to the Executive Board, the risk manager or any other relevant office holder.

Supported by the risk owners, the risk manager is responsible for the implementation, ongoing development and coordination of the opportunities and risk management system. Risk owners are the managers of the following Encavis AG divisions across the entire Group: Finance & Controlling, Taxation, Investment, Corporate Finance, IR/PR, Legal & Compliance, Operations, Human Resources and IT. The risk owners are responsible for identifying any risks at an early stage, assessing them adequately, and managing them in accordance with corporate guidelines. The risk manager is responsible for implementing the risk management system and regularly reporting the Group's risk exposures to the Encavis AG Executive Board. The risk manager reports directly to the chief financial officer. The Executive Board provides the Supervisory Board with regular reports of the Group's risk exposures.

Opportunities and risk management is a continuous process and integrated into all operational procedures. Risks and opportunities are reported quarterly; defined as having a positive or negative impact on corporate goals or at least one of the general project targets of time, costs, scope or quality. The risk exposures are also monitored between the quarterly reporting dates. The risk manager provides information on current risk exposures to the Executive Board at least quarterly as part of the regular reporting process. Any significant changes in risk exposure are reported to the Executive Board immediately.

Risk assessment

Identified risks are assessed in terms of probability of occurrence and impact and rated as 'high', 'medium', or 'low' by combining (multiplying) both factors. Scores are assigned for each probability and impact on a scale of 1 ('very low') to 10 ('very high'). The scores for probability and impact are then multiplied. The result is a risk rating between 1 and 100. The assessment of impact relates to the estimated cost or loss of income should that particular risk occur. The assessment of risks generally comprises a period of 12 to 18 months, however may extend beyond this in individual cases for significantly longer term risks.

Risks with a rating of up to 19 points are classified as 'low risk'. A rating between 20 and 50 points is classified as 'medium' and a rating of 51 to 100 as 'high'. This is a gross approach to risks. Particular attention is paid to risks classified as 'fact', 'high' or 'medium', with strategies focusing on managing the risk(s) in order that these risks are in an acceptable range within the net approach. Additional classification of inventory and growth risks have been introduced to assess the impact of the identified risk on either existing business operations or the future growth prospects of the Encavis Group. Inventory risks are assessed in terms of probability of occurrence and impact. Growth risks are only assessed in terms of probability of occurrence because such risks have no influence on the exisiting business of the Encavis Group.

Risk management

The Encavis Group has developed a variety of risk mitigation and risk avoidance strategies with appropriate measures. The Group's focus is on existing installations in order to minimise the risks relating to project planning. There are manufacturer's warranties for the unlikely event of a reduction in performance and appropriate insurance policies are in place to cover any loss of earnings. In addition, project reserves have been built up from current cash flows in the solar parks and wind parks, which can be used to replace components. Online monitoring in real time minimises downtimes. Monitoring is carried out either by the Encavis Group or respected partners. The Group mitigates financial risk by ensuring that financing banks do not have access to any companies other than the borrower. As a rule, only non-recourse finance is taken out, whereby the collateral is limited to the installation in question. Meteorological risks are taken into account in the form of haircuts in the calculation of wind parks, as levels of wind may be subject to considerable annual fluctuations. Long-term statistical surveys have shown that years with little sunlight are usually averaged out by years with high levels of sunlight. Independent yield assessments are also commissioned in many cases. Interest rate swaps may be used in order to hedge interest rate risks because they allow reliable calculation and planning.

Risk control

The objective of Encavis' approach is 'holistic' risk management, i.e. it becomes an integral part of everyday life at all 'levels' and areas of the company. All employees are encouraged to actively engage with the risk management system. Each member of staff can and should report any newly identified risks, changes or revised estimates directly to the relevant risk owner. In addition, in-house risk management meetings are held every quarter. In preparation for these meetings, all risk owners review the risk assessment of their area/risks and formulate any appropriate measures they would like to suggest.

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

Information regarding material changes to risk

Encavis identifies, analyses, assesses and monitors the relevant risks for the company on an ongoing and comprehensive basis. Material risks are listed, explained and classified in the following risk report. In addition, measures and strategies of the company for the avoidance and minimisation of the relevant risks are presented.

Due to the interest rate policy of the European Central Bank over recent years and the passing on of negative deposit rates demanded by the ECB by the banks, the risk classification 'fact' has been newly adopted in addition to the risk existing classifications of 'high', 'medium' and 'low'. These describe risks which have already occurred but do not necessarily have a major impact on the Encavis Group. In addition, personnel and organisation risks as well as IT risks have been included as new risks. Both risks have been assigned the risk classification 'low'

Opportunities management

Systematic management of risks is one side. As part of opportunities and risk management however, the opportunities for securing long-term corporate success are recorded and exploited by means of a holistic opportunities management system. As in the case of risks, opportunities are recorded on a quarterly basis and, following their assessment, specific measures are decided upon for taking advantage of these opportunities. In the context of change management a distinction is made between two types of opportunity:

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

Risk report

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

Risk class 'growth risk'

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

Risk class 'fact'

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

Risk class 'high'

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

Risk class 'medium'

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

Risk class 'low'

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

Disclosure of significant risks

Encavis continually and comprehensively identifies, analyses, assesses and manages any risk exposures of the company. Significant risks are disclosed, discussed and classified in the following report on risks. In addition, any measures and strategies employed by the company to avoid or mitigate these risks are also presented.

Financial risks

Risks relating to project financing: growth risk 'medium probability of occurrence'
The construction and commissioning of solar parks and wind parks is associated with high investment costs. The majority of installations are normally financed with project-related debt capital and can equate to as much as 80 % of the investment sum, depending on the geographic region. Restrictions on appropriate loans and stricter covenant requirements by the lending banks could make financing any future projects much more difficult if not impossible. As a result, there would be fewer attractive investment opportunities for the Encavis Group, which would significantly slow down its potential growth.

The Encavis Group therefore maintains close contacts with a number of European financial institutions that have been in this business for many years. Dividing the funding requirements for individual Group projects between different banks means that the company is not dependent on any particular institution. At the same time, the Group's 236 solar parks and wind parks are impeccable proof that its investment concept for projects is economically sound and sustainable.

Sustained low interest rates in Europe together with a lack of alternative investment options with a comparable opportunity/risk profile and resulting competition for these projects among financial institutions mean that the company currently benefits from an excellent financing environment, making it easier to secure favourable terms to finance all planned projects. Moreover, the Encavis Group has been able to renegotiate existing project finance deals and secure better terms from the banks.

At the same time, the Encavis Group continues to constantly monitor compliance with the covenants for all existing and any new project funding. The company also examines any available alternative financing options.

Risks arising from Group capital procurement: growth risk 'low probability of occurrence'
Investment in solar and wind power plants for the portfolio of the Encavis Group are financed on a project basis partly through borrowing and partly with assets from the Group's investment resources. Any inability of the Encavis Group to make sufficient resources available in future would have a negative impact on the further growth of the company expected by all market players.

These investment resources have been raised via capital increases of Encavis AG in the past. In 2014, they were supplemented with EUR 150 million from a strategic partnership with Gothaer Versicherungen as well as EUR 23 million from successfully placing a borrowers' note loan.

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

Encavis is currently one of the largest independent producers of power from renewable sources in Europe. Measured in terms of market capitalisation, the Group is Germany's biggest listed solar and wind energy company. This has significantly enhanced the company's visibility in the international capital markets. Encavis now enjoys a wider selection of available options to finance further growth, as demonstrated by issuing a hybrid convertible bond in 2017 for instance. Encavis continues to examine a variety of alternative financing options for the company's further growth. Furthermore, Encavis also has the option of future capital increase, especially for inorganic growth.

The current size of the Encavis Group makes any possible placements to raise capital more certain, due to greater visibility, a greater balance sheet total, an improved equity ratio, the higher liquidity of the share, greater market capitalisation, and the listing in the SDAX index of the German stock exchange, among others.

Encavis is therefore confident to be in a position to successfully raise liquid funds to finance its future growth.

Foreign currency risks: risk class 'medium'

Encavis operates PV ground-mounted systems with an output of approximately 88 MW in the United Kingdom and wind parks with an approximate output of 25 MW in Denmark. Investments and revenue denominated in foreign currencies are subject to exchange rate fluctuations as soon as one currency is exchanged for another. The British pound has lost much of its value against the Euro following the decision of the British people to leave the EU in June 2016. As a precaution, Encavis hedged its revenue from the UK solar parks up until the first quarter of 2018 against exchange rate fluctuations with a fixed exchange rate even before the British referendum. More hedging transactions are planned for the period after 2018. Revenue from the Danish wind parks has not been hedged, however, since the Danish krone is subject to the European Exchange Rate Mechanism II and has therefore been tied to the euro since 1 January 1999.

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

Encavis proactively minimises the risk by continuously monitoring the performance of the British pound and the Danish krone and being prepared to enter into hedging arrangements as and when required, such as prior to the Brexit decision.

Risks arising from current covenant agreements: risk class 'low'

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

In addition, the solar park and wind farm project companies normally raise project funding for the development and construction of their installation. These contracts also contain covenants that must be complied with by the relevant project company. Encavis mitigates financial risk for the Group by ensuring that financing banks at project company level do not have access to any companies other than the borrower. As a rule, only non-recourse finance is taken out, whereby the collateral is limited to the installation in question. Any breach of the covenants under these agreements could result in the financing bank prematurely terminating the loan agreement. This would result in the loan becoming due for repayment immediately. In order to minimise this risk, Encavis regularly reviews and monitors all existing agreements and in particular compliance with any covenants they contain. This enables the company to recognise any undesirable developments at an early stage and manage them proactively before any contractually agreed covenants are breached.

Interest rate risks: risk class 'low'

The Encavis Group's financing strategy for purchasing suitable wind parks and solar parks includes a generally accepted level of debt finance in the form of loans. The solar parks and wind parks are financed with loans at both fixed and variable interest rates with maturities between 10 and 17 years. The company's calculations factor in substantial interest rises once fixed-interest periods expire. Any rises following expiry of fixed-interest periods above and beyond those allowed for in the calculations may reduce the profitability of some solar parks or wind parks. The company does consider appropriate interest rate hedging instruments, known as interest rate swaps, for variable rate loans, as they allow reliable calculation and planning in the long term.

Working capital and guarantee lines of credit in place with standard market interest and maturities are also in place. The currently low levels of interest contribute to an overall very moderate interest rate risk. According to the announcement by the European Central Bank, monetary policy in the eurozone will remain expansive for the time being. As part of its proactive risk management system, the Encavis Group continuously monitors and obtains information on the cost of raising capital and seeks to further reduce the risk potential by refinancing existing loans and fixing interest rates.

Risks arising from financial instruments: risk class 'low'

For the first time in September 2017, Encavis issued a subordinate bond in the amount of 97.3 million Euro with time-limited conversion rights. There is no fixed deadline for repayment of the hybrid convertible bond. The hybrid convertible bond can be converted into fully paid-in new and/or existing ordinary bearer shares in the company by the tenth trading day before 13 September 2023 (the 'first redemption date'). The coupon for the hybrid convertible bond will be 5.25 % p.a. until the first redemption date. After the first redemption date, the interest rate for the hybrid convertible bond will be fixed at 1,100 basis points above the 5-year EUR swap rate. This rate will be re-set every five years. The interest is payable every six months in arrears.

There is a risk that the hybrid convertible bond will not be converted on the first redemption date but must be repaid, or that a higher interest rate of 1,100 basis points above the 5-year EUR swap rate must be applied in the event of non-repayment.

Risks arising from negative interest: risk class ‘fact’
The solar park and wind farm project companies have primarily entered into long-term non-recourse project finance deals with banks. Building up a debt servicing reserve is normally agreed as part of project financing to ensure that debts can still be serviced even if there is insufficient income. Debt servicing reserves usually amount to the sums required to service debts for the next six months. The negative interest rates on deposits set by the European Central Bank mean that the banks financing the projects try to pass on these negative deposit interest rates to the project company debt servicing reserves. This entails the risk that any negative interest payable would result in a burden on the results of operations, financial position and net assets of the project companies and ultimately the Encavis Group. The passing on of negative interest rates was initially resisted as far as possible on the part of the Encavis Group. Encavis also entered into relevant negotiations with the banks for the granting of allowances for which no negative interest rates are demanded.

Risks arising from taxation: risk class ‘medium’
The Encavis Group’s tax structure is very complex in parts, as it includes not only different taxable entities in Germany, the UK, France, Austria, Denmark, Ireland and Italy (consolidated tax groups as well as taxation of single entities), but also different legal forms. In particular, restrictions on so-called interest barriers, the taxation of dividends and minimum taxation in the event of loss offsetting according to the tax legislation in the various countries are of material relevance.

When executing corporate transactions, income taxes imposed as well as possible changes in tax law are examined within the framework of a tax due diligence process and investment evaluation with the assistance of experts in the applicable tax law and are therefore included in any investment decision.

Intragroup services are provided to subsidiaries by Encavis AG in the form of support services and loans. Encavis AG holds the required transfer pricing documentation, which has been prepared with the assistance of experts in the field. There is a risk of non-recognition of arm’s length transactions or objections to the transfer prices agreed within the Encavis Group by the German and/or foreign tax authorities.

This means that additional taxes may become payable as a result of subsequent external audits, even if the company is certain that all tax risks have been adequately taken into account with appropriate provisions. The Group does make sure, however, that all relevant tax-related issues are regularly discussed with the tax advisers. This enables Encavis to analyse any amendments to existing tax rules which are to be implemented or are being planned in terms of their impact on the Group at an early stage and prepare for these changes, if necessary.

Strategic risks

Risks arising from investments and investment opportunities: growth risk ‘low probability of occurrence’
Being in a position to identify and secure suitable investment opportunities in solar parks and wind parks (or similar operating companies) and to effectively integrate newly acquired companies is critical for the success of the Encavis Group. The company is planning to acquire additional suitable solar parks and wind parks as part of its sustainable growth strategy.

The RES market is highly attractive with relatively low entry barriers, making it possible for new rivals to enter the market and compete with Encavis for interesting investment opportunities.

The company’s status as one of the largest independent producers of power from renewable sources in Europe, in-depth knowledge of the industry, and its growing financial strength put the Encavis Group in a strong competitive position to continue identifying and developing promising investments despite potentially greater competition. Moreover, entering into a strategic partnership with the British project developer Solarcentury in 2017 and a partnership with the Ireland Strategic Investment Fund have provided Encavis with more predictable growth opportunities.

Dependence on national renewable energy schemes: risk class ‘low’
The success of generating solar and wind power is generally closely linked to national support schemes for promoting renewable energy. The greatest threat for the Encavis business model is that of retroactive interventions, which would have a negative impact on the profitability of existing investments. There were no retroactive adjustments and

interventions in the promotion of solar and wind power during the reporting period in any of the Group's core regions during the reporting period. Neither were any future retrospective interventions resolved or discussed on the political stage with a correspondingly high probability of occurrence. By contrast, any forward-looking adjustments of support mechanisms or subsidy levels can be factored into the investment calculations of the Encavis Group to their full extent and would therefore be fully reflected in the purchase prices offered.

RES dependence on public support has generally continued to decline in recent years. Technological advances, experience gained and economies of scale have all contributed towards a marked reduction in prices, especially in the photovoltaic and wind energy sector. Solar and wind energy have already achieved grid parity in many regions and no longer need public subsidies. Production costs also fell significantly during the same period, yet renewable energies were able to maintain their momentum nonetheless. Public support, for instance in the form of feed-in tariffs, has continued to decline in the Encavis Group's European core regions over the past few years. Experts anticipate further cost reductions over the coming years. In addition, new technologies, such as battery storage systems, have enabled the industry to use the generated electricity more efficiently.

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

Encavis remains positive that renewable energy will continue to be a global megatrend for years to come, and that there will be no return to securing energy supplies mainly from fossil fuels. Geographic diversification of the current portfolio across several countries has generally reduced any potential negative impact on the results of operations, financial position and net assets of the Encavis Group from any amendments to national legislation, especially retroactive amendments. Moreover, the company constantly examines alternative ways of marketing its projects in order to further reduce dependence on national renewable energy support schemes. One example is entering into long-term power purchase agreements with creditworthy customers to sell the electricity generated.

Legal risks: risk class 'low'

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

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

However, legal risks may also arise from infringements of compliance guidelines by individual employees or from infringements other legal requirements.

Economic and industry risk: risk class 'low'

The Group is focused on the development of the renewable energy sub-market, which is one of the global growth industries. Operating solar parks and wind parks is not subject to economic fluctuations as a result of legally guaranteed feed-in tariffs (FIT), long-term power purchase agreements (PPA) or renewable purchase obligations (RPO), as set out in the German Renewable Energy Act (EEG) for instance.

Weak economic development could even lead to an increase in the number of solar parks and wind power plants on offer, as companies and private investors may need to sell assets due to economic reasons or liquidity shortages. Furthermore, a weak economy usually goes hand in hand with low interest rates, resulting in a reduction of financing costs at both Group and project level.

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

Operational risks

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

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

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

Moreover, the company is continually optimising its sales activities and constantly working towards a wider spectrum of potential investors, for example to include differently regulated client segments, such as insurance companies, pension funds, utility companies, foundations and religious organisations. Further geographical expansion of the activities in this business segment has also been planned and partially realised in the current financial year.

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

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

Downtimes: risk class 'medium'
Technical faults in the installations or substations can bring solar parks and wind parks to a standstill, or they may be temporarily disconnected from the grid by energy suppliers so that necessary works can be undertaken. This carries the risk of prolonged downtimes, unless they are detected early and any technical faults are repaired as soon as possible.

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

Meteorological risks (solar): risk class 'medium'
The output of solar parks (ground-mounted systems) depends on meteorological conditions in the short and medium term. These may negatively impact the performance. Assessments of expected solar radiation may prove inaccurate and climate changes and pollution could result in predicted weather conditions not occurring or deviating from both existing assessments and the meteorological mean. Statistical surveys of weather data have shown, however, that years with little sunlight are usually averaged out by years with high levels of sunlight in the long term.

Encavis looks to its own experience and external assessments of expected solar radiation as part of the economic efficiency calculation for the acquisition of new solar parks. The effects of deviations from these prognoses on the economic efficiency calculation are also tested with sensitivity analyses. In addition, diversification of the current portfolio of solar parks reduces dependence on the meteorological conditions in one region.

Meteorological risks (wind): risk class ‘medium’
The output in the Wind Parks segment is generally subject to greater fluctuations than in the solar segment and can be up to 20 % in a year. Encavis mitigates the risk by factoring in the greater volatility in the wind segment in the economic efficiency calculation for the acquisition of new (onshore) wind parks in the form of haircuts and/or by simulating worst case scenarios. Here, too, the Group relies on its own experience and external assessments of expected levels of wind.

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

Risk arising from the project planning/construction of solar parks and wind parks: risk class ‘low’
Authorisations, regulatory approval and permissions for both building and operating renewable energy power generation installations carry considerable risks associated with the planning process of new solar parks and wind parks. The core business of the Encavis Group is therefore deliberately concentrated on operating solar parks and wind parks that are either newly constructed or already in use and therefore much lower risk. Nonetheless, the Group does not rule out investing in a project at an earlier stage under certain circumstances, for instance in order to secure an attractive investment opportunity.

In these cases, drawing on the company’s extensive experience in the commercial and technical management of its existing portfolio as well as occasional project developments in the past enables Encavis to identify any potential risks early in the process, or to further minimise them.

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

In order to reduce the burden on individual project companies, the Group is examining possibilities of storing the energy produced during the times when the power prices are negative at the energy exchange.

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

The Encavis Group takes particular care in selecting its solar park and wind farm partners and in ensuring the quality of the components used and/or installed. All installations undergo an extensive technical due diligence process. Moreover, since Encavis Technical Services GmbH is a 100 % subsidiary of the Encavis Group and specialises in the technical management of solar parks, it can carry out inspections of the installations as part of the due diligence process. The Group relies on experienced and respected external service providers for wind parks.

As a rule, manufacturer’s or general contractor’s warranties cover the unlikely event of a reduction in performance or breakdown of technical components during the operating phase of an installation. Furthermore, appropriate insurance policies are in place to cover any damages or loss of earnings. The review of existing insurance cover for installations to be acquired is also an integral part of the overall due diligence process that is conducted for new acquisitions.

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

Risks arising from investment calculations: risk class 'low'

A detailed economic efficiency calculation of the solar park or wind farm in question is carried out before every new investment. Evaluations of the solar parks and wind parks are based on long-term investment plans that are sensitive to any changes in capital and operating costs or income. Changes in any of these factors may cause an installation to become unprofitable, contrary to the original calculation.

Due diligence calculations factor in changes in one or several of these parameters based on carefully conducted sensitivity analyses. Furthermore, plausibility checks are an integral part of the Encavis Group calculation models. The company's own assessments and assumptions are also compared with wind or solar assessments by independent experts. The Group's extensive portfolio of installations provides Encavis with outstanding expertise and many years of experience, which are taken into consideration when performing the relevant investment calculations.

Organisational risks

Personnel and organisational risks: risk class 'low'

In terms of personnel, the Encavis Group competes with other companies for highly qualified senior staff as well as high-performing and motivated employees. Group companies need qualified staff to safeguard future success. Excessive staff turnover, the movement of high-performing skilled workers and the failure to retain junior staff in the Group companies can all have a negative impact on the future development of the company, for example due to worsening coordination between departments or due to a corresponding loss of knowledge.

Encavis relies on comprehensive talent management and the continual development of a motivating and family friendly work environment in order to mitigate these risks. In this context, annual appraisal interviews are held with each employee where both past performance and future benefits and expectations are discussed. On the basis of jointly formulated goals, monetary and/or non-monetary performance incentives are determined and individual professional development activities agreed. In this way, Encavis actively contributes to the qualification and motivation of its staff and promotes long-term loyalty to the company.

IT risks: risk class 'low'

The business activities of the Encavis Group are characterised by the use of state-of-the-art information technology. All essential operational processes are supported by IT and mapped with the help of modern software solutions. At the same time, however, the inherent systemic risk rises with increasing complexity and the dependence on the availability and reliability of IT systems.

In order to minimise these risks, Encavis ensures that its IT system is always up to date with the latest developments. The Group makes use of professional external service providers who offer top-quality IT services so that utilisation of internal resources for ongoing maintenance of the IT system and implementation of new components is kept at an acceptable level. Comprehensive precautions such as firewalls, up-to-date antivirus software, emergency plans and data protection training safeguard the processing of data. In addition, an external data protection officer independently monitors compliance with data protection standards for organisational purposes.

Total risk

An overall assessment of the current opportunity and risk situation at the reporting date does not show any risks which would jeopardise the Group's going concern status. Neither are any risks currently recognisable that might threaten this status in the future. The total risk exposures of the Encavis Group are limited and manageable.

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

Report on opportunities

Conservative investment strategy

The Encavis Group is a renewable energy producer listed on the SDAX of the German stock exchange. Encavis has been acquiring and operating solar parks and onshore wind parks across Europe since 2009. The Group regards itself as a strategic financial investor in the renewable energy sector. Encavis is one of the leading independent producers of power from renewable sources (RES) with a current portfolio of 236 solar parks and wind parks which produce approximately 1.5 GW in total.

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

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

This includes taking advantage of any opportunities arising internally, for instance those that will increase the Group’s efficiency and profitability. The foundation for identifying, analysing and successfully exploiting these opportunities is the Encavis workforce. Their excellent technical know-how, many years of experience and, above all, their expertise significantly contribute to the company’s success.

The Encavis Group will continue to primarily focus on PV ground-mounted systems and onshore wind power plants in the future and also be active in the Asset Management segment as a service provider for investments in the renewable energy sector. The Group’s business model will remain conservative. By concentrating on existing installations and turnkey projects, Encavis benefits not only from an extensive portfolio of solar and wind power plants, but also from continuing market growth, whilst avoiding the higher risks associated with planning and construction. Encavis makes high demands on the quality of the legal certainty and economic stability in the countries where it invests as well as on the technical components of the installations and their condition and construction. As a rule, the company only invests in solar parks and wind parks with long-term feed-in tariffs and certainty of selling the power produced or long-term power purchase agreements with creditworthy partners.

Opportunities arising from economic growth

The economic environment has little or no direct impact on Encavis Group activities, i.e. its financial position, results of operations, net assets and also its cash flow. The company generally only acquires solar parks and wind parks with long-term and guaranteed feed-in tariffs and corresponding certainty of sales, or long-term power purchase agreements with creditworthy partners. Both of these are relatively unaffected by economic fluctuations.

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

The low correlation to economic growth makes the RES market attractive for institutional clients in particular, such as insurance companies, since they are reliant on constant income that is predictable in the long term. Weak economic growth may consequently have a positive impact on the expansion of Encavis Group asset management activities.

Opportunities arising from sustained low interest rates

Weak economic growth usually goes hand in hand with low interest rates, reducing capital procurement costs for the Group and borrowing costs at project level.

Encavis actively exploits the low interest rate landscape and continuously reviews the potential for securing more favourable terms through refinancing existing loans well into the future.

Moreover, the Asset Management segment benefits from the generally low interest rates, as investment products with a comparable opportunity/risk structure can often only offer a lower yield, thus making investment in renewable energies more attractive.

Opportunities arising from meteorological conditions

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

Opportunities arising from the regulatory environment and international developments

By adopting the Paris Agreement at the UN Climate Change Conference in December 2015, the international community has shown an unequivocal will to counteract the threat of climate change by increasing the proportion of renewable and CO_2-neutral clean sources of energy. The Agreement sends a strong signal to further expand renewable energy sources and to achieve the climate protection targets by means of appropriate national and international support schemes and investments. According to Bloomberg New Energy Finance and the Frankfurt School-UNEP Collaborating Centre, worldwide investments exceeded 240 billion USD in 2017. Consequently, the RES market remains a growth market with high percentage growth rates, reaching double figures.

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

There is a growing trend towards power purchase agreements, irrespective of the use of public support schemes. The option to enter into power purchase agreements for up to 20 years directly with the industrial sector without the involvement of the public purse makes energy costs more predictable for companies and thus independent of the public supply. The International Energy Agency expects that half of the newly created global supply of energy from renewable sources will be provided via power purchase agreements either in auctions or directly with companies by 2022.

Opportunities arising from geographical diversification

Encavis constantly monitors and reviews the development of RES electricity and relevant opportunities in other regions. The company focuses mainly on developed countries in (Western) Europe, but also in the NAFTA region (the US, Canada and Mexico), with stable economic policies and regulatory frameworks and which promote growth of renewable energy sources via assessment-financed feed-in tariff systems. Geographical diversification further reduces the risk exposure of the current portfolio through greater independence from sunlight hours and/or wind levels in different regions as well as theoretically conceivable retrospective adjustments of both the level and mechanism of public support. Furthermore, entering the RES market in new countries offers Encavis additional growth potential beyond the current core markets. The acquisition of CHORUS Clean Energy AG has allowed the company to enter the Finnish, Swedish and Austrian RES markets.

Opportunities arising from a large portfolio in the core region

Encavis operates in the European core markets that have been investing in the renewable energy sector for some time now and thus have a corresponding portfolio of solar parks and wind parks. With its focus on turnkey and fully functional installations already connected to the national grid, the company benefits from the large number of existing installations in the core regions. In the short to medium term, it is therefore not solely dependent on the construction of new solar and/or wind power plants.

Opportunities arising from innovation

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

Opportunities arising from business relationships and collaborations

Encavis has been operating solar parks and wind parks since 2009 and has established itself as a reliable and expert player in the RES sector. Its 236 solar parks and wind parks with an output of approximately 1.5 GW make the company one of the biggest independent power producers (IPP) in Europe. Encavis is listed in the SDAX index in the Prime Standard of the German stock exchange. The size of the company and the track record of its current portfolio mean that Encavis continues to be seen as a reliable and expert partner in the market. This has enabled the Encavis Group to build up a broad and stable network of respected project developers, general contractors, operators, partners, service providers, brokers, consultants and banks over the years. In 2017, the company entered into a long-term strategic partnership with Solarcentury, one of the world's leading solar park developers. This gave Encavis access to a significant number of selected solar parks in Europe and Mexico. The takeover and successful integration of CHORUS Clean Energy AG has played a major part in substantially enhancing the Group's visibility. As a result, many installations are offered exclusively with a right of first refusal. The company's growing visibility and good reputation constantly increases the circle of potential partners and investors, including institutional clients in the Asset Management segment.

Opportunities arising from consolidation of the market

The takeover of CHORUS Clean Energy AG by Encavis was completed in October 2017. That makes us one of the biggest independent power producers in Europe. The new size of the company has increased its visibility in terms of acquisitions and also presents new opportunities which the companies would not be able to realise on their own. This includes acquiring bigger installations or entering new markets outside Europe for example. In addition, Encavis has taken the lead in consolidating the sector and intends to be actively involved in shaping it in the future. This leadership position enables the company to keep various strategic possibilities open and to be perceived as a strong partner, buyer and operator of solar parks and wind parks.

Opportunities arising from the size of the company

The acquisition of CHORUS Clean Energy AG has made Encavis one of today's biggest independent power producers in Europe. It has also increased the company's visibility in the capital markets when it comes to financing and investment. Higher market capitalisation, an increase in the balance sheet total of the Encavis Group, a solid equity ratio and the improved liquidity of the share have opened up access to new forms of growth finance and types of investors for Encavis. In September 2017, for example, Encavis was able to successfully issue a perpetual subordinate hybrid convertible bond in the amount of 97.3 million EUR with time-limited conversion rights into ordinary bearer shares. According to the International Financial Reporting Standards (IFRS), the bonds can be recognised as equity. This enhances the company's chances to secure cost-effective and equity enhancing forms of finance for future growth and to successfully and completely implement any capitalisation measures. Encavis is currently engaged in examining various options to finance future growth.

Future outlook

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

Macroeconomic developments

The global economy continues to grow despite some geopolitical tensions and protectionist tendencies. The International Monetary Fund therefore made another adjustment to its forecast for 2018 in January 2018. The experts now expect the global economy to grow by 3.9 % during 2018 (2017: 3.7 %). Growth in the global economy is likely to be shaped particularly by the dynamic emerging markets, while growth in the industrialised nations' economies is expected to remain at roughly the same level as the previous year. The inflation rate is predicted to increase both in industrialised nations and emerging economies and reach just under 2 % and 4.5 %, respectively, for the year.

Monetary policy with a slight rise in interest rates

Ongoing positive developments in the global economy make further tightening of US monetary policy likely. Experts predict that the US base rate will be around 1.5 % by the end of the year. The European Central Bank (ECB) is also expected to somewhat tighten its monetary policy in the current year, but this is likely to be initially confined to ending quantitative easing in September 2018.

Market conditions

Megatrend renewable energy

The expansion of renewable energies is continuing at a highly dynamic pace worldwide. In addition to political climate targets, such as those of the UN Paris Agreement, an increasing number of companies are actively advocating restructuring and expanding their energy supply to renewable energy sources. Some members of the RE100 initiative have set themselves the ambitious target to complete conversion of their energy supply to renewable energy sources as early as 2020 or 2030. Subsequently, long-term power purchase agreements were concluded in 2017 between private-sector companies and renewable energy producers with a total capacity of approximately 5.4 GW (2016: 4.3 GW). Energy supply expenses make up a large portion of the running costs for many industrial enterprises. The advantages associated with private-sector power purchase agreements not only include greater independence from future government regulation of the energy mix and reputational concerns, but are also driven by economic reasons, since the cost of RES electricity has fallen significantly and companies are able to protect themselves against rising electricity prices in the long term, thus increasing certainty.

Another driver for renewable energy is the continual improvement in battery storage system technology. Considerable progress has been made here over the past few years. In addition, the prices for modern and powerful systems have continued to drop in recent years. For example, coupling photovoltaic systems with a modern storage system means that the way electricity from these renewable sources is fed into the grid is more need-based and less dependent on meteorological conditions. The combination of storage systems and key renewable energy technologies will make a major contribution to further structural changes in the energy markets in favour of renewable energies in the coming years.

Further substantial growth is expected for the technology sectors in which the Encavis Group is active. For instance, the Global Wind Energy Council predicts that the global output from wind energy installations will rise to almost 800 GW by 2020. Solar Power Europe expects an increase in the global output from photovoltaic installations to over 600 GW by 2021 in a low growth scenario and to exceed 900 GW in a dynamic growth scenario.

Encavis on course for further growth

Both the economic and sociopolitical environment continue to favour the Encavis business model in the long term and offer potential for the Group’s further growth.

Encavis specialises in acquiring ready to build and turnkey solar and wind power plants as well as fully functional installations already connected to the national grids. All installations taken over by Encavis have long-term feed-in tariffs or private-sector power purchase agreements. Diversification by technologies and countries has contributed to further reductions in operational risk by the company during the reporting period. In addition, long-term non-recourse project finance deals round off the company’s conservative business model.

Encavis is respected in the market as an expert and reliable partner, for its safe transactions and its swift and orderly processes. The company therefore usually has a number of investments in the pipeline. Furthermore, many projects are offered to the company exclusively and off-market.

Encavis is also increasingly focusing on strategic partnerships with leading project developers. At the end of 2017 for instance, the company was able to announce a strategic partnership with the British project developer Solarcentury for a project pipeline of around 1.1 GW over the next three years. And in January 2018, Encavis entered into another strategic partnership with the Ireland Strategic Investment Fund (ISIF) and the Irish project developer Power Capital. The initial aim is to invest in a solar park portfolio with an output of around 140 MW.

Strategic partnerships secure exclusive access to a pipeline of highly attractive projects for Encavis over the coming years, which will significantly increase the transparency and predictability of the Group’s future growth. It also puts the company in a position to control the further expansion of its solar park and wind farm portfolio more purposefully.

Encavis makes renewable energies economical and believes that the future of the energy market lies in a decentralised energy supply from solar and wind power plants, coupled with the most advanced storage systems. The Group systematically uses the substantially improved efficiency and competitiveness of RES electricity to position itself as an energy supplier for long-term private-sector power purchase agreements who is able to offer businesses bespoke and attractive service and delivery contracts.

Encavis also makes its long-standing experience and knowledge of the renewable energy market available to institutional investors. Encavis Asset Management AG is the Group's specialist for institutional investors. The company is responsible for planning and building a portfolio of renewable energy installations tailored to customer needs, either on an individual basis or as part of special Luxembourg-based investment funds (SICAV/SICAF). Renewable energy installations continue to offer attractive yields in the persistent low-interest rate environment as well as stable and long-term cash flows.

Overall assessment of future development

Given the Group's growth-oriented strategy and the fact that economic conditions continue to be very favourable, the Encavis Executive Board expects further increases in both revenue and profit for financial year 2018.

The Board predicts that output will exceed 1.5 GW in 2018, based on its portfolio as it stands on 21 March 2018, and that revenue will rise to over 240 million Euro. Operating EBITDA is likely to increase to more than 175 million Euro. Taking depreciation and amortisation into account, Encavis anticipates a rise in operating EBIT to over 105 million Euro. The Group expects operating cash flow for the year to be around 163 million Euro. An operating profit per share of 0.3 Euro is also expected. Technical availability of the installations is expected to remain at 95 % in financial year 2018.

These predictions are based on the following assumptions:

- no significant retroactive regulatory intervention
- 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 financial year 2018. 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 mezzanine capital at Group or company level, as well as equity capital measures are not ruled out should they be required, provided that they are economically advantageous.

The Executive Board predicts that earnings before interest, taxes, depreciation and amortisation (EBITDA) will amount to approx. –14.1 million Euro for financial year 2018 for Encavis AG, which, as the holding company, bears the administrative expenses of the Group – i.e. essentially the costs of acquisitions, financing and operational supervision of the park. Earnings before interest and taxes (EBIT) are expected to amount to approx. –14.4 million Euro. The company's strong growth is the primary factor contributing to the negative result, as it entailed a need for additional staff, office space and an IT infrastructure. The Executive Board anticipates further strong growth of the company for financial year 2018. This is likely to lead to a further increase in personnel expenses, among others, albeit at a lower rate. Moreover, the continued expansion of the IT infrastructure in particular will entail increasing costs.

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

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

Hamburg, 22 March 2018

Encavis AG

Executive Board

Dr Dierk Paskert	**Dr Christoph Husmann**	**Holger Götze**
CEO	CFO	COO

Consolidated statement of comprehensive income

for the period 1 January to 31 December 2017
in accordance with International Financial Reporting Standards (IFRS)

In TEUR	Notes	2017	2016
Revenue	3.18; 5.1	222,432	141,783
Other income	5.2	31,245	29,399
Cost of materials	5.3	-1,514	-1,326
Personell expenses	5.4	-10,972	-8,541
- of which in share-based remuneration		-169	-162
Other expenses	5.5	-50,773	-37,562
Earnings before interest, taxes, depreciation and amortization (EBITDA)		**190,417**	**123,752**
Depreciation and amortization	5.6	-102,493	-64,028
Earnings before interest and taxes (EBIT)		**87,924**	**59,724**
Financial income	5.7	13,701	5,654
Financial expenses	5.7	-60,844	-54,407
Earnings from financial assets accounted for using the equity method		-18	-21
Earnings before taxes on income (EBT)		**40,763**	**10,950**
Taxes on income (previous year: Earnings)	5.8	-13,059	857
Consolidated income		**27,704**	**11,807**
Items that can be reclassified to profit or loss			
Currency translation differences	5.9	150	991
Cash flow hedges – effective portion of changes in fair value	5.9	2,231	-3,991
Change in the market value of available-for-sale financial assets	5.9	-210	-191
Income tax relating to items that may be reclassified to profit or loss	5.9	-920	1,418
Reclassifications		-36	0
Consolidated comprehensive income		**28,919**	**10,033**
Consolidated income for the period attributable to			
Encavis AG shareholders		25,682	11,399
Non-controlling interests		483	408
Hybrid capital investors		1,539	0
Consolidated comprehensive income for the period attributable to			
Encavis AG shareholders		26,896	9,626
Non-controlling interests		483	408
Hybrid capital investors		1,539	0
Earnings per share	3.21		
Average number of shares in issue for the period			
Undiluted		127,583,861	89,498,004
Diluted		127,604,146	89,563,016
Basic earnings per share (in EUR)		0.20	0.13
Diluted earnings per share (in EUR)		0.20	0.13

Consolidated balance sheet

as at 31 December 2017

in accordance with International Financial Reporting Standards (IFRS)

Assets in TEUR	Notes	31.12.2017	31.12.2016
Long-term assets			
Intangible assets	3.5; 3.8; 6.1; 20	609,482	593,270
Goodwill	3.6; 6.2; 20	32,405	22,292
Property, plant and equipment	3.7; 3.8; 6.3; 20	1,455,168	1,331,845
Financial assets accounted for using the equity method	6.4	690	730
Financial assets	3.9; 6.5	11,071	7,334
Other receivables	3.10; 6.6	14,558	14,178
Deferred tax assets	3.13; 5.8	118,896	118,588
Total long-term assets		**2,242,271**	**2,088,237**
Short-term assets			
Inventories	3.12; 6.7	339	327
Trade receivables	3.14; 6.8	40,146	31,352
Non-financial assets	3.14; 6.9	8,585	17,025
Income tax receivables	3.13; 6.9	21,471	10,289
Other current receivables	3.14; 6.9	11,311	17,588
Liquid assets	3.15; 6.10	195,577	188,979
Cash and cash equivalents	3.15; 6.10	124,388	125,802
Restricted cash and cash equivalents	3.15; 6.10	71,188	63,177
Total short-term assets		**277,428**	**265,560**
Total assets		**2,519,698**	**2,353,797**

Equity and liabilities in TEUR	Notes	31.12.2017	31.12.2016
Equity			
Subscribed capital		128,252	126,432
Capital reserves		406,834	399,559
Reserve for equity-based employee remuneration	3.19; 6.12	458	344
Other reserves		-2,753	-3,967
Net retained profit		63,737	63,342
Equity attributable to Encavis AG shareholders	6.11	**596,528**	**585,710**
Equity attributable to non-controlling interests	6.11	6,582	22,846
Equity attributable to hybrid capital investors	6.11	95,484	0
Total equity	6.11	**698,594**	**608,556**
Long-term liabilities			
Long-term liabilities to non-controlling interests	3.17; 6.13	2,791	5,997
Long-term financial liabilities	3.17; 6.13	1,284,199	1,251,964
Long-term lease liabilities	3.20; 6.13	80,578	71,976
Other long-term liabilities	3.17; 6.13	11,078	13,081
Non-current accruals	3.17; 6.13	26,089	22,251
Deferred tax liabilities	3.13; 5.8	233,548	217,951
Total long-term liabilities		**1,638,283**	**1,583,220**
Short-term liabilities			
Short-term liabilities to non-controlling interests shareholders	3.17; 6.13	17,705	12,573
Income tax payable	3.17; 6.13	7,027	3,906
Short-term financial liabilities	3.17; 6.13	117,996	102,771
Short-term lease liabilities	3.20; 6.13	6,612	5,688
Trade payables	3.17; 6.13	20,261	23,693
Other current liabilities	3.17; 6.13	6,689	9,193
Current accruals	3.17; 6.13	6,532	4,198
Total short-term liabilities		**182,821**	**162,021**
Total equity and liabilities		**2,519,698**	**2,353,797**

Consolidated cash flow statement

from 1 January to 31 December 2017
according to International Financial Reporting Standards (IFRS)

In TEUR	Notes	2017	2016
Net income for the period		27,704	11,807
Depreciation of fixed assets	5.6	102,493	64,028
Other non-cash expenses		1,372	2,825
Other non-cash income		-24,985	-24,795
Financial income	5.7	-13,701	-5,654
Financial expense	5.7	60,844	54,407
Income taxes (recognised in profit or loss)	5.8	13,059	-857
Income taxes (paid)		-16,411	-2,640
Net income from deconsolidations		0	1,152
Increase in other assets not attributable to investing or financing activities		-5,199	-5,865
Increase in other liabilities not attributable to investing or financing activities		7,861	856
Cash flow from operating activities		**153,037**	**95,263**
Payments for the acquisition of consolidated entities, net of cash acquired	4.2	-76,721	-21,088
Refund of purchase price payments		0	330
Proceeds from the sale of consolidated companies	4.3	7,750	15,196
Payments for investments in property, plant and equipment		-93,920	-14,157
Proceeds from the sale of property, plant and equipment		37	855
Payments for investments in intangible assets		-674	-636
Payments for investments in financial assets		-5,183	-4
Proceeds from the sale of financial assets		217	252
Dividends received		156	0
Cash flow from investing activities		**-168,339**	**-19,252**
Loan proceeds		109,074	70,167
Loan repayments		-104,109	-65,039
Hybrid capital proceeds		97,300	0
Interest received		612	300
Interest paid		-50,498	-35,562
Proceeds from capital increases		0	48,897
Payments for issuance costs		-3,423	-4,809
Payments for the acquisition of shares without change of control		-17,034	0
Dividends paid to Encavis AG shareholders		-15,174	-14,384
Payments to non-controlling interests		-1,439	-1,299
Change in restricted cash		-5,225	1,629
Cash flow from financing activities		**10,085**	**-101**
Change in cash and cash equivalents		-5,217	75,910
Effects of exchange rate changes on cash and cash equivalents		-497	-1,841
Change in cash funds		**-5,714**	**74,069**
As at 01.01.2017 (01.01.2016)	6.10	125,698	51,629
As at 31.12.2017 (31.12.2016)	6.10	119,984	125,698

Consolidated statement of changes in equity

for the period 1 January to 31 December 2017
in accordance with International Financial Reporting Standards (IFRS)

In TEUR	Subscribed capital	Capital reserve	Currency translation reserve	Hedge reserve	Reserve from changes in fair value	Reserve for equity-based employee remuneration
As at 01.01.2016	**75,483**	**108,650**	**71**	**-2,265**		**425**
Consolidated income						
Other comprehensive income			991	-2,622	-142	
Consolidated comprehensive income for the period			**991**	**-2,622**	**-142**	
Dividend						
Change in accounting methods						-243
Income and expenses recognised directly in equity		651				162
Changes from capitalisation measures	50,949	295,087				
Transactions with shareholders recognised directly in equity		-21				
Issuance costs		-4,808				
Acquisition of shares from non-controlling interests						
As at 31.12.2016	**126,432**	**399,559**	**1,062**	**-4,887**	**-142**	**344**
As at 01.01.2017	**126,432**	**399,559**	**1,062**	**-4,887**	**-142**	**344**
Consolidated income						
Other comprehensive income[1]			150	1,257	-156	
Reclassifications to profit/loss			-36			
Consolidated comprehensive income for the period			**114**	**1,257**	**-156**	
Dividend						
Income and expenses recognised directly in equity						114
Changes from capitalisation measures	1,820	8,973				
Issue of the hybrid bond						
Transactions with shareholders recognised directly in equity		-1,604				
Issuance costs		-94				
As at 31.12.2017	**128,252**	**406,834**	**1,176**	**-3,630**	**-298**	**458**

[1] Excluding separately recognised effects from reclassifications.

In TEUR		Net retained profit	Equity attributable to Encavis AG sharehol-ders	Equity attributable to non-controlling interests	Equity attri-butable to hybrid capital investors	Total
As at 01.01.2016		**66,834**	**249,198**	**7,795**		**256,993**
Consolidated income		11,399	11,399	408		11,807
Other comprehensive income			-1,773			-1,773
Consolidated comprehensive income for the period		**11,399**	**9,626**	**408**		**10,033**
Dividend		-14,891	-14,891	-1,299		-16,190
Change in accounting methods			-243			-243
Income and expenses recognised directly in equity			813			813
Changes from capitalisation measures			346,036			346,036
Transactions with shareholders recognised directly in equity			-21			-21
Issuance costs			-4,808			-4,808
Acquisition of shares from non-controlling interests				15,942		15,942
As at 31.12.2016		**63,342**	**585,710**	**22,846**		**608,556**
As at 01.01.2017		**63,342**	**585,710**	**22,846**		**608,556**
Consolidated income		25,682	25,682	483	1,539	27,704
Other comprehensive income[1]			1,250			1,250
Reclassifications to profit/loss			-36			-36
Consolidated comprehensive income for the period		**25,682**	**26,896**	**483**	**1,539**	**28,919**
Dividend		-25,286	-25,286	-637		-25,923
Income and expenses recognised directly in equity			114		-25	89
Changes from capitalisation measures			10,793			10,793
Issue of the hybrid bond					97,300	97,300
Transactions with shareholders recognised directly in equity			-1,604	-16,110		-17,715
Issuance costs			-94		-3,330	-3,424
As at 31.12.2017		**63,737**	**596,528**	**6,582**	**95,484**	**698,594**

[1] Excluding separately recognised effects from reclassifications.

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Notes to the consolidated financial statements

for the year ended 31 December 2017
in accordance with International Financial Reporting Standards (IFRS)

1 General information

Encavis AG (formerly Capital Stage AG), as the parent company of the Group, was entered in the Commercial Register at Hamburg District Court under registration number HRB 63197 on 18 January 2002. The company's registered office is Grosse Elbstrasse 59, 22767 Hamburg, Germany.

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

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

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

The consolidated financial statements present the operations of Encavis AG and its associates. Please refer to the list of shareholdings in Note 17 for more information on the companies included in the scope of consolidation.

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

To improve clarity, various statement of comprehensive income and balance sheet items have been combined. These items are disclosed separately and explained in the notes. The statement of comprehensive income has been prepared using the total cost (nature of expense) method. The figures in the notes correspond to the respective denomination in euro (EUR), thousand euro (TEUR) or millions of euro (million Euro). Rounding differences may occur in percentages and figures in this report.

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

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

2 Application of new and amended International Financial Reporting Standards (IFRS)

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

The Group has applied the following new and/or amended standards and interpretations for the first time in financial year 2017:

Obligatory as at 31.12.2017			
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 31.12.2017)
IAS 7	Amendment – Disclosure Initiative	01.01.2017	Adopted
IAS 12	Amendment – Recognition of Deferred Tax Assets for Unrealised Losses	01.01.2017	Adopted

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

The amendments have no or no material effects on the accounts and annual report of Encavis AG.

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

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

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 31.12.2017)
IFRS 9	New standard – Financial Instruments (2014)	01.01.2018	Adopted
IFRS 15	New standard – Revenue from Contracts with Customers	01.01.2018	Adopted
IFRS 15	Amendment – Clarifications to IFRS 15	01.01.2018	Adopted
IFRS 4	Amendment – Application of IFRS 9 "Financial Instruments" in combination with IFRS 4 "Insurance Contracts"	01.01.2018	Adopted
IFRS 16	New standard – Leases	01.01.2019	Adopted
IFRS 14	New standard – Regulatory Deferral Accounts	01.01.2016	Adoption not proposed due to very limited user group
IFRS 10, IAS 28	Amendment – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Postponed indefinitely by the IASB	Not yet adopted
IFRS 2	Amendment – Classification and Measurement of Share-based Payment Transactions	01.01.2018	Not yet adopted
AIP	Annual Improvement Programme for IFRS: 2014–2016 cycle	01.01.2017 or 01.01.2018	Not yet adopted
IAS 40	Amendment – Transfers of Investment Property	01.01.2018	Not yet adopted
IFRIC 22	Foreign Currency Transactions and Advance Consideration	01.01.2018	Not yet adopted
AIP	Annual improvement programme for IFRS, 2015-2017 cycle	01.01.2019	Not yet adopted
IFRIC 23	Uncertainty over Income Tax Treatments	01.01.2019	Not yet adopted
IAS 28	Amendment – Long-term Interests in Associates and Joint Ventures	01.01.2019	Not yet adopted
IFRS 9	Amendment – Prepayment Features with Negative Compensation	01.01.2019	Not yet adopted
IFRS 17	New standard – Insurance contracts	01.01.2021	Not yet adopted

IFRS 9 – Financial Instruments (2014)

The new standard replaces the requirements of IAS 39 *Financial Instruments: Recognition and Measurement* for the classification and measurement of financial assets and includes new requirements for hedge accounting. The requirements for measuring impairment losses have been replaced by the so-called expected credit loss model. The company will apply IFRS 9 from 1 January 2018. Any effects arising from the initial application will be shown as an adjustment to the opening balance of net earnings for the year.

The majority of investments in instruments which until now have been classified as available for sale, shall be classified at fair value through profit and loss on 1 January 2018. This change is likely to increase earnings volatility to a minimal extent as until now unrealised gains and losses have been recorded in other comprehensive income. No material changes are anticipated with regards to the classification of financial assets which up to now have been valued at amortized costs.

For the most part, accounting of financial liabilities remains identical for the Group. The new requirements only apply to the accounting of financial liabilities for which the fair value option had been applied. The Group does not apply this option.

Contrary to the impairment model applicable under IAS 39 and currently used for credit losses (incurred loss model), the new model for impairments requires impairments to be recognised in accordance with IFRS 9 (expected credit loss model) based on the expected credit losses. Based on this new model, the company expects the initial recognition of corresponding risk provisions on the relevant asset items. Encavis anticipates that this risk provision will be at non-material level as the majority of financial assets comprise trade receivables whose counterparties, as a result of the business model, are semi-public network operators and comparable organisations. The simplified IFRS 9 impairment model is applied for trade receivables. For other financial assets not classified at fair value through profit and loss, the general IFRS impairment regulations shall be applied.

The new requirements for hedge accounting give Encavis the opportunity to align its hedge accounting more closely with the Group's economic risk management. As a general rule, hedge accounting may be applied to a larger selection of hedging instruments and hedged items. Following a thorough examination, the Group assumes that the current hedging relationships will continue to qualify as hedges following first-time application of IFRS 9. With the elimination of the 80 % to 125 % effectiveness limits, there will no longer be any de-designations resulting from exceeding or falling below this bandwidth, as has occasionally occurred in the past. This will probably result in lower earnings volatility in the future. In view of this, no material effects on hedge accounting are expected.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 is a new standard that was published on 28 May 2014 and is required to be applied for reporting periods starting on or after 1 January 2018. The aim of the standard in particular is to unify current regulations and therefore improve transparency and compatibility of financial information. The standard provides a single principle-based five-step model that applies to all contracts with customers. The standard sets out the point in time and level at which revenue must be recognised. According to IFRS 15, revenues are to be recognised when the customer acquires right of disposal over the agreed goods and services and is able to benefit from this. The revenues must be valued at the amount of consideration which the company anticipates receiving

The Group generates revenue mainly from the sale of energy. The service and asset management segments generate additional revenue. The first-time application of IFRS 15 primarily leads to new requirements in the areas of multi-component contracts and principal–agent relationships. As in each case only one performance obligation results from contracts with Encavis customers and this is fulfilled at a specific point in time, the areas referred to above are not relevant for Encavis. The first-time application of IFRS 15 will therefore have no material impact on the consolidated financial statement. The first-time application will be implemented according to the modified retrospective methods. The introduction of the new standard means that disclosures in the notes will have to provide more qualitative and quantitative details in future. However, disclosures in the notes will have to provide more qualitative and quantitative details in future.

IFRS 16 – Leases

IFRS 16 was published in January 2016 and is required to be applied for the first time for financial years starting on or after 1 January 2019. It was adopted as European law on 31 October 2017. The new standard governs how leases are recognised, measured, presented and disclosed in the financial statements of enterprises reporting in accordance with IFRS. The standard prescribes a single accounting model, the right-of use model, to be used by the lessee. This model requires the lessee to recognise all assets and liabilities from leases in the balance sheet, unless the term is 12 months or less or it involves a low-value asset (both optional). The lessor also distinguishes between finance and operating leases for accounting purposes. The accounting model of IFRS 16 does not differ significantly from that of IAS 17 *Leases*. The disclosures in the notes to the financial statements will be more comprehensive, with the aim of enabling users of the statements to assess the amount, timing and uncertainties associated with lease arrangements.

The overall impact of the application is currently being examined as part of a project for the implementation of IFRS 16. At this point in time, the preliminary findings are as follows:

Existing finance leases will continue to be recognised at recoverable amounts at the transition date. Arrangements hitherto classified as operating leases relate to leases of both movable (e.g. company cars, photocopiers) and immovable property (e.g. renting of office space, lease agreements). Liabilities from rent and lease agreements amounted to TEUR 161,039 at the reporting date (see also Note No. 9). As of now, the liabilities have not been discounted for forecasting purposes. Therefore, the current nominal obligations represent the non-occurrence of the cap on the balance sheet effect. At the moment, management expects IFRS 16 to apply to the majority of these contractual liabilities and therefore predicts a material increase of both lease liabilities and fixed assets when the standard is applied for the first time. The equity ratio will be reduced as a result of the expansion of the balance sheet. In future, the statement of comprehensive income will include depreciation and interest expense instead of rental and leasing expenses, which amounted to TEUR 7,115 in financial year 2017. Both the EBITDA and EBIT indicators are expected to improve significantly as a result. These changes in presentation will lead to an increase in operating cash flow and a decrease in cash flow from financing activities. In addition, recognition of expenses will shift forward, while total period costs remain the same.

These are preliminary conclusions. Due to the number of contracts and different legal frameworks, reliable estimates cannot be provided at this stage. In particular, no decision has yet been made on how to deal with the non-disclosure options for presentation of short-term and low-value agreements or on dealing with liabilities associated with non-lease components.

The Group is still examining the quantitative effects that could arise from the first-time application of IFRS 16. At present, Encavis does not intend to apply IFRS 16 early. The modified retrospective approach, as set out in the IFRS 16 transitional provisions, will be applied with no adjustment to the comparative period.

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

3 Key accounting and consolidation principles

3.1 Consolidation principles

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

The effects of intragroup transactions are eliminated. Loans and other receivables and payables between consolidated companies are offset against each other. Intercompany profits and losses are eliminated and intragroup income is offset against the corresponding expenses.

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

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

3.2 Business combinations

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

Identifiable assets acquired and liabilities assumed are recognised at fair value, with the following exceptions:

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

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

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

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

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

3.3 Translation of foreign currencies

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

Currency translation is based on the following exchange rates:

1 euro =	Closing rates		Average rates	
	31.12.2017	31.12.2016	2017	2016
British pound (GBP)	0.8872	0.8562	0.8761	0.8178
US dollar (USD)	1.1993	1.0541	1.1292	1.1065
Danish krone (DKK)	7.4449	7.4344	7.4387	7.4454

3.4 Significant accounting decisions and key sources of uncertainties in estimates

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

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

The economic lifetime of property, plant and equipment and intangible assets

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

Impairment of goodwill

In order to determine whether goodwill is impaired, it is necessary to calculate the utility value of the Group's cash-generating units that are allocated to goodwill. Calculating the utility value requires an estimate of future cash flows from the Group's cash-generating units as well as an appropriate capitalization interest rate for the calculation of the present value. A significant impairment may result if the actual expected future cash flows are less than previously estimated.

The carrying amount of goodwill as at 31 December 2017 was TEUR 32,405 (previous year: TEUR 22,292). While an impairment in the amount of TEUR 517 was accounted for in the previous year, no value adjustment was necessary in the past financial year 2017. Details on calculating the impairment can be found in note 6.2.

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 estimated fair values are subject to uncertainties. If intangible assets are identified, the fair value must be estimated using generally accepted valuation methods. The valuations are based on the company's plans, which are based on estimates by management while taking contractual agreements into account. The discount rates (WACC) applied in connection with the valuation of intangible assets are between 1.63 % and 4.73 % (previous year: 2.19 % and 5.35 %). This range is primarily due to the varying interest rates in the individual markets as well as differences in the remaining lifetimes of intangible assets.

The acquisition of solar and wind power plants already connected to the grid is treated as a business combination, since the Group considers the requirements of an existing business operation to have been met.

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

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

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

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

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

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

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

Control of CHORUS CleanTech GmbH & Co. Solarpark Bitterfeld KG

Encavis controls CHORUS CleanTech GmbH & Co. Solarpark Bitterfeld KG with a share of 36.0 % by carrying out the management of this company as well as of the company that holds the main remaining shares.

3.5 Intangible assets

With the exception of goodwill, intangible assets all have a limited useful lifetime and are valued at their acquisition cost less scheduled linear amortisation. They are amortised on the basis of their economic lifetime.

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

Depreciation and amortisation for feed-in contracts are usually carried out over the term of the regulated period for each respective wind farm or solar park. This term is 20 years in Germany, Italy, for solar parks in France and for the parks in the UK with feed-in tariffs (FiT). Contrary to this, feed-in contracts for wind parks in France are written off over 15 years, in Denmark after the expiry of the bonus compensation depending on the supported number of kilowatt-hours of approximately six to eight years, and for farms in the UK subsidised through renewable obligation certificates (ROC) for over a maximum of 30 years. The project rights are written off over a period of 18 to 30 years, in parallel to the lifetime of photovoltaic and wind power plants and the existing lease agreements. Other intangible assets are written off over their estimated lifetime of three to five years.

3.6 Goodwill

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

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

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

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

3.7 Property, plant and equipment

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

Property, plant and equipment are written off proportionally over the period of their estimated economic lifetime. The estimated lifetimes of property, plant and equipment are two to 30 years, for photovoltaic and wind power plants 18 to 30 years, and for other office equipment two to 15 years.

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

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

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

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

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

If the reasons for a previously recognised impairment are no longer in effect, the carrying amount of the asset or the cash-generating unit is increased to the most recent estimate of the recoverable amount as recognised in net income.

The increase in the carrying amount may not exceed the value that would have been determined if no impairment loss was recognised in previous years. A reversal of an impairment loss for a cash-generating unit is allocated to the asset values of the unit, except for goodwill, pro rata with the carrying amount of these assets.

3.9 Primary financial instruments

Financial assets and financial liabilities must be recorded if a Group company becomes a contractual party to the financial instrument.

Financial assets and financial liabilities must be evaluated at their fair value when added to the accounts. All financial assets and financial liabilities that are not recognised at fair value in net income must take into account the transaction costs directly attributable at the time they are acquired. Transaction costs that are directly allocated to the acquisition of financial assets or financial liabilities that are recognised at fair value in net income are immediately recorded as profit or loss in the financial statements.

3.9.1 Financial assets

Financial assets are divided into the following categories:

- Financial assets held for trading (FAHfT), i.e. financial assets valued at fair value in net income
- Financial investments held to maturity (HtM)
- Financial assets available for sale (AfS)
- Loans and receivables (L&R)

The categorisation depends on the nature and purpose of the financial assets and is recorded when added to the accounts. Financial assets that are delivered within the customary period for the market in question are recognised and derecognised on the day of trading.

No financial investments held to maturity (HtM) are recorded as at the balance sheet date or as at the closing date of the previous year.

The Group only derecognises a financial asset if the contractual rights to the cash flow from a financial asset have expired or if the financial asset as well as all risks and opportunities associated with ownership of the asset have been transferred to a third party. If the Group neither substantially transfers nor retains all risks and opportunities associated with ownership and maintains control over the transferred asset, the Group records the remaining share of the asset and a corresponding liability in the outstanding amount. In the event that the Group essentially retains all risks and opportunities associated with ownership of a transferred financial asset, the Group continues to record the financial asset as well as a secured loan for the consideration received.

Upon derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or to be received and all accumulated profits or losses that are included in other revenue and equity is recorded in the statement of comprehensive income.

Financial assets held for trading

Financial assets are valued at fair value in net income if the financial asset is either held for trading or designated as valued at fair value in net income.

A financial asset is categorised as held for trading if

- it was acquired mainly with the intention to sell it in the short term or
- upon initial recognition, it is part of a portfolio of identified financial instruments controlled by the Group and for which there are indications from recent activities that it will result in short-term profit-making or
- it is a derivative that has not been designated as a hedging instrument, is effective as such and does not act as a financial guarantee.

A financial asset categorised as not being held for trading can be designated as recorded at fair value in net income upon first-time recognition if

- such a designation removes or significantly reduces inconsistencies in valuation or recognition which would otherwise occur or
- the financial asset is part of a group of financial assets and/or financial liabilities that are managed according to a documented risk management or investment strategy, their value development is assessed based on their estimated fair value and this forms the basis for information provided on this portfolio or
- the asset is part of a contract that contains one or more embedded derivatives and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire structured product (asset or liability) to be recognised at fair value in net income.

Financial assets available for sale

Financial assets available for sale (AfS) are non-derivative equity instruments either classified as AfS or not as L&R or FAHfT. Financial assets in the AfS category are designated at fair value at the end of each reporting period. Assets in unlisted stocks that are not traded on an active market are also categorised as financial assets in the AfS category and recorded at fair value at the end of each reporting period. Equity instruments in the AfS category which have no listed market price in an active market and whose fair value cannot be reliably determined are assessed at amortised cost less any impairment at the end of the reporting period. All changes in value of equity instruments in the AfS category are recognised in other revenue. If the financial asset is sold or if an impairment is detected, the cumulative profit or loss previously recorded in other comprehensive income is reallocated accordingly in the statement of comprehensive income. Dividends on equity instruments in the AfS category are recognised in net income if the Group acquires the right to dividends.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Provided they are not held for trading, loans and receivables (including loans, trade receivables, other receivables, bank balances and cash on hand) are valued at amortised cost in line with the effective interest method. If there are any doubts about the recoverability of receivables or loans, these are recognised at amortised cost less appropriate impairment. An impairment of trade receivables is recorded if objective factors indicate that the outstanding debt amounts cannot be fully recovered. The impairment losses are recognised in the statement of comprehensive income. Cash on hand is recognised at the nominal amount.

Impairment of financial assets

With the exception of financial assets measured at fair value in net income, financial assets are examined at each balance sheet date for any indications of impairment. These financial assets are considered impaired if there is objective evidence that the expected future cash flows from the asset have adversely changed as a result of one or more events occurring after the first-time recognition of the asset.

For financial assets in the AfS category, an objective indication of impairment is assumed if there is a significant or constant decline in the fair value of the security below its amortised cost.

Objective indications of an impairment of all other financial assets may be in particular:

- Significant financial difficulty on the part of the issuer or counterparty
- A breach of contract, such as default or arrears of interest or principal payments
- An increased likelihood that the borrower may enter bankruptcy or other reorganisation proceedings

For financial assets valued at amortised cost, the impairment loss corresponds to the difference between the carrying amount of the asset and the present value of expected future cash flows, discounted at the initial effective interest rate of the financial asset.

If the amount of the impairment of a financial asset valued at amortised cost decreases in one of the subsequent financial years and this reduction can be objectively attributed to an event that occurred after the impairment, the previously recognised impairment loss is reversed in the statement of comprehensive income. However, this is attributed to a value that does not exceed the amortised cost that would have applied if the impairment loss had not been recognised.

3.9.2 Financial liabilities and equity instruments

Debt and equity instruments issued by a Group company are categorised as financial liabilities or equity according to the commercial value of the contractual agreement and definitions.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recognised in the amount of the revenue received from the issuance less directly attributable transaction costs. Issuance costs are any costs that would not have been incurred if the equity instrument had not been issued.

Repurchases of own equity instruments must be deducted directly from equity. No purchase, sale, issue or cancellation of an entity's own equity instruments are recognised in profit or loss.

Financial liabilities

Financial liabilities are recorded if a Group company becomes a contractual party to the financial instrument.

Financial liabilities are categorised as either financial liabilities held for trading (FLHfT) or other financial liabilities measured at amortised cost (AC).

Financial liabilities are recognised for the first time at fair value. For financial liabilities that are not measured at fair value in net income, the direct transaction costs attributable at the time they are acquired are also recorded.

Transaction costs that are directly allocated to the issuance of financial liabilities that are recognised at fair value in net income are immediately recorded as profit or loss in the financial statements.

Other financial liabilities

Other financial liabilities (including financial liabilities, trade payables as well as any other liabilities) are valued in accordance with the effective interest method at their amortised cost.

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

Derecognition of financial liabilities

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

3.9.3 Calculation of the fair values

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

To determine the fair value of an asset or a liability, the Group relies as much as possible on observable market data. The fair value is divided into a three-level hierarchy depending on the availability of observable parameters and the significance of these parameters for determining the fair value as a whole. The fair value is categorised as follows:

- Input parameters at level 1 are the quoted prices (unadjusted) in active markets for identical financial assets or financial liabilities that can be accessed by the company as at the assessment date.
- Level 2 input parameters are quoted prices other than those included in level 1, which can either be observed directly or derived indirectly from other prices for the financial asset or liability.
- Input parameters at level 3 are unobservable parameters for the asset or liability.

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

3.10 Derivative financial instruments

The Group uses derivative financial instruments to control its interest rate and currency risks. Derivative financial instruments are measured at fair value upon first-time recognition as well as for all subsequent recognitions. If derivative financial instruments are not part of an effective hedging relationship (hedge accounting), they must be categorised as held for trading in accordance with IAS 39.

If possible, the Group generally designates derivatives upon completion and/or acquisition as a hedging instrument within the framework of a so-called cash flow hedge. Since the essential conditions of the underlying loan (interest period, interest rate, interest calculation method, repayment history of the notional amounts) typically match the exact conditions of the concluded interest rate swaps, the Group assumes that an effective hedging relationship can be demonstrated on a prospective basis. In the event of so-called forward-starting swaps, company management assumes that the underlying financing will continue with variable rates when the fixed-interest period comes to an end.

At the beginning of the hedge, both the hedging relationship and the entity's risk management objectives and strategies for undertaking the hedge are formally defined and documented. The documentation includes the definition of the hedging instruments, the hedged items and the type of risk being hedged (interest rate risk for the respective base interest rate). In addition, the documentation includes a description of how the Group will measure the effectiveness of the hedging relationships at the beginning and during subsequent periods and whether the hedging transactions were actually effective during the entire term of the hedging relationship. The hedging relationship is considered to be effective as long as it can be shown retrospectively to be within the range of 80 to 125 %.

The effective portion of changes in the fair value of derivative financial instruments categorised as cash flow hedges is recognised directly in equity, taking into account deferred taxes without affecting profit or loss. The ineffective portion is recognised in the statement of comprehensive income.

The changes in the fair value of derivative financial instruments that are not part of a hedging relationship are recognised in the statement of comprehensive income as part of the financial result.

3.11 Collateral

The financial liabilities from the solar parks and wind parks are essentially non-recourse loans. For these financial liabilities and, where appropriate, also contingent liabilities, the consolidated Group companies for the most part have provided collateral to the financing banks or creditors. As usual in this type of financing, property, plant and equipment and all rights as well as future claims have been assigned to the banks. The current amount of the collateral furnished thus corresponds to the carrying amount of the assets or the amount of reserves (note 6.10), or involves intangible assets (such as the right to join feed-in contracts). The main forms of collateral are:

- Enforceable land charges (property, plant and equipment)
- Pledging of debt service and project reserve accounts (restricted cash)
- Assignment of the respective power company's right to remuneration from the feed-in tariffs (revenue)
- Assignment of payment and compensation claims vis-à-vis third parties from any direct marketing contracts (revenue)
- Assignment of goods stored in a specific place (property, plant and equipment)
- Pledging of shareholdings (group of consolidated companies)
- Pledging of other receivables

3.12 Inventories

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

3.13 Income taxes

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

Current and deferred taxes are recorded in the consolidated statement of comprehensive income, unless they are related to items recognised in other comprehensive income or directly in equity. In this case, the current and deferred taxes are also recognised in other comprehensive income or directly in equity.

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

Deferred taxes
Deferred taxes are calculated in relation to temporary recognition and valuation differences between the IFRS carrying amount of an asset or liability and its tax base. Deferred tax liabilities are generally recognised for all taxable temporary differences; deferred tax assets are recorded to the extent that it is probable that there will be sufficient excess taxes in future which can be used for the deductible temporary differences. Deferred tax assets from unused loss carryforwards are capitalised to the extent that it is likely within a planning period of five years that these can be offset in the future with available taxable income. In addition, further stipulations of IAS 12 must be observed if there is an excess of deferred tax liabilities, and if the existing loss carryforwards cannot be used within the period of five years.

Deferred tax assets and liabilities offset each other if the Group has a legally enforceable right to offset the actual tax refund claims against the actual tax liabilities and if these relate to taxes on earnings from the same taxable entity levied by the same tax authority.

Deferred tax assets and liabilities are calculated using the respective individual corporate and country-specific tax rate for the company which is expected to be valid as of the date of performance of the liability or realisation of the asset.

The tax reconciliation and additional information are provided in note 5.8.

3.14 Trade receivables and other assets
Trade receivables are first recognised at fair value, which is normally the nominal value. As a result, they are valued at their amortised cost. Impairments are recognised on the basis of past experience through the classification of receivables and other assets according to their age and other objective information relating to their value.

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

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

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

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

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

3.17 Liabilities, provisions and financial liabilities

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

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

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

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

3.18 Revenue and financial income

Revenue is recognised at the fair value of the consideration received or due. Revenue from the sale of goods, services and electricity is recognised if the following conditions are met:

- The significant risks and opportunities arising from ownership of the goods are transferred to the buyer.
- Neither the right of disposal normally associated with ownership nor effective control over the purchased goods and products is withheld.
- The amount of revenue can be reliably determined.
- It is likely that an economic benefit will be derived from the transaction.
- The costs incurred or yet to be incurred in connection with the sale can be reliably determined.

Revenue from the sale of goods and electricity is therefore generally recognised when the goods and electricity have been supplied and legal title has been transferred.

Financial income

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

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

3.19 Stock option programmes

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

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

3.20 Leasing

Economic ownership of leased assets is attributed to the contractor in a lease who bears the significant risks and opportunities associated with the leased asset.

Assets held under finance leases are initially recognised as Group assets at their fair value at the beginning of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability towards the lessor must be shown on the consolidated balance sheet as a liability arising from finance leases. The lease payments are thus divided into interest expenses and payment of lease liabilities in such a way as to ensure a constant rate of repayment of the outstanding liability. Interest expenses are recognised directly in the statement of comprehensive income.

Expenses from operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the corresponding leases.

The Group has financed solar installations via leasing agreements, whereby the material risks and opportunities are transferred to Encavis, thus establishing finance leases. The solar installations in the various solar parks are used as collateral for the corresponding liabilities.

A portion of the finance lease information shown concerns sale-and-lease-back transactions. Insofar as income was generated in the course of these transactions, it is separated and distributed in profit and loss over the term of the lease.

3.21 Earnings per share

Basic earnings per share are calculated by dividing the earnings attributable to shareholders by the weighted average number of shares in circulation during the period. Diluted earnings per share are calculated by dividing the earnings attributable to shareholders by the weighted average number of shares in circulation during the period, plus the number of exercisable options. The options are taken into consideration from the date on which the performance target is permanently reached or exceeded.

3.22 Borrowing costs

Borrowing costs incurred directly in connection with the creation of qualified assets from the start of production to commissioning are capitalised and then depreciated with the corresponding asset value. The cost of funding is determined on the basis of the specific financing costs of capital borrowed specifically for the production of a qualified asset. Other borrowing costs are recognised as current expenses.

3.23 Government grants

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

3.24 Segment reporting

During the reporting year, the focus of the Encavis Group's business activities did not change significantly from the previous year and remains on the operation and development of solar parks and wind parks. The Group's segments are Administration, PV Parks, PV Service, Wind Parks and Asset Management. Additional information on the companies consolidated for the first time as well as deconsolidated companies can be found in note 4.

PV Parks

The PV Parks segment comprises the English, German, French, Italian and Dutch solar parks plus any holding companies as well as the Irish holding company Capital Stage Investments Ltd. The business transactions of Encavis AG and Encavis Asset Management AG associated with this segment are also included.

This segment's main business activity is the production of electricity. The segment's revenue comes mainly from either the feed-in tariffs paid by the various local providers, long-term purchase agreements with private companies and the market premiums paid for the direct marketing of electricity on the energy markets.

PV Service

The PV Service segment consists of Encavis Technical Services GmbH as well as the transactions of Encavis AG assigned to this segment. The principal business activities of the segment are the technical and commercial operation of both the

Group's and external solar park installations. The revenue generated by this segment mainly comes from plant operation charges.

Wind Parks

All wind parks in Germany, Italy, France and Austria and the associated holding companies are included in the Wind Parks segment as well as the transactions of Encavis AG and Encavis Asset Management AG assigned to this segment.

This segment's main business activity is the production of electricity. The segment's revenue comes mainly from either the feed-in tariffs paid by the various local providers or the market premiums paid for the direct marketing of electricity on the energy markets.

Asset Management

The Asset Management segment includes the business activities of Encavis Asset Management AG as regards the business area of asset management as well as other companies associated with this business area.

The main activities of this segment are commercial services for the managed portfolio as well as consulting services. These include setting up funds for professional investors and customised and structured systems for these groups of investors in the field of renewable energies. Following the structuring of these portfolios, Encavis provides asset management services for institutional funds and other investment vehicles of professional investors and the operating companies owned by them.

Administration

The Group-wide activities of Encavis AG and Encavis Asset Management AG are described in detail in the Administration segment. This segment also includes the company Capital Stage Finance B.V., which was founded in 2017.

Reclassifications

The business activities of Encavis Asset Management AG that do not concern the management business segment were reclassified in financial year 2017 from the Management segment to the remaining segments. The two Group companies CHORUS CleanTech 1. Fonds Invest GmbH and CHORUS CleanTech 2. Fonds Invest GmbH were reclassified from the Management segment to the Asset Management segment. The previous year's figures in segment reporting were adjusted accordingly.

Segment reporting is carried out in accordance with the recognition and valuation principles of the consolidated financial statements. Segment reporting is based on internal reporting.

The assets, provisions and liabilities in the consolidated balance sheet have been properly allocated to the segments. The capital expenditure in segment reporting refers to additions to property, plant and equipment and financial assets.

Transactions within the segments are executed on the same conditions as with third parties.

Revenue with third parties is distributed to the individual operating segments as follows:

Revenue by segment	In TEUR	Share in %
PV Parks		
2017	168,892	75.9%
(previous year)	(115,486)	(81.5%)
Wind Parks		
2017	49,554	22.3%
(previous year)	(23,752)	(16.8%)
Asset Management		
2017	3,674	1.7%
(previous year)	(2,147)	(1.5%)
PV Service		
2017	312	0.1%
(previous year)	(398)	(0.0%)
Total		
2017	**222,432**	**100.0%**
(previous year)	**(141,783)**	**(100.0%)**

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

Revenue and long-term assets by region	Revenue in TEUR	Share in %	Long-term assets in TEUR	Share in %
Denmark				
2017	503	0.2%	17,039	0.8%
(previous year)	(0)	(0.0%)	(0)	(0.0%)
Deutschland				
2017	99,487	44.7%	942,520	45.3%
(previous year)	(61,030)	(43.0%)	(940,130)	(48.8%)
Frankreich				
2017	40,133	18.0%	404,448	19.4%
(previous year)	(34,232)	(24.1%)	(380,828)	(19.8%)
Großbritannien				
2017	11,343	5.1%	166,391	8.0%
(previous year)	(10,209)	(7.2%)	(118,833)	(6.2%)
Italien				
2017	66,285	29.8%	481,031	23.1%
(previous year)	(35,530)	(25.1%)	(450,931)	(23.4%)
Niederlande				
2017	0	0.0%	11,129	0.5%
(previous year)	(0)	(0.0%)	(0)	(0.0%)
Österreich				
2017	4,680	2.1%	60,254	2.9%
(previous year)	(781)	(0.6%)	(34,393)	(1.8%)
Total				
2017	**222,432**	**100.0%**	**2,082,812**	**100.0%**
(previous year)	**(141,783)**	**(100.0%)**	**(1,925,114)**	**(100.0%)**

The reconciliation of revenue between the segments and the overall Group revenue can be primarily explained by the elimination of intragroup plant operation charges and commercial services.

The difference between assets in the segments and the overall Group assets is primarily due to debt consolidation.

3.25 Risk management

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

4 Subsidiaries

4.1 Disclosures on subsidiaries

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

Segment	Registered office	Number of wholly owned subsidiaries	
		31.12.2017	31.12.2016
PV Parks	Germany	46	44
	Italy	65	69
	France	10	10
	United Kingdom	24	19
	Netherlands	2	0
	Ireland	2	0
Wind Parks	Germany	20	17
	France	4	4
	Austria	3	3
	Denmark	1	0
PV Service	Germany	1	1
Asset Management	Germany	19	12
Administration	Germany	1	3
	Netherlands	1	0
Total		**199**	**182**

Segment	Registered office	Number of non-wholly owned subsidiaries	
		31.12.2017	31.12.2016
PV Parks	Germany	4	4
	France	7	7
Wind Parks	Germany	5	5
	Italy	1	1
Total		**17**	**17**

The following changes in the subsidiaries included in the consolidated financial statements occurred in financial year 2017:

	In Germany	Abroad	Total
Included as at 31 December 2016	86	113	**199**
Acquisition	10	16	**26**
Foundation	0	2	**2**
Dissolution/liquidation/merger	0	-11	**-11**
Included as at 31 December 2017	**96**	**120**	**216**

The following Italian partnerships were converted into corporations in financial year 2017:

Company name before conversion	Company name after conversion
CHORUS Solar Banna 3. S.r.l. & Co. Torino Due S.a.s.	CHORUS Solar Torino Due S.r.l.
CHORUS Solar Banna 5. S.r.l. & Co. Torino Uno S.a.s.	CHORUS Solar Torino Uno S.r.l.
CHORUS Solar Puglia 3. S.r.l. & Co. Casarano S.a.s.	CHORUS Solar Casarano S.r.l.
CHORUS Solar Puglia 3. S.r.l. & Co. Matino S.a.s.	CHORUS Solar Matino S.r.l.
CHORUS Solar Puglia 3. S.r.l. & Co. Nardò S.a.s.	CHORUS Solar Nardò S.r.l.
CHORUS Solar Toscana 5. S.r.l. & Co. Ternavasso Due S.a.s.	CHORUS Solar Ternavasso Due S.r.l.
CHORUS Solar Toscana 5. S.r.l. & Co. Ternavasso Uno S.a.s.	CHORUS Solar Ternavasso Uno S.r.l.
Collecchio Energy di CHORUS Solar 5. S.r.l. & Co. S.a.s.	Collecchio Energy S.r.l.
Energia & Sviluppo di CHORUS Solar 5. S.r.l. & Co. S.a.s.	Energia & Sviluppo S.r.l.
Le Lame di CHORUS Solar Toscana 5. S.r.l. & Co. S.a.s.	Le Lame S.r.l.
Lux Energy di CHORUS Solar 5. S.r.l. & Co. S.a.s.	Lux Energy S.r.l.
San Giuliano Energy di CHORUS Solar Toscana 5. S.r.l. & Co. S.a.s.	San Giuliano Energy S.r.l.
San Martino Energy di CHORUS Solar 5. S.r.l. & Co. S.a.s.	San Martino S.r.l.

The following eight Italian holding companies were merged to form CHORUS Solar Italia Centrale 5. S.r.l. effective 1 January 2017: CHORUS Solar 5. S.r.l., CHORUS Solar 5. S.r.l. & Co. S.a.s. Alpha, CHORUS Solar Banna 3. S.r.l., CHORUS Solar Banna 5. S.r.l., CHORUS Solar Banna 5. S.r.l. & Co. PP4 S.a.s., CHORUS Solar Banna 5. S.r.l. & Co. S.a.s. Beta, CHORUS Solar Puglia 3. S.r.l. and CHORUS Solar Toscana 5. S.r.l. (PV Parks segment).

The following two English holding companies under English law were dissolved in the so-called 'strike-off' procedures effective 1 December 2017: Blestium Ltd. and GlenSolar IQ Ltd. (PV Parks segment).

The Italian holding company CHORUS Solar 3. S.r.l. & Co. S.a.s. (PV Parks segment) was liquidated effective 29 December 2017.

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

Subsidiaries	Equity interests and share of voting rights of non-controlling shares in %		Profit or loss attributed to non-controlling interests in TEUR		Cumulative non-controlling interests in TEUR	
	31.12.2017	31.12.2016	2017	2016	31.12.2017	31.12.2016
Solarpark Brandenburg (Havel) GmbH	49	49	251	500	5,961	6,347
Parco Eolico Monte Vitalba S.r.l.	15	15	-38	56	682	720
Solaire Ille SARL	15	15	-26	71	87	113
Centrale Photovoltaique SauS 06 SARL	15	15	-26	82	66	92
CPV Sun 20 SARL	15	15	-18	-1	-19	-1
CPV Sun 21 SARL	15	15	-11	-1	-12	-1
CPV Sun 24 SARL	15	15	-68	-1	-69	-1
CPV Bach SARL	15	15	-21	-1	-22	-1
CPV Entoublanc SARL	15	15	-17	-7	-24	-7
Encavis Asset Management AG	0	5.36	457	-290	0	15,653
Other immaterial subsidiaries			0	0	-68	-68
Total amount of non-controlling interests			**483**	**408.0**	**6,582**	**22,846**

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

Solarpark Brandenburg (Havel) GmbH, Germany	31.12.2017 in TEUR	31.12.2016 in TEUR
Short-term assets	2,624	2,777
Long-term assets	36,324	38,405
Short-term liabilities	2,162	2,151
Long-term liabilities	27,626	29,084
Net assets	9,160	9,947
Carrying amount of non-controlling interests	5,961	6,347
	2017	**2016**
Revenue	4,688	5,105
Annual result	513	1,020
Comprehensive result	513	1,020
Profit or loss attributable to non-controlling interests	251	500
	2017	**2016**
Dividends paid to non-controlling interests	637	1,299
Cash flow from operating activities	4,136	4,565
Cash flow from investing activities	0	-7
Cash flow from financing activities	-3,345	-5,641
Net change in cash and cash equivalents	**791**	**-1,083**

Parco Eolico Monte Vitalba S.r.l., Italy	31.12.2017 in TEUR	31.12.2016 in TEUR
Short-term assets	1,986	1,666
Long-term assets	5,380	6,510
Short-term liabilities	1,585	2,098
Long-term liabilities	1,249	1,293
Net assets	4,533	4,785
Carrying amount of non-controlling interests	682	720
	2017	**2016**
Revenue	1,514	1,628
Annual result	-252	376
Comprehensive result	-252	376
Profit or loss attributable to non-controlling interests	-38	56
	2017	**2016**
Cash flow from operating activities	1,012	514
Cash flow from financing activities	-739	-561
Net change in cash and cash equivalents	**273**	**-47**

Solaire Ille SARL, France	31.12.2017 in TEUR	31.12.2016 in TEUR
Short-term assets	1,680	1,641
Long-term assets	11,564	12,040
Short-term liabilities	3,772	4,431
Long-term liabilities	8,895	8,497
Net assets	577	753
Carrying amount of non-controlling interests	87	113
	2017	**2016**
Revenue	1,559	1,537
Annual result	-175	472
Comprehensive result	-175	472
Profit or loss attributable to non-controlling interests	-26	71
	2017	**2016**
Cash flow from operating activities	1,177	1,443
Cash flow from investing activities	-4	-1,004
Cash flow from financing activities	-1,176	54
Net change in cash and cash equivalents	**-3**	**493**

Centrale Photovoltaique SauS 06 SARL, France	31.12.2017 in TEUR	31.12.2016 in TEUR
Short-term assets	1,403	1,231
Long-term assets	12,321	12,902
Short-term liabilities	3,892	4,498
Long-term liabilities	9,389	9,021
Net assets	443	614
Carrying amount of non-controlling interests	66	92
	2017	**2016**
Revenue	1,598	1,561
Annual result	-171	546
Comprehensive result	-171	546
Profit or loss attributable to non-controlling interests	-26	82
	2017	**2016**
Cash flow from operating activities	1,317	1,143
Cash flow from investing activities	-5	-35
Cash flow from financing activities	-1,125	-916
Net change in cash and cash equivalents	**187**	**192**

CPV Sun 20 SARL, France	31.12.2017 in TEUR	31.12.2016 in TEUR
Short-term assets	1,390	88
Long-term assets	7,024	328
Short-term liabilities	2,155	421
Long-term liabilities	6,381	0
Net assets	-122	-5
Carrying amount of non-controlling interests	-18	-1
	2017	**2016**
Revenue	185	0
Annual result	-117	-7
Comprehensive result	-117	-7
Profit or loss attributable to non-controlling interests	-18	-1
	2017	**2016**
Cash flow from operating activities	-23	-83
Cash flow from investing activities	-6,933	-234
Cash flow from financing activities	7,847	320
Net change in cash and cash equivalents	**891**	**3**

CPV Sun 21 SARL, France	31.12.2017 in TEUR	31.12.2016 in TEUR
Short-term assets	1,206	176
Long-term assets	8,430	2,089
Short-term liabilities	2,445	2,271
Long-term liabilities	7,272	0
Net assets	-81	-5
Carrying amount of non-controlling interests	-12	-1
	2017	**2016**
Revenue	284	0
Annual result	-76	-7
Comprehensive result	-76	-7
Profit or loss attributable to non-controlling interests	-11	-1
	2017	**2016**
Cash flow from operating activities	302	-124
Cash flow from investing activities	-8,035	-430
Cash flow from financing activities	8,727	582
Net change in cash and cash equivalents	**994**	**28**

CPV Sun 24 SARL, France	31.12.2017 in TEUR	31.12.2016 in TEUR
Short-term assets	2,511	270
Long-term assets	14,948	650
Short-term liabilities	4,755	932
Long-term liabilities	13,164	0
Net assets	-461	-11
Carrying amount of non-controlling interests	-69	-2
	2017	**2016**
Revenue	66	0
Annual result	-450	-14
Comprehensive result	-450	-14
Profit or loss attributable to non-controlling interests	-68	-2
	2017	**2016**
Cash flow from operating activities	91	-175
Cash flow from investing activities	-15,466	-457
Cash flow from financing activities	16,584	687
Net change in cash and cash equivalents	**1,209**	**55**

CPV Bach SARL, France	31.12.2017 in TEUR	31.12.2016 in TEUR
Short-term assets	497	66
Long-term assets	7,756	167
Short-term liabilities	2,344	236
Long-term liabilities	6,056	0
Net assets	-147	-4
Carrying amount of non-controlling interests	-22	-1
	2017	**2016**
Revenue	0	0
Annual result	-144	-5
Comprehensive result	-144	-5
Profit or loss attributable to non-controlling interests	-21	-1
	2017	**2016**
Cash flow from operating activities	-14	-39
Cash flow from investing activities	-7,550	-166
Cash flow from financing activities	7,578	231
Net change in cash and cash equivalents	**14**	**26**

CPV Entoublanc SARL, France	31.12.2017 in TEUR	31.12.2016 in TEUR
Short-term assets	616	357
Long-term assets	8,220	3,547
Short-term liabilities	2,430	1,089
Long-term liabilities	6,572	2,862
Net assets	-166	-47
Carrying amount of non-controlling interests	-25	-7
	2017	**2016**
Revenue	265	0
Annual result	-118	-49
Comprehensive result	-118	-49
Profit or loss attributable to non-controlling interests	-17	-7
	2017	**2016**
Cash flow from operating activities	146	-188
Cash flow from investing activities	-4,684	-3,420
Cash flow from financing activities	4,639	3,713
Net change in cash and cash equivalents	**101**	**105**

Reference is made to the list of shareholdings in note 17.

4.2 Business combinations

The purchase price allocations used for first-time consolidation are only provisional, as events may arise in some cases after the purchase price allocations that would lead to a subsequent adjustment within one year after purchase. Changes are particularly likely to arise through the valuation of intangible assets, property, plant and equipment, and financial liabilities. Furthermore, the temporary nature of the ten purchase price allocations is due to the fact that the technical assessments and the corresponding final version of the planning calculations that form the basis for the valuation of intangible assets are not yet complete.

The acquisition of existing solar parks and wind parks as well as those still under construction is one of the business activities of the Group in addition to the operation of installations. This aspect of business activities is therefore the main reason for the purchases.

Business combinations in financial year 2017

Piemonte Eguzki 2 S.r.l. and Piemonte Eguzki 6 S.r.l. – PV Parks segment

In TEUR	Carrying amount before PPA	Fair value according to preliminiary PPA
Intangible assets	0	25,709
Property, plant and equipment	56	8,132
Short-term assets	8,463	2,563
Cash and cash equivalents	1,503	1,503
Debt and provisions	7,887	23,889
Deferred tax assets	178	6,189
Deferred tax liabilities	0	9,182
Identified acquired net assets	**2,313**	**11,025**
Determining the amount of the difference		
Purchase price for acquired shares		4,229
Purchase price for acquired financial liabilities		7,108
Total purchase price		**11,337**
Identified acquired net assets		11,025
Acquired financial liabilities (shareholder loans)		7,108
Badwill (-)		**-6,796**
Net cash outflow from the acquisition		9,834

The transaction relates to the 100 % acquisition of two solar parks in the Piedmont region of Italy, located between the cities of Turin and Genoa. The date of purchase of the parks was 3 February 2017. The merger was carried out using the purchase method. The value of the revalued equity capital amounted to TEUR 11,025 as at the date of initial consolidation. The current receivables acquired in the transaction, which primarily consist of trade receivables and tax claims, have a fair value of TEUR 1,696, which corresponds with the gross value of the receivables. The best estimate made at the time of the acquisition in relation to the contractual cash flows that are not expected to be recovered amounted to TEUR 0. In addition there were no contingent assets or liabilities. The transaction ancillary costs amounted to TEUR 54. Since the date of initial consolidation, revenue amounting to TEUR 3,569 and profit in the amount of TEUR 1,086 were recorded from the acquired companies. If the companies had been included in the Group from the beginning of 2017, the estimated revenue would have been TEUR 3,768 along with profit amounting to TEUR 1,057 from these companies in the consolidated financial statements. The purchase price for the acquired shares and assumed shareholder loans amounted to TEUR 11,337 and has been fully paid in cash.

De-Stern 15 S.r.l. (including participating interests in the entities De-Stern 1 S.r.l. and De-Stern 4 S.r.l.) – PV Parks segment

In TEUR	Carrying amount before PPA	Fair value according to preliminiary PPA
Intangible assets	1,411	19,677
Property, plant and equipment	15,393	5,356
Current assets	1,082	649
Cash and cash equivalents	406	406
Restricted cash and cash equivalents	1,102	1,102
Debt and provisions	14,696	14,645
Deferred tax assets	0	3,067
Deferred tax liabilities	0	5,160
Identified acquired net assets	**4,698**	**10,451**
Determining the amount of the difference		
Purchase price for acquired shares		5,650
Total purchase price		**5,650**
Identified acquired net assets		10,451
Badwill (-)		**-4,801**
Net cash outflow from the acquisition		5,244

The transaction involves the 100 % acquisition of a solar park portfolio in the sunny region of Apulia in south-east Italy. The date of purchase of the parks was 7 March 2017. The merger was carried out using the purchase method. The value of the revalued equity capital amounted to TEUR 10,451 as at the date of initial consolidation. The current receivables acquired in the transaction, which primarily consist of trade receivables and tax claims, have a fair value of TEUR 649, which corresponds with the gross value of the receivables. The best estimate made at the time of the acquisition in relation to the contractual cash flows that are not expected to be recovered amounted to TEUR 0. In addition there were no contingent assets or liabilities. The transaction ancillary costs amounted to TEUR 10. Since the date of initial consolidation, revenue amounting to TEUR 2,289 and profit in the amount of TEUR 561 were recorded from the acquired companies. If the entities had already been consolidated in the Group since the start of 2017, projections show that revenue of TEUR 2,787 and profit of TEUR 523 from these entities would have been included in the consolidated financial statements. The purchase price for the shares acquired was TEUR 5,650 and was paid entirely in cash.

Within the measurement period as per IFRS 3.45, the company adjusted the purchase price allocation due to revisions to the measurement of deferred tax assets and liabilities. The above table contains the adjusted measurement of the acquired assets and incurred debts. Compared with the figures published in the 2017 mid-year financial statement, the deferred tax assets and liabilities decreased by TEUR 377.

Todderstaffe Solar Ltd. – PV Parks segment

In TEUR	Carrying amount before PPA	Fair value according to preliminiary PPA
Intangible assets	0	1,541
Property, plant and equipment	5,150	5,150
Short-term assets	381	381
Debt and provisions	5,531	5,643
Deferred tax assets	0	49
Deferred tax liabilities	0	262
Identified acquired net assets	**0**	**1,217**
Determining the amount of the difference		
Purchase price for acquired shares		259
Purchase price for acquired financial liabilities		5,105
Total purchase price		**5,364**
Identified acquired net assets		1,217
Acquired financial liabilities (shareholder loans)		5,105
Badwill (-)		**-958**
Net cash outflow from the acquisition		4,259

The transaction involves the 100 % acquisition of a solar park near Blackpool in Lancashire in north-west England. The date of purchase of the park was 31 May 2017. The business combination was carried out by applying the acquisition method. The value of the revalued equity capital as at the date of initial consolidation was TEUR 1,217. The current receivables assumed as part of the transaction, which consist of tax receivables, have a fair value of TEUR 381, which corresponds with the gross value of the receivables. The best estimate on the date of acquisition of the contractual cash flows that the entity does not expect to collect was EUR 0. Moreover, there were no contingent assets or liabilities. The incidental transaction costs were TEUR 130. Revenue of TEUR 343 and profit of TEUR 89 have been recognised from the acquired entity since the date of initial consolidation. If the entity had already been consolidated in the Group since the start of 2017, projections show that revenue of TEUR 343 and profit of TEUR 664 from this entity would have been included in the consolidated financial statements. The purchase price for the shares acquired and the shareholder loans assumed was TEUR 5,364. TEUR 4,259 of the purchase price was paid in cash. Payment of the remaining amount will be made on reaching various milestones.

Within the measurement period and within the meaning of IFRS 3.45, the company adjusted the purchase price allocation due to revisions of the measurement of intangible assets and property, plant and equipment. The table above shows the adjusted valuation of the assets acquired and the liabilities assumed. The main change compared to the figures presented in the 2017 half-yearly financial report is that intangible assets increased by TEUR 211 and property, plant and equipment by TEUR 34. After taking account of corresponding deferred tax effects, the revalued equity capital and badwill each increased by TEUR 235.

Energiepark Passow WP Briest III GmbH & Co. KG – Wind Parks segment

In TEUR	Carrying amount before PPA	Fair value according to preliminiary PPA
Intangible assets	0	2,241
Property, plant and equipment	7,044	6,974
Short-term assets	1,700	1,700
Liquid assets with restrictions on disposition	1,223	1,223
Debt and provisions	10,495	10,585
Deferred tax assets	0	174
Deferred tax liabilities	0	643
Identified acquired net assets	**-528**	**1,084**
Calculation of the difference		
Purchase price for the acquired shares		1
Purchase price for the acquired financial liabilities		2,516
Total purchase price		**2,517**
Identified acquired net assets		1,084
Acquired financial liabilities (shareholder loans)		2,516
Badwill (-)		**-1,083**
Net cash outflow from the acquisition		2,517

The transaction involves the 100 % acquisition of a German wind farm in Mecklenburg-West Pomerania. The date of purchase of the park was 26 July 2017. The business combination was carried out by applying the acquisition method. The value of the revalued equity capital as at the date of initial consolidation was TEUR 1,084. The current receivables assumed as part of the transaction, which largely consist of trade receivables and tax receivables, have a fair value of TEUR 1,095, which corresponds with the gross value of the receivables. The best estimate on the date of acquisition of the contractual cash flows that the entity does not expect to collect was TEUR 0. Moreover, there were no contingent assets or liabilities. The incidental transaction costs were TEUR 16. Revenue of TEUR 421 and profit of TEUR 148 have been recognised from the acquired entity since the date of initial consolidation. If the entity had already been consolidated in the Group since the start of 2017, projections show that revenue of TEUR 499 and a loss of TEUR 338 from this entity would have been included in the consolidated financial statements. The purchase price for the shares acquired and a shareholder loan assumed was TEUR 2,517 and was paid entirely in cash.

UGE Malterhausen GmbH & Co. KG Umweltgerechte Energie – Wind Parks segment

In TEUR	Carrying amount before PPA	Fair value according to preliminiary PPA
Intangible assets	0	4,166
Property, plant and equipment	12,767	12,767
Short-term assets	174	89
Cash and cash equivalents	480	480
Liquid assets with restrictions on disposition	71	71
Debt and provisions	13,750	13,890
Deferred tax assets	0	866
Deferred tax liabilities	0	1,187
Identified acquired net assets	**-258**	**3,362**
Determining the amount of the difference		
Purchase price for acquired shares		2,627
Purchase price for acquired financial liabilities		2,375
Agreement on contingent considerations		-549
Total purchase price		**4,453**
Identified acquired net assets		3,362
Acquired financial liabilities (shareholder loans)		2,375
Badwill (-)		**-1,284**
Net cash outflow from the acquisition		4,522

The transaction involves the 100 % acquisition of a German wind farm in Brandenburg. The date of purchase of the park was 31 July 2017. The business combination was carried out by applying the acquisition method. The value of the revalued equity capital as at the date of initial consolidation was TEUR 3,362. The current receivables assumed as part of the transaction, which largely consist of trade receivables and tax receivables, have a fair value of TEUR 89, which corresponds with the gross value of the receivables. The best estimate on the date of acquisition of the contractual cash flows that the entity does not expect to collect was EUR 0. Moreover, there were no contingent assets or liabilities. The incidental transaction costs were TEUR 24. Revenue of TEUR 584 and profit of TEUR 164 have been recognised from the acquired entity since the date of initial consolidation. If the entity had already been consolidated in the Group since the start of 2017, projections show that revenue of TEUR 1,239 and a loss of TEUR 58 from this entity would have been included in the consolidated financial statements. The purchase price for the shares acquired and a shareholder loan assumed was TEUR 5,002 and was paid entirely in cash.

An agreement on a contingent consideration was entered into as part of the transaction. If the seller sets up additional wind turbines at a contractually defined distance to the wind farm acquired, a purchase price reduction may arise from the resulting shadowing losses. The period of this agreement is five years. The estimated fair value of this agreement as at the date of acquisition is TEUR 549. The fair value was determined based on discounted cash flows and taking into account the assumtions of the management. The range is between TEUR 0 and TEUR 629.

UGE Markendorf Eins GmbH & Co. KG Umweltgerechte Energie – Wind Parks segment

In TEUR	Carrying amount before PPA	Fair value according to preliminiary PPA
Intangible assets	0	5,049
Property, plant and equipment	11,276	11,852
Short-term assets	358	276
Cash and cash equivalents	1,068	1,068
Liquid assets with restrictions on disposition	390	390
Debt and provisions	13,606	14,189
Deferred tax assets	0	951
Deferred tax liabilities	0	1,459
Identified acquired net assets	**-514**	**3,938**
Determining the amount of the difference		
Purchase price for acquired shares		2,769
Purchase price for acquired financial liabilities		4,327
Agreement on contingent considerations		-299
Total purchase price		**6,797**
Identified acquired net assets		3,938
Acquired financial liabilities (shareholder loans)		4,327
Badwill (-)		**-1,468**
Net cash outflow from the acquisition		6,028

The transaction involves the 100 % acquisition of a German wind farm in Brandenburg. The date of purchase of the park was 1 August 2017. The business combination was carried out by applying the acquisition method. The value of the revalued equity capital as at the date of initial consolidation was TEUR 3,938. The current receivables assumed as part of the transaction, which largely consist of trade receivables, have a fair value of TEUR 93, which corresponds with the gross value of the receivables. The best estimate on the date of acquisition of the contractual cash flows that the entity does not expect to collect was EUR 0. Moreover, there were no contingent assets or liabilities. The incidental transaction costs were TEUR 24. Revenue of TEUR 643 and profit of TEUR 193 have been recognised from the acquired entity since the date of initial consolidation. If the entity had already been consolidated in the Group since the start of 2017, projections show that revenue of TEUR 1,427 and a loss of TEUR 6 from this entity would have been included in the consolidated financial statements. The purchase price for the shares acquired and a shareholder loan assumed was TEUR 7,096 and was paid entirely in cash.

An agreement on a contingent consideration was entered into as part of the transaction. If the seller sets up additional wind turbines at a contractually defined distance to the wind farm acquired, a purchase price reduction may arise from the resulting shadowing losses. The period of this agreement is five years. The estimated fair value of this agreement as at the date of acquisition is TEUR 299. The fair value was determined based on discounted cash flows and taking into account the assumtions of the management. The range is between EUR 0 and TEUR 343.

Windenergieanlagen Norhede 9, 14 and 20 (asset deal) – Wind Parks segment

In TEUR	Carrying amount before PPA	Fair value according to preliminiary PPA
Intangible assets	0	521
Property, plant and equipment	11,818	17,248
Financial assets	8	8
Short-term assets	0	76
Debt and provisions	0	251
Deferred tax assets	0	55
Deferred tax liabilities	0	1,309
Identified acquired net assets	**11,826**	**16,348**
Determining the amount of the difference		
Purchase price for acquired shares		11,826
Total purchase price		**11,826**
Identified acquired net assets		16,348
Badwill (-)		**-4,522**
Net cash outflow from the acquisition		11,826

The transaction involves the acquisition of three wind energy facilities not far from Ringkøbing on the North Sea coast of Denmark. The acquisition was in the form of an asset deal and was recognised as a business combination because all the necessary criteria for a business within the meaning of IFRS 3 are met. The date of purchase was 20 September 2017. The business combination was carried out by applying the acquisition method. The value of the revalued equity capital was TEUR 16,348 as at the date of initial consolidation. No current receivables were assumed as part of the transaction. The best estimate on the date of acquisition of the contractual cash flows that the entity does not expect to collect was EUR 0. Moreover, there were no contingent assets or liabilities. The incidental transaction costs were TEUR 120. Revenue of TEUR 503 has been recognised since the date of initial consolidation. The results of business operations cannot be reliably identified for the period of Group membership because the transactions attributable to the assets acquired cannot be identified in isolation from the transactions of Capital Stage Wind Danmark ApS. Disclosures regarding the earnings and revenue for the period before acquisition cannot be made because this information was not made available by the seller. The purchase price for the shares acquired was TEUR 11,826 and was paid entirely in cash.

Cmore Energy Ltd. und Emerald Electron Ltd. – Segment PV Parks

In TEUR	Carrying amount before PPA	Fair value according to preliminiary PPA
Intangible assets	1,124	0
Property, plant and equipment	11,906	12,537
Short-term assets	554	554
Cash and cash equivalents	2,076	2,076
Debt and provisions	2,395	2,785
Deferred tax assets	0	538
Deferred tax liabilities	18	637
Identified acquired net assets	**13,247**	**12,283**
Determining the amount of the difference		
Purchase price for acquired shares		16,769
Purchase price for acquired financial liabilities		2,340
Total purchase price		**19,109**
Identified acquired net assets		12,283
Acquired financial liabilities (shareholder loans)		2,340
Goodwill (+)		**4,486**
Net cash outflow from the acquisition		17,033

The transaction relates to the 100 % acquisition of two solar parks in the Piedmont region of Italy, located between the cities of Turin and Genoa. The date of purchase of the parks was 5 December 2017. The merger was carried out using the purchase method. The value of the revalued equity capital amounted to TEUR 12,283 as at the date of initial consolidation. The current receivables acquired in the transaction, which primarily consist of trade receivables and tax claims, have a fair value of TEUR 521, which corresponds with the gross value of the receivables. The best estimate made at the time of the acquisition in relation to the contractual cash flows that are not expected to be recovered amounted to TEUR 0. In addition there were no contingent assets or liabilities. The transaction ancillary costs amounted to TEUR 288. Since the date of initial consolidation, revenue amounting to TEUR 235 and profit in the amount of TEUR 122 were recorded from the acquired companies. If the companies had been included in the Group from the beginning of 2017, the estimated revenue would have been TEUR 2,050 along with profit amounting to TEUR 639 from these companies in the consolidated financial statements. The goodwill resulting from the non-recognition of an intangible asset amounts to TEUR 4,486. Tax deductibility is not expected for this goodwill. The purchase price for the shares acquired and a shareholder loan assumed was EUR 19,109 and was paid entirely in cash.

Freshpower Ltd. (including stake in Push Energy (Gosfield Airfield) Ltd.) and PJC Renewable Energy Ltd. (including stake in Push Energy (Wisbridge) Ltd.) – PV Parks segment

In TEUR	Carrying amount before PPA	Fair value according to preliminiary PPA
Intangible assets	110	110
Property, plant and equipment	17,776	20,549
Short-term assets	617	617
Cash and cash equivalents	602	602
Debt and provisions	11,486	12,086
Deferred tax assets	0	725
Deferred tax liabilities	0	1,256
Identified acquired net assets	**7,619**	**9,261**
Determining the amount of the difference		
Purchase price for acquired shares		14,943
Purchase price for acquired financial liabilities		11,256
Total purchase price		**26,199**
Identified acquired net assets		9,261
Acquired financial liabilities (shareholder loans)		11,256
Goodwill (+)		**5,682**
Net cash outflow from the acquisition		25,597

The transaction relates to the 100 % acquisition of two solar parks in the south of England close to London or, to be more specific, between the cities of Oxford and Cambridge. The date of purchase of the parks was 15 December 2017. The merger was carried out using the purchase method. The value of the revalued equity capital amounted to TEUR 9,261 as at the date of initial consolidation. The current receivables acquired in the transaction, which primarily consist of trade receivables and tax claims, have a fair value of TEUR 573. The best estimate made at the time of the acquisition in relation to the contractual cash flows that are not expected to be recovered amounted to EUR 0. In addition there were no contingent assets or liabilities. The transaction ancillary costs amounted to TEUR 348. Since the date of initial consolidation, revenue amounting to TEUR 48 and a loss in the amount of TEUR 80 were recorded from the acquired companies. If the companies had been included in the Group from the beginning of 2017, the estimated revenue would have been TEUR 2,913 along with profit amounting to TEUR 148 from these companies in the consolidated financial statements. The goodwill resulting from the non-recognition of an intangible asset amounts to TEUR 5,682. Tax deductibility is not expected for this goodwill. The purchase price for the acquired shares and assumed shareholder loans amounted to TEUR 26,199 and has been fully paid in cash.

Green Energy 018 GmbH & Co. KG and Green Energy 010 GmbH & Co. KG – PV Parks segment

In TEUR	Carrying amount before PPA	Fair value according to preliminiary PPA
Intangible assets	0	367
Property, plant and equipment	4,465	4,465
Short-term assets	141	141
Cash and cash equivalents	139	139
Debt and provisions	4,781	4,894
Deferred tax assets	0	45
Deferred tax liabilities	0	101
Identified acquired net assets	**-36**	**163**
Determining the amount of the difference		
Purchase price for acquired shares		20
Purchase price for acquired financial liabilities		771
Total purchase price		**791**
Identified acquired net assets		163
Acquired financial liabilities (shareholder loans)		771
Badwill (-)		**-143**
Net cash outflow from the acquisition		652

The transaction involves the 100 % acquisition of a German solar park near Magdeburg. The date of purchase of the park was 21 December 2017. The business combination was carried out by applying the acquisition method. The value of the revalued equity capital as at the date of initial consolidation was TEUR 163. The current receivables assumed as part of the transaction, which largely consist of tax receivables, have a fair value of TEUR 141, which corresponds with the gross value of the receivables. The best estimate on the date of acquisition of the contractual cash flows that the entity does not expect to collect was EUR 0. Moreover, there were no contingent assets or liabilities. The incidental transaction costs were TEUR 42. Revenue of EUR 0 and profit of EUR 0 have been recognised from the acquired entity since the date of initial consolidation. If the companies had been included in the Group from the beginning of 2017, the estimated revenue would have been EUR 0 along with loss amounting to TEUR 38 from these companies in the consolidated financial statements. The purchase price for the shares acquired and shareholder loans assumed was TEUR 791 and was paid entirely in cash.

Reasons for the achievement of negative goodwill (badwill)

The badwill was largely achieved through the benefits that Encavis boasts compared to other potential buyers. In particular, these include very good liquidity and the associated opportunity to repay the seller's existing interim financing promptly.

Acquisitions of entities often require participation in public sales processes where the purchase price is significantly influenced by competitor offers. The Group's acquisitions, however, result entirely from exclusive negotiations with the respective sellers, which have a significant influence on achieving the badwill. In addition, public structured sales processes take longer than exclusive negotiations. Many sellers prefer the quick and foreseeable completion of the transaction with Encavis, where closing, i.e. purchase price payment, rapidly follows signature of the contract, to a long, protracted structured sales process. This is because at the end of it, although the purchaser is often the highest bidder, they are frequently unknown and possibly not able to pay immediately and ensure prompt closing.

Another aspect in the generation of badwill is the discount that can be obtained when a portfolio of assets is acquired. This discount when a portfolio is sold compared to individual sales reflects the greater speed of the sale and the resulting savings in staff, administration and transaction costs that would occur if selling each of the assets individually.

A large number of solar parks and wind parks are presented to the Group for scrutiny each year. As part of a clearly defined filtering process, the most attractive projects are selected from these offers in the short term and scrutinised more closely. Many years of experience and knowledgeable employees mean the Group is in a position to review and carry out acquisitions in a very short period of time. Furthermore, as the business relationships in some cases go back many years, the sellers have a high level of trust in Encavis. Experience shows that this filtering process leads to approximately eight to ten transactions during the year. Since several solar parks and wind parks can be acquired in a single transaction, this corresponds to the acquisition of around 20 installations per year.

Finalisation of the purchase price allocation of Ribaforada 3 S.r.l. and Ribaforada 7 S.r.l.

Within the measurement period and within the meaning of IFRS 3.45, the company adjusted the purchase price allocation in the second quarter of 2017 due to the now finalised measurement of the liabilities from finance leases. Compared to the preliminary purchase price allocation and the figures presented in the 2016 annual report, liabilities from finance leases decreased by TEUR 353 and deferred tax assets by TEUR 94. As a consequence, badwill increased by TEUR 259.

Finalisation of the purchase price allocation of Capital Stage Cullompton Ltd.

Within the measurement period and within the meaning of IFRS 3.45, the company adjusted the purchase price allocation in the third quarter of 2017 due to the now finalised net working capital calculation. Compared to the preliminary purchase price allocation and the figures presented in the 2016 annual report, the purchase price decreased by TEUR 27 and badwill increased by TEUR 27.

Overall impact of the business combinations on the Group result

The consolidated income contains profit of TEUR 2,283 generated by the companies newly included in the consolidated financial statements between 1 January and 31 December 2017. Revenue as of 31 December 2017 contained TEUR 8,634 from subsidiaries consolidated for the first time in the 2017 financial year. According to estimates, had the business combinations been effected as of 1 January, then consolidated revenue as of 31 December 2017 would have increased by TEUR 6,392 and consolidated income would have fallen by TEUR 306. Badwill for the business combinations and adjustments arising from provisional purchase price allocations amounted to TEUR 21,341 in the 2017 financial year (previous year: TEUR 21,093). Goodwill of TEUR 10,168 was still recorded for the business combinations (previous year: TEUR 15,448).

Business combinations and other acquisitions after the balance sheet date

On 24 October 2017, Encavis acquired a 49 % stake in a wind farm with a generation capacity of around 10 MW. The farm is in Odisheim in the Cuxhaven district in Lower Saxony and consists of three Senvion 3.4 M 114 wind turbines. The wind turbines benefit from a state-guaranteed feed-in tariff of EUR 0.0768 per kilowatt-hour. Encavis believes that the wind farm will generate revenue contributions of approximately EUR 2 million in its first full year of operation. The total investment volume for the acquisition, including project-related debt financing, is around EUR 21.9 million. The acquisition of the remaining 51 % of the investment takes place when the wind farm commences operation in February 2018 Due to the lack of final information, no purchase price allocations could be made by date on which the consolidated financial statements were published. The balance sheet total and the result are expected to increase, although this increase cannot as yet be quanitified.

On 20 December 2017, Encavis acquired a 49 % stake in a wind park with a generation capacity of around 5 MW. The farm is located close to Cologne and consists of three GE 2.5 - 120 wind turbines. The wind turbines benefit from a state-guaranteed feed-in tariff of EUR 0.0768 per kilowatt-hour. Encavis expects the wind park to generate sales revenue of almost EUR 1 million in ist first full year of operation. The acquisition of the remaining 51 % stake was completed upon commissioning of the wind park in January 2018. Due to the lack of final information, no purchase price allocations could be made by date on which the consolidated financial statements were published. The balance sheet total and the result are expected to increase, although this increase cannot as yet be quanitified.

On 8 March 2018, Encavis acquired a stake of around 80 % in a solar park with a generation capacity of 43.9 MW. The park is located close to the city of Eindhoven in the Netherlands. Its commissioning is slated for the fourth quarter of 2018. A state-guaranteed feed-in tariff of 10.4 cents per kilowatt-hour for 15 years as of the network connection date was secured through an auction procedure. Encavis expects the solar park to generate sales revenue of almost EUR 4.5 million in its first full year of operation. The purchase is still subject to the suspensive conditions customary on the market. Once these suspensive conditions have been fulfilled, the transaction is expected to be shown as an acquisition of assets and liabilities in the balance sheet. This is because, as of the date of purchase, the project development company in question did not fulfill the definition of a business pursuant to IFRS 3.

Business combinations in the previous year

In financial year 2016, the following companies were added to the scope of consolidation as a result of business combinations:

In Germany	Abroad
Energiepark Debstedt GmbH & Co. RE WP KG	Capital Stage Manor Farm Ltd.
Energiepark Breitendeich RE WP BD GmbH & Co. KG	Capital Stage Caddington II Ltd.
Energiepark Grevenbroich RE WP GRE GmbH & Co. KG	Ribaforada 3 S.r.l.
CHORUS Clean Energy AG (including subsidiaries)	Ribaforada 7 S.r.l.
	Capital Stage Cullompton Ltd.

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

No purchase price allocations were carried out for the following subsidiaries acquired during the financial year because they did not meet the definition of a business within the meaning of IFRS 3 at the time of acquisition and thus do not fall within the scope of IFRS 3. The transactions are instead accounted for as acquisitions of assets and liabilities.

On 5 May 2017, Encavis acquired the company Capital Stage Investments Ltd., which has its registered office in Ireland. It is a holding company for the planned expansion of business activities in Ireland.

On 20 September 2017, Encavis acquired five management companies as part of its asset management business: TC Asset Management GmbH, Data Trust GmbH, DMH Treuhand Vermögensverwaltung GmbH, REM Renewable Energy Management GmbH and UVG Umspannwerk Verwaltungsgesellschaft mbH. Each of the companies has its registered office in Berlin. This transaction means that the Encavis Group has assumed the asset management for eleven wind parks in Germany with a total output of around 120 MW. All the management companies are fully consolidated in the consolidated financial statements. These purchases are not deemed business combinations pursuant to IFRS 3, but instead represent the acquisition of assets. Consequently, no purchase price allocation was performed. In the course of the acquisition, project rights totalling TEUR 723 were capitalised.

On 1 November 2017, Encavis acquired the company Erinlake Ltd., which has its registered office in Ireland. It is a holding company for the planned expansion of business activities in Ireland.

On 30 November 2017, Encavis acquired the Dutch companies Enerstroom 1 B.V. and Enerstroom 2 B.V. These are the project companies for the construction of two solar parks in the Netherlands with a generation capacity of 47.6 MW. Operation is expected to commence in October 2018.

4.3 Disposals of subsidiaries and participating interests

In the 2017 financial year, no subsidiaries or participating interests were divested.

In the previous year, with effect from 31 December 2016, the French wind farm Ferme Eolienne de Glenay S.A.S. was sold to a utility company. The Group received a payment of the outstanding balance of the purchase price amounting to TEUR 7,750 from this sale in financial year 2017.

4.4 Significant restrictions

Pursuant to IFRS 12.13, CSG IPP GmbH is subject to the following significant restrictions that result from the participation right contract with Gothaer Lebensversicherung AG (hereinafter 'Gothaer'). Investments in connection with the participation rights capital are subject to various investment criteria that are determined by a committee comprising equal numbers of representatives of Encavis and Gothaer. Furthermore, during the term of the participation right contract, the shares in CSG IPP GmbH must not be pledged or encumbered with other rights and no cash pooling contracts are permitted to exist. This does not include contracts between CSG IPP GmbH and the subsidiaries of CSG IPP GmbH. Material measures such as the dissolution or liquidation of CSG IPP GmbH require a unanimous decision by the committee. If Encavis intends to sell its interest in CSG IPP GmbH, Gothaer has a right of first refusal. Furthermore, the participation right contract stipulates narrowly defined rules on the liquidity available for distribution. As at the balance sheet date, the carrying amount of the assets of CSG IPP GmbH was TEUR 206,113 (previous year: TEUR 200,235); the carrying amount of the liabilities was TEUR 202,373 (previous year: TEUR 200,251). As at the balance sheet date, the carrying amount of the assets of CSG IPP GmbH in the consolidated financial statements was TEUR 7,542 (previous year: TEUR 19,679); the carrying amount of the liabilities was TEUR 157,040 (previous year: TEUR 156,202).

5. Notes to the consolidated statement of comprehensive income

5.1 Revenue

TEUR 222,432

Previous year: TEUR 141,783

Revenue is recognised if the goods or services are provided, a price is agreed or can be determined and payment of the price is probable. The composition of the revenue is presented in segment reporting.

5.2 Other income

TEUR 31,245

Previous year: TEUR 29,399

Other income largely comprises income recognised in profit or loss of TEUR 21,341 from the initial consolidation of the solar parks and wind parks (previous year: TEUR 21,093). This also includes adjustments to the provisional purchase price allocations within the measurement period pursuant to IFRS 3.45. As part of the provisional purchase price allocations, all assets and liabilities acquired were identified and measured at fair value. This resulted in differences, which were recognised in profit or loss in financial year 2017. This item also includes income from the release of deferred income (government grants) of TEUR 2,180 (previous year: TEUR 2,190) and non-period income of TEUR 2,998 (previous year: TEUR 1,253). TEUR 645 of the non-period income is accounted for by the reversal of provisions.

5.3 Cost of materials

TEUR -1,514

Previous year: TEUR -1,326

This largely comprises the purchase of externally supplied electricity for the operation of the solar parks and wind parks in the amount of TEUR 1,458 (previous year: TEUR 1,054).

5.4 Personnel expenses

TEUR -10,972

Previous year: TEUR -8,541

Personnel expenses changed as follows:

In TEUR	2017	2016
Salaries	9,173	7,387
Social security contributions	1,228	707
Other personnel expenses	402	286
Personnel expenses from stock options	169	162
Total	**10,972**	**8,541**

In financial year 2017, the Group employed an average of 101.25 employees (2016: 85 employees). Of these, 51.75 were employed at Encavis AG, 10.5 at Encavis Technical Services GmbH, 36.5 at Encavis Asset Management AG and 2.5 at TC Asset Management GmbH.

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

Personnel expenses from the stock option programmes (see note 6.12) of TEUR 169 (previous year: TEUR 162) were recognised in the consolidated income in financial year 2017.

Payments of the employer's shares of statutory German pension insurance contributions amounted to TEUR 498 (previous year TEUR 420).

5.5 Other expenses

TEUR -50,773

Previous year: TEUR -37,562

This item comprises:

Type of expense in TEUR	2017	2016
Costs for solar and wind parks	37,003	27,741
Due diligence and transaction costs	3,195	5,151
Legal and consulting fees	1,832	1,146
Operating expenses	5,920	1,419
Rent and cost of premises	835	557
Financial statement preparation and audit costs	890	708
Supervisory board fees	332	278
Publications and general meeting	532	206
Investor relations and designated sponsoring	95	83
Other	138	273
Total	**50,773**	**37,562**

Other operating expenses largely comprise the costs of operating the parks, acquisition and administration costs, stock-market listing costs, costs for legal advice, tax advice and auditing as well as general administration costs such as travel expenses, insurance, advertising costs, telecommunications, vehicle costs and Supervisory Board remuneration. The following table shows a detailed overview of the costs for solar parks and wind parks.

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

Costs of solar and wind parks in TEUR	2017	2016
Technical and commercial management	11,061	6,813
Commercial lease	6,881	4,326
Repairs and maintenance	5,917	4,510
Tax expense for parks	2,097	1,817
Insurance	1,947	1,428
Legal and tax advice	2,157	1,271
Fees, incidental costs and allowable expenses	1,062	839
Alarm and security costs	429	265
Other provisions	5,452	6,473
Total	**37,003**	**27,741**

5.6 Depreciation and amortisation

TEUR -102,493

Previous year: TEUR -64,028

This item comprises the scheduled amortisation and impairment of intangible assets (TEUR 44,438, previous year: TEUR 19,676), goodwill (TEUR 0, previous year: TEUR 517) and the depreciation/impairment of property, plant and equipment (TEUR 58,056, previous year: TEUR 43,745). The amortisation and impairment of intangible assets are largely accounted for by capitalised feed-in contracts (TEUR 43,208, previous year: TEUR 19,324). The depreciation of property, plant and equipment is largely accounted for by power generation installations (TEUR 57,741, previous year: TEUR 43,573).

5.7 Financial result

TEUR -47,161

Previous year: TEUR -48,774

This item comprises:

In TEUR	2017	2016
Interest income	13,508	5,526
Income from participating interests	132	
Earnings attributable to non-controlling interests	61	128
Financial income	**13,701**	**5,654**
Interest expensees	-58,834	-53,854
Write-downs of financial assets	-904	-2
Expense from the sale of participating interests	0	-2
Earnings attrbutable to non-controlling interests	-1,107	-551
Financial expenses	**-60,844**	**-54,407**
Earnings from financial assets accounted for using the equity method	**-18**	**-21**
Total	**-47,161**	**-48,774**

This item comprises income from fair value measurement of derivative financial instruments of TEUR 3,311 (previous year: TEUR 3,159) as well as income from the continuous valuation of financial liabilities within the scope of business combinations of TEUR 9,814 (previous year: TEUR 1,341). The financial result also comprises net losses from foreign currency translation of TEUR 2,711 (previous year: TEUR 11,037).

5.8 Taxes on income

TEUR -13,059

Previous year: TEUR 857

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

In TEUR	2017	2016
Earnings before taxes	40,763	10,950
Expected income tax (32.21 %; previous year: 32.28 %)	-13,130	-3,534
Differences due to different local tax rates and tax rate changes	7,392	3,146
Increase/decrease in corporate income tax	-1	0
Taxes relating to other periods	-5,742	-120
Effects from tax-free income	6,290	6,407
Effects from non-tax deductible operating expenses	-910	-1,368
Effects due to the use or impairment of loss carryforwards	-2,402	-4,498
Other and compensating tax effects	-1,883	-1,678
Other valuation differences	-2,678	-392
Other permanent differences	5	2,894
Taxes on income	-13,059	857

With current tax of TEUR -6,777 (previous year: TEUR 2,420) and a deferred tax expense of TEUR -6,281 (previous year: TEUR 3,277) and TEUR -13,059 (previous year: TEUR 857).

Deferred taxes are recognised in the Group at the respective company's individual tax rate. The expected Group tax rate is 32.21 % and corresponds to the tax rate of the Group parent company, Encavis AG.

However, deferred taxes from the use of tax loss carryforwards are to be capitalised to the extent that it is probable that income can be offset against existing loss carryforwards.

The preliminary loss carryforwards for the Group as at 31 December 2017 were around TEUR 57,643 (previous year: TEUR 49,838) (trade tax) and TEUR 132,141 (previous year: TEUR 108,417) (corporate income tax). Of this, TEUR 36,081 (previous year: TEUR 21,770) (trade tax) and TEUR 46,635 (previous year: TEUR 33,345) (corporate income tax) are not expected to be used within a reasonable period of time. Therefore, no deferred tax assets have been recognised for these amounts. As at 31 December 2017, interest carryforwards totalled TEUR 30,518 (previous year: TEUR 25,314); no deferred taxes were recognised on TEUR 25,373 (previous year: TEUR 22,036) because use is unlikely at the present time.

Deferred taxes recognised in other comprehensive income amount to TEUR –920 (previous year: TEUR 1,419). They are recognised for the effective portion of the changes in the fair value of financial instruments and for changes in the fair value of financial assets available for sale (AfS).

Deferred tax assets and liabilities arise due to valuation differences in relation to the following balance sheet items:

Deferred taxes	2017		2016		
	Asset in TEUR	Liabilities in TEUR	Asset in TEUR	Liabilities in TEUR	Change
Fixed assets	45,241	231,341	45,407	216,369	-15,138
Current assets	6,507	633	6,334	481	21
Liabilities	44,666	1,575	43,282	1,101	910
Tax loss carry-forwards	21,234	0	22,782	0	-1,548
Interest carry-forward	1,248	0	783	0	465
Total	**118,896**	**233,548**	**118,588**	**217,951**	**-15,289**
Change in 2017					-15,289
of which recognised directly in equity					920
of which from currency translation and other effects not recognised in the income statement					-517
of which from business combinations not recognised in the income statement					8,631
Deferred taxes on issuance costs recognised directly in equity					-26
Change recognised in profit or loss in 2017					**-6,281**

The total change in deferred taxes differs from the deferred taxes recognised in consolidated income by TEUR 9,008. It primarily concerns the direct recognition in equity of deferred tax assets and liabilities in connection with the first-time consolidation of the companies acquired in the financial year.

The deferred tax liabilities mainly concern deferred tax liabilities on feed-in contracts in the amount of TEUR 156,432 (previous year: TEUR 153,447) and on wind power and photovoltaic installations in the amount of TEUR 73,506 (previous year: TEUR 58,767).

The deferred tax assets largely concern deferred tax assets on wind power and photovoltaic installations in the amount of TEUR 39,931 (previous year: TEUR 38,681) and on long-term liabilities in the amount of TEUR 37,408 (previous year: TEUR 35,752).

The change in deferred taxes on fixed assets totalling TEUR –15,138 largely concerns deferred taxes on capitalised feed-in contracts amounting to TEUR –2,852, deferred taxes on carrying amount differences for wind power and photovoltaic installations of TEUR –13,490 and measurement differences from financial assets of TEUR –361.

In total, deferred tax assets increased by TEUR 12,565 and deferred tax liabilities by TEUR 21,196 due to corporate acquisitions.

Tax loss carryforwards fundamentally increased due to accelerated depreciation or declining balance method depreciation for tax purposes in 2017. At the same time, deferred tax assets on tax loss carryforwards of TEUR 22,782 decreased to TEUR 21,234. The reason for the decrease in deferred tax assets on the loss carryforwards is that these are only recognised on the part of the loss carryforwards that are expected to be able to be used within a reasonable period. An increase in tax loss carryforwards therefore does not necessarily also result in an increase in deferred tax assets on the loss carryforwards.

No deferred tax liabilities are recognised for taxable temporary differences of TEUR 9,445 (previous year: TEUR 3,300) in connection with shares in Group companies because the Group can control their reversal and these will not reverse in the foreseeable future.

Income tax on costs in connection with the capital increase at Encavis AG of TEUR 26 (previous year: TEUR 651) is recognised directly in equity. Because Encavis AG recorded tax losses in 2017 and did not pay any actual taxes, the income tax recognised under equity comprises deferred tax assets for loss carryforwards.

5.9 Other comprehensive income

TEUR 1,215

Previous year: TEUR -1,773

Other comprehensive income comprises mainly hedgereserves amounting to TEUR 2,231 (previous year: TEUR –3,991) and currency translation differences in the amount of TEUR 150 (previous year: TEUR 991). Amounts recognised in equity will be fully reclassified as consolidated income after expiry of the corresponding underlying transactions. In the 2017 financial year, TEUR -36 from the currency reserve were reclassified as consolidated income.

As of October 2016, other comprehensive income also includes the effects of changes in fair value of non-current assets classified as held for sale in the amount of TEUR –210 (previous year: TEUR –191). These relate to interests in investment funds and profit participation rights in CHORUS IPP Europe GmbH.

The corresponding deferred tax effects amount to TEUR –920 (previous year: TEUR 1,418).

6 Notes to the consolidated balance sheet

6.1 Intangible assets

TEUR 609,482

Previous year: TEUR 593,270

Changes to intangible assets are reported in the statement of changes in fixed assets. Intangible assets are mostly composed of project rights and feed-in contracts amounting to TEUR 597.333 (previous year: TEUR 580,674). The item also includes service contracts totalling TEUR 11,148 (previous year: TEUR 11,781).

The collateral offered is described in note 3.11. There are no contractual obligations to acquire intangible assets.

6.2 Goodwill

TEUR 32,405

Previous year: TEUR 22,292

The goodwill as at the reporting date is mainly derived from the acquisition of CHORUS Clean Energy AG and its subsidiaries, the acquisition of several solar park portfolios in England, as well as Encavis Technical Services GmbH.

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

	31.12.2017		
	Goodwill in TEUR *(previous year)*	Input VAT WACC in % *(previous year)*	After-Tax-WACC in % *(previous year)*
PV Germany	1.674 *(1.674)*	4.13 (3.70)	2.94 (2.91)
PV Italy	1.073 *(1.073)*	4.73 (3.71)	3.58 (2.95)
PV United Kingdom	15.291 *(5.178)*	5.66 (5.05)	4.45 (4.48)
Wind Germany	570 *(570)*	4.69 (3.72)	2.94 (2.91)
Wind France	2.445 *(2.445)*	4.37 (3.64)	3.18 (2.83)
Wind Austria	231 *(231)*	4.96 (3.70)	3.04 (3.02)
PV Service	1.481 *(1.481)*	3.76 (3.03)	2.94 (2.91)
Asset Management	9.640 *(9.640)*	3.77 (3.62)	2.94 (2.91)
Total	32.405 *(22.292)*		

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

The sum of carrying amounts in each group of cash-generating units is compared to the recoverable amount in the impairment tests. The recoverable amount is the value in use, which is calculated from discounted future cash flows. The expected cash flows are reduced by the amount of income tax and discounted based on a capitalised interest rate after taxes. The capital asset pricing model is used to determine the capitalised interest rate from the average weighted average cost of capital (WACC). The detailed plan approved by the Encavis AG Management Board forms the basis for these cash flow forecasts,

which take internal historical data into account. The detailed forecast period generally covers three years, but may extend to five years in exceptional cases if detailed forecasts are available. As in the previous year, a growth rate of 1.0 % is assumed for the time following the detailed forecast period. The cash flow forecasts are most sensitive to the amounts of reported revenues.

As at 31 December 2017, the mandatory annual impairment test confirmed the recoverability of all capitalised goodwill on the basis of CGU groups.

Two sensitivity analyses were carried out for each group of cash-generating units in addition to the impairment test. The first sensitivity analysis assumed a 1 percentage point lower growth rate. The capitalised interest rate was increased by 0.5 percentage points for each group of cash-generating units for the second sensitivity analysis. These changes in underlying assumptions would only lead to full impairment, resulting from the second sensitivity analysis, for the “Wind Deutschland” group (TEUR 570). Impairment losses are incurred here from a 0.43 % increase in the interest rate.

6.3 Property, plant and equipment

TEUR 1,455,168

Previous year: TEUR 1,331,845

Changes to property, plant and equipment are reported in the statement of changes in fixed assets. Property, plant and equipment is composed of power generation installations (TEUR 1,432,321, previous year: TEUR 1,317,326), assets under construction (TEUR 21,144 , previous year: TEUR 13,395) and other property, plant and equipment (TEUR 1,703, previous year: TEUR 1,124). The power generation installations line item includes capitalised borrowing costs amounting to TEUR 1,762 (previous year: TEUR 1,843).

Changes to finance lease assets recognised in property, plant and equipment are as follows:

In TEUR	2017	2016
Cost		
As of 01.01	42,296	22,278
Additions	8,076	20,018
As of 31.12.	**50,372**	**42,296**
Depreciation and amortisation		
As of 01.01.	6,205	5,103
Additions	2,116	1,102
As of 31.12	**8,321**	**6,205**
Carrying amount as at 31.12	**42,051**	**36,091**

The collateral offered is described in note 3.11. There are no contractual obligations to purchase property, plant and equipment and no material non-current assets have been disposed of.

6.4 Financial assets accounted for using the equity method

TEUR 690

Previous year: TEUR 730

Associated entities comprise the following as at 31 December 2017: interests in Gnannenweiler Windnetz GmbH & Co. KG in the amount of TEUR 135, interests in CHORUS IPP Europe GmbH in the amount of TEUR 167, and interests in CHORUS Infrastructure Fund S.A. SICAV-SIF of Munsbach, Luxembourg, in the amount of TEUR 388. The equity method must be used for all these interests.

As of the reporting date, Encavis holds all shares of CHORUS IPP Europe GmbH, registered in Neubiberg, Germany. The company is not fully consolidated but classified as an associate despite the majority interest because most of the returns from the investment are received by an external third party via interest on profit participation rights. In addition to the shares in CHORUS IPP Europe GmbH, Encavis holds profit participation rights in and also provides services for the company. The investment serves as a means to expand the Group’s asset management business by taking over management of the portfolio of solar parks and wind parks held. Please refer to section 11 of the notes for quantitative disclosures.

CHORUS Infrastructure Fund S.A. SICAV-SIF of Munsbach, Luxembourg, is a stock corporation governed by the law of Luxembourg and structured as an investment company with variable capital in the form of a specialised investment fund. Encavis holds 3.86 % of the voting rights and participates exclusively in the profits from the CHORUS Infrastructure Fund S.A. SICAV-SIF – Renewables Europe I sub-fund. The Group’s equity interest in the sub-fund results in a profit participation of 0.74 %. The company is classified as an associate despite a share in voting rights of less than 20 % because an Management of Encavis is a member of the board of the company. Therefore, significant influence must be assumed.

In TEUR	CHORUS Infrastructure Fund S.A. SICAV-SIF	CHORUS IPP Europe GmbH	Gnannenweiler Windnetz GmbH & Co. KG	Total
As at 01.01.2017	396	181	153	730
Addition to the scope of consolidation	-8	-14	0	-22
Income	0	0	-18	-18
As at 31.12.2017	388	167	135	690

6.5 Financial investments

TEUR 11,071

Previous year: TEUR 7,334

Changes to financial assets are as follows:

In TEUR	2017	2016
As at 01.01.	7,334	1
Issue of loans	5,116	0
Acquisitions and other additions	58	0
Acquisitions included in the scope of consolidation	21	7,656
Redemptions and other disposals	-345	-132
Losses recognised in other comprehensive income (change in fair value of available-for-sale financial assets)	-210	-191
Loss recognised in the financial result	-904	0
As at 31.12	11,071	7,334

Long-term financial assets include equity investments available for sale in four investment funds in the renewable energy sector. The funds are in the form of limited partnerships and registered in the UK and the Cayman Islands. They are: CleanTech Europe I L.P., London, UK (“Zouk I”), CleanTech Europe II L.P., London, UK (“Zouk II”), Hudson Clean Energy Partners (Cayman) L.P., Cayman Islands (“Hudson”) and European Renewable Energy Fund I L.P., London, UK (“Platina”), totalling TEUR 4,074 (previous year: TEUR 5,363). Changes in fair value of the investment funds are always recognised in other comprehensive income. However, expected permanent impairments are reported in the financial result. Any items previously recognised in other comprehensive income are accordingly reclassified from other reserves to the statement of comprehensive income.

Profit participation rights amounting to TEUR 1,751 (previous year: TEUR 1,902) in CHORUS IPP Europe GmbH, Neubiberg, are also reported here. So are miscellaneous other available-for-sale equity investments totalling TEUR 96 as at 31 December 2017 (previous year: TEUR 70). This item also includes loans to associates in the amount of TEUR 4,840 and other loans amounting to TEUR 276 for the first time at year end.

Miscellaneous other available-for-sale equity investments are recognised at cost on principle because fair values could not be measured reliably. They amounted to TEUR 96 as at 31 December 2017 (previous year: TEUR 70). Miscellaneous other available-for-sale equity investments include investments in unlisted shares not traded in an active market. As of the reporting date, Encavis does not intend to dispose of any of these investments.

6.6. Other receivables (non-current)

TEUR 14,558

Previous year: TEUR 14,178

This consists of non-current encroachment easements and advance payments for leases of TEUR 10,859 (previous year: TEUR 11,550), derivatives with positive fair values in the amount of TEUR 1,613 (previous year: TEUR 1,437) and other non-current receivables of TEUR 2,086 (previous year: TEUR 1,191).

6.7 Inventories

TEUR 339

Previous year: TEUR 327

Inventories are primarily commodities and spare parts.

6.8 Trade receivables

TEUR 40,146

Previous year: TEUR 31,352

The receivables are recoverable and due in the short term. No value adjustments were required as at the reporting date. There were no overdue receivables as at the reporting date.

6.9 Other short-term assets

TEUR 41,367).

Previous year: TEUR 44,902

Other short-term assets break down as follows:

In TEUR	2017	2016
Non-financial assets	8,585	17,025
Receivables from income taxes	21,471	10,289
Other current receivables	11,311	17,588
Total	**41,367**	**44,902**

The majority of non-financial assets are VAT receivables.

Other current receivables are mainly prepaid expenses and deferred charges in the amount of TEUR 4,685 (previous year: TEUR 4,459), as well as sureties amounting to TEUR 2,024 (previous year TEUR 944) and short-term cross-boundary development rights and advance lease payments totalling TEUR 696 (previous year: TEUR 258), and other assets and receivables. Impairment losses for other receivables amounting to TEUR 236 were recorded for the financial year. Because these receivables related to a closed asset deal from the previous year and therefore not attributable to current operations und nicht dem laufenden Betrieb zuzurechnen sind, these are to be seen as non-recurring item. In the previous year, other current receivables also included a purchase price receivable in the amount of TEUR 7,77504 from the sale of the French Glenay wind farm.

6.10 Liquid funds

TEUR 195,577

Previous year: TEUR 188,979

The liquid funds item comprises the following:

In TEUR	2017	2016
Cash and cash equivalents	124,388	125,802
of which overdraft facilities	4,404	104
of which cash and cash equivalents in the cash flow statement	119,984	125,698
Restricted cash and cash equivalents	71,188	63,177
Total	**195,577**	**188,979**

Liquid funds are composed entirely of cash on hand and bank balances. They include debt service and project reserves, which serve as collateral for the solar parks and wind parks with the lending banks and can only be used in consultation with the lending banks and, to a lesser extent, restricted liquid funds held at Encavis AG and CSG IPP GmbH. In accordance with IAS 7, cash funds are composed of non-restricted cash and cash equivalents. Please refer to note 3.11 for details of collateral offered.

6.11 Equity

TEUR 698,594

Previous year: TEUR 608,556

Changes to equity are reported in the consolidated statement of changes in equity.

Encavis AG share capital amounted to TEUR 128,252 (previous year: TEUR 126,432) as at 31 December 2017, divided into 128,252,214 no-par-value bearer shares with a notional value of EUR 1.00 per share.

A resolution of the annual general meeting on 25 May 2016 with the approval of the Supervisory Board authorised the Management Board to increase the share capital of the company in the period up until 24 May 2021 by up to EUR 37,741,756.00 by issuing new no-par-value bearer shares against cash and non-cash contributions on one or more occasions ('2016 authorised capital'). Subject to consent by the Supervisory Board, shareholder subscription rights may be disapplied in certain cases.

A stock swap as part of the acquisition of a further 54,999 shares in CHORUS Clean Energy AG resulted in exceeding the 95 % threshold of the total number of shares in Encavis Asset Management AG required for a squeeze-out. With the consent of the Supervisory Board, the CHORUS Clean Energy AG Management Board therefore decided to make partial use of the authorisation granted by the general meeting on 25 May 2016 (2016 authorised capital) and increase the company's share capital by EUR 91,665 through the issue of 91,665 new no-par-value bearer shares with profit entitlement starting on 1 January 2017. Implementation of the capital increase was entered in the Commercial Register at Hamburg District Court on 21 March 2017 (HRB 63197).

In order to offset dividend entitlements, the Encavis AG Management Board decided to make partial use of the authorisation of the general meeting on 25 May 2016 (2016 authorised capital) with the consent of the Supervisory Board and increase the company's share capital by EUR 1,728,554 through the issue of 1,728,554 new no-par-value bearer shares with profit entitlement starting on 1 January 2017. Implementation of the capital increase was entered in the Commercial Register at Hamburg District Court on 30 June 2017 (HRB 63197).

The general meeting on 28 May 2017 resolved to replace the 2016 authorised capital with the 2017 authorised capital following the registration of the capital increase to offset dividend entitlements.

Authorised capital in 2017

A resolution of the annual general meeting on 18 May 2017 with the approval of the Supervisory Board authorised the Management Board to increase the share capital in the period up until 17 May 2022 by up to EUR 63,261,830.00 by issuing a total of 63,261,830 new no-par-value bearer shares against cash and non-cash contributions on one or more occasions ('2017 authorised capital'). Shareholders' subscription rights are disapplied. The Management Board is entitled to disapply shareholders' subscription rights in certain cases with the approval of the Supervisory Board. The 2017 authorised capital still remains at EUR 63,261,830.00 as at 31 December 2017.

Contingent capital

By virtue of the authorising resolution of the general meeting on 18 May 2017, the share capital of Encavis AG has been increased by up to EUR 25,304,730.00 contingent capital through the issue of up to 25,304,730 new no-par-value bearer shares with a notional value of EUR 1.00 per share ('2017 contingent capital').

The contingent capital increase will only be implemented if the holders of bonds issued or guaranteed before 17 May 2022 by the company, or a wholly-owned direct or indirect associate of the company, as per authorisation resolution of the general meeting on 18 May 2017, exercise their option or conversion rights, or, if they are required to convert, fulfil their obligation to convert, or, if the company exercises its option to grant shares in the company as full or partial payment of monies due if not settled in cash, or own shares are used to service the debt. To the extent permitted by law and subject to the consent of the Supervisory Board, the Management Board may determine profit entitlement of the new shares other than that set out in Section 60(2) AktG.

With the consent of the Supervisory Board, the Management Board resolved on 6 September 2017 to issue a perpetual subordinate bond with time-limited conversion rights in the amount of TEUR 97,300.00 via a subsidiary and guaranteed by Encavis AG. No conversion rights under the terms and conditions of the perpetual subordinated bond with limited conversion rights issued from the 2017 contingent capital had been exercised by 31 December 2017.

The share capital has been increased by up to TEUR 640.00 contingent capital through the issue of up to 640,000 no-par-value bearer shares (‘Contingent capital III’). With the approval of the Supervisory Board, the Management Board issued 640,000 stock options with subscription rights to Encavis shares with a term of up to seven years until 19 June 2017 (inclusive) in accordance with the provisions of the 2012 stock option programme; each stock option entitled holders to subscribe to one share of the company. These stock options are intended exclusively for subscription by Management Board members, selected senior staff and other key personnel of the company. This authorisation only applies to the Supervisory Board for issuing stock options to members of the company’s Management Board. These stock options may also be acquired by a bank with the obligation to transfer them, upon instruction by the company, to beneficiaries who alone are entitled to exercise the subscription rights. The shareholders do not have any subscription rights. The contingent capital increase will only be implemented to the extent that holders of stock options exercise their subscription right to shares in the company, and the company does not grant treasury shares in fulfilment of the subscription rights. The new shares participate in the profit from the beginning of the financial year in which they are created by exercising the subscription right. The Supervisory Board is entitled to amend the wording of Section 4(1) and (4) of the Articles of Association in accordance with the issue of subscription shares.

Capital reserves

The TEUR 7,275 change in capital reserves is primarily a result of the capital increase carried out in 2017 in order to compensate for dividend claims. This item also includes equity transactions with subsidiaries that did not lead to a change of control. This includes in particular the squeeze-out of CHORUS Clean Energy AG minority shareholders that was entered in the Commercial Register on 24 August 2017.

Other reserves

The currency translation adjustment item of TEUR 1,176 (previous year: TEUR 1,062) mainly relates to the translation of British pound sterling from the British subsidiaries into euro as at the reporting date.

In addition to the currency reserve, other reserves also include the hedge reserve (incl. corresponding deferred tax effects) in the amount of TEUR -3,630 (previous year:) TEUR -4,887 as well as reserves for available-for-sale financial assets recognised in other comprehensive income, including resulting deferred taxes and the related currency translation differences of TEUR -298 (previous year): TEUR -142).

The hedge reserve comprises gains or losses from the effective portion of cash flow hedges arising from changes in the fair value of the hedges. The cumulative gain or loss from changes in the fair value of the hedging transactions, which was recognised in the reserve from hedges, is only transferred to the statement of comprehensive income if the underlying hedged item affects the statement of comprehensive income. A cumulative gain or loss from changes in the fair value of hedging instruments in the amount of TEUR 3,161 (previous year: TEUR 1,904) was transferred to the statement of comprehensive income in the reporting period.

Net retained profit

Consolidated net earnings comprise the following:

In TEUR	31.12.2017	31.12.2016
Consolidated result after non-controlling interests	25,682	11,399
Retained earnings	63,342	66,834
Dividend distributions	-25,286	-14,891
Consolidated net earnings	**63,737**	**63,342**

At the Encavis AG annual general meeting held on 18 May 2017 it was resolved that a dividend of EUR 0.20 per entitled share would be paid out.

Equity attributable to non-controlling interests

Equity attributable to non-controlling interests in the amount of TEUR 6,582 (previous year: TEUR 22,846) relate primarily to the following companies: Solarpark Brandenburg GmbH, Solaire Ille SARL and Centrale Photovoltaique SauS 06 SARL. There has been a reduction in equity attributable to non-controlling interests as a result of the squeeze-out of Chorus Clean Energy AG minority shareholders in August 2017.

Hybrid capital investors portion

On 6 September 2017, Encavis AG placed a perpetual subordinate bond with time-limited conversion rights into ordinary bearer shares in the amount of TEUR 97,300 via its Dutch financing subsidiary Capital Stage Finance B.V.. The issue and value date of the hybrid convertible bond was 13 September 2017.

There is no fixed deadline for repayment of the hybrid convertible bond. The hybrid convertible bond carries the option to be converted by the investor(s) into fully paid new and/or existing ordinary bearer shares of the company ('ordinary shares') up to the tenth trading day before 13 September 2023 (the 'first redemption date'). The initial conversion price was set at EUR 7.5943, a premium of 25.0 % on the volume-weighted average price of the Encavis AG share in the Xetra trading system on the Frankfurt Stock Exchange between start and completion of the placement. The conversion price may be adjusted up to the first redemption date in accordance with the contractually agreed conditions. The investor(s) lose(s) the conversion right from the first redemption date, and the bond automatically becomes a perpetual bond without redemption date.

The coupon for the hybrid convertible bond will be 5.25 % p.a. from the settlement date until the first redemption date. After the first redemption date, and after that at 5-year intervals, provided the hybrid convertible bond is not redeemed or converted, the interest rate for the hybrid convertible bond will be fixed at 1,100 basis points above the 5-year EUR swap rate applicable on the reporting date. The interest is payable every six months in arrears. Subject to certain requirements, Encavis may decide to defer any scheduled partial or total payment of the interest. Such non-payment of interest does not constitute default or a breach of any other obligation.

The hybrid convertible bond will be issued at 100 % of its par value and may be redeemed by Encavis at 100 % of its par value together with all accrued and outstanding interest and all outstanding retroactive interest. This option will be available to Encavis for the first time on the first redemption date and then on every subsequent interest payment date. Encavis will have the option to carry out a mandatory conversion of the hybrid convertible bond at any time on or after 4 October 2021 and before the first redemption date. Notice can only be given of the premature mandatory conversion if the share price corresponds to 130 % of the conversion price, or exceeds this amount, for a certain period of time.

Since Encavis AG is not contractually obliged to redeem the nominal value or to pay the interest to the investors of the hybrid convertible bond, the instrument was classified as an equity instrument in accordance with IAS 32. The amount initially recognised in equity is not remeasured. Costs associated with the bond issue totalled TEUR 3,330 and were offset against equity without impacting income.

Capital management

The objective of capital management is to ensure that the Group is able to meet its financial obligations. The Group's long-term goal is to increase its corporate value. The Group actively manages its capital structure according to general economic conditions. In order to maintain or to adjust its capital structure, the Group can opt to, for example, adjust dividend payments to shareholders, pay back capital to shareholders, or issue new shares. As at the reporting date, the equity ratio of the Group was 27.73 % (previous year: 25.85 %).

The table below discloses the equity, the equity ratio and cash and cash equivalents.

	31.12.2017	31.12.2016
Equity in TEUR	698,594	608,556
Equity ratio in %	27.73	25.85
Liquid funds in TEUR	195,577	188,979

6.12 Stock option programme

In order to enable Encavis AG to grant stock options as a remuneration component with a long-term incentive effect, the Encavis AG general meeting on 31 May 2007 resolved to increase the company's share capital by up to EUR 2,520000.00 through issuing up to 2,252,000 no-par-value bearer shares ('Contingent capital I'). The purpose of Contingent capital I is to secure subscription rights arising from stock options issued by Encavis AG under the 2007 stock option programme (SOP 2007) in the period between 1 June 2007 and 30 May 2012, based on the authorisation of the 31 May 2007 general meeting. Beneficiaries are Executive Board members, selected senior staff and other Encavis AG key personnel.

Following expiry of SOP 2007, a new stock option programme (SOP 2012) was initiated and Contingent capital III created at the general meeting on 20 June 2012.

Options were offered in every year between 2008 and 2016. Each option entitles the holder to one Encavis AG no-par-value bearer share with voting rights. The option holder is free to exercise their options one at a time or all at once.

In order to serve their purpose as a long-term incentive, subscription rights arising from stock options may only be exercised for the first time after a vesting period. The vesting period under SOP 2012 is four years. The subscription price (strike price) for both programmes equates to the arithmetic mean of the closing prices for the Encavis AG share in the Xetra trading system on the Frankfurt Stock Exchange (or in a comparable successor system) over the five trading days prior to the granting of the subscription rights. A prerequisite for exercising a subscription right is the successful achievement of the performance target. Under SOP 2012, the price for the Encavis AG share in the Xetra trading system on the Frankfurt Stock Exchange (or in a comparable successor system) must exceed the strike price by at least 30 % over the ten trading days preceding the date the subscription right is exercised. The period defined as the relevant exercise period is the period in which the subscription rights in question may be exercised for the first time due to the performance target having been reached or exceeded.

Share option programme 2012 (AOP 2012)

On 21 March 2013, 26 June 2014, 27 January 2015, 31 March 2015, 21 April 2015 and 31 March 2016, the following share options were granted under the share option programme for 2012:

Year of allocation	2016	2015	2015
Exersice period	01.04.2020 - 31.03.2023	22.04.2019 - 21.04.2022	01.04.2019 - 31.03.2022
Share price at time of granting	7.33 EUR	6.51 EUR	6.10 EUR
Strike price	7.24 EUR	6.49 EUR	6.08 EUR
Performance hurdle at issue	9.41 EUR	8.44 EUR	7.91 EUR
Options offered and accepted (units)	180,000	150,000	580,000
Balance at 01.01.2017 (units)	180,000	0	260,000
Options exercised (units)	0	0	0
Options expired (units)	0	0	-35,000
Balance at 31.12.2017 (units)	180,000	0	225,000
Exersicable as at 31.12.2017 (units)	0	0	0

Year of allocation	2015	2014	2013
Exersice period	28.01.2019 - 27.01.2022	27.06.2018 - 26.06.2021	22.03.2017 - 21.03.2020
Share price at time of granting	4.90 EUR	3.70 EUR	3.78 EUR
Strike price	4.92 EUR	3.74 EUR	3.81 EUR
Performance hurdle at issue	6.40 EUR	4.86 EUR	4.95 EUR
Options offered and accepted (units)	150,000	250,000	600,000
Balance at 01.01.2017 (units)	150,000	50,000	0
Options exercised (units)	0	0	0
Options expired (units)	0	0	0
Balance at 31.12.2017 (units)	150,000	50,000	0
Exersicable as at 31.12.2017 (units)	0	0	0

No options were exercised in financial year 2017. During the reporting period, 35,000 shares expired; 35,000 of these were held by employees. The balance as at the reporting date for the financial year was 605,000 units (previous year: 640,000 units), 300,000 of which were held by the Executive Board. The tranches from SOP 2012, which still had a balance as at the reporting date, are vested until June 2018, January 2019, April 2019 and April 2020. No options from SOP 2012 are therefore exercisable as at the reporting date.

In accordance with IFRS 2, the stock options were recognised at fair value in the balance sheet, whereby the fair value is to be distributed as personnel expenses over the vesting period. The option rights must therefore be measured on issue using a suitable model. The capital market features of the option rights must be included in the measurement. Non-capital market features, such as the vesting period, are to be reflected in expected employee turnover. The total value resulting from the value of an option and the estimated balance at the end of the vesting period must be distributed over the vesting period pro rata and recognised as personnel expenses in the statement of comprehensive income. Expected employee turnover is based on the turnover in recent years.

No options from SOP 2012 were issued during financial year 2017.

Personnel expenses in the amount of TEUR 133 (previous year: TEUR 162) arising from the 2012 stock option programme were recognised in the statement of comprehensive income for the year 2017. In addition, other operating income in the amount of TEUR 19 was recognised as a result of the termination of option holders' employment. A further TEUR 190 (previous year: TEUR 332) arising from the SOP 2012 will need to be recognised in subsequent years. The actual amount will depend on turnover of holders until the end of the vesting period.

2017 stock option programme (SOP 2017)

The SOP 2017 is an annually recurring, long-term remuneration component related to the overall performance of the Encavis share. An allotment amount defined by the Supervisory Board is converted into virtual stock options known as share appreciation rights (SARs). Beneficiaries are Executive Board members, selected senior staff and other Encavis AG key personnel.

The amount of the variable component was calculated based on the SOP 2017 plan, which entered into force on 1 July 2017. The grant date for employees, however, was 6 November 2017 and for Executive Board members 13 December 2017. A total of 837,500 SARs were granted in financial year 2017 (previous year: 0 SARs); 437,500 SARs are allocated to Executive Board members and 400,000 to employees.

The aim of the SOP 2017 is to secure long-term loyalty of the executives and senior management to Encavis AG. SARs may be exercised for the first time after a vesting period of three years from 1 July 2017. After that, they can be exercised at half-year intervals within the two years following the three-year waiting period. A prerequisite for exercising a SAR is the successful achievement of the respective goal. To achieve the target within the SOP 2017, the overall performance of the Encavis share within the Xetra trading system (or in a comparable successor system) on the Frankfurt Stock Exchange must exceed the basic price by at least 30 % (strike price) on the day on which the SAR is exercised, as measured by the interim rise and the dividends paid since issue of the SAR. The basic price is the arithmetic average of the daily closing price of the Encavis share performance index within the Xetra trading system on the Frankfurt Stock Exchange (or in a comparable successor system) half a year before the plan takes effect. For each SAR assigned, a claim to payment of the difference between the strike price and the basic price accrues. The maximum payment amount is three times the difference between the strike price and the basic price. In the event of an Executive Board member or employee leaving the company of their own accord, or having their employment terminated for good cause, the programme rules stipulate that any SARs granted will be forfeited in whole or in part.

Liability for SARs is measured at fair value at the grant date and all subsequent reporting dates until the SARs have been either exercised or expire. SARs issued in 2017 were measured on the basis of a Monte Carlo simulation.

No SARs were exercised either in financial year 2017 or in the previous year, and no SARs expired. As at the reporting date, the carrying amount recognised for settling SARs amounted to TEUR 36 (previous year: TEUR 0). Personnel expenses in the amount of TEUR 36 arising from the SOP 2017 were recognised in the statement of comprehensive income for financial year 2017.

6.13 Liabilities, provisions, accruals and financial liabilities

TEUR 1,587,557

Previous year: TEUR 1,527,290

Type of liability	Total amount in TEUR	Short-term in TEUR	Long-term in TEUR
Liabilities to non-controlling interests	20,496	17,705	2,791
(previous year)	(18,570)	(12,573)	(5,997)
Financial liabilities	1,402,195	117,996	1,284,199
(previous year)	(1,354,735)	(102,771)	(1,251,964)
Leasing liabilities	87,190	6,612	80,578
(previous year)	(77,664)	(5,688)	(71,976)
Income tax liabilities	7,027	7,027	0
(previous year)	(3,906)	(3,906)	(0)
Trade payables	20,261	20,261	0
(previous year)	(23,693)	(23,693)	(0)
Other provisions	32,621	6,532	26,089
(previous year)	(26,449)	(4,198)	(22,251)
Other liabilities	17,767	6,689	11,078
(previous year)	(22,274)	(9,193)	(13,081)
Total	1,587,557	182,822	1,404,735
(previous year)	(1,527,290)	(162,022)	(1,365,268)

Liabilities to non-controlling interests

Liabilities to non-controlling interests are mostly composed of shares in profit attributable to non-controlling interests as well as loans from non-controlling interests.

Financial liabilities

Financial liabilities comprise the following items:

In TEUR	31.12.2017	31.12.2016
Liabilities to banks and other loans	1,183,236	1,128,263
Liabilities from profit participation rights	156,028	155,958
Liabilities from listed notes	41,159	44,093
Derivatives with negative fair value	21,772	26,421
Total	**1,402,195**	**1,354,735**

Leasing liabilities

The Encavis Group rented Italian solar installations as part of finance leases. The average lease term is 18.47 years (previous year: 18 years). The Encavis Group has an option to acquire the power generation installations at a fixed price at the end of the contractually agreed period. Obligations from finance lease agreements are secured through the lessor's retention of title for the solar installations.

The interest rates underlying the liabilities from the finance lease relationship were in each case fixed on the date of contract conclusion and range between 3.34 and 7.70 % (2016: between 3.63 and 7.70 %).

The leased items are recognised in property, plant and equipment with carrying amounts of TEUR 42,051 (previous year: TEUR 36,091). Deviations between the carrying amounts of the assets and the liabilities result largely from the remeasurement of the assets and liabilities as part of purchase price allocations and from unscheduled repayments of lease obligations.

Contingent lease payments (e.g. graduated rent) were not made either in the current or the previous financial year. There are no options to extend existing contracts.

The finance lease liabilities are due as follows:

	Minimum lease payments		Present value of the minimum lease payments	
	31.12.2017 in TEUR	31.12.2016 in TEUR	31.12.2017 in TEUR	31.12.2016 in TEUR
With a remaining term of up to one year	8,451	6,936	6,612	5,688
With a remaining term of more than one year to five years	33,753	27,735	27,833	26,421
With a remaining term of more than five years	56,772	53,923	52,745	45,555
	98,976	**88,594**	**87,190**	**77,664**
Less financing costs	-11,786	-10,930		
Present value of the minimum lease payments	87,190	77,664	87,190	77,664
of which short-term liabilities			6,612	5,688
of which long-term liabilities			80,578	71,976

Provisions

Changes in provisions were as follows:

Schedule of provisions in TEUR	As at 01.01.2017	Used	Additions	Reversals	Changes in consolidated companies, currency adjustments, unwinding discounts, reclassifications	As at 31.12.2017
Provisions for asset retirement obligations	22,251	0	0	0	3,802	26,053
Provisions for personnel expenses*	2,174	-2,080	2,921	-94	0	2,921
Other provisions*	2,024	-1,384	3,206	-551	352	3,647
Total	**26,449**	**-3,464**	**6,127**	**-645**	**4,154**	**32,621**

* As at 1 January 2017, TEUR 896 was reclassified from other provisions to provisions for personnel expenses.

The provisions for asset retirement obligations include the estimated cost for the demolition and clearing of an asset and restoring the site on which it is located. When measuring asset retirement obligations, there are minor uncertainties that relate exclusively to the amount of the provision. This results from the fact that the due dates of retirement for the power generation installations are fixed by the residual term of the lease, which lies between a range of 14.5 and 30 years. When calculating the actual amount of the asset retirement costs, an average rate of inflation of 1.5 % (previous year: 1.5 %) is assumed. The unwinding of the discounting of the provisions takes place annually. The expenses from unwinding discounting in financial year 2017 were TEUR 324 (previous year: TEUR 225).

The provisions for personnel expenses largely comprise employee bonuses and bonuses for the Executive Board.

Other provisions contain a number of minor single items.

Trade payables

Trade payables largely comprise invoices received from suppliers by the individual solar parks and wind parks.

Other liabilities

Other long-term liabilities relate mainly to accrued expense and deferred income of TEUR 10,004 (previous year: TEUR 11,827). The accrued expense and deferred income largely relate to the advantage from subsidised loans from the KfW Group at an interest rate below the market rate.

Other short-term liabilities are attributable to the following items:

In TEUR	31.12.2017	31.12.2016
Accrued expense and deferred income (interest rate advantage)	2,069	2,147
Liabilities from personnel and employee benefits	45	1,068
Other taxes	1,750	2,441
Other provisions	2,825	3,536
Total	**6,689**	**9,192**

7 Additional disclosures related to financial assets and liabilities

Carrying amounts, recognised amounts and fair values by class and measurement category

Classes of financial instruments in TEUR	Valuation category	Carrying amount as at 31.12.2017 (31.12.2016)	Carrying amount under IAS 39*			Carrying amount under IAS 17	Fair value as at 31.12.2017 (31.12.2016)
			Amortised cost	Fair value not recognised through profit or loss	Fair value recognised through profit or loss		
Financial assets							
Long-term financial assets	AfS	5,955	130	5,825			5,955
(31.12.2016)		(7,334)	(70)	(7,265)			(7,334)
Non-current receivables from contingent considerations	n.a.	301			301		301
(31.12.2016)		(0)			(0)		(0)
Trade receivables	L&R	40,146	40,146				40,146
(31.12.2016)		(31,352)	(31,352)				(31,352)
Other current receivables	L&R	3,778	3,778				3,778
(31.12.2016)		(3,202)	(3,202)				(3,202)
Current receivables from contingent considerations	n.a.	552			552		552
(31.12.2016)		(0)			(0)		(0)
Loans to associated companies and other lendings	L&R	5,116	5,116				5,116
(31.12.2016)		(0)	(0)				(0)
Liquid funds	L&R	195,577	195,577				195,577
(31.12.2016)		(188,979)	(188,979)				(188,979)
Derivative financial assets							
Derivatives in a hedging relationship	n.a.	877		877			877
(31.12.2016)		(770)		(770)			(770)
Derivatives not in a hedging relationship	FAHfT	737			737		737
(31.12.2016)		(667)			(667)		(667)
Financial liabilities							
Trade payables	AC	20,261	20,261				20,261
(31.12.2016)		(23,693)	(23,693)				(23,693)
Financial liabilities	AC	1,378,403	1,378,403				1,546,753
(31.12.2016)		(1,325,276)	(1,325,276)				(1,531,122)
Liabilities from finance leases	n.a.	87,190				87,190	89,449
(31.12.2016)		(77,665)				(77,665)	(79,212)
Liabilities to non-controlling shareholders	AC	20,496	20,496				20,496
(31.12.2016)		(18,570)	(18,570)				(18,570)
Liabilities from contingent considerations	n.a.	79			79		79
(31.12.2016)		(61)			(61)		(61)
Other financial liabilities	AC	1,941	1,941				1,941
(31.12.2016)		(2,976)	(2,976)				(2,976)

Classes of financial instruments in TEUR	Valuation category	Carrying amount as at 31.12.2017 (31.12.2016)	Carrying amount under IAS 39*			Carrying amount under IAS 17	Fair value as at 31.12.2017 (31.12.2016)
			Amortised cost	Fair value not recognised through profit or loss	Fair value recognised through profit or loss		
Derivative financial liabilities							
Derivatives in a hedging relationship	n.a.	16,379		16,379			16,379
(31.12.2016)		(13,788)		(13,788)			(13,788)
Derivatives not in a hedging relationship	FLHfT	5,393			5,393		5,393
(31.12.2016)		(12,633)			(12,633)		(12,633)
Of which aggregated by valuation categories as per IAS 39							
Loans and receivables	L&R	244,617	244,617				244,617
(31.12.2016)		(223,533)	(223,533)				(223,533)
Available for sale	AfS	5,955	130	5,825			5,955
(31.12.2016)		(7,334)	(70)	(7,265)			(7,334)
Financial assets held for trading	FAHfT	737			737		737
(31.12.2016)		(667)			(667)		(667)
Financial liabilities at amortised acquisition cost	AC	1,421,100	1,421,100				1,589,450
(31.12.2016)		(1,370,515)	(1,370,515)				(1,576,361)
Financial liabilities held for trading	FLHfT	5,393			5,393		5,393
(31.12.2016)		(12,633)			(12,633)		(12,633)

* L&R: loans and receivables; FAHfT: financial assets held for trading; AC: amortised cost; FLHfT: financial liabilities held for trading. As opposed to the balance sheet, the financial liabilities are shown here separately in the following categories: Financial liabilities, liabilities from contingent considerations, other financial liabilities, derivatives in a hedging relationship and derivatives not in a hedging relationship

Fair value hierarchy

Valuation levels 31.12.2017 (31.12.2016) in TEUR	Level 1	Level 2	Level 3
Assets			
Long-term financial assets			5,825
(previous year)			(7,265)
Non-current receivables from contingent considerations			301
(previous year)			(0)
Current receivables from contingent considerations			552
(previous year)			(0)
Derivative financial assets:			
Derivatives in a hedging relationship		877	
(previous year)		(770)	
Derivatives not in a hedging relationship		737	
(previous year)		(667)	
Liabilities			
Liabilities from contingent consideration			79
(previous year)			(61)
Derivative financial liabilities:			
Derivatives in a hedging relationship		16,379	
(previous year)		(13,788)	
Derivatives not in a hedging relationship		5,393	
(previous year)		(12,633)	

Interest rate and currency hedges are measured using market-yield and 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 non-current and current receivables from contingent considerations and the liabilities from contingent considerations recognised in the consolidated balance sheet at fair value 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.

Valuation levels 31.12.2017 (31.12.2016) in TEUR	Level 1	Level 2	Level 3
Liabilities			
Financial liabilities measured at amortised cost			
Financial liabilities		1,546,753	
(previous year)		(1,531,122)	
Leasing liabilities		89,449	
(previous year)		(79,212)	

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

Financial instruments measured at fair value

Type	Valuation method	Significant, unobservable input factors
Financial investments available for sale	The financial investments are valued using one of the following methods or a combination of several of the following methods: Acquisition costs of the most recent financial investments, valuation criteria within the industry, offers currently received, contractual obligations The relative weightings of each valuation method reflect an assessment of the suitability of each valuation approach for the respective unrealised financial investment	Risk premium The estimated fair value of financial investments available for sale would rise (fall) if the risk premium were lower (higher)
Interest rate swaps	Discounted cash flows: The fair values are determined by means of the future expected cash flows, which are discounted using generally observable market data of the corresponding yield curves	Not applicable
Non-current and current receivables from contingent considerations	Discounted cash flows on the basis of contractually fixed mechanisms	Date of installation of further wind parks The assessed fair value of the receivables from contigent considerations would increase (fall) were the installation of the further wind parks to took place at an earlier (later) point in time
Liabilities from contingent consideration	Discounted cash flows on the basis of contractually fixed mechanisms	Performance of the solar park The assessed fair value of the liabilities from contingent considerations would increase (fall) were the performance of the solar park greater (lower)

Financial instruments not measured at fair value

Type	Valuation method	Significant, unobservable input factors
Financial liabilities and liabilities from finance leases	Discounted cash flows: The fair values are determined by means of the future expected cash flows, which are discounted with matching maturities using generally observable market interest rates and taking account of a suitable risk premium	Not applicable

For financial instruments with short maturities, including cash and cash equivalents, trade receivables, trade payables and other current receivables and short-term liabilities, it is assumed that their fair values approximate their carrying amounts.

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

In TEUR	2017	2016
Long-term financial assets		
As of 1.1.	7,266	0
Purchases (including additions)	16	7,581
Sales (including disposals)	-343	-125
Profit (-)/loss (+) in the consolidated result of the period	-904	0
Change in value recognised in other comprehensive income	-210	-191
As at 31.12.	**5,825**	**7,266**
Liabilities from contingent consideration		
As of 1.1.	61	65
Purchases (including additions)	0	59
Profit (-)/loss (+) in the consolidated result of the period	20	-65
Changes in value recognised in other comprehensive income	-2	2
As at 31.12.	**79**	**61**
Non-current receivables from contingent considerations		
As of 1.1.	0	0
Purchases (including additions)	299	0
Profit (+)/loss (-) in the consolidated result of the period	2	0
As at 31.12.	**301**	**0**
Current receivables from contingent considerations		
As of 1.1.	0	0
Purchases (including additions)	549	0
Profit (+)/loss (-) in the consolidated result of the period	3	0
As at 31.12.	**552**	**0**

The earn-out liability in existence as at the balance sheet date results from the acquisition of the solar park Capital Stage Cullompton Ltd. in financial year 2016. Depending on the perfomance of the solar park, this agreement may result in either a price increase or decrease. In the financial year of 2017, based on the measured performance of the solar park, the fair value of the contingent consideration was effectively adapted in the amount of TEUR 20.

The non-current earn-out receivable arises from the acquisition of the wind park UGE Markendorf Eins GmbH & Co. KG Umweltgerechte Energie. The current earn-out receivable results from the acquisition of the wind park portfolio UGE Malterhausen GmbH & Co. KG Umweltgerechte Energie. Please refer to Note 4 for more detailed information.

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

In TEUR	Valuation category	Effect on net income from interest, dividends	Effect on net income from the subsequent valuation of the fair value	Effect on net income from the subsequent valuation of impairment	The subsequent valuation of the fair value with no effect on net income	Net result
Loans and receivables	L&R	30		-236		**-206**
(previous year)		(273)		(0)		(273)
Available for sale	AfS			-904	-156	**-1,060**
(previous year)				(0)	(-142)	(-142)
Financial instruments held for trading	FAHfT und FLHfT		2,809			**2,809**
(previous year)			(2,641)			(2,641)
Financial liabilities measured at amortised cost	AC	-43,451				**-43,451**
(previous year)		(-39,378)				(-39,378)
2017		**-43,421**	**2,809**	**-1,140**	**-156**	**-41,908**
(previous year)		(-39,105)	(2,641)	(0)	(-142)	(-36,606)

The net gains and losses from financial instruments comprise valuation results, the recognition and reversal of impairment losses and interest and all other effects on profit or loss from financial instruments. Income components of the net income from financial instruments are usually recorded in the financial result. This does not include the rating category loans and receivables (L&R) attributable to impairments on other short-term receivables in the amount of TEUR -236, which are reported under other operating expenses. Also excluded are the valuation effects with no effect on net income amounting to TEUR -156 after deferred taxes. The recognised impairment losses under ‘available for sale (AfS)’ in the amount of TEUR -904 refers to the impairment of a fund. The item ‘financial instruments held for trading (FAHfT and FLHft)’ includes results from the instruments not designated as hedging instruments in a hedging relationship pursuant to IAS 39. In addition, the item includes the effects through profit or loss from the ineffective portion of the financial instruments, which are designated hedging instruments pursuant to IAS 39, the measurement of currency forwards and the effects on profit or loss for financial instruments from the hedge reserve that are no longer effective, recycled in OCI. Net gains or losses for this item do not contain any interest or dividend income. Valuation gains and losses on financial instruments not recognised through profit or loss are shown in the overview of income and expenses directly recognised in equity.

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

In TEUR	2017	2016
Interest income	10,051	1,652
Interest expenses	-54,016	-42,160
Total	**-43,965**	**-40,508**

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.

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 88 (31 December 2016: 81) interest rate swaps, under which the Group receives interest at a floating 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 balance sheet date, the average (volume-weighted) fixed interest rate and the fair value. It differentiates between interest rate swaps that are part of an effective hedging relationship pursuant to IAS 39 and those that are not.

	31.12.2017	31.12.2016
Nominal volume in TEUR	**378,503**	**344,791**
of which in a hedging relationship	*250,555*	*209,788*
of which not in a hedging relationship	*127,947*	*135,003*
Average interest rate in %	2.40	2.53
Fair value in TEUR	**-20,219**	**-25,222**
of which in a hedging relationship	*-15,502*	*-13,018*
of which not in a hedging relationship	*-4,717*	*-12,204*

For three of the interest rate swaps that were still in a hedging relationship as at 31 December 2016, the rules for hedge accounting ceased to be applied during the year because, as part of the effectiveness tests carried out on the respective reporting dates, evidence of the hedging relationship's effectiveness could no longer be provided. Effectiveness tests carried out as at 31 December 2017 showed an effectiveness level for the additional hedging relationships in a range from 89.20 % to 112.11 %, which is within the permitted range.

The ineffective portion of the swaps in a hedging relationship was recognised with effect on profit or loss as income of TEUR 1,556 (previous year: income of TEUR 315). The change in the market value of the swaps that are not in a hedging relationship was recognised with effect on profit or loss as income of TEUR 1,229 (previous year: income of TEUR 694). The effective portion in the 2017 financial year of TEUR 2,141 (previous year: TEUR -3,982) was, taking account of deferred tax effects, recognised directly in equity in the amount of TEUR -961 (previous year: TEUR 1,367). For the interest rate swaps for which evidence of their effectiveness could no longer be provided in the past, the changes in value previously recognised in the hedge accounting reserve with no effect on profit or loss in the amount of TEUR 21 (previous year: TEUR 8) were, taking account of deferred tax effects, amortised as scheduled with effect on profit or loss in the amount of TEUR -6 (previous year: TEUR -2).

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.

Interest rate risk

Interest rate risk is the risk that a financial instrument's fair value or future cash flows will fluctuate due to changes in market interest rates. In addition to acquisition financing, the risk of fluctuations comes largely from the financing for individual items if this financing has a floating rate of interest. Because almost fully unconditional interest rate hedges exist for this financing in the form of interest rate swaps for the complete nominal volume, only marginal fluctuations result from it in the current statement of comprehensive income. However, a change in market expectations regarding interest rates causes a change in the valuation of gains and losses expected from the interest rate hedge, which – if the derivatives are part of an effective hedging relationship – is assumed to solely impact the hedging reserve. For derivatives not in a hedging relationship pursuant to IAS 39, the change in expectations accordingly directly impacts earnings.

Interest rate risks are shown by means of sensitivity analyses pursuant to IFRS 7. If the market interest rate level as at 31 December 2017 had been 100 basis points higher, earnings before taxes would have been TEUR 6,877 higher and the hedge reserve in equity before taxes would have been TEUR 12,692 higher. This is due to the fact that an increase in the market interest rate level as at the balance sheet date reduces net cash outflows from the interest rate hedging instruments over the entire duration of the interest rate swaps and thus increases their present value. In view of the level of interest rates as at the balance sheet date, no sensitivity analysis was carried out for a 100 basis-point reduction of the existing interest rate level.

Exchange rate risk

The company has issued loans to its British subsidiaries and the project companies in British pounds. The loans are, as a general rule, subject to exchange rate fluctuations between the British pound and the euro. The resulting risks from exchange rate fluctuations are presented by means of a foreign currency sensitivity analysis pursuant to IFRS 7. If the euro were to rise 10 % against the British pound, net profit/loss for the year and shareholders' equity would fall by TEUR 6,614 (previous year: TEUR 5,687). This is due to the fact that from a Group perspective, the existing receivables are to be adjusted by the currency translation loss. If the euro were to fall 10 % against the British pound, net profit/loss for the year and shareholders' equity would increase by TEUR 8,083 (previous year: TEUR 6,950). No further material exchange rate risks pursuant to IFRS 7 exist.

Credit risk

Credit risk describes the risk that counterparties are unable to meet their obligations as contractually agreed. The receivables from solar parks and wind parks are primarily trade receivables from the sale of the kilowatt-hours produced. In nearly all the markets in which the Encavis Group operates, the purchase of the electricity produced, which is based on contractually-based remuneration rates, is regulated and safeguarded by law. As a result of its entry into the market in the UK and Denmark, the Group also has trade receivables whose counterparties are not exclusively semi-public grid companies or comparable organisations, but private companies. The Group is not, however, exposed to any significant default risk because the companies are renowned companies with a good or very good credit rating.

The receivables are all current receivables, which are generally settled within two months. The maximum default risk is limited to the carrying amounts of the corresponding trade receivables and other receivables. In the event that there is objective evidence of impairment, impairment losses are recognised on a case-by-case basis. Evidence of this nature exists if the invoices for the kilowatt-hours produced, which are generally prepared by the buyer, are not prepared or not paid within the agreed periods. In the event of becoming overdue, corresponding items are reviewed in detail and an impairment loss is recognised if appropriate. In the reporting period, the default rate for trade receivables is 0 % (previous year: 0 %).

Liquidity risk

Liquidity risk describes the risk that the Group is unable to meet its obligations as they fall due. Liquidity risks from financial liabilities do not occur because the Group held cash and cash equivalents on the balance sheet date of TEUR 124,388 (previous year: TEUR 125,802). The Group also expects ongoing cash flows from the solar parks and wind parks with a high degree of certainty. The interest payments, principal repayments and financial liabilities can be serviced with matching maturities from these without problems. Ultimately, the Executive Board is responsible for liquidity risk management. The Executive Board has established an appropriate approach for managing short-, medium- and long-term financing and liquidity requirements. The Group manages liquidity risks by holding suitable reserves and through constant monitoring of forecast and actual cash flows, as well as matching the maturity profiles of financial assets and liabilities.

IFRS 7 also requires a maturity analysis for derivative and non-derivative financial liabilities. The following maturity analysis shows how the undiscounted cash flows in connection with the liabilities as at 31 December 2017 (31 December 2016) influence the Group's future liquidity situation.

Type of liability in TEUR	Carrying amount 31.12.2017 (31.12.2016)	With a remaining term of up to one year	With a remaining term of one to five years	With a remaining term of more than five years
Non-derivative financial liabilities				
Financial liabilities	1,380,423	159,664	594,047	993,159
(previous year)	(1,328,314)	(137,161)	(551,972)	(1,019,754)
of which liabilities from contingent consideration	79	79	0	0
(previous year)	(61)	(65)	(0)	(0)
Liabilities from finance leases	87,190	8,451	33,753	56,772
(previous year)	(77,665)	(6,936)	(27,736)	(53,923)
Trade payable	20,261	20,261	0	0
(previous year)	(23,693)	(23,693)	(0)	(0)
Liabilities to non-controlling shareholders	20,496	17,705	0	2,791
(previous year)	(18,570)	(12,573)	(0)	(5,997)
Derivative financial liabilities				
Interest rate derivatives in a hedging ralationship	16,379	2,926	7,276	6,224
(previous year)	(13,788)	(1,834)	(5,254)	(6,692)
Interest rate derivatives not in a hedging relationship	5,393	1,466	3,704	421
(previous year)	(12,633)	(2,827)	(7,902)	(2,846)

The approach when calculating the amounts was generally as follows:

If the contractual partner can demand a payment at various dates, the liability is recognised at the earliest due date. Interest payments made on financial instruments with floating interest rates are calculated on the basis of forward interest rates. The cash flows of the financing and leasing liabilities comprise their undiscounted interest payments and principal repayments. Part of the liabilities to non-controlling interests may become due at any time as a result of a termination right with compensation claim and are therefore partially classified as short-term liabilities. In the case of the derivative financial instruments, the undiscounted net payments are shown.

8 Notes to the consolidated cash flow statement

The cash flow statement is presented as a separate statement.

The cash flow statement shows the changes in the Encavis Group's cash funds. Cash funds comprise cash and cash equivalents that are not subject to any restrictions. The cash flow statement was prepared in accordance with IAS 7 and classifies the changes to liquid assets into cash flows from operating, investing and financing activities. The cash flow from ongoing operating activities is presented using the indirect method.

Liquid funds are composed entirely of cash on hand and bank balances. This includes reserves for debt servicing and projects of TEUR 71,188 (previous year: TEUR 63,177), which serve as collateral for the lending banks of the solar parks and wind parks and can only be used in agreement with the lending banks for the respective company, and, to a smaller extent, restricted liquid assets at Encavis AG and CSG IPP GmbH.

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

As at 1 January 2017, changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes, are evaluated. The classification as a component of the cash flow from financing activities is a definitive criterion for cash flow. The following table shows the reconciliation of the opening balances to the closing balances of the balance sheet items in financial year 2017.

In TEUR	Long-term financial liabilities	Short-term financial liabilities	Leasing liabilities	Cash flow hedges with positive market value	Liabilities to non-controlling interests	Total
Balance as at 01.01.2017	**1,251,964**	**102,666**	**77,665**	**1,199**	**18,570**	**1,452,062**
Loan proceeds	102,029	6,110			935	109,074
Loan repayments	-89,431	-9,922	-4,634		-122	-104,109
Interest paid	-490	-47,216	-2,688		-105	-50,498
Dividends paid to non-controlling interests					-802	-802
Change in cash flows	**12,108**	**-51,028**	**-7,322**		**-93**	**-46,335**
Acquisition	42,788	2,916	16,108			61,812
Foreign exchange rate change	-1,716	-280		-38		-2,035
Changes in fair values	-4,659			393		-4,267
Reclassifications	-13,149	13,149				0
Interest expenses		47,011	2,727		225	49,963
Measurement and other effects	-3,136	-843	-1,988		1,794	-4,172
Non-cash change	**20,128**	**61,953**	**16,847**	**354**	**2,019**	**101,301**
Balance as at 31.12.2017	**1,284,199**	**113,591**	**87,190**	**1,553**	**20,496**	**1,507,029**

The sum of the cash flows (loan proceeds, loan repayments, interest paid and dividends paid to non-controlling interests) shows the corresponding components from the consolidated cash flow statement's cash flow from financing activities. In financial year 2017, TEUR 637 was allocated in equity as a distribution to non-controlling interests, which is why the dividends paid to non-controlling interests differ from the cash flow from financing activities by this amount. The non-cash changes in liabilities were broken down into changes from acquisitions, exchange rate changes, changes in fair value, reclassifications, interest expenses and other valuation effects not subsumed in other categories. Unlike the balance sheet item, short-term financial liabilities do not contain any current accounts of banks because these are not for financing purposes.

9 Contingent liabilities and other obligations

As at the balance sheet date, the Group had an obligation under rental agreements of TEUR 4,961 (previous year: TEUR 5,278).

There are also standard leases, which are classified as operating leases pursuant to IAS 17.8. The lease items are capitalised by the lessor. The sum of future minimum lease payments is TEUR 244 for the period from one to five years due to non-cancellable operating leases. No lease payments are due in the period of more than five years. These disclosures are made pursuant to IAS 17.35.

Type of obligation	Other obligations of up to 1 year In TEUR	Other obligations of 1 to 5 years In TEUR	Other obligations of more than 5 years In TEUR
Rental agreements	752	2,452	1,757
(previous year)	(675)	(2,413)	(2,190)
Leases	302	244	0
(previous year)	(222)	(198)	(0)
Commercial leases	7,069	28,745	119,718
(previous year)	(3,578)	(19,330)	(81,092)

The expenses from lease obligations in the financial year were TEUR 234 (previous year: TEUR 130); for commercial leases and compensation fees TEUR 6,881 (previous year: TEUR 4,326).

As at 31 December 2017, there are contingent liabilities from rent guarantees in the amount of TEUR 151. Furthermore, Encavis AG provided guarantees for five French and two Dutch subsidiaries totalling TEUR 4,799 (previous year: TEUR 3,060). The guarantees for the French solar parks under construction will be reduced successively as construction progresses. The guarantees for the Dutch subsidiaries were made in connection with the residual payment of the purchase price To this extent, the probability of utilisation can be considered low.

Encavis AG is the writer of a put option that grants the option owner the right to tender 100 % of the shares of a holding company for solar parks and wind parks as well as any loan receivables from this holding company to Encavis AG at a certain price (as at the balance sheet date: TEUR 3,815). In connection with this business relationship, Encavis AG is liable for the liabilities vis-à-vis third parties up to maximum amount of TEUR 20,000. Of which TEUR 2,527 has already been deposited as of the balance sheet day.

10 Events after the balance sheet date

Between the balance sheet date of 31 December 2017 and the preparation of the annual and consolidated financial statements for 2017, the general situation regarding the Encavis Group’s business activities did not change significantly from the circumstances described in the following.

Encavis and the Irish national fund ISIF enter into a partnership with a view to jointly investing around 140 million Euro in the Irish renewable energies market via projects implemented by the Irish project development company Power Capital

On 18 January 2018, Encavis AG announced its partnership with the Ireland Strategic Investment Fund (ISIF) with a view to jointly investing in a solar park portfolio of the Irish project development company Power Capital. The portfolio comprises more than 20 parks with a total generation capacity of 140 MW. The partnership marks the first time that the Irish national fund has participated in investments in the field of solar energy in Ireland.

The solar parks are to be constructed on the eastern and south-western coast of Ireland, from County Louth down to West Cork. The individual parks will have capacities of between 5 MW and 25 MW. All the necessary licences for parks with a total generation capacity of 110 MW were obtained at the end of 2017.

The Irish government’s goal is to cover around 40 % of Irish electricity consumption through renewable energy by 2020. It is predicted that, to achieve this goal, Ireland will be introducing a new government funding system for renewable energy. In a study, the consulting company KPMG estimated that, based on the requirements and the potential of the Irish solar market, over 3,750 MW of generation capacity will need to be installed by 2030.

Change of name to Encavis

On 27 February 2018, the company announced that it had changed its name to Encavis AG. Since their 2016 merger, the companies formerly called Capital Stage AG and CHORUS Clean Energy AG have been pooling their strength and expertise in the field of renewable energy under one common name. The name Encavis stands for the company's future and represents the three pillars on which it is built. These are 'energy', which is the basis for all the company's activities; 'capital', which is the means by which solar parks and wind parks are acquired and with which attractive returns are achieved; and 'vision', which represents Encavis' goal of creating the energy system of the future and of rendering renewable energy profitable. The company also plans to focus increasingly on offering electricity via private-sector power purchase agreements, and to expand its activities within this field, for example through the use of economically viable storage options. The change of name also affects the companies of Encavis Asset Management AG (previously CHORUS Clean Energy AG) and Encavis Technical Services GmbH (previously Capital Stage Solar Service GmbH).

Encavis AG is acquiring solar park with 43.9 MW production capacity in the Netherlands and is thus implementing its first project tigh Solarcentury

On 12 March 2018, Encavis announced the acquisition of a ready-to-build solar park with a total production capacity of 43.9 MW near the city of Eindhoven in the province of North Brabant in The Netherlands. The project developer for the park is the British company Solarcentury with which Encavis AG agreed a strategic partnership in December 2017 on access to solar parks with a total production capacity of around 1.1 GW over the next three years. The grid connection is planned for the fourth quarter of 2018. Including project-related debt financing, the total investment volume amounts to around 44 million Euro. Solarcentury itself will provide almost 20 % of the equity share of the investment. Within the framework of an auction process, it was possible to secure a state-guaranteed feed-in tariff for the solar park of 10.4 Eurocents per kilowatt hour for fifteen years as of connection to the grid. The company assumes that the photovoltaic plant will generate sales revenues in the amount of nearly 4.5 million Euro per annum from the first full year of operation. The commercial and technical operational management will be taken over by Solarcentury.

There were no further important events after the end of the financial year.

11 Related parties

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

Transactions with individuals in key positions in management

The remuneration that is to be disclosed pursuant to IAS 24 of management in key positions in the Group comprises remuneration for active members of the Executive Board and the Supervisory Board.

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

Remuneration in TEUR	2017	2016
Short-term employee benefits	1,778	2,029
Long-term employee benefits (share-based payments)	73	55
Termination benefits and expenses	0	420
Total remuneration	**1,851**	**2,504**

The statement of share-based payments includes the expenses recorded in the financial year for the stock option programmes SOP 2012 and SOP 2017. The provision for share-based payment transactions with cash settlement for the members of the Executive Board amounts to TEUR 8 (previous year: TEUR 0).

Associated companies

Transactions with associated companies are carried out under the same conditions as those with independent business partners. Outstanding items at the end of the year are unsecured and interest-free. Settlement is made in cash. No guarantees were provided to or by related parties with regard to receivables or liabilities.

In TEUR	2017	2016
Transactions		
Services	2,108	499
Total transactions	**2,108**	**499**
Balances	5,561	615
Total balances	**5,561**	**615**

For the 2017 financial year, the affiliate CHORUS IPP Europe GmbH presents the following financial information:

In TEUR	2017
Short-term assets	25,549
Long-term assets	106,943
Short-term liabilities	8,632
Long-term liabilities	145,555
Revenue	14,816

Joint arrangements

The interest in Richelbach Solar GbR of TEUR 240 as at 31 December 2017 (previous year: TEUR 258) 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 balance sheet date, there were rental agreements under customary market conditions with B&L Holzhafen West GmbH & Co. KG for office space for Encavis AG. The sum of the transactions with B&L Holzhafen West GmbH & Co. KG in financial year 2017 is TEUR 522 (previous year: TEUR 380). 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 with PELABA Vermögensverwaltungs GmbH & Co. KG, a company related to Supervisory Board member Peter Heidecker. The rental agreement has a fixed term until 2019 and renews automatically by one year each year unless either of the parties terminates it with a notice period of six months. The monthly rent is based on customary market conditions. The sum of the transactions with PELABA Vermögensverwaltungs GmbH & Co. KG in financial year 2017 was TEUR 119 (previous year: TEUR 145). As at the balance sheet date, there were no outstanding balances from transactions with PELABA Vermögensverwaltungs GmbH & Co. KG.

12 Earnings per share

The weighted average number of ordinary shares used in calculating diluted earnings per share can be calculated as follows from the weighted average number of ordinary shares used in calculating the basic earnings per share:

	31.12.2017	31.12.2016
Weighted average number of ordinary shares used for the calculation of basic earnings per share (units)	127,583,861	89,498,004
Shares assumed to have been issued for no consideration:		
Employee options (units)	20,285	65,012
Weighted average number of ordinary shares used for the calculation of diluted earnings per share (units)	127,604,146	89,563,016
Earnings per share from continuing operations, basic (EUR)	0.20	0.13
Earnings per share from continuing operations, diluted (EUR)	0.20	0.13

13 Management Board

The following changes to the composition of the Executive Board were made in the financial year:

With effect from 1 September 2017, Dr Dierk Paskert was appointed chief executive officer (CEO) of the Executive Board of Encavis AG.

The total remuneration granted to members of the Executive Board in the financial year amounted to TEUR 2,111 (previous year: TEUR 1,966).

Disclosures on other memberships in supervisory boards/advisory boards:

Dr Dierk Paskert (since 1 September 2017)		The Mobility House AG, Zurich, board member Encavis Asset Management AG, Neubiberg, supervisory board member
Dr Christoph Husmann		Encavis Asset Management AG, Neubiberg, supervisory board member
Holger Götze		Encavis Asset Management AG, Neubiberg, supervisory board chairman CHORUS Infrastructure Fund S.A. SICAV-SIF, Luxembourg, board chairman BSW – Bundesverband der Solarwirtschaft e.V., Berlin, executive board member

All disclosures for the active members of the Executive Board, individualised disclosures and further details on the remuneration system are contained in the remuneration report in the management report.

14 Supervisory Board

Chairman	Dr Manfred Krüper, self-employed management consultant
Deputy chairman	Alexander Stuhlmann, self-employed management consultant
Other members	Dr Cornelius Liedtke, partner in the Büll & Liedtke Group Albert Büll, partner in the Büll & Liedtke Group Dr Jörn Kreke, entrepreneur (until 17 May 2017) Professor Fritz Vahrenholt, self-employed management consultant Christine Scheel, self-employed management consultant Peter Heidecker, graduate in business administration and economics Dr Henning Kreke, entrepreneur (since 18 May 2017) Professor Klaus-Dieter Maubach, self-employed management consultant (since 31 May 2017)

Disclosures on other memberships in supervisory boards/advisory boards:

Dr Manfred Krüper	Power Plus Communications AG, Mannheim, supervisory board chairman EQT Partners Beteiligungsberatung GmbH, Munich, senior adviser EEW Energy from Waste GmbH, Helmstedt, supervisory board member
Alexander Stuhlmann	Euro-Aviation Versicherungs-AG, Hamburg, supervisory board chairman Ernst Russ AG, Hamburg, supervisory board chairman GEV Gesellschaft für Entwicklung und Vermarktung AG, Hamburg, supervisory board chairman Frank Beteiligungsgesellschaft mbH, Hamburg, advisory board chairman Siedlungsbaugesellschaft Hermann und Paul Frank mbH & Co. KG, Hamburg, advisory board chairman bauhaus wohnkonzept GmbH, Hofheim am Taunus, advisory board chairman C.E. Danger GmbH & Co. KG, Hamburg, advisory board member M.M. Warburg & CO Hypothekenbank AG, Hamburg, supervisory board member (since June 2017)
Dr Cornelius Liedtke	BRUSS Sealing Systems GmbH, Hoisdorf, advisory board member

Albert Büll		Verwaltung UET Beteiligungs AG, Hamburg (formerly: Verwaltung URBANA Energietechnik AG, Hamburg), supervisory board member Verwaltung Kalorimeta AG, Hamburg, supervisory board member Kalorimeta AG & Co. KG, Hamburg, advisory board chairman (until September 2017) UET Beteiligungs AG & Co. KG, Hamburg (formerly: URBANA Energietechnik AG & Co. KG, Hamburg), advisory board chairman (until September 2017) BRUSS Sealing Systems GmbH, Hoisdorf, advisory board member noventic GmbH, Hamburg (formerly: KeepFocus International GmbH, Hamburg), advisory board chairman (since September 2017)
Professor Fritz Vahrenholt		Aurubis AG, Hamburg, supervisory board member Innogy Venture Capital GmbH, Essen, investment committee member
Christine Scheel		NATURSTROM AG, Düsseldorf, supervisory board member Barmenia Insurance Group, Wuppertal, advisory board member
Dr Henning Kreke (since 18 May 2017)		Deutsche EuroShop AG, Hamburg, supervisory board member Douglas GmbH, Düsseldorf, supervisory board chairman Thalia Bücher GmbH, Hagen, supervisory board member perma-tec GmbH & Co. KG, Euerdorf, advisory board member (since May 2017) Günter Püschmann GmbH & Co. KG, Wuppertal, advisory board member (since May 2017) CON-PRO Industrie-Service GmbH & Co. KG, Peine, advisory board member (since May 2017) noventic GmbH, Hamburg (formerly: KeepFocus International GmbH, Hamburg), advisory board member (since September 2017)
Professor Klaus-Dieter Maubach (since 31 May 2017)		ABB Deutschland AG, Mannheim, supervisory board member Advancy GmbH, Munich, advisory board member (until December 2017) AXPO Power AG, Baden (Switzerland), board member Klöpfer & Königer GmbH & Co. KG, Garching, supervisory board member SUMTEQ GmbH, Cologne, advisory board member

15 Corporate governance

The declaration of compliance with the Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG) has been made and is permanently available to shareholders on the company website.

16 Auditor fees and services

PricewaterhouseCoopers Gesellschaft mit beschränkter Haftung, Wirtschaftsprüfungsgesellschaft (PwC), a member of the German Chamber of Public Accountants in Berlin, has acted as the company's auditor since financial year 2016. The undersigned auditors are Mr Claus Brandt and Mr Martin Zucker, who have signed the audit of the company's financial statements for the second consecutive time.

The total fees for the auditor in financial year 2017 can be broken down as follows:

In TEUR	2017	2016
Auditing services	427	238
Other certification services	0	94
Other services	4	0
Total	**431**	**332**

The fees for auditing services include, in particular, fees for the statutory audit of the annual and consolidated financial statements and those of the Group subsidiaries included in the consolidated financial statements, the review of accounts in the context of the implementation of new accounting rules, the audit of information systems and processes as well as fees for other auditing services.

The fees reported under other auditing services include voluntarily commissioned certification services. Other services include other project-related consulting services.

17 Full ownership list pursuant to section 313, paragraph 2 of the HGB

As of 31 December 2016, the Group is comprised of Capital Stage AG and the following consolidated entities:

Company	Registered office	Shares in %
Fully consolidated companies		
Alameda S.r.l.	Bolzano, Italy	100.00
ARSAC 4 S.A.S.	Paris, France	100.00
ARSAC 7 S.A.S.	Paris, France	100.00
Asperg Erste Solar GmbH	Halle (Saale), Germany	100.00
Asperg Fünfte Solar GmbH	Halle (Saale), Germany	100.00
Asperg Sechste Solar GmbH	Halle (Saale), Germany	100.00
Asperg Zweite Solar GmbH	Halle (Saale), Germany	100.00
Atlantis Energy di CHORUS Solar Italia Centrale 5. S.r.l. & Co. S.a.s.	Brunico, Italy	100.00
BOREAS Windfeld Greußen GmbH & Co. KG	Greußen, Germany	71.40
Bypass Nurseries LSPV Ltd.	London, United Kingdom	100.00
Cagli Solar di CHORUS Solar Italia Centrale 5. S.r.l. & Co. S.a.s.	Brunico, Italy	100.00
Capital Stage Biscaya Beteiligungs GmbH	Hamburg, Germany	100.00
Capital Stage Caddington Ltd.	London, United Kingdom	100.00
Capital Stage Caddington II Ltd.	London, United Kingdom	100.00
Capital Stage Cullompton Ltd.	London, United Kingdom	100.00
Capital Stage Finance B.V.[1)]	Amsterdam, Netherlands	100.00
Capital Stage France Beteiligungsgesellschaft mbH	Reußenköge, Germany	100.00
Capital Stage Hall Farm Ltd.	Edinburgh, United Kingdom	100.00
Capital Stage Investments Ltd.[1)]	Dublin, Ireland	100.00
Capital Stage Manor Farm Ltd.	London, United Kingdom	100.00
Capital Stage Solar IPP GmbH	Hamburg, Germany	100.00
Capital Stage Tonedale 1 Ltd.	Exeter, United Kingdom	100.00
Capital Stage Tonedale 2 Ltd.	Exeter, United Kingdom	100.00
Capital Stage Tonedale LLP	Exeter, United Kingdom	100.00
Capital Stage Venezia Beteiligungs GmbH	Hamburg, Germany	100.00
Capital Stage Wind Beteiligungs GmbH	Hamburg, Germany	100.00
Capital Stage Wind Danmark ApS[1)]	Aarhus, Denmark	100.00
Capital Stage Wind IPP GmbH	Hamburg, Germany	100.00
Casette S.r.l.	Bolzano, Italy	100.00
Centrale Eolienne de Bihy SARL	Vern-sur-Seiche, France	100.00
Centrale Fotovoltaica Camporota S.r.l.	Bolzano, Italy	100.00
Centrale Fotovoltaica Santa Maria in Piana S.r.l.	Bolzano, Italy	100.00
Centrale Fotovoltaica Treia 1 S.a.s. di Progetto Marche S.r.l.	Bolzano, Italy	100.00
Centrale Photovoltaique SauS 06 SARL	Pérols, France	85.00
CHORUS Clean Energy Advisor GmbH	Neubiberg, Germany	100.00
CHORUS Clean Energy Assetmanagement GmbH	Neubiberg, Germany	100.00
CHORUS Clean Energy Invest GmbH	Neubiberg, Germany	100.00
CHORUS Clean Energy Verwaltungs GmbH	Neubiberg, Germany	100.00

Company	Registered office	Shares in %
CHORUS CleanTech 1. Fonds Invest GmbH	Neubiberg, Germany	100.00
CHORUS CleanTech 2. Fonds Invest GmbH	Neubiberg, Germany	100.00
CHORUS CleanTech 7. Solarinvest GmbH	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solardach Betze KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Bitterfeld KG	Neubiberg, Germany	36.00
CHORUS CleanTech GmbH & Co. Solarpark Bockelwitz KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Burgheim KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Denkendorf KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Eisleben KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Gardelegen KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Greiz KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Gut Werchau KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Kemating KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Neuenhagen KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Pasewalk KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Richelbach KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Rietschen KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Rüdersdorf KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Ruhland KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Scheibenberg KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Vilseck KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Warrenzin KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarparks Niederbayern KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Windpark Hellberge KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Windpark Ruhlkirchen KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Windpark Stolzenhain KG	Neubiberg, Germany	100.00
CHORUS CleanTech Management GmbH	Neubiberg, Germany	100.00
CHORUS Energieanlagen GmbH	Neubiberg, Germany	100.00
CHORUS GmbH	Neubiberg, Germany	100.00
CHORUS Solar 3. S.r.l. & Co. S.a.s. 2	Brunico, Italy	100.00
CHORUS Solar 3. S.r.l.	Brunico, Italy	100.00
CHORUS Solar Torino Due S.r.l.[2)]	Brunico, Italy	100.00
CHORUS Solar Torino Uno S.r.l.[2)]	Brunico, Italy	100.00
CHORUS Solar Italia Centrale 5. S.r.l.	Brunico, Italy	100.00
CHORUS Solar Casarano S.r.l.[2)]	Brunico, Italy	100.00
CHORUS Solar Matino S.r.l.[2)]	Brunico, Italy	100.00
CHORUS Solar Nardò S.r.l.[2)]	Brunico, Italy	100.00
CHORUS Solar S.r.l. & Co. Foggia Cinque S.a.s.	Brunico, Italy	100.00
CHORUS Solar S.r.l. & Co. Foggia Due S.a.s.	Brunico, Italy	100.00
CHORUS Solar S.r.l. & Co. Foggia Nove S.a.s.	Brunico, Italy	100.00
CHORUS Solar S.r.l. & Co. Foggia Otto S.a.s.	Brunico, Italy	100.00
CHORUS Solar S.r.l. & Co. Foggia Quattro S.a.s.	Brunico, Italy	100.00
CHORUS Solar S.r.l. & Co. Foggia Sei S.a.s.	Brunico, Italy	100.00
CHORUS Solar S.r.l. & Co. Foggia Sette S.a.s.	Brunico, Italy	100.00

Company	Registered office	Shares in %
CHORUS Solar S.r.l. & Co. Foggia Tre S.a.s.	Brunico, Italy	100.00
CHORUS Solar S.r.l. & Co. S.a.s.	Brunico, Italy	100.00
CHORUS Solar S.r.l.	Brunico, Italy	100.00
CHORUS Solar Ternavasso Due S.r.l.[2)]	Brunico, Italy	100.00
CHORUS Solar Ternavasso Uno S.r.l.[2)]	Brunico, Italy	100.00
CHORUS Vertriebs GmbH	Neubiberg, Germany	100.00
CHORUS Wind Amöneburg GmbH & Co. KG	Neubiberg, Germany	100.00
CHORUS Wind Appeln GmbH & Co. KG	Neubiberg, Germany	100.00
CHORUS Wind Hürth GmbH & Co. KG	Neubiberg, Germany	100.00
Clawdd Ddu farm Ltd.	London, United Kingdom	100.00
Cmore Energy Ltd.[1)]	London, United Kingdom	100.00
Collecchio Energy S.r.l.[2)]	Brunico, Italy	100.00
Communal le Court S.A.S.	Paris, France	100.00
CPV Entoublanc SARL	Pérols, France	85.00
CPV Sun 20 SARL	Pérols, France	85.00
CPV Sun 21 SARL	Pérols, France	85.00
CPV Sun 24 SARL	Pérols, France	85.00
CPV Bach SARL	Pérols, France	85.00
CS Solarpark Bad Endbach GmbH	Halle (Saale), Germany	100.00
CSG IPP GmbH	Hamburg, Germany	100.00
Data Trust GmbH[1)]	Berlin, Germany	100.00
De-Stern 10 S.r.l.	Bolzano, Italy	100.00
De-Stern 1 S.r.l.[1)]	Bolzano, Italy	100.00
De-Stern 4 S.r.l.[1)]	Bolzano, Italy	100.00
De-Stern 15 S.r.l.[1)]	Bolzano, Italy	100.00
DMH Treuhand Vermögensverwaltung GmbH[1)]	Berlin, Germany	100.00
Emerald Electron Ltd.[1)]	London, United Kingdom	100.00
Encavis Asset Management AG[3)]	Neubiberg, Germany	100.00
Encavis Technical Services GmbH[3)]	Halle (Saale), Germany	100.00
Energia & Sviluppo S.r.l.[2)]	Brunico, Italy	100.00
Énergie Solaire Biscaya S.A.S.	Paris, France	100.00
Energiekontor Windstrom GmbH & Co. UW Lunestedt KG	Bremerhaven, Germany	100.00
Energiepark Breitendeich RE WP BD GmbH & Co. KG	Bremerhaven, Germany	100.00
Energiepark Debstedt GmbH & Co. RE WP KG	Bremerhaven, Germany	100.00
Energiepark Grevenbroich RE WP GRE GmbH & Co. KG	Bremerhaven, Germany	100.00
Energiepark Lunestedt GmbH & Co. WP HEE KG	Bremerhaven, Germany	100.00
Energiepark Lunestedt GmbH & Co. WP LUN KG	Bremerhaven, Germany	100.00
Energiepark Passow WP Briest III GmbH & Co. KG[1)]	Bremerhaven, Germany	100.00
Enerstroom 1 B.V.[1)]	Pijnacker, Niederlande	100.00
Enerstroom 2 B.V.[1)]	Pijnacker, Niederlande	100.00
Erinlake Ltd.[1)]	Dublin, Ireland	100.00
Fano Solar 1 S.r.l.	Bolzano, Italy	100.00
Fano Solar 2 S.r.l.	Bolzano, Italy	100.00
Ferme Eolienne de Maisontiers-Tessonniere S.A.S.	Schiltigheim, France	100.00

Company	Registered office	Shares in %
Ferme Eolienne de Marsais 1 S.A.S.	Schiltigheim, France	100.00
Ferme Eolienne de Marsais 2 S.A.S.	Schiltigheim, France	100.00
Foxburrow Farm Solar Farm Ltd.	London, United Kingdom	100.00
Freshpower Ltd.[1)]	London, United Kingdom	100.00
GE.FIN Energy Oria Division S.r.l.	Bolzano, Italy	100.00
Green Energy 010 GmbH & Co. KG[1)]	Singen (Hohentwiel), Germany	100.00
Green Energy 018 GmbH & Co. KG[1)]	Singen (Hohentwiel), Germany	100.00
Grid Essence UK Ltd.	London, United Kingdom	100.00
Haut Lande SARL	Paris, France	100.00
Horatum Erste GmbH	Hamburg, Germany	100.00
Infrastruktur Amöneburg-Roßdorf GmbH & Co. KG	Wörrstadt, Germany	71.43
IOW Solar Ltd.	London, United Kingdom	100.00
Krumbach Photovoltaik GmbH	Halle (Saale), Germany	100.00
Krumbach Zwei Photovoltaik GmbH	Halle (Saale), Germany	100.00
La Gouardoune Centrale Solaire SARL	Paris, France	100.00
La Rocca Energy di CHORUS Solar 3. S.r.l. & Co. S.a.s.	Brunico, Italy	100.00
Labraise Sud SARL	Paris, France	100.00
Lagravette S.A.S.	Paris, France	100.00
Le Communal Est Ouest SARL	Paris, France	100.00
Le Lame S.r.l.[2)]	Brunico, Italy	100.00
Lux Energy S.r.l.[2)]	Brunico, Italy	100.00
MonSolar IQ Ltd.	London, United Kingdom	100.00
MTS4 S.r.l.	Bolzano, Italy	100.00
Notaresco Solar S.r.l.	Bolzano, Italy	100.00
Oetzi S.r.l.	Bolzano, Italy	100.00
Parco Eolico Monte Vitalba S.r.l.	Bolzano, Italy	85.00
Pfeffenhausen-Egglhausen Photovoltaik GmbH	Halle (Saale), Germany	100.00
Piemonte Eguzki 2 S.r.l.[1)]	Bolzano, Italy	100.00
Piemonte Eguzki 6 S.r.l.[1)]	Bolzano, Italy	100.00
PJC Renewable Energy Ltd.[1)]	London, United Kingdom	100.00
Polesine Energy 1 S.r.l.	Bolzano, Italy	100.00
Polesine Energy 2 S.r.l.	Bolzano, Italy	100.00
Progetto Marche S.r.l.	Bolzano, Italy	100.00
Push Energy (Gosfield Airfield) Ltd.[1)]	London, United Kingdom	100.00
Push Energy (Wisbridge) Ltd.[1)]	London, United Kingdom	100.00
REM Renewable Energy Management GmbH[1)]	Berlin, Germany	100.00
Ribaforada 3 S.r.l.	Bolzano, Italy	100.00
Ribaforada 7 S.r.l.	Bolzano, Italy	100.00
San Giuliano Energy S.r.l.[2)]	Brunico, Italy	100.00
San Martino S.r.l.[2)]	Brunico, Italy	100.00
Sant'Omero Solar S.r.l.	Bolzano, Italy	100.00
Société Centrale Photovoltaique d'Avon les Roches S.A.S.	Paris, France	100.00
Solaire Ille SARL	Pérols, France	85.00
Solar Energy S.r.l.	Bolzano, Italy	100.00

Company	Registered office	Shares in %
Solar Farm FC1 S.r.l.	Bolzano, Italy	100.00
Solar Farm FC3 S.r.l.	Bolzano, Italy	100.00
Solarpark Bad Harzburg GmbH	Halle (Saale), Germany	100.00
Solarpark Brandenburg (Havel) GmbH	Halle (Saale), Germany	51.00
Solarpark Gelchsheim GmbH & Co. KG	Neubiberg, Germany	100.00
Solarpark Glebitzsch GmbH	Halle (Saale), Germany	100.00
Solarpark Gnannenweiler GmbH & Co. KG	Reußenköge, Germany	56.80
Solarpark Golpa GmbH & Co. KG	Reußenköge, Germany	100.00
Solarpark Lettewitz GmbH	Halle (Saale), Germany	100.00
Solarpark Lochau GmbH	Halle (Saale), Germany	100.00
Solarpark Neuhausen GmbH	Halle (Saale), Germany	100.00
Solarpark PVA GmbH	Halle (Saale), Germany	100.00
Solarpark Ramin GmbH	Halle (Saale), Germany	100.00
Solarpark Rassnitz GmbH	Halle (Saale), Germany	100.00
Solarpark Roitzsch GmbH	Halle (Saale), Germany	100.00
Solarpark Staig GmbH & Co. KG	Reußenköge, Germany	75.70
Sowerby Lodge Ltd	Exeter, United Kingdom	100.00
SP 07 S.r.l.	Bolzano, Italy	100.00
SP 09 S.r.l.	Bolzano, Italy	100.00
SP 10 S.r.l.	Bolzano, Italy	100.00
SP 11 S.r.l.	Bolzano, Italy	100.00
SP 13 S.r.l.	Bolzano, Italy	100.00
SP 14 S.r.l.	Bolzano, Italy	100.00
Sun Time Renewable Energy di CHORUS Solar 3. S.r.l. & Co. S.a.s.	Brunico, Italy	100.00
Todderstaffe Solar Ltd.[1)]	London, United Kingdom	100.00
Treia 1 Holding S.r.l.	Bolzano, Italy	100.00
Treponti di CHORUS Solar 3. S.r.l. & Co. S.a.s.	Brunico, Italy	100.00
Trequite Farm Ltd.	London, United Kingdom	100.00
TC Asset Management GmbH[1)]	Berlin, Germany	100.00
Trewidland Farm Ltd.	London, United Kingdom	100.00
UGE Malterhausen GmbH & Co. KG Umweltgerechte Energie[1)]	Meissen, Germany	100.00
UGE Markendorf Eins GmbH & Co. KG Umweltgerechte Energie[1)]	Meissen, Germany	100.00
UVG Umspannwerk Verwaltungsgesellschaft mbH[1)]	Berlin, Germany	100.00
Vallone S.r.l.	Bolzano, Italy	100.00
Windkraft Kirchheilingen IV GmbH & Co. KG	Kirchheilingen, Germany	50.99
Windkraft Olbersleben II GmbH & Co. KG	Olbersleben, Germany	74.90
Windkraft Sohland GmbH & Co. KG	Reichenbach, Germany	74.30
Windpark Breberen GmbH	Gangelt, Germany	100.00
Windpark Dahme - Wahlsdorf 3 GmbH & Co. KG	Schönefeld, Germany	100.00
Windpark Gauaschach GmbH	Hamburg, Germany	100.00
Windpark Herrenstein GmbH	Kilb, Austria	100.00
Windpark Lairg Management GmbH	Neubiberg, Germany	100.00
Windpark Lairg Services GmbH	Neubiberg, Germany	100.00
Windpark Lairg Verwaltungs GmbH	Neubiberg, Germany	100.00

Company	Registered office	Shares in %
Windpark Pongratzer Kogel GmbH	Vienna, Austria	100.00
Windpark Zagersdorf GmbH	Vienna, Austria	100.00
Joint arrangements		
Richelbach Solar GbR	Neubiberg, Germany	60.00
Associates		
CHORUS IPP Europe GmbH	Neubiberg, Germany	100.00
Gnannenweiler Windnetz GmbH & Co. KG	Bopfingen, Germany	20.00
CHORUS Infrastructure Fund S. A. SICAV-SIF	Munsbach, Luxembourg	3.86
Entities not accounted for using the equity method		
Energiepark Odisheim GmbH & Co. WP ODI KG[4)]	Bremerhaven, Germany	49.00
Energiepark Hürth-Barbarahof WP HB GmbH & Co. KG[4)]	Bremerhaven, Germany	49.00
Energiepark Debstedt 2 RE WP DE GmbH & Co. KG[4)]	Bremerhaven, Germany	49.00
Non-consolidated Group companies		
Encavis Infrastructure Fund II S. A. SICAV-RAIF[4)]	Grevenmacher, Luxembourg	100.00
me4 green energy infrastructure S. A. SICAV-RAIF[4)]	Grevenmacher, Luxembourg	100.00
Chesterlake Ltd.[4)]	Dublin, Ireland	100.00
Capital Stage Ireland LP[4)]	Dublin, Ireland	100.00

[1)] First-time consolidation in financial year 2017

[2)] Company renamed in financial year 2017

[3)] As at the balance sheet date, the companies were still called CHORUS Clean Energy AG and Capital Stage Solar Service GmbH.

[4)] Because of their overall insignificance for the consolidated financial statements, these entities were not consolidated or accounted for using the equity method.

With the exception of CHORUS Infrastructure Fund S. A. SICAV-SIF, the shareholding percentage is the same as the percentage of voting rights.

18 Notification requirements

In the period from 1 January 2017 to 20 March 2018, Encavis AG Hamburg, Germany, received the following notifications pursuant to Section 21(1) or (1a) of the German Securities Trading Act (WpHG):

Encavis AG was notified in a letter dated 9 March 2017 pursuant to Section 21(1) WpHG that Dr Peter-Alexander Wacker's share of the voting rights in Encavis AG fell below the threshold of 3 % of the voting rights on 8 March 2017 and from this date was 0 % (=0 voting rights).

Encavis AG was notified in a letter dated 10 July 2017 pursuant to Section 21(1) WpHG that the share of the voting rights in Encavis AG, Hamburg, Germany, of Mr Peter Heidecker, Germany, fell below the threshold of 5 % of the voting rights on 30 June 2017 and from this date was 4.97 % (6,373,292 voting rights). Attributed voting rights were held here through the following companies controlled by Mr Peter Heidecker, whose share of the voting rights in Encavis AG was 3 % or more: PELABA Anlagenverwaltungs GmbH & Co. KG, Neubiberg, Germany.

Encavis AG was notified in a letter dated 24 November 2017 pursuant to Section 21(1) WpHG that the share of the voting rights of Albert Büll GmbH, Hamburg, Germany, in Encavis AG increased to 18.77 % (=24,071,438 voting rights) on 21 November 2017. Attributed voting rights were held through the following subsidiary, whose share of the voting rights in Encavis AG was 3 % or more: AMCO Service GmbH, Hamburg, Germany. The notification was, according to the information provided by the party with a duty to make the notification, a voluntary group notification due to falling below a threshold at the level of a subsidiary.

With regard to the reporting thresholds for voting shares in accordance with § 33 ff. WpHG(3, 5, 10, 15, 20, 25, 30, 50 und 75 %), on 22 March 2018 AMCO Service GmbH held more than 15 %, Dr. Liedtke Vermögensverwaltungsgesellschaft GmbH more than 5% and Lobelia Beteiligungsgesellschaft and PELABA Anlagenverwaltungs GmbH & Co. KG each respectively more than 3 % of the voting shares in Encavis AG.

19 Approval for submission to the Supervisory Board

The consolidated financial statements for the period to 31 December 2017 were approved by the Management Board for submission to the Supervisory Board on 31 March 2017.

20 Consolidated statement of changes in fixed assets

In TEUR	Other intangible assets	Feed-in contracts/project rights	Goodwill	Other property, plant and equipment
Cost				
As at 1.1.2016	707	211,076	14,172	911
Additions	636	0	0	494
Changes in the scope of consolidation	12,058	427,483	15,448	280
Disposals	-9	0	0	-239
Change in fair value measurement	0	0	0	0
Reclassifications	-147	0	0	126
Currency translation	0	-3,830	0	0
As at 31.12.2016	**13,245**	**634,729**	**29,620**	**1,572**
Depreciation and amortization				
As of 1.1.2016	384	35,149	6,811	391
Additions	273	19,493	517	172
Changes in the scope of consolidations	0	-350	0	0
Disposals	-8	0	0	-115
Currency translation	0	-237	0	0
As at 31.12.2016	**649**	**54,055**	**7,328**	**448**
As at 31.12.2014	698	144,727	2,623	492
As at 31.12.2015	323	175,927	7,361	520
As at 31.12.2016	**12,596**	**580,674**	**22,292**	**1,124**
Acquisition cost				
As of 1.1.2017	13,245	634,729	29,620	1,572
Additions	674	521	0	871
Changes in the scope of consolidations	110	60,200	10,168	58
Disposals	0	0	0	-87
Change in fair value measurement	0	0	0	0
Reclassifications	0	0	0	31
Currency translation	0	-970	-55	0
As at 31.12.2017	**14,029**	**694,480**	**39,733**	**2,445**
Depreciations and amortization				
As of 1.1.2017	649	54,055	7,328	448
Additions	1,230	43,208	0	315
Changes in the scope of consolidations	0	0	0	0
Disposals	0	0	0	-21
Reclassifications	0	0	0	0
Currency translation	0	-115	0	0
As at 31.12.2017	**1,880**	**97,148**	**7,328**	**742**
As at 31.12.2015	323	175,927	7,361	520
As at 31.12.2016	12,596	580,674	22,292	1,124
As at 31.12.2017	**12,149**	**597,333**	**32,405**	**1,703**

In TEUR	Assets under construction	Power generation assets	Financial investments	Total
Acquisition cost				
As at 01.01.2016	11,731	1,040,809	1	1,279,407
Additions	7,088	8,931	25	17,174
Changes in the scope of consolidation	6,301	408,260	7,631	877,461
Disposals	0	-533	-132	-913
Change in fair value measurement	0	0	-191	-191
Reclassifications	-11,725	11,746	0	0
Currency translation	0	-14,652	0	-18,482
As at 31.12.2016	**13,395**	**1,454,561**	**7,334**	**2,154,456**
Depreciation and amortization				
As at 01.01.2016	0	94,964	0	137,699
Additions	0	43,573	0	64,028
Changes in the scope of consolidation	0	-816	0	-1,166
Disposals	0	-5	0	-128
Currency translation	0	-481	0	-718
As at 31.12.2016	**0**	**137,235**	**0**	**199,715**
As at 31.12.2014	26,415	648,741	6	823,702
As at 31.12.2015	11,731	945,845	1	1,141,708
As at 31.12.2016	**13,395**	**1,317,326**	**7,334**	**1,954,741**
Acquisition cost				
As at 01.01.2017	13,395	1,454,561	7,334	2,154,456
Additions	48,170	43,187	4,940	98,363
Changes in the scope of consolidation	3,971	88,984	21	163,512
Disposals	0	-67	-345	-499
Change in fair value measurement	0	0	-209	-209
Reclassifications	-44,392	44,127	234	0
Currency translation	0	-3,716	0	-4,741
As at 31.12.2017	**21,144**	**1,627,076**	**11,975**	**2,410,882**
Depreciations and amortization				
As at 01.01.2017	0	137,235	0	199,715
Additions	0	57,741	904	103,397
Changes in the scope of consolidation	0	0	0	0
Disposals	0	0	0	-21
Reclassifications	0	0	0	0
Currency translation	0	-221	0	-335
As at 31.12.2017	**0**	**194,755**	**904**	**302,756**
As at 31.12.2015	11,731	945,845	1	1,141,708
As at 31.12.2016	13,395	1,317,326	7,334	1,954,741
As at 31.12.2017	**21,144**	**1,432,321**	**11,071**	**2,108,126**

21 Consolidated segment reporting[1)]

In TEUR	Administration	PV Parks	PV Services	Asset Management
Revenue (external)	0	168,892	312	3,674
(previous year)	(0)	(115,486)	(398)	(2,147)
Revenue (internal)	3,024	0	3,127	31
(previous year)	(319)	(0)	(2,873)	(4)
Earnings before interest, taxes, depreciation and amortization (EBITDA)	-12,974	154,081	1,307	955
(previous year)	(-11,510)	(110,722)	(1,070)	(1,036)
Depreciation and amortization	-581	-76,824	-54	-870
(previous year)	(-123)	(-51,391)	(-54)	(-203)
Earnings before interest and taxes (EBIT)	-13,555	77,256	1,253	85
(previous year)	(-11,633)	(59,331)	(1,015)	(833)
Financial income	311	65,837	1,260	132
(previous year)	(277)	(53,350)	(987)	(3,705)
Financial expense incl. the result from investments accounted for using the equity method	-1,639	-59,287	-17	-954
(previous year)	(-744)	(-55,741)	(-19)	(-3)
Earnings before taxes (EBT)	-14,883	83,806	2,496	-736
(previous year)	(-12,100)	(56,940)	(1,983)	(4,535)
Taxes on income	-2,344	-12,171	0	-688
(previous year)	(202)	(-822)	(0)	(-148)
Earnings after taxes (EAT)	-17,228	71,635	2,497	-1,424
(previous year)	(-11,898)	(56,118)	(1,983)	(4,387)
Currency translation differences incl. reclassification	0	115	0	0
(previous year)	(0)	(991)	(0)	(0)
Cash flow hedges – effective portion of change in fair value	0	2,182	0	0
(previous year)	(0)	(-3,600)	(0)	(0)
Change in the market value of available-for-sale financial assets	0	0	0	-210
(previous year)	(0)	(0)	(0)	(793)
Income tax on items which can be reclassified to profit or loss	0	-959	0	54
(previous year)	(0)	(1,251)	(0)	(-203)
Consolidated comprehensive income	-17,228	72,973	2,497	-1,580
(previous year)	(-11,898)	(54,760)	(1,983)	(4,977)

Earnings per share, basic	-0.15	0.56	0.02	-0.01
(previous year)	(-0.13)	(0.61)	(0.02)	(0.05)
Assets including participating interests	630,416	2,015,637	6,732	39,266
(As at 31.12.2016)	(481,057)	(1,921,452)	(4,933)	(37,791)
Capital expenditures (net)	-36,657	-80,818	1,248	-1,218
(previous year)	(3,342)	(16,669)	(933)	(7,023)
Liabilities	70,679	1,636,933	1,464	6,844
(As at 31.12.2016)	(48,140)	(1,556,050)	(1,855)	(5,247)

In TEUR	Wind Parks	Reconciliation	Total
Revenue (external)	49,554	0	222,432
(previous year)	(23,752)	(0)	(141,783)
Revenue (internal)	2	-6,183	0
(previous year)	(0)	(-3,196)	(0)
Earnings before interest, taxes, depreciation and amortization (EBITDA)	47,239	-191	190,417
(previous year)	(25,285)	(-2,851)	(123,752)
Depreciation and amortization	-24,178	15	-102,493
(previous year)	(-12,271)	(15)	(-64,028)
Earnings before interest and taxes (EBIT)	23,061	-176	87,924
(previous year)	(13,013)	(-2,836)	(59,724)
Financial income	7,578	-61,418	13,701
(previous year)	(4,510)	(-57,175)	(5,654)
Financial expense incl. the result from investments accounted for using the equity method	-13,460	14,495	-60,862
(previous year)	(-7,836)	(9,916)	(-54,428)
Earnings before taxes (EBT)	17,179	-47,099	40,763
(previous year)	(9,688)	(-50,096)	(10,950)
Taxes on income	2,144	0	-13,059
(previous year)	(1,624)	(0)	(857)
Earnings after taxes (EAT)	19,323	-47,099	27,704
(previous year)	(11,312)	(-50,096)	(11,807)
Currency translation differences incl. reclassification	-2	0	114
(previous year)	(0)	(0)	(991)
Cash flow hedges – effective portion of change in fair value	49	0	2,231
(previous year)	(-391)	(0)	(-3,991)
Change in the market value of available-for-sale financial assets	0	0	-210
(previous year)	(0)	(-984)	(-191)
Income tax on items which can be reclassified to profit or loss	-15	0	-920
(previous year)	(119)	(252)	(1,418)
Consolidated comprehensive income	19,355	-47,099	28,919
(previous year)	(11,040)	(-50,828)	(10,033)
Earnings per share, basic	0.15	-0.37	0.20
(previous year)	(0.13)	(-0.55)	(0.13)
Assets including participating interests	775,835	-948,188	2,519,698
(As at 31.12.2016)	(717,231)	(-808,667)	(2,353,797)
Capital expenditures (net)	-51,235	341	-168,339
(previous year)	(-3,525)	(-43,694)	(-19,252)
Liabilities	578,973	-473,788	1,821,105
(As at 31.12.2016)	(535,302)	(-401,352)	(1,745,242)

1) The previous year's figures were partially adapted based on changes to the composition of the segments (see Note 3.24).

Independent Auditor’s report

To Encavis AG, Hamburg

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of Encavis AG (formerly Capital Stage AG), Hamburg, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2017 and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Encavis AG, which is combined with the Company’s management report for the financial year from 1 January to 31 December 2017. We have not audited the content of those parts of the group management report listed in the “Other Information” section of our auditor’s report in accordance with the German legal requirements.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [“Handelsgesetzbuch”: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2017, and of its financial performance for the financial year from 1 January to 31 December 2017, and
- the accompanying group management report as a whole provides an appropriate view of the Group’s position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the “Other Information” section of our auditor’s report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

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

❶ Accounting treatment of deferred taxes

❷ Financial instruments – Accounting treatment of hedging transactions

❸ Business combinations

❹ Financial instruments – Issuance of a hybrid convertible bond

Our presentation of these key audit matters has been structured in each case as follows:

① Matter and issue

② Audit approach and findings

③ Reference to further information

Hereinafter we present the key audit matters:

❶ **Accounting treatment of deferred taxes**

① In the Company's consolidated financial statements after netting, deferred tax assets amounting to EUR 118.9 million and deferred tax liabilities of EUR 233.5 million are reported. These items are recognized to the extent that the executive directors consider it probable that taxable profit will be available in the foreseeable future which will enable the deductible temporary differences and unused tax losses and interest carryforwards to be utilized. For this purpose, insofar as sufficient deferred tax liabilities are not available, future taxable profits are projected on the basis of the adopted business plan. For the respective group entities no deferred tax assets were recognized in respect of unused tax losses for trade tax to EUR 36.1 million, EUR 46.6 million for corporation tax and interest carryforwards amounting to EUR 25.4 million since it is not probable that they will be utilized for tax purposes by means of offset against taxable profits.
From our point of view, the accounting treatment of deferred taxes was of particular significance in the context of our audit, as it depends to a large extent on the estimates and assumptions made by the executive directors and is therefore subject to uncertainties. In particular, the high number of foreign subsidiaries acquired in previous years and in the reporting year led to temporary differences arising from acquisition accounting. The recognition of the corresponding deferred taxes requires in particular an assessment of the particularities of the respective national tax laws.

② As part of our audit and with the assistance of our internal specialists from Capital Markets & Accounting Advisory Services, among other things we assessed the internal processes and controls for recording tax matters as well as the methodology used for the determination, accounting treatment and measurement of deferred taxes. We also assessed the recoverability of the deferred tax assets relating to deductible temporary differences and unutilized tax losses and interest carryforwards on the basis of internal forecasts of the group entities future earnings situation, and the appropriateness of the underlying estimates and assumptions. With regard to the deferred taxes of foreign subsidiaries, we increasingly involved our internal specialists in the respective countries.
Based on our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors were substantiated and sufficiently documented.

③ The Company's disclosures on deferred taxes are contained in sections 3.13 and 5.8 of the notes to the consolidated financial statements.

❷ **Financial instruments – Accounting treatment of hedging transactions**

① The companies of the Encavis Group use a variety of derivative financial instruments to hedge against currency risks and interest rate risks arising from their ordinary course of its business. The hedging policy defined by the executive directors serves as the basis for these transactions and is documented in the Encavis Group's corresponding internal guidelines. Currency risk arises primarily from revenue and procurement transactions and financing denominated in foreign currencies. Interest rate hedges are entered into for the purpose of not being exposed to variable interest rates. Derivative financial instruments are recognized at fair value as at the balance sheet date. The positive fair values of the total derivative financial instruments used for hedging purposes amount to EUR 1.6 million as at the balance sheet date and the negative fair values amount to EUR 21.8 million. If the financial instruments used by the Encavis Group are effective hedges of future cash flows in the context of hedging relationships in accordance with the requirements of IAS 39, the effective portion of the changes in fair value are recognized over the duration of the hedging relationships directly in equity until the maturity of the hedged cash flows. As at the balance sheet date, a positive cumulative balance amounting to EUR 2.1 million was recognized outside profit or loss as income before taxes on income. We believe that these matters were of particular significance for our audit due to the high complexity and number of onerous contracts as well as the potential impact on earnings resulting from the accounting treatment and measurement.

② As a part of our audit and with the assistance of our internal specialists from Corporate Treasury Solutions, among other things we assessed the contractual and financial parameters and the accounting treatment of the effects on equity and profit or loss arising from the various hedges. Together with these specialists, we assessed, among other things, the established internal control system with regard to derivative financial instruments, including the internal activities to monitor compliance with the hedging policy. Furthermore, for the purpose of evaluating the measurement of the derivative financial instruments at fair value, we also assessed the methods of calculation employed using market data and the underlying data. With respect to the hedging of expected future cash flows, we mainly carried out a retrospective assessment of past hedge effectiveness and an estimate of expected future hedge effectiveness, and assessed the corresponding effectiveness tests. We obtained bank confirmations as at the balance sheet date for the purpose of assessing the completeness of the hedging instruments and the correctness of the fair values of currency and interest rate derivatives. We assessed the appropriateness of the underlying parameters for the measurement and evaluated that these parameters had been sufficiently documented and substantiated. Based on our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors were substantiated and sufficiently documented.

③ The Company's disclosures relating to hedges are contained in section 7 of the notes to the consolidated financial statements.

❸ **Business combinations**

① A total of 10 business combinations were accounted for in financial year 2017. The total purchase price for the acquisitions was EUR 58.2 million after deduction of assumed shareholder loans. The assets acquired and liabilities assumed are generally recognized at their fair value at the date of the acquisition. After taking into account the attributable share of the net assets acquired of EUR 69.1 million, the positive goodwill amounts in total to EUR 10.2 million and a negative goodwill from these business combinations amounts in total to EUR 21.1 million in the financial year. Due to the overall in terms of its amount material impact of these acquisitions on the assets, liabilities, financial position, and financial performance of the Encavis Group and the complexity of the underlying contractual agreements and the measurement with the resulting uncertainties relating to the estimates, these matters were of particular significance in the context of our audit.

② During our audit of the accounting treatment of the company acquisitions, we initially inspected and examined the respective contractual agreements underlying the acquisitions with the assistance of our internal specialists from Valuation & Strategy. Thereby, we reconciled the purchase prices paid by the Encavis Group as consideration for the shares and assets received with the supporting documentation for the payments made provided to us, among other procedures. We assessed the opening balance sheets underlying the aforementioned company acquisitions. We assessed fair values calculated (e.g., fair values of feed-in rights) by by reconciling the key planning assumptions made by the management and the parameters used and the parameters used. Furthermore, we used checklists to establish whether the requirements set out in IFRS 3 for disclosures in the notes to the consolidated financial statements had been complied with in full. Overall, based on these and other procedures performed and taking in consideration the information available, we were able to satisfy ourselves that the acquisition of the respective shares was appropriately presented.

③ The Company's disclosures relating to corporate transactions are contained in section 4.2 to the consolidated financial statements.

❹ **Financial instruments – Issuance of a hybrid convertible bond**

① On 16 September 2017, the Encavis Stage Group issued a hybrid convertible bond amounting to EUR 97.3 million. The hybrid convertible bond is issued in denominations of EUR 100,000 by Capital Stage Finance B.V. and under the subordinate guarantee of Encavis AG. The notes carry a fixed coupon of 5.25% p.a. until maturity; there is no fixed redemption date. The coupon is payable semi-annually in arrears on the respective coupon payment date. The issuer may suspend these payments at its own discretion without defaulting on payment. The creditors have the right until the first possible redemption date in 2023 to convert the notes into shares of Encavis AG at a conversion price of EUR 7.5943 per share fixed upon conclusion of the agreement. The hybrid convertible bond is reported under equity in accordance with IAS 32. The corresponding costs to raise equity were offset with the hybrid bond in equity. Since the classification of convertible notes as equity or debt or partially as equity and partially as debt impacts the Encavis Stage's capital structure (and thus the credit quality as well as the cost of capital for new loans), this matter was of particular significance during our audit.

② As a part of our audit and with the assistance of our internal specialists from Corporate Treasury Solutions, we critically evaluated the terms and conditions for the issuance of the hybrid convertible bond and assessed whether the hybrid convertible bond overall must be classified as an equity or debt instrument at the time of acquisition or if it contains both a financial liability as well as an equity instrument that must be recognized separately. The decisive factor for the disclosure as equity is, in particular, that the issuer has no payment obligation and the conversion ratio for the bearer conversion right was fixed at the beginning of the contract. We have evaluated that there is neither an obligation to repay the nominal amount nor an unconditional obligation to pay the interest. None of the terms and conditions set out in the investment prospectus of the hybrid convertible bond, including any interest premium or conditional interest payment based on a discretionary decision of the Company, constitute a financial liability. Based on our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by executive directors are substantiated and are appropriate overall to classify and recognize the hybrid convertible bond under equity.

③ The Company's disclosures regarding the accounting treatment of the hybrid convertible notes are contained in section 6.11 of the notes to the consolidated financial statements.

Other Information

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

the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section "CORPORATE GOVERNANCE DECLARATION" of the group management report

the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code

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

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 18 May 2017. We were engaged by the supervisory board on 12 July 2017. We have been the group auditor of the Encavis AG, Hamburg, without interruption since the financial year 2016.

We declare that the audit opinions expressed in this auditor’s report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Claus Brandt.

Hamburg, 22 March 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Claus Brandt
Wirtschaftsprüfer
(German Public Auditor)

ppa. Martin Zucker
Wirtschaftsprüfer
(German Public Auditor)

Assurance of the legal representatives

We declare that, to the best of our knowledge and according to the applicable accounting standards, the annual financial statements and consolidated financial statements give a true and fair view of the net assets and financial and earnings positions of the Company and the Group, and that the combined management report and the Group management report include a fair review of the course of business, including the business result, and the situation of the Company and the Group and suitably present the principal opportunities and risks associated with the expected development of the Company and the Group.

Hamburg, March 2018

Encavis AG

Executive Board

Dr Dierk Paskert	**Dr Christoph Husmann**	**Holger Götze**
CEO	CFO	COO

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